

Community development: The Co-op Coupon Model

a systematic approach for achieving strong, sustainable, and prosperous communities

27 July 2009, Richard Moore, rkm@quavlargo.com

Introduction

The pursuit of community empowerment

In the face of global crisis and collapse, more and more people are thinking in terms of rebuilding our economies and societies by focusing our energies at the local level. There are three leading-edge threads of activism aimed at building strong communities:

The Transition Towns movement

Motivated primarily by concerns about peak oil and climate change, the rapidly-spreading *Transition Towns* movement is aimed at creating economically sustainable communities. The movement has created a sophisticated program of local assessment and implementation strategies to develop local energy sources, to reduce energy use, and to achieve local food self-sufficiency.

The movement is spreading to more and more communities, but participation within each community has so far remained marginal. For one reason or another, most people don't seem to be motivated enough about long-term sustainability, or about their community, to get involved in the activities of the movement. As regards actually achieving sustainability for whole communities, the movement is blocked by this lack of widespread motivation.

The local currency movement

Motivated primarily by a desire to spur local economic activity, a variety of local-currency systems have been implemented in many parts of the world. The concept is proven, as being a reliable basis of exchange, if implemented in a sound way. A local currency has the potential to facilitate the emergence of a thriving local economy in a community that would otherwise be economically stagnant due to the lack of local jobs and investment capital.

The key idea behind a local currency is that you can print as much of it as you need to support local exchanges. There are ways to manage this so that the currency has a recognized, stable value in the community, like official currencies. The more the local currency is used for everyday business, the fewer dollars¹ the community needs. Over time, you want to get to the point where dollars are only used in exchanges with the outside world.

But again, participation in each community has so far remained marginal. As with Transition Town Movement, most of the people in typical communities are not sufficiently motivated to get involved with a local currency. As regards actually achieving prosperity for whole communities, the movement is blocked by this lack of widespread motivation.

In addition, most local-currency systems have a problem with dollar taxation. If trades in the local currency must pay sales taxes in dollars, the benefits of the local currency are seriously undermined, if not eliminated altogether. The same problem exists if people who accept local currency for work must pay income tax on that in dollars.

The Wise Democracy movement

Motivated primarily by a desire to revitalize democracy, a number of dialog-based movements have sprung up, largely in North America. The most promising of these is the *Wise Democracy* movement, based on *Dynamic Facilitation*, *Wisdom Councils*, and *Community Insight Councils*. These processes have proven that an ordinary group of people, with diverse interests and concerns, can work together to create solutions to their shared problems that take all of their concerns into account.

¹ In this document, "dollar" refers to the official currency used in the community

These kinds of processes have the potential to bring a whole community together, and to enable the development of inclusive, participatory democracy at the local level. But once more, the movement is blocked by lack of widespread motivation. Wisdom Councils have been convened, and very creative outcomes have been generated, but the community as a whole hasn't been motivated to get involved.

The fact is that most people are focused on their own activities, and their own day-to-day problems and concerns. They aren't eager to put time and attention into something that offers them little immediate benefit. Besides, community empowerment is a radical concept. It's based on the notion that we can't count on governments, and that we can solve our own problems by working together. To many people such notions sound unrealistic, and it's not surprising they aren't motivated to participate.

We have a Catch-22 situation here. If significant progress could be seen in the community, lots of people would want to join in. But until lots of people join in, there won't be significant progress. In the three threads of activism we have the ingredients necessary to create strong communities. *We need a fourth ingredient: something that provides an immediate motivation for more local people to get involved.*

Community development as a unifying framework

Behind all three activism threads lies the goal of community development. Transition Towns have a prescription for development, of a certain kind. Local currencies are a tool for development, but don't have any particular direction in mind. Wise Democracy is aimed at enabling communities to decide collectively how they want to develop, but the movement focuses on the process of democracy rather than on the goal of development. *Community development* provides a unifying focus, a framework in which each of the ingredients has a role to play.

Development must be oriented toward sustainability, or else any benefits will be temporary. Transition Towns provide a well thought-out program of pursuing sustainability. Development can also lead to increased local prosperity, and a local currency system can enable a community to pursue prosperity even when the general economy is not doing well. Development should be oriented around the wishes and needs of the whole community, and Wise Democracy provides the dialog tools that can enable a community to guide the development process, in a way that takes everyone's concerns into account.

But the *idea* of development, and the *tools* for development, are not enough. That becomes just one more activist agenda that not enough people would be motivated to get involved in. Once again, we have a missing ingredient. However, with a focus on development, it becomes clear what the missing ingredient is: *investment funding*.

Investment as the enabler and motivator

In the world of dollar economics, it is well understood that development requires investment. Consider how a new dollar-based enterprise is typically launched. First a business plan is developed, showing how the enterprise can operate profitably, and identifying what funding will be needed to get the business off the ground. Then a funding source is sought – either an investor or a bank – who then funds the startup in return either for equity in the new enterprise, or else a commitment by the enterprise to repay the funding with interest out of its operations.

It makes sense to view community development as a start-up venture. Instead of a *business plan* for a company, we need a *development plan* for the community. And instead of profit-maximizing investors, we need local *sponsors* who see themselves as partners with the community, and who are willing to forego profit and wait until the community is thriving before their funding is repaid. With a sound development plan, a flexible local exchange system, and sufficient sponsorship, it becomes possible to pursue community development in a systematic way.

And when there's money on the table, we can expect people to wake up and get interested. If real projects are being proposed, that will effect everyone, and if people are

invited to help decide how the money is going to be spent, they are likely to be motivated to do so.

Overview of the development model

Getting the project started

In order for the project to get started, there will need to be some local community-minded people who are motivated to take on the project. They will need to begin sketching out a development plan, and they will soon need to bring some interested potential sponsors into their circle. When an initial development plan is put together, and when there are enough interested sponsors to fund the plan, then the next step will be to present the project to the community.

There is a lot more to be said about involving the community, and how the tools of Wise Democracy can be effectively employed. For now, let's just assume we have a development plan, that the community is reasonably in favor of the project, and that sufficient sponsorship commitments have been made. With an understanding of how the development process works, it will be easier to talk about the process of community involvement.

The Community Development Cooperative

The development process is managed by a *Community Development Cooperative*, whose board is initially made up of the sponsors and other community-minded residents. Any local resident can join the Co-op by providing evidence of local residence, and buying one share. The member is given a membership card with their photo on it, and each member has one vote in board elections. Only one share is issued per member: all members are equal owners.

Every three months, on a rotating basis, half of the non-sponsor board members are replaced in elections, where each Co-op member has one vote. Non-sponsor board members thus serve for six months, and they can only serve once. When the sponsors have been repaid, they retire from the board, and are replaced in a special election. Board members receive no remuneration for being on the board, however expenses incurred in the line of duty will be covered by the Co-op, and non-sponsor board members receive a reasonable per diem fee for participating in board meetings.

Co-op bonds

Sponsors put their funding into the Co-op by buying Co-op bonds. Bonds are non interest-bearing, and they are not repaid until the local economy reaches its final stage of development.

At that time, the Co-op will be generating surplus profits, and those surplus profits will be allocated to repaying the sponsors until they have all been fully repaid, adjusting for intervening inflation. If the dollar has gone down in value, their repayment is increased proportionally.

After all the repayments, surplus profits will be allocated to community improvement projects, or will be distributed as dividends to Co-op members.

Co-op entities

The Co-op establishes various subsidiary businesses, services, and other entities. Each such entity is organized as a semi-autonomous worker's cooperative, and operates according to a charter, as agreed between the Co-op board and the workers in the entity.

The charter specifies what percentage of the entity's net revenues will remain in the entity, with the remainder to be transferred to the Co-op's reserves, to be allocated to ongoing development. The more successful the entity, the more revenues it can retain, which it can distribute to its members as wages, bonuses, and benefits, or use to expand the entity.

Co-op workers

A *Co-op worker* is any Co-op member who devotes at least 20 hours a week to the Co-op, either for wages or as a volunteer. As a benefit to Co-op workers, they will be able to avail of many Co-op services either for free or at a special discount.

Co-op discount coupons

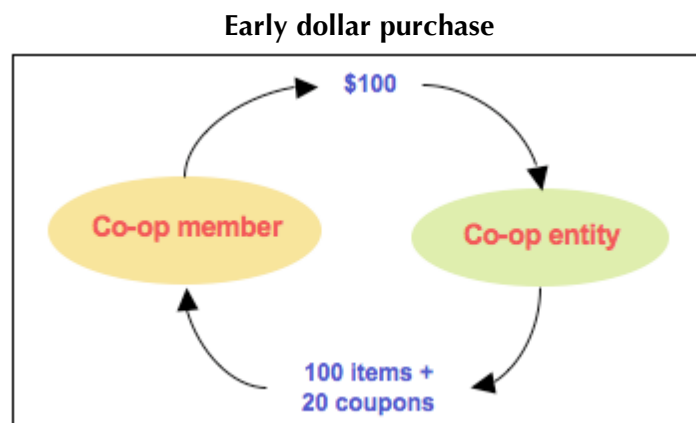
Instead of a local currency, with its tax problems, this model uses *discount coupons*, similar to the ones you get from your local supermarket. Each Co-op entity offers its items at a regular dollar price, and at a discounted price, for members who turn in coupons. The monetary value of a coupon is negligible, perhaps one tenth of a cent, just as with supermarket coupons.

People can exchange goods and services with one another, using coupons for full or part payment, just as they would use local-currency units. As the coupons have no monetary value, such exchanges should not be subject to sales tax.

