



WORLD BUSINESS ACADEMY

# COMMON CENTS

*A commentary on business and society*



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## Community Self-Reliance: A Local Currency Model

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*Editor's Note:* As part of a discussion series centered on the theme, "Think Globally, Act Locally," the Ojai chapter of the World Business Academy began meeting in March 2009 to consider how to revitalize the community of Ojai, California by creating a new local currency. Over several months, a group of community activists met to explore the initiative, and ultimately requested the Academy to provide its recommendations, including about what set of financial mechanisms would be necessary to accomplish the group's civic objectives. The following summarizes the Academy's recommendations, which could also be used to revitalize other communities across the United States.

Local currencies are growing in popularity as a tool for community empowerment. About 75 communities have created their own [local currencies](#) to trumpet civic pride, to support the local economy, and to keep cash in the community.

The idea harks back to the Depression but is experiencing a definite rebirth. Ithaca has had its own local currency, the Ithaca Hours, since 1991. Five banks have partnered with [BerkShares](#), which were launched in a small town in the Berkshires in 2006 and are now accepted by over 360 businesses. There were more than one million BerkShares circulated in the currency's first nine months, and over two million to date.<sup>1</sup>

When Detroit rolled out its currency, the [Detroit Cheers](#), this April, the response was overwhelming. South Bend is about to launch a currency that it has tentatively named "[Michiana Money](#)" (it's inviting suggestions). An enclave in Milwaukee is consid-

ering the "[River Currency](#)." The list of local currencies goes on and on. The E.F. Schumacher Society, which took a primary role in designing the BerkShares, has created a [directory](#) that lists some local currencies in the United States, Canada, Mexico and Europe.

Like the local currencies mentioned above, Ojai DollarUS would expand the local economy, support local merchants, enhance community spirit, and demonstrate civic pride, but the Ojai DollarUS could be structured to go far beyond those limited objectives.

- **Here come Ojai DollarUS<sup>2</sup>**

One U.S. dollar and one Ojai DollarUS will be exchangeable on a 1:1 basis through the Ojai Community Bank or at one or more dispensing machines centrally located in areas heavily trafficked by tourists or in the establishments of any merchant

<sup>1</sup> To see a video about how BerkShares are raising "consumer awareness about the consequences of spending practices" and helping to develop local import-replacing industries, watch the BBC video on [Ethical Markets TV](#), founded by World Business Academy Fellow Hazel Henderson.

<sup>2</sup> The name "Ojai DollarUS" implies that these "dollars" belong to "us"—the members of the local community.



or service provider participating in the program ("Participating Merchant"). Initially, there would be a minimum of 25 machines, which would be paid for out of a 1% transaction fee, similar to the fees charged by most existing ATM machines.

As explained below, ideally the Ojai DollarUS would be dispensed in the form of a paper or plastic card embedded with a magnetic stripe, similar to either the fare cards dispensed in machines in the Washington Metro system, the San Francisco BART system, and other places, or the cards used in the existing POS (Point of Sale) terminals that merchants use to process credit and debit card purchases.

Individuals could purchase any amount of Ojai DollarUS, using cash or a credit or debit card. Once purchased, the Ojai DollarUS could be used with any Participating Merchant. Participating Merchants would have to agree to reduce their prices by 10% for all purchases paid for in Ojai DollarUS.

Once paid in Ojai DollarUS, Participating Merchants would be able to either use the DollarUS for their own purchases at other local establishments, or electronically wire the DollarUS to the Ojai Community Bank and convert them back into U.S. dollars at a rate of 96¢ each. If Participating Merchants chose to keep the currency circulating in the local economy, they would receive their own 10% discount on those transactions and recoup the 10% discount that they had given their own customers.

If Participating Merchants wanted to redeem Ojai DollarUS for U.S. dollars, the 4¢ per U.S. dollar that the merchant would forego would mean that Participating Merchants provided a total discount of a little less than 15% to gain the customer sale—a reasonable marketing cost to get the business in the door. Hopefully, Participating Merchants would choose to repeatedly pass the Ojai DollarUS along in the community, thereby increasing the amount of them in circulation.

- **Special discount structure for retail food stores**

Retail food stores operate on high gross sales and exceptionally narrow margins. Accordingly, that category of merchant, and that category alone, would be allowed to provide a discount of only 5% on prices posted in U.S. dollars.

- **Why would a merchant participate?**

It's simple. The program will increase Participating Merchants' sales and revitalize the entire local economy. The existence of the Ojai program was leaked to the news media through a casual conversation and the Los Angeles [ABC affiliate](#) quickly broadcast a story on it, referring to the currency as "Ojai Bucks," the name tentatively assigned to the project while the final name is being selected.

It is clear that Ojai DollarUS will receive a lot of media attention that will encourage visitors to come and see for themselves how the discounts work. Given that Ojai is within a very short driving distance of 17 million people's homes, the free media attention will probably draw a considerable amount of attention and new tourism.

