



**Community Issued Currency
a tool for relocalizing economies**

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Money as a Democratic Medium 2.0

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For over 40 years, the premise of our work at the Schumacher Center has centered on local production for local consumption as the soundest basis to economic development.

- Locally-owned businesses embedded in place build roots and connections that keep them accountable to community and less likely to pick up and leave.
- The unique culture, landscape, and skillsets of a region are pressed into the products emerging from its small businesses, maintaining and celebrating diversity.
- Small batch production is less technology-dependent, more labor intensive, providing meaningful livelihoods with less stuff.
- Travel costs are reduced along with the environmental impact of transporting over long distance.
- Production methods are more visible including the working conditions of employees -- creating safer workplaces.
- A strong local economy is less vulnerable to tremors in the global economy.

We picture a shining necklace of vibrant/regenerative/just local economies, spread across the country and indeed the globe – trading where trade is needed, but largely self-reliant.

2023 is, after all, the 50th anniversary of the publication of *Small Is Beautiful*. The British economist Fritz Schumacher celebrated the small scale and local. Radical when written because of our still lingering romance with a global economy. Today, as the world catches up to the urgency of climate change and widening inequality, Schumacher's question of scale returns to the fore. As *Small is Beautiful* taught, a shift from the prevailing trend of faceless globalization toward place-based, ecologically responsible, and human-scale production remains essential to a just and regenerative future.

However, to foster local economies, we need the economic tools appropriate in scale for the task. In her book *Cities and the Wealth of Nations*, Jane Jacobs shows that a central system of money-issue cannot create the correct amount of credit or money for local regions—it can only address a general level of need, which may be entirely inadequate for one region in depression, but excessive for other regions experiencing booms. In short, that national currencies thwart healthy regional economies. She called for a system of regional currencies, free to support the scale and type of credit needed for its own territory. She called local currencies an elegant tool for regulating place-based capital flow.

This then was the task we set for ourselves with the creation of BerkShares – to design a local currency system that would support local production for local consumption, encouraging what Jacobs called import-replacement.

Money, we assumed, is simply a tool to be used by a community to meet its economic objectives. So Schumacher Center staff helped create a nonprofit organization in our home region of the Berkshires in Western Massachusetts to issue a local currency. The nonprofit structure made clear we were serving a set of values rather than serving profit. Membership was open to any resident of the region, defining geographic boundaries of operations. The board was elected from the membership to ensure democratic structure and local accountability.

Ideally the newly created community currency would be issued at the point of making a productive loan. Because we would not be relying on borrowed money to relend, loans would be as low as 3%, the cost of administrating the transaction. The community could set the criteria for that low-cost money including placing social/ecological/cultural/and financial conditions on the enterprise seeking funding.

The amount of money issued would be limited only by the limit of new viable ideas. The backing for the currency would be the new goods in circulation. The value of the currency would be tied to a basket of local products – a gallon of maple syrup, a basket of field greens, a tub of goat cheese, etc.

But in a dollar-oriented economy – how could we be strategic in implementing a new locally issued, locally managed, locally valued currency. It would have to be a staged undertaking, convenient at the start for existing businesses to participate.

We began in the early 1980s with a loan collateralization program to gain experience, and judge demand for financing of local production.

The Self-Help Association for a Regional Economy, SHARE for short, worked with a local partner bank. Members of SHARE opened passbook accounts at the bank that were written as joint accounts with SHARE. SHARE was known as the “shoebox bank.” It had a post office box and a file drawer filled with passbooks. When a loan was approved for collateralization, SHARE board members would collect passbooks sufficient to back the loan and physically take the passbooks to the bank to serve as collateral.

SHARE’s function was to separate the risk from the management of the loan. SHARE members collectively shared the risk of default, while the bank did the paperwork. SHARE depositors earned 6% interest on monies in their account, below market rates in the early 1980s. The bank then lent the funds at 10%, keeping the 4% spread. Because of the partnership with the bank, SHARE’s overhead was minimal. SHARE was not a lending organization, rather it provided collateral.

By the early 1990s the banking climate had changed. Prompted by President Clinton’s emphasis on Community Reinvestment, the banks took on the small loans SHARE had been making and did so at lower interest rates. We closed operations, but only after successfully collateralizing 24 loans of between \$3,000 and \$5,000 and starting new businesses that are still active and employing others.

All loans were repaid in full. The scale of the businesses and public visibility made that possible. SHARE sent regular updates to its members detailing loans made. SHARE’s slogan was “Do You Know What Your Money Is Doing Tonight?” SHARE members knew theirs was at work making goat cheese at Rawson Brook Farm, creating colorful sweaters on Bonnie’s knitting machines, fabricating massive kites with the VanSants, cleaning houses with the Moro family, or hauling logs in a responsible way from the forests with Rosie and Spike – a draft horse team.

When Frank Tortoriello lost the lease on space for his popular Deli, he asked SHARE for a loan to help move to a new location. We told him he did not need SHARE members, he already had a base of support in his customers. Borrow from them. With that Schumacher Center staff helped Frank issue his own scrip. We suggested selling a \$10 dollar “Deli Dollar” for \$10. But Frank said that would be too good a deal for him. He sold a \$10 note for \$8.

Frank raised \$5,000 in 30 days, paying for the renovation of the new space. The notes all had a “valid after” date to stagger redemption. Essentially Frank structured his own repayment schedule with the dating – more coming due in the busy summer months rather than the slow months of spring. And Frank repaid that loan not in hard to come by cash but in ham and cheese sandwiches. A good deal for him and his customers.

