ty group and the setting of debit limits on individual accounts. This at first seem an onerous burden, but it is essentially what occurs with p insurance. In that case, each claim is paid for by the other members of roup by way of the premiums they pay for the insurance. It is also the case conventional political currencies. Those of us who operate in the dollar omy, for example, are coresponsible for satisfying all dollar claims held hers. The coresponsibility feature has been used effectively in the realm microlending and has probably been a major factor in the success of the unseen Bank and other microcredit systems that are modeled after it.139

An Insurance Fund

Despite the above measures, it is possible that some small amount of defaults still occur. Those losses to the association can eventually be covered by insurance pool or “reserve for bad debts,” something that is typical in any run business. The clearing system must have revenues sufficient to cover its operating costs, including the cost of “bad debts.” Such revenues id be obtained on a “fee for services” basis. Charging a small percentage each amount cleared should provide ample revenues to support a clear-sys-tem operating at even a modest scale. These charges will be debited to members’ accounts and credited to the administration account within the of accounts so that the system will always be in balance.

Sum up, a mutual credit clearing union can reclaim a part of the credit mons from monopoly control, enabling members to act independently the banks in allocating their credit and conducting business and trading, computing and communications technologies that are available today the process of direct credit clearing between buyers and sellers entirely ble, and at the appropriate scale extremely economical. Such systems can relative ease be implemented at all levels of the economy, from the local be global, and there are already available a number of software platforms provide the required functionality for operating such networks. The main aces that are likely to be encountered are political ones, as vested interests o maintain their privilege and prevent the emergence of competition. It share behooves us to act quickly in the establishment and proliferation of native exchange mechanisms so that they will achieve widespread patron- and support sufficient to resist those attempts.

Exchange alternatives are not entirely new. Indeed, in times past, there were many different exchange media that circulated simultaneously—and for a time, each bank was responsible for the issuance and redemption of their own banknotes. There are also numerous historical precedents for nonbank currencies—such as the 1930s Great Depression-era scrip issues, and the mutual credit clearing system that was organized in Switzerland as the WIR Economic Circle Cooperative (since renamed WIR Bank). There are entire catalogs that list the many kinds of privately issued scrip, vouchers, notes, and coupons that have circulated as payment media. Some of these have been described in my earlier books.140

The current wave of innovation and implementation of exchange alternatives dates from around the early 1970s with the advent of commercial “barter” exchanges (properly called “trade exchanges”). This was followed a few years later by the grassroots emergence of mutual credit clearing asso-ciations (LETS), Time Dollars, and various local currencies. From that time onward, we have seen a rapid proliferation, all over the world, of these kinds of exchange alternatives—they now number in the thousands. There has been growing global recognition and considerable journalistic coverage of these alternatives—with articles appearing in mainstream publications like the New York Times, the Wall Street Journal, Time.com, The Guardian (UK), and more than a little coverage on TV and radio. The commercial (business-to-business) side of the movement also continues to grow, developing better standards of practice and becoming ever more sophisticated.

In addition, a new and growing wave of activist energy has been directed toward making money once again a political issue, with the objective of changing the dominant national monetary and financial systems. In this, there has been particular emphasis on the matters of usury and interest, metallic money, and the gold standard. Ron Paul’s candidacy during the 2008 presi-dential campaign has been particularly significant in raising this issue in the United States, while in the United Kingdom similar efforts by various groups
and members of Parliament to raise awareness have been ongoing for many years. While prior efforts to reform the dominant monetary and banking system through the political process have been wholly unsuccessful, the issues they raise have relevance and need to be considered in the design of private, free-market exchange options.

Two Currents of Alternative Exchange

There are two distinct "currents" in the present movement toward alternative exchange and noncash payment mechanisms. They are:

1. the grassroots, noncommercial, community-oriented currencies and mutual credit systems; and,
2. the commercial, business-to-business trade exchanges.

Encouraging as these developments might be, none of the grassroots alternatives, with a couple of notable exceptions, has managed to become a significant economic factor; the commercial segment of the movement, while having achieved a measure of success, has barely begun to realize its enormous market potential. Both have been limited by some serious design deficiencies and various other factors that will be discussed in the following chapters. Many local currencies and LETS have been launched with a flourish of enthusiasm only to fall back into oblivion. The typical pattern is initial enthusiasm by the organizing group and rapid growth in participation, followed by volunteer burnout and a slow, steady decline in both trading volume and number of participants. A system may be formally declared defunct, but more often it simply limps along in the background with little trading and a much diminished participant base, then eventually fades away. Even well-designed systems can experience the same pattern of decline, as I can attest from personal experience.

The Tucson Experience

By the time I arrived in Tucson, Arizona, at the end of 1989, a mutual credit clearing system—called LETSonora—had already been launched. Working in conjunction with a small group of other community-minded people, LETSonora was started by David Koressel, a social entrepreneur who also happened to be a professional accountant. Having read the article about LETS systems that had appeared in the Whole Earth Review (which I had coauthored with Michael Linton), they were inspired to give it a try. I soon joined the core team and helped to run the system until it finally ground to a halt around 1993. During that time, despite considerable inputs of volunteer labor, the membership never grew beyond about forty members and the monthly trading volume never exceeded more than a few hundred dollars.

A few years later, I began a series of discussions with some local activists with the intention of introducing them to the possibilities of using in-kind donations from local merchants to back the issuance of vouchers that might be used to support local nonprofit groups, vouchers that could also circulate as a supplemental local currency. This was to be a type of arrangement that Michael Linton and Ernie Yacub refer to as "community way." This did not interest the people I was talking to, but they were interested in starting a mutual credit clearing system. I cautioned them about the difficulties and risks, describing to them my earlier experience with LETSonora, but they were enthusiastic and eager to try it—arguing that it wouldn't take much work to set up a ledger of accounts and that conditions might now be right for it to achieve critical mass. I agreed to act as an advisor, but made it clear that I would not be involved in the administration. Thus was launched Tucson Traders.

It was easy to create a set of accounts to keep track of trades among the twenty or so initial members. It started with a notebook and a pencil. The notebook contained a page for each account holder, on which their trades could be recorded and which would show their running account balance. Each page looked something like the table in Figure 13.1 on page 140.

It was decided that the accounting unit would be called a Tucson Token (TT), with each token having a value equivalent to one U.S. dollar. It was also decided that, in the absence of any data upon which to decide initial lines of credit, each and every account would be allowed up to 200 tokens, i.e., an account balance could be negative to a limit of minus 200.