There should be no dollar-tax problems with this approach. After all, you don't pay income tax when you receive supermarket coupons, and you pay sales tax on the discounted price, not on the regular price. *By issuing coupons in appropriate quantities, and managing the discount prices appropriately, all the benefits of a local currency can be achieved using these coupons.*

How coupons are used

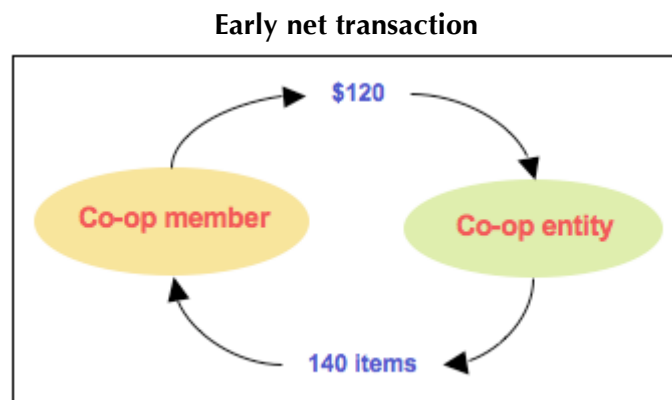
At the beginning, when the Co-op is just getting started, people have only dollars to spend. When a Co-op member spends dollars at a Co-op entity, the transaction might look like this, assuming the items bought are each worth one dollar:



When the Co-op member uses those coupons for another purchase, the transaction might look like this:



The net result of the two transactions would then look like this:

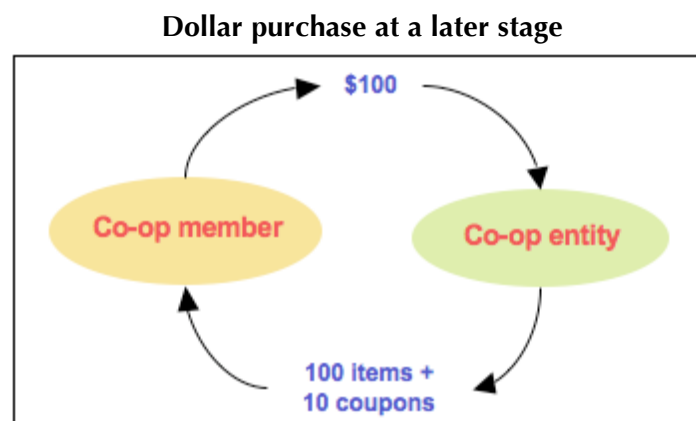


Thus at the beginning, when someone spends \$120 at a Co-op entity, they might get \$20 worth of items for free. The assumptions here are:

- If you spend dollars at full price, you get 20% as many coupons as the dollars you spend.
- When you turn in coupons, you can turn in as many coupons as the dollars you spend.
- A coupon has the same effective purchasing power as a dollar, due to the discounts offered.

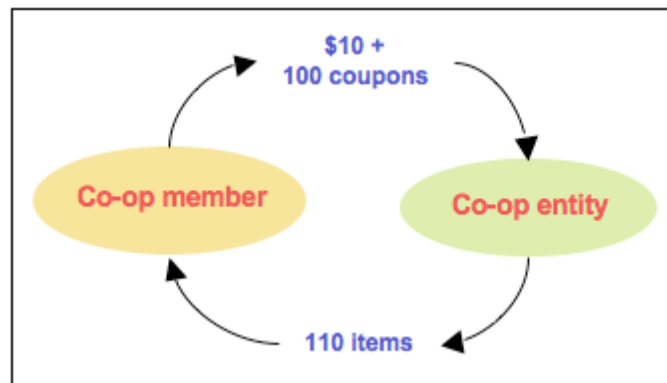
The exact numbers might be different, but this would be the general scheme: Co-op members get a significant discount for the dollars they spend at Co-op entities, through the use of coupons.

Later on, when the Co-op is well established, and coupons are being used extensively, the picture changes considerably. As we shall see, Co-op members will have other ways to get coupons besides making dollar purchases. A full-price dollar purchase then might look like this:



At this later stage, you might only get 10% as many coupons as the dollars you spend. This is because there is less need to give an incentive to use coupons, and because the Co-op can only afford to support a certain level of giveaways on an ongoing basis. At this time, a purchase using coupons might look like this:

Purchase with coupons at a later stage



At this later stage you might be able to turn in 10 coupons for every dollar you spend, and the effective purchasing power of a coupon remains constant, the same as a dollar, due to much higher discounts being offered for coupons. As we shall see, these discounts are not giveaways on the part of the Co-op. Only coupons given for full-price dollar purchases are giveaways, and the dollars received will be worth the cost.

In this model, the use of dollars in the community is systematically reduced over time, so that the local economy becomes essentially a coupon economy. In the later stages, dollars are used mainly for external exchanges, and only nominally for internal exchanges.

How coupons are implemented

In order to avoid the potential problem of counterfeiting, which might be difficult to detect or trace, coupons are not actually printed. Every Co-op member has a coupon account, similar to a bank account, which is maintained in the Co-op's accounting system. There are two ways coupon transactions can be handled, one low-tech, and one hi-tech:

Checkbooks

Members simply write checks for the number of coupons they wish to turn in. Since everyone involved with coupons lives in the same community, there is unlikely to be any serious problems arising from forgeries or bad checks. Checks can be endorsed from member to member and used in exchanges just like coupons. Whoever accepts a check should know the person they're getting it from, or require appropriate identification, including at least the Co-op membership card.

Online transactions

When coupons are turned in, or exchanged among members, the transaction is carried out online, as with credit or debit cards or PayPal. Such transactions can be handled by the standard technologies currently being used for online transactions: login accounts & passwords, swipe cards & pins, and mobile phones & pins.

In a community where people already use swipe cards of various kinds for many of their transactions, the online approach probably makes the most sense, but it requires staff and expense to support the online system. Checkbooks are much simpler and cheaper as a solution, but if people are used to cards, they may find it onerous to go back to writing checks.

It probably makes the most sense to start with checkbooks, let coupons start circulating, and wait until a demand arises for online access, or the Co-op itself finds that an online system would benefit its operations enough to justify the cost.

Business members

A local business can become a non-voting, non-owner member of the Co-op. A business member can offer discounts to its customers who turn in Co-op coupons, and then use

those coupons to buy supplies at discount at Co-op entities, or in exchanges with other Co-op members.

Co-op Central

Co-op Central administers and regulates the coupon system, sells bonds to sponsors, and sets up accounts for local residents and businesses who want to join the Co-op. Co-op Central also oversees the activities of Co-op entities on behalf of the Co-op board, maintains offices and facilities for the board, and handles the arrangements for public meetings and other community-involvement activities of the board.

Regulation of the coupon system

Co-op Central regulates the supply of coupons, and the discount prices offered by Co-op entities for coupons, so as to maintain the effective purchasing power of coupons at a constant value in commodity terms.

If inflation occurs in the dollar economy, and dollars become worth less, everyone's coupon balance is increased proportionally. If it now takes \$20 to buy the same groceries that \$10 used to buy, then any coupon you have left over from the old days will have grown into two coupons in your account today. If dollars become worth more, then coupon balances are decreased accordingly.

If there are too many coupons in circulation, Co-op entities wouldn't be able to accommodate all of them, and prices would tend to increase – we'd have *coupon inflation*. If there are too few coupons in circulation, then Co-op members wouldn't get enough benefit from the system, and would need to pay full price for too many things – *coupon deflation*. Regulation of the coupon supply is very much like regulation of the money supply in the dollar economy.

There are many ways coupons can be issued into circulation, besides giving them away for full-price dollar purchases:

- Coupons can be issued into the accounts of new members (individual or business), as a reward for joining the Co-op.
- If a business member offers discounts on supplies to Co-op entities, the business can be rewarded with coupons.
- If a member donates hours to the Co-op as a volunteer, they can be rewarded with coupons.
- If there is a shortage of coupons in circulation (coupon deflation), volunteers can be recruited to accelerate development projects, and they can be rewarded with coupons, overcoming deflation at the same time.
- If any Co-op member (individual or business) contributes in some way to the welfare of the community, or benefits the Co-op in some way, they can be rewarded with coupons.
- When the local economy is fully developed, and dividends are being distributed to Co-op members, those dividends can be supplemented with coupons.

Achieving sustainability

There are two dimensions to sustainability: *resource* sustainability and *economic* sustainability. In order to be sustainable, a community must consume resources at a sustainable rate, and its economic flows must be sustainable. This development model pursues both dimensions of sustainability in a systematic way.

