

Introduction

The United States, despite a strong federal currency and successful international banking system, is currently home to over twenty-six local currencies. Why, in today's global network of transactions and trade, would a community want a currency that is only valuable and legitimate within their town or city? To an extent, the answer is that people have become too caught up in this global hodgepodge of exchange. Local currencies remind local residents of the importance of buying locally, of supporting community. By being disconnected and separate from the rest of the world, local money keeps a community's resources within the local economy. "The purpose of a local currency is to function on a local scale the same way that national currencies have functioned on a national scale—building the local economy by maximizing circulation of trade within a defined region" (Berkshares). Local currencies also boost the value of resources, such as local labor, that may have been undervalued in the traditional federal economy.

For some, the non tangible benefits are even more significant than monetary benefits. Local currencies foster a sense of community and pride, creating cooperation rather than competition. The centralized banking system is a relatively new development in the United States. Stemming from borrowing and lending within small scale decentralized communities, paper money was not made national and standard until 1863 as an effort to raise funds for the civil war. In 1913, the Federal Reserve Act formalized the central system (Swann). The centralized national currency helped facilitate industrialization and jobs, but the benefits of the centralized system were equally centralized. While the nationalized currency also allows for uniformity within widespread trade, decentralization protects the greater economy from large scale failure.

Local currencies, a subset of complementary currencies, are legal as long as there is no resemblance to federal dollars, denominations are of at least a one dollar value and their exchange can be regarded as taxable income. Local currency is not intended to replace a federal currency. Instead, their use is only meant to “help strengthen the regional economy, favoring locally owned enterprises, local manufacturing, and local jobs, and reducing the region’s dependence on an unpredictable global economy.” The founder of a local currency in Ithaca, New York claimed the currency was regarded “as real money, backed by real people, real time, real skills and tools” whereas dollars were “funny money, backed no longer by gold or silver but by less than nothing -\$8.4 trillion of national debt” (Glover). As many people have found, the benefits of a local currency can be tremendous. The following report is an attempt to realize those benefits for Addison County and use the experience gained by others to improve the local community.

Survey Results

Through the course of the project, our group conducted a survey of local businesses to gauge support for the implementation of a local currency. We distributed over thirty short-answer surveys to a variety of businesses within the Middlebury downtown area. Twenty-five of the businesses surveyed returned them to us in time to summarize the data for our presentation. The survey serves a key aspect of the project because participation from a wide and diverse commerce base is critical to the success of a local currency.

Of the twenty-five businesses surveyed, twenty-one confirmed they would be willing to accept a local currency from patrons while only three refused to accept and one

was unsure. Though we only addressed a small portion of the local economy, these results indicate significant interest within the businesses community. Similarly, sixteen of the twenty-five businesses agreed that implementing a local currency is a worthwhile idea. The majority of businesses had at least some understanding of the concept of a local currency. Several store owners were familiar with other currency programs such as IthacaHours and the Berkshares project.

The survey also asked store owners if their employees would be willing to accept the local currency as a portion of their salary. Only five of the twenty-five said they would be willing, while twelve refused and eight were undecided. These results indicate both a lack of understanding about how the program would operate as well as people's hesitancy to accept such a currency if they would be unable to spend it wherever they choose. This re-emphasizes the importance of high participation levels. If the currency program were to include every store in Addison County, we feel that virtually everyone would be willing to accept it as a portion of their salary. Initially we suggested 10% of salary but this figure could go even higher once the program was in full operation. Though the survey was limited, it served as a key aspect of the project, re-affirming our speculation that Addison County residents are genuinely interested in supporting the local economy and fostering a sense of community that benefits everyone.

Other Working Programs

In addition to assessing the feasibility of implementing a local currency here in Addison County, we felt it necessary to investigate thoroughly other working models of local currency. There have been many unique and different currencies throughout the country's history that it was difficult to choose two. We focused our efforts on The

BerkShares, a local currency for the Southern Berkshire region of Massachusetts, and IthacaHours, a service-based exchange system in Ithaca, NY. These two very different systems have both found success in their respective areas and serve as great models to emulate for an Addison County currency.

