

ARTS CURRENCY:
A LONG-TERM FUNDING TOOL FOR THE US
NONPROFIT ARTS SECTOR

Chandra Roxanne

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Abstract

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Degree Candidate: Chandra Roxanne

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Welsh Center for Graduate and Professional Studies

Goucher College

In a survey of nonprofit organizations, forty-seven percent of arts and cultural respondents report "achieving long-term financial stability" as their organizations' greatest challenge (Nonprofit Finance Fund). Capitalization projects have been developed by arts funders to address this issue, but these projects are insufficient. Now, arts funders and leaders realize that the US nonprofit arts sector "must drive their own efforts to becoming capitalized" (Grantmakers in the Arts). One possibility for filling the funding gap is the creation of a currency which would circulate throughout the arts sector. Vijay Mathew and Polly Carl have proposed a digital arts currency called Culture Coin. This paper presents an argument for combining Culture Coin with paper cultural dollars to create better capitalization and thereby long-term financial stability in the US nonprofit arts sector.

Arts currency can be adapted from community-based currency systems called community currency. Community currency literature reveals that these systems provide significant economic impact during periods of financial instability (Krohn and Snyder 53). Experts' studies of community currency systems in Mexico, Argentina, Ireland, and the UK strongly suggest that hybrid systems—combining digital and paper—are more flexible, inclusive, secure, and stable than systems based solely on either digital or paper. In the nonprofit arts, a hybrid arts currency system supports the first two principles of capitalization: liquidity and adaptability of funding. However, it is the third principle, durability, where an arts currency system will encounter significant challenge. Ideas to address some of these challenges are provided in the conclusions.

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Reader's Committee

Randall Vega, Chair

Ramona Baker, MFA

Alisha Brice, MAAA

Gregory Lucas, MBA

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Introduction

THE 47% PROBLEM: ACHIEVING LONG-TERM FINANCIAL STABILITY IN THE NONPROFIT ARTS

Call me Ishmael. Long-term financial stability is ever eluding many US nonprofit arts organizations. Collapsing from financial instability is an ever-looming threat. Many in the nonprofit arts believe long-term financial stability can emerge from the current arts funding system. On the contrary, this paper contends that the current funding system is not designed to produce long-term financial stability, and, thus, presents an argument for creating a parallel arts currency system as a long-term strategy for achieving this goal. The strategy that will be presented is this: by adapting paper-based community currency and pairing it with the proposed digital Culture Coin, the nonprofit arts can create long-term financial stability. Before proceeding, however, it is important to explore why current strategies for addressing financial instability—whether by reducing the arts supply; increasing advocacy for more government funding; or relying on endowments and debt—will not render financial stability achievable in the long term in the US nonprofit arts sector.

In the Nonprofit Finance Fund's *2014 State of the Nonprofit Sector Survey* (2014 SNSS), 47% of arts and cultural respondents reported “achieving long-term financial stability” as their organizations’ primary challenge (Nonprofit Finance Fund). Resolving this challenge requires understanding the distinction between long-term and short-term within a financial context, because the term length determines the financial strategy to

employ. Choosing the wrong strategy often results in failure with time, energy, and resources wasted. In this argument, short-term is less than or equal to five years while long-term is longer than 5 years¹.

Personal finance literature recommends a three-to-six -month emergency savings as well as a retirement fund within an individual financial portfolio. A savings account is a commonly-used financial instrument for building an emergency savings. In contrast, 401(K) accounts are commonly used for building retirement funding. As a short-term financial instrument, savings accounts are not designed for long-term savings like retirement funding. Retirement funding is built using specific incentives, tax benefits, and investment options which savings accounts cannot offer. Therefore, achieving long-term financial goals requires employing long-term financial instruments.

Achieving long-term financial stability in the nonprofit arts sector is a long-term financial goal. Long-term financial stability is the result of good capitalization. Capitalization is an organization's ability to accumulate sufficient capital resources and to allocate these resources towards achieving their mission over time (Curtis 2). Only those arts organizations that are well-capitalized, then, can achieve long-term financial stability.

According to Grantmakers in the Arts (GIA), "a well-capitalized [arts] organization has the ability to access the cash necessary to cover its short- and long-term obligations, to weather downturns in the external operating environment, and to take advantage of opportunities to innovate"(Curtis 2). In "Capitalization, for Art's Sake!," Rebecca Thomas, former vice president of Advisory Services at the Nonprofit Finance Fund, adds:

¹ Occasionally mid-term is used to refer to financial goals ranging from 5 to 10 years.

To truly cover the full cost of doing business, arts organizations also need flexible funding and an enterprise-wide approach to capitalization that supports long-term liquidity, adaptability, and durability rather than short-term or narrowly defined goals. (Thomas)

Because capitalization takes the long view of an organization's financial health (Curtis 5), building well-capitalized arts organizations and thereby long-term financial stability will require the nonprofit arts to employ a long-term financial instrument.

Two financial instruments commonly used by nonprofit arts organizations for long-term funding are endowments and debt. Proponents of debt argue that "debt allows a nonprofit to better control the timing of when it consumes certain goods" (Curtis, Nelson, and Engel 8). If waiting to raise sufficient capital, to repair a leaking roof for example, is not viable, then using debt may be appropriate. However, this financial instrument is often overused. Fifty-seven percent of the 2014 SNSS arts and cultural respondents are using debt to fill the gaps in their revenue (Nonprofit Finance Fund). Debt is borrowed money. Its control is illusory, because "by borrowing, a nonprofit necessarily invites a for-profit party into its managerial decision-making process; and as such, runs the risk that the lender's profit-seeking goals may directly impact its own activities" (qtd. in Curtis, Nelson, and Engel 8).

Leaders of nonprofit arts organizations who invite for-profit lenders into their decision-making process are unknowingly building their own financial cages. Debt is inflexible funding. While the liquid cash may be useful in the short-term, repayment

cannot be escaped and funds allocated to repaying debt are not being allocated towards building capital resources in the long term. Therefore, debt cannot be used as a long-term financial instrument for achieving long-term financial stability. On the contrary, debt can lead to long-term financial instability, placing nonprofit arts organizations into a situation where “the borrower becomes the lender’s slave” (New American Standard Bible, Proverbs 22.7).

Endowments are equally inflexible and their durability is equally illusory. Clara Miller, president of the Heron Foundation and founder of the Nonprofit Finance Fund, states, “while the presence of endowments (especially restricted endowments) gives the impression of a well-resourced organization, these funds are highly illiquid assets that cannot be easily deployed by the organization to the highest and best use” (qtd. in Curtis, Nelson, and Engel 6-7). Generating sufficient amounts of capital beyond the principal investment requires building a substantial endowment which requires time, energy, and resources.

In addition, “devoting energy to building the endowment can deplete unrestricted funds, making the organization less flexible and more susceptible to risk” (qtd. in Curtis, Nelson, and Engel 6-7). If endowments were effective long-term financial instruments, then they would provide readily accessible and flexible capital that safely guides arts organizations into long-term liquidity, adaptability, and durability. As highly illiquid assets, though, endowments restrict access to capital which undermines arts organizations' long-term adaptability and durability. Therefore, endowments, like debt,

are insufficient financial instruments for achieving long-term financial stability in the US nonprofit arts sector.

Given the inability of debt and endowments to create well-capitalized arts organizations, how, then, will the 47% of arts and cultural survey respondents achieve financial stability in the long-term? To complicate matters, the pool of capital resources held by arts funders and individual donors is limited. In the aftermath of the Great Recession this pool has become smaller as “the same market downturns that have damaged grantees' endowments also hammered donors' portfolios with repercussions on contributed income” (Curtis 3). Participants in GIA’s *National Capitalization Project* acknowledge that while arts funders are still able to provide capital resources to many arts organizations, “they do not have the resources to capitalize the arts sector as a whole, nor would it be appropriate...for them to do so” (Curtis 4).

The current consensus among GIA’s participants is that arts organizations “must drive their own effort to become better capitalized” (Curtis 3). In GIA’s “Literature Review on Capitalization,” the nonprofit sector is conceptualized as a “nonprofit capital market,” given the inherent competitiveness of securing grant funding and allocating these funds according to donors’ intended outcomes. This new concept is leading experts to believe that developing new financial instruments may secure more capital resources for nonprofits in general (Curtis, Nelson, and Engel 14). In other words, if US arts organizations are to become well-capitalized and thereby achieve long-term financial

stability, then the US nonprofit arts sector should develop its own type of long-term financial instrument.

Two opposing realities coexisting in the US nonprofit arts sector are limited arts funding and an increasing oversupply of art. Diane Ragsdale, founder and author of the ArtsJournal blog Jumper: *What the Arts Do and Why*, argues the following in “Supply and Demand Redux: Rocco's Comment and the Elephant in the Room”:

While one might theoretically argue that there is no such thing as 'too much art in the world,' the same cannot be said of arts organizations...to the degree that resources are not growing at the same rate as organizations, every new firm that encounters the sector reduces the chances of every other firm to secure sufficient resources to operate. (Ragsdale)

GIA's participants affirm Ragsdale's argument. Within many communities the number of arts organizations has exceeded demand, and “neither the audience nor the public or the philanthropic sector can support this over supply of artist product” (Curtis 3).

Strategies to reconcile limited arts funding with an oversupply of art range from the mild to the extreme. In his article “Rocco Landesman Talks Supply and Demand,” former chairman of the National Endowment for the Arts (NEA) Rocco Landesman proposes “either increasing demand or, yes, maybe decreasing supply” (Landesman).

GIA's participants echo Landesman's proposition with their own decision to encourage arts organizations to “right size,” so their artistic supply fits within their surrounding arts markets (Curtis 5). Devon Smith recounts in a recent blog post her debate at Americans

for the Arts' (AFTA) national conference in Nashville, whose title sums up a more direct approach, "We Should Allow Failing Arts Organizations to Die."

An opposing reality to simply reducing the arts supply is the community's need for cultural opportunities. In the 2014 SNSS, 69% of the arts and cultural respondents reported "access to cultural opportunities" as their community's most critical need. In fact, "reports of increase in demand for services have continued since 2008" (NFF). In "Supply is Not Going to Decrease (So It's Time to Think About Curating)," Ian David Moss, Senior Director for Information Strategy at Fractured Atlas and creator of the popular arts research blog *Createquity*, asserts that,

...nearly 50% of the United States population engages in some form of personal creation, [so] it's no surprise that we are faced with arts all around us—more than at any previous point in history. Abundance of creative expression isn't going away; it is our future. (Moss)

Moss's assertion can be illuminated by Dr. Robert Cialdini's research in the psychology of compliance. Cialdini's seminal work *Influence: Science and Practice* explains a psychological phenomenon based on a principle known as scarcity or the rule of the few.