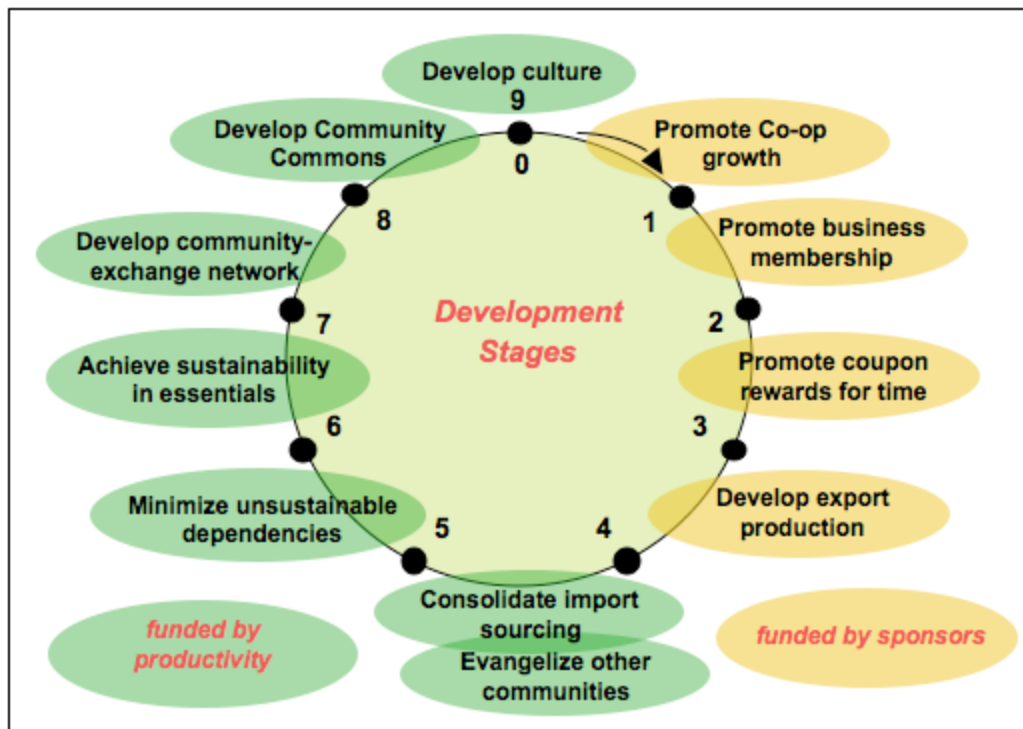
As regards resources, the model provides for sustainable local sources of energy, food, and other commodities to be developed, for commodity imports to be shifted to sustainable providers, and for commodity usage to be reduced by various means.

As regards economic flows, the model calls for Co-op entities to be based on sustainable and reliable sources of supplies, and to target markets that can be expected to provide a reliable, ongoing demand for products. Where possible, long-term agreements will be worked out with trading partners, regarding quantity of trade to be expected over time.

The stages of development

There are nine distinct stages of development, each with its own unique characteristics and objectives. Each stage is designed to create the conditions necessary to enable the next stage, leading systematically to the development of a prosperous and sustainable local economy.

Overview of development stages



Stage 0 – Promote Co-op growth

During this startup stage, we'll establish the initial Co-op entities and launch the coupon system. Our objectives for this stage:

- Create good jobs for local people who are unemployed or under-employed.
- Get Co-op membership and business off to a strong start.

These objectives can best be achieved by using our investment funds to launch entities that provide basic goods and services that will be widely used in the community. During this stage coupon rewards will be used to promote Co-op growth:

- Full-price purchases at Co-op entities will be rewarded with significant coupons.
- Discount levels will be high for purchases with coupons.
- New Co-op members will be rewarded with a significant initial coupon balance.
- These coupon rewards will be gradually decreased as the stage progresses and the level of Co-op business stabilizes.

The following kinds of entities might make sense here:

Energy utility

The long-range goal of the energy utility is to develop sustainable, local energy sources, such as wind, solar, hydro, biofuels from waste, etc. Some of these can begin to come on line relatively quickly, and others will take some time to develop.

In the meantime, while energy development continues ongoing, the utility can arrange to buy energy (electricity and fuels) on a volume basis and remarket it in the community at break-even prices, thus reducing community expenditures for energy.

Child-care service

A low-cost childcare facility, where parents or grandparents have the option of contributing time helping out, to offset fees, would be a godsend to many working parents, or parents who currently can't afford to work because of the high cost of childcare. Childcare service will be provided free to Co-op workers.

Transport service

The long-range goal of the transport service is to develop an energy-efficient transport infrastructure, using sustainable energy sources.

While the infrastructure is being developed, the utility will operate a low-cost, convenient, shuttle service and car & van rental service, using energy-efficient vehicles of various sizes, and making it economical for people to abandon the expense of vehicle ownership and maintenance if they so choose. You can have a car just when you need it, for a few hours or a few weeks, and then return it. Every private car abandoned moves the community closer to economic sustainability.

The transport service will provide free door-to-door commute service for all Co-op workers who work regular hours and wish to avail of the service. It will also provide free transport for Co-op workers' children, between the childcare facility and schools, with drivers specially trained and certified for such responsibilities.

Food production and Marketplace

A Co-op farm will be established, based on organic and sustainable practices. A Co-op marketplace will be established, where the Co-op farm and other Co-op entities can have retail outlets, and where Co-op members can set up stalls to exchange their goods and services. Members can also arrange to have the Co-op store sell their products on a consignment basis. Co-op Central will have a desk in the marketplace where people can join the Co-op, ask for information, make suggestions, and register complaints.

Co-op residential units

With unemployment, homelessness, and home foreclosures on the rise, employment and affordable housing may be a critical need for some members of the community. The Co-op can respond to these problems by setting up appropriate residential units as Co-op entities.

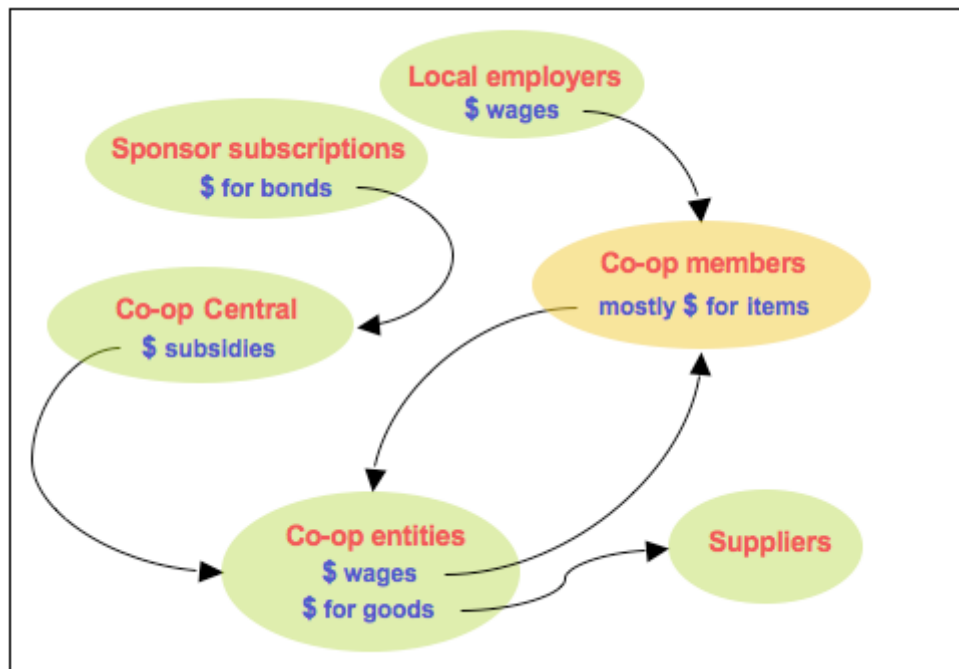
A residential unit will operate as a cooperative, with low-cost rents for rooms, with low-cost group meals available, and with all costs discounted in exchange for coupons. Shared facilities will be available, such as a lounge, entertainment facilities, workshop, childcare and play areas, office spaces for those who work at home, wireless Internet access, food-growing area, utility van, etc.

The Co-op will provide employment for residents who need jobs, beginning with internal jobs, such as cooking, cleaning, maintenance, and van shuttling. Other jobs may also be created on the premises, such as food-growing, energy production, or jobs that can be performed remotely from home.

In some cases, residential units may be integrated with other Co-op entities. For example, a residential unit for farm workers could be part of the farming entity, particularly for workers who want to raise their children in a farm environment.

Stage 0 is over when the new entities have grown as much as they can for the time being, and their operations reach a plateau. Co-op membership should be widespread in the community and Co-op entities should be doing a brisk business.

Primary economic flows, end of Stage 0



Initially, most of the incoming funding stream was being used to launch the new entities. Those entities are now operating and developing on a break-even basis, apart from the giveaway coupons being offered. The funding stream is now being used to cover the cost of the giveaway coupons.

Lots of people in the community are using coupons, but the only place they can use them is at Co-op entities, or for private exchanges. The coupon economy is launched, but it is seriously under-active, compared to its potential for enabling local trading.

