

## Fresno's Community Currency:

# The Efftoobee

Support Local Business.  
Buy Local. Keep Money Local.



- create a “closed-loop” economic system
- challenges & market analysis
- feasibility and existing ‘proofs of concept’
- resolving socioeconomic problems
- consumerism: payments & purchases
- community benefits & outreach



a community currency proposal, 2016.

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# Our Community Currency: *Efftoobee*.

## Keep Money Local.

- Support local business. Buy local. *Keep money local.*
- Incentivize volunteerism. Tap underutilized resources. Increase social structures and networking.
- Facilitate development of new business. Utilize human capital. Create jobs.
- Improve quality of life and civic pride. Grow tax revenues for infrastructure and economic stability.

## Fresno Community Currency: the Efftoobee.

A whimsical name. Fun to say. Coming from the concept of:

Fresno > To > Business. Or Fresno > For > Business. Or Fresno > Future > Building. Whatever, it is “F2B” for short, but really an *Efftoobee*. The “to” or “two” or “too” is also a nod to the FranCisco Vargas’ iconic downtown mural with “FRESNO” and the 2-cent stamp theme. And, a reference to our major newspaper: *The Fresno Bee*.

## What a community currency is and how it works:

A community currency needs to be based on something of standardized, recognizable value; usually the national currency (like the U.S. Dollar) or an agreed upon “labor hour” (for time banks, like *Ithaca HOURS* or *Spice Time Credits*). Community currencies can have different methods of transacting: paper bills or digital credit.

Community currencies (CC’s) vary widely in how they are set up and run. Usually they target a specific regional challenge; like stimulating economy through local businesses, increasing volunteerism and social justice, or even addressing environmental impacts. They are meant to integrate into the existing community— they’re not intended to completely replace or eradicate the U.S. dollar (or other national currency).

## Creating a “closed-loop” economic system. *More money recycles locally and cannot escape.*

This is how community currency differentiates itself from national currency. At any point in time, *any* user can *spend* that U.S. dollar on Amazon or eBay. Or at a local Starbucks or McDonald’s or Wal-Mart, where the majority of that dollar leaves our financial ecosystem forever. That’s because we have only the low-wage employees representing their enterprise. Their corporate office in Seattle, Chicago, or Bentonville is where the real action is. Their legal department, executives, purchasing, advertising, technology/web, accounting, operations, logistics, etc. In other words, where their highest paying jobs fully support the economy. The exorbitant business taxes, sales and use taxes, payroll taxes, and property taxes. **Extra revenue.**

*The extra revenue our City desperately wants flowing through local channels.* For public safety, schools, libraries, roadways, utilities, transit, infrastructure; quality of life amenities like maintenance, repairs, cleanliness, and parks.

Buy Local First, Civic Economics, and American Booksellers Association conducted extensive studies and report independent and locally owned businesses *return a much greater percentage of revenue to the local economy.*

- **13.6%: Non-local retailers** (like Target, Barnes & Noble, Home Depot, and Office Max)
- **52.0%: Independent and locally-owned retailers.**
- **30.4%: Major, national chain restaurants** (like McDonald’s and P.F. Chang’s)
- **78.6%: Independent and locally-owned restaurants.**

## Challenges and Market Analysis.

Fresno needs our help and strong visionaries driving economic growth. We need to use *our* money. Think back to when Fresno had seven national currencies from the 1800’s to early 1900’s. Farmers National Bank. Union National Bank. Fresno National Bank. Back when our City held promise and a great future. When the premier buildings were being erected downtown. When the City was establishing its unique identity.

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Let's revisit that, today, and make it our own again. The era when "Best Little City in the USA" didn't hit us like some kind of bad joke. When the MOMA voted one of *our* buildings "One of the most significant designs of a decade," representing American architecture. Downtown landmarks, beautiful theaters like: Warnors, the Crest, and Liberty were thriving. Blackstone Avenue was a thriving social scene, entertainment mecca, and proud thoroughfare. Downtown was full of life. "Bustling" is a word one might've used back then.

Fresno is facing many challenges. Low wages and median income, some of the highest poverty rates in the nation, lack of advanced educational attainment, poor infrastructure due to urban sprawl. High unemployment rate. High vacancy rate for retail frontage. Disinvestment from property owners. Blight.

Things are only going to get tougher. *Retail is dying*. Minimum wage is rising. E-commerce continues to trend upward at an exponential rate. Big box stores drive more small, local enterprises out of business. And the big, national stores cannot even compete with the newer click-and-mortar enterprise model. JC Penney closed 33 doors in 2014. Recently, we've seen Forever 21 close in Hanford and several local Wal-Mart closings. Hancock Fabrics and Sports Authority closing up soon. Kmart, Sears, Men's Warehouse, and Joseph A. Bank in financial trouble. Good Guys, Circuit City, Mervyns — all gone. According to FirstResearch in 2013, retail vacancies reached an all-time high for the new millennium. *And it's only getting worse*.