The Berkshares have demonstrated the capability of local currencies to successfully circulate and function at a local scale. The inspiration for the community's local currency came in 1989 when resident Frank Tortoriello, former owner of the local institution called The Deli, was unable to receive a loan to change the location of his business. As a savvy businessman, Tortoriello produced and circulated Deli Dollars, coupons sold at 80 cents to the dollar that were re-deemable for sandwiches at his new business. Due to community trust and spirit, Tortoriello raised \$5,000 in three months, enough to finance the move (Gentile).

While the Deli Dollars ended after the move, the strong community spirit that allowed Frank Tortoriello to finance the changes in his business that continues to facilitate the circulation of the current Berkshire currency. The implementation of a local currency can be a difficult issue; how does one insert thousands of a new currency into community circulation? The BerkShares found the perfect solution: for six weeks in the summer patrons of participating businesses were given one BerkShare for every ten dollars spent and then there was a three day long redemption period. During this time consumers could spend their BerkShares just like dollars at any of the participating stores. Seventy-five thousand BerkShares were handed out during the summer, representing three-quarters of a million in BerkShare trade, and twenty-eight thousand was spent over the redemption weekend (Swann). The initial success of the BerkShares

depended on the participation of local stores and the energy and sense of community among consumers.

After the initial success, the BerkShares began working year round as a tool to encourage the local economy. The BerkShares' structure entices consumers to use the currency with an exchange rate of 90 cents per BerkShare. In other words, it costs 90 federal dollars for 100 BerkShares, essentially creating a 10% discount for the consumer. The merchants, upon receiving the share, can redeem it for federal dollars at several participating banks. If merchants use the share instead of redeeming it, however, then they get the same 10% discount as consumers. The 90:100 exchange rate provides an incentive for residents to keep the BerkShares in circulation.

In 1991, Paul Glover heard a radio interview about Frank Tortoriello's Deli Dollars and was inspired to start his own currency in Ithaca, New York, leading to the Ithaca Hours. Despite the small grassroots beginning, the Ithaca Hours has grown to include more than a thousand individuals and stores. With a focus on creating more jobs and security for the underemployed, Ithaca Hours, unlike the BerkShares, work essentially as a barter system. Each Ithaca Hour is worth ten federal dollars, the average hourly wage of the community, and come in five denominations. The Hour notes can be used for goods and services at hundreds of businesses as well as at the credit union for mortgage and loan fees. Everyone who accepts Hours receives two Hours, worth twenty federal dollars, for being listed in the Hour directory. Each year of continued participation earns the business two more Hours, thus increasing the per capita money supply. Once the Hour is in circulation, anyone can earn and spend them regardless of whether they have signed up.

The community of Ithaca is directly benefiting from the success of the Ithaca Hours. The locally-owned stores are keeping wealth local and creating spending power from the Hour transactions. Since 1991, the \$110,000 worth of Ithaca Hours has been used by thousands of people, including 500 businesses. Five percent of the Hours are issued back to the system to pay for the printing. In addition to economic benefits, the non-profit community organizations have also benefited, as over \$10,000 worth of Hours have been donated to over 100 various community organizations. Similarly, eleven percent of Hours are issued as grants to community organizations. The economic benefits are substantial, but the local currencies are equally important for their role as community builders. As Paul Glover said, “we’re making a community while making a living” (Glover).

A local currency is a reflection of the community within which it functions. One cannot analyze the effectiveness and success of other currencies without taking into account the demographics and economics of the local area. Currencies will thrive when they are developed to accommodate and foster the attributes of the local area; the successful characteristics of one local currency cannot simply be applied to any community.

The differences between the BerkShares and the Ithaca Hours reflect the differences between Great Barrington, MA and Ithaca, NY. Ithaca is a large city with a household income of \$24,900 while Great Barrington is a small town but with a much greater household income of \$56,600. The structures of the two local currencies reflect the socioeconomic differences. This is further reflected by the fact that the Ithaca Hours were established as a means of improving employment. The comparatively affluent

Berkshires on the other hand did not implement a complementary currency as a way to diminish unemployment but instead simply a way to promote the local community and businesses. Middlebury, with an average household income of \$41,000 and an unemployment rate of 2.6%, does not necessitate a barter system. Ultimately, the comparison of these two different systems has led our group to believe that Addison County would be better served by a currency system with characteristics and elements similar to the BerkShares.