As a rule, if an item is rare or becoming rare, it is more valuable....As opportunities become less available, we lose freedoms.... [W]hen ever free choice is limited or threatened, the need to retain our freedoms makes us want them (as well as the goods and services associated with them) significantly more than before. Therefore, when increasing scarcity—or

anything else—interferes with our prior access to some item, we will react against the interference by wanting and trying to possess the item more than we did before. (Cialdini 4576, 4671)

Indeed, abundance of creative expression is not going away. Cialdini's work affirms that artists, arts administrators, and leaders of nonprofit arts organizations will not voluntarily reduce their expressive freedoms or their artistic outputs. Strategies suggesting or cajoling or demanding for them to do so will be vehemently challenged and may even incite them to produce greater amounts of artistic supply. In reality, reducing the arts supply is not a viable strategy for reconciling limited capital resources with an oversupply of art.

Alongside debt, endowments, and reducing the arts supply, increasing arts advocacy to secure more government funding for the arts is also an impractical strategy. In his study, *The Rationale for Urban Government Action for Arts Funding*, Abdul Khakee discovers that the decision-making process for public support of the arts “allows almost solely for incremental adjustments.” In addition, when previous funding commitments are made to the arts, then future adjustments remain small (Khakee 3). Khakee's study is based on the decision-makers within two local governments in Sweden's Goteborg and Umea communities. His findings are nonetheless insightful in this context.

Increasing government funding for the arts inadvertently requires reducing government funding to nonprofits devoted to resolving social issues outside the arts sector. Similar to the Swedish local governments studied by Khakee, local, state, and federal governments in the US have their respective set of opposing realities between

limited funding and excess social needs and debt. Khakee's study offers a sobering reality. Increases, if any, in government funding for the arts in the US will most likely remain small and incremental. Therefore, increasing arts advocacy will not result in significant increases in government funding towards achieving sufficient, sector-wide capitalization and, subsequently, long-term financial stability.

Many artists, arts administrators, funders, and advocates view the current arts funding system as the only viable source for arts funding. While arts funders support the idea of developing new financial instruments, arts funders also believe "improving capitalization will require either more resources coming into the sector (largely a pipe dream in today's economic and political context) or making difficult choices about the reallocation of existing resources" (Thomas et al. 14). As will be explored in chapter I, the current arts funding system cannot produce long-term financial stability, because it functions like a short-term financial instrument. However, developing a new long-term financial instrument that funnels more capital into the arts sector is possible by looking beyond the US monetary system.

In "Culture Coin: A Commons-Based, Complementary Currency for the Arts and Its Impact on Scarcity, Virtue, Ethics, and the Imagination," Vijay Mathew and Polly Carl have proposed an internet-based arts currency called Culture Coin. Arts currency is not a foreign concept. Paul Glover, the founder of Ithaca HOURS, a community-based currency system in New York, has a pending proposal in Philadelphia for an arts currency called ArtCash (Glover, "Proposal for Philadelphia Artcash"). Culture Coin and

ArtCash are adaptations of community-based monetary systems called community currency. As stated in the opening paragraph, combining paper community currency with the digital Culture Coin to create long-term financial stability in the arts is the long-term strategy that will be explored in greater detail in the following chapters.

To start, chapter I will offer an investigation into the design of the current arts funding system. Chapter II will delve into community currency systems, the forms they can embody, and the ensuing economic benefits. Next, chapter III explores the adaptation of community currency into an arts currency system and how it can function as a long-term financial instrument for building good capitalization, liquidity, adaptability, and durability. Chapter IV presents the final arguments for combining both digital and paper components into a hybrid arts currency system. Conclusions, including steps for moving from concept to reality, are offered in chapter V.

Throughout this exploration, the term community currency will be used interchangeably with local currency. Paper-based arts currency will be referred to as paper cultural dollars or paper cultural notes. Because Culture Coin is internet-based, at times it will be called digital arts currency. Lastly, the arts currency system is intended to operate in conjunction with the current arts funding system. As arts currency is designed to complement the US dollar, complementary and parallel are used to reflect this relationship. Let us begin.

Chapter I

ARTS FUNDING IN THE US: A SHORT-TERM FINANCIAL INSTRUMENT

The US arts funding system in aggregate functions as a short-term financial instrument. Therefore, it cannot be used to achieve long-term financial stability in the US nonprofit arts sector. Good capitalization is the bedrock of long-term financial stability. Its stability strengthens nonprofit arts organizations to obtain long-term liquidity, adaptability, and durability as defined in *Case for Change Capital in the Arts*:

1) Liquidity: Does the organization have adequate cash to meet its operating needs?
2) Adaptability: Does the organization have flexible funds that allow it to make adjustments as its circumstances change? 3) Durability: Does the organization have sufficient resources to address the range of needs that it may face in the future? (Thomas et al. 7). In its fifty-year tenure, the US arts funding system has not produced good capitalization or long-term liquidity, adaptability, and durability within US nonprofit arts organizations. The following paragraphs will show that the US arts funding system as it is currently designed is capable of providing financial stability only in the short-term.

The Nature of Contributed Income

“Good capitalization hinges on the generation of surpluses” (Curtis 5). By generating surpluses, nonprofits can create their own access to greater amounts of capital. Unfortunately, generating surpluses runs counter to the conventional wisdom of striving

for breakeven budgets in the arts sector (Curtis 3; Curtis, Nelson, and Engel 7). Striving for a breakeven budget effectively relegates arts organizations to operating in a survival mode (Frasz and Sidford 6). While a handful of arts funders have come to realize the stabilizing effect of surpluses and are adjusting their granting policies and practices, the majority of arts funders remain committed to granting practices upheld by the conventional wisdom of breaking even. If arts grants were designed to help arts organizations build good capitalization, then they would incentivize those organizations to generate ongoing surpluses. On the contrary, though, many funders actively discourage surpluses. Thus it is clear that arts grants in the current funding system are not designed to build good capitalization within nonprofit arts organizations.

Unrestricted operating support is the most direct and effective type of contributed income for generating surpluses (Curtis 5). It is important to highlight from GIA's description of a well-capitalized arts organization that it is the organization as a whole which must become well-capitalized and obtain long-term liquidity, adaptability, and durability, rather than its individual programs. Strong arts programs cannot exist inside weak organizations (Curtis, Nelson, and Engel 8), but most donors still prefer to restrict their funding to specific programs. GIA's progress report from their national capitalization project reveals that specific arts programs and arts projects remain the most common forms of arts funding (Frasz and Sidford 6), and according to Rebecca Thomas, arts funding is expected to become even more program-oriented (6).

Some arts funders are beginning to acknowledge unrestricted operating support as the “entry level shift in funder practice” that can yield positive effects on nonprofit arts organizations’ financial health (Fransz and Sidford 6). GIA’s progress report reveals an overall increase of 19 % to 32 % in unrestricted operating support coupled with approximately 87 arts funders out of 107 respondents complementing their program funding with funding for salaries and overhead expenses. In addition, approximately 70 out of 107 respondents are committed to “loosening restrictions on how [arts] organizations may use project funding” (Frasz and Sidford 6). This shift however is not the majority view. GIA’s report acknowledges that their “survey respondents were much more likely than the general population of [800] funders to provide general operating support.... One funder put it bluntly, ‘Our mission is project-focused and that is unlikely to change soon’” (Frasz and Sidford 6, 10). Thus, contributed income is designed to create well-capitalized arts programs rather than well-capitalized arts organizations.

In his 2015 blog post “GIA Conference-Day 1,” Barry Hessenius, curator of Western States Arts Federation’s *Barry’s Blog*, highlights a new capitalization project piloted by the California Community Foundation. Following their pilot, the Foundation concluded that “an 18-month funding [term] is too short” to fully address the capital needs of their grantees. A three year funding term is suggested “as it takes longer to cultivate existing or new donors (who can give to the reserve fund) and to build the culture of capitalization (and fundraising) within the organization” (qtd in. Hessenius).

Cultivating a culture of capitalization among the general population of arts funders is necessary, but can be difficult in some contexts. For example, progress report writers Alexis Frasz and Holly Sidford recount from GIA's capitalization project, "One public funder told us that incorporating capitalization principles into their grantmaking is 'not possible in municipal funding' because 'we can only fund public benefit activities'" (8).

Incorporating capitalization principles into grantmaking can burden arts funders. If an arts funder extends a one-year grant of \$3000 to 3 years, then the total grant increases to \$9,000 (\$3000 x 3 years), increasing the funder's commitment by \$6000. A longer term results in a greater financial commitment. Higher commitment levels require arts funders to increase their own capital resources. As the California Community Foundation noted, new and existing donors need to be cultivated in order to build the reserve fund from which its pilot project is funded (Hessenius, "GIA Conference-Day 1"). Future capital resources are not guaranteed. If arts funders are unable to increase their own capital resources, then shifting short-term funding from one set of arts organizations to offer longer term commitments to a second set of arts organizations is inevitable.

This shifting and concentrating of funds has already begun within the federal government, as "the NEA has been increasing the size of [its] grants, which means necessarily making fewer grants" (Landesman). Landesman's statement reveals two opposing realities coexisting in capitalization projects. Because arts funders lack sufficient resources to fully capitalize the nonprofit arts sector (Curtis 2), arts funding

must be funneled into either fewer long-term capital commitments or more short-term capital commitments that will not build good capitalization. If arts funders provide long-term capital commitments, then fewer large-size grants can be made towards building good capitalization. If arts funders provide short-term capital commitments, then more small-size grants can be provided that will not build good capitalization. Therefore, arts funders must choose between funneling their resources into fewer, large-size grants that create good capitalization or more small-sized grants that do not.

Likewise, grantees face their own set of opposing realities within the current arts funding system. Long and short-term capital commitments can exacerbate their risk of destabilization. When arts funders provide grants in either the long or short-term, a gap in contributed income ensues when the funding term ceases. Unless capital commitments are made in perpetuity or new funding is cultivated, then arts grants can lead to destabilization. Destabilization is always looming whether a grantee chooses to accept or forgo a capital commitment. If grantees accept a capital commitment, then they risk destabilization in the future. If a grantee forgoes a capital commitment, then they risk destabilization in the present-day due to being undercapitalized. Ultimately, grantees must choose to either risk destabilization in the distance future or the present-day.

According to AFTA's "Arts Facts: Government Funding (2014)," 40% of arts organizations' total revenue is contributed income. Many experts on capitalization and nonprofit funding view contributed income streams as unsustainable and incapable of providing funding on a large scale. Contributed income is "too subject to changes in

donors' tastes, economic downturns, and tax laws” (qtd. in Curtis, Nelson, and Engel 4). For contributed income to build good capitalization, it would have to be an unrestricted capital resource designed to provide arts organizations with sufficient operating support while helping to generate ongoing surpluses.