As the word got out among the various activist and nonprofit networks, the membership grew quickly—eventually reaching a peak of more than two hundred participants, which included a handful of progressive businesses. Trading fairs and potluck dinners were held regularly, and for a while they attracted a sizeable crowd of enthusiastic traders. A directory and a newsletter were also produced. Along with the growth in membership, the workload of
as ledger credits began their life as a circulating paper currency. There was no formal agreement that, if anyone wished to leave the system, they would settle any outstanding negative balance—either in tokens or in cash.

As the novelty wore off, people lost interest in potlucks and trading and with the membership scattered all over town, the inconvenience began to take its toll. Despite the reduced workload that accompanied the shift to circulating paper notes, the volunteer core grew tired and less enthusiastic. Administrative personnel changed several times, but the downward spiral continued. By the fourth or fifth year, trading using Tucson Tokens had virtually stopped.

This story typifies the experience of grassroots complementary curriculums and mutual credit clearing systems as they have thus far developed. Ones continue to pop up and a few vintage systems are still functioning. A high profile case that has attracted an astonishing amount of worldwide media attention was the 2007 launch of the Berkshares currency in western Massachusetts. That is not a credit clearing system, but a local currency (for the moment at least) is sold for cash.

It is important to recognize that, even though Tucson Traders did not achieve sustainability as a mutual credit clearing system, there were significant positive outcomes. In the words of permaculture design consultant Dan Dorsey, who had been a core group member,

recording the transactions also grew. The notebook ledger was shortly replaced with a computerized set of accounts. Still, the work of recording transactions became too much for the volunteer administrators. It was then decided that the administrative burden could be greatly reduced by eliminating the need to record each and every transaction. This would be accomplished by allowing each member to draw out paper currency notes against their line of credit. Thus someone who already had a debit (negative) balance of, say, 75 tokens would be allowed to draw paper notes to the extent of 125 tokens against her account. Members of Tucson Traders could then pay each other by passing the paper TT notes from hand to hand, in just the same way as we do with regular cash transactions. A few local artists volunteered to design the notes, and a local printer volunteered to print up a supply. There was a big party at which the notes were distributed, and at that point the tokens that originated

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Figure 13.1 A Typical Mutual Credit Account Page
Why Exchange Alternatives Fail to Thrive

There is much to be learned from these experiences if we are willing to accept their hard lessons. Here we will consider the grassroots initiatives. The limitations and possible improvements to commercial trade exchanges will be addressed in Chapter 15.

The pertinent questions are:

- What are the main factors responsible for this pattern of decline?
- Why have complementary currencies and credit clearing options remained a fringe phenomenon and not been widely adopted?
- How can mutual credit and community currency systems be made to sustain themselves and to thrive?

There are two fundamental reasons why exchange alternatives fail to thrive. These are

1. failure of reciprocity and
2. inadequate scale and scope of operation.

Failure of Reciprocity

Any payment system exists for the purpose of facilitating reciprocal exchange, which can be roughly described as “getting as much as you give, and giving as much as you get.” Whether it be a currency or a credit clearing system, anything that interferes with its ability to fulfill reciprocity (or creates doubt regarding its ability to assure reciprocity) will work against its adoption and continued patronage. Failures of reciprocity can stem either from system design flaws or from management issues.

System design flaws include:

- Improper basis of issue of credits or currency
- Inadequate account limits, i.e., overissuance of credits or currency in relation to an issuer’s productivity and the demand for their goods or services

- Lack of a clear agreement between issuers and users of credits or currency

Management issues include:

- Lack of accountability and transparency
- Inadequate management procedures and controls
- Overreliance upon volunteer administrators
- Failure to respond to internal or external threats

Inadequate Scale and Scope of Operation

There are several aspects to the problem of scale and scope, which can be summarized as follows:

- Failure to achieve critical size of the participant base
- Too narrow an assortment of goods and services being offered
- Failure to attract participants from all levels of the supply chain (production/distribution circuit)
- Failure to gain wide acceptance among the mainstream business community

The principles that need to be applied in addressing these problems will be taken up in the next chapter.
FOURTEEN

How Complementary Currencies Succeed or Fail

In our consideration of exchange alternatives, we have been discussing both complementary currencies and credit clearing as viable alternatives and complements to conventional money. The credits that exist within a credit clearing system can be thought of as a complementary currency, even though they may exist only as numbers on a ledger of accounts. Similarly, a currency is simply a manifestation of credits that originate from some issuer who spends them into circulation. Thus we will use the terms currency and credits interchangeably, since they have the same essence—credit. For the reader's convenience we repeat in Figure 14.1, on page 145, the depiction of the reciprocal exchange process that was introduced in Chapter 8. It shows the complete circuit of issuance, circulation, and redemption of currency or credits. It is the completion of the circuit that results in reciprocity. This should be kept in mind as we describe the various principles that relate to reciprocal exchange. Note that currency flows in one direction (the outer ring) while goods and services flow in the opposite direction (the inner ring), and that the original issuer eventually redeems the currency they issued by selling their own goods or services.

The level of success of an exchange system is determined by a number of factors, which fall into these four broad categories:

1. the architecture of the exchange system or currency itself,
2. the management of the exchange system or currency,
3. the implementation strategies, and
4. the context into which the currency or exchange system is introduced.

Architecture of the Currency Itself

The first requirement of any exchange system is that it accomplish what it is intended to accomplish, i.e., to effectively and efficiently facilitate the reciprocal exchange of value. We made the point in Chapter 9 that there are three modes by which economic value changes hands—as gifts, as involuntary transfers, and in reciprocal exchange. It is worth repeating that it is within the realm of reciprocal exchange that money plays its fundamental role as an exchange medium or means of payment. Grassroots organizers are often tempted to encumber their fledgling exchange systems with additional baggage that seeks to remedy all sorts of perceived inequities. Well-intended as they may be, these additional requirements cause them to lose sight of the fundamental purpose and to make it more difficult for their systems to "get off the ground."

So with regard to the currency or credit system itself, it must be designed in such a way as to assure reciprocity in free-market exchange. It is necessary to consider both the quality of the currency or credits and their quantity. There are a few critical design questions, the answers to which are all-important in
determining the success of a currency, i.e., its ability to hold its value and its ability to circulate widely and rapidly.

1. Who is qualified to issue currency?
2. On what basis should currency be issued?
3. How much currency may be spent into circulation by each issuer?

