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**Alternative Exchange Systems:  
The Limits of Radical  
Resistance to Neoliberal Hegemony**

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"Whence arose the illusions  
of the monetary system?"  
Karl Marx, *Capital*

**ABSTRACT** Throughout the world, a number of alternative exchange systems (AES) have emerged in the last twenty years as a response to the failures of neoliberal economic policies. In the literature, these systems are often framed as viable alternatives to dominant market systems. Many AES have made, and continue to make, significant contributions to their respective communities by promoting social inclusion, increasing economic power of marginalized individuals, and educating people about alternative economic ideas. Ultimately, however, most systems end up relying on mainstream structures more than subverting them, which raises important questions about the ability of grassroots movements to transform oppressive economic structures.

This paper analyzes three representative alternative exchange systems, including a Local Exchange Trading System (LETS) in the United Kingdom, a community development bank in Northeastern Brazil, and an alternative currency system in New York. Using a Polanyian framework, this paper explores each system's capacity to challenge hegemonic neoliberal structures. The results suggest that systems often successfully decommodify money, but still struggle to fully re-embed economic exchanges into social relations. AES are ultimately limited by the pervasiveness of neoliberal hegemony throughout the world. To create long-term change for society and effectively subvert neoliberal ideals, alternatives to neoliberalism must engage with mainstream structures to achieve ideological change at the institutional level.

## INTRODUCTION

Since the 1980s, the international spread of neoliberal economic policies including cuts in social spending, widespread privatization, and trade liberalization has led to increased socioeconomic inequality, weakened democracy, environmental degradation, and economic instability throughout the world. Neoliberal policies are founded on a number of socially constructed beliefs about markets and money, all of which prioritize profits and economic growth at the expense of basic human needs. Recently, systems that challenge neoliberal hegemony have emerged in response to the many economic crises throughout the world in the last twenty years. Numerous and diverse alternative exchange systems exist in hundreds of cities throughout the world today. The scope, goals, and methods of each system are unique, but all systems exist for the same reason -- they are responses to the failures of the neoliberal economic policies listed above.

Of interest for this paper are systems that use currency as their medium of resistance. These alternative exchange systems (AES) seek to limit their participants' reliance on mainstream, national currencies by using an alternative currency that can only be exchanged within a local community. By changing the money form, systems call into question mainstream ideas about value, labor, and money. Further, systems expand their participants' access to resources and promote social inclusion by facilitating local networks of exchange and interaction. These systems are often considered significant challenges to mainstream economic thought. This paper explores the extent to which this is true. Do AES actually subvert hegemonic neoliberal structures?

This paper will focus on three representative examples of contemporary alternative exchange systems throughout the world, including a Local Exchange Trading System (LETS) in the United Kingdom, the Banco Palmas community development bank in Northeastern Brazil, and the Ithaca HOURS community currency system in New York. Using economic historian Karl Polanyi's discussions of markets and society as a framework, each of the three case studies is evaluated in its resistance to three tenets of modern neoliberal capitalism, as adapted from Polanyi: the commodification of labor, land, and money; the centralization of economic control; and the exclusion of social groups or individuals from resources. The results suggest that AES systems make significant contributions to their respective communities by promoting economic diversity, decentralizing economic decision making, and educating the public about potential alternatives to neoliberalism. But these benefits are often limited in scale and magnitude, and AES ultimately rely heavily on hegemonic structures even as they provide real material and ideological benefits to their members.

This paper argues that by nature of their scope, AES will necessarily be limited by hegemonic structures. Local communities do have the ability to construct new perceptions of money and markets, but to be sustainable in the long-term, these transformations in thought and practice must be expanded to mainstream institutions.

## A HISTORY OF ALTERNATIVES TO CENTRALIZED CURRENCY

Modern alternative exchange systems fit into a long history of resistance to centralized, homogenous currency systems, which are a relatively recent innovation. Prior to the emergence of national currencies in the nineteenth century, international monetary systems were defined by heterogeneity. Eric Helleiner describes many reasons for this; first, in many countries, foreign currencies were widely accepted in addition to domestically issued currencies. Second, it was very common for local towns and merchants to issue and use their own low-denomination coins for local exchanges. Finally, within localities, the distinction between formal and informal money was very ambiguous, and even formally issued money was rarely homogenous due to inconsistencies in production.<sup>1</sup> In the nineteenth century, national authorities began to challenge this heterogeneity in a deliberate, painstaking process intended to consolidate power of the nation-state, reduce transaction costs, and establish clear national identities. The process to standardize minting processes, address issues of counterfeit currency, and establish centralized bank systems occurred at different paces in different countries, but Helleiner identifies 1914 as the year by which most of Western Europe, the United States, and Japan had completed the process of homogenizing national currencies. Thus, national currencies are “quite a recent historical phenomenon”<sup>2</sup> and are not a result of natural evolution but of social construction.

This socially constructed process has historically been the subject of much critique, of which modern alternative exchange systems are but one example. The original process to nationalize currencies was highly controversial, and remains a contested process today. Skeptics of state power resist the idea of a “money monopoly” controlled by centralized governments. Many free market economists contest centralized money for reasons related to inflation, employment, and circulation of money. They propose a self-regulating system in which market participants are given the opportunity to compete for capital. The most prominent scholar to question a centralized money system for these reasons was Austrian-born economist Friedrich Hayek. In his books *The Road to Serfdom* and *The Denationalization of Money*, Hayek argues against central economic planning. In its place, he argues for a heterogeneous, competitive currency market within countries. One of his central arguments is that the public should not trust the government to control money and banking in a way that benefits the general populace.

Hayek’s argument that markets are socially constructed by those in power is particularly important. He writes, “...I do not think it an exaggeration to say that history is largely a history of inflation, and usually of inflations engineered by governments and for the gain of governments.”<sup>3</sup> He believed that Keynesian economic policies of the 1930s and 1940s, which involved significant government intervention, were disastrous. In response, he and others who shared his sentiments began meeting to construct their own economic paradigm, which advocated individual

<sup>1</sup> Eric Helleiner, *The Making of National Money: Territorial Currencies in Perspective* (Ithaca, N.Y.: Cornell University Press, 2003), 23-28.

<sup>2</sup> Helleiner., 40.

<sup>3</sup> F.A. Hayek, *Denationalisation of Money: The Argument Refined* (London: Institute of Economic Affairs, 1978), 30.

freedom in the place of state control. As it developed, this return to classical economic ideas would come to be known as neoliberalism.

## THE RISE OF NEOLIBERALISM

Jamie Peck points to 1947 as the formative year of neoliberal thought, when Hayek, Milton Friedman, and other soon-to-be prominent neoclassic economists first began anti-state discussions in the Mont Pelerin Society, an international organization of economists formed in resistance to the rise of Keynesian economics during the Great Depression. The free-market ideology discussed at these initial meetings would later gain a much wider audience in the 1960s via economists trained at the Chicago School of Economics. This ideology gained international institutional legitimacy in the 1970s and 1980s under Pinochet in Chile, and later under Thatcher and Reagan, who implemented unprecedented deregulation of financial markets, massive cuts in state spending on social services, and extensive privatization of industry. The Washington Consensus then spread these policies beyond Western developed nations to the developing world under structural adjustment programs enforced by international development agencies.<sup>4</sup>

The idea of neoliberalism is, in its essence, a contradiction, requiring significant state intervention to construct a system whose goal is freedom from state intervention.<sup>5</sup> Marcellus Andrews highlights common critique of neoliberalism particularly eloquently: "Indeed, the classical [economic] liberal goal of the past thirty years was not so much the end of government involvement in the economy as it was the recruitment of government to the task of liberating capital from its responsibilities to society – especially workers and citizens."<sup>6</sup> This interpretation of neoliberalism is common in economic-sociological literature, in which neoliberalism is used to broadly represent modern capitalism's prioritization of capital accumulation, profit, and economic growth over human needs. Although perspectives on neoliberalism are far from unified, it is this representation of neoliberalism that serves as the foundation for this paper.