By contrast, the majority of contributed income is restricted to specific programs, creating well-capitalized arts programs and projects while forcing the arts organizations that run those programs to strive for breakeven budgets. Providing arts grants in perpetuity is not feasible, yet offering grants in the long- or short-term can lead to destabilization. Due to its limited, restricted, and temporal nature, contributed income is incapable of providing long-term funding, rendering it useful only in the short term.

The Nature of Earned Income

One may assume earned income is flexible, unrestricted funding. However, the Unrelated Business Income Tax (UBIT) restricts the type of earned income arts organizations can generate. UBIT is a counterincentive. Prior to The Revenue Act of 1950, tax-exempt organizations could earn tax-free income from commercial activities alongside their mission-related activities, permitted the commercial income was used for the organization's mission-related duties (Arnsberger et al. 107). In 1950 Congress designed the UBIT to prevent tax-exempt organizations from receiving an unfair advantage over non-tax-exempt organizations (Arnsberger et al. 107), limiting earned

income to mission-specific income-generating activities. Thus, since the Revenue Act of 1950, earned income has been a restricted funding source.

Regardless, pursuing earned income sets arts organizations in opposition to their role as public charities as defined by the 501(c)(3) status. A public charity exists for the benefit of the public and is classified as such “if it is publicly supported and receives substantial support in the form of gifts, grants, and contributions from the general public or a government unit” (Internal Revenue Service). Conventional wisdom in the 1980s suggested that nonprofit arts organizations pursue an earned income ratio of 50 %, because arts organizations with higher earned income levels were perceived as more stable (Kaiser 33). Fast forward to 2016 and approximately 60% of an arts organization’s income is earned (Americans for the Arts, "Arts Facts: Government Funding (2014)”) with arts leaders feeling pressure from their boards “to increase earned income so that fundraising targets can be reduced” (Kaiser 33).

One strategy for increasing earned income is raising ticket prices. However, raising ticket prices “reduces the pool of people who can afford tickets and, therefore violate[s] the tenets of an [arts] organization’s mission and [can] cause longer term degradation in ticket sales and contributions”(Kaiser 33). If higher ticket prices reduce the pool of people who can afford the tickets, then arts organizations are not truly functioning as a public benefit. In addition, simply raising ticket prices is an ineffective income-generating activity for increasing earned income. Beyond a specific price point the public will simply stop purchasing tickets, opting for lower-priced artistic or

entertainment products and, possibly, non-artistic recreational activities. As a result, an array of income-generating activities must be devised in a worthy attempt to increase earned income towards building financial stability.

However, arts organizations cannot engage in income-generating activities foolhardily, as “a naive attempt to raise the earned income ratio can be dangerous” (Kaiser 33). The danger inherent to increasing income-generating activities is the burden that is created on an organization’s capacity, as well as their capital resources. This burden can further cause organizations to shift their focus off of truly mission-related activities. A small shift can ultimately lead to mission creep and, again, cause arts organizations to violate the tenets of their 501(c)(3) status. One might suggest that arts organizations should simply pay the UBIT if they can earn sufficient capital towards pursuing the mission or becoming better capitalized. According to the IRS, “excessive unrelated business income” can jeopardize arts organizations’ 501(c)(3) status (Internal Revenue Service). Therefore, pursuing earned income over the long-term compromises arts organizations’ ability to function as public charities, legally or otherwise, rendering earned income a viable income stream only in the short term.

The Lack of Diversification in Arts Funding

Imagine the US economy is an ocean. Goods and services, income, and taxes are paid in fish. For-profit corporations navigate the ocean, searching for greater fish profit. Nonprofit arts organizations operating within this fish economy rely on two income streams: contributed and earned. The majority of contributed fish income is derived from

governments, corporations, foundations, and individuals. Because contributed fish income does not cover full operating costs, arts administrators and leaders must navigate the ocean, alongside for-profits, earning fish income to fill the gaps in their contributed fish income streams. In summary, then, arts professionals are 1) seeking fish grants from governments, corporations, and foundations; 2) seeking fish donations from individual donors; and 3) earning fish income. All contributed and earned fish income is generated from the ocean. Therefore, the fish funding system for the nonprofit arts in this US fish economy is not diversified.

In the real US economy, the arts funding system is built with funds that originate from the national economy. Governments, corporations, foundations, and individuals, from which arts organizations receive their funding, provide only a surface layer of diversification. Surface level diversification does not translate to diversification at the source-level where arts funding originates. During an economic downturn, governments, corporations, foundations, and individuals' resources are negatively impacted, because their money originates from one source, namely the US monetary system and capital market. By contrast, a diversified arts funding system would be built with funds originating from more than one base source. All contributed and earned resources comprising the arts funding system originate both indirectly (through grants and donations) and directly, (through investment income from endowments) from the US economy. Therefore, the current arts funding system in the US is not diversified.

In the analogy of the fish economy, the fish funding system also lacks diversification. But imagine that located just beyond the ocean's borders is land, land from which vegetable income can be cultivated through an independent system of gardens. As a complement to contributed and earned fish income, vegetables diversify the fish funding system for the arts while creating stability. Similarly, located just beyond the borders of the US monetary system is a surrounding network of community-based currency systems. Over the past eighty-six years, community currency systems have provided US cities with immediate capital whenever the national economy has recessed or utterly collapsed. As will be discovered in chapter II, community currency systems are highly adaptable, rendering them potential monetary alternatives from which to cultivate a long-term financial instrument for funding the US nonprofit arts sector. In effect, the nonprofit arts can create a long-term financial instrument, and thereby long-term funding, by adapting community currency into a complementary arts currency system.

Chapter II

COMMUNITY CURRENCY: FOUNDATIONS FOR CREATING AN ARTS CURRENCY SYSTEM

Community Currency: A Form of Money

Prior to current-day paper dollars and metal coins, exchange was facilitated by tradable commodities. Historically, currencies were called commodity money, because they were interchangeable with tradable commodities such as livestock, sea shells, semi-precious stones, and tobacco (DeMeulenaere, "An Overview of Parallel, Local and Community Currency Systems"). As Table 1 reveals, the forms money has embodied are diverse as well as dynamic.

Historical Forms of Money	Modern-Day Forms of Money
Sea Shells	Reward Points
Gold or Silver or Copper	Frequent Flyer Miles
Special Pieces of Paper	Coffee Punchcards
Tobacco Receipts	Cryptocurrencies (Bitcoin)
Bottles and Cases of Gin	Checks
Cigarettes	Coupons
Flour, Grain, Salt	McDonald's Monopoly Pieces
Clay Tablets	Community Currency
Baked Bread	

[Compiled from Thomas Sowell's *Basic Economics* and Robert Heilbroner and Lester Thurow's *Economics Explained*]

Money's physical shape has evolved since its beginning, and its shapes continue to evolve and diversify into the 21st century with the creation of virtual currencies, which in their simplest form are computer coding. Facilitating exchanges between people does not

require money to remain in a static form. Interestingly, neither does facilitating exchange require the national tender.

Another form of money consists of community-based currency systems known as community or local currency. Community-based currency systems are “agreements within a community to accept something else than legal tender” (Lietar 3) for goods and services. Legal tender in Bernard Lietar’s statement refers to the national currency. In the US, community currency is recognized by Congress as an acceptable form of money in lieu of the national currency as long as it has a minimum value of one dollar and is physically dissimilar to the national currency; minting physical coins is not permissible (Krohn and Snyder 57). Therefore, adapting community currency into an arts currency system renders arts currency an acceptable form of money with which to exchange artistic goods and services.

Examples of Community Currency Systems

Community currency systems have existed and evolved throughout the United States, Europe, South America, and Asia. Out of the Great Depression, community currency emerged in the US in the form of paper notes called scrips (See Figure 1).



Figure 1: [depressionscrips.com; \$1 Depression Scrip, Front]

Depression scrips were issued by local governments, chambers of commerce, local vendors, barter groups, and charitable organizations as a monetary tool for paying wages and exchanging goods and services during a shortage of US dollars (Krohn and Snyder 55). Users verified each transaction by placing a stamp on the back of the scrip. Eventually, depression scrips evolved into the paper bills used in present-day community currency systems. Two examples of paper-based community currency systems operating today are HOURS, based in Ithaca, New York, and BerkShares, based in Massachusetts's Berkshire region (See Figures 2-3).



Figure 2: [paulglover.org; 1 Ithaca HOUR]



Figure 3: [berkshares.org; 5 BerkShares, W.E. Dubois]

Due to the success of Ithaca's HOURS system, the term HOURS has become synonymous with paper-based community currency systems both in the US and abroad.

Argentina is the home of the *Red Global de Clubes de Trueque Multireciproco* (RGT). Growing out of the Programa de Auto-Suficiencia Regional—Regional Self-Sufficiency Program—established in 1995 by ecologists Carlos DeSanzo, Horacio Covas, and Ruben Ravera, the RGT system grew into a large-scale network comprised of roughly 500 community currency systems, circulating approximately \$5 million annually (DeMeulenaere, “Reinventing the Market” 2). RGT started as a Local Exchange Trading Scheme (LETS) which Michael Linton created in British Columbia. However, it evolved into a hybrid community currency system after DeSanzo, Covas, and Ravera incorporated paper bills called “créditos” into the system. Mexico’s Tianguis Tlaloc system, the United Kingdom’s KwinLETS, and Ireland’s Liquidity Network are also hybrids similar to the RGT system, proving that hybrid currency systems are indeed viable.

“LETS are modern bartering systems. Transactions between members create credits for the seller and debits for the buyer in units of the [national] currency” (Krohn and Snyder 56). Mutual credit systems are accounting systems where members submit their transactions to an administrator using the telephone, the internet, or paper credit notes (Krohn and Snyder 56). In this system, paper credit notes function as IOUs which are credited and debited to members’ respective accounts, rather than the paper bills used in HOURS-based systems.

Time Banks are a type of mutual credit system. In a Time Bank members receive credits and debits, but their work is equally valued. In other words, a lawyer receives the same credit as a graphic designer for the same hour of work.

As money can take on the form of computer coding, so can community currency. Cryptocurrency was first introduced in 1998 by Wei Dai, a computer programmer, using cryptography. Transactions facilitated with cryptocurrency are first created between two people then verified by a third person called a Miner (Hill 1). Hundreds of cryptocurrencies exist, but a popular cryptocurrency is Bitcoin. An open-source currency system, cryptocurrencies operate without a central regulating authority. “Anyone can access and edit the code on the internet, making the network a product of a collaboration among millions of coders whose collective efforts protect the technology’s integrity” (Hill 1, 2). As of 2011, the annual value of goods and services circulated using cryptocurrency is approximately \$150 million with 25,000 to 50,000 transactions daily.

