

# Local Policy Case Study: BerkShares

Sam Hetherington UP854-001 Fall 2021

## Issue Definition



### The Problem

The Berkshires is a beautiful area in Western Massachusetts, population 130,000. It has long been an escape for New Yorkers, a home to charming downtowns, quirky shops, splendid restaurants, and renowned cultural life. Despite these advantages, the area has not escaped the challenges that have beset so many rural communities. Once a stronghold for paper and textile manufacturing and the location of a large General Electric plant now closed, the regional economy has gradually shifted from manufacturing to services (Bauer, 2020). A new kind of economy was needed.

### The Project

Money can be understood in terms of its circulation within an economy. Each dollar spent in a community allows for someone else to spend that dollar again somewhere else. In a resilient local economy, that dollar is spent many times locally, maintaining and growing the wealth of the community. However, these days most dollars are flowing out of our communities as soon as they are used, enriching national and multinational companies far away. A local or community currency is inherently limited to a particular place, so it incentivizes people to shop at locally owned businesses and keeps wealth flowing within the community (Sustainable Economies Law Center, n.d.).

BerkShares are a local currency for the largely rural Berkshire region of Massachusetts. The project was launched in 2006 and set out to improve the circulation of goods, services, and capital within the region, with the goals of strengthening the local economy and boosting community self-reliance. The currency emulates the once commonplace local currencies of the early 1900s which are again being recognized as a tool for sustainable economic development. People who choose to use the currency make a conscious commitment to buy local, and in doing so take a personal interest in the well-being of their community by laying the foundation for a vibrant, thriving economy (Schumacher Center for a New Economy, n.d.).

## Project Analysis



### How It Started

The Schumacher Center for a New

Economics is a non-profit which promotes concepts like regionally based economics. By 2006 it had spent dozens of years

experimenting with local currency and models for increased economic self-reliance specific to Berkshire County, its home region. One of the early experiments was “deli dollars”. Frank Tortoriello owned a deli in Great Barrington, MA and wanted to move to larger premises but the bank would not lend him the \$4,500 he needed. Partnering with the local non-profit, a plan was devised: Mr. Tortoriello would print and issue "deli dollars" to finance the move. For 8 U.S. dollars, an investor received 10 deli dollars, which were redeemable in merchandise after six months had passed once the move presumably was made. No guarantees were issued with the

notes, but for the chance of a 20% return, townspeople lined up to buy the scrip (Crawford, 1991). The plan worked and paved the way for the next steps in a new economy, BerkShares.

To launch BerkShares, Susan Witt of the Schumacher Center obtained funding in the form of a \$60,000 grant from RSF Social Finance, formed a group of like-minded people, secured the support of banks and the Chamber of Commerce for a 1-year trial. Banknotes were printed, complete with serial numbers and anti-counterfeiting measures and featuring portraits of local heroes. A Stockbridge Mohican, civil rights activist and founder of the NAACP W. E. B. Du Bois, pioneering farmer Robyn Van En, Moby Dick author Herman Melville, and beloved artist Norman Rockwell are all celebrated. The project started with 835,000 BerkShares (B\$). At the time 11 BerkShares could be bought with 10 U.S. dollars (Bauer, 2020 and Barry, 2007).

### How it Works

Currently BerkShares are exchanged for dollars at 95 cents for 1 BerkShare. They can be spent at face value, for example, B\$10 can be used for a \$10 purchase. This gives the buyer a savings of 5%. This is an incentive for consumers as they are actively saving money by choosing to spend a local currency rather than the federal dollar. This strongly encourages the continuation of spending BerkShares and keeping it as active as possible. For businesses, acceptance of this local currency leads to greater customer loyalty and marks the participating business with a reputation of one that partakes in community improvement and progression (Ali, 2020). The fixed rate also encourages businesses to pay suppliers or employees with the currency rather than exchanging it at the bank for a loss. The project's stakeholders are local producers, retail businesses, non-profit organizations, service providers, and consumers.

BerkShares are a complementary currency, meaning it is a complement to the national currency. It is not legal tender, and it is subject to sales and income tax in the same way dollars are. Taxes are always paid in dollars. U.S. law prevents states from issuing their own currency but allows private groups to print paper scrip, though not coins. As long as coins are not turned out or something that resembles the U.S. dollar, it's legal. BerkShares are managed by BerkShares, Inc., a place-based, democratically structured non-profit organization.

### Not Crypto Currency

There is a lot of buzz over crypto currencies such as Bitcoin. Crypto currencies are primarily designed to be global and anonymous, while local currencies are designed to be rooted in a specific place and increase personal relationships. Crypto's values are based on scarcity, subject to wild speculation and concentration in the hands of a few wealthy investors, while local currencies are designed to increase the circulation of goods and services and function mainly as a means of exchange, rather than an investment (Sustainable Economies Law Center, n.d.).