A community currency can help promote local buying options and divert purchases away from online merchants. Local money from sales tax and payroll tax *affects* locals. When you go out to dinner at a locally owned restaurant... When a restaurateur buys her produce from a local farm. Go patronize a local café, a food truck, or farmers market. In turn, they buy more local supplies. Those taxes help fund our schools and police department.

### **Feasibility and Existing 'Proofs of Concept.'**

Bernard Lietaer (considered the godfather of community currencies and helped design the Euro): *Local communities need new ways to offer employment... They have unmet needs in the community... and at the same time there are underutilized resources available that could fill the gaps.*"

Fresno can use community currency to deliver a unique process of matching the underutilized resources and unmet needs. We have high unemployment. We need community improvements. Many time banks use volunteerism to incentivize community development projects. Spice Time Credits (in Britain) report building motivation of volunteers. Over 50% of users are volunteering for their first time and 80% state they are likely to continue giving time in the future. 75% of Spice Time Credits members (over 18 months) claim improvements in quality of life.

Nearly 70% of staff at Lamberth Council who earn Brixton Pounds as a portion of their salary payment reported trying out different businesses in Brixton as a result of using the currency. Users also reported different spending habits in businesses that take Brixton Pound, with over 70% of customers reporting they go more often or spend more. A currency can contribute to people's attachment to place. Over 80% of regular users of the Brixton Pound said it contributed to them feeling proud of their local area.

Institute for Local Self-Reliance offers an extensive research project on how "Buying Local Matters."  
*"... in 2,953 counties... those with a larger density of small, locally owned businesses experienced greater per capita income growth between 2000 and 2007."*

Stacey Mitchell: *"In less than two decades, large retail chains have become the most powerful corporations in America... mega-retailers are fueling many of our most pressing problems, from the shrinking middle class to rising pollution and diminished civic engagement..."*

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Kaufman.org: “New and young companies are the primary source of job creation in the American economy.”

Whitehouse.org: “... if labor increases... overall social welfare could potentially increase... From 1970 to 2010, we find that the income shift from labor to capital is responsible for roughly 20 percent of the increase in inequality since 1970.”

Economic Policy Institute (EPI): The Wal-Mart Effect 12/2015.

*China has displaced more than 3.2 million jobs between 2001 and 2013, as the total U.S. trade deficit reached \$324.2 billion in 2013. Wal-Mart alone accounted for 15.3 percent of the growth and displacing 400,000 jobs.*

U.S. exports to China in 2001 supported 161,400 jobs.

**U.S. imports displaced production that would have supported 1,127,700 jobs.**

**On average, each of the 4,835 U.S. stores Wal-Mart operated in FY2014, was responsible for the loss of about 86 U.S. jobs.**

*“According to the 2007 Economic Census, the Salt Lake City metropolitan area... assuming a market shift of just 10% from chains to independents would retain an additional \$362 million in regional economy every year.”*

San Francisco Retail Diversity Study, 5/2007: *Simply redirecting an occasional shopping trip to a locally owned merchant... increasing independent market share by 10% would yield nearly \$200 million in economic activity and nearly 1,300 new jobs.”*

St. Louis Federal Reserve Bank:

*“The velocity of money... can be used to gauge the economies strength or people’s willingness to spend money. When there are more transactions being made throughout the economy, velocity increases, and the economy is likely to expand... The actual velocity has gone down by 5.85 points, 69 times larger than predicted...”*

*The best form of risk-free liquid asset is no longer the short-term government bonds, but money.”*

New Economics Foundation (NEF) and Community Currencies in Action (CCIA) help start new CC’s in Europe. NEF reports positive results in a diverse set of goals; like countering social and economic inequality, improved spending with local businesses, better collaborations among regional businesses, and a stronger sense of civic pride.

### **Resolving Socioeconomic Problems.**

A community currency isn’t simply a way to monetize volunteerism. Which, in its own way, could be viewed as exploitation of labor– the underserved working for less. Instead, it can be viewed as “partially paying” a volunteer. Or somewhere in-between the two. Those willing to help build a better community through action.

CC’s target consumer spending habits. Diverting that online sale into a local store helps. It can create opportunities for new businesses– as well as sustain the existing small– and medium-sized local enterprises (SME) economy.

Let us look at how a community currency can help create *real* economic change. How it can work as a fiscal tool to increase business. How it can propel community improvements and development projects.

**Unequal Labor Force.** Own a farm and prosperity is somewhat likely. Work on one, and income is scare. Only 3-5 select jobs at a local Wal-Mart draw a nice income. The other 150+ employees are almost certainly drawing minimum wage. Same with fast food, convenience store chains, gas stations, auto shops, cafes, and others. Not

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much room for growth.