The Ojai DollarUS program will dedicate a portion of its financial surplus to promote the program and the town of Ojai itself. People will learn to go to the Ojai DollarUS website to see how the system works and the list of businesses that offer a 10% discount. Participating Merchants will be able to use the website without charge to promote their businesses, current specials, and other items of interest to the public. The steering committee for the Ojai DollarUS program believes that this free marketing service will prove to be a large draw for the program, supplementing the draw from the program's pitch to support the local economy through local purchasing.



- **Program administration**

A new, specially created 501 (c)(3), tentatively named the Ojai Local Currency Administration (the "Administration"), will be created to administer and manage all aspects of the Ojai DollarUS program, including collecting the 1% ATM fees, maintaining the dispensing machines, assuming responsibility for the Ojai DollarUS funds on deposit at the Ojai Community Bank, and enhancing the program's relationship with the bank, all merchants, and the Ojai Visitor's Bureau. The Administration will also determine how much program funds could be put into a special Community Fund that it will administer for the benefit of the Ojai community.

- **The Community Fund**

The Community Fund will be used to promote and advance:

- (1) Arts, culture, and tourism in Ojai;
- (2) Civic empowerment projects, such as the hiring of a painter (to be paid in Ojai DollarUS) to paint a school in need of a painting that could not otherwise afford it;
- (3) Micro-lending like Grameen Bank's, which will make a signature loan available to people down on their luck who can get five people to vouch for them;
- (4) Projects to decrease the community threat from forest fires, or other civic projects to benefit the community at large;
- (5) Worthy nonprofits that the entire community would benefit from funding, including Help of Ojai, the Youth Foundation, CREW, the Ojai Film Festival, the Ojai Tennis Tournament, the Land Conservancy, the National Rescue and Search Dog Foundation, the World Business Academy, and oth-

ers on a list of like-minded organizations that will grow with the passage of time.

Over time, the floating pool of dollars will provide the non-profits with an ever-increasing source of financial support to underpin the civic services that governments in many jurisdictions, such as California or [Jefferson County](#), Alabama can no longer afford to provide.

- **Physical form of currency**

Because of the high risk of counterfeited currency and the significant up-front cost of printing paper currency that would be difficult to counterfeit, the Ojai DollarUS currency will primarily be an electronic currency rather than a paper currency. The only exception will be for the small-denomination chips like poker chips described below.

As noted above, the best form of electronic currency would be a paper or plastic card with an embedded magnetic stripe. The machines used to dispense and add value to the paper fare cards used in the Washington, D.C. metro and BART systems are relatively economical, technologically simple, and easy to maintain. However, adopting the reliable, sturdy and proven technology of paper cards would require a significant upfront expenditure, so it is not likely to be the system that a community uses until there is a proven market demand for its local currency. This technology would also be the easiest to introduce in developing countries, where telephonic communication of data is less available and reliable than in the industrialized western world.

A more expensive approach on a "per merchant" basis would be to dispense Ojai DollarUS in the form of a special plastic card with a magnetic stripe and either a picture or a hologram, or both. The cards should be decorated with attractive artwork that would make the cards attractive souvenirs for tourists.



Using an actual credit card to complete Ojai DollarUS transactions is less preferable for two reasons. First, the card would be expensive to create. Second, the issuing authority would have to obtain the cooperation of a participating bank in the Visa or Master Charge consortia of banks in order to gain access to the terminals for transactions in the Ojai DollarUS accounts.

Unfortunately, proving that the concept of electronic Ojai DollarUS is workable will probably require it to initially be run on dedicated POS terminals programmed to accept Ojai DollarUS transactions. This approach will require Participating Merchants in Ojai and other "beta site" communities to install a separate terminal dedicated to Ojai DollarUS transactions until a Visa or MasterCard participating bank is willing to have the system run through the existing Visa or MasterCard systems—which is likely not too far in the future.

In addition to the paper or plastic cards with magnetic strips that would be used for the bulk of Ojai DollarUS currency transactions, the Academy recommends creating chips similar to the poker chips used by traditional gambling casinos ("Chips"). The Chips,

in denominations of 25¢, 50¢ and \$1, would have beautiful, collectible artwork on their front and back. These would be handy for transactions at the weekly Ojai Farmer's Market and for tips at local coffee bars, and would be popular inexpensive souvenirs.

The Chips, like all Ojai DollarUS currency, would be restricted so they could not be used for liquor or tobacco except as stated below, which would make them ideal to give to panhandlers as a way to ensure that any money given to the less fortunate would actually go for food. To promote tourists' and Ojai residents' patronage of local restaurants, Ojai DollarUS, whether in the form of a card or Chips, could be used in all Participating Merchants' restaurants to purchase alcoholic beverages when the ratio of the alcohol to food purchased did not exceed 20% of the bill.

- **Program assistance**

The Academy has set up a program to assist other communities in the United States or abroad that would like to develop their own DollarUS program. For more information, contact the Academy at (808) 926-1711.