Local Economic Development Using SCF

What are some of the things that can be done to improve on the results when deploying the Sustainable Communities Framework?[1] The SCF is a local economic development program developed and deployed by Sustainable Communities Foundation[2] (SCFndn). It's based on our issuing our own money rather than using a national currency (like dollars).

The success of all economies is measured by two primary factors: How much money is in circulation and how fast does it change hands (called the velocity of money).[3] In general, the more money in circulation and the faster it changes hands, the healthier the economy. Those two factors should drive our planning and execution of the SCF wherever we deploy it. Here are things that local organizers can do to achieve those goals.

To stimulate their economies, communities throughout the world often establish "buy local"[4] campaigns, designed to encourage residents to purchase goods and services from locally owned businesses, in order to reduce the flow of funds ***out*** of the community.

That goal leverages a concept known as the "local multiplier effect,"[5] a positive compounding phenomenon (also known as a "local premium.") According to the American Independent Business Alliance,[6] 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!).[7] This keeps more money in circulation locally, that is, "sticky money" that does not leak out of the community.

However, local business ownership is not the only factor impacting the potential outflow of funds. Merchants who sell goods that they import from outside the community also contribute to the outflow of funds, since they must purchase those goods from remote sources. Therefore, increasing the demand for locally produced goods is a key goal, as well as local ownership.

One of the common tools of buy local campaigns is the use of a local currency[8] (a.k.a. complementary currencies, virtual currencies community currencies, people's currencies, etc., collectively alternative currencies). Most local currencies aim to keep money circulating locally by encouraging residents to spend the currency with merchants who accept those currencies, and who are often locally owned.

However, most of those currencies issued with buy local campaigns do not increase the amount of money in circulation, one of the key factors we identified for improving an economy. This is because local currencies are normally purchased with the national currency, which is set aside for re-purchase of the complementary currency (called "convertible currency"). The limitation of this approach is that while it does reduce money leaking out of the community, it doesn't expand the total amount of money available, since one currency is simply exchanged for another.

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[1] https://scf.green/scf/
[2] https://scf.green/scfndn/
[3] https://en.wikipedia.org/wiki/Velocity_of_money
[4] https://en.wikipedia.org/wiki/Local_purchasing
[5] https://en.wikipedia.org/wiki/Local_multiplier_effect
[6] https://amiba.net/
[7] https://amiba.net/project/local-multiplier-effect/
[8] https://en.wikipedia.org/wiki/Local_currency

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Under the SCF program, we will not repurchase the local currency. The buyer must spend them in the local economy. Thus, the currency will not be convertible and therefore the money supply ***increases*** with each currency purchase. The more complementary currency money that is circulating locally, the more robust the local economy. Thus, the goal is to increase the overall amount of money in circulation in support of local economic activity. That enhances the local multiplier effect.

Applying these elements

SCFndn has built a complete banking system called Universal Exchange (UNIEX). UNIEX is deployed on a country-by-country basis (smaller countries may be served by a common bank). For example, in the United States that bank is found at https://uniexbank.com/ and in Nigeria at https://uniexbank.ng. See this guided tour for the U.S. system[9] and this one for Nigeria[10] for how those complementary currency accounts are set up and how they are used.

Each bank can issue different currencies for regional applications. The U.S. bank will issue at least 52 currencies – one per state, plus D.C. and Puerto Rico. Similarly, Nigeria will have at least 36 regional currencies, and likewise each new country will have its own bank.

In all cases, we will issue currencies in two ways: Sell them for the national currency and issue them directly, either as grants or as compensation for goods and services (labor). For more on this, see this program[11] we initiated in Ososo, Nigeria.

In addition to purchasing the local currency, participants can earn more by posting items for sale on our digital marketplaces using the local currency (see the U.S. marketplace[12] and the Nigerian marketplace[13]). They can also perform labor in exchange for the currency. All of this is further enhanced by our providing grants in those currencies, such as for food, infrastructure, and business grants (both startup and growth funds), and more. In all cases, more currency is injected into the local economy, thereby providing ongoing enhancement and expansion.

To encourage adoption of the local currency, we recommend three specific sales/promotional efforts in addition to encouraging individuals to sign up. Each of these is geared toward providing users with pathways to ***spend*** their currency on locally provided goods and services.

1. The first is to actively recruit businesses that ***produce goods and services locally***. That would include farmers and other food producers, along with merchants who make their own products (e.g., furniture, clothing, crafts), plus service businesses and anything else produced by local labor. All these businesses can take up to 100% of their income in the form of the local currency. The more of these kinds of businesses that are enrolled in the program, the more places that residents can spend their local currency.
2. The next effort should be directed at increasing the number of such businesses. Every new business provides another place that residents can spend their money, and in turn, those new businesses create more jobs and enhance the community's economic vitality. However, as with new business startups throughout the world, most budding entrepreneurs will commonly need startup capital. Fortunately, we have a means of

[9] https://uniex.net/guided-tour/
[10] https://uniex.ng/guided-tour/
[11] https://scf.ng/ososokingdom/
[12] https://uniex.market/
[13] https://uniexmarket.ng/

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funding such enterprises in the form of startup and growth business grants[14] using the local currency. We can fund 100% of those prospective entrepreneurs who have a viable business proposition and those entrepreneurs never have to repay those grants, unlike loans (such as microcredit). We recommend encouraging teams over individual entrepreneurs. Two or more people working together makes the process easier on everyone and increases the chances of success of the enterprise. Anyone who has been a sole entrepreneur can attest to how difficult it is to do everything all by yourself.

3. The above businesses represent the *formal economy*, i.e., organizations that are in the business of selling goods and services to the public. But in the *informal economy,* individuals sell goods and services to other individuals, and in aggregate, represent a very large but typically invisible part of the economy that is not factored into GDP. In the United States we see this informal economy in the ubiquitous "garage sale," where individuals offer items for sale to anybody stopping by. On an even larger scale, online marketplaces such as Craigslist represent a massive reservoir of existing goods that could be purchased with the local currency if only buyers could find them. That is where our digital marketplace (described above) comes in. Every account holder can go online and list anything they want to sell, just as they might with Craigslist. However, unlike Craigslist, prospective buyers can purchase those items online using their local currency.

   This leads to the third marketing effort. A sales team should go door-to-door educating the public about the SCF system and enrolling them in the bank if they are not already an account holder, and showing them how they can list household items on the marketplace. Optionally organizers of the local SCF program can require new users to list items on the marketplace (say a minimum of 2 or 3) as a condition of activating their account. And, as spelled out here,[15] users receive a bonus for just posting items on the marketplace, in addition to any money from their sales. If the sales team encounters someone who already has an account on UNIEX, the sales team can remind them of their ability to buy and sell on that marketplace and encourage them to list items on the spot, thereby actively increasing the amount of items for sale. Collectively, this represents a large and ongoing reservoir of items that can be purchased with the local currency.

The more a community actively promotes these three activities, the greater the number of places that account holders can spend their currency and the more that the local economy is lifted up and made healthier by the day.

[14] https://scf.ng/other-individual-grants/
[15] https://uniex.ng/postings/

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