What are the factors that determine the limits on the amount of currency that may be issued, and what are the practical limits that should be applied to each issuer? There is an abundance of historical experience from which sound monetary principles have already been derived. It is only necessary to apply them. What are these principles?

**Principle 1: Who Is Qualified to Issue Currency?**

Anyone who offers goods and services for sale in the market is qualified to issue currency.

A corollary to this principle is that such goods and services should be in everyday demand and be offered at prices that are published and competitive. E. C. Riegel expresses it this way: "A would-be money issuer must, in exchange for the goods or services he buys from the market, place goods or services on the market. In this simple rule of equity lies the essence of money." He further clarifies the point by saying, "He who would create money to buy goods or services must be prepared to produce goods or services with which to buy money."

The point is that money is a device we create for the purpose of facilitating reciprocal exchange. That means enabling a provider of valuable goods and services to receive equivalent value from someone else later on. It is a way of enabling us to indirectly use the things we produce and sell to pay for the things we buy. Money is a kind of placeholder, an instrument that enables one who has delivered goods or services to later on requisition from the marketplace other goods or services that one may desire.

**Principle 2: On What Basis Should Currency Be Issued?**

Although it is largely ignored in today's banking practice, it is a well-established banking principle that money should be issued on the basis of goods already in the market or on their way to market. In its modern manifestation, money is nothing more than credit—but not all credit is suited to serve the exchange function. A distinction must be made between short-term turnover credit and long-term investment credit. Turnover credit can be thought of as a virtual counterpart of goods that are offered for sale in the market. It is the circulation of turnover credit among potential buyers that provides the means by which those goods can be bought and paid for. The issuance of currency as turnover credit provides the various actors in the economy with the purchasing power needed to buy those goods that they produced, removing them from the market.

**Issuance and Reflush**

A critical factor in the circulation of any currency is what bankers traditionally refer to as the "reflux rate"—the rate at which a currency returns to the issuer and, having fulfilled its purpose, is extinguished. In the absence of legal tender laws, a currency with too slow a reflux rate will be devalued by traders in the market. It will either be refused as payment or accepted at less than face value. That is why currency should be issued on the basis of goods and services that have a high everyday demand. Such a basis will guarantee that the currency will be quickly returned to the issuer for redemption and not accumulate in the hands of those who have little opportunity to spend it. From historical experience, a minimum daily reflux of 1 percent is necessary for a currency to hold its market value at par.

"Pooling" and stagnation are problems that have afflicted many community currencies. Local currency organizers often complain that their most difficult task is getting people and businesses to accept the currency. My advice is always the same: don't try to push your currency, pull it. Like a string, a currency does not respond well to pushing—but it does respond to pulling, and a properly issued currency will be naturally propelled through the economy. What is this natural force that propels a currency? It is obligation. A currency is a credit obligation of the issuer who must be ready, willing, and able to redeem their currency by accepting it in payment for goods and services. The bottom line is this: most of the issuing power (lines of credit) should be allocated to those businesses in the community that you wish to have accept the currency—the ones at which people wish to spend their currency, the ones who sell what everybody wants to buy. There would be no difficulty in getting a currency to circulate if it were to be issued, say, by the local gas company, or electric utility, or water company, or telephone company, or . . . well, you get the idea. I call these entities "trusted issuers." If a company is not already overburdened
with debt obligations, and its issuance is not excessive, almost everyone in the community will accept the company vouchers (currency) without hesitation because almost everyone has a gas bill or electric bill or water bill or telephone bill to pay. Even those who do not do business with the issuing company will accept it because of the large number of others in the community who do. So long as such a company agrees to fulfill its obligation by accepting its currency at face value in payment for its services, it will have no difficulty in getting its suppliers, contractors, and employees in the community to accept it as a payment medium. From then onward, the currency can pass from hand to hand throughout the community for as long as it remains valid. 

It is worth repeating again that in contrast to turnover credit, which is short-term, there is also the need for investment credit, which is comprised of long-term claims. Investment credit cannot be immediately spent because the activity giving rise to it does not put goods or services into the market until some later time. Issuance of currency on the basis of long-term debt, such as mortgages on real estate or long-term government debt, does not compel its timely reflux and redemption by the issuer. Take for example a farmer who decides to plant an orchard. He needs investment credit to acquire land, equipment, and tools, to buy the sapling trees, and to cover his living expenses for a few years until his trees mature and start bearing fruit. The people who provide him with those things deserve to get credit that represents a share of the future produce. How might their investment be recognized? The proper answer is that it should be recognized by giving them a financial instrument (call it a bond) that is redeemable (spendable) only when (and if) the crop is harvested. It would not be appropriate to give them recognition in the form of money—because money is spendable now, but the crop will not arrive until later. It would not be appropriate for investors to be paid by issuing a currency because the farmer/issuer has no immediate means of redeeming it, i.e., reflux cannot begin until his first harvest. Timing is the salient factor in distinguishing turnover credit from investment credit. Naturally, there must be some way for turnover credit to be effectively converted into investment credit and vice versa, and in fact such mechanisms are well developed. This is the realm of finance that provides various methods for both saving and investment. At any point in time, there are some who have an amount of turnover credits (the spendable kind of credit) that is in excess of their current needs. They wish to “save.” At the same time, there are others who need additional turnover credits to, perhaps, start or expand a business that will later on put goods and services into the market. As in the above example, they might spend these turnover credits to acquire the means of producing marketable goods and services. This is the process known as capital formation. So saving and investment are two sides of the same coin. One person saves by reallocating their temporary surplus of turnover credits to someone who wants to invest them in something that will lead to the production of goods and services later on. In this way, turnover credits are transformed into investment credits. The reverse process takes place when the investment is repaid out of income earned at the time that the new products and services go to market. In a currency system, as the product goes to market, currency can be created to redeem the bonds. Consumer credit works in much the same way.

To sum up, money (an exchange medium) should properly be turnover credit, created on the basis of the near-term delivery of goods and services to the market. The financing of long-term assets or consumer purchases should not be the basis for money creation, but rather should be financed through the reallocation of money that already exists. In the political money system, this rule is commonly violated. It is one form of inflation that leads to an increasing general price level, which occurs because of the legal tender status of political currencies. In the absence of legal tender status, an inflated currency will begin to pass at a discount relative to an objective value standard. So in sum, the application of this principle requires the following rules governing the issuing of money (turnover credit):

1. disallow the creation of money on the basis of government debt, which puts no additional product into the market;
2. disallow the creation of money to finance consumer purchases, which take goods from the market;
3. disallow the creation of money to finance capital expansion (long-term assets), which does not immediately put goods and services into the market.

