



LAUNCHING THE SUSTAINABLE COMMUNITIES FRAMEWORK PROGRAM

National Commonwealth Group, Inc. (NCG) has developed a comprehensive economic development system called the Sustainable Communities Framework (SCF) and is in process of piloting this concept.

Launching the Program

National Commonwealth Group, (NCG), a 501(c)(3) non-profit organization, has developed a comprehensive economic development system called the Sustainable Communities Framework (SCF).¹

The SCF tracks closely to the Green New Deal² (GND). The key difference is that the GND was designed to be a program authorized, administered and funded by the federal government.

By contrast, the SCF is a regionally managed, grassroots effort largely self-funded by money issued by the people themselves, known as complementary currency.³ Each state will name its own currency

The currency works in two ways: By circulating in communities, it creates economic activity; and revenues from currency sales go right back into the communities that participate in the form of economic, social and environmental programs. And unlike to earlier complementary currency initiatives, we've harnessed digital technology *and* built our own platform, so the program has no burden of physical printing and distribution.

The goal of the SCF program is to not only help revitalize state economies and improve residents' quality of life but to increase community resilience against economic shocks.

Where to Start

To determine the order of implementation, we need to begin with the foundational piece – the complementary currency. For something to be generally accepted as money, two key questions must be answered:

- “Is this *real* money?”
- “Where can I spend it?”

Wikipedia defines money as “... any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts, such as taxes, in a particular country or socio-economic context...” In other words, money can be anything as long as it is generally accepted as money.

How Can We Answer Those Questions?

One of the ways to answer the first question is to get a recognized authority in the community to accept the currency.

One of the best authorities would be a local governmental (like a town or a city) that could accept the currency for payment of taxes or fees. The same would apply for a public utility like an energy provider, water supplier or mass transit system. If residents can pay those entities in the local currency, it will be viewed as money. There have been many [successful examples](#)⁴ of this approach throughout history.

While getting a government or utility to accept the currency can help overcome concerns as to its legitimacy, they also will want an answer to the second question. “Where can we spend it?”

Thus, an adequate answer to this question automatically answers the first. So, where might most people and organizations want to spend a local currency?

Local Merchants

Ultimately, a currency is useful if one can purchase everyday goods and services with it. Can I buy food, get a hair cut, pay my utility bill?

The ability to spend it to obtain something of value, in a fashion similar to spending a national currency like U.S. dollars, turns a complementary currency into real money.

That, of course, leads us to the small business community (referred to as SMEs, i.e., small and medium enterprises). Getting these businesses to accept the currency turns it into real money for the community.

SMEs & the Currency

How to get small businesses (SMEs) to accept it? Simple – show how it increases their profit.

If a merchant is presented with a solid business case as to how they will make more profit, by doing what they already do and then adding elements related to the local currency, then most merchants will likely get on board. NCG has introduced unique elements to its local currency program that cause it to stand out from the vast majority of other programs around the world.

Most issuers of a complementary currency get merchants to accept it as part of a [Buy Local campaign](#),⁵ typically established to encourage buying from locally owned businesses, thereby keeping money in the community. From the merchant’s perspective, they will usually realize an increase in the number of their customers, a prime motivator to accept the alternative currency.

Buy local campaigns leverage a concept known as the “[local multiplier effect](#),”⁶ a positive compounding phenomenon also known as a “local premium.” Typically, ~48% of each purchase at local independent businesses recirculates locally, compared with less than ~14% of purchases at remotely owned stores (i.e., three times as much!).

However, if all the issuers of the local currency can offer merchants is the prospect of additional customers, experience shows that it takes a lot of effort to enroll and retain those merchants.

Fortunately, there are other things that can make enrollment in the local currency program much more attractive and compelling.

What Would Appeal to SMEs?

Our program contains four distinct elements that make a compelling case for participation in the program:

1

Credit facilitation

Merchants often need business credit to facilitate acquisition of supplies and to smooth out their cash flow. Providing a no-hassle line of credit in the complementary currency would likewise make it easier to run their business. It would also have the benefit of providing them with a block of the complementary currency to spend immediately without having to wait until customers spend some in their business.

2

New revenue sources

New sources of income at no additional cost will further motivate merchants to enroll.

Lottery tickets are a good example. The merchant need only install a ticket machine and gets a commission on every ticket sold (typically around 5%). That is pure profit as they have no underlying cost of goods. If a complementary currency issuer can offer a similar arrangement for sale of the currency, that would add pure profit to the merchant's bottom line with essentially no up-front costs.

Credit card processing represents another area where a merchant may realize additional profit. Almost all transactions now use credit or debit cards and gift cards, and merchants pay an average of 3% of each sale to card processing services. We will provide that service to SMEs

Our SCF Merchant Program does all of these things for SMEs, as described in this document.⁷ The business case for participation is strong. And the momentum generated by participating merchants will help recruit others.