Reconciling Limited Capital Resources and Excess Supply

“The most obvious contribution that [community currency] can make is to give people access to money” (Meeker-Lowry 447). Using community currency, access to capital resources is extended at the very point access to capital generated from the national economy becomes limited. Access to capital increases, because community currencies increase the pool of available capital through seigniorage. “Seigniorage, the profit from creating money, is equal to the value of money in exchange minus the cost of producing and distributing it” (Krohn and Snyder 60). For example, if the value of a community currency system is equivalent to \$100,000 (USD) and the administrative costs of producing that currency only totaled \$10,000 (USD), then \$90,000 (USD) worth of community currency is added to the pool of available capital.

Seigniorage is synonymous with the concept of “free money” introduced by Silvio Gesell to address the problems of under-liquidity he and other economists believed were central to the Great Depression (Cato 52). While Krohn and Snyder argue seigniorage can be overturned if the transaction costs are large, seigniorage from paper-based currency systems remains approximately 100% (Krohn and Snyder 60-61). In internet-based currency systems, "the cost of digital cash transfer is...close to zero" (Tanaka 3), resulting in a similar outcome.

However, the need for an administrative staff to verify transactions renders transaction costs in mutual credit systems much higher than those in paper and digital systems. After the founders of Mexico’s Tianguis Tlaloc incorporated the paper Tlaloc into their mutual credit system, Luis Lopezllera-Mendez and Stephen DeMeulenaere observed a reduction in the system's transactions costs (6). Incorporating paper notes reduces transaction costs, because paper-based transactions do not require verification by an administrator, effectively reducing this overhead expense. Time Banks are essentially digital barter systems, so the concepts of seigniorage and free money are non-applicable. Overall, seigniorage from a community currency system will not be negatively impacted by large transaction costs, because they are either rare or such costs can be reduced. In the arts currency system, if the volunteer administrators who will work in the Culture Coin system ever become a hired staff, then paper arts currency can have a similar effect on its transaction costs.

“Excess production capacity that is left idle within the existing national monetary system can become employed through the creation of local currency and the demand for

the goods and services it generates” (Krohn and Snyder 61). In his case study, "Would Local Currencies Make a Good Local Economic Development Tool? The Case of Ithaca Hours," David Grover’s observations affirm Krohn and Snyder’s assessment. “What the HOURS economy may provide is a means for the quantity of a [good or] service in excess of the capacity supported in the dollars economy to be exchanged with the other surplus [goods or] services” (730).

Capacity that is lacking in the US economy to circulate excess goods and services can be found within the local community. The capacity of the national economy is not only limited, but inconsistent. Recalling from chapter I, the national economy is represented as an ocean. Its capacity, like the ocean, ebbs and flows. Subsequently, the total quantity of goods and services supported in the capital marketplace, at any given moment, is ever changing. During a recession, the market’s capacity reduces; during times of economic strength and growth, market capacity grows. As Grover and Krohn and Snyder’s studies show, community currency systems extend capacity and circulate goods and services beyond the market’s limitation.

If excess goods and services within the capital market circulate within the local community, will the local community experience unsustainable excess as well? Grover’s study of the HOURS system reported more listings for goods and services related to “leisure pursuits, spare-time hobbies, personal or social fulfillment, and body work” than for staples. Based on his analysis of the HOUR TOWN directory, Grover defines the HOURS economy as a “hobby economy” (730). However, according to Paul Glover’s

website, HOURS are accepted at farmers market and for many goods and services that are not listed in the Directory:

plumbing, carpentry, electrical work, roofing, nursing, chiropractic, child care, car and bike repair, food, eyeglasses, firewood, gifts, and thousands of other goods and services. [The local] credit union accepts [HOURS] for mortgage and loan fees. People pay rent with HOURS. The best restaurants in town take [HOURS], as do movie theaters, bowling alleys, two large locally-owned grocery stores, our local hospital, many garage sales, 55 farmer's market vendors, the Chamber of Commerce, and 300 other businesses. Hundreds more have earned and spent HOURS who are not in the HOUR Town directory. (Glover, *Hometown Money*)

HOURS is more than a “hobby economy.” The diversity of goods and services available within the HOURS economy, and the RGT economy in the following section, suggest that it is not excess that is created within the local community, but rather abundance.

However, excess can occur with the actual community currency. If an individual business accepts community currency faster than they can spend it, then over-accumulation or stockpiling occurs. Over-accumulation removes community currency from circulation which can destabilize the currency system, and it affects paper-based and paperless systems alike. Paper community currency accumulated at any local establishment threatens its acceptability at said establishment and potentially within the local community (Krohn and Snyder 60).

In paperless systems, likewise, accumulating large credit balances indicates that account holders are not purchasing goods and services at the rate they are selling goods and services. As a result, “the number of people with positive balances increases as the number of people willing to sell [goods and] services decreases since everyone wants to buy in order to lower their [positive] balances.” Paperless currency systems also enable account holders to simply leave after accumulating large negative balances (Dini 14). According to Grover, poorly designed incentives are a root cause of over-accumulation (734). To troubleshoot circulation issues in the HOURS system, Paul Glover created customized directories to help businesses identify goods and services available to them within the HOURS economy (Glover, Personal Interview). While over-accumulation may be inevitable in community currency systems, navigating these challenges are possible with an array of well-designed, business-friendly incentives.

Creating Economic (Financial) Stability

Gregory Krohn and Alan M. Snyder’s “An Economic Analysis of Contemporary Local Currencies in the United States” is the only economic analysis of US-based local paper currency systems. According to Krohn and Snyder, “[m]onetary theory and the experience with local currencies in Argentina indicate that in periods of financial instability and high unemployment, local currencies might provide widespread economic benefits” (53). Conditions in Argentina became dire following the collapse of the nation's economy. Luxury apartments were paid for in grain. General Motors and Ford Motor Company followed suit and began accepting cereal crops such as soya, maize, wheat, and

sunflower for their pick-up trucks, while banks also accepted grain in exchange for loans to farmers for equipment and seeds to grow crops (Cato 49).

Widespread economic stability was recreated from the RGT system. In "Reinventing the Market: Alternative Currencies and Community Development in Argentina," Stephen DeMeulenaere recounts,

On a sunny Sunday afternoon in late November, I entered "La Bernalesa," an empty DuPont textile factory...that had been turned into an indoor alternative currency mini-mall. On the large main factory floor, hundreds of people holding their little yellow "créditos" notes jostled their way up and down the long lines of tables displaying everything from handmade clothing, to food, vegetables, tools, pottery, etc. Certainly, any item on anyone's needs list could be fulfilled here. (2)

During recessed or collapsed economies when financial instability is high and access to capital from the national monetary system is low, using local currency to circulate excess goods and services within the local community can result in a return to economic stability.

Conditions must be ripe for local currency systems to have significant economic impact. "While benefits have been quantified for Argentina in the early 2000s, the experience of the US during the 1990s suggests that local paper currencies do not offer large economic benefits during periods of economic and financial stability" (Krohn and Snyder 53). As the national economy strengthens and capital flows back into the community, the need for a local currency system reduces as community members

increase their use of the national currency. Thus, as Argentina's economy strengthened and pesos became available as well as government-sponsored insurance for unemployment, use of the RGT system declined (Krohn and Snyder 66). Nevertheless, Krohn and Snyder conclude, "if the financial turmoil, credit restrictions, and sharp increases in the prices of oil and food during 2007 and 2008 result in a severe economic recession [in the US], however, conditions would be in place for local currencies to provide greater economic benefits" (66).

Indeed. In 2008 the US fell into a severe economic recession from which the US nonprofit arts sector has been slower to recover than other sectors, according to AFTA's 2016 National Arts Index (Cohen). Community currency offers the nonprofit arts sector a base material—a type of monetary seed—from which to cultivate an effective financial instrument for providing the sector immediate access to additional capital resources. In addition—not just in times of financial crisis but over the long-term—community currency provides a strategy for reconciling limited capital resources with excess arts supply towards creating economic stability within the nonprofit arts sector. Out of this monetary seed, artists, arts administrators, and arts leaders can cultivate an arts currency system that is both independent from and complementary to the national currency.

Chapter III

THE ARTS CURRENCY SYSTEM: A LONG-TERM FINANCIAL INSTRUMENT

“And the Lord God planted a garden eastward in Eden.... And out of the ground made the Lord God to grow every tree that is pleasant to the sight, and good for food...” (King James Bible, Gen. 2.8-9).

Out of the network of community-based currency systems, an independent arts currency system can be cultivated into a long-term financial instrument for the US nonprofit arts sector. In the analogy from chapter I, the arts currency system in aggregate is represented by a system of gardens; the vegetables from the gardens represent income in the form of arts currency.

As a long-term financial instrument, arts currency provides US arts organizations with ongoing access to capital. As a monetary complement to the current arts funding system, an independent arts currency system diversifies the ground-level source from which arts funding is derived, protecting the arts against fluctuations in the US economy. Pairing an independent arts currency system, a long-term financial instrument, with the US dollars-based arts funding system, a short-term financial instrument, creates conditions in which both currency systems work cohesively towards creating a complete capital foundation. On this foundation, arts organizations can build good-capitalization towards creating long-term liquidity, adaptability, and durability sector wide. This chapter

will explore whether an arts currency system would meet the liquidity, adaptability, and durability requirements as defined in chapter I.

The Nature of Arts Currency: A Brief Introduction

Arts currency, like the US dollar, is fiat currency and can exist in paper or digital form. Fiat currencies are not redeemable for tangible items like gold. Gold bars for which US dollars were once redeemable have not backed the US dollar since 1933. In fact, economist Thomas Sowell argues that the concept of gold backing money is misleading, as paper bills cannot absorb the “intrinsic value” contained in gold bars (367).

In *Economics Explained: Everything You Need to Know About How the Economy Works and Where It's Going*, Robert Heilbroner and Lester Thurow expound upon Thomas's argument. “Thus the presence or absence of a gold backing for currency is purely a psychological problem, so far as the value of a domestic currency is concerned. There is nothing in gold itself that possesses more value than silver, uranium, land, or labor” (130). Paper US dollars, then, must derive their value entirely from an intangible element. When the US Federal Reserve prints US dollars, the dollars are simply pieces of colored paper stacked in the Reserve's vault. Once these stacks of paper are put into circulation, they become the US dollar. “[S]o long as it is unquestioned the money is ‘as good as gold’” (Heilbroner and Thurow 129, 130).