In recent years, modern scholars have revived the work of Hungarian economic historian Karl Polanyi as a reference for interpretation of modern neoliberal hegemony. In *The Great Transformation* from 1944, Polanyi argues that the misguided promotion of the idea of "self-regulating markets" in the nineteenth century led to a number of social and economic problems; many of his discussions are extremely applicable to modern day neoliberalism. Of particular interest for our purposes is Polanyi's idea of embeddedness, which is now a central concept in economic sociology. He writes about the significance of *laissez-faire* economics in eroding social relationships: "... the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are

<sup>4</sup> Jamie Peck, *Constructions of Neoliberal Reason* (Oxford: Oxford University Press, 2010), 2-15.

<sup>5</sup> *Ibid.*, 1-4.

<sup>6</sup> Marcellus Andrews, "Burying Neoliberalism," *Dissent* (Summer 2009): 62.

embedded in the economic system.<sup>7</sup> This backwards relationship began when things that were not created to be sold — land, labor, and money — became part of the market system. Polanyi calls these the “fictitious commodities,” and he argues that their commodification forces individuals to make decisions based on market mechanisms, and leads to destruction of both the environment and social relationships in society. Today, this transformation of social values to fit into the market system is reflected in the neoliberal mentality. John Vail nicely summarizes the shared sentiment of many opponents of neoliberalism: “After three decades of market triumphalism, it has become a commonplace that we live in a world where the market is becoming ever more hegemonic in everyday life.”<sup>8</sup>

In addition to embeddedness and decommodification, scholars have frequently applied Polanyi’s idea of the “double movement” to modern neoliberalism, using it as a lens for analyzing two phenomenon that occur in capitalist systems. First, scholars have used the idea of the double movement to describe the simultaneous rise of both deregulation at the macro level and social welfare systems needed to account for this deregulation. The second phenomena suggested by the double movement is the extensive planning required for international markets of any kind -- especially “free” ones -- to function, planning which is concentrated in central banks and national governments. “[State] regulation and markets, in effect, grew up together,”<sup>9</sup> Polanyi argues, expressing the paradoxical ideal of self-regulating markets. Applying this concept to today, Peck writes, “Neoliberalism’s curse, as we have argued, has been that it can live neither with, nor without, the state.”<sup>10</sup> Here, Peck is discussing the complex dynamic between deregulation and regulation that characterizes the neoliberal era; an example of this dynamic is the recent revival of Keynesian economic policies following the international economic crisis in 2007-8, which many argue was a result of too much deregulation in the 1980s. Gareth Dale further reinforces this idea when he describes the recurring cycles of marketization and subsequent countermovements that have occurred throughout history.<sup>11</sup>

Alternative exchange systems are one such countermovement to the marketization of the 1980s. Eric Helleiner frames local currency systems as one example of many anti-neoliberal movements that seek to bring economic control to the local level. His perspective brings several useful ideas to our discussion. First, he distinguishes contemporary movements from historical movements: “Supporters of local currencies today by contrast are part of a more sustained transnational movement that aims to use this monetary structure as a tool for permanent social change,”<sup>12</sup> rather than a temporary response to economic crisis, which characterized many twentieth century local currency systems. Helleiner goes on to conclude that, at least in theory, local currency movements have the potential to subvert the following key neoliberal goals: 1) promote the

<sup>7</sup> Karl Polanyi, *The Great Transformation* (Massachusetts: Beacon Press, 2001), 60.

<sup>8</sup> John Vail, “Decommodification and the Egalitarian Political Economy,” *Politics & Society* 38 (2010): 310.

<sup>9</sup> Polanyi, 71.

<sup>10</sup> Peck, 65.

<sup>11</sup> Gareth Dale, *Karl Polanyi: The Limits of the Market* (Cambridge: Polity Press, 2010), 227.

<sup>12</sup> Eric Helleiner, “Think globally, transact locally: Green political economy and the local currency movement,” *Global Society* 14, no. 1 (2000): 39.

expansion of economic markets into everyday life; 2) de-politicize economics; and 3) promote individualistic identities.<sup>13</sup>

Like Helleiner, Peter North has written extensively on the liberating potential of alternative exchange systems in a contemporary context. He explores the benefits that community exchange systems can bring to society, framing his analysis with the global neoliberal structures that limit the potential of micropolitical movements to incite lasting change. He questions the ability of grassroots movements to subvert neoliberal structures, referencing Marx and Engels, who called for full-fledged revolution and criticized micropolitical resistance. Despite this, he concludes that today, the liberating potential of alternative exchange systems is much greater than in the past, largely because political repression is considerably less than it was in the nineteenth or even twentieth centuries. Repression still exists, of course, but the nature of this repression has changed. North writes:

Repression is no longer in the form of armed bodies of men, but is found in structuring discourses of the need for financial stability, the war on terror, and technologies of surveillance and categorization ... Our modern utopians may be ridiculed, but they were not ... attacked by the same forces that were the utopians of the nineteenth century, presumably because arrogant neoliberalization sees itself as the only real game in town.<sup>14</sup>

Here, North articulates the unique challenges that countermovements like alternative exchange systems face when up against neoliberalism. Is it possible to subvert the neoliberal “structuring discourse” that North describes using localized alternative systems of exchange? Or are Marx and Engels correct in arguing that total revolution is necessary for change to occur?

## THE SOCIAL CONSTRUCTION OF MARKETS

From the discourse of dis-embedding and commodification, we gain a picture of modern society in which markets completely dominate economic life -- an image that is perhaps not too far from reality. But scholars since Polanyi have gone beyond his framework to question the extent to which markets are truly disembedded from social relationships; they argue that all markets are the result of human desires and choices. As an antidote to modern discourse that reifies the “market” to an untouchable position, their views are encouraging to advocates of alternative exchange systems in that they speak to some part of the world that is not run by money and other commodified resources.

Theorists since Smith, and probably before him, have problematized money and defined it as an inherently anti-social reality of modern life. In 1994, sociologist Viviana Zelizer posed the first major challenge to this mentality. Marx argued that money in a capitalist economy conceals the social value inherent in all exchanges, resulting in the fetishism of commodities at the expense of human needs. In *The Social Meaning of Money*, Zelizer questions the extent to which this is true by applying sociological analysis to money and currency, a field formerly limited to

<sup>13</sup> *Ibid.*, 37.

<sup>14</sup> Peter North, *Money and Liberation*, (Minneapolis: University of Minnesota Press, 2007): 181.



economic analysis. Zelizer explores how, even within homogenous formal monetary structures, people of all eras and cultures apply a variety of heterogeneous social meanings to this seemingly uniform currency.<sup>15</sup> In most economic models, the reality of standardized, centrally-controlled national currencies is taken as a basic assumption. Sociological analysis, on the other hand, requires consideration of the contentious political climates that led to standardized money systems, thereby subverting the perception of money systems as necessarily objective and concrete. This suggests that alternative exchange systems do have the capacity to construct new conceptions of money and markets at the local level.