National Bank of Middlebury – Kenneth Perine

After our extensive research on other currencies it was time to delve further into our project. We focused our efforts on developing a strong and workable business plan. We started this journey with the President of the National Bank of Middlebury, Mr. Kenneth Perine and eventually made the trip down to the Berkshires where we met with Christopher Lindstrom, who is the special projects coordinator for the E.F. Schumacher society. Both of these contacts helped immensely with the forwarding of our analysis on local currencies.

Looking at recent trends in consumer purchasing we realized that people would much rather use a debit card rather than tangible currency. We envisioned a system in which Middlebury participants would have transactions occur electronically with the swipe of a card, almost like a Middlebury debit system. In addition, we examined the possibility of people being able to take part of their paycheck in Middlebury dollars. We believe that 5% of people's income could be issued in local currency, which would help distribute the currency faster. Other than that we believed that the currency would work just like the BerkShare, but changes were made after our important meetings.

Mr. Perine was eager to meet with one of us about the possibilities of a local currency in the Middlebury Community. Though his enthusiasm was positive, Mr. Perine had his own concerns about the idea. He began by discussing the BerkShares program that we loosely based our currency on. One qualm was with the 10% discount people received from the BerkShare. He was unsure about who took this hit, and became weary as to whether businesses would want to participate if they would be losing money. He also explained that they had already found success in the gift certificate program of Middlebury Money and said it would be hard to replace a program that received such acclaim and already had name recognition.

Mr. Perine had concerns about how people would greet this new denomination of money. He worried that people in the area would only want to hold one form of currency rather than having to split between two. With this in mind Federal money will obviously take precedent over the local currency. He also thought such a program would become classist and by shopping locally people are agreeing to pay a higher premium for goods they could buy cheaper at a national chain. People who are tight on funds will choose McDonald's over Mr. Up's because it is more cost efficient to do so. Though this money spent at the McDonald's does not remain in the local community for long, people with a budget may do it out of necessity.

Finally, Mr. Perine became concerned about the money itself. What would be the costs of printing this currency and who would do it for us? How much would such a job cost the community and who is going to pay for and be responsible for the venture? Mr. Perine's biggest concern however became counterfeiting the local currency. What would stop someone from counterfeiting a currency with very little technology behind it? These

potential problems that Mr. Perine was exploring are ones that every community faces when they implement a local currency.

Mr. Perine emphasized that he believes this project is possible and could have many potential benefits for the community. He told us how well Middlebury Money was working and that sales of this gift certificate were up from 2005 to 2006. 2006 saw total sales of over \$22,000 for Midd Money meaning there was a demand for some sort of certificate for local spending in the area. He also explained that this campaign would definitely help boost local spending, and could raise awareness of whether businesses are making an effort to keep funds local or not. With respect to the consumers, Mr. Perine thought that peer pressure would be felt by community members to start using a currency that had such a positive affect on the town of Middlebury. Using the local currency is making a statement about how one feels about their micro economy. With a core group of business participation people would be happy to participate in an exciting new currency.

Mr. Perine also had some more great news on the way for the local currency. He continued telling us about how Middlebury has become eligible for a grant because it has established a creative community and economy. This money could be used to help further the arts and other creative ideas that have a positive affect on the town, meaning our project could fall under this category. Finally, Mr. Perine told us the bank would be willing to train their tellers to exchange Federal currency for the new local currency. At this point we knew that if such a program were to take off we had the support of at least one bank. This was the most important aspect we took from this meeting.

Mr. Perine also had a list of questions and suggestions to challenge our consulting group. His first question was whether we were going to make this money solely

Middlebury, or include other towns in Addison County? We had never thought of this before, but after he explained the thriving commerce that takes place in other towns such as Bristol and Vergennes, we became open to broadening the towns that would be included. Mr. Perine also explained that in order for such a program to work we would need a strong core of participating businesses that sold an array of goods. He also suggested that we let merchants know that if they keep the money in circulation then no one has to use the 10% discount that is attached to the new currency. He also shed light on the possibility of people receiving their income in a local currency. Because businesses use payroll services from other companies it would be impossible for people to get a formal payment of their income in a local currency.