Putting fiat currencies into circulation is only possible if the currency is accepted by the public. “There would be no way for the Federal Reserve to ‘issue’ its money unless the public wanted cash” (Heilbroner and Thurow 129). As explored in chapter II, many

items in addition to colored pieces of paper have been used as currency, from sea shells to stones. Credit cards, debit cards, and checks (Sowell 368) as well as frequent flyer miles, coffee punchcards, and reward points are all modern-day forms of currency. Arts currency is similar in nature. “What ma[kes] all these different things money [is] that people [will] accept them in payment for goods and services which actually constitute[s] wealth” (Sowell 365). Acceptance, formed out of the public’s faith, gives a currency system its monetary value.

Likewise, acceptance formed out of artists’, arts administrators’, and arts leaders’ faith or trust will give arts currency its monetary value and put it into circulation throughout the US nonprofit arts sector. Trust and thereby acceptance of fiat currencies is encouraged and legitimized by law. For example, US dollars and coins are defined as the nation’s legal tender (Heilbroner and Thurow 124), giving these dollars and coins legitimacy. Similarly, community currency systems and thereby arts currency obtain their legitimacy from a statute written in 1862 by the US Congress (Krohn and Snyder 57).

Achieving Liquidity Using an Arts Currency System

Seigniorage is defined in chapter II as profit from creating money. The profit from creating an arts currency system will, assuredly, increase the pool of available arts funding. Unlike contributed and earned income, arts currency is 100% unrestricted. As unrestricted funding, arts currency can be freely used towards either general operating expenses, program expenses, or both. Indeed, arts currency is a highly liquid form of arts funding.

The consensus throughout the nonprofit arts sector is that there is an excess of arts products and programs. If an excess of the arts exists, then an equal supply of human and material resources exists from which this excess is created. Excess resources “constitute wealth” in the nonprofit arts sector (Sowell 365). This wealth of cultural and creative resources is a type of liquidity currently residing in the nonprofit arts sector. This liquidity is in the form of underused, undervalued, or dormant rehearsal and performance space, production equipment, scenery supplies, costumes and fabric as well as skills in writing, photography, marketing and graphic design, administration, and performance that can be harnessed to the benefit of all (Mathew and Carl 18).

In "Commons-based Peer Production and Virtue," Yochai Benkler and Helen Nissenbaum define commons-based peer production as “a socio-economic system [in which] ...large groups of individuals cooperate effectively to provide information, knowledge, or cultural goods without relying on either market pricing or managerial hierarchies to coordinate their common enterprise” (qtd. in Mathew and Carl 18). Examples of peer-produced products include open-source software and Wikipedia. Corporations such as Google and Amazon also use peer-production to help users locate products they want quickly and efficiently (Benkler, “Peer Production and Sharing” 76). In the nonprofit arts, using peer-production to match unmet needs to excess available resources reconnects the arts sector to its own resident liquidity. Most importantly, through peer production the nonprofit arts can employ “social sharing and exchange as a modality of economic production” (Benkler, “The Economics of Social Production” 92).

Switzerland's Wirtschaftsring, meaning Economic Ring and referred to as WIR, provides a strong example of the level of economic impact that is achievable through peer production facilitated by community currency. According to Erick B. Hansch's "Initial Results of WIR Research in Switzerland," the WIR was established to enable small to medium-size Swiss grassroots businesses to circulate their own credit independent of for-profit banks. Community Currencies in Action (CCIA) reports that approximately 45,000 businesses participate in the WIR system, working predominately in the hospitality, construction, manufacturing, retail, and professional services sectors. To date, the WIR has circulated 1.5 Billion Euros representing 1-2% of the Swiss Gross Domestic Product (Community Currencies in Action).

In addition to Switzerland's business sector, the Bangladesh Business Network also demonstrates how community currencies and thereby peer production taps underused resources and stimulations economic production. Two hundred businesses comprise the Bangladesh Business Network (BBN). Eighty-three percent reported a 22% increase in sales since the Bangla-Pesa was created in 2013. Sales conducted in shillings remained the same after the Bangla-Pesa was introduced "which suggests that the 22% conducted in Bangla-Pesa really does represent extra sales that would not have happened without the introduction of the local currency" (Community Currencies in Action). Community currencies enable exchanges that otherwise would not transpire. Likewise, arts currency can facilitate exchanges that otherwise would not transpire in the nonprofit arts due to limited funding.

Achieving Adaptability Using an Arts Currency System

In chapter I, adaptability is determined by the following question: does an arts organization have flexible funds that allow it to make adjustments as its circumstances change? Rebecca Thomas's question can be restated to test the adaptability of arts currency—does arts currency offer nonprofit arts organizations flexible funds that allow them to make adjustments as their circumstances change? By way of response, we can look to the past track record of community currencies to predict the future performance of arts currency. If community currency has not provided flexible funding to enable adjustments during changing financial circumstances, then we can assume arts currency will not enable arts organizations to adjust to their changing financial environments.

Over an 86-year history in the US, the evidence suggests a more optimistic conclusion. As previously mentioned, community currency systems emerged out of the Great Depression. Adapting to the shortage in US dollars and its inability to pay its workers, Larkin and Company created \$36,000 worth of depression scrips, which they called Merchandise Bonds, and distributed them as wages. Larkin's bonds were put into circulation as their workers purchased goods at the company's chain stores. Over time, additional businesses began accepting Larkin's bonds, enabling the company to generate \$250,000 worth of sales over the life of the scrip (DeMeulenaere, "An Overview of Parallel, Local and Community Currency Systems").

According to Sowell, "when the money supply contracted drastically [during the Great Depression], there were...an estimated '150 barter and/or scrip systems in operation in thirty states'" (365). During Argentina's financial crisis, créditos were

created in the dearth of pesos, and \$800,000 worth of créditos circulated \$5 million worth of goods and services (DeMeulenaere, “Reinventing the Market” 2). In response to the US recession in the 1990s, the Ithaca HOURS system was created to mitigate its negative effect on Ithaca’s residents. Indeed, community currency systems provide unrestricted, flexible capital towards achieving adaptability. Similarly, arts currency will enable arts organizations to adapt to their ever-changing financial environments. Even though community currencies have proved themselves adaptable to difficult financial times, whether they can remain active over the long term is still up for debate, and will be explored in the following section.

Remaining adaptive requires maintaining purchasing power. Following federal sequestrations in 2014, the NEA’s 2015 budget was reinstated to \$157 million which is roughly equal to the funding level in 2009 (Americans of the Arts, “Arts Facts: Government Funding (2014)”). If the NEA were to retain the same purchasing power in 2015 as in 2009 with a \$157 million budget, then an additional \$16 million would be required for a total of \$173 million (Williamson). Without equal purchasing power, federal funding remains only semi-effective due to inflation. “[C]ommunity currencies increase one’s purchasing power” (Collom 1566). In effect, arts currency can increase the NEA’s purchasing power by filling the funding gap. Supplying a portion of the \$16 million shortage can produce significant economic impact, as though the NEA had received the full \$173 million appropriation.

On the organizational level, if an arts organization spends \$2000 in either contributed or earned income for expenses that can be paid in full using arts currency,

then the arts organization has effectively saved \$2000 in the US currency. These savings function as surpluses, and can be used for additional expenses, activities, or building capital reserves towards achieving good capitalization. Ultimately, the simplicity in creating purchasing power with arts currency offers the nonprofit arts sector and its organizations a sector- and organization-friendly method for achieving adaptability during changing financial circumstances.

Likewise, arts patrons can increase their purchasing power using arts currency. If a ticket to the opera cost \$100 and an opera company accepts arts currency as payment for half the ticket price, then a working-class patron has the option to pay \$50 in US currency and \$50 in arts currency thereby saving \$50 in US currency. The additional \$50 in US currency the patron will spend without the arts currency is now available for purchasing a second opera ticket, or a different artistic good or service, they otherwise may not purchase. Without the arts currency, the opera patron can purchase one ticket for \$100 in US currency. However, using arts currency effectively reduces their cost in US currency and increases their financial power to purchase two tickets rather than one.

Herein lies the complementary power of local currency and thus the arts currency system. "[Local currency systems] can promote the trading of goods and services whereas [the] national [currency] often restricts exchange because of its scarcity" (Collom 1566). While local currencies complement the national currency, they allow for the circulation of goods and services without the use of the national currency. Returning to the above example, if the opera company accepts arts currency as payment for the full ticket price on Tuesday evenings as an incentive to fill unsold seats, then the working-class patron

can pay for their \$100 ticket using arts currency, effectively eliminating the total cost of the ticket in US currency all the while retaining an increase in their purchasing power.

Achieving Durability: Can an Arts Currency System Remain Effective in the Long-Term?

“The longest running community currency system is the WIR in Switzerland” replies Paul Glover when asked during an interview to explain how to ensure longevity in an arts currency system (Glover, Personal Interview). Glover’s HOURS system has operated for twenty-five years in Ithaca. Founded in the early 1990s, Western Massachusetts’ BerkShares has experienced a tenure similar to HOURS. In Japan, the Fureai Kippu system has been active from more than thirty years, and Switzerland’s WIR, founded in 1934, has been operating for over eighty years. However, despite the success of these systems, community currency systems in general have a history of becoming deactivated once the time of financial difficulty has passed (Glover, Personal Interview).

Krohn and Snyder’s economic analysis affirms Glover’s statement. Eighty-five percent of the systems they studied ceased operating by 2006. Krohn and Snyder found that community currency systems do not provide economic benefits during strong national economies. Their analysis covers a fifteen-year period from 1991-2006 in which the US economy experienced a long economic expansion (Krohn and Snyder 53, 61). If community currency systems do not provide economic impact during strong economies, then the number of systems that ceased their operations during Krohn and Snyder’s study is understandable, since the need for them no longer existed during the US’ economic

expansion. In addition, Glover opines that the founders of these systems may not have fully understood the amount of commitment or the necessary components required for ensuring longevity of their systems, abandoning their efforts under the weight of their operations.

According to Glover, a core group of paid, full-time networkers are the number one factor for ensuring the longevity and overall effectiveness of any community currency. Networkers promote the currency system, troubleshoot circulation issues, and build credibility by cultivating relationships throughout the local community (Glover, Personal Interview). While the lack of networkers will not cause all community currency systems to cease operating, a lack of networkers can reduce the system's effectiveness which over time can lead to deactivation. Glover considers the lack of networkers to replace him following his departure from Ithaca as the root cause of the HOURS system being less robust today than in previous years (Glover, Personal Interview).

In addition to networkers, other factors necessary to ensure a durable system include building credibility and trust, organizational and governance structures, efficient distribution channels, proper incentives, and easy-to-use functionality. Still, if the environment does not offer ideal conditions for the system to operate, these factors will be built on an unstable foundation which can undermine the effectiveness of each factor in creating a durable system. Well-established factors built within a currency system that is operating in less-than ideal conditions will not make up for the lack of an ideal environment. Therefore, the operating environment in which the arts currency system

exists is of utmost importance for ensuring long-term durability and effectiveness in a community currency system.