The relevant argument, then, is not between credit money on the one hand and commodity money on the other, but between credit money that is properly issued and credit money that is improperly issued.
Principle 3: How Much Currency May Be Issued by Each Issuer?

The applicable principle here is best expressed by Riegel: “Each person or corporation is entitled to create as much money, by buying, as he or it is able to redeem by selling.” The application of this principle, of course, requires some further definition and measurement. How do we arrive at the amount that each issuer is able to redeem by selling? What are the practical limits that should be applied to each issuer?

Here we need to consider the time factor. How long does it take from the beginning of the production process to the end when the product goes to market? Each line of business has its own peculiar production and distribution pattern that determines its annual turnover rate, but we know from experience that average overall turnover is about four times a year. That means that about one quarter of annual production is in the market and ready for sale at any given time. Enough currency or “turnover credit” should be provided to enable that amount of goods and services to be purchased. Based upon the reflux guidelines discussed above, it is reasonable that the issuance limits on each account be based on this practical rule of thumb: each issuer may issue an amount of currency that is no more than their historical average of sales over a period of one hundred days (roughly three months). For example, if a local co-op grocery is a member of a mutual credit clearing association, and it has annual sales of $1 million dollars, its maximum debit balance could be as high as $250,000 dollar credits.

The actual starting point for a complementary currency will be much lower, building up gradually over time, but it should never be allowed to exceed the three months average sales limit. Even this upper limit, however, might need to be adjusted upward or downward in response to actual performance of the currency in the marketplace. The critical indicator is the value rate at which the currency actually passes in the marketplace. If it is being accepted only at a discount from face value, that is an indication that it has been overissued or improperly issued, in which case the rate of issuance should be slowed to match the rate of redemption. Remember that we use the word “redemption” to mean the issuer’s acceptance, as payment for his goods and services, of the currency that he previously issued. We are not talking about redeeming a currency for official money or any other “currency reserve” like gold or silver.

Implementation Strategies

For alternative exchange media, as for any other innovative product, if one wishes to make inroads in markets where there are entrenched products or patterns of behavior, one must employ means that are capable of making an impression upon the public mind and shifting people’s purchasing decisions or lifestyle choices. Having a superior product is not enough. People must be made aware that the superior product exists, they must be persuaded that the advantages of adopting it outweigh the risks and disadvantages, and the product must be made easily available at a price they can afford. There are insights to be gained from the study of natural and social phenomena. In the natural realm, the growth of animal and insect populations and the spread of infectious diseases reveal certain laws that also seem to apply to the market and the spread of ideas. Fashions and fads are phenomena of massive and sudden behavioral change. How do they get started? What gives them their power? How and why do they die out?

Malcolm Gladwell, in his book The Tipping Point, highlights three basic elements that can trigger such radical change. He calls them The Law of the Few, The Stickiness Factor, and The Power of Context. The stickiness factor has to do with the nature of the thing being propagated—in our case, the architecture or characteristics of the currency option (which we’ve already covered above). “The power of the few” means that a few people making small changes can cause a big effect that happens quickly. Gladwell argues that “ideas and products and messages and behaviors spread like viruses do,” and he draws insights on these things from what is known about disease epidemics. So if we wish to foster changes of a cultural, social, economic, or political nature, what lessons from nature can we deduce and apply? The salient few, in Gladwell’s view, are comprised of three types—the mavens, the connectors, and the salesmen. Mavens “provide the message”; they are teachers or “information brokers.” They are the ones who “know everything” about a particular subject—and they not only possess information, they love to share it. Connectors spread it. They are sociable people who tend to “know everyone,” and can bridge the gaps between otherwise unrelated social groups. They provide the “weak ties” that help ideas to spread widely and quickly. Salesmen persuade people to adopt, use, or buy it. They have that mysterious knack for getting people to trust them, to agree with them, and to take a particular action. The best salespeople, of course, are those who combine sales talent with belief in what
they are selling. They are genuinely trying to be helpful and have a missionary zeal about getting others to use their product.

Gladwell's work has provided a helpful overview, but deeper understanding can be gained by consulting others who have made a thorough study of what are called self-organizing systems or networks. Laszlo Barabasi, in his book *Linked: The New Science of Networks*, shows how networks in diverse and seemingly unrelated fields share similar properties. A detailed elaboration of those points is beyond our scope here, but an example from his book will be helpful in elucidating the point—the impressive success of Hotmail.

At the time that Hotmail was introduced, the use of e-mail communications was already a popular and growing phenomenon, a wave that Hotmail managed to ride in a way that enabled it to capture a major portion of the e-mail accounts then in use. Barabasi asked,

> What is the source of Hotmail's phenomenal success? . . . Hotmail enhanced its spreading rate by eliminating the adoption threshold individuals experience. First, it is free; thus you do not have to think about whether you are making a wise investment. Second, the Hotmail interface makes it very easy to sign up. In two minutes you have an account; thus there is no time investment. Third, once you sign up, every time you send an e-mail you offer free advertisement for Hotmail. [At the end of each e-mail sent by a Hotmail user was the Hotmail Web address and an offer to the recipient to set up their own free Hotmail account.] Combine these three features, and you get a service that has a very high infection rate, a built-in mechanism to spread. . . . Products and ideas spread by being adapted [adopted?] by hubs, the highly connected nodes of the consumer network.

In recent years, similar strategies have been employed by Google, Yahoo!, and other major players in Internet commerce.

**The Situational Context**

The two most notable cases of complementary currency and exchange, the ones that managed to achieve a high level of success, are the Swiss WIR Bank and the Argentine “credito” currencies that were issued by the so-called *trueque* clubs (trading clubs) from the mid-1990s onward. It is important to observe that each of these was introduced at a time and place in which conventional money was acutely scarce, banking and financial institutions were in disarray, and the national economy was in distress.

**WIR**

The case of WIR is important for several reasons. As we described in Chapter 10, credit clearing is the highest stage in the evolution of reciprocal exchange, and WIR is the best available example of a credit clearing system that has been able to sustain itself and to thrive over the long term. Over a period of more than seven decades, WIR has struggled with all of the important issues related to the implementation of an independent credit clearing system, and has managed to establish itself as a significant feature of the Swiss national economy.