What followed were Berkshire Farm Preserve Notes, Monterey General Store Notes, and Kintaro Notes. Not to be left out, 70 merchants on Main and Railroad Streets in Great Barrington organized a summertime promotion with Schumacher Center’s help called “Berk-Shares”. For a six-week period every \$10 spent at one of the 70 businesses earned the customer one free Berk-Share. During a three-day period in September, after the Labor Day rush, the Berk-Shares could be used one for one to buy goods at the participating businesses.

75,000 Berk-Shares were issued by the businesses representing three-quarters of a million in trade during the six-week promotion. 28,000 were redeemed during the three-day window representing an extra-ordinary rate of return on a giveaway item. There was a spirit of festivity in town. Visitors returned to the Berkshires just to spend the 30 free Berk-SHARES and in the process stayed at inns, ate at restaurants, and shopped more.

The success of the program led to its repetition for three years. In planning for the fourth year, a banker in town asked, “Why launch a new program each year. Let’s just issue a year-round currency.”

And so in 2006, BerkShares, “our currency for the Berkshire region” was born, issued by BerkShares, Inc. -- a reconstituting of SHARE, in partnership with three community banks. In a region with a population of about 22,000, residents and visitors can walk in to any of the nine branches of the three banks, put down \$100 and receive 100B\$. Those BerkShares can be spent at any of 400 local businesses formally signed up to accept BerkShares or many others on an informal basis. Farmers market vendors, of

course, but also dentists, accountants, contractors, hardware stores, cultural events, and more.

There are currently over 140,000 B\$ out in the area. Federal dollars remain on deposit to back all the notes in circulation. If merchants find they have too many BerkShares, they can trade them back for federal scrip at the same banks at a 1.5% fee or recirculate one to one. The fee is much lower than credit card fees so payments in BerkShares are preferred.

Beautifully designed, the notes feature and honor historic figures from the Berkshires: a Stockbridge Mohegan Indian, representing the Berkshires' native population, on the 1 BerkShare note; W. E. B. DuBois, founder of the N.A.A.C.P. and author of *The Souls of Black Folks*, a seminal work in African-American literature, on the 5; Robyn Van En, who founded the first Community Supported Agriculture (CSA) farm in the U.S. here in the Berkshires, on the 10; Herman Melville, author of the American classic *Moby Dick* and an early environmentalist, on the 20; and Norman Rockwell, beloved illustrator of small-town America, on the 50.

The reverse side features paintings by Berkshire artists. The high-quality paper with security features is a product of Crane and Company, a Berkshire business and maker of paper for the U.S. dollar. The notes themselves celebrate the Berkshires -- a point of pride for users.

Since the first issue in 2006, over ten million BerkShares have been spent in circulation. Still that represents only a very small part of the Berkshire economy. Nevertheless, the impact of the currency goes beyond its value in transactions. It serves as an educational tool about the importance of supporting local businesses and keeping wealth generated in the region recirculating locally.

In 2022 we experimented with a beta version of a digital BerkShares built on Multiple businesses signed up to use the mobile app. Almost overnight, staple products such as bread and milk and bicycles and date nights at restaurants were paid for in our own local "crypto." At the beta's peak, some B\$ 36,000 in digital tokens were circulating— an increase of over 25% in total for the paper program. All tokens in circulation were backed one for one by US dollars on deposit at our local partner banks.

Blockchain had come to Main Street. But we found the blockchain features were not critical to implementation and posed cost and regulatory issues. BerkShares, Inc's board of directors shut down the beta program in November and repaid all token

holders fully in federal dollars. This while national press was filled with the collapse of FTX and its failure to repay investors!

Despite that, to meet current habits of monetary use with a growing preference for electronic payments over cash, BerkShares continues to explore a digital option. The design we are favoring is an internet ledger with built in security features but without employing blockchain technology. There are regulatory hurdles to overcome. Essentially a digital BerkShares could be seen as a Money Services Business – requiring expensive registration procedures. We are planning to seek exemption from MSB registration because of the closed geographic boundaries of transactions. Still a work in process.

We also remain committed to developing a viable digital local currency because of expansion of social payments – often made with loaded up credit cards. Emerging Universal Basic Income systems are an example. It is critical to capture those payments to recirculate in the local economy and encourage more local production of goods.

A staff member of the International Red Cross out of Denmark explained the organization's interest in digitally-supported local currencies. He said the Red Cross frequently makes relief payments to families after disaster events. The funds move quickly to big box stores and online shopping. If the payments were made in a local currency, the distribution of payments would not only help the families but at the same time would help rebuild the local economy. But the Red Cross cannot go around making payments in paper scrip, so need a digital version.

In the future the Schumacher Center and BerkShares, Inc. plan to work with local businesses and banks to replace the federal dollar backing of the currency with a basket of local commodities. That would permit the currency to float in value relative to the dollar. And it would permit very low-cost loans for new production. Unlike the SHARE loan program, which relied on federal dollars borrowed and held as collateral, a loan in BerkShares would carry no cost-of-money fees. A 3 percent loan could encourage new business ventures like local food processing that otherwise couldn't compete because investment capital is too expensive.

Once fully developed, a local scrip such as BerkShares is a powerful tool for residents to shape their own economic futures unfettered by high interest rates and credit decisions made in far-away money centers. Each region could be its own new money center, and local economic problems would have local solutions.

Multiple questions remain before reaching that stage. How much volume of “new” money in circulation is necessary before moving to a floating exchange rate with the dollar? How can BerkShares Inc. determine the strength of the Berkshire economy against the national economy? What is the measuring stick for the comparison? Gold, a basket of local commodities, kilowatt hours? These are questions still ahead as this multi-decade initiative continues in its implementation of a citizen-issued currency.

Fully realized local currencies can play a vital role in the development of stable, diversified regional economies, giving definition and identity to regions, encouraging face-to-face transactions between neighbors, and helping to revitalize local cultures.

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