A fundamental difference between community currency systems like HOURS and BerkShares compared to the WIR and Fureai Kippu is, indeed, their operating environments. Community currency systems similar to HOURS that exist within a community-based environment are comprised of residents, local businesses, and local nonprofit organizations. All the community currency systems included in Krohn and Snyder's economic analysis operated in community-based environments. In community-based environments, often community currency systems inadvertently become temporary replacements for scarce US dollars. As the national economy strengthens and US dollars become less scarce, the community currency system subsequently competes with the national monetary system. As a result, the community currency system weakens, which can lead to its eventual deactivation.

By contrast, the Swiss WIR and the Japanese Fureai Kippu operate within a sector-specific environment. In sector-specific environments, often the sector's capital needs exceed the capacity of the national economy, creating a funding gap. When a community currency system targets a sector's funding gap, a complementary relationship can ensue between the national monetary system and the sector-specific currency system.

During an economic crisis, the sector-specific currency system expands to provide additional capital. Once the economic crisis is abated and strength returns to the national monetary system, the sector-specific currency system slightly contracts and returns to filling the original funding gap the national economy cannot fill, despite its strength. If

the original funding gap remains, then the need for the sector-specific currency remains. If a need for the sector-specific currency system remains, then it can remain operational.

In "Community Currency in the US: The Social Environments in Which it Emerges and Survives," Edward Collom argues that specific needs do not enable community currency systems to remain operational. According to Collom, currency systems in communities with high levels of need are equally prone to cease operating as community currency systems operating in less needy communities. In fact, community currency systems supporting "resource-rich social movements are more likely to be successful than those waged by the needy" (Collom 1580). If need is not a factor in a community currency system remaining operational, then how does one explain the emergence of community currencies during economic downturns in the US and abroad when financial need has been high? Further, how does one explain community currencies ceasing their operations during economic stability when the community's need for them is low or nonexistent?

Evidence from the systems in this paper suggests that community currencies come into existence because their respective communities need them and decline when the need is no longer present. Ongoing need for the community currency system creates ongoing conditions for the system to remain operational. In the nonprofit arts sector, the current irreconcilable funding gap created from limited arts funding and an excess supply of arts will remain, and may even widen, in the coming years.

Therefore, an arts currency system targeting the current gap in arts funding can, potentially, remain in operation in the long term. The complementary relationship

between the independent arts currency system and the national monetary system forms a stable capital foundation where one monetary system counteracts shortages in the second monetary system. Ultimately, this relationship results in an adaptable funding base, which in turn helps to produce a durable and effective arts currency system.

Chapter IV

PAPER + DIGITAL: A HYBRID ARTS CURRENCY SYSTEM FOR THE NONPROFIT ARTS

“The provision of circulating currency notes is a vital element in any exchange network that inspires inclusivity, however much available the new technologies...”
(qtd. in Feasta)

The arts currency system needs to be hybrid in order to be effective. Culture Coin’s internet-based platform allows the arts currency system to facilitate exchanges across local, state, and even global borders. However, there are inherent weaknesses to digital arts currency systems, just as there are weaknesses in paper systems. Alone, neither Culture Coin nor paper cultural dollars can build social capital simultaneously within the local, national, and global arts communities, inspire inclusivity, build a sector-wide exchange network, offer protection from hackers and free-loaders, and provide flexibility for valuing arts labor. Pairing the digital Culture Coin with paper cultural dollars, however, will counter-balance their respective weaknesses towards creating an arts currency system that can accomplish all of these goals at once.

The Digital Culture Coin: A Brief Introduction

Vijay Mathew, a developer of the Culture Coin, explains during an interview that the initial Culture Coin system will follow the Time Bank model. It is being developed using a type of online platform that is designed to facilitate exchanges without the use of a national currency. This type of online platform is known as a Community Exchange System (CES) (Community Exchange System). Users will access Culture Coin through a

plug-in which will reside on HowlRound's website as well as the websites of arts organizations within the domestic and international arts sectors (Mathew), but participating requires activating an account. June 2017 is the expected launch date of the Culture Coin system (Mathew).

As explained in chapter II, Time Banks are mutual credit systems in which members receive credits and debits for goods and services offered and received respectively. Paper currency notes do not exchange hands. Time Banks are essentially electronic barter systems built on labor. Each hour of work is valued equally, regardless of the different areas of expertise (Krohn and Snyder 56) and skill levels of the providers. In the Culture Coin system, 1 hour of work equals 1 Culture Coin, 2 hours of work equals 2 Culture Coins, and so forth (Mathew).

Paper Cultural Dollars

ArtCash is an example of a paper cultural dollar. Currently, the ArtCash system is being proposed in Philadelphia by HOURS' founder Paul Glover, (See Figure 4).



Figure 4: Paul Glover; 5 ArtCash Paper Note, Front]

While ArtCash carries a valuation of \$20 for 1 hour of arts labor, paper cultural dollars, similar to any paper-based community currency system, can account for any valuation of labor. Similar to the HOURS system, paper cultural dollars are hand-held paper notes that function like the US paper dollar while remaining distinct from US currency.

Determining a valuation for paper cultural dollars is outside the scope of this paper.

However, the flexibility that paper notes offer regarding the valuation of artistic labor and goods will be explored in the following section.

Creating A Hybrid System: Pairing Paper Cultural Dollars with the Digital Culture Coin

In *Community Currencies: Small Change for a Green Economy*, members of the UK's KwinLETS system describe the common valuation of labor as a “practical expression of an economy based on fairer and more socially just principles than the conventional economy. Everyone's skills are equally valuable, and every member begins and ends on equal footing” (Seyfang 989). In the Culture Coin system, Mathew argues that the common valuation prevents one person from getting wealthy at the expense of another person (Mathew). However, valuing all goods, services, and skills equally in order to keep participants on “equal footing” can be equally unjust and unfair, thus disincentivizing participation.

Many KwinLETS participants did not offer professional-level services for a common pay, which limited the quantity of available skills (Seyfang 989). Moreover, while two people may offer the same skill, their skill levels will inevitably affect their

performance of the task as well as the quality of the good or service they offer. Is it fair, for example, to pay a professional opera singer the same single Culture Coin as a student from a vocal conservatory for the same hour of singing? Likewise, is it fair to pay a professional set designer the same single Culture Coin as a volunteer usher for working an equal amount of time? In reality, common valuations enable portions of a society to receive a wealth of professional-level goods and services at the expense of the professionals who offer them, as a single coin for an hour of labor does not account for the time and money invested into becoming highly skilled.

In the Culture Coin system, professionals and individuals with highly-specialized skills will either offer or refrain from offering their goods and services for a common valuation. Imposing a common valuation undermines freedom of choice and, as previously mentioned, losing the freedom of choice incites humans to resist the entity that is withholding their freedoms (Cialdini 4669). The professionals who withheld their skills from the KwinLETS system used non-participation as their form of resistance to the common valuation. Dignity, as well as humanity, ensues from the freedom to choose how to value one's skills. When professionals and individuals with highly-specialized skills offer their goods and services, then the arts sector becomes wealthy at their expense. When professionals and individuals with highly-specialized skills do not offer their goods and services, then the quantity of available resources becomes limited. Inevitably, a common valuation creates an economic environment where the sector becomes wealthy

at the expense of some professionals and individuals or the quantity of resources remains limited “leaving some needs unmet” (Seyfang 993).

A legitimate concern is that excessively high valuations of some types of labor may result from allowing multiple valuations. However, a high valuation will not remain high if members of the arts community are unwilling to pay it. If a majority of members in the arts community refuses to pay a high valuation, then the producer who desires to participate in the arts currency system will be incentivized to choose a reduced valuation the members are willing to pay. Therefore, high valuations are managed by members’ willingness or unwillingness to pay them.

Fortunately, “[l]ocal [currencies] offer a unique opportunity for experimentation with different value regimes, particularly to labor” (Seyfang 989). One cannot expect Culture Coin’s valuation of 1 coin per 1 hour of arts labor to be appropriate for all arts labor. Because Culture Coin’s valuation is coded into its CES, it is the default valuation. Changing the valuation would need to be completed by the developers, but in a sector-wide currency system changing the coding to accommodate everyone’s personal valuation is impractical. However, incorporating paper cultural dollars can counteract this restriction, facilitating exchanges with differing valuations. Using paper cultural dollars to build into the Culture Coin system the flexibility for members to choose how their labor is valued creates a fair and socially just exchange network. Furthermore, enabled by these layers of multiple, adaptable valuations, the quantity and quality of available goods and services are likely to be more abundant.

Against paper-based arts currency, Culture Coin's strength is its digital nature. "The networked environment not only provides a more effective platform for action to nonprofit organizations...it provides a platform for new mechanisms for widely dispersed agents [(members)] to adopt radically decentralized cooperation strategies" (Bencher 62). As an internet-based currency system, Culture Coin is borderless (Tanka 3). By contrast, paper cultural dollars are geographically limited. The sheer size of the US nonprofit arts sector would render a strictly paper-based arts currency system virtually impossible to implement. Culture Coin's ability to facilitate exchange across state and county borders within the US renders the arts currency system scalable.

However, these digital exchanges fail to develop deeper, more relational ties and trust among members of internet-based social networks which is a strength of paper-based currency. In *Community Currencies and the Quantification of Social Value in the Digital Economy*, Paolo Dini writes, "the dependence of the community currency [system] on local and social dimensions implies that it is not suitable for long-range, impersonal transactions...since it benefits from and even depends on personal acquaintances, social ties, and trust between members" (9, 13-14). These local and social dimensions are collectively referred to as Social Capital. The power of social capital is leveraged extensively in the nonprofit arts. Cultivating relationships with patrons and supporters is fundamental to attracting and retaining donors and audiences. In the music industry, where social media is practically a requirement for a successful career, pop

artists must nevertheless connect with their fan base through live, face-to-face performances, strengthening the electronic relationships built through social media.

Similarly, an arts currency system functioning solely from electronic relationships will not survive in the long term. Paper cultural dollars are “cultural artifact[s] which weave people together” (Glover, Personal Interview), and digital currency lacks this social capital-producing quality. Both Dini and Glover agree: generating social capital is the fundamental purpose of a community currency system and a requirement for growing and maintaining a successful system. Supplementing a digital arts currency with a paper-based one can fulfill this requirement.

On the simplest level, paper cultural dollars require face-to-face transactions. They are points of human connection from which enduring relationships, and thereby an enduring arts currency system, develop and deepen. The tangible nature of paper cultural dollars helps to form trust between the individuals engaged in paper-based transactions while tying them collectively to the arts currency system. Ultimately, paper cultural dollars help to weave together a social root system comprised of personal acquaintances, social ties, and trust between members through face-to-face transactions. These social ties balance out the impersonal relationships formed through Culture Coin’s internet-based transactions.