The Merchant Program also provides NCG with the means to fund a project of this magnitude, as explored below.

(and others who accept credit cards), offering reduced fees and bonus compensation in the form of the complementary currency, thereby increasing their net profits

3

Reducing expenses

Reducing expenses increases net profit to a business. Wall Street and big business demonstrate this concept every day in their relentless drive to reduce their expenses (especially employee expenses) in order to drive up their profits. If the issuer of a currency could help to shoulder some of a merchant's expenses (especially related to employees) that would likewise encourage them to get on board.

4

Higher profit margins

Providing merchants with increased profit margin on existing sales without increasing their prices would make the program much more attractive.

Most merchants survive on thin profit margins and an increase will make a huge difference. For example: A 10% profit on a transaction is far more appealing than 5%, resulting in double the net income to the merchant.

How Can This Be Accomplished?

We can do the things described in that document because we do things differently.

What sets NCG's system apart from the vast majority of complementary currency programs around the world (~5,000 active programs), as well as historically, is the manner in which our currency is issued.

Nearly every one of those other programs issues their currency just one way — they exchange it for the national currency (i.e., they “sell” it and normally have to redeem it back if the buyer wants to convert back to the national currency. In contrast, NCG will issue the currency in four ways — “sell it” like the others (but no redemption) and also lend, invest and, most particularly, spend it into existence.

The premise to this approach is explored in three parts on our website in the section: [Money - It's Not What Most of Us Think](#).⁸

Part 3 is where we explore these four ways to issue a complementary currency. The first three methods are reasonably self-explanatory. It is the “spending” one that typically represents a new concept. It means that the issuer directly issues the currency to recipients.

In NCG's case, that means we create new currency on our complementary currency banking system (similar to the [Cyclos banking software system](#))⁹ and deposit it into recipients' accounts. That currency is not pulled from any other source. Thus, we spend it into existence.

One key consequence of spending money into existence is that it increases the local money supply. The same applies to selling it with no redemption ([non-redeemable](#)).¹⁰

For example, if the local currency is exchanged (sold) for the national currency, then the money supply is not increased if redemption is offered. That's because the money received from the local currency sale has to be held on reserve for redemption and therefore is not available for circulation in the local economy. The same applies to lending it or investing it, which just moves the currency from one existing owner to another.

Generally, an economy is more vibrant the more money it has in circulation (short of inflation). Thus, adding to the local float on an ongoing basis helps to stimulate the economy as there is more money to purchase goods and services. That in turn creates the conditions for increased entrepreneurial activity and the launch of new businesses.

More than any other option, this direct spending approach injects new money into the local economy, especially to pay for things that otherwise might require tax dollars to fund. Taxes remove money from circulation and thus this approach not only puts money into circulation but reduces the amount being removed for a double impact.

Key Components of the Merchant Program

1

Provides the merchants with an initial complementary currency line of credit for just enrolling, with the provision of increasing it under certain conditions (i.e., “lends” currency). This line of credit is provided under very favorable pay-back terms and may even include no interest. The initial line of credit will likely not impact other credit facilities (such as with a bank) and provides the merchant with an immediate supply of the currency to use for their own expenditures, without having to wait until customers spend it with them.

2

Provides merchants the opportunity to sell currency to their customers and receive a substantial commission for doing so. (30% in USD and an equal amount in currency for an effective commission equal to 60% of the currency sold – 12 times lotto sales commissions). Thus, the merchants help NCG sell currency. What is left over is split between the local Commonwealth Development Organization¹⁵ (CDO), the state CDO and NCG.

All told, the above elements have the potential to substantially increase the overall profit of a small business, motivating merchants to join the program and begin accepting the currency. That will then substantially encourage the community to likewise embrace that currency.

3

Helps the merchants increase wages to their employees (up to the equivalent of \$15/hour) along with providing them with additional employee benefits, all without increasing expenses to the merchant. This is done by providing the merchant with various complementary currency grants to be used to increase wages and pay for benefits upon certain conditions. (NCG creates the currency and grants it to the employer, i.e., spends it into existence).

4

Increases profit margins for SMEs on their existing sales by providing them with credit card and debit card processing that includes bonuses in currency if they take a portion of the card processing settlement in the currency. This can yield 100% of their selling price and eliminate the card processing fees. (NCG creates the currency and exchanges it for dollars).

How Does this Benefit all State Residents?

Income to NCG from the sale of the currency and its card processing service will be used to fund programs under the SCF

NCG already has effectively an unlimited checkbook to issue currency that can be used to purchase goods and services sourced in the state. Labor would qualify and many products like food, building materials, renewable energy and other items can also be locally sourced.