Stage 1 – Promote business membership

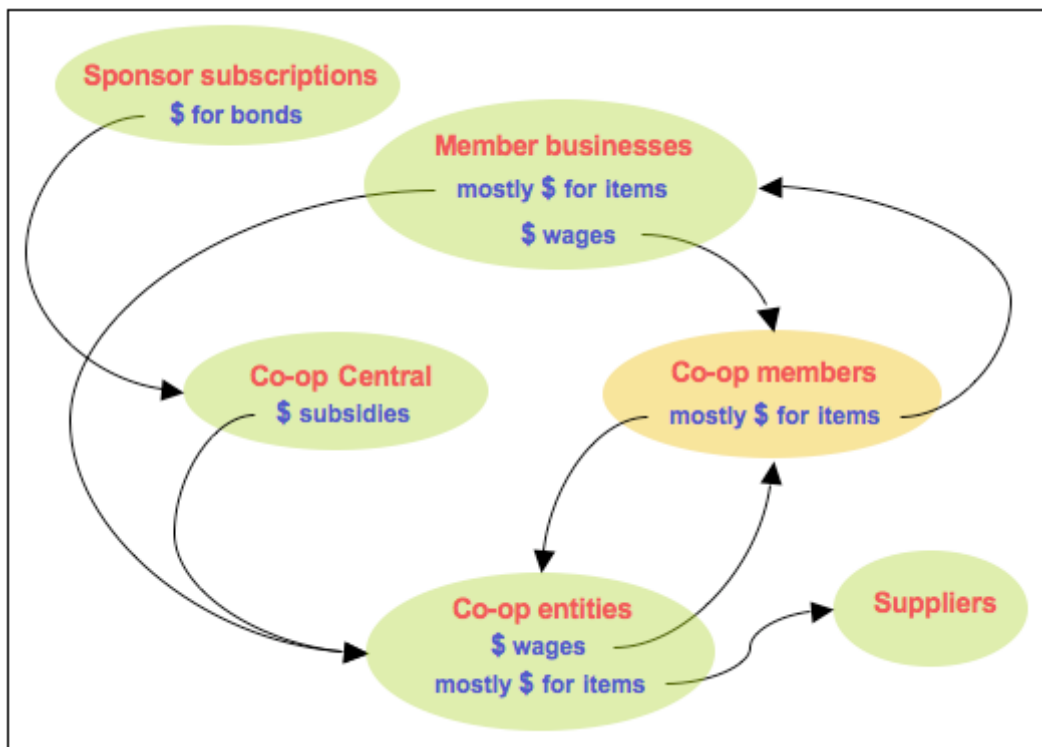
The primary objective in this stage is to expand coupon activity by getting local businesses to join the Co-op and begin offering discounts in return for Co-op coupons. Coupons accepted by member businesses can then be used at other member businesses and Co-op entities to buy supplies at a discount.

A business has an incentive to accept coupons, because it gains a competitive advantage for selling to Co-op members, who are seeking discounts for their coupons. As additional incentives, the Co-op will offer dollar and coupon signup rewards to businesses who join the Co-op, based on the level of discount they agree to offer to customers with coupons.

As more and more local businesses accept coupons, there will be more and more opportunities for those businesses to use their accepted coupons to obtain needed goods and services at a discount from other businesses. There will be competitive pressures for the remaining businesses to signup as members, and pressures to increase the discounts offered. There will be a self-reinforcing feedback loop, pushing coupon usage to higher levels, up to some plateau level set by the marketplace. As this feedback loop gains strength, the sign-up rewards will be less necessary, and will be gradually decreased to a nominal level.

Stage 1 ends when coupon trading reaches a plateau. Coupons will now be circulating in a very healthy way, but the Co-op will still be using sponsor funding to offset giveaway coupons.

Relevant economic flows, end of Stage 1



Coupons are now playing a role in most local exchanges. This is a very good start. In order to increase this role further, we need to begin reducing the role of dollars in local exchanges.

Stage 2 – Promote coupon rewards for time

As Stage 2 begins, most people in the community are Co-op members, and most of the locally-owned businesses are members, offering their goods and services at a reasonable discount in exchange for coupons. Meanwhile, local workers, both Co-op and otherwise, are spending a significant portion of their dollar wages to buy items at full price. This represents a wasteful use of dollars for local exchange.

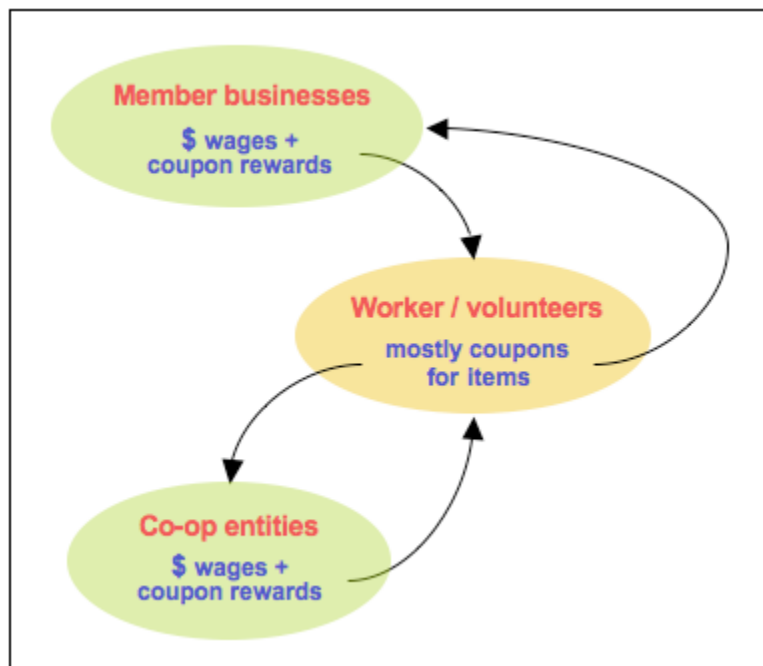
It would make a lot more economic sense if those workers volunteered part of their time, and accepted coupon rewards for that portion of the day. Assuming the coupon rewards are appropriate, the worker would lose no actual local purchasing power, and everyone would be better off as regards dollar taxes – both income tax and sales tax.

The Co-op would benefit particularly, because the dollars saved on wages can cover the cost of supporting the discount prices.

As with the promotion of business members, once volunteering begins, a self-reinforcing feedback loop will start operating. The greater the portion of local work that is on a voluntary basis, the lower the wage costs. The lower the wage costs, the greater the discounts that can be offered for coupons. The greater the discounts, the more people will want to volunteer, and so on.

Stage 2 is over when volunteering increases to the point that the Co-op is breaking even in dollar terms, subsidies are no longer required by Co-op entities, and sponsor funding is no longer needed to promote local coupon trading.

Reduced dollar flows, end of Stage 2



Stage 3 – Develop export production

We've now done all we can, for the time being, to maximize coupon trading and to minimize the unnecessary use of dollars for exchanges within the community. The time has now come to create income for the community by developing production operations that can produce goods and services to sell outside the community for a dollar profit. Considerable sponsor funding will be needed in this stage. In selecting which operations to launch, the following criteria will be used:

- high value-added goods and services, to maximize profits and community benefit
- sustainable, local if feasible, sources of raw materials

In order to maximize the profitability and flexibility of these production operations, they will be organized as a network of teams and facilities that exchange goods and services with one another on a break-even basis.

Each team and facility has its own business model, providing a component of the production capacity, and with its own set of internal bonuses and incentives to ensure that it plays that role effectively, efficiently, and reliably. Already-existing Co-op entities will also play their roles in the production process. The following kinds of teams and facilities might make sense here:

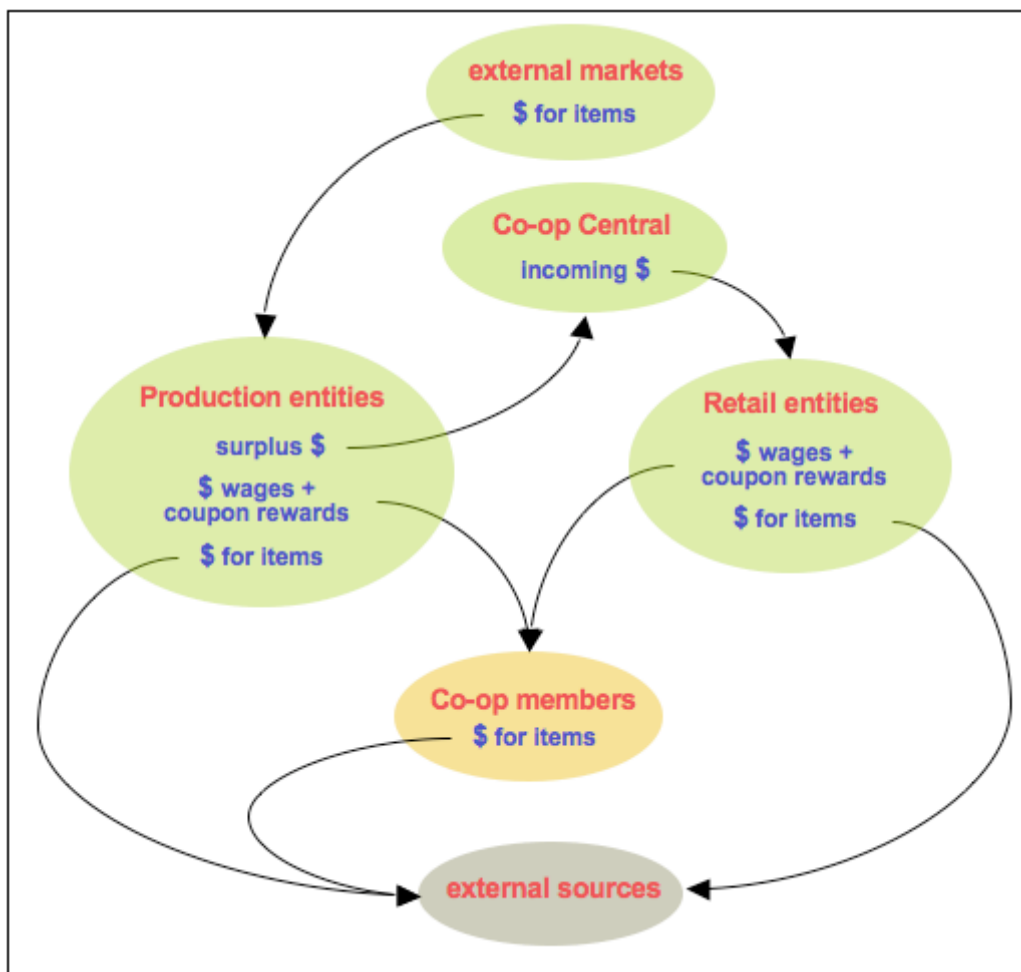
- a manufacturing facility, with spaces for different manufacturing teams to operate in, and an inventory of capital equipment to be shared, such as machine tools, fork lifts, sheet-metal shapers, overhead cranes, laser-cutting machines, etc.
- a team to operate and maintain the manufacturing facility, to train manufacturing teams in the use of the equipment, and to operate some of the more complex equipment on behalf of the manufacturing teams
- a well-equipped office facility, with reception, phone answering, and secretarial services, meeting and interview rooms, large spaces with flexible partitions that can be configured for different work groups
- a team to operate and maintain the office facility, and to provide the support services
- a team that provides high-quality, fresh-cooked cafeteria meals at all production facilities, on a flexible schedule customized to the needs of the facility
- a variety of teams that provide business support to all manufacturing operations: accounting and invoicing; maintenance of networks, servers, and pc's; sourcing of

raw materials and supply-line management; advertising, promotion, marketing, negotiation, and legal services

- a team within the transport service that handles all pick-up, delivery, shuttling, and shipping needs of manufacturing operations
- a team within the energy utility to support the energy requirements of the manufacturing operations, and to handle everything do with wiring, control panels, fuel tanks and pipes, keeping tanks topped up, safety checks of installations, etc.