Vijay Mathew and Polly Carl position Culture Coin as a global arts currency system (22), but a global arts economy is only as stable as the local arts economies of which it is comprised. As a cultural artifact, paper cultural dollars incorporate a “human

element to the promotional process [as] there is absolutely no substitute for talking to people” (Glover, Personal Interview). According to Glover, the HOURS system was founded before the internet. A combination of a physical currency and word-of-mouth among the locals “made HOURS go viral without the internet” (Glover, Personal Interview). Soon after, the HOURS system inspired similar systems internationally.

While the HOURS system spread throughout out the US and abroad, however, the currency systems remained locally-based. Each country where Culture Coin will be used, including in the US, has its respective collection of local arts economies that must be strengthened within a global arts currency system. Arts currency cannot achieve economic impact at the global level if arts economies at the local level remain weak. Weak local arts economies can lead to the arts currency system becoming destabilized. Therefore, building the local arts community and its respective economy both in the US and abroad is necessary for creating an effective global arts currency system.

Paper community currency has an eighty-six-year tenure in helping to build local communities. Digital currencies do not have a similar track record, and are not especially conducive to strengthening local economies. One weakness inherent to paper-based local currency systems is also what makes them ideal for building the local economy. The scope of paper local currency systems is usually limited to a specific geographical region, While the paper cultural note will be universal, enabling their use within any arts community in the sector—similar to the paper dollar in the US monetary system—this inherent limitation in paper local currencies will most likely result in paper cultural notes

circulating predominately within any given local arts community. As paper cultural notes recirculate within local arts communities, they will help to strengthen their respective local arts economies.

Indeed, some scholars have raised objections to the local economic impact of paper currency resulting simply from their limited scope. In their economic analysis of local paper currencies in the US, Krohn and Snyder argue that paper currency restricted to circulating locally offers insufficient proof that paper currency increases the local expenditure multiplier and subsequently the local economy. Local expenditure multiplier is the "cyclical flow between income and expenditures" within a given community (Krohn and Snyder 63).

For example, if a theater offers unused rehearsal space for 20 arts dollars per hour, and a local playwright rents the rehearsal space for one hour, then the theater's income has increased by 20 arts dollars. This increase is a corresponding expenditure for the playwright that did not previously exist, but in a sense is created and facilitated by paper cultural dollars. In turn, the theater spends a portion of the 20 arts dollars locally and creates the same expenditure-income effect and so forth. Collectively, increases in local expenditures and local income result in a corresponding increase in the local economy.

In opposition to Krohn and Snyder, researchers Jeffrey Jacob, Merlin Brinkerhoff, Emily Jovic and Gerald Wheatley, in *The Social and Cultural Capital of Community Currency: An Ithaca HOURS Case Study Survey*, conclude that "the impact of these individually modest amounts had a multiplier effect much greater than federal dollars

since they circulate, and re-circulate exclusively in Ithaca” (Jacob et al. 53). On average their survey respondents spent \$350 worth of HOURS, with 41% agreeing that "HOURS gave them access to goods and services that they would not otherwise have [acquired]” (51). Despite being in the minority, this "41 percent is a significant minority. It shows the underlying economic energy that is central to HOURS” (Jacob et al. 52).

Similarly, paper arts currency would help to circulate artistic goods and services locally that otherwise are generating little to no income for the artistic seller and no expenditures on the part of the artistic buyer. Subsequently, expenditures on locally produced artistic goods and services would create additional income for the artists and arts organizations who are selling the goods and services. In short, the local expenditure multiplier within local arts communities would increase. As a result, circulating paper cultural dollars helps to increase the local expenditure multiplier and thereby the local arts economy.

Interestingly, Krohn and Snyder were unable to detect the true effect of paper community currency systems on the local expenditure multiplier, because some income-levels were too small to measure while other income levels were not captured in their analysis due to being unreported (65). In the absence of quantitative data from Krohn and Snyder, Jacob et al. offer this perspective:

If, in the final analysis, the influence of HOURS does not register on a government statistician’s spreadsheet tracking the economic indicators for Ithaca and [the surrounding] region, then perhaps in determining

their impact one needs to turn to an examination of the part they play in the cultural life of Ithaca....HOURS stand for the protection and enhancement of the quality of their community life. (Jacob et al. 55)

Approximately 46 % of the respondents agreed their relationships deepened while 70% either agreed or strongly agreed their circle of friends increased from participating in the HOURS system. Nearly 81% of the respondents agreed or strongly agreed that these relationships incited future exchanges (Jacob et al. 50-51). Indeed, economic impact can stem from social capital; and social capital, generated from face-to-face transactions through paper local currency, can increase the local expenditure multiplier. This perspective from Jacob et al. further supports the above position that paper cultural dollars circulating locally can result in a stronger local arts economy, and the absence of measurable data is insufficient proof that paper currencies, in general, do not or cannot add to their surrounding local economies.

A further disadvantage of the digital Culture Coin is that the online system of accounts creates an exclusive environment. While the CES platform can accommodate non-account holders or internet users, transactions must be facilitated through "local-area coordinators, who serve as local 'branches' of the exchange" (Community Exchange Network) for each transaction which can be a hassle or impractical in areas where a coordinator is not located. It cannot be assumed the internet provides the best means of exchange, or that the accounting system is the most efficient exchange process, "[o]therwise, large swathes of the population will be excluded from active participation,

and many casual convenient transactional types would be otherwise excluded" (qtd. in Feasta), from purchasing last minute theater tickets to trying a dance class. Exclusivity will only weaken the arts currency system by isolating it from the surrounding communities.

A hybrid arts currency system will need to overcome the exclusivity of the digital if it is to realize impact sector wide. In Ireland, paper quid notes "inspire inclusivity" (qtd. in Feasta). In Mexico's Tianguis Tlaloc system, it was discovered that "the [paper Tlaloc] notes expand[ed] the potential use of the Tlaloc beyond the system of accounts...allow[ing] transactions to take place between people who may not be members" (Lopezllera-Mendez and DeMeulenaere 3, 6). In like form, paper cultural dollars will expand the arts currency system beyond Culture Coin's system of accounts, engendering inclusivity.

Another inherent weakness in mutual credits and Time Banks is the possibility for members simply to stop participating after incurring a large negative balance. This weakness, too, can be corrected by grounding the arts currency in paper. Incurring negative balances is not possible using paper cultural dollars. Transactions involving paper cultural dollars require individuals to first acquire the paper currency by engaging in arts labor or exchanging their US dollars into arts currency (where this type of exchange is permitted). Therefore, incorporating paper cultural dollars into the Culture Coin system adds a layer of protection against potential free loaders and scammers.

A final advantage for pairing cultural dollars with the digital Culture Coin is that the paper arts currency will help to protect Culture Coin's internet-based platform from hackers and other cyber-criminals. Recent security breaches with cryptocurrencies such as Bitcoin as well as more general challenges with identity theft confirm that the internet is not an entirely safe environment. Mathew ensures that Culture Coin will have a handful of administrators monitoring the system and helping to troubleshoot damages or disputes, but he is not expecting large amounts of dishonest behavior. Despite the absence of an official policy to govern users' conduct, Mathew believes outlining best practices will suffice for discouraging potential unethical behavior with Culture Coin (Mathew). Unfortunately, even if Mathew's optimism about members' ethics is correct, Culture Coin's digital nature still renders them vulnerable to attack from hackers, and best practices and policies will not completely eliminate this vulnerability.

Paper cultural dollars are neither stored on nor traded through the internet, so they are not vulnerable to hacking. Realistically, the incentive for thieves to steal paper cultural dollars is weak. Paper cultural dollars can only be used within the nonprofit arts sector, and using them would require a thief to engage in face-to-face transactions, undermining their need for anonymity. Nevertheless, paper cultural dollars are vulnerable to forgery. According to DeMeulenaere, "the number of cases of counterfeiting of local currencies is very small....The chance of being caught is considerably higher than in the case of national currency" and face-to-face-exchanges with a large amount of paper arts currency would only serve to expose a thief (DeMeulenaere, "An Overview of Parallel,

Local, and Community Currency Systems”). Similar to the anti-forgery strategies used in the HOURS system, protecting paper cultural dollars from forgery is possible using special watermarked paper, thermal ink, and serial numbers in the design (DeMeulenarere, “An Overview of Parallel, Local, and Community Currency Systems”). Ultimately, pairing paper cultural dollars with the Culture Coin significantly reduces the system’s vulnerability to internet theft.

Failing to counterbalance the weaknesses inherent to digital Culture Coin with the strengths of paper cultural dollars can lead to a weak and ineffective arts currency system. Weakness and ineffectiveness can subsequently lead to deactivation. Arts communities in the US are highly diverse and highly nuanced. Surrounding each arts community is an equally diverse and nuanced socio-economic and political environment. Paducah, Kentucky’s LowerTown Arts District is distinct from Dallas’ Arts District, and both districts are distinct from the arts communities operating throughout New York, California, and the remaining forty-six states.

The differences between local arts districts around the world—each with their respective socio-economic and political environments—compound both the issues and complexities in which an arts currency system must operate. Pairing paper cultural dollars with the digital Culture Coin pairs their respective strengths and allows the strengths inherent to one form to overcome the limitations inherent to the other form. For all these reasons, a hybrid arts currency is a more effective long-term instrument for creating long-term financial stability in the US nonprofit arts sector.

Chapter V

MAKING IT RAIN: MOVING FROM CONCEPT TO REALITY

Paper Cultural Dollars + the Digital Culture Coin

As we have discovered in the previous chapters, an arts currency system will need to combine the strengths of digital and paper arts currency if it is to be effective. Glover affirms, “We need an online kind of system that can operate in tandem with paper” (Glover, Personal Interview). Pairing the digital Culture Coin with paper cultural dollars provides the US nonprofit arts sector with funding that is both liquid and adaptable which are requisites of good capitalization and thereby long-term financial stability.

However, the third criterion, durability, is more difficult to realize. As Collom warns, “Community currencies are not a cure-all, and participants would find it extremely difficult (if not impossible) to become self-sufficient within one of these ‘closed economies’” (1580). Establishing an arts currency system alone does not automatically render it durable. For one thing, durability grows out of the first two requirements for good capitalization: liquidity helps to produce adaptability, which in turn helps to produce durability in a community currency system. As previously shown, a hybrid arts currency system has the ability to provide greater access to patrons and the sector’s artistic community, to accommodate multiple valuations, to build the local, national and global economies simultaneously, and to offer transparency with protection.