Zelizer draws from Polanyi, whose discussions of "special-purpose money" inform her interpretation of money as a social institution. The primary difference between the two theorists is that Polanyi argues that the strength of market capitalism and market psychology ultimately triumphs over individuals' efforts to reapply personal meaning to economic exchange; Zelizer, on the other hand, forcefully dispels fears that globalization is homogenizing world cultures and commodifying all aspects of human life. She writes, "The vision of society fully transformed into a commodity market is no more than a mirage ... as long-distance connections proliferate, for individuals everywhere life and its choices become more, rather than less, intricate."<sup>16</sup>

In support of this Zelizean perception of money is another economic sociologist, Greta Krippner. She argues that in the last two decades, Polanyi's idea of embeddedness has evolved into a justification that sociologists use to evade discussing what markets actually *are*. In defining modern markets as disembedded from social life, many theorists overlook the complexity and concreteness of market economies. She echoes Zelizer's conviction that markets are never divorced from social influence as she writes about the current state of economic sociology:

No longer did the concept [of embeddedness] reference -- as in Polanyi's formulation -- the fluid mixing of social objects in a way that defied disciplinary boundaries, but rather the concept was used to envelope and submerge the asocial market construct in social relations, all the while preserving intact the notion that somewhere there was a hard core of market behavior existing outside of social life.<sup>17</sup>

Thus, Krippner is not so much critiquing Polanyi as she is application of him in contemporary analyses, which, in problematizing the market, often avoids confronting it.

Her critique of the abstract, mystifying discourse surrounding embeddedness has important implications for our discussion of alternative exchange systems. If, as Marx argues, money is much more than a mere symbol, then it would seem that changing this money form is the best method of expanding human freedom and well-being. But what if the current money form is not as anti-social as modern decommodification theorists imply, and is in fact constantly being filled with a variety of social meanings? Marx suggests elsewhere in *Capital* that products become

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<sup>15</sup> Viviana A. Zelizer, *The Social Meaning of Money* (New York: Basic Books, 1994).

<sup>16</sup> Zelizer, 215.

<sup>17</sup> Greta R. Krippner, "The elusive market: Embeddedness and the paradigm of economic sociology," *Theory and Society* 30 (2001): 777-78.

“social hieroglyphic[s]” via the value that humans give them.<sup>18</sup> If all money forms reflect the human values that created them, then can creating new forms actually transform human nature?

Our three case studies test this question. Can alternative exchange systems stand up against neoliberal ideology by allowing communities to imbue money with locally relevant values? Or are dominant ideas about markets so deeply embedded that grassroots movements alone will necessarily fail to transform them?

## CASE STUDIES

Given the pervasiveness of neoliberal ideology, but also the possibility that money and markets are subject to social control, how effective are our three case studies in challenging neoliberal hegemony? In practice, systems are limited by many challenges, including legal battles, low participation rates, low trade volumes, and a lack of trust within the community. This is not surprising given the difficult work of grassroots movements and community development, no matter the mission. Many scholars have explored ways for AES to improve their methods at the logistical level. This paper, however, aims to evaluate the potential of AES more broadly; taking practical concerns into consideration, but focusing on the ideological, this section will examine the ability of alternative exchange systems to subvert neoliberalism.

This examination uses three case studies. These three alternative exchange systems were chosen for common features; they all use a paper or digital currency as their medium of dis-course, are organized at the grassroots level, and are limited to a specific local community. However, each system is distinct in its goals, demographic, and historical context, making comparison useful in our exploration of the capacity of alternative systems to challenge neoliberalism.

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<sup>18</sup> Karl Marx, *Capital: A Critique of Political Economy*, (Chicago: C.H. Kerr & Co., 1906-9), 85.

Table 1. Overview of Case Studies

	Location	Years Active	Goal	Population Served	Method of Alternative Exchange
Local Exchange Trading System (LETS)	Manchester, United Kingdom	1992-2005	create a heterogeneous economic system, which limits power of hegemonic system	550 members of Labour Party, Green Party, and DIY movements from throughout city	alternative digital currency ("bobbin"), valued and issued by users themselves
Banco Palmas	Fortaleza, Brazil	1998 -	increase economic power of historically marginalized community	30,000 poor residents of peri-urban neighborhood	social currency ("Palma"), valued against national <i>real</i> , accompanied by professional training and consumption mapping
Ithaca HOURS	Ithaca, United States	1991 -	promote local business and build community	2,000 middle to upper-middle class residents of mid-sized college town	alternative paper currency ("HOUR") issued by local committee

Local Exchange Trading Systems (LETS) are one of the most popular models for alternative exchange systems in the world. Since their development in 1982 by Michael Linton they have served as a blueprint for countless systems internationally. The first LETS was implemented in Comox Valley, Vancouver, B.C. in Canada, and the model soon spread internationally. Today, the majority of LETS are located in the United Kingdom. The ideology behind the system is fairly straightforward. Linton viewed national currencies as largely flawed and limiting; however, acknowledging that money is necessary to address a lack of "coincidence of wants" in human exchanges, Linton worked to design his own money system that would be more effective, based on principles of cooperation, self-regulation, and empowerment.<sup>19</sup>

Currently, between 100 and 200 LETS exist in the United Kingdom alone.<sup>20</sup> Each system varies considerably from Linton's original blueprint, and reflects the values and interests of the community it is situated in. This paper will focus on one of the most successful and commonly researched LETS, located in Manchester, which was active from 1992-2005. At its height, it was one of the largest of all LETS in the U.K., with 550 active members. The system was a city-wide network that connected people from a range of backgrounds, including Quakers, Labour Party members, Green Party members, and many participants in local do-it-yourself (DIY) movements.

The basic structure of the system is simple. It operates using the bobbin, which is both issued and valued by users on a case-by-case basis. Bobbins are not a paper currency, but are

<sup>19</sup> LETSystems: The Home Page. <<http://www.gmlcta.u-net.com/>>.

<sup>20</sup> LETS Link UK. <<http://www.letslinkuk.net/>>.

kept track of in a digital system that users can access online. Upon joining, users are listed in the LETS database. From here, they can connect with others in the system, matching supply with demand for goods and services that are listed in the database. When users sell something to another user, they are credited how ever many bobbins the traders agreed on. Next time they go to make an exchange, they have access to this many bobbins. Beyond this basic model, users are free to use the system however they would like. Some users continue to exclusively use bobbins for exchanges, while others stop using currency altogether and use the system more as a network to facilitate direct bartering of goods and services.<sup>21</sup>

The next case study is Banco Palmas, a community development bank located in North-eastern Brazil. It is situated in the Conjunto Palmeiras neighborhood, a historically marginalized peri-urban neighborhood on the edge of the metropolitan area of Fortaleza. The neighborhood formed in the 1970s when 1,500 low-income families were displaced after their land was bought up by developers of Fortaleza's rapidly expanding tourist industry. In their new neighborhood, residents were forced to fight for access to electricity, plumbing, and basic sanitation. In 1981, local leaders formed the Conjunto Palmeiras Residents' Association (ASMOCONP in Portuguese). The association cooperated with non-governmental organizations, government projects, and international aid projects. Together, they drastically improved the basic infrastructure infrastructure in the community. Socio-economic power of individual residents in the community, however, was much slower to develop, and most community members remained marginalized from the mainstream Brazilian economy.

To address poverty and economic underdevelopment, the ASMOCONP planned to open a community bank, which was inaugurated as Banco Palmas in 1998. Banco Palmas emerged as a development organization that loaned *reais* (the national Brazilian currency) to members of the community in need. In many ways, it resembled a microcredit initiative more than an alternative exchange system.<sup>22</sup> However, within just a few years, the organization began issuing a local paper currency called the "Palma" to promote more local, community-based development. Palmas can be used only within the neighborhood of 30,000 residents, and are accepted at most local businesses in Conjunto Palmeiras. From the bank, residents can receive interest-free loans of Palmas or mainstream *reais*. These loans require no credit history, but are given to trustworthy residents based on their reputation in the community. Organizers consider it a system of "economic solidarity" and call the Palma a "social currency," emphasizing values of cooperation and community support. Organizers view these values as oppositional to mainstream economic systems. Oliveira et al. summarize the motivation behind this resistance: "[Traditional] economic development concentrates wealth in a minority ... there is a need to promote other development styles, in which the local level is valued, community spaces are reconstituted, and micro-

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<sup>21</sup> North, 80-83.