Mr. Perine had many other questions that we had hoped we could find answers to in the Berkshires. His questions consisted of how much do participating businesses in the BerkShares allow their customers to pay in local currency? How much money is currently in circulation? How many denominations do they have? Who prints these bills and then who controls the structure of the program? We then traveled down south to find the concrete answers to these challenging questions.

BerkShares First Hand

When we reached the E.F. Schumacher Society, their special projects coordinator Christopher Lindstrom met with us. The Schumacher Society is a non-profit organization that facilitated the creation of the BerkShares. We began by asking Mr. Lindstrom how the Currency was going and if they were experiencing any growth in the local economy. He explained that they were still in the early stages of this program themselves, and at this point growth is marginal at best. He viewed the BerkShares as more of a campaign to

buy locally than a way to help make a more efficient local economy. So far they had over 250 businesses participating, each with their own set of rules about how much they accept and even what days they will accept it. Their goal is to receive participation by over 500 businesses in the future. One local business that is more than willing to accept the currency has done over \$100,000 worth of business with BerkShares. The currency has also started to raise awareness with local community members and initially people exchanged their money for the excitement that revolved around the local currency. So far costs are exceeding the benefits, but Lindstrom is optimistic and says that after they get over a certain threshold BerkShares will start to make a difference. It has also become a tourist attraction for people collecting currencies, and the Berkshires have received media attention, which has rallied the local consumers around their money, for which they feel a sense of responsibility.

Since the creation of BerkShares Inc., the non-profit organization is responsible for controlling the currency has encountered some minor problems. They expressed the difficulties in getting everybody in the community on board for such a program. Because people are unable to pay their bills with this money they find it as sub par to the Federal dollar. Businesses are also fretful in taking the 10% hit that could result in the build up of too much BerkShare money. Lindstrom admits they have made their fair share of mistakes, but the learning curve is long in such a process. Fortunately, we can learn from the mistakes that the BerkShares have already made to make an Addison County currency system more efficient from the beginning.

Through our visit with the BerkShares representatives, we found that roughly \$146,000 of BerkShares were currently in circulation, with a total circulation of around

\$760,000 since its beginning in September of 2006. They initially purchased \$835,000 worth of BerkShares which resulted in 90,000 separate bills in denominations of 1, 5, 10, 20, and 50. The total cost of printing was roughly \$15,000. The BerkShares are made of high quality Crane papers (the same paper used by the Federal papers) which include security features such as black light illuminating threads, sequential numbering, and another security thread running through it. Excelsior Printing Company inked the highly counterfeit unfriendly bill, with artwork from local artists on the back, and the faces of some influential Berkshire residents throughout history. Promotional costs were upwards of \$50,000, which included the making and printing of many things such as directories, stickers, bumper stickers, business sign up sheets, and the creation of the web site. The initial funding came from the BerkShares Inc. non-profit organization, which had raised over \$100,000 before the project was undertaken.

BerkShares Inc. was obviously prepared to take on such a project and our group was fortunate to have their experience and suggestions as we moved forward. They first suggested we establish a central non-profit organization that would deal specifically with our currency. This would need to be made up of influential community members that people can trust and recognize as positive figures. They also gave us great questions to ask businesses like the frequency of customers and sales that they take in as well as what their margins are in terms of costs. Finally, we have to ask where these businesses receive their inventory, or the geographical range of the business. If they mostly buy locally then the program would be perfect for them. Conversely, if a firm is buying from California the local currency might not have the desired outcome for them, which could encourage the business to look for more chances to buy locally themselves. Speaking with the

members of the Schumacher Society answered a lot of hard questions and helped us to develop concrete plans for moving forward.

After we met with the authorities it was time to hit South Barrinton and get a feel for what people thought of the currency. One community member was noticeably excited when we asked her about the BerkShare program. She explained the sense of pride it gave her to use such “beautiful” money. She said it has brought their community back to the days where businesses know the names of their customers giving her a sense of satisfaction to be part of such a strong, sustainable community.