WIR was founded in October 1934, in the midst of the Great Depression, as a self-help organization to promote solidarity among the “entrepreneurial middle class.” At that time, the entire western world was in economic distress. In Switzerland, revenues from exports and tourism had plummeted by 65 percent in the five years between 1929 and 1934 and the domestic economy was wracked with high rates of unemployment and increasing numbers of bankruptcies. The basic objective of WIR was to enable its members to buy from and sell to one another despite the shortage of official money. Initially, members acquired account credit by depositing an equivalent amount in Swiss francs; shortly afterward, WIR deposits were created by making “loans.” It was this latter process that created, in effect, a separate monetary system operating in parallel with the national money and banking system. According to Professor Tobias Studer, the function of granting WIR credit loans to members “allows for the creation of an economically significant volume of means of payment, and thus of the needed liquidity for an intense level of barter business, one that can make a significant difference in the economic activity of the individual participant.”

The cooperative circle grew quickly, and by the end of 1935 WIR had three thousand participants. In the first year of operation, turnover (sales using WIR credit) surpassed one million francs, which amounted to ten times the volume of WIR account balances. Between 1952 and 1988, the WIR cooperative experienced, as Studer describes it, “tempestuous, near-constant growth and the
targeted expansion of the branch network, with no major changes of the WIR credit clearing concept. Then a sequence of peculiar actions commenced that moved the WIR cooperative toward becoming a conventional bank. In the early 1990s, bank ownership was opened up through the sale of stock, and in 1996 the WIR began accepting deposits of Swiss francs and began making loans of Swiss francs. Meanwhile, there was also a significant development on the regulatory front—according to Studer, Swiss law now forbids the organization of banks as cooperatives. What is going on here?

By 1997, the total annual amount of credit cleared by WIR for its members amounted to 2.1 billion Swiss francs (or the rough equivalent at that time of 1.5 billion U.S. dollars). That was still a small fraction of the total Swiss economy, but a significant amount of the members’ combined business volume. Available figures for the most recent time period of 2003–6 show that the annual volume of credits cleared has remained about the same as the 1997 level, while the number of WIR accounts has slowly but steadily shrunk from 77,651 in 2003 to 73,134 in 2006. Over the same period the WIR Bank has seen a large and steady increase in its Swiss franc deposits and the volume of its Swiss franc loans, so that the Swiss franc portion of its business is now approximately twice as large as the WIR credit portion.

Considering these developments, and observing that there seems to have been no attempt to propagate the WIR credit clearing model outside of Switzerland, one is led to the conclusion that there must be some effort afoot to suppress it. Though speculative, it is easy to imagine that the success and rapid growth of this upstart exchange alternative must have begun to embarrass and threaten conventional banking interests, who have proceeded to try to quietly neutralize the threat. Attempts by me and others in the alternative exchange movement to meet with WIR Bank management have been unsuccessful. It seems likely that the vested interests in conventional money and banking have managed to influence or control the WIR Bank management and are working to deemphasize the independent credit clearing services which, from its beginning, have distinguished WIR from conventional banks.

Some of the main lessons to be learned from the WIR case are these:

1. WIR took hold during a time of scarcity of national currency and conventional bank credit,
2. WIR continued to thrive even after that time of monetary scarcity had passed,
3. WIR has proven the effectiveness of the direct credit clearing process in improving the vitality of participating businesses and local economies, and
4. when done correctly on a large enough scale, direct credit clearing is fully able to function as a viable complement to conventional money and banking and sustain itself over the long run.

Social Money in Argentina

In 1991 the Argentine government adopted policies favorable to foreign banks and investors. These policies included adherence to IMF rules for “structural readjustment,” the sell-off (privatization) of assets owned by the government, and an attempt to maintain parity between the Argentine peso and the U.S. dollar. These policies, supposedly intended to reduce Argentina’s international debt, instead caused it eventually to increase further—and in the process, caused large increases in the poverty and unemployment rates as well, even among middle-class professionals.

People at the grassroots responded with their own self-help and mutual aid initiatives. The Argentine “social money” movement began in the mid-1990s when a group of friends and neighbors in a Buenos Aires suburb organized a trueque club, or trading club, to barter goods and services among themselves. Very soon, other clubs began to spring up in various places, providing opportunities for people to trade what they had for things they needed without the use of official money. It soon became apparent that some kind of currency was required to facilitate trading and to transcend the limitations of direct barter. Various clubs began to issue their own credito currency notes and by early 2001 there were several dozen varieties of credito currency in circulation.

The various trueque clubs then formed a loose network known as the Red Global de Trueque (Global Trading Network), in which the many different credito currencies issued by the various clubs were being accepted as payment at the various trueque fairs. As might be expected, some unscrupulous people saw this as an opportunity to enrich themselves, either by issuing their own currencies without adequate social or economic backing or by counterfeiting the major credito currencies. Despite these problems the number of participants in the trueque movement continued to grow.
I first visited Argentina in the early part of 2001 as part of a group of economic researchers, social entrepreneurs, and social money advocates who had been invited by professor Heloisa Primavera to attend a Social Money Conference in Santiago, Chile. Besides a half-dozen South American countries, the participant list included representatives from Europe, Asia, and North America. Following the conference, a group of us traveled to Buenos Aires to observe firsthand the magnitude and vitality of the social money movement as it existed around Buenos Aires at that time. There were numerous trading clubs that operated trading fairs on a daily basis. We visited several venues and saw hundreds of people buying and selling a wide assortment of goods and services, all without the use of pesos. The atmosphere was festive and electric. In each case, the means of payment consisted of the many varieties of pepelitos (slips of paper) or credito notes issued by the various trading clubs.

By December 2001, the Argentine government could no longer sustain its more than decade long policy of dollar-to-peso parity. There was a rush by foreigners to convert their pesos to dollars and take them out of the country. Very soon dollar and other foreign currency reserves were exhausted and the Argentine economy collapsed. The peso was devalued by about two-thirds and chaos reigned. Banks were closed for long periods of time and even people who had money on deposit were not allowed to withdraw more than a small amount each week, making the shortage of official money even more acute. Without sufficient access to cash to buy necessities, huge numbers of people clambered into the trueque “lifeboats.” Between December 2001 and July 2002, the amount of trading in the trueque clubs and the amount of credito currency in circulation exploded. For millions, it was the trueque clubs that literally made the difference between survival and starvation.