<sup>22</sup> Although the system is sometimes considered a microcredit program, it was chosen for this study for three reasons: first, it does use a local paper currency that circulates; second, unlike many microcredit initiatives, the bank was developed and implemented by residents themselves, not by an outside initiative or by the government; and finally, it expresses explicit resistance to neoliberal economic structures.

development models and alternatives can oppose the hegemonic macro model.<sup>23</sup> This language emphasizes the resistance to dominant systems found in each of our case studies.

The implementation of the social currency was complemented by two other development mechanisms: professional career training for residents and production/consumption mapping. Combined, these three mechanisms comprise what the founders consider an “integrated” approach to economic development. They aim to promote a self-sufficient community within Conjunto Palmeiras, in which residents are trained to produce necessary items (including clothing, personal hygiene products, and cleaning products) that are then sold back to the community at local businesses. Additionally, feelings of solidarity among community members are promoted through public spaces that host women’s group meetings, community classes, public forums, and musical concerts.

The third and final case study is the Ithaca HOURS community currency system in Ithaca, New York. This system uses a paper currency called the HOUR, which is only accepted in the Ithaca area. HOURS are roughly equivalent to \$10 (the living wage in Ithaca when the program started), but are treated essentially like mainstream money, with one exception: no interest can be charged on loans. HOURS are issued by a local volunteer committee to businesses, organizations, or individuals; people pay US\$10 for a listing in the HOURS registry, which officially enters them into the system. With this, they also get two HOURS (worth US\$20). The paper currency then works its way into circulation in the community.

Today, there are approximately US\$130,000 worth of HOURS in circulation, with around 2,000 participants in the system. This number is much larger today than ten years ago as result of the economic crisis in 2007, which led many community members to seek out an alternative to mainstream dollars, which they lacked.<sup>24</sup> The primary goal of the HOURS system in practice is the promotion of local businesses. However, the system’s mission statement also emphasizes a number of social concerns: “Ithaca Hours is a local currency system that promotes local economic strength and community self-reliance in ways which will support economic and social justice, ecology, community participation and human aspirations in and around Ithaca, New York.”<sup>25</sup> The following section will begin analysis of these case studies’ capacity to subvert neoliberal economic structures.

## EVALUATION OF CASE STUDIES

This paper uses Polanyi’s concepts in *The Great Transformation* as a framework for evaluating each case study’s effectiveness in subverting neoliberalism. This section adapts Polanyi’s concepts of embeddedness and commodification into three broad methods of challenging neoliberalism: decommodification of labor, land, and money; decentralization of economic

<sup>23</sup> Simone Helena dos Santos Oliveira, et al., “Strategies to Combat Poverty and Their Interface with Health Promotion,” *Revista Latino-Americana de Enfermagem* 15 (Oct. 2007): paragraphs 1-15.

<sup>24</sup> “Ithaca HOURS.” YouTube video. Posted 15 August 2010. <<http://www.youtube.com/watch?v=Jy2nCHX36lI>>.

<sup>25</sup> “Ithaca HOURS.” <<http://www.ithacahours.org/>>.

control; and promotion of social inclusion. Each case study is evaluated in each of these areas, beginning with the decommodification of labor.

### *Decommodification of Labor*

Polanyi critiques the nineteenth century development of a labor market, which he considers a foundational tenet of laissez-faire economics. He describes the commodification of human labor in *The Great Transformation*: "To separate labor from other activities of life and to subject it to the laws of the market was to annihilate all organic forms of existence and to replace them by a different type of organization, an atomistic and individualistic one."<sup>26</sup> This focus on the relationship between labor and markets is strongly rooted in Marxist thought, which argues that in capitalist economies, it is the labor of workers that generates capital. Capital owners earn profit by paying their workers less than what the product will be sold for, which creates a "surplus value" that capital owners then keep. Marx considered this relationship between producers and laborers highly exploitative. Today, the labor market remains a central facet of modern capitalism, and many would argue it is increasingly anti-social. Marcellus Andrews echoes Marxist views as he critiques the modern neoliberal system of production for its dehumanization. He argues that "[h]uman beings, from birth to death, must be treated as the purpose of economic activity rather than the means by which owners create wealth."<sup>27</sup> Clearly, any system that seeks to challenge neoliberalism must include a reform of or alternative to capitalist divisions of labor and exploitative forms of production.

The Manchester LETS challenges this paradigm by revealing the subjectivity of the value of labor. Because users decide what to pay laborers for their services in the system, they are forced to consider what the person's work is really worth. Although wages for services are likely inspired by wages in the mainstream Manchester economy, the very freedom that the system offers is in itself subversion of neoliberalism. In North's words, "[E]nabling individuals to issue their own money to others in order to meet their needs . . . fundamentally cuts against capitalist labor discipline. Enabling people to avoid selling their labor power in disadvantageous exchange relationships is far from value free. In fact, it is micropolitical dynamite."<sup>28</sup> Beyond just the freedom to value labor as they please, participants in the system often know each other and exchange with one another frequently, increasing the likelihood that they will value one another's labor in a respectful, non-exploitative way.

Like the LETS, the Ithaca HOURS system also works to challenge the asocial valuing of human labor that regularly occurs in hegemonic systems. Although HOURS hold a fixed value for all users, because the HOURS circulate only in the local market, the "going rate" for labor is determined by community members, and not by a hegemonic, international system. When operating primarily within a national currency system, producers are constrained by market prices

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<sup>26</sup> Polanyi, 171.

<sup>27</sup> Andrews, 61.

<sup>28</sup> North, 86.

and thus, in order to be successful, must seek to pay their employees as a low a wage as possible. At the local level, however, individual producers are closer to economic decision-making and therefore are, through collaboration, more able to ensure that workers are paid livable wages. Although a limited number of businesses that use Ithaca HOURS pay their employees in HOURS, these transactions do occur in limited numbers.<sup>29</sup>

While these systems do much to challenge capitalist commodification of human labor, in some ways the systems either fail to challenge it, or even reinforce this commodification. Statistics about Ithaca HOURS suggest that the HOURS economy benefits goods and service providers much more significantly than it does consumers or laborers. Indeed, the rhetoric of the system on the website and in promotional materials focuses on supporting local business owners above any other goals. As consumers, only 41% of participants reported gaining increased access to goods and services.<sup>30</sup> Importantly, however, the system does assist many small business owners as opposed to large ones.

Banco Palmas also reinforces the neoliberal division of labor into capitalists and laborers. However, unlike the HOURS system, Banco Palmas explicitly aims to increase the economic power of both capitalists *and* consumers.<sup>31</sup> In fact, materials distributed by Banco Palmas critique models like the one used by Ithaca HOURS, which aims primarily to assist small business owners; Banco Palmas organizers write that "the first step to cope with the income creation problem in a popular neighborhood is not to invest in production, but to organize consumers."<sup>32</sup> Yet, while it is important that Banco Palmas works to assist diverse strata of society, it is still unable to truly subvert neoliberal conceptions of production. The second of Banco Palmas's three strategies for poverty reduction is job training. The extensive program it utilizes emphasizes training unemployed laborers to become employees in the mainstream economy. Thus, it does not offer a new vision for relationships between production and consumption, but prepares workers to cope in failing, pre-existent systems, in many ways fulfilling the role of a welfare institution.

In *The Great Transformation*, Polanyi observes the simultaneous rise of self-regulating markets alongside social safety nets required to account for their failures. He argues that these social safety nets do not subvert, but rather enable hegemonic structures. Our question, then, should be this: in their struggle to subvert the status quo, do alternative exchange systems enable labor commodification rather than challenge it? Gareth Dale, interpreting Polanyi, writes of the relationship between welfare institutions and the commodification of human labor:

Welfare institutions are not a break from but a supportive framework for an economic system based upon commodified labor power, with social policy acting to incorporate the working classes into the wage-labour relation and the state. The evolving crisis about which Polanyi was concerned was of capitalism and not merely of its liberal form -- for

<sup>29</sup> Jeffrey Jacob et al., "The Social and Cultural Capital of Community Currency: An Ithaca HOURS Case Study Survey," *The International Journal of Community Currency Research* 8 (2004): 45.