Stage 3 ends when the new production units are all operating profitably and have reached a plateau in sales. We now have a healthy and stable local coupon economy, and the Co-op is bringing in a significant dollar income from the export operations. No further funding will be needed from the sponsors. The remaining development stages are funded out of the community's own surplus productivity.

Primary dollar flows related to external exchange, end of Stage 3



Stage 4 – Consolidate import sourcing; evangelize other communities

Now that we've maximized the community's dollar income, we can turn our attention to the community's dollar expenditures. From the above diagram we can see two things:

- (1) Most of the dollars now circulating in the community are eventually used to purchase externally sourced goods and services, as highlighted in gray.
- (2) Everyone is making these dollar purchases on an individual basis.

It would make a great deal of economic sense to consolidate our external purchases into *sourcing entities*, which would then make the externally-sourced items available locally at a discount for coupons:

- (1) By reducing internal dollar exchanges, as we did in Stage 2, more dollars can be retained by Co-op Central to be used for ongoing development needs.
- (2) By consolidating our dollar purchases, we can obtain better prices by purchasing items on a volume basis, thus decreasing the community's dollar expenditures and improving its overall dollar profitability.

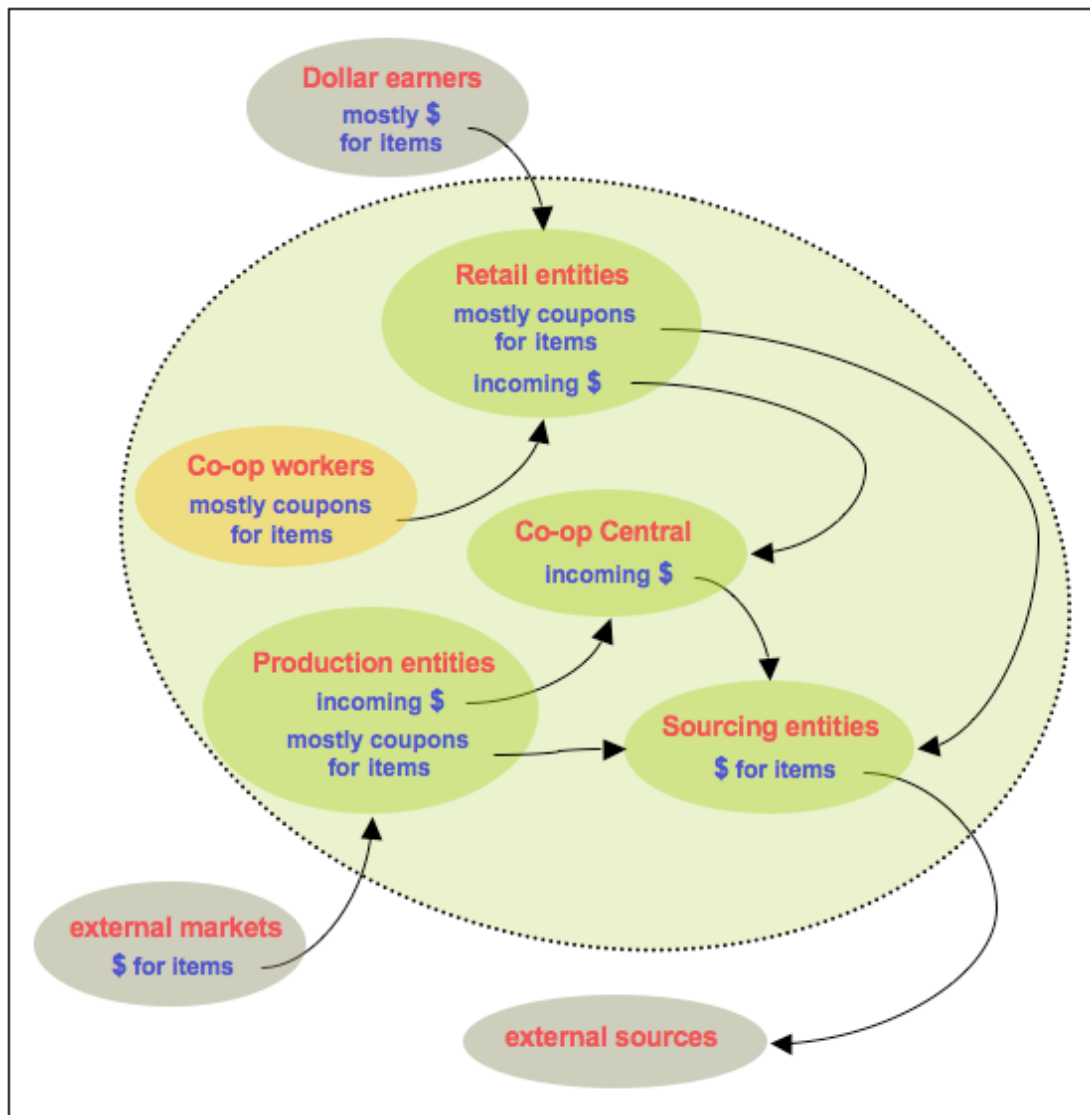
In Stage 4, we want to identify what the community is spending dollars on, and look for opportunities to obtain those things at a quantity discount. This will involve launching or expanding Co-op entities. We'll be using our surplus dollars from exports first to fund this development, and then to buy the dollar-priced items on an ongoing basis. Here are some examples of developments that might make sense here:

- expansion of the Co-op marketplace to include a warehouse-supermarket, providing a broad range of items that are not being produced locally
- a well-equipped medical, dental, legal-aid, and counseling facility, run on a co-operative basis by practitioners who are community minded and are willing to provide their services on a reduced-fee basis to the community
- expansion of co-housing program
- a Co-op travel agency that can arrange low-cost group tours and holidays on a customized basis, utilizing energy-efficient transport wherever feasible

Also, during Stage 4, it makes sense to promote our development model among other communities. By this time we've achieved impressive results, and other communities are likely to show interest in doing the same kinds of things in their communities. The Transition Town network would be a particularly good channel for this purpose. Later, in Stage 7, we'll be networking with other sustainable communities, and now is the time to help launch as many sustainable communities as possible.

Stage 4 ends when the sourcing entities are in full swing, and our surplus dollar income from exports is being used mainly to acquire the dollar-priced items. Lots of people are using the services, reducing their cost of living, and their freed-up purchasing power is creating inflationary pressures in the local economy.

Primary economic flows related to external exchange, end of Stage 4



Stage 5 – Minimize unsustainable dependencies

As Stage 5 begins, the local economy is doing very well. We've optimized both our internal coupon economy and our external dollar exchanges. Many more people are employed than when the development process began, and the prosperity of the community has been significantly increased. Our prosperity, however, is heavily dependent on the state of the external economy – as highlighted in gray above.

For our incoming dollars, we are depending on our sales to the external economy, and on full-price purchases by dollar earners working for external employers. As we have learned from the recent collapse in the global economy, such employment can disappear overnight, and markets for our exports can vanish just as quickly.

In the case of our dollar expenditures, many of the things we are buying will be from unsustainable sources, as our goal with the sourcing entities was to purchase items at the best possible price. Most likely many of the items will be sourced from low-wage, non-sustainable nations such as China. Our current prosperity is to that extent both unsustainable and exploitive. Furthermore, international trade could be interrupted by any

number of causes, such as military conflict, political instability, disruptions in petroleum supplies, or increases in petroleum prices.

There are several things we can do in Stage 5 to reduce our dependencies on unsustainable sources and markets:

Provide support for dollar earners

Dollar earners provide a valuable benefit to the local economy as long as they are able to stay employed. As part of our new counseling service, the Co-op can offer free job-placement assistance, to help people upgrade their employment, or if they get laid off, to help them find new jobs as dollar earners, or failing that, suitable opportunities within the local economy.

Switch to sustainable trading partners

We can seek out trading partners who are also moving toward sustainability, and do as much of our trading with them as possible. In order to minimize the need for dollars, we can exchange items with these partners on a bartering basis, and use dollars only to settle-up the difference in the balance of trade with each partner.

