

THE TIME DOLLAR¹

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Service credits are a local currency. Tax Exempt. Computerized. Using Time as the Medium of Exchange. One hour = One Service Credit. You earn them providing help to others; you spend them to get help for yourself or someone you want to help.

Initial experiments have used service credits to provide services to the elderly, concentrating on delivering respite and homemaker services. Programs are operating in ten states and the results to date have been impressive. Most programs are generating at least 6,000 hours annually and growing steadily; the Miami program is generating over 4,000 hours each month.

Blood Bank Model First attempts to utilize this new currency were modelled after the Blood Bank: Give now, Draw down later if needed. Time instead of blood was being "saved." By providing respite care to others, volunteers earned credits which were banked. They could then draw down on their "bank account" when similar service was needed at a later date. Variations quickly developed.

Barter Model The first is simply a form of barter: my time for your time. The IRS has ruled that it is tax exempt because it is not "commercial in nature." In this model, use of credits earned is not deferred to some distant date. Thus, for instance, older persons might earn service credits staffing a pre-school day care program or providing a baby sitting service to working parents with a sick school-age child. The parents could earn service credits by providing rides as part of a driver's pool for elderly persons needing transportation at night or on weekends. The exchange approximates barter transactions in its simultaneity.

Insurance Model Another variation contemplates the pooling of credits earned to distribute risk across a broader user base. Thus a congregation, a union, a tenants organization or other membership group would become the recipient of credits donated by its members for use by any individual member who used up their individual credits (or were too frail to earn any) and who needed additional service. In Michigan's programs, many persons earning the credits are in their 40's and 50's, and immediately donate their credits for use by the elderly. In New York City, an HMO provides additional "non-medical" support services for persons who participate in a service credit program and have even gone so far as to be willing to waive one premium per year for members who earn service credits. In effect, the HMO is selling a supplemental insurance policy covering specific support services -- with the premiums paid "in-kind" rather than with cash.

Although experiments to date have been primarily focussed on delivering respite, homemaker and similar services to the elderly, the concept has far broader implications. Each of the parameters can be expanded; in some cases, the expansion has already occurred.

Types of Service Various programs already provide literacy tutoring, meal preparation, cooperative food purchasing and delivery, adult day care, child day care, light home repair, post-hospital convalescent care, shopping, escort services, neighborhood crime

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watch services. The variety can be increased: to staff entire child day care centers, operate a housing project security patrol, remove architectural barriers for the mobility impaired, tutor at-risk students or virtually any labor intensive service.

Age Range of Service Providers Although initially, those earning service credits were elderly, increasingly programs involve younger adults and high school children to provide shopping and chore service. Teenagers in one program shampoo and set hair for elderly women suffering from arthritis. Persons of all ages have something to offer: even frail, bed ridden persons earn credits in some programs as part of a telephone reassurance system.

Range of Persons Who Can Spend Credits Some programs now impose age limitations (only persons disabled or those over sixty) on who can spend. A child living in one part of town could earn credits as a gift for use by grandparents in another part of town. Groups can pool credits earned for members and their families. Different degrees of transferability are possible. Credits are honored throughout the metropolitan area in Miami and statewide in both Missouri and Michigan, wherever programs are in operation. And in theory, credits could one day be transferrable across state lines to grandparents living elsewhere. Limits on transferability raise two important policy considerations: (1) tying credits to one locality rewards those who remain in and build that community; (2) limitations on transferability prevent inappropriate and undesirable transfers (bartering for drugs and alcohol and sale of service credits to affluent persons by indigent persons). Transferability can be restricted to further specific policy objectives because service credits are an "electronic currency", and the rules regulating transfer can be incorporated into the computer program.

Mixed Prices Where dollars must be spent to pay for supplies, materials, capital expenditures, or special expertise, the cost to the ultimate user can include a "pass through" charge in dollars for dollar costs and a "service credit" charge for the labor cost. E.g. the cost of day care for children might include two components: (1) a dollar charge for lunch and materials and for a pro rata share of any professional essential to meet licensing requirements and (2) a service credit charge to pay service credit volunteers staffing the program. One variation includes a two-tier mortgage for home renovation, a dollar mortgage for materials and a skilled foreman, and a service credit mortgage for the labor provided by a pool of volunteers. Both would be paid off in regular installments over a multi-year period.