<sup>30</sup> *Ibid.*, 51.

<sup>31</sup> Jayo et al., 10.

<sup>32</sup> Oliveira et al., paragraph 19. Translated from Portuguese by authors.

even a regulated capitalism cannot overcome the cultural contradictions between habitat and improvement, society and economy.<sup>33</sup>

Under this framework, each of our case studies struggles to transform capitalist production structures into more equitable systems, and ultimately patches a wound rather than healing it. This does not indicate that the work of AES to decommodify labor is not important and well-intentioned, but rather that neoliberal conceptions of labor are so pervasive that any grassroots system will necessarily struggle to confront them.

### *Decommodification of Land*

Alongside labor, Polanyi considered land one of the three fictitious commodities. Writing in 1944, his critique of the environmental degradation caused by unregulated market systems predated the first United States environmental movement by thirty or so years; although his discussion of the relationship between markets and nature spoke more about land and property rights than ecological damage *per se*, his insights about the dangers of commodifying nature remain incredibly valuable when applied to the modern environmental movement. Polanyi writes here about the central importance of land to humans and the capitalist destruction of this bond:

The economic function is but one of many vital functions of land. It invests man's life with stability; it is the site of his habitation; it is a condition of his physical safety; it is the landscape and the seasons. ... And yet to separate land from man and to organize society in such a way as to satisfy the requirements of the real-estate market was a vital part of the utopian concept of a market economy.<sup>34</sup>

In response to this, an important concern of many AES systems is the decommodification of land. Most AES are linked in some way to environmental movements, although to varying extents. In our three case studies, the HOURS system and Banco Palmas are not explicitly environmentally active. For example, although Ithaca HOURS mentions support of ecology as a goal in its mission statement, it does little to realize this goal in practice. In the case of Banco Palmas, environmental needs are not prominent in the system's ideology nor practice; it is likely that this is due to the fact that the other two systems are located in relatively affluent communities, while the residents of Conjunto Palmeiras are concerned with meeting basic needs and thus are nowhere near over-consuming, nor are they producing as much pollution or waste as developed areas of the world.

Of these three systems, the LETS most obviously addresses issues of environmental concern, in theory and practice. Michael Linton, the LETS founder, writes on the LETS Home Page that mainstream money systems result in a lack of sustainability due to intentional ignorance of externalized costs, a description that accurately sums up many AES members' attitudes towards the issue: "When a community relies only on conventional money, it is driven to patterns of pro-

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<sup>33</sup> Gareth Dale, "Social Democracy, Embeddedness and Decommodification: On the Conceptual Innovations and Intellectual Affiliations of Karl Polanyi," *New Political Economy* 15, no. 3 (Sept. 2010): 372-373.

<sup>34</sup> Polanyi, 187.



duction and consumption of natural resources which are internally and externally destructive.”<sup>35</sup> In practice, many members of the LETS system are members of the Green Party in Manchester who joined the system to find more ecologically sustainable avenues for exchange. In a study, participants identified three specific goals promoted by LETS that they considered also integral to the natural world: diversity, interdependence, and resilience. These participants viewed LETS as a facilitator for “greener” economic activities, by reducing consumption and growth through reuse of goods and the sharing of everyday items. Importantly, many holders of this view take for granted a positive correlation between localization and environmental sustainability, a view that requires interrogation but which is outside the scope of this paper.<sup>36</sup>

Using a strict interpretation of Polanyi’s concept of land commodification, one might argue that to effectively decommodify land, an AES system must challenge the inequitable distribution of land that occurs in systems based on private property and capital accumulation. Using this analysis, none of these case studies challenges the direct relationship between land ownership and economic power in neoliberal systems, and thus does little to subvert neoliberalism in this sense. Each of the three systems does create the potential for participants to pay rent to landowners in the alternative currency, but this is a form of exchange that, although appears to happen occasionally in each of the systems, does not occur frequently enough nor is facilitated enough by the systems to be considered a significant subversion of land commodification.

#### *Decommodification of Money*

Alternative exchange systems work to challenge many concepts surrounding money, value, and exchange, in particular the commodification of money. Interestingly, most scholarship on AES takes for granted what money is. This seems problematic given that any critique of neoliberalism inherently involves a critique of money as a social institution. While many scholars acknowledge the work of Smith, Marx and other economic theorists who grapple with the idea of money itself, philosophical discussions are often brief. As Peter North observes, “[d]ebates about money are thus more likely to focus on its effects than on money itself.”<sup>37</sup> Most authors end up abandoning the difficult terrain of defining money and explore economic problems using conventional terms of analysis such as inflation, employment, development, and growth. Taking a step back, this section problematizes money in and of itself and explores how alternative exchange systems seek to decommodify it through two methods: removing interest from money and deconstructing value.

Any discussion of money commodification should begin with Marx. In *Capital*, Marx coins the phrase “commodity fetishism” to describe the complex relationship between people, money, and the products they exchange. Commodity fetishism refers to the expression of real, human relationships as mystified relationships between inanimate objects. Through value, all exchanges of goods or services are imbued with social meaning, Marx argued. He writes that “it

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<sup>35</sup> LETS Home Page.

<sup>36</sup> North, 90.

<sup>37</sup> North, 1.

is value ... that converts every product into a social hieroglyphic."<sup>38</sup> But when money is commodified and then fetishized, real social relationships are distorted and obscured via the money form. Marx argues that the capitalist money form "actually conceals, instead of disclosing, the social character of private labour, and the social relations between the individual producers."<sup>39</sup> This occurs as a result of many capitalist mechanisms, most importantly the accumulation of wealth through interest payments on money.

Interest on money allows the accumulation of capital over time, and encourages people to accumulate money not because it functions as a medium of exchange, but because in its commodified state, money itself is valuable. Anarchist and early local currency advocate Silvio Gesell drew a direct link between the commodification of money and its ability to accrue interest. In *The Natural Economic Order* from 1929, he considers the abandonment of interest a necessary step toward social justice: "Let us, then, make an end of the privileges of money. Nobody, not even savers, speculators, or capitalists, must find money, as a commodity, preferable to the contents of the markets, shops, and warehouses. If money is not to hold sway over goods, it must deteriorate, as they do."<sup>40</sup> Here, Gesell connects Marxist questioning of value to the issue of money.

To combat interest, most AES systems -- including all of the case studies analyzed here -- prohibit interest from being added to loans or savings, to promote a high velocity of currency circulation. Without interest, money is acquired so that it can be further circulated within the community, not its own sake. In the LETS case, money is further decommodified because it is unlimited in quantity. Because users create bobbins themselves, there is never a scarcity of bobbins in the community. In Polanyi's view, this makes money a pure medium of exchange and not a commodity desired for its own sake.

Alongside resistance to capital accumulation, AES have the potential to challenge pervasive capitalist ideas about value. Marx, as interpreted by Peter Kennedy, argues that the most important function of money is its role as a "store of value."<sup>41</sup> Clearly, how money is valued is very important. In contemporary market society, currencies are supposedly given values according to principles of supply and demand, which are in reality heavily influenced by elite economic actors. While value is socially constructed in all markets, in hegemonic mainstream systems the agents involved in this construction include a very elite circle of individuals, including national governments, central banks, and corporate leaders. This results in difficulty for those at the bottom end of the economic system, because the value of their money, which is determined at the top, is largely separate from the trade that it represents in their daily lives. AES seek to align the value of money with the actual goals, needs, and desires of the community.