Data & Cost-Benefit Analysis

At this point we had gathered all of our information from the Berkshires, and now we had to apply it to our own state. It was time to ask ourselves whether such a program would be worthwhile in the context of Addison County. To measure the effects that local buying could have on the economy we turned to some macroeconomic theories. We used the basic Keynesian cross, which pits aggregate expenditure or the AE curve against the output/ income curve. The math revealed that such a program could theoretically boost our economy by quite a large percent.

According to the U.S. Census Bureau, Vermont currently imports roughly \$14.5 billion worth of goods and only exports \$5.5 billion. This leaves the state of Vermont with a net export of -\$9 billion. In addition, total output in Vermont is \$9 billion (www.census.gov). With the local currency we believe that we can help this export deficiency to fall while at the same time rising consumer confidence in the local community. We begin the macro model with the general assumption $Y=C+I+G+NX$ and more specifically $Y=C_0+C(Y-T)+I+G+(Ex-Im)$ where Y is total output/Income (holding

the property that what is spent eventually becomes part of someone's salary true) C is consumption, I is investment, G is government spending and NX is net exports (Exports minus Imports). With the given numbers and a few general assumptions we are able to come to some conclusions on the affect a local currency could have on an economy.

We first make some concrete assumptions. To start we can assume that Addison County in some respect is a microcosm of the entire state of Vermont in that what happens proportionally in this model should happen in Addison County. If consumption and output rises and falls in the entire state, we should expect that Addison County will rise and fall by the same percentage point but on a smaller scale. We then make the assumption that Government spending and taxes are equal to 0 as a way to simplify our model. Another simplification is that we hold investment I to \$8 billion. We can then make an assumption about the consumer by saying that their marginal propensity to consume (MPC) could be set at .75, which is an average value among MPC values.

We now plug our known variables into our simplified model so we can solve for C_0 , or what people in Vermont would consume if they had no money. We find that:

$$9,000 = C_0 + .75Y + 8000 - 9000 \quad (\text{times } 1,000)$$

$$C_0 = 3,250$$

We have found that when Vermonters have 0 dollars they will still consume \$3.25 billion worth of goods for basic needs to live. Now that we know the behavior of the consumers we can implement the local currency. Our local currency will be able to give its holders up to 10% more purchasing power because of the 90 to 100 exchange rate. With this information consumer confidence should increase by let's say 5%, giving us a new C_0 of 3,412.5. Also now that we are spending our money more locally, and we are less

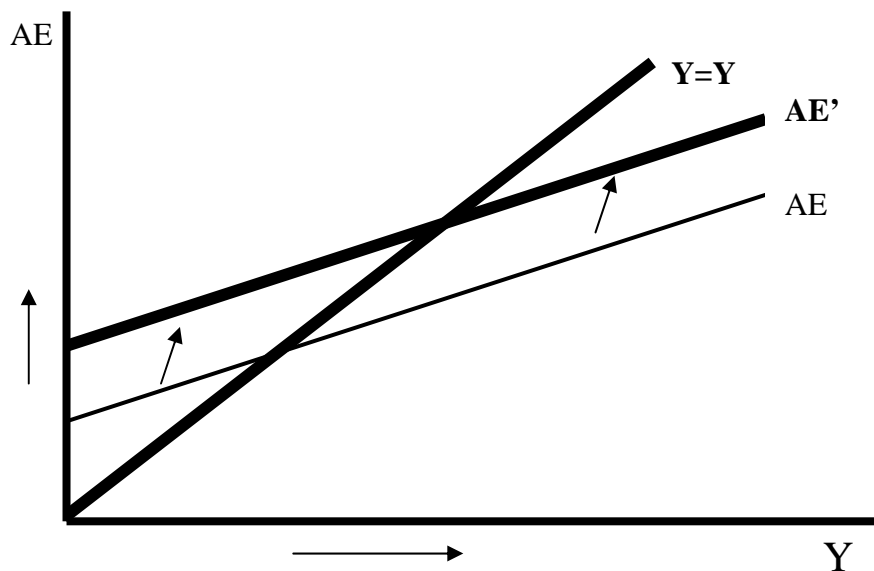
dependent on other states our imports fall by 5%. Now our trade deficit is at -8,275. Our model now looks like this:

$$Y = 3,412.5 + .75(Y) + 8,000 - 8,275$$

$$Y = 12,550$$

Looking at our data we have found that total output has risen from \$9 billion to \$12.55 billion, an increase of 39.4%. With our set of assumptions we can say that output will rise in Addison County by 39.4% if we implement our local currency at a 10% discount. This will boost consumer confidence, lower imports, and thus stimulate the local economy.