Mixed Wages In order to expand publicly funded employment slots or augment public assistance payments, it may be desirable to hire a person to work a certain number of hours for dollars and a certain number for service credits. Such a "mixed" wage would enable the person to buy certain necessities with dollars while simultaneously enabling them to earn supplemental purchasing power in service credits. One application would enable unemployed fathers to meet a portion of their child support obligations by earning service credits that could be paid to the mother to purchase child day care.

Service Credits and Public Policy

As a matter of social policy, service credits offer a new and qualitatively different form of intervention. Historically, private response to social problems has been limited to voluntarism and charity. Governmental response to social problems (viewed as a malfunctioning of the

market system) has been largely confined to three modes: regulation, subsidy (of either the producer or consumer), or creation of some form of public utility/monopoly. **Service credits represent a fundamentally different response: an attempt to mobilize both charitable impulses and market forces to remedy market failure and to further the public interest.**

Service credits use market-like incentives: volunteers are paid for their time. Service credits constitute extrinsic rewards, albeit extrinsic rewards that are uniquely linked to altruism, self-esteem and other types of intrinsic rewards. This new policy option seeks to mobilize the non-profit sector, to expand voluntarism, to reinforce family and neighborhood self-help systems. It does so by creating a hybrid. In producing service paid for in service credits, charitable organizations are doing more than meeting needs; they are simultaneously stimulating consumer demand because the provider of service is earning purchasing power. It has become clear that the government's role in implementing a service credit program differs significantly from that which it plays in operating a large social welfare or social service system. Its primary contribution is in legitimating the currency, underwriting experimentation, facilitating the emergence of new projects, new information systems and in some states, insuring service credits it as a kind of social service FDIC.

Service Credits and Social Change

Service credits are a medium of exchange that permits people to convert their personal time into a marketable asset that can be converted into real purchasing power by helping others. For those individuals and groups who have no real market for their time, service credits are a potential source of employment and empowerment. In a society where persons designated "producers" enjoy a morally and politically superior claim to wealth and power over those persons designated "consumers only", the ability to convert oneself into a "producer" by helping others while earning service credits can function as a powerful form of economic and political enfranchisement. The dynamics will vary: groups traditionally pitted against each other in a zero sum game can now engage in collaborative efforts to enlarge the pie; long festering social problems which have proven intransigent in the past due to apparent resource limitations become more tractable; new types of socially valued labor can be compensated, enabling our society to redefine work by rewarding previously uncompensated behavior in order to meet social needs.

Service Credits and Barter

Service credits facilitate the barter of services because they provide a currency that eliminates features of barter that impair its efficiency. First, service credits provide a common denominator or "unit of account" which permits direct comparison of alternative exchanges. Second, because service credits are a medium of exchange that can be saved and spent in varying amounts, they eliminate the necessity for a "double coincidence of want" (you need my cow; I need your plough -- at the same time) that impairs the capacity of barter to match supply and demand efficiently. Third, service credits drive a computerized information system that identifies supply and demand with an efficiency superior to that used by traditional barter systems, social service bureaucracies or by market. Service credits thus function as a form of appropriate technology to increase the relative efficiency of the non-market economy to match supply and demand for significant segments of the population and with respect to specific areas of need.

Service Credits and the IRS

Currently, the IRS has ruled that service credits are not taxable as a form of barter because they

do not meet the definition of barter: a "commercial exchange." Different characteristics of service credits account for that ruling: the involvement of state government, the manifestly charitable purpose of the exchange, state government access to or involvement in the record keeping, the absence of any dollar element in the exchange, the clear consequence that no one would volunteer to earn service credits if they were taxed on them, and the lack of a clearly enforceable contractual entitlement (as distinguished from a moral, good faith commitment). For the time being, that should suffice. As the potential of service credits is expanded, one can anticipate that the IRS may want to reconsider the issue. If or when that occurs, one viable alternative to "no taxation" would be taxation in service credits only. Thus, one might pay one credit out of every ten to cover the cost of administration of the program (administered in part by persons earning service credits) or to enable service providers to provide services to persons too ill or frail to pay for them.