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<sup>38</sup> Marx, 85.

<sup>39</sup> Marx, 87.

<sup>40</sup> Silvio Gesell, *The Natural Economic Order*, 1929. Accessed online <[http://wikilivres.info/wiki/The\\_Natural\\_Economic\\_Order/Part\\_1/Introduction](http://wikilivres.info/wiki/The_Natural_Economic_Order/Part_1/Introduction)>, Part I, Chapter I.

<sup>41</sup> Peter Kennedy, "Commodity and symbolic money in capitalism," in *What is Money?* ed. John Smithin (London: Routledge, 2000), 198.

In the LETS, this is achieved very clearly. Participants were free to decide how to value the bobbin and how to price goods and services, valuing each exchange on a case-by-case basis. "What's a bobbin worth?" one member asked, continuing, "It's entirely a matter for you and the person you are trading with."<sup>42</sup> Participants with different ideologies and goals were free to interact, negotiate, and cooperate regarding the prices of goods and services in their exchanges. This fluidity of value can occur within any marketplace, but is often complicated in mainstream systems in which prices for a given good are determined by factors that the general public cannot influence. In the LETS, the process is simplified and encouraged.

The problematization of value is also visible in Banco Palmas and Ithaca HOURS, in which users also are free to choose their own prices and collaborate locally with other producers and consumers in the market. However, because they do not place a focus on redefining the value of money specifically as the LETS does, in these two systems the value of the alternative currency is inherited from the mainstream market. Both the HOUR and the Palma are pegged to mainstream national currencies, which ultimately limits their ability to transform mainstream ideals in this area.

While all of these systems effectively decommodify money, whether by removing interest, by challenging value, or both, the next step in our analysis must ask if changing the money form alone is enough. Is the money form itself the problem, or is it simply a reflection of other, deeper social problems? While Marx argues that money is the expression of social values, he nonetheless concludes that money itself is the root of many problems; he writes, "The fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to that ... mistaken notion, that it is itself a mere symbol,"<sup>43</sup> suggesting that money has meaning and power of its own, separate from social control. Economist Peter Kennedy supports this view, arguing that money does not just represent social value but in fact generates it.<sup>44</sup>

In our case studies, however, money is often viewed as a mere reflection of social problems. For example, on the LETS Home Page, system creator Michael Linton explores the philosophical meaning of money. He subscribes to part of Marx's conception of money as discussed above, that is, the view that money is a medium for the reflection of deeper social problems -- as Marx might say, a "social hieroglyphic." Linton writes on the LETS Home Page:

Money is just a measuring device, which we use to measure the value of our real exchanges. Why should a community be short of measures? How long would we accept a world where no houses were built for lack of inches, no beer brewed because there were no pints, no heating for the lack of degrees?<sup>45</sup>

Here, Linton suggests that money itself is unproblematic, given that it is a mere unit of measurement. Assuming that this is true -- that the problem is not the money form but the social val-

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<sup>42</sup> North, 82.

<sup>43</sup> Marx, 103.

<sup>44</sup> Kennedy, 197.

<sup>45</sup> LETS Home Page. The Home Page. <<http://www.gmlts.u-net.com/>>.

ues at the root of this form -- in order to effectively improve economic relationships and challenge neoliberal ideals, alternative exchange systems must transform social relationships themselves. The following sections analyze the extent to which AES are capable of building social relationships, through the decentralization of economic control and the promotion of social inclusion.

### *Decentralization of Economic Control*

To effectively challenge neoliberalism, alternative systems must decommodify land, labor, and money, a process accomplished through the variety of mechanisms discussed above. Beyond these mechanisms, however, alternative systems must target two other areas of neoliberal hegemony: the increasing centralization of economic control and the exclusion of social groups. In imagining a truly decommodified system, John Vail writes about the importance of democratic control in any market and the need for anti-neoliberal structures to operate as systems of social solidarity.<sup>46</sup> The following sections explore how AES are able to achieve these two goals.

Our three case studies all work to decentralize economic control by allowing members of the local community more voice in economic decisions. This first way that the systems do this is relegating control of the money supply to the local level, unlike a national currency system, in which a central bank makes decisions about distributing currency, their decisions largely incomprehensible to the public that is affected by their policies. By contrast, each AES is significantly more decentralized and transparent. The Manchester LETS allows each user to create her or his own money. Bobbins come into existence when someone needs one -- the only limits on the supply of money are that anytime someone spends a bobbin, another participant in the system must acquire bobbins, and vice versa. Furthermore, the system emphasizes the fact that you do not need to accumulate bobbins before spending them. This means that some users will, at times, have a negative bobbin balance; the potential dishonesty that emerges as a result of this system is mediated by an honor system in which members hold each other accountable for debts through a transparent system of mutual trust.<sup>47</sup>

In the cases of Banco Palmas and Ithaca HOURS, supplies of the paper currencies are controlled by local committees. In the Conjunto Palmeiras neighborhood, Palmas are distributed by the neighborhood association (ASMOCONP), and loans are given to members based on trust within the community. The association regularly holds public forums to gather feedback from community members.<sup>48</sup> Similarly, in the Ithaca HOURS system the supply is controlled by the centralized, but locally controlled, Circulation Committee of Ithaca HOURS, Incorporated. HOUR notes are put into circulation when the Circulation Committee sees fit, via loans given to local businesses and grassroots organizations. In this way, these two systems operates much like

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<sup>46</sup> Vail, 313.

<sup>47</sup> North, 82-83.

<sup>48</sup> Jayo et al., 10.

a miniature version of the United States Federal Reserve. The implications of this are complex. Subscribing to the logic of monetary policy calls into question the systems' potential to truly subvert mainstream economic functions; on the other hand, loans in both cases are interest-free and are certainly imbued with more social meaning given the proximity of the issuing bodies to the actual participants of the system. This makes the systems' methods significantly different from mainstream monetary policy.

And yet, the organizers of Banco Palmas critique the notion that economic activity is improved simply by becoming locally controlled. This is because even locally controlled systems foster competition that can be unhealthy for participants. A paper written by the Conjunto Palmeiras neighborhood association argues the following: "When micro-credit is granted in isolation and within the logic of the capitalist economy, making small producers mutually compete for the local market, this normally puts the borrower in a worse situation than he was before."<sup>49</sup> Applied to a developed country like the United States or the United Kingdom, this framework suggests that simply fostering local businesses alone, like Ithaca HOURS does, will not promote success in a community. As an alternative, Banco Palmas ensures the equitable distribution of resources using a system of production and consumption mapping, which enables efficient patterns of economic activity throughout the community. Through surveys and public forums, system organizers gauge which goods and services the community members need at a given time, and focus their job training programs on the production of these goods.

In working to give voice and agency to members of the local community, AES also seek to reduce dependence on hegemonic systems and increase self-sufficiency within their communities. In the LETS, by controlling circulation of bobbins within the community, many participants hoped to promote self-reliance within the Manchester community. As North writes, these participants "saw LETS as a 'lifeboat' enabling participants to shelter from the storm of globalization."<sup>50</sup> Likewise, Ithaca HOURS was initially developed as a way to reduce local dependence on imports and transnational corporations.<sup>51</sup>

All this said, there is inherent challenge in any system that seeks independence, and sacrifices must be made. For example, Banco Palmas achieves significant community interdependence within the neighborhood, but accepts outside financial support. Although the Banco Palmas method of development is led by community members and enables strictly internal patterns of production and consumption, it is nonetheless heavily reliant on funding from non-governmental organizations (NGOs). Recently, this partnership has expanded from NGOs to mainstream banks. In 2005, a subsidiary of Banco do Brasil (Brazil's largest banking institution) forged a partnership with Banco Palmas, which arguably furthered the neighborhood's reliance on the mainstream economy. In response to this recent partnership, Jayo, et al. ask an unanswered question:

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<sup>49</sup> Oliveira et al., paragraph 22.