By one survey in 2013, Fresno had 99 locations combined for McDonald's, Taco Bell, Carl's Jr., Jack-in-the-Box, KFC, Burger King, and Wendy's. Chain restaurants that return only **30.4% of revenue** into the local economy.

And 148 chain retailers combined for Cricket, T-Mobile, 7-Eleven, Walgreens, AT&T, Auto Zone, CVS, Rite Aid, GNC, and Payless. This is not even including the nearly 140 combined locations for FedEx and UPS. Chain retailers that return only **13.6% of revenue** into the local economy.

We see little room for advancement in so many Fresno businesses. Fresno has over 8% *higher* rate of households earning less than \$25,000 per year (36.8%), and also over 8% *lower* rate of households earning over \$75,000 per year (26.3%). This equates to Fresno County having a 30% *lower* income per capita, per household, and per family than the California average.

The FY2016 budget for the City of Fresno details the 2035 General Plan Update, including a population projection that exceeds 1.1 million by year 2021. This equates to a 4.00% population increase each year from now (2016) through the end of 2020. I project population growth *much higher*, due to the socioeconomically poor being 'priced out' of regions like the Bay Area and Los Angeles. Meanwhile, expect the best and brightest continue to leave.

How can a poor, unstable city like Fresno support *more impoverished*? Solutions need to be built. Quickly.

Find ways to offer earning potential. City improvement projects. Match those unmet needs with the unused workforce within our community. Community currency can do what U.S. dollars cannot. Not every task can be financially backed at our current, let alone the new-and-rising minimum wage.

**Minimum Wage Increase.** The state's new minimum wage policy could have ripple effects, especially with small and locally-owned businesses. There are many businesses already operating on very slight profit margins. As they try to remain viable and competitive in our global economy. For many of the vulnerable business owners, there are only three effective choices to control the wage increase. None are desirable.

- 1) **Raise costs** of goods or services. This further distances them from the competition. And in a socioeconomically poor community, like the entire Central Valley... lose customers. *Not good.*
- 2) **Cut back** on hours of operation and/or staffing. Essentially, this reduces the customer experience and service. One of the only remaining assets to fight against online shopping (ecommerce). *Not good.*
- 3) **Eat margin.** Which affects liquid assets and income potential. Which, in turn, lessens the ability to adapt to markets, remain flexible and agile. Float more capital in production, relative to earnings. Increases liability and risk. Work harder for less pay— at a higher risk. *Not good.*

*A fourth option* would be: to reduce expenses. Move to a lower-rent facility. Cease upkeep or maintenance costs. Use cheaper suppliers or lower the price/standard of goods sold. *Basically, cut corners.* I have quickly learned that "many" Central Valley businesses are already quite lean. Nominal cost structures are already in place. Therefore, it this is usually not a viable solution.

The Congressional Budget Office (CBO) *values* the minimum wage at 38% of median income across the U.S. (\$7.25/hour X 2,080 hours = \$15,080 = 38% of **\$39,684**). Which is **98% higher** than the **\$19,978** median income reported in Fresno. *Raising the minimum wage could be a disaster* without better economic engines in place.

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**Jobs for the unemployable.** There will always be a category of persons that are virtually “unemployable.” Being out of work for more than 6 months significantly reduces the chance of finding new work. Those disabled. Veterans suffering from PTSD. Those with mental health issues. The formerly incarcerated. People with a history of substance abuse. Each one of these people is a net loss to the economy. They cannot all be helped. But what if we can... find the ambitious, capable ones that just need a more supportive work environment? An employer “willing to give them a second chance.” A workplace that won’t focus solely on their disadvantage... *But one that sees what they are capable of.* Each person that can be made into an earner would be tremendous for our regional economy.

**Volunteerism.** The new vehicle to inject money into the economy. It is likely we will see a massive influx of new nonprofits over the next 10-15 years. Get free money (funding) to start and/or operate. Stable income. Social justice programs often don’t require advanced degrees or even expertise. Just a willingness to work on a specific end goal. Likely compensated at less than market rate.

How this converges on the Efftoobee is simple. Many Fresnoans can’t work, can’t find work, or have other obligations that make regular work too difficult. Also, those seeking full-time work but can only find a part-time job. *We could incentivize volunteerism.* Clean up a local park. Paint a school. Renovate a baseball field. Plant trees on an urban street. Mentor children. Help provide care to our elderly. Nonprofits and government agencies *cannot* afford to pay minimum wage for all these noble efforts. Not hardly.