By August 2002, however, the Argentine trueque network had disintegrated and the social money movement had all but collapsed. What happened? On my second visit in early 2003 with colleagues Sergio Lub and Chuck Feil, we interviewed a number of key leaders of the movement to try to discover reasons for the rapid decline. Amid conflicting stories and sketchy documentation, hard facts were difficult to come by, but we concluded that the longer term viability of the network and the credito currencies had been undermined by a combination of mismanagement, fraud, misplaced trust, and counterfeiting. From that time to the present, the movement has been rebuilding, one local system at a time. Hopefully, these will be built upon more solid foundations, and adequate standards, procedures, and protocols will be developed before renewed attempts are made to network the local clubs together.
It is apparent from these two case studies, WIR and the Argentine social money movement, that complementary currencies will take hold most easily when introduced into markets that are starved for exchange media. That is not to say that they cannot be successful otherwise, but that some situational contexts make it easier than others. Conventional money is always scarce in the aggregate, but there are times when the mismanagement of conventional money brings about shortages that are even more extreme and widespread. It has been at such times that complementary currencies have been widely conceived and rapidly adopted. Further, there are sectors of the economy that are chronically underserved by conventional banks in the allocation of credit (money). These include small producers who lack assets that might be used as collateral, and those who have for various reasons been economically marginalized as well as producers who are located in particular geographic regions. These might seem ideal ground for the introduction of alternatives, but initiating complementary exchange programs within these sectors can be problematic because they are usually highly dependent upon imports from outside and are able to exchange only a very limited range of goods and services among themselves. For that reason, it is better to organize exchange alternatives over a wider geographical region, and as part of a more comprehensive economic development program like the one we will describe in Chapter 16.
Commercial Trade Exchanges—Their Present Limitations and Potential Future

The commercial trade exchange industry has been growing and developing over a period of almost four decades and has achieved enough market success to suggest that it could become a significant economic force. However, most commercial trade exchanges—while they have had greater levels of successes and profitability than their grassroots, not-for-profit counterparts—remain small and barely visible within their local economies. In this chapter, we will address the question of why commercial trade exchanges have not yet been able to tap more than a tiny fraction of their potential markets.

Commercial trade exchanges, often improperly called “barter exchanges,” provide services that enable business-to-business trading (1) outside of conventional marketing channels and (2) to a large extent, without the use of conventional money. These two elements together constitute the value proposition that is offered to trade exchange members (clients), and for which they pay sizeable cash fees. According to the International Reciprocal Trade Association (IRTA, the leading trade association for what is now being called the “modern trade and barter industry”) the hundreds of commercial trade exchanges operating in various parts of the world now collectively enable billions of dollars of sales annually among their members. Although hard, up-to-date figures are not readily available, IRTA estimates that in 2007 the industry enabled trades worth more than 10 billion U.S. dollars—a figure that is growing at an estimated annual rate of 8 percent. IRTA further estimates that more than 400,000 business firms—most of them small- and medium-sized businesses, but including a significant and growing number of well-known larger firms—use the services of commercial “barter” companies.

In the early days, many so-called “barter exchanges” sprang up, thrived for a season, and then passed from the scene. Most of those that failed were ill conceived or mismanaged, many being operated by entrepreneurs and marketers who had little understanding of the business and even fewer scruples. The industry has matured a great deal since then and those exchanges that remain are, for the most part, reasonably well run and profitable. In moving from the “entrepreneurial stage” to the “consolidation stage” the industry seems to have reached a plateau, and there is a rising discontent among exchange operators that it is not thriving as it should.

I believe that most operators of commercial “barter” exchanges have not fully comprehended either their main value proposition or the enormity of the potential market. In conversations I had with a number of leading exchange executives in 2006, I was told by many that there is a great deal of complacency among their peers. Most of those who have managed to achieve some moderate size and profitability are reluctant to risk making any change in the way they do things. Of those, more than a few are approaching retirement age and are hoping to be bought out. This has helped to spur the wave of consolidation that is now underway. Firms like IMS, ITEX, and BarterCard have been buying up a number of small local exchanges and thereby creating larger, more geographically dispersed transaction networks that provide more trading opportunities to their clients. Industry veteran and IRTA President David Wallach expects this pattern to continue for some time into the future. Despite continued improvement in standards, there are still some widespread practices within the industry that have been limiting and counterproductive. I will offer below an assessment of these limiting perceptions and practices and provide some recommendations that I consider necessary for the industry to move into the mature stage of its development. These recommendations, if followed, can enable the modern trade and barter industry to achieve unprecedented levels of service and prosperity.

Limiting Factors

These are the limiting factors that pertain to current commercial trade exchange operations, which will be addressed in order.

1. Limited scope and scale of membership
   a. Inadequate number and diversity of member businesses
   b. Limited geographic coverage
c. Failure to penetrate all levels of the supply chain (almost exclusive focus on recruiting members who operate at the retail level)

2. Failure to perceive and promote credit clearing as their most valuable service

3. Certain clauses that are commonly included in their membership agreements that result in conflicts of interest with their members and debasement of the value of their internal trade credits (currencies)

**Limited Scope and Scale**

The vast majority of commercial trade exchanges are small local operations that average between a few hundred to a little over one thousand members. In most cases, the bulk of the member businesses offer services or “soft goods” rather than “hard goods” like manufacturers and commodities that are in everyday demand. Media, advertising, hospitality, tourism, and entertainment comprise a large portion of the offerings in many trade exchanges. These and other business lines that have prices that are “fuzzy” and negotiable, rather than fixed and advertised, are usually well represented—making the value of the internal trade credits harder to pin down.

Further, trade exchanges have been limited by their almost exclusive focus on the retail level of business-to-business trading. While retailers and service providers are the most readily available client prospects, the greatest potential lies in connecting suppliers and customers throughout all levels of the supply chain, including wholesalers and manufacturers (more about this later).

**The Value Proposition**

Trade exchange operators generally recognize that the main value propositions that they offer to their members consist of

1. the competitive advantage of having privileged access to an existing membership base, providing a group of potential new customers;

2. the active brokering of trades, by which exchanges help their members find customers for their offerings and suppliers of their needs and wants; and

3. the ability to pay for purchases using internal trade credits instead of cash.

However, their emphasis has been too much upon the marketing advantages of membership inherent in the first two of these items and not enough on the financial advantages of the third. It is the credit clearing service that is the most distinctive feature of trade exchange operations. The dysfunctions and flaws in the political money system result in most businesses having excess capacity (i.e., the ability to provide more value than they actually sell). Excess capacity is not so much a matter of overexpansion as it is a lack of money on the part of potential buyers. The greatest value proposition is the credit clearing service that provides additional exchange media—a cashless payment alternative and an interest-free line of credit—that enables businesses to sell more of what they are able to produce.