<sup>50</sup> North, 92.

<sup>51</sup> Paul Glover, "Ithaca Hours Introduction," Revised 11 December 2006, <<http://ithacahours.com/intro.html>>.

"How will this merger with a commercial bank impact Banco Palmas in the near future?"<sup>52</sup> The implications are unclear.

On the one hand, it seems paradoxical for a community development organization to rely on macroeconomic financial support, and this paradox is difficult to navigate. Ultimately, however, it is unproductive to expect any alternative exchange system to construct a completely self-sufficient society. Keeping in mind the ultimate goal of AES -- to transform neoliberal systems into more equitable, humanized ones -- perhaps receiving mainstream assistance should be viewed not as "selling out," but as a sign that formal structures are interested in supporting egalitarian reform. After all, the merger with Banco do Brasil was a result of federal government initiatives to promote local economic development throughout the country. Thus, perhaps Banco Palmas's dependence on outside help should be viewed as a necessary means of securing tangible benefits for its participants; while the system is dependent on hegemonic structures, through committed leadership and widespread community participation, it remains firmly rooted in the beliefs and needs of Conjunto Palmeiras residents.

#### *Promotion of Social Inclusion*

Finally, alternative exchange systems have the potential to repair the social dislocation and isolation that Polanyi addresses in his critique of market societies. Throughout *The Great Transformation*, he periodically reminds the reader that the deterioration of social relationships is the basis of his critique of self-regulating markets. Vail articulates the ability of systems that de-commodify to return social relationships to a place of central importance in economic markets: "Decommodification could also generate wider social benefits by ensuring basic needs, enhancing individual capacities and capabilities, promoting social cooperation and collaboration, deepening social solidarity, and improving the social capacity for collective decision making."<sup>53</sup>

In response to the dis-embedding of markets from social life, alternative exchange systems work to restore social meaning to economic exchanges, echoing Zelizer. Marx too conveyed the potential for societies to exhibit cooperation and solidarity. "The total product of our community is a social product,"<sup>54</sup> he writes in *Capital*, a phrase that could easily be used as a slogan for any of our case studies; each system lists social inclusion or community building as one of its official goals. In practice, however, this ideal is often difficult to achieve, and even more difficult to measure. Upon analysis it appears that both the Manchester LETS and Ithaca HOURS struggle to realize their common goal of social inclusion, while Banco Palmas successfully imagines and implements social solidarity as a central facet of its approach to economic development.

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<sup>52</sup> Jayo et al., 13.

<sup>53</sup> Vail, 313.

<sup>54</sup> Marx, 90.

North identifies a number of means of social inclusion in the Manchester LETS, as expressed by participants he interviewed. First, they discussed the potential for the system to value members of the community who are often overlooked by mainstream economics, including women, the elderly, and the physically disabled. Next, the system humanizes the economy by enabling trading partners to interact in a “convivial, supportive, and non-exploitative fashion,”<sup>55</sup> exchanging goods and services in a way that considers social relationships (“re-embedding” the market) and makes cooperation an economically rational action. These transactions frequently involved people following different belief systems, with the system acting as a mediator between different social groups. For example, North writes, “Manchester LETS aimed to enable those with a countercultural focus and those who saw more mainstream potential to interact on the basis of shared interest in exchange.”<sup>56</sup> There is no indication if social cooperation was significantly increased as a result of participation in the system.<sup>57</sup> However, these quotes from participants do speak to the potential of AES to re-embed markets via Polanyi’s vision, if not in the form of producing measurable improvements in people’s well-being, then at least in their ability to stimulate conversation and provoke questioning of mainstream ideologies.

In the HOURS system, the abilities of the system to promote social inclusion are unclear. Survey results of participants suggest that participation in the system does enhance social well-being; fifty-five percent of participants in the sample agreed that ITHACA Hours improves the quality of their lives, and twenty-nine percent strongly agreed.<sup>58</sup> That said, while those who do participate in the system appear to gain social benefits, as a whole the system reaches a limited demographic of the Ithaca community. The HOURS user demographic is disproportionately educated (with 85.4 percent of participants surveyed having some college or university experience), middle-aged (median age of forty), and wealthy (with one-third of participants belonging to households with an income of \$50,000 or higher).<sup>59</sup> Furthermore, even among regular users of HOURS, social interactions outside of business transactions are limited. More than half of all users in a sample reported attending HOURS social events less than once a year, with a remaining twenty-five percent attending events only once per year.<sup>60</sup> These numbers indicate that participants who use the system likely belonged to similar social circles before joining the system, and that the actual system itself does little to facilitate the creation of new social relationships among members of the wider Ithaca community.

By contrast, for Banco Palmas social inclusion lies at the heart of its mission. Defining itself as a system of “economic solidarity,” each of its policies is aimed at promoting cooperation, interdependence, and inclusion for all members of the community. While LETS and Ithaca HOURS in theory support programs to promote social interaction, Banco Palmas has implemented these types of programs since its initial phases. Among these programs are a youth per-

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<sup>55</sup> North, 88.

<sup>56</sup> *Ibid.*, 82.

<sup>57</sup> No statistics were available regarding social inclusion in the Manchester LETS.

<sup>58</sup> Jacob et al., 50.

<sup>59</sup> *Ibid.*, 45.

<sup>60</sup> *Ibid.*, 49.

cussion ensemble called Bate Palmas, a women's empowerment group for victims of domestic violence, an urban agriculture group, and Palmatech, a program that teaches community members job skills for managing small projects and working collaboratively. The headquarters of Banco Palmas serve not just as a bank, but as a meeting place for all of these groups and as a forum for the regular meetings of the neighborhood association, which periodically discusses topics of interest to the neighborhood.<sup>61</sup>

## ANALYSIS OF CASE STUDIES

Taking all of the previous discussions into consideration, this section will explore which methods and approaches best subvert neoliberal structures in order to better understand how more productive economies can best be achieved. From a purely quantitative perspective, Banco Palmas clearly poses the most significant challenge to neoliberal structures, reaching a population of 30,000 Conjunto Palmeiras residents. Furthermore, it has done the most to promote a self-sufficient economy for these 30,000 residents. Ithaca HOURS would be the next most quantitatively successful, serving a consistently high number of residents in New York and also being the longest-running system. The Manchester LETS, with only around 550 members at its height and a now-defunct status, appears to be the least effective system.

Beyond this superficial mode of analysis, it becomes more difficult to decide which system most successfully subverts neoliberal structures. Evaluation requires that we revisit the question raised earlier by Marx: is money a problem in itself, or a reflection of deeper problems? It is clear that all of the case studies successfully decommodify money, at least to some extent. In the other categories of evaluation, however, each system struggles in different areas; the LETS struggles to realize the ideological strategies of social inclusion it preaches, Ithaca HOURS benefits a limited, privileged demographic, Banco Palmas relies heavily on outside financial support, and none of the systems successfully decommodify land. Even after decommodifying money, these challenges remain. Thus, it appears that changing the money form alone is not enough -- money is a medium for deeply engrained neoliberal values of self-interest, greed, and materialism that are incredibly difficult to change. In decommodifying money, these systems all take the first step toward subverting neoliberalism; the next steps are changing the values that underlie this newly decommodified money and then putting these newly challenged ideals into practice to achieve tangible change.