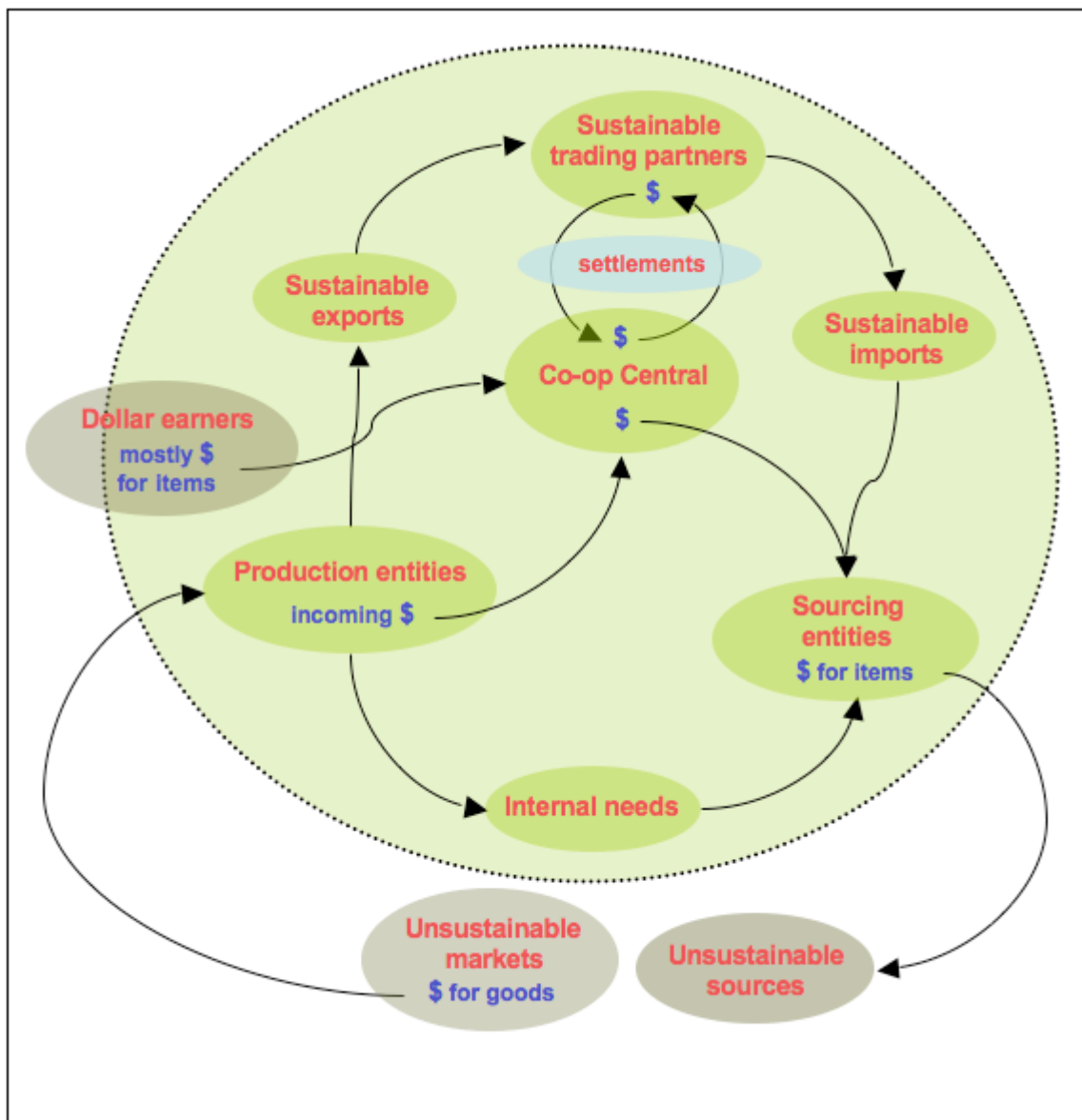
Replace imports with locally-manufactured alternatives

We can switch some of our export-production capacity to manufacturing for internal needs. We'd want to retain the export production that will be going to our sustainable trading partners, and focus the remainder of our productive capacity on manufacturing the most-needed items for which we cannot find sustainable sources.

All of these things are necessary in order to move towards sustainability. At the same time, since we are abandoning some of our low-priced suppliers and high-paying buyers, the Co-op will need to reduce discounts for some items in order to improve its dollar position. This will provide funding for the next stage of development, and neutralize the still-continuing local inflationary pressures.

Stage 5 ends when exchanges are underway with our new trading partners, and when our new production arrangements are in full operation.

Economic flows related to external exchange, end of Stage 5



Stage 6 – Achieve sustainability in essentials

We made considerable progress toward sustainability in Stage 5. Our sustainable trading partners provide a base that can be developed over time, enhancing our sustainability and reducing our dollar expenses, due to the barter-settlements arrangement.

As highlighted in gray above, we are still depending on some unsustainable sources, and we are benefiting from dollar earners. We're producing more of our own goods locally, and we're using our surplus production capacity to bring in income from whatever markets are available.

We've done about everything that can be done to achieve sustainability – apart from reducing the community's use of energy and other resources. The time has now come for the community to systematically reduce its dependence on unsustainable consumption.

We must make a distinction between *dependencies* and *indulgences*. For example, let's suppose some wealthy local resident chooses to make frequent use of international air travel for pleasure trips. The community may disapprove of that unsustainable behavior, but the behavior is an *indulgence*, not a community dependency. If air travel

becomes more expensive, and the indulgence can no longer be pursued, the community does not suffer.

On the other hand, if the community needs petroleum products to grow its food supply, or if it imports food from unsustainable sources, that is a *dependency*, and the community will suffer if the supplies become unavailable or more expensive. Whereas indulgences can be tolerated, even if undesirable, we need to deal with dependencies.

This means that the community needs to achieve sustainability, to the level of essential needs, in these basic necessities of life:

- food, water, and energy
- local transport
- housing
- medical care

Food

Food should be obtained from small-scale organic operations, sourced either locally or nearby. Compared to alternatives, this is more productive per acre, maintains healthy soil and livestock, minimizes water and energy usage, generates employment, avoids expensive petroleum-based pesticides and fertilizers, and provides more nourishing, tastier food.

Water

Many communities have no significant local sources of water, and they can only focus on minimizing unnecessary uses. In particular, lawns can be replaced by vegetable gardens, or by plants that are adapted to the local conditions and don't require watering.

Energy

An energy survey can be conducted, and reductions in usage can presumably be achieved with passive systems, better insulation, voluntary reductions in usage, etc. It may also be possible to generate more energy locally, with backyard wind generators, solar panels, etc. But the biggest energy gains will be found through transport reform.

Transport

Local transport needs to be approached from a systems perspective. The current system, based on universal car ownership as the solution to all needs, is extremely wasteful and inefficient.

Besides maximizing energy consumption per user mile, and maximizing the community's expenditures for vehicles and maintenance, the car culture requires vast amounts of valuable community space to be devoted to parking, and to overly-wide roadways. Our communities are clogged with parked cars, traffic, and its fumes, detracting from the local quality of life, and making the bicycle alternative dangerous.

For a fraction of the cost of individual car ownership, alternative systems can be provided that are convenient, reliable, flexible, less obtrusive to the community, cheaper to use, far more energy-efficient, and overall more pleasant and relaxing. As these systems become available, the Co-op will offer to pay a premium for remaining private vehicles, which can either be converted to public use or sold outside the community.

Every public vehicle, except for small taxis, will have convenient facilities for bicycles, baby carriages, luggage, packages, and wheel chairs. The services can be used for goods deliveries as well as personal transport. All transport facilities will be operated on a break-even basis – as a support infrastructure, not a profit center. The particulars depend on the layout and density of the community, and local preferences, but here are some possibilities:

- a light rail system
- a frequent bus service, using a variety of sizes of vehicles, and with routes and schedules customized to the needs of each neighborhood
- a tram service running every few minutes in the center of town, for use by shoppers and supply deliveries, connecting to other transport services, and to a few free, secure, parking facilities
- express shuttle services for commuters, with door-to-door pickup and drop-off

- Amsterdam-style road layout, with separate lanes for pedestrians, bicycles, private vehicles, and public transport
- a fleet of small, efficient, electric or hydrogen-powered cars and mopeds that people can rent at low cost for local use
- in general, expansion of our existing vehicle rental and shuttle services to satisfy any unmet transport needs
- a ban on private vehicles, apart from electric mini-vehicles, around the town center, and extensive pedestrianized areas
- old-fashioned bakery and dairy vans, with routes through residential neighborhoods

Housing

Based on experience with our earlier co-housing entities, the program can be expanded in creative ways. The goal would be to improve the community's dollar profitability, partly through the economic benefits of co-housing over individual home ownership, and partly by getting people out of dollar mortgages, and dollar rentals to external landlords.

Perhaps the mortgages could be paid off in a block of neighboring houses, the fences torn down, and a co-housing facility created out of it all. Or unused buildings could be purchased at a bargain, and could be creatively refurbished.

Different co-housing entities would be set up with different charters, depending on the intentions behind each. In most cases, there would be some plan by which the residents would eventually become owners of the entity, presumably continuing the co-operative framework, if it is has been working to everyone's benefit.