NCG then also requires a pool of dollars for things that cannot be paid for with complementary currency alone. For example, one of our programs supports the establishment of local solar micro-grids to service individual communities. Solar panels, batteries and the other hardware would likely have to be purchased using USD. The Merchant Program identified herein has the potential to provide those needed dollars.

Here is how.

1

Sale of the Currency

Our goal is to keep as much money in the state as we can and grow it.

As noted, when an issuer of a local currency sells the currency with the option to redeem it back from the buyer, that significantly constrains the amount of new money injected into the local economy and also does not provide the issuer with any income to use for support of a larger mission (since all that income has to be set aside for possible redemption).

Therefore, unlike most other complementary currency programs that “sell” a local currency with the option to redeem it, NCG will sell the currency as non-redeemable. With no redemption, NCG does not have to set aside a reserve of the income from the sale and every dollar taken in is available for other purposes.

However, buyers can sell their currency to other parties if they wish. Banks may elect to buy the currency as part of their efforts to satisfy the requirements of the federal [Community Reinvestment Act \(CRA\)](#).¹¹ Visitors will be encouraged to purchase the currency to help the state more than if they just spent their dollars.

This sale with no redemption option has two key benefits. It means that the amount of currency will continue to grow in the local economy, and that NCG will be able to apply that dollar income to the other aspects of the SCF program, providing it with a steady and continuous source of funds that supports the whole effort. For every unit of currency sold, it produces a two for one increase in the amount of money in local circulation.



As we pointed out above, the merchant receives an effective 60% commission for selling the currency: 30% of the USD received plus an equal amount in currency. If a merchant's annual income is \$500,000 and sells approximately \$50,000 worth of currency in a year (10% of their income), they will make approximately \$15,000 plus 15,000 in currency.

That means the state network and NCG will take in approximately \$30,000 on that \$50,000 worth of sales per merchant. If only 500 merchants enroll in the program, that will yield over \$15 million that NCG plows back into the community for use in its community investment programs.

Additional ways others might participate are introduced below.

2

Card Processing Fees

When a credit/debit card is used for making a purchase, the card is read by a machine provided by a card processing company that charges the merchant a fee for that service, generally around 3% of the transaction. This nets the merchant about \$97 on a \$100 sale.

NCG has arranged to be a card processor and has partnered with a vendor that provides all backend processing and interactions with the banking system. This offers clients a turnkey system.

However the currency card program is available to all merchants regardless of processing provider.

NCG will reimburse the merchant in currency an amount equivalent to their fees. That way they realize the full purchase price of their transaction, i.e., ~97% in USD and ~3% in currency.

To realize more currency, merchants may exchange up to the remaining 95% of their transaction at \$4 for 5 currency units (a 20% discount). For example: If the merchant takes \$4 out of their net \$97 USD for a new net of \$93, NCG will provide 5 additional units of currency, yielding an equivalent return to the merchant of 101% of their selling price (\$93 plus 8 units of currency).

Sales & Pre-launch Incentives

Merchants can realize additional income from also selling currency, as described earlier. If a merchant enrolls prior to the launch of the system, for a period of one year after launch, NCG will provide even larger commissions on the sale of currency, as well as increased bonuses for card processing.

By participating in the currency program, merchants can realize substantial addition income and net profit.

Income to NCG from the program is used to fund our economic development initiatives, reinvesting that money back into the community.



What Else Can be Done for Small Businesses?

The SCF Merchant Program can address the needs of existing small businesses by providing them with enhanced profit via participation in the currency program.

It will also provide NCG with income it can use to fund its other activities under the SCF program that will require U.S. dollars.

NCG has an unlimited supply of currency it can use to fund many aspects of the SCF program. By having a sustainable source of U.S. dollars in addition, NCG will likely be able to self-fund most if not all of the SCF program in the state. Any additional money brought in via donations and grants will enhance that.

However, there are other segments of the SME community that will also need help — raw startups, growth companies and companies for sale (many owners now want to retire).¹²

➤ The Merchant Program provides NCG with the resources it needs to establish a startup program grown out of the NCG's team experiences in that space, along with a workforce development program. Currency can be used to provide startup companies with a seed funding grant (not investment or loan) to allow them to prove their business premise and get their company off the ground.

➤ With respect to growth companies (which will require a venture capital-like funding pool) and companies for sale (which will require a different kind of funding pool, typically called an M&A (mergers and acquisitions) pool, NCG may establish several investment companies, primarily structured as Small Business Holding Companies (SBHCs) as described in this article.¹³



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ENDNOTES

- 1 scf.green
- 2 en.wikipedia.org/wiki/Green_New_Deal
- 3 en.wikipedia.org/wiki/Complementary_currency
- 4 scf.green/doc/ComplementaryCurrenciesInUse.pdf
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