### **Consumerism. Entrepreneurs and Business Incubators.**

Business incubators work. Entrepreneurs are a vital part of Fresno’s future. Again, it gets back to us supporting local business. *Keeping money local.* The groundwork is truly in place. It will cultivate and renew Fresno. It will take time. Patiño High School for Entrepreneurship. The Lyles Center for Innovation and Entrepreneurship. Fresno Ideaworks. BitWise Industries. An assortment of incubator and entrepreneurial associations around the Central Valley. Funding partners. Experts volunteering as mentors, through places like Fresno SCORE/Fresno SBA.

Self Reinvention and the National Business Incubation Association (NBIA) have furnished extensive reports on the track record of NBIA incubator programs.

- 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors.
- North American incubator clients and graduates have created over half a million jobs since 1980.
- Every 50 jobs created by an incubator client generate another 25 jobs in the community.
- The common goals of incubation programs are creating jobs in a community, enhancing a community’s entrepreneurial climate, retaining business in a community, building or accelerating growth in a local industry, and diversifying local economics.
- Statistics indicate that the number of business closures each year is on average 94.7% of the number of new firms started in the previous year. NBIA member incubators report that 87% of all firms that graduated from their incubators are still in business.
- 60 percent of business incubators are either self-sufficient or could be self-sufficient if subsidies ceased. In 1997, only 13 percent believed they could continue at current levels without subsidies.
- For every \$1 of estimated annual public investment provided to the incubator, clients and graduates of NBIA member incubators generate approximately \$30 in local tax revenue.

### **Valuation. Transactions.**

One Efftoobee is worth \$10 USD. I propose this in order to differentiate the two, in both a tangible and emotional way. Pricing is based relative to one-hour’s wage. And also one “average” lunch price. Currency would include:

$$1/8 = \$1.25, \quad 1/4 = \$2.50, \quad 1/2 = \$5, \quad 1 = \$10, \quad 2 = \$20, \quad \text{and} \quad 5 = \$50.$$

## Our Community Currency: ***Efftoobee.***

**Increased Spending Power.** Buy 100 Efftoobee for \$95 U.S. dollars. That is a 5% discount. Which means you now have the equivalent of “an extra” \$5 dollars to spend. *Good deal.*

### **Budgeting.**

On a fixed income? Retirement or welfare, perhaps. Allocate a set dollar amount to convert to Efftoobee each calendar month, and you’ll know exactly how much you can spend. No overdrawing a bank account. No debt. Less hassles than a cash debit card. Through a better utility. No cash card “purchase” or “transaction” fees. A delivery system that actually rewards you directly. Immediately. Without the long, drawn-out process of accruing miles or reward points. Easy with a mobile app that allows you to check your balance via text or internet. Without internet? Many banks don’t offer a text solution to check your balance. So, it can be difficult to always keep track of one’s budget. We’ve got you covered.

For merchants, this represents a great deal. Mileage is usually passed onto businesses as a higher transactional fee. Double miles promotions? One San Francisco restaurateur told me it was costing him over \$40,000 annually. And as a consumer? No waiting to accrue a mileage threshold. The 5% discount is immediate — when buying/exchanging U.S. dollars into Efftoobee.

### **“How Can We Monetize This?”**

It will be virtually impossible to quantify *exactly* how much a community currency affects our local tax base. How many customers would’ve spent U.S. dollars at the same retail locations anyways? How many converted a local business into part of their regular shopping/dining routine solely because of the Efftoobee? How many extra dollars did a consumer spend at a local store because of the built-in 5% discount? How many dollars did the Efftoobee add in total dollars generated as revenue from sales tax and income tax?

What if it simply *saves one* local business? Does this now relate to total property/income tax? Jobs saved?

It is easy enough to quantify that **an additional 40%-50% of each dollar** can recycle through our local economy. And, because it is a closed-loop system, it will recycle again and again. Without fear of being removed entirely. So, there is a residual impact from each Efftoobee spent as well. If it increases local merchant sales due to higher visibility (as an Efftoobee participating merchant), then it is already a driving component within our economy.

### **Overall Scope of Project.**

Fresno is challenged. *We can* create a closed-loop economic system. Fresno is not only fighting the immediate needs of today. We must look forward and recognize pressures we will also be asked to face in the future.

Like the repercussions of an increased minimum wage. Gentrification in other regions (like San Francisco) where their poorest are being forced out, likely increasing population in Fresno. How ecommerce threatens localized economy. How the big box stores destroy local infrastructure, economy, and jobs. Retail is dying, and in a city with no foot traffic and a poor economy, how can the high vacancy rate of commercial space possibly turn around?

The best and brightest are compelled to leave Fresno in search of greater opportunity, higher pay, and better overall quality of life. The public perception of safety is a local issue. Poverty endangers perpetuating more poverty, especially as the rich move northward or away altogether. A \$120,000 project investment could launch Efftoobee and provide 18-months’ operations, to scale towards self-sufficiency. We can do something to help create change.

*Support Local Business. Buy Local. Keep Money Local.*

**Efftoobee.**