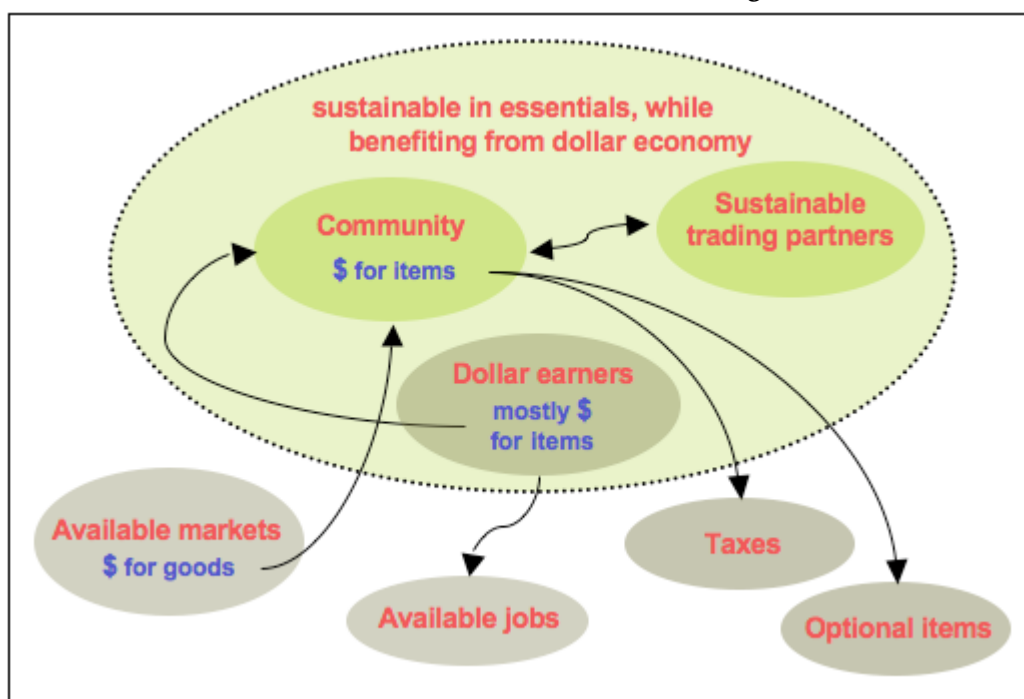
Medical care

Perhaps by partnering with nearby communities, who by this time might be also working toward sustainability, our medical facility can be expanded to provide, on an ability-to-pay basis, most of the medical needs of the community, including emergency and surgery services. Complementary to this, the Co-op can negotiate a group insurance plan for catastrophic cases.

Services would also be provided regarding healthy diets and preventive measures. The goal of the medical facility is to keep people healthy, not to make money from maladies and accidents. Alternative healing and medicines would also be available, from reliable practitioners.

Stage 6 is over when the community is able to take care of all its essential needs sustainably. This will be difficult to achieve, and will require hard decisions by the community. The community-involvement process, particularly Creative Insight Councils, will be very important in helping to achieve community consensus during this stage.

Sustainable economic flows, end of Stage 6



Stage 7 – Develop community-exchange network

By reducing our primary consumption to sustainable levels, particularly for energy, the community is now profitable in its dollar exchange, and the coupon economy is inflationary. We have extra coupons to use, we're profiting from our excess production capacity, and we're using our dollar surplus to buy optional items.

We have now reached the stage where it is time to repay the community's sponsors. This will be done incrementally, so as not to disrupt the local economy. When they are repaid, we can begin the development associated with this stage.

We would be doing even better in dollar exchange, and in sustainability, if there were a way to use our extra coupons to obtain our optional imports, and if we could find sustainable markets for our excess production. This can be accomplished by casting our net wider for sustainable trading partners, and by organizing or joining a global exchange network, connecting sustainable localities that are using stable local exchange units.

The value-stability of local exchange units is critical to such a network, so that a stable exchange-rate will exist between the units of the different economies. The exchange rates can be re-evaluated periodically, and incremental adjustments made if needed. Using the current exchange rates, members of the network can pay for imports with their own units, and accept any other member's units in exchange for exports.

Each participating community will have an exchange-management agency, equivalent to Co-op Central, that maintains the stability of the local unit, and authenticates each exchange with other members of the network. Such exchanges are reflected as additions and subtractions to the local-unit balances of sellers and buyers, using the current exchange rates.

There is no concept of maintaining local reserves of external currencies, as is done among dollar-type economies. Any community that strays from unit stability will need to be dismissed from the network until it can get its economy back in order.

Such an exchange network can be seen as a kind of *mutual-benefit version of globalization*, or an extension of existing *fair trade* programs. Exchanges are on a peer-to-peer basis, from community to community. There are no middleman brokers, because experience has shown that such brokers exploit both buyers and sellers, and keep most of the trade-enabled profits for themselves.

In order to minimize resources used in shipping, long distance exchanges will involve mainly non-perishable goods that have a high value, relative to weight and size. In order to maximize economic stability, exchanges will mainly be ongoing relationships, with regular shipments continuing on an on-going basis, with minor fluctuations in volume, and predictable seasonal variations. In particular, goods will already have committed buyers before they're shipped.

In order to support these exchanges, it will make sense for the members to set up a long-distance Transport-Co-op, using chartered transport, its own rail cars and energy-efficient ships, or whatever means are appropriate. Transport services will be provided on a break-even basis in exchange for local exchange units. As goods are mostly non-perishable, and delivery schedules are known largely in advance, sailing ships may make economic sense, reducing energy usage greatly.

The Transport Co-op can also support travel by people, and in particular visits among member communities. People will then be able to use their local exchange units for their travel expenses, and also for expenses and purchases where they are visiting.

With ships and trains as the means of long-distance travel, it will take much longer for people to get to and from their destination. In order to make this economically feasible, productive activities will be available to travelers. Just as luxury cruises today tend to have *themes*, like a Disney theme, or a 50's theme, journeys using the Transport Co-op will have productive themes.

For example, on a long-distance cruise, there might be classes offered and there would typically be some kind of production operation going on, that travelers could sign up for, earning coupons that can be offset against travel costs, or even result in a profit to the traveler as a consequence of the journey. People with particular skills could schedule their travel so that their skills could be employed in the journey they choose.

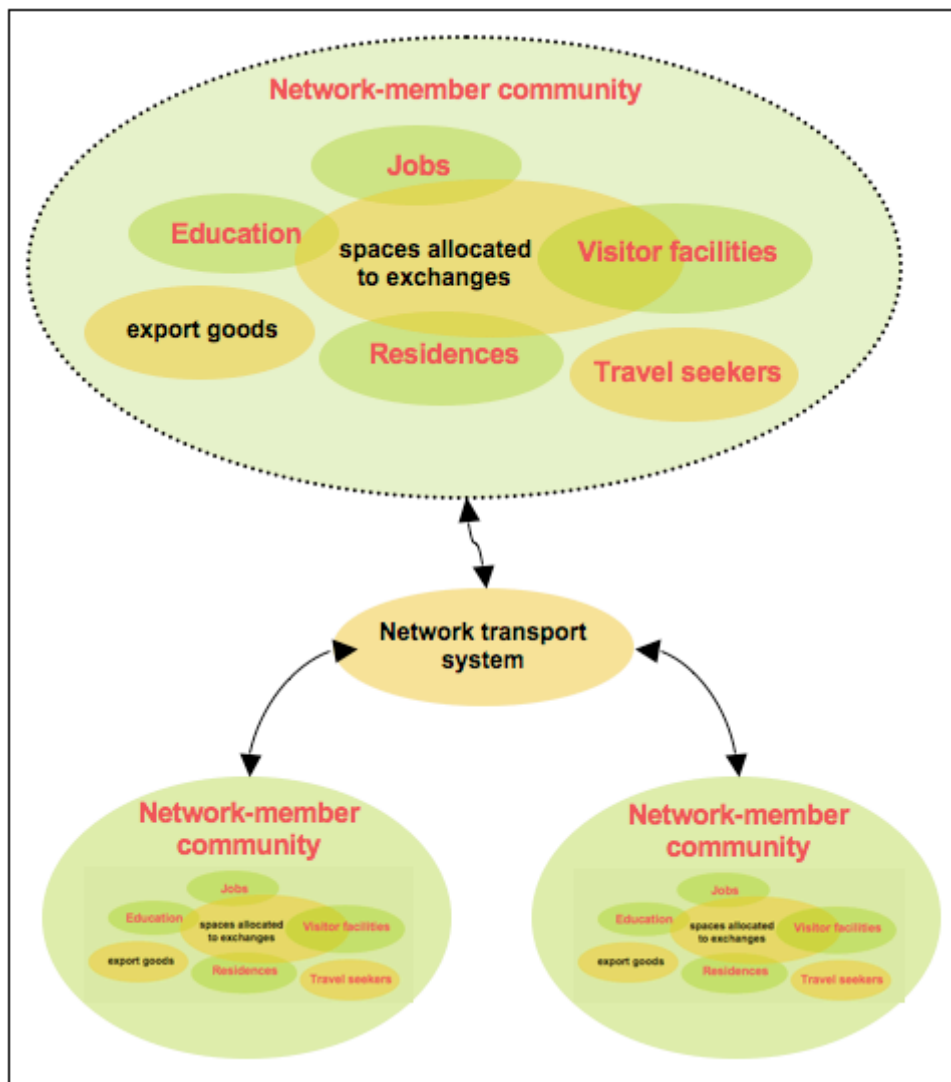
Communities will be encouraged to develop visitor facilities, offering a variety of accommodation-types to network visitors on a break-even basis, taking into account the need to fund ongoing facilities development and maintenance. Facilities could include accommodations for holidays, intermediate stopovers, families, groups, conferences, etc.

There can also be work-exchange arrangements, where individuals or families temporarily swap communities, so they can each have the experience of living and working in another culture. Such exchanges will need to be scheduled in advance, so that suitable accommodations and employment can be found at each end of the exchange. The Co-op will offer a service to help with any visas and work permits that might be required.