Service Credits and the Market Economy

Analysis indicates that service credits are able to generate exchanges, mobilize resources, and address needs in a way that is superior to that of the market in some respects. Thus, the computerized record keeping system drives an information system that matches supply and demand for certain groups with respect to needs that the market system largely overlooks. In addition, there is no "stigma" attached to receiving service credits for helping others. This means that persons can perform tasks in return for service credits that they would not perform for the going market wage because payment would be demeaning to their status or self-image.

The history of the past century or more is a history of the market economy taking over functions previously performed by the family, by kinship groups, neighborhoods and non-market institutions because of the supposedly superior efficiency resulting from specialization. That efficiency turns out to have hidden costs because there are limits to what can be "contracted out" when it comes to educating children, caring for the elderly, maintaining health, preventing crime, preserving neighborhoods, transmitting values or discharging the obligations of citizenship in a democracy. The family has less and less time or capacity to discharge its residual responsibilities because more and more time and energy must be spent to earn the additional money necessary to pay for services received from the market economy. The entry of women into the marketplace on terms of greater equality has sharply reduced the involuntary subsidy to social service systems provided by the historic contribution of women as volunteers. The result is that we have cannibalized the non-market economy and undermined the family as a basic unit of production in this society. Service credits may enable the non-market economy to compete more effectively with the market economy in securing a greater portion of the time of people by combining extrinsic rewards (purchasing power) with the intrinsic psychic rewards of approval, praise, self-esteem, love and friendship.

Service Credits and Economic Theory

In this culture, nothing is "real" if it does not generate numbers, if it is not susceptible of some form of quantification. Service credits generate numbers. They offer an instrument both for expanding the non-market economy and for studying some of the quantitative dimensions of that sphere of economic activity.

As a result, economic theory may undergo revision. Mainstream economics emphasizes the principle of specialization and tends to assign a particularly exalted status to self-interest, rather narrowly defined. Economic theory contends that we are all better off if each does what he or she does best, sells the products of that labor and buys whatever others produce more

efficiently. Service credits emphasize the mobilization of relatively unskilled, unspecialized labor as a critical factor in meeting social need. Service credits complement production for "export" with production for "domestic consumption:" family consumption, neighborhood consumption, group consumption.

Market economics stress the importance of mobility: factories and business move wherever profit dictates. People follow in pursuit of money and jobs. But mobility has a price: families are broken up, generations are separated, and communities are abandoned. Money has no geographic loyalty. Service credits, by contrast, are a local currency: they are tied to a specific location and a particular community (or state where the program operates on a state-wide basis). One stands to lose them when one moves in pursuit of the dollar. In this sense, service credits reward "staying in place" and operate as a disincentive toward mobility. In doing so, they may provide a partial levee against the economic and demographic tides that sweep back and forth over communities and threaten to destroy the social edifices that provide security and stability built up so painstakingly over generations.

Hopefully service credits can help renew those "mediating institutions" which are a buffer between the individual and the more impersonal domains of the market and the public sector. Service credits have the clear potential to generate and sustain networks of mutual support that function as a kind of extended family and that help knit neighbors together with a renewed sense of community -- of common purpose, common need and common identity.

Increasingly, our basic security hinges on conditions which families, communities and even entire nations are impotent to control: the balance of trade, interest rates, the strength of the dollar, the size of the federal deficit, inflation and unemployment. By contrast, service credits are unaffected by inflation: an hour remains an hour. And our ability to earn service credits does not depend upon the federal budget or the rate of unemployment: service credits can be earned so long as there is another human being in need of help.

For all these reasons, service credits challenge assumptions about what can be done in a time of federal deficits, budget cuts and fiscal austerity. They send out another message, a message of hope: That the real wealth of our society is its People. And that our capacity to meet our own needs can be determined, not by the market or the federal government or the economy, but simply by our willingness to help each other.