

## Greenbucks in Greensboro? An Odd Idea With Some Merit

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### **Article:**

Buying local has long been a goal of those who pay attention to the environmental impact of their shopping decisions. During the Great Recession, the buy-local concept had been adopted by chambers of commerce hoping to reinvigorate sagging local economies by keeping more spending at home.

A local group, the Greensboro Currency Project, is proposing something similar: the establishment of an alternative local currency. Under the plan, scrip would be circulated in the community, good for purchases from participating local merchants or for trades between individuals. The scrip could be used instead of or in combination with dollars, with a set exchange rate between the two.

The GCP hasn't settled on a name for its currency, but one of the names it's tossing around is the Greenbuck. Let's go with that for now. Greenbucks could be purchased with dollars, or, depending on how the program is set up, acquired in exchange for performing various community services. Greenbucks couldn't be spent at Wal-Mart, McDonald's or other national chains.

Alternative currencies are perfectly legal in the U.S., and they have a long history here and elsewhere. Prior to the establishment of the Federal Reserve System in 1913, local currencies augmented poorly backed federal notes. In the 1930s, when economic crisis and severe price deflation struck economies around the world, local currencies made it possible for people to continue to do business with their neighbors.

In recent years, various communities in the U.S. have created local currencies, including upstate New York's Ithaca Hours and western Massachusetts' Berkshares. Down the road in North Carolina, one can find the Pittsboro Plenty.

Of course the big question is why do this. Supporters of local currencies talk about the economic benefits, but those are probably limited. After all, if people want to buy from local merchants, there's nothing to stop them from doing that with dollars.

More importantly, it's not clear that buying local is actually all that great. Or rather, it's not so great when Winston-Salem and High Point start doing the same thing. If all cities turned themselves into economic silos, we'd all be poorer for it. Fortunately, the reality isn't so dire, as buy-local campaigns and local currencies are unlikely to do more than nibble at the edges of consumers' buying habits.

Another economic claim is that while dollars are scarce, a local currency would be plentiful. That might be true to a point, but the currency's convertibility into dollars restricts how generously it can be circulated.

What then is the primary benefit of a local currency? The answer is revealed in the simpler world envisioned by supporters, in which artisans and laborers make exchanges without intermediaries. A Greenbucks program would be more about building community than transforming the economy of Greensboro. It'd be more about social capital than financial capital.

This is reflected in the sparse academic literature on local currencies, most of which is not in economics journals. Researchers have found that local currencies can strengthen social networks, enhance levels of trust, bring marginalized people into more meaningful contact with others, and assign worth to services not easily valued in dollars.

A Greenbucks program could be coordinated with other programs, for example, to provide earning opportunities for the homeless.

The Greenbuck would be no economic panacea, but it seems harmless enough. And with enough buy-in from merchants and consumers, it could help create a more humane and connected community. Sometimes goofy ideas like this can work.