Many exchanges intentionally limit the number of members in a particular line of business that they will accept in order to assure them a competitive advantage. If one sees the marketing advantages as the main value proposition provided to exchange members, then it makes sense to accept only a few restaurants, for example, in a particular neighborhood. But if the main value proposition of exchange membership is the cashless “clearing” or offset of purchases against sales, then the more the merrier. The value and usefulness of a credit clearing network, just as with any other network, grows geometrically as the size of the network increases. Grounds for exclusion and offers of exclusivity to prospective members need to be seriously reconsidered. The fact is that credit clearing can work for everyone who provides desired goods or services to the market, and the larger the number of participants in the trade exchange, the more useful membership will be.

**Operations and Agreements**

Certain clauses that are commonly included in membership agreements have jeopardized the viability of trade exchanges and retarded their growth. Specifically, these are clauses related to the trade exchange’s own trading account and its ability to participate as a member as well as a service provider. But such a dual role can easily, and often does, lead to serious conflicts of interest. As third-party record keepers and managers of their members’ collective credit, trade exchanges have a professional responsibility to put their members’ interests first. They must earn the trust of their clients, and must assure the continued value of their internal trade credits.

There are two major conflict-of-interest issues that have arisen in the management of trade exchanges. The first is called “cherry-picking,” which is
the ability of a trade exchange operator, based on its insider information and prior knowledge, to acquire the best offerings of its members before the other members even get to know about them. This has become less prevalent among established exchanges, but may still be an issue in some newer and smaller exchanges.

The second and more serious issue derives from the “borrow and spend” clause that is typically contained in trade exchange membership agreements. This clause grants to the exchange account a virtually unlimited credit line that allows the exchange management (1) to spend beyond its means and (2) to out-compete other potential buyers (members) in the system. The resultant ballooning of debt in the system account results in the debasement of the value of the internal trade credits and the loss of confidence in the trade exchange management. Members are usually denied access to definitive information about the extent of these practices, but their effects are “felt” in the internal marketplace as trade credits become harder to spend and therefore less valued. As a result, members may seek ways to differentiate their cash prices from their trade credit prices, or may require a blend of cash with trade credits when they sell something within the trade exchange. Both of these practices diminish the usefulness and credibility of the trade exchange system.

Proposed Remedies

How might these problems be remedied? I suggest that the problem of cherry-picking can be handled by limiting both what the system account can buy and when it can buy. The system should not be allowed to buy anything from its members for the purpose of resale, but should be restricted to buying only those goods and services that it commonly needs to conduct its business operations, i.e., to provide services to its members. Further, it should not make any purchase until the offering has been made generally available to the entire membership for some reasonable period of time.

With regard to the line of credit allocated to the system trading account, it should be determined on the basis of the same qualifying criteria as for any other account—it should have no special privileged access to trade credit. Ideally, the credit allocation process should involve broader participation by the members and be based on objective criteria, primarily the internal trade credit earning history of each account averaged over some reasonable period of time.

In regard to these practices, some trade exchanges are better managed than others, but the remedies and restrictions proposed above need to become industry standards and formally specified in membership agreements. A generalized draft of such a proposed membership agreement, which could be applied either to for-profit or mutual exchanges, is provided in Appendix A.) If exchange operators do not voluntarily discipline themselves, they will eventually see discipline imposed on them from outside, either by government regulation or by the requirements for participation in an eventual wide-area network of exchanges. But more importantly, by adopting these measures and making prospective members aware of them, a trade exchange will gain a big competitive advantage over other trade exchange operators that are more closed and inclined to exploit their members. Exchange owners that subject themselves to such restrictions can still be active traders—and by the quality and volume of trading they do, become living examples to their members of the advantages of cashless trading without risking debasement of their internal currency (trade credits). Industry trade associations like the IRTA have done much to foster the adoption of such standards of practice through their own certification and branding programs.

The Real Deal—Credit Clearing Services

I firmly believe that the most important value proposition that trade exchanges can offer to their members is the cashless clearing of their transactions—i.e., the operation of mechanisms that enable the members to use their sales to pay for their purchases. The market for such clearing services is virtually unlimited and worldwide, but to tap that market it will be necessary for exchange operators to think outside of the conventional box. What are the necessary actions required to realize that potential?

Tapping the Vast Potential Market

The short answer to that is that credit clearing exchanges need to attract a much larger, more diverse membership base. As pointed out above, the value and usefulness of a credit clearing network grows geometrically as the size of the network increases. The obvious way to achieve that is to make it easy and inexpensive to join an exchange. Existing pricing schedules for trade exchange
services needs to be completely reviewed and revised. Trade exchange operators need to find ways of reducing the costs of participation in order to make membership more attractive. It costs nothing to open a bank account. Any alternative payment system must justify its membership fees in comparison to that.

It is said that “nothing succeeds like success,” and the challenge is to find the right combination of services and implementation strategies to get the success spiral started. During the early stages, it has been appropriate for trade exchanges to emphasize the “competitive advantage” and brokering services that they provide for their members—but as the size and diversity of the network is increased, the financial advantages of membership become much more significant and obvious.

Another aspect of member diversity has to do with the supply chain. If geometric growth in both membership and trading volume is to be realized, a trade exchange must include members, products, and services from all levels of the supply chain—not only retailers, but also wholesalers, manufacturers, basic commodity producers, independent professional service providers, and ultimately employees. Trade exchange operators must actively solicit membership on these other levels. If a trade exchange has a retail member, it should try to recruit the wholesale companies that supply that retail member, then try to recruit the manufacturing companies that supply those wholesalers, then try to recruit the basic commodity producers that supply those manufacturers, and so on—until the loop is eventually closed by recruiting the employees/customers who are supplied by the retailers. In this way, each participant will be able to pay their suppliers by means of credit clearing, as depicted in Figure 15.1 on page 167.

Achieving this may take a trade exchange far afield from its local base of operations, since many suppliers will not be located within the local area in which the trade exchange operates. That implies the need for exchanges to either operate over a wider geographical area, or (perhaps more importantly) to have effective reciprocity agreements with other trade exchanges in other regions. The vision of a global network of independent trade exchanges that could result from such agreements is an attractive one that the industry should work toward establishing. At the present time, this broader reach is being achieved by a process of acquisition of small local exchanges by a few larger companies leading to consolidation within the industry.

