



Locking in the

## Promise to Buy Local

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Local currencies, like barter and location-specific gift cards, are ideas for encouraging people to support their local merchants.

BerkShares are a local currency that has been circulating in Berkshire County, Massachusetts, since 2006. BerkShares are denominated in 1s, 5s, 10s, 20s, and 50s. Mohicans are on the 1; Norman Rockwell is on the 50. Printed on security paper in North Adams, Massachusetts, BerkShares have anticounterfeiting features including threads that can be detected under a black light. BerkShares program coordinator Alice Maggio estimates that the equivalent of \$125,000 is currently in circulation in Berkshire County.<sup>1</sup>

To obtain BerkShares, a shopper visits a bank in Berkshire County, pays \$95, and receives 100 BerkShares (or \$19 for 20 BerkShares, and so on). The rate of exchange between BerkShares and the U.S. dollar is fixed; the shopper can return to the bank with 20 BerkShares and receive \$19. Participating banks are Lee Bank, Pittsfield Cooperative Bank, and Salisbury Bank and Trust Company. Some of the banks sell and buy BerkShares only to and from customers.

From Abbott's Limousine and Livery Service in Lee to Zorn Core Fitness in South Egremont, each business can set its own limits for accepting BerkShares. That enables the business to control the amount of discount it is willing to offer. For example, a car mechanic might accept BerkShares for labor but require U.S. dollar payment for parts. A bicycle store might take half of a large payment

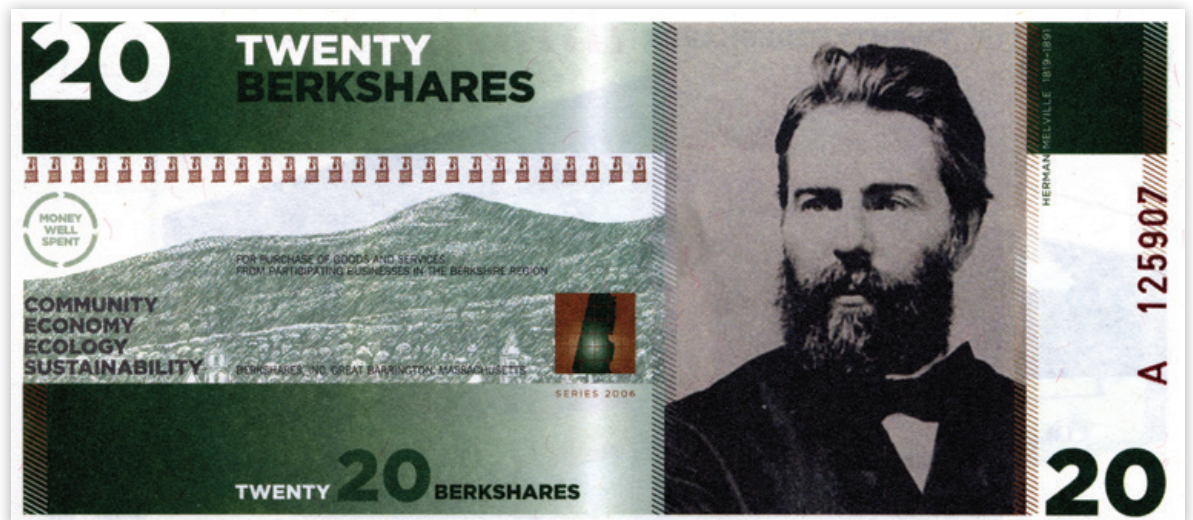
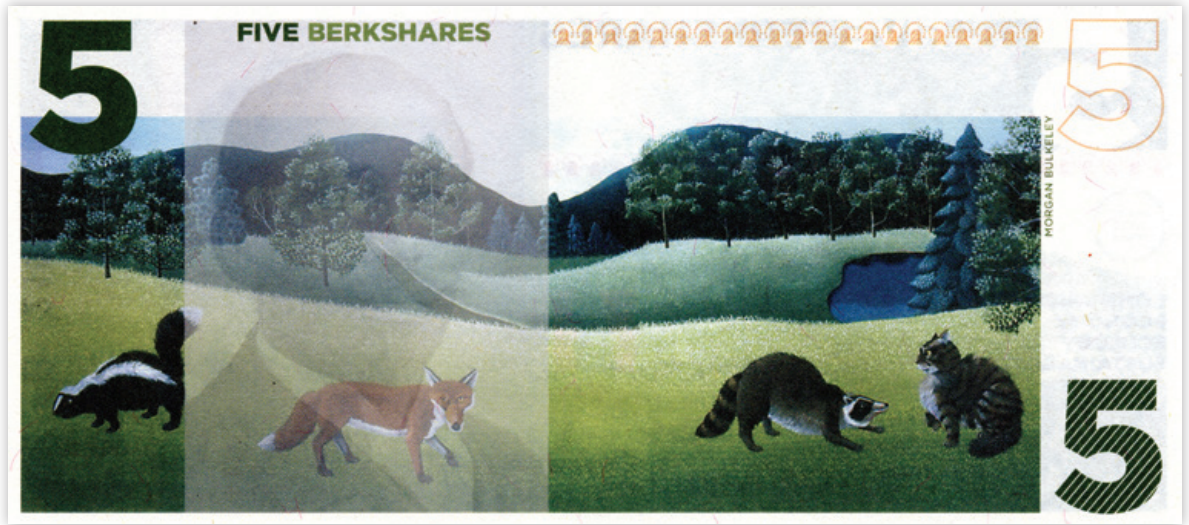
in BerkShares. Merchants may use their BerkShares for purchases of their own or trade them in at one of the participating banks for 95 cents on the dollar.