Figure 1: Aggregate Expenditures curve



We can also look at this model graphically. We notice the aggregate expenditures, AE, which is defined by $Y = C + I + G + NX$ slide upwards to AE' as consumer confidence

risers and imports fall. This higher expenditure leads to a higher output as we can see from the arrow pointing outwards on the output (Y) axis. Though this model relies on several key assumptions, it is proof that with the implementation of a local currency and the

participation of a broad base of community members, we can make our economy stronger and more economically independent than ever.

With the support and guidance offered by the BerkShares, and the encouraging results of our basic economic analysis, our group felt strongly that a local currency could have a positive effect on Addison County's economy. We managed to draw up our business model and projected steps we felt would be necessary to put such a program into effect. The following section is a preliminary draft of a four-phase proposal that could serve as the basic guidelines for the implementation process.

Four Phases of Implementation

PHASE 1: Our first step in making the local currency a reality is to establish a well organized and concrete non-profit organization to help run the administration of the local currency. As suggested by the E.F. Schumacher Society it should be made up of well known and respected community members that could help get the program off the ground. We have spoken to members of ACoRN, the Addison County Relocalization Network, and they expressed interest in a local currency project. A non-profit firm themselves, they could act as our main device in constructing a non-profit organization that could specialize in local currency affairs. We could also find local support from other organizations such as the Vermont Community Foundation, to seek funds and general knowledge of creating such an organization.

As discussed in previous sections, it is critical to gain as much bank participation as possible. We already have a strong bond with the National Bank of Middlebury, but it would be great to get a couple other local banks involved as well. With the support of

our local banks we give the local currency a legitimacy that would make consumers feel safer about participating with AdDollars.

With the support of a specified non-profit organization and local banks we would be able to begin fundraising for our local currency. The BerkShares raised over \$100,000 before they began moving forward with their project, and we believe that to properly fund AdDollars the non-profit organization must raise almost the same amount. Our target should be \$90,000 to cover most of our upfront costs. These would come in the form of donations from different facilities. We hope to get the College to donate a large amount of money into such a project as it would inevitably benefit the school as well. With a new local currency comes a new appeal to the area, which in return could lead to a more appealing Middlebury College. With the implementation of this currency the College could benefit, and to get their support financially would be huge. To raise more money we would have other promotional fundraisers, like a local art contest to choose artwork to be printed on the new AdDollars. Such an effort would be a great way for the AdDollars campaign to raise some much-needed money, support, and interest, as well as increase visibility of local artists.

PHASE 2: After establishing a non-profit organization and raising the necessary funds our group would start to order the security papers. We contacted Excelsior printing to give us an accurate estimate on how expensive our printing costs would be. We feel that \$25,000 of AdDollars should be printed in four denominations of bills. We divided up the denominations and decided to ask for 6,250 ones, 1,250 fives, 625 tens, and 313 twenties to be printed up on high quality Crane Marathon Bond currency paper. With a

total of 8,438 individual bills our total price came out to be \$3,938 (Actual estimate from Excelsior can be found in back of report).

The estimate could rise or fall depending on how technologically advanced our currency would be, and this was only for \$25,000 worth of AdDollars. We knew we would want to buy at least \$75,000 worth of currency as Midd Dollars currently enjoys over \$22,000 in sales per year. If we were going to include the rest of Addison County we would need to print more currency. This would put us in the \$11-12,000 range for printing costs.

Another area in which costs could end up being high is in the advertising and marketing department. If we want to make this currency take off we need to invest our time wisely and decide how we are going to on how we were going to let the people know that such a program is not only in existence, but is also better for the community. The Berkshire's had costs for advertising around \$50,000 and we would want to be somewhere close to that. This includes costs of printing such things as information booklets, business sign up sheets, "AdDollars accepted here" signs, stickers, directories, and various other pamphlets. Another high cost will be the creation of a web based information system. A website would be a large cost but could end up paying dividends in the long run. People with questions would be able to gain a greater understanding about our new currency and the idea behind it. The organization of various promotional events will also be quite costly. We decided that an unveiling ceremony would be a great way for people to learn and get excited about helping out the community by using the new AdDollars.