### Outcomes



#### Still Going

Fifteen years later, “the great socioeconomic experiment” (Barry, 2007) is still going. BerkShares can be bought at nine branch offices of three community banks and spent at over 400 locally owned participating businesses. Over B\$10 million have gone out in circulation between 2006 and 2019. Approximately B\$140,000 are circulating at any one time. It is

estimated that on average each BerkShare is involved in around four transactions prior to being returned to the bank (Matti & Zhou, 2021).

### Local Pride

BerkShares have become a thing of pride among area residents, some even boast never having returned a BerkShare note to the bank. They can be spotted in circulation at farmer's markets, Main Street storefronts, auto repair shops, and even professional offices revealing an enduring intention in residents' choice of where and how to do business. It has also opened up a broader revival of interest in local currencies following the Great Recession. There are now over 200 local currencies worldwide according to the Schumacher Center (Spears, 2021).

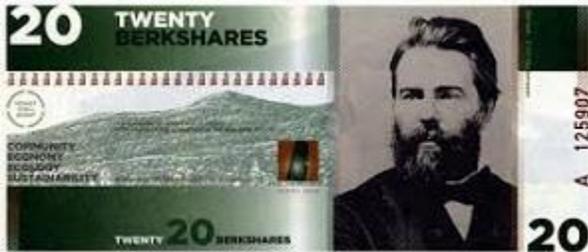
As with any local currency, there will always be the inevitable issue of relying on the Federal currency. These local currencies can only reach a certain level of success as they can only be used within a certain region. You can't use the BerkShares out of Berkshire, so, if necessary, for goods that are only supplied from other areas, US dollars must be used. However, the overall aim is to keep money flowing within the community for longer so with that in mind, the project has been very successful at doing just that (Ali, 2020).

### Recent Analysis

Community currency initiatives around the world look to BerkShares as a model of success in achieving the objective of strengthening the local economy. It is one of the longest lasting local currencies and has become influential, receiving considerable media attention but does it really improve the local economy significantly. A recent quantitative study by Matti and Zhou, using standard macroeconomic data, found that BerkShares had no measurable impact on either the local economy or business dynamics (2021). The currency "has merely replaced the unit of account in which some local trade is denominated" or in other words money is

money. BerkShares did not cause harm to the local economy. The Matti & Zhou article has yet to be formally published and interested parties have yet to comment about it.

## Lessons



Some tweaks were needed once the implementation started. The original exchange rate was too high. This resulted in providing too much of a discount to buyers, causing the business owners to take a hit. An adjustment to 5% discount was made. Some business owners have had to impose a limit on the amount of B\$ accepted per month because of the overwhelming popularity of the currency. A major key to the program's success has been the partnership with local banks. They back the BerkShares in a checking account, offer fee-free currency exchange, and allow the currency to be easily integrated into the community according to Rachel Moriarty, executive director of BerkShares (Barry, 2007 & Panne, 2019).

## Advantages and Disadvantages

The project demonstrated several advantages and disadvantages of local currencies.

Advantages are:

- BerkShares are a viable way of facilitating local economic exchange and encourage consumers to buy locally keeping money at home instead of being exported to large companies in distant countries
- Increases local money supply increasing demand and stimulating local production and employment and helping with import replacement producing local products for local consumption, rather than relying on imports

- Local currencies can be an alternative source of capital for which the interest (if any) will circulate back to the community
- Increases the ability of locals to make more informed choices when they go shopping
- Help reverse the globalization and homogenization of cultures trend, connecting people to other people and places they see every day
- Instills pride and identity in the region (branding), potentially attracting visitors and press

The disadvantages and challenges are:

- Problems in finding loans to make, Witt found that people were out of the habit of being producers and there was a lack of entrepreneurs
- Difficult to fight the “Amazon conundrum” or commerce that is globalized, de-personalized; ruthlessly efficiency-seeking, seductively convenient and inexpensive (at least when viewed in isolation from the costs that convenience and low prices cause); and, crucially, divorced from place (Bauer, n.d.)
- No discernible evidence of BerkShares leading to economic development (Matti & Zhou, 2021)

## Conclusion



Present-day financialized capitalism, with its huge stock buybacks and asset inflation, has fueled the nation’s widening economic inequality. With local currencies, by contrast,

reserves are kept with individual community banks, which reinvest directly using lower-risk loans to small business ventures. Local currencies thrive on a spirit of communal interdependence, often appearing at moments of economic crisis. Many are rooted in food production and security, the foundation for any healthy and ecologically sustainable economy. Amid such systemic crises, local producers and communities can turn to each other for support. Local currencies are by no means a cure-all for America's deep economic injustice and poverty. The benefits they deliver to a community are, in the end, only as strong as community members' commitment to local unity. What such currencies can do is provide a conduit for that commitment, creating a tangible manifestation of the interdependence in everyday exchanges. So, while local currencies are but one tool for local economic development, they can be a powerful complement to broader efforts to build community wealth and a solidarity economy.