All these benefits create an amount of flexibility, adaptability, and thereby stability within the arts currency system that can lead to long-term durability.

A significant factor for achieving durability, though, is sufficient social capital. Both Dini and Glover agree that community currency systems are by their very nature tools for building deep and ongoing relationships among people within a given community. Glover states that there is no substitute for talking with people (Glover, Personal Interview) when building participation in any community currency system. Likewise, there is no digital substitute for face-to-face interactions when building social capital in the arts currency system. As we have seen, a hybrid arts currency system can accomplish this goal more successfully than a strictly digital arts currency system.

Building social capital within local arts communities can trickle upward and create social capital on the national and global levels, resulting in sector-wide trust among artists, arts administrators, leaders, and advocates, spreading the currency system throughout the full spectrum of artistic disciplines. Engendering trust on these three levels in turn engenders ongoing, sector-wide participation in the arts currency system. Out of this participation, durability is achievable. It is the relationships between artists, arts administrators, and arts leaders, on the one hand, and arts patrons, supporters, and advocates, on the other, that are the true catalyst in creating long-term durability in the arts currency system. The catalyst for initiating the face-to-face interactions and conversations on which these deep and ongoing relationships are built community-wide are paper cultural dollars (Glover, Personal Interview). By pairing paper cultural dollars

with the digital Culture Coin, the nonprofit arts sector significantly increases its ability to develop large-scale social capital towards sustaining a sector-wide arts currency system in the long term.

Moving Forward: Three Steps from Concept to Reality

If there is no substitute for talking to people, then more talking, planning, and theorizing about the viability of an arts currency system is needed throughout the US nonprofit arts sector. Arts currency should be a topic regularly discussed at the sector's national conferences as well as within the local arts community. Creating an arts currency system is as important as regularly discussed topics such as capitalization (the sustainability of arts organizations), arts advocacy, creative placemaking, and impact.

As mentioned in chapter IV, Culture Coin is scheduled to launch in June 2017. While the Culture Coin team should be commended for their work, a 2017 launch date is premature. Because Culture Coin is a project of HowlRound: A Theater of the Commons, many of the members within the nonprofit arts sector who are aware of Culture Coin and the concepts of arts currency and community currency are associated with the theater. By contrast, other fields of the US nonprofit arts sector, such as opera and classical music, visual arts, and dance, are much less aware of the possibilities of an arts currency. Mathew admits that his organization's focus is currently the nonprofit theater, but believes the service organizations for each of the other artistic disciplines will take up the

responsibility of promoting Culture Coin to their respective arts forms (Mathew).

Mathew's belief is unrealistic.

Ongoing conversations—both theoretical and practical—among artists, arts administrators, and arts leaders from every discipline should precede all development and launching efforts of a national, and potentially global, arts currency system. Developing an arts currency system for the US nonprofit arts sector without seeking the voices and ideas of the full arts sector sets the arts currency system up to fail. How can members of the US arts sector participate in and sustain a sector-wide arts currency system, if a significant portion of the sector is unaware of the concept of community and arts currencies in the first place? While artistic and organizational needs for each discipline indeed overlap, they also diverge. Without talking with members from all the artistic disciplines, it is impossible to design an arts currency system to address comprehensively the sector's diverse needs.

In addition, discussion with arts funders, arts advocates, government officials, and cultural economists is essential. An arts currency system can establish new relationships and partnerships with current arts funders and supporters. Including this group in the dialogue folds their knowledge and expertise into the currency system's administrative and maintenance requirements as well as the development, distribution, and governance of the arts currency system. Their intellectual probing will serve to expose potential challenges and will provide an opportunity for deeper collaborations in brainstorming solutions for those challenges. Ultimately, building sector-wide awareness and fostering

critical conversations is the first step in realizing an effective arts currency system and thereby long-term financial stability.

Research is the second step. The arguments presented in this paper regarding the potential economic impact of an arts currency system provide a surface-level exploration. Deeper explorations should continue, so as to deepen the sector's understanding of community currency in general and the related principles of Local Economic Development, Sustainable Local Development, Peer Production, Social Capital, and Employment. Exploring employment within community currency systems has important implications for creating livable wages or livable conditions for artists, which is an ongoing challenge within the arts sector.

As stated in chapter III, Glover believes the most important success factor in a community currency system is a core group of full-time, paid networkers. Employing networkers can be a significant cost for the arts currency system. Due to HOURS' national and international success, Glover received federal funding through AmeriCorps VISTA to continue his networking activities and to manage the overall HOURS system (Glover, Personal Interview). Interestingly, while the federal subsidy paid overhead costs associated with Glover's work, other administrative costs were payable in HOURS (Glover, Personal Interview; Glover 6). In the nonprofit arts, the abundance of free labor from artists and volunteers can be harnessed into a networking core whose members receive compensation in arts currency, subsidy, or both. Capitalization projects are currently underway to help arts organizations become well-capitalized. However,

investing a portion of these funds into the arts currency system as subsidies for networking, research and development, and administration may be a more effective step for helping arts organizations realize better capitalization.

Another research topic is the role of Local Arts Agencies (LAA) in the arts currency system. It is not possible to provide a comprehensive blueprint for the arts currency system in this paper. However, one place to begin is with the LAAs. Currently, federal funding is distributed throughout the nonprofit arts sector using LAAs. Two research questions to explore are: 1) is it possible for the arts currency system to leverage the organization, distribution, and governance structure used for local, state, and federal arts funding? 2) if not, can a similar model be created in partnership with foundations?

In the national monetary system, banks provide individuals with both the paper and the electronic forms of the US dollar. If paper dollars are deposited into an account at a local branch, then they are immediately accessible through an online account. One can also withdraw US dollars from a bank anywhere in the US, and at the end of the month receive a statement which tracks the money in one's account. In the arts currency system, LAAs could provide a similar role as banks by functioning as withdrawal and deposit centers for Culture Coin account holders. According to Community Currencies in Action, more than 5 million BerkShares have circulated throughout The Berkshires region using a collection of local banks where conversions between US dollars and the local currency are permitted (Community Currencies in Action). Similarly, LAAs can function as

exchange centers for converting the national currency into arts currency or vice versa—and between digital and paper arts currency if Culture Coin ever adopts a different valuation—for account holders and non-account holders alike.

Embedding paper dollars with a number or a barcode enables paper dollars to be tracked. LAA administrators can scan or manually input these numbers into the system as paper cultural dollars are received and distributed. Information collected at the LAAs will be useful for managing the amount of paper cultural dollars and digital Culture Coins in circulation within individual local arts communities and the overall system. Similar to a bank, the LAAs can maintain a small stockpile of paper cultural dollars. However, if an LAA begins accumulating a significant stockpile of paper cultural dollars, then recirculating the excess is possible through creative initiatives such as grants or even zero-interest micro-loans to local artists and arts organizations. Furthermore, administrators can provide oversight of members' accounts to prevent large stockpiles of digital Culture Coins or the accumulation of negative balances; administrators would also be tasked with managing potential disputes and complaints.

Experimentation, which will support and expand on the research mentioned above, is the third step towards preparing for an effective, sector-wide adoption of the arts currency system. The available information used to argue for an arts currency system is drawn entirely from research conducted on traditional community currency systems. While insightful, research findings from traditional community currency systems cannot provide an accurate assessment of how an arts currency system will

really operate. If the impact of an arts currency system is to be known, then the arts sector will need to gather data from its very own currency system.

Mathew expects Culture Coin's launch within the global nonprofit arts sector will provide the developers with more data than if it is launched only within the US sector (Mathew). Since Culture Coin's constituency is predominately the nonprofit theater, this data will not be representative of the US' nonprofit arts sector as a whole. A more representative data set can be collected by creating a prototype, similar to Glover's approach in Philadelphia, and testing it within select US local arts communities. Indeed, experimentation will take time and effort and the results will not be instantaneous. Nevertheless, taking the time to experiment within established arts communities like the Dallas Arts District, for example, will provide meaningful data and best practices for rolling out the arts currency system within the US sector-wide.

Self-Reliance and the US Nonprofit Arts Sector

In his national bestseller *The Millionaire Next Door*, Dr. Thomas Stanley's research reveals that the majority of US millionaires are self-made. Stanley recounts in *The Millionaire Mind* that 61% of these millionaires did not receive any inheritance, financial gifts, or income from an estate or trust toward building financial stability in their personal financial portfolios (7). Dr. Stanley's research suggests that self-reliance is essential to building financial stability. According to the Oxford Dictionary, self-reliance is "reliance on one's own powers and resources rather than those of others" ("Self-reliance"). It is the seed from which "life, liberty, and the pursuit of

happiness” is cultivated. It is also the catalyst hidden within the American concept of picking oneself up by one’s own bootstraps. In fact, without self-reliance the American dream remains unachievable.

Likewise, without cultivating self-reliance among artists, arts administrators, and arts leaders, long-term financial stability will remain unachievable in the US nonprofit arts sector. Fifty years after Congress’ establishment of the National Endowment for the Arts, federal subsidy for the nonprofit arts sector has not produced long-term financial stability among US nonprofit arts organizations. State and local governments as well as donors have been equally incapable of producing financial stability sector-wide. The consensus reached during GIA’s 2010 National Capitalization Project is worth restating:

While arts funders have enough money to address the capital needs of many organizations, they do not have the resources to capitalize the sector as a whole, nor would it be appropriate, we believe, for them to do so.... [Nonprofit arts] organizations must drive their own effort to become better capitalized. (Curtis 3-4)

It is unrealistic for the arts sector to expect arts funders to resolve their challenge of achieving long-term financial stability. In “When Government Funding for the Arts Stops,” Hessenius poses an uncomfortable, yet sobering question, “[w]hat if someday all government funding is cut off?” (Hessenius). Hessenius continues,

We may have reduced the cuts this time, but thinking we can always succeed would be a fool's conclusion.... I think the [nonprofit arts] field needs to consider the possibility that in the not too far distant future, [US economic] circumstances may dictate that government support for the arts will no longer be available. So we ought to be talking about...how we can first prevent that, and absent [government funding] then how we can adapt. (Hessenius)

Indeed, artists, arts administrators, and arts leaders must now accept the responsibility of creating long-term financial stability and, as a collective, of becoming self-reliant. “[A] local economy with a functioning [local] currency under its control is in a strong position to withstand potential crises in the functioning of the global economy” (Cato 43).

Likewise, with an arts currency system under its control, the US nonprofit arts sector will be in a strong position to adapt and withstand potential crises in the US economy and the potential negative implications on government support for the arts. Finally, uniting to create an arts currency system and thereby long-term financial stability will also lay the groundwork for creating deeper and more meaningful collaborations amongst the artistic disciplines, whose new creations will leave an imprint on our world that is equally long term. Let us begin.

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