With all of our costs we can find ourselves on a slightly smaller scale than the Berkshires, so it will probably be around \$40,000 to accomplish all of these goals. After we have fronted the money for our initial costs we will be able to finally distribute the money to different participating banks and let the process begin. Phase 2 will be all about getting the program started and organized so it can work smoothly and efficiently for its customers.

PHASE 3: Our group has titled this phase of our project the re-evaluation stage. After a five year period of having AdDollars in circulation our non-profit organization will proceed to re-evaluate the entire program. A board of townspeople will research the level of participation the AdDollar is receiving from both consumers and businesses. A survey will be given to all participating businesses asking how they feel about the new program, and if they find it is helping their business grow. At this point they will also assess the 10% discount that our currency is giving. We hope that in the future our program is successful enough that the bank would be willing to split the 10% discount with the local businesses. This would mean the business would be able to redeem Federal dollars at the bank for up to 95% of the value of AdDollars. We believe this will help local businesses become more willing to accept the new currency. We feel that the bank should be willing to accept a 5% hit because they will ultimately benefit from having more U.S. dollars on hold, with which they can make loans.

After researching the program we feel it will be fairly obvious whether it has enjoyed the type of success necessary to warrant continued support. Ideally, the system will encounter positive results and we shall further our investigation to see if we should order more AdDollars from the printers. This would not only replace bills that have

experienced wear and tear, but also add to the total volume of AdDollars. This would only occur if there was a demand high enough for more of the currency. The re-ordering of AdDollars could also result in the printing of a \$50 AdDollar. With the introduction of a new denomination we would be able to express the level of accomplishment the program has achieved.

With success of AdDollars we would hope to find a way for people to receive a portion of their income in the local currency. Hopefully, people would be able to take holiday bonuses and other payments in AdDollars. With this said we hope that by this time people would be able to pay a portion of their local bills/utilities in AdDollars as well. Efforts would be made in an attempt to start a campaign to encourage local electric and gas companies to accept the locally currency.

If the general consensus believed the program to be a failure we would need to go a very different route. Our first concern would be whether the program is worth a continued investment. In other words we would make a decision on whether to try and make it work, or stop the agenda all together. If we decide it is worth it to keep investing in a local currency program we would make an effort to re-vamp, and find solutions to all of our short falls. If we find it cost effective and worth it we would then make steps towards making the necessary changes, and trying to create a more effective local currency.

This stage is probably the most flexible. It could occur 5 years after the introduction of the new currency, or even one year. It depends on how well received the idea is. This stage could also happen multiple times. If the non-profit organization finds it worthwhile to constantly check up on how the currency is being received they might re-

evaluate AdDollars many times over a certain period. It is important to make sure what we are doing is effective and helping our economy, and the only way we can accomplish this is by taking a hard look at how our program is operating.

PHASE 4: Now that our currency is established and we have done the necessary re-vamping we can look into the far future where technology will be more readily accessible. When we first presented the idea of an Addison County Debit system to Mr. Perine he explained that the technology was not there and it would be very hard to accomplish this. We hope that in the future our program would be able to move from a paper currency to a more secure and cost effective electronic system. We would love to see with the swipe of a card one person's local money transferred to another person's local account in one of our participating banks. Mr. Perine is correct in his belief that as of now technology would cost too much, and could hurt our program rather than helping move it forward. However in the future we hope technological advances allow for such a change.

Our four phase project would be exactly like building a safe and secure home. We begin with the foundation of a non-profit organization and a good base of capital. We then move to building the home itself by ordering and implementing the highly secured money. After this we look at our house and decide if we should tear it down because of poor structuring, or add on because of the success we have found in the past. Finally in the future we hope to add more and more technological features to our home with the new Addison County Debit system. If our home is built well then our community will rely less on outside sources making for a sustainable and proud community.