Finally, each member of a trade exchange should be allocated an internal line of credit—which, I strongly recommend, should be interest-free. If it is not, the credit clearing alternative could end up replicating the dysfunctional political money system. It is these lines of credit that constitute the “money supply” within a credit clearing circle. As described in previous chapters, it is necessary, at any given time, for some members’ balances to be negative in order for other members’ balances to be positive. The total of all account debits should always equal the total of all account credits, making the overall system balance equal to zero. The interest-free feature follows the usual and long-standing business practice of trading on “open account,” by which a supplier ships goods to a customer and allows that customer a certain period of time in which to pay the invoice. A commercial trade exchange is a credit clearing association in which that practice of selling on credit is organized on a multilateral basis. If the industry is to tap the huge potential market for cashless credit clearing services, the provision of no-interest credit will be crucial. Unlike banks, then, trade exchange system revenues will be obtained on a fee-for-service basis—deriving mainly from transaction fees, brokerage fees, advertising revenues, and risk premiums.
The issues that are raised in regard to lines of credit are (1) how to determine an appropriate debit limit for each account, (2) how to assure performance of contract on each account, and (3) how to cover the inevitable "bad debt" losses. Conventional business, especially banking, has developed answers to all of these questions, but improved approaches can be worked out along the lines that have already been covered in Chapter 12, in the sections "Balance Limits and Settlement" on page 134, "Providing Surety of Contract" on page 135, and "An Insurance Fund" on page 136.

On the question of an insurance fund for bad debts, let me add some further thoughts to those above. We've already discussed the possible revenue sources and proposed that the bulk of trade exchange revenues should derive from those members who obtain the greatest benefit from their membership—those who are able to clear more of their transactions through the system. That implies fees according to the volume of transactions cleared. To cover "bad debts," there can be an "insurance fund" against which defaults can be written off. This fee should be only as large as needed to cover prospective bad debt losses, and should not be allowed to morph into an interest charge. Any resulting buildup in the amount of the insurance fund beyond the amount of reasonably expected losses should be periodically returned to the members.

A further important feature is transparency in the operation of the exchange. Full and timely disclosure is necessary to enable the participants to evaluate the soundness of the operation and the value of their trade credits at any point in time.

What About Taxes?

People often ask me about the tax implications of trading that is mediated using private currencies and direct credit clearing. The short answer is that they are the same as conventional money transactions. The purpose of alternative exchange is not the avoidance of taxes, but to provide traders with greater control over their own credit, to circumvent the dysfunctions inherent in the money and banking system, and to save the costs associated with conventional banking—including the interest on borrowed money. In the early days of the commercial "barter" industry, exchange operators and their members were subjected to harassment by the IRS because the IRS acted on the presumption that their intention was to avoid paying taxes. That was brought to an end years ago by an agreement that trade exchanges would provide the IRS with annual reports about the members' barter income using a form 1099-B, which is similar to the form used to report money income of independent contractors.

An Eventual Cashless Trading Network

Trade exchanges must eventually associate into a network that will enable members of one exchange to trade with members of others. This capacity for cross-system trading will add tremendous value to exchange membership. But networking exchanges together will require that they adopt and adhere to standard procedures and protocols. The electricity grid is one good example. Any individual or company is at liberty to produce electricity in any form it wishes for its own use or for distribution within its local isolated domain. But if it wishes to connect to the power grid, it must conform to the established grid standards. In North America, for example, the electricity one produces must be 110-volt, 60-cycle alternating current. Nothing else is acceptable. Standards need not be imposed by any political authority, but can be worked out by voluntary agreement among those players who have the greatest interest in the development and use of the network.

So such a network of credit clearing exchanges must be founded upon standard procedures, protocols, and ethical standards that each member exchange agrees to adhere to as a condition of participation in the network. Primary among these would be the procedures for allocating credit lines to members and the way in which the system account is managed. By way of comparison, one might consider the conditions that apply in order for any particular bank to issue transaction cards under the Visa or MasterCard brands. If a bank wishes to issue cards under one of those brands, it must do it in a way specified by the entity that manages that brand. So, too, the emerging trade exchange network brand must be founded upon a set of agreed standards that can assure that the various trade exchange credits have comparable value, and that the risks to the viability of the network will not be excessive.

Cashless payment based upon direct credit clearing among buyers and sellers is a revolutionary innovation in reciprocal exchange that might be compared in importance to the invention of the printing press, which empowered masses of people by making literature widely and cheaply available and freeing them
from dependence upon scribes and scholars. Cashless trading has, over the past thirty years, gone through a stage of experimentation, trial and error, and small-scale application analogous to early letterpress technology. The principles of credit and exchange are now better understood; as they are more effectively applied, the tremendous possibilities will become generally apparent, sufficient amounts of resources will be allocated to their further development and implementation, and the world will be forever changed.

Throughout the world today, local communities are struggling to maintain their economic vitality and quality of life. The reasons for this are both economic and political, and are largely the result of external forces that are driven by outside agencies like central governments, central banks, and large transnational corporations. In brief, decisions made by others outside of the community are having enormous impacts on life within the community. Be that as it may, it is possible for communities to regain a large measure of control over their own welfare and to ameliorate the effects of those external forces by employing peaceful approaches that encourage human solidarity and are based on private, voluntary initiative and creativity.

I often use the analogy of the small boat harbor to convey the general idea of how local communities can protect their small enterprises while remaining open to the global economy. The process of globalization, while having many positive aspects, has thus far been carried out in such a way as to be destructive to small businesses, local economies, and democratic governance. It is as if there were a policy to remove the breakwaters from every small boat harbor in the world, the effect of which is to expose small boats to the turbulence of the open sea. As I put it in one of my lecture presentations—a rising tide may lift all boats, but the tidal wave of globalization smashes all but the biggest.

But a healthy global economy and a peaceful world require healthy communities. Is there still a place for small businesses? Must every advantage be given to the corporate megaliths at the expense of small enterprises? The ancient economic debate that poses “free trade” against “protection” is too limiting and outmoded. Healthy economies require both free trade and protection, each confined within its appropriate bounds. Communities must create the equivalent of breakwaters to protect their small enterprises and workers, while at the same time remaining open to the national and world economies.

It is encouraging to note that there has been a recent major awakening about the mega-crisis that is developing worldwide, and a plethora of creative