The next question we should ask, then, is whether AES should prioritize ideological change or material improvements. In practice, systems work to bring material benefits to their participants in the form of goods and services and social connections. However, the need for material improvements are often rooted in ideological systems, and AES play an important role in provoking ideological shifts in the community by providing education to members and stimulating dialogue. This dual importance of material change and ideological transformation in the roles of alternative exchange systems suggests that perhaps we should not be asking whether we need

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<sup>61</sup> Oliveira et al., paragraphs 5-15.



to change policy or ideology -- both are necessary. Jamie Peck writes, "Meaningful alternatives to neoliberalism will have to be forged politically, of course, possibly on the anvil of crisis itself, but they will have to be pushed both by social *and* intellectual movements,"<sup>62</sup> arguing that change must be achieved both in our minds and on the ground.

One example of the importance of inspiring ideological transformation in addition to providing improvements in material conditions is found in the Ithaca HOURS system. Jacob et al. found that many of the more affluent participants valued the system more for its ideological agenda than for the physical resources it provided: "For the more affluent lister, HOURS may be more an ideology than a way of significantly improving one's material standard of living ... it would appear that HOURS play a very important symbolic role in terms of legitimizing the ideology of community economics, on which the business does depend for its financial life and well-being."<sup>63</sup> Similarly, in the LETS many users saw the system as a way to educate people about non-mainstream ways of living. One participant said:

To me LETS is mainly about the ... educative thing. I mean, the kind of capitalist cynicism that goes around, about market forces and about the laws of supply and demand and about people being basically greedy gits that rip people off all the time. I think LETS is a good way of demonstrating, 'No -- that's not actually true.'<sup>64</sup>

Thus, the systems do provide an important service to individuals by providing ideological education about the limits of neoliberal systems and helping transform this mentality, which eventually manifests itself in practice.

The next question is whether the changes implemented by AES should incorporate the mainstream or remain insular. Is the ultimate goal of AES to widen alternative economies or deepen them? North addresses this conundrum when discussing the LETS,<sup>65</sup> but it can be applied to all of our case studies. In the LETS, participants were divided about whether they wanted to spread their values of cooperation and simplicity to a greater number of users, or instead deepen the functioning of the system for those who were already involved, by using the system to increase people's access to all goods and services including housing, food, healthcare, and all human needs, instead of a limited number of items. In reality, of course, the LETS was wide but not deep, reaching diverse social groups in Manchester, but serving only a limited role in these members' lives. The users had access to a diversity of goods and services through the system, but not consistently enough to depend on it.

Conversely, the Ithaca HOURS system is deep but not wide; while participants can use HOURS to trade a variety of goods and services within their community, the demographic of users is predominantly affluent and educated, because truly needy community members do not have enough incentive to participate. The system is limited in its ability to spread throughout the

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<sup>62</sup> Peck, 277.

<sup>63</sup> Jacob et al., 45.

<sup>64</sup> North, 95.

<sup>65</sup> *Ibid.*, 92.

community, in part because it was developed not as a vehicle for poverty amelioration, but to enhance life for individuals already able to fully participate in the mainstream economy who liked the idea of trying an alternative. Regarding Banco Palmas, the system appears to be both wide and deep, reaching the majority of participants in the community while helping them all access a variety of resources and meet a number of needs, including food, housing, employment, and social connections.

A system that truly subverts neoliberalism must be both wide and deep. One the one hand, systems must do more than provide members with a service they can achieve elsewhere in the mainstream economy. This is a major flaw of many AES. For example, LETS successfully offers a place for members to interact and generate their own values for exchanges, but members can easily access a similar service on websites like Craigslist, which focuses on local exchanges and connects like-minded members of the community. Importantly, however, systems cannot afford to keep their values and resources insular or make total isolation from the mainstream economy their goal. The current state of globalization requires that communities interact and cooperate with each other, and there is no reversing this. This means that systems should not view cooperation with mainstream or neoliberal structures as a compromise; they should view it as a necessary means of achieving the ultimate goal: an economy in which all exchanges, even those made in the mainstream, are equitable and sustainable.

With all this in mind, Banco Palmas appears to be the strongest model for resistance to hegemonic systems due to its willingness to collaborate with mainstream organizations that support its vision, its success at re-embedding the market into social life, and its dual vision of material progress and ideological change. The system emerged organically out of the specific needs of its residents, and even as it relies on mainstream structures, it remains faithful to the values of the Conjunto Palmeiras neighborhood. While the LETS, as discussed above, perhaps failed by straying too far into ideological debate and theoretical resistance, the Ithaca HOURS system lies at the other end of the spectrum as a miniature version of mainstream capitalism. Banco Palmas's strategy for development, on the other hand, is strongly rooted in pragmatism, which ironically ends up allowing it more ideological freedom to truly challenge oppressive ideals and build a local economy based on local needs and values. Localized currency is just one piece of a dynamic development strategy. It is based on a foundation of *social* currency and the promotion of human relationships. All of these pieces working together allow Banco Palmas to effectively re-embed the market into social life.

Importantly, however, all of the case studies are still limited in their capacity to subvert neoliberal mechanisms. They are ultimately restrained by the hegemony of neoliberalism itself, which as a looming ideology presents a number of challenges to alternative movements. First, all of the systems meet skepticism from potential participants, whose economic ideologies are so steeped in neoliberal structures that they are unwilling to embrace the new ideals advanced by AES.<sup>66</sup> Both the LETS and Ithaca HOURS struggle to maintain membership, and all of the sys-

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<sup>66</sup> North, 90-100.

tems struggle daily to legitimize their existence in mainstream media and academia, encountering marginalization, criticism, and legal battles. Additionally, liquidity will always be a concern for alternative systems; no level of commitment to an alternative ideology can overcome the reality that mainstream money is still pervasive and necessary. Without support from NGOs (as in the case of Banco Palmas), only community members with the luxuries of leisure time and stable wealth in the mainstream economy will have the resources and freedom to work on building alternatives to this mainstream economy. Thus, the commodification of life inherently constricts efforts to decommodify it.

Finally, current forces of globalization require that all of the systems rely on imports and outside funding; even if alternative systems can create money, value it, and exchange it among themselves, they can still only use it for resources that they themselves control. For example, AES have no power to transform large structures like public transport systems, car and bicycle manufacturing, or prescription medicines, all sectors of society that have the capacity to be improved, but not by the alternative, grassroots sphere.<sup>67</sup> All of these challenges show that there is much work to be done in challenging neoliberal systems.

## CONCLUSION

In the nineteenth century, Marx and Engels critiqued grassroots resistance movements for being insufficient, summarized here by North: "...Without the seizure of the productive wealth of society through revolution, the resources controlled by ordinary people will always be inadequate for large-scale change. It is problematic, Marx claimed, to seek social change through adopting a more cooperative economy from below."<sup>68</sup> In the case of alternative exchange systems, this view appears to be accurate.

The models presented by Manchester LETS, Banco Palmas, and Ithaca HOURS offer valuable, productive tools for social change, which result in both material and ideological benefits for their participants. Yet, neoliberal structures remain pervasive in communities throughout the world and continue to limit human aspirations and well-being. Clearly, further action must be taken to change markets, currency, and public perceptions of human nature and economics. What would it take to permanently and thoroughly transform economic relationships? This paper argues that the bottom-up efforts of alternative exchange systems must be complemented by institutional change in business, media, government, and the academy, and AES themselves must collaborate with these mainstream institutions to incite shifts in both policy and ideology.

The moral of the story is not that small-scale resistance movements are powerless to change macroeconomic structures. The emerging reality is in fact the opposite. All economic systems -- however seemingly hegemonic -- began in the grassroots. Neoliberalism itself emerged out of a small group of economists discussing their vision for a new economy. Thus, alternatives

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<sup>67</sup> *Ibid.*, 94, 178.

<sup>68</sup> North, xxv.

to neoliberalism must not settle for being radical or marginal; their values of cooperation and social solidarity should not be quarantined, but made contagious. Just as harmful structures were created by women and men, so can they be deconstructed and built again by people seeking more sustainable and egalitarian systems of economic exchange.

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