Deeper Economy – Stronger Community

Throughout the last month of our course we discussed Bill McKibben's newest book Deep Economy. McKibben, author and professor at Middlebury College, takes a close and provocative look at the economic issues facing the world today. He is an advocate of the idea that "more" is not necessarily "better". He strongly urges people to consider themselves as a member of their local community. In hopes that as we begin to take on a more local perspective social capital will rise and we will eventually be on a more sustainable path. Along these lines, one of his main goals is to urge society to begin spending more money locally.

In a section of his book he focuses explicitly on local currencies as a way to encourage local spending and growth. He begins this section by stating, "If you really wanted to make a local economy soar, the most important step might be to create a local currency" (McKibben, 162). The best way to imagine the success of a local currency is to consider the chain reaction resulting from spending locally rather than globally. To start we will consider spending US dollars on the global market. To steal one of McKibben's examples, we can imagine spending our money at Wal-Mart, a massive company which takes in millions of dollars daily. As McKibben writes:

When the register closes for the night, most of that money is simply sucked back to the corporate headquarters in Arkansas...and after the company awards its "associates" their poverty-level wages, the profit ends up in the already overstuffed bank accounts of the company heirs or corporate executives. (McKibben, 165)

In contrast, if we spent our money on groceries at Greg's Meat Market in Middlebury, Greg might then spend his money on goods from local suppliers or on services in town. These local suppliers could then spend their money at local restaurants or on a haircut in town. According to McKibben, "Even in a small state like Vermont, a

recent study found that if local consumers ‘substituted local production for only 10 percent of the food we import it would result in \$376 million in new economic output, including \$69 million in personal earnings and 3,616 new jobs’” (McKibben, 165). When we consider the consequences which result from our shopping habits there is plenty of reason for us to shop locally.

In terms of local currency specifically, McKibben describes how “Burlington Bread” works and some of the issues that surround it. “Burlington Bread” is a local currency which is in effect in Burlington, Vermont. “Burlington Bread” has seen limited success so far, however it has continued aspirations for the future. There are a few problems that surround local currencies. For instance, as McKibben notes, local currencies suffer from a lack of trust. This trust needs to exist between consumers, businesses, banks, city governments, and institutions. Noteworthy, the US dollar is based solely on trust since the 1970s when Richard Nixon took the United States off of the Gold Standard. Therefore, it should be possible to implement people’s trust within a local currency. A secondary problem that worries people about local currency is the idea of inflation. In truth this should not be a threat because banks can control how much currency is issued.

Bob Costanza, one of the forerunners of the “Burlington Bread” campaign, believes that to create a truly successful local currency it is essential to get the city government on board. He feels that if the city government issued welfare payments and a fraction of employees pay in the local currency it would be a huge step in getting the ball rolling. Awareness and trust would rise among consumers and businesses, and eventually citizens could pay taxes or bills in the local currency. With government backing, the growth of a

local currency could be huge, especially if local institutions such as colleges and universities got on board.

Throughout McKibben's analysis and our own examination of the feasibility of local currency it has become apparent that a key step in creating a successful local currency is spreading awareness and knowledge about the initiative. As McKibben notes, "the various local money systems never seem quite real to most people; that shared confidence doesn't radiate beyond a circle too small to make a real difference in local economies" (McKibben, 163). It is essential therefore that the people striving to get a local currency off the ground make it seem as legitimate a campaign as possible. The Berkshires has done a great job thus far in legitimizing their BerkShares, however time will tell how successful an enterprise they have created.

As more local currencies are created across the U.S., hopefully people will realize the possible local growth and prosperity which can be gained. Through our report we have examined two distinct approaches towards fostering community values and encouraging local economic growth. Though our scope is limited and there is much work to be done if an Addison County Currency such as "AdDollars" is to be implemented, the progress we have made will serve as the foundation for further research and concrete plans in years to come. As Bill McKibben suggests, the benefits of local currencies can be immense but it is a difficult task to enlist the participation of an entire community in such a non-traditional effort. There is risk involved, as with any venture, but the potential paybacks far outweigh those short-term monetary risks. The greatest benefits of such a program cannot be measured in terms of dollars for they are the intangible effects of

building relationships and nurturing a local community - ultimately, everyone is better off.

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