

INTRODUCTION

Cities and Economies

Creating wealth — the idea catches people by surprise. Our system tends to instill the idea that our collective wealth adds up to a finite bottom line of financial assets, and the question is mainly one of distribution, not of creation. The call for lower taxes, the resistance to higher minimum wages, the idea that wealth held at the highest levels “trickles down” all contain this hidden assumption — there is only so much wealth out there, and we all need to struggle to get our piece of a finite, limited pie. Yet history and everyday reality tell a different story: we live in a world of expanding pies, and while some things on the planet are finite (the land area available, the fertile soils, the fresh water and fossil fuels, to name a few) there is no limit to human ingenuity, creativity and imagination.

Our ingenuity and innovation have expanded the wealth of the human species by orders of magnitude, especially over the last century. We have collectively built a remarkable wealth creation machine, and yet its construction over time has made most of us — even the people who turn its wheels and keep it in working order — blind to how it works. This new marvel has resulted in a middle-class lifestyle in the developed parts of the world that makes some of the royalty and aristocracy of yesterday look hardscrabble by comparison.

If time travel were possible and we managed to go back before the industrial era to talk about computers, iPods, the Internet, cellphones, automobiles and airplanes, the people there would think we were wizards and witches, and they would probably burn us at the stake. Central heat and running water were not common until the mid 1900s. Tours of the ancient manorial houses and castles of Europe reveal that their relative levels of creature comforts were on par with the modern middle class in Europe, Asia, North and South America.

We create wealth. We do it as a society, not as individuals, despite what the dominant myth of rugged individualism in North America would have you believe. Farmers have a hard time bringing their produce to market without decent roads. Merchants depend on a reliable currency to sell their goods and services. Even some of the iconic capitalists of the early 20th century — the Rockefellers, Carnegies and Mellons — depended on taxpayer-funded infrastructure to amass the vast fortunes that still form the foundation of companies like Exxon/Mobil, US Steel and Alcan. Even today, Bill Gates would be just another hacker without the laws our governments have passed protecting intellectual property.

Wealth's Foundation

One of the primary mechanisms for the creation of wealth is our banking and monetary system. We all put our money into the banks — the black box of the economy — and we assume the money will be there when we go to withdraw it. At least part of our mind probably believes that the money is there. We receive statements every month that say it's there, and we earn interest on the deposits.

Yet like the myth of the self-made millionaire, the presence of our money in the bank is an illusion. Banks use the deposits they have to loan money out to individuals and businesses — this is how they earn the interest they pay on our deposits, after all. The fractional reserve system, the legal structure governing how banks operate, requires that banks only maintain in the order of 10% of the money we have placed on deposit as a reserve. In other words, for every dollar we deposit, the bank can create an additional \$9 in loans to businesses. They have the power to create financial wealth by issuing new money.

So, how is *real* wealth created? It is not the slips of paper we call cash. History has shown time and again that paper (and now electronic) representations of wealth are only as good as our collective confidence in their value. In this book, we will show how the roots of real wealth lie in our shared values, understanding and institutional structures, but also in the different forms of capital we generate and regenerate as a community. The word *capital* carries an implicit meaning that speaks to a regenerative capacity — it is, as we will explain in Chapter 3, an asset that can produce other assets. Of course, the foundation of all our wealth is

the ecological integrity of the planet we call home...it is the source of all the regenerative capacities we need the most — land, air, water, food, materials and energy.

The singular form of money we have created through our laws and institutional arrangements has been a cornerstone of financial wealth through the 19th and 20th centuries. But the demands of the 21st century and the imperatives of the global challenges of climate change, resource scarcity and unprecedented growth in human populations call us to a more comprehensive understanding of wealth and more democratic and resilient wealth creation processes and mechanisms. Most of these alternatives can be initiated at the local level by cities and other organizations. City leaders can play a role in the education, funding and structures required to give us all a voice in the creation of sustainable wealth.

Overview of the Book

The original title of this book was *Intentional Cities, Intentional Economies* — to emphasize the link between the actions cities take and the health of their local economies. Cities don't often recognize this link — or realize that they have the capacity to improve their economies. They can do this by bringing the community together around a shared vision, setting goals and identifying strategies to make their local economy more self-reliant, more vibrant. They can help their citizens achieve real and lasting wealth. In this way, cities become more *intentional*, meaning that they are moving in a direction they choose rather than being buffeted by the winds of change. When they focus on the ways they create wealth, they also choose the focus, the intention, they want to give to their economies.

Part I of the book describes the process by which wealth is created and explains the role of the existing financial system in this process. Part II describes a variety of different forms of local currencies, circulating in parallel with the official currency, that address specific problems that cities and communities face. Part III is designed as a case study and “how to” manual — it describes how several cities have managed to engage their populations in long-term sustainability planning and how these efforts have either supported local currencies or helped create them, as well as some lessons learned about when it might not be possible to succeed.

We hope you find the book inspiring and that it gives you enough information to move forward. Our compendium of community level currencies is not exhaustive — there are many hundreds we have not described. But the structures and mechanisms we include are all replicable in other domains — they are only limited by your imagination and the courage you want to take as a leader. Introducing new ideas is never easy, and we will see that introducing new ideas about money has its own unique challenges. More on this in the book's conclusion — until then, enjoy!

— Gwendolyn and Bernard
Reykjavik, Iceland