Such exchanges need to be on a one-to-one basis, to avoid the emergence of any kind of exploitive, or economically disruptive, immigration scenario. As exchanges are reciprocal, each community will be inclined to be very welcoming to exchange residents, as 'one of our own' is being hosted the other community.

Network development will be ongoing into the future. Stage 7 is over when the surplus in local coupons is being used up by import and travel opportunities provided by the emerging, embryonic network.

Network exchange flows



Stage 8 – Develop Community Commons

With the end of Stage 7, we have completed the economic development process. The community has now done everything possible to ensure its long-term sustainability and prosperity. The community is profitable in dollar terms, and the coupon economy is over-productive, as goods and services available for coupons are many and increasing. People have worked hard to achieve this level of sustainability and excess productivity, and the time has come for the economy to start giving something back to the people. It is time to develop the *Community Commons*.

The Commons are all those things that are available to the community on a non-economic basis. Things like public parks, libraries, sidewalks, fire departments, etc. With our excess productivity, we can expand the Commons in many ways, depending on community wishes:

- Existing Co-op services, such as medical care, childcare, and the local scheduled transport service can be made available for free.
- New infrastructure can be developed, such as more parks, recreational facilities, learning centers, youth centers, etc.
- Run-down parts of the community can be redeveloped and others given face-lifts.
- Retired people and people unable to work can be provided for.

Basically, the community has the opportunity to fulfill its visions of what kind of community it wants to be. We can look back to the Renaissance, and to ancient Greece,

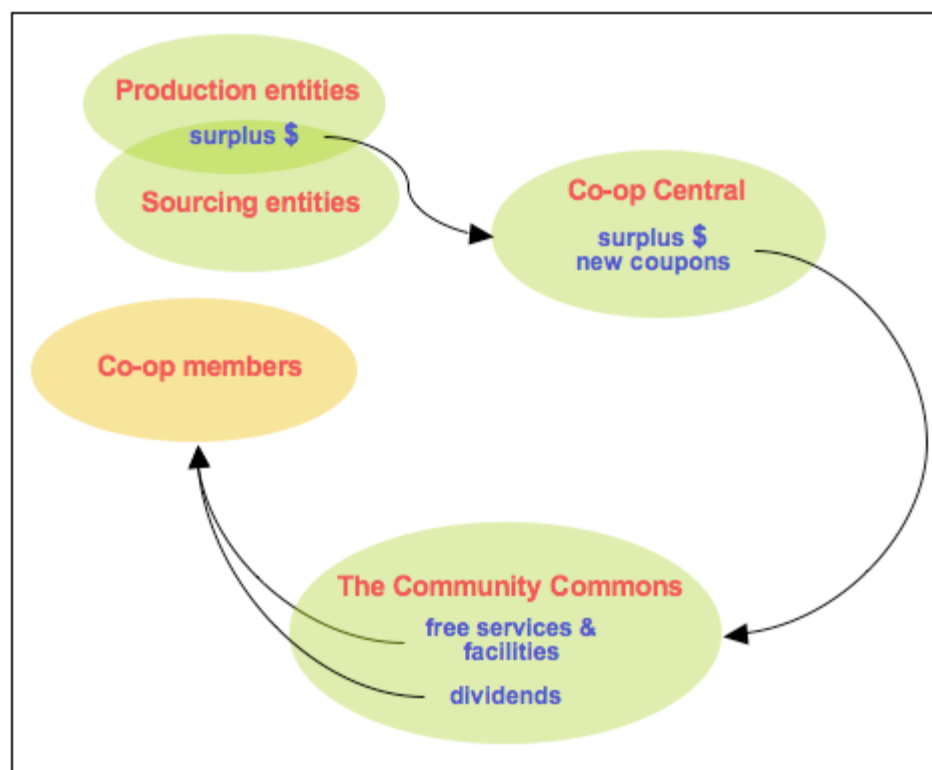
and think in terms of creating a place of elegance and beauty. In expanding the Commons we are expanding the birthright of our children and of future generations.

When we've developed all the facilities and services that we envision, there is one more aspect of the Commons left to develop: *the time to enjoy our prosperity*. With excess productivity, there is no reason for people to be working so hard. As we run out of Commons development projects, the community's excess productivity can be returned to the people as dividends. As people begin receiving dividends, they can begin working less. People can begin working part time, whether it be part of the day, part of the month, or part of the year.

It is an irony of our so-called advanced civilization that people work harder, and have less free time, than our ancestors who lived in hunter-gatherer bands and had no technology to speak of. They did their hunter-gathering, and then they had lots of time for hanging out together. It's about time we harnessed our technological productivity to give ourselves free time again.

Stage 8 is over when the level of work settles down to lower level of activity and people have found a balance between how much they want to work and how much they want to pursue leisure and creative activities.

Economic surplus flows, end of Stage 8



Stage 9 – Develop culture

Stage 9 isn't really part of the development process. Rather, it's the new world of opportunities that the community has created for itself out of the development process. Instead of scurrying around, trying to survive and achieve security, people now have the time to develop themselves and their culture. Not just the local community culture, but with the benefit of the community-exchange network, the global culture.

The Community-involvement process

One of the primary goals of this development model is to facilitate the emergence of an inclusive democratic process in the community. From the very beginning, the Co-op board will seek to involve the community, by keeping the public informed, holding public meetings, seeking inputs from local organizations, etc.

As discussed in the Introduction to this document, initial interest in the project is likely to be spotty. Those who are already concerned about community development or sustainability will be interested, while the majority will probably take a wait-and-see attitude. But as Co-op membership grows, and more and more people are directly affected economically, we can expect interest to spread widely in the community.

Early in the process, the board will begin to convene Creative Insight Councils and Wisdom Councils on a regular basis, perhaps every month or two. In these councils, a dozen local citizens are selected randomly to participate, and a public meeting is held following the council, where the participants report on the experience and on what they came up with. Following the reports, there is general discussion, and smaller discussions in breakout groups.

These kinds of councils have been convened in many parts of the world, and their ability to produce unanimous outcomes has been demonstrated time and time again. With the help of Dynamic Facilitation, people are able to get past their superficial differences, and focus on their common underlying interests. And it is indeed in everyone's common interest to improve the prosperity of their community and its quality of life.

Also as mentioned in the Introduction, the reason these councils haven't been more effective in communities is that most people simply haven't been motivated to pay attention to them. It has been difficult even to find people interested in being participants in the councils. In the context of the development process, where everyone is affected directly, we can expect people to be very interested in the councils and their outcomes.

As the development process continues, and people see that the Co-op really does pay attention to the outcomes of the councils, the sense of ownership of the process will grow in the community. People will realize it is *their* process, determining the future of *their* community. The public meetings following the council will begin to take on the flavor of town hall meetings, where people will be seriously discussing the future of the community.

With the help of the councils, a community-wide consensus will begin to emerge, along with a sense of involvement in the development of that consensus. The stronger the sense of consensus becomes, the greater will be the urgency everyone feels to make sure their own concerns are included. By the time the final stages of development are reached, and the sponsors retire from the board, the community will be guiding its own development process and everyone will see that their own concerns are being taken into account.

When the overwhelming majority of the community is actively involved, and a workable consensus process begins to emerge, the Co-op will be able to elect a slate of candidates to all the local governmental positions, such as Mayor and City Council. When that happens, the official powers of local government and its agencies will be directly responsive to the ongoing community-consensus process.

The community will then be self-governing by an inclusive participatory process, and it will be on the path to achieving sustainable prosperity and a much-improved local quality of life.

Notes

Enlightened planning principles

The Pollyanna Principles

Hildy Gottlieb

<http://www.pollyannaprinciples.org>

<http://blip.tv/file/1871539>

Dialog processes

Facilitation

<http://www.co-intelligence.org/P-facilitation.html>

Wisdom Councils and CICs

<http://www.tobe.net/CIC/creative-insight-council.html>

<http://www.wisedemocracy.org/>

<http://blog.tobe.net/>

Dynamic Facilitation

<http://tobe.net/>

<http://www.co-intelligence.org/P-dynamicfacilitation.html>

Wise Democracy Victoria

a Wisdom Council case study

<http://wisedemocracyvictoria.wetpaint.com/>

Open Space Technology

http://en.wikipedia.org/wiki/Open_Space_Technology

Sustainability initiatives

The Power of Community: How Cuba Survived Peak Oil

When the Soviet Union collapsed, Cuba was left on its own, and forced to become self-sufficient. A delightful video describing how people worked together, and the Cubans ended up better off in the end.

<http://www.powerofcommunity.org/cm/index.php>

<http://www.youtube.com/watch?v=-VHt5QchfdQ>

Transition Towns Wiki

all about the Transition Towns movement

<http://www.transitiontowns.org/>

Transition United States

networking hub for US Transition Town movement

<http://www.transitionus.org/>

Boulder Valley Relocalization

a well-organized localization initiative

<http://www.boulderrelocalization.org/news/index.htm>

Local currencies

Local currency – Wikipedia

http://en.wikipedia.org/wiki/Local_currency

E. F. Schumacher Society Local Currency Programs and History

http://www.smallisbeautiful.org/local_currencies.html

Ithica Hours

<http://www.ithacahours.org/>

Financial realities

Money as Debt

<http://www.moneyasdebt.net/>

<http://www.youtube.com/watch?v=vVkFb26u9g8>

The Money Masters - How International Bankers Gained Control of America

<http://video.google.com/videoplay?docid=-515319560256183936>