### More than Money

From the beginning, BerkShares has been about much more than just another way to pay for goods and services. Facilitating personal bonds between local producers, consumers, and suppliers has increased resiliency in this period of global supply chain disruption. The Covid-19 pandemic has resulted in a boom of direct mutual aid networks. Because local currencies flourish on the same spirit of community, it has great potential to help focus and sustain such efforts into the future. Local currencies can help harness the collective power at a more human scale by empowering people to shape and direct the economic futures of their own communities (Spears, 2021).

## Works Cited

Ali, Q. (2020, Sep 3). *BerkShares - Money in the Hands of the Local Community*. Bristol Pound. <https://bristolpound.org/berkshares-money-in-the-hands-of-the-local-community/>

Bauer, B. (2020). *Could Small Still Be Beautiful*. BerkShares Inc. <https://web.archive.org/web/20210224232126/https://berkshares.org/media/could-small-still-be-beautiful>

BerkShares, Inc. (n.d.). *About BerkShares*. BerkShares, Inc. <https://berkshares.org/>

Barry, D. (2007, Feb 25). *Would You Like That in Tens, Twenties or Normans?* New York Times. <https://www.nytimes.com/2007/02/25/us/25land.html>

Crawford, P. (1991, Oct 12). *Homemade Money Means Another Day, Another Deli*. New York Times. <https://www.nytimes.com/1991/10/12/your-money/IHT-homemade-money-means-another-day-another-deli.html>

Lindstrom, C., Witt, S. (n.d.). *LOCAL CURRENCIES IN THE 21ST CENTURY: UNDERSTANDING MONEY, BUILDING LOCAL ECONOMIES, RENEWING COMMUNITY*. Schumacher Center for a New Economics. <https://centerforneweconomics.org/publications/local-currencies-in-the-21st-century-understanding-money-building-local-economies-renewing-community/>

Matti, J., Zhou, Y. (2021, Nov 2). Money is money: The economic impact of BerkShares. *Ecological Economics*, Vol. 192. <https://doi.org/10.1016/j.ecolecon.2021.107255>

Panne, V. (2019, Jun 1). *Local currencies work! There are already thousands of BerkShares in circulation Who knew a community currency could last this long — or bring so much exported business back home?* Salon. [https://www.salon.com/2019/06/01/local-currencies-work-there-are-already-thousands-of-berkshares-in-circulation\\_partner/](https://www.salon.com/2019/06/01/local-currencies-work-there-are-already-thousands-of-berkshares-in-circulation_partner/)

Schumacher Center for a New Economics. (n.d.). *Local Currencies Program*. Schumacher Center for a New Economics. <https://centerforneweconomics.org/apply/local-currencies-program/>

Spears, J. (2021, Nov 17). *Taking Local Currency Digital: A New Experiment Emerges*. Nonprofit Quarterly. <https://nonprofitquarterly.org/taking-local-currency-digital-a-new-experiment-emerges/>

Sustainable Economies Law Center. (n.d.). *Frequently Asked Questions - Community Currencies*. Sustainable Economies Law Center. <https://www.theselc.org/community-currencies-faq>

Currency Image Notes:

1 BerkShare Note=A Stockbridge Mohican militia man, the original inhabitants of the area, fought on the side of the Continental Army during the War of Independence.

5 BerkShare Note=W.E.B. Du Bois, a civil rights leader, author, and founder of the NAACP born in Great Barrington.

10 BerkShare Note=Robyn Van En, co-founder of the community supported agriculture movement

20 BerkShare Note=Herman Melville, the author of Moby-Dick, written in Pittsfield, Massachusetts, also an environmentalist

50 BerkShare Note=Norman Rockwell, a painter who lived in Stockbridge, Massachusetts

-----

#### Other Related Programs

culture pass (NPQ), LETS (local exchange trading systems), TimeBanking, barter systems, HOURS, (<https://centerforneweconomics.org/publications/local-currencies-in-the-21st-century-understanding-money-building-local-economies-renewing-community/>), public banking (<https://www.fastcompany.com/40512552/the-growing-movement-to-create-city-run-public-banks>)