Buyers who use BerkShares get a discount off the price they pay in the local market, potentially reducing their cost of shopping locally. For example, if the stated price of an item is \$20, the buyer can pay 20 BerkShares (which, as noted above, were purchased for \$19). As long as merchants do not increase prices to compensate for the discount and local prices are not more than 5 percent higher than national or international prices, buyers would benefit from their choice to use BerkShares in their local market.

Inspired by the book *Small Is Beautiful*, the people behind the BerkShares currency conceived of them as a way to support local businesses and encourage economic development in the local regional economy.

### Local Currencies and Economic Development

Inspired by the book *Small Is Beautiful*, which advocated for local production and local consumption, the people behind BerkShares conceived of them as a way to support local businesses and encourage economic development in the local regional economy, according



to Maggio. Proponents of local currencies argue that small businesses create most jobs.

The evidence is mixed as to whether or not the tactic is effective. Nevertheless, many municipalities and regions are looking for ways to encourage local businesses. Local currencies, clearinghouses that facilitate barter, and location-specific gift cards all are ways for people to show their commitment to shopping and buying locally. Local Trade Partners in Fayetteville, Arkansas, is one example. It provides a mechanism called “trade dollars” for local people to trade without using U.S. dollars or other government-backed currency.<sup>2</sup> The Cascadia Hour Exchange in Portland, Oregon, enables members to trade goods and services.<sup>3</sup> And New Haven has a reloadable gift card that can be used for parking and shopping.<sup>4</sup>

### Getting to Critical Mass

Any community can agree to accept community-based private money. (See “To Create a Local Currency, Find Partners.”) For a local currency to succeed, however, sellers must agree to accept it, and payers must agree to carry it. About 400 businesses in the Berkshire region accept BerkShares. They include businesses that appeal to tourists, such as inns and restaurants, as well as businesses providing everyday basics—for example, the Berkshire Co-op in Great Barrington.

Merchants give a variety of reasons for accepting BerkShares. Some see accepting them as a way to increase business or avoid fees on payment cards. For some, BerkShares inspire a feeling of belonging. Alan Glackman is a certified public accountant who accepts payment in BerkShares. Glackman, a Florida transplant who has lived in Great Barrington for eight years, says it gives him “a feeling of community” to receive and spend BerkShares.

For buyers, local currencies become more attractive as they are accepted at more establishments. You can’t use BerkShares to pay your property taxes or a parking ticket. But Glackman mentions using them at “a good number” of restaurants. “The bird store takes them,” he notes. “And I bought tires a couple of months ago using BerkShares.”

Since 2006, BerkShares denominated in the equivalent of \$6 million have gone out from the banks, says BerkShares cofounder Susan Witt, who is executive director of the Schumacher Center for a New Economics in Great Barrington.<sup>5</sup> Witt estimates that BerkShares circulate four times—for example, from the bank to the co-op to the farmer to the yoga studio—before they come back to the bank.

Although merchants may need to pay for wages and materials in dollars rather than BerkShares and should examine the potential trade-offs, many observers believe that BerkShares are a reasonable tool for encouraging people to shop locally and support small business in their communities.



## To Create a Local Currency, Find Partners

BerkShares program coordinator Alice Maggio has some advice for anyone hoping to launch a local currency. “Work with community banks. Community banks represent an essential resource for strengthening local economies—they know the business owners, can be flexible and responsive, and welcome new ideas.

“We deliberately included the banks in the model for BerkShares, because that way we don’t have to reinvent the wheel by trying to replicate many of the functions of banks— currency exchange, accounting, the accessibility of the banks’ Main Street offices in many of the little towns in the Berkshires—not to mention their many connections with business owners and their prominent place in the community.

“It’s important to organize a local currency in partnership with a broad group of community members. The local banks, the chamber of commerce, and the established businesses that signed up right away to accept BerkShares gave our local currency legitimacy and a good amount of buy-in from the start.”

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### Endnotes

- <sup>1</sup> Although BerkShares may be spent anywhere in Berkshire County (population 131,219 in the 2010 census), the banks that serve as exchange points have so far all been located in Southern Berkshire County (population 30,740 in 2010).
- <sup>2</sup> See <http://localtradepartners.com/content/about-us.html>. “Local Trade Partners is a local, professional trade exchange serving Northwest Arkansas, the river valley and beyond.”
- <sup>3</sup> See <http://cascadiahourexcchange.com>. “Local currency is the key to urban sustainability and global accountability.” See also Anna Afshar, “Giving and Receiving in the Nonmonetary Economy: Time Banks,” *Communities & Banking* 16, no. 4 (fall 2005), <http://www.bostonfed.org/commdev/c&b/2005/fall/nonmonetary.pdf>.
- <sup>4</sup> See <https://www.giftrocket.com/gift-cards-in/new-haven-ct>. “Cash with an ecard for any occasion. Suggest where to spend it. Like a gift card but more flexible.”
- <sup>5</sup> See <http://www.centerforneweconomics.org>. “We believe that a fair and sustainable economy is possible and that citizens working for the common interest can build systems to achieve it.”

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