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A Report from Vermont (USA): The VBSR Marketplace creates mutual credit at statewide level

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Abstract

This paper described and evaluates a peer to peer mutual credit system now in operation in the State of Vermont. It is called the VBSR Marketplace and is an innovative partnership between a statewide membership association, Vermont Businesses for Social Responsibility (VBSR) and a currency design and management organization, Vermont Sustainable Exchange (VSE). This project is a significant step forward in the community currency world as it makes participation in a mutual credit system a membership benefit for businesses that belong to an already existing and well-established business association.

Introduction

A peer to peer mutual credit system is now in operation in the State of Vermont. It is called the VBSR Marketplace and is an innovative partnership between a statewide membership association, Vermont Businesses for Social Responsibility (VBSR) and a currency design and management organization, Vermont Sustainable Exchange (VSE). This project is a significant step forward in the community currency world as it makes participation in a mutual credit system a membership benefit for businesses that belong to an already existing and well-established business association.

organization took huge amounts of volunteer labor to coordinate. A Time Bank project also took root in Burlington within the last decade, but while well-intentioned, was short-lived due to inconsistency in volunteer management and funding.

During the last years of Burlington Currency Project (2004-2006), the Board of Directors and Staff of BCP attempted to switch BCP from a paper scrip to a mutual credit based system, inspired by the WIR, LETS, and the writings of Thomas Greco. Due to the amount of paper currency that was untraceable and lack of financial resources, the organization folded before getting beyond the research stage of this idea.

Vermont Sustainable Exchange was founded by Amy Kirschner in 2007 with the goal of creating a polyculture of community currencies in Vermont using a WIR style peer-to-peer mutual credit system as a base.

Amy is a long time community currency activist, author and practitioner. She was previously the Executive Director of the Burlington Currency Project. She frequently gives presentations around on the subject of

Vermont Sustainable Exchange

Burlington, the largest town in Vermont, has a long history with complementary currencies going back into the 1970s. More recently, from 1997-2006, the Burlington Currency Project (BCP) circulated a paper, fiat-issued scrip which had limited success. At it's peak, there were about 150 people listed as members but success, as defined by a consistent flow of currency, was never achieved and the

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community currency in Vermont and around the US and has been interviewed by local and national media. She recently completed a Masters Degree at the University of Vermont with a thesis project exploring success factors for community currencies.

Post-BCP, VSE did a significant amount of research into mutual credit systems. Many platforms were explored, both proprietary and open source, before deciding on the Global Exchange Trading System (GETS) platform developed by The Business Exchange (TBEx) in Aberdeen, Scotland. The GETS trading system combines sustainability methodology and practices with the most technologically advanced credit clearing functionality available today.

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Vermont Business for Social Responsibility

VBSR is a non-profit, statewide business organization. They help their nearly 1,300 members set a high standard for protecting the natural, human, and economic environments of Vermont citizens while remaining profitable. VBSR is the oldest and largest regional association of values-led businesses in the country. Businesses representing all sectors of the Vermont economy belong to VBSR. Collectively, they employ more than 35,000 people and account for \$4.0 billion in annual sales.

VBSR is also the parent organization to Local First Vermont, which certifies locally-owned, independent businesses in Vermont and also heads up a Local First Coupon Book, of which some ads are available to be purchased in VBSR Trade Credits. VBSR is involved in public policy which supports the mission of socially responsible business practices. The Marketplace will be used as a tool to recruit membership to VBSR and the potential exists for VBSR membership to exceed that of the

more mainstream business associations, making it the largest business association in the state within the next few years.

The VBSR Marketplace

The VBSR Marketplace was designed to be a standard membership benefit available to all 1,200+ members of VBSR. The Marketplace, powered by GETS, is an online listing and mutual credit accounting service accessible through the VBSR website and trades are conducted with “VBSR Trade Credits”. Each credit is equal to \$1US as required by the IRS for tax-reporting purposes.

The Marketplace was initially set up with selected VBSR members to be Founding Members. These businesses are leaders in VBSR, interested in innovative economic development ideas, and also provide core goods and services to the Marketplace. They received a beginning credit line (in VBSR Trade Credits) worth \$2,000. These credit lines, and the credit worthiness of these Founding Members, are the backbone of the Marketplace and one of the key innovations of this project.

Each VBSR member has a Basic Account to trade the credits they earn by selling goods and services to those initial Founding Members. Basic Accounts do not come with a credit line but VBSR members will have the option to choose a “premium” account with a credit line for a small monthly cash/trade fee. No interest is charged on credit lines within the Marketplace.

By charging a small transaction fee, VSE earns a continuous and reliable income stream used to cover the expenses and staffing of the organization. Transactions fees for all accounts (Basic, Premium, and Founder) are 5% on each trade, which is broken down into 1% trade and 4% cash (which is invoiced at month end). This revenue model makes the Marketplace a sustainable endeavor. The 1% fee is in trade credits and directly payable to a Member Benefit Reserve Account which will serve to balance the system in the event of an unrecoverable default on a credit line. The 4% fee will be charged in cash to pay for the overhead and management of the Marketplace. It is possible that as the network grows and more goods and services are available in trade, the trade/cash fee breakdown could be more heavily weighted towards trade credits.

VSE takes operational and administrative responsibility for the Marketplace, including credit clearing software implementation, maintenance, tax reporting and brokerage functions for VBSR members.

Innovations

The VBSR Marketplace is leading the way with a number of innovations in the community currency world. These can be summarized as: Community Perception, Credit Granting, Sales Process, and Building a Restoration Economy.

Community Perception

By partnering with a business association, the Marketplace has overcome the perception that community currencies are counter-culture. VSE uses the term "trade" which is neutral and already meaningful to business owners. Many of them already do this on a one-to-one level (barter) so making the leap to the concept and application of peer-to-peer mutual credit is lessened.

Breaking through to mainstream acceptance and having a cohesive statewide currency is also possible. Mainstream Vermont culture is more liberal politically than mainstream American culture. Due to the size (about 600,000 citizens) and geography of Vermont, the Marketplace is unique in its reach. Vermont is situated in a rural part of New England with the French-speaking province of Quebec Canada immediately to the north, and a large lake, Champlain, separating it from New York on the west. Its relative geographic isolation has created a culture that encourages and lauds self-reliance and sees community as a necessary source of survival. American culture has been late to arrive to Vermont, even being the last state to get a Wal-Mart. Gaining traction in a population that is already sympathetic to sustainable and progressive economic ideas and the potential for word-of-mouth publicity in a connected population is of great assistance in developing the Marketplace.

Credit Granting

The credit line granting process is key to the success of any community currency. The GETS system and philosophy support an integrated credit matrix that is applied democratically and transparently so the community is ever aware of how, how much, and to whom credit is extended. The credit matrix was designed by Richard Logie, owner of TBEx and founder of GETS. The credit matrix is based on a formula that includes such criteria as trading history, reputation and the goods and/or services that the business is placing into the system.

Sales Process

Viewing an account in a mutual credit system as a member benefit in an already existing organization eliminates a significant hurdle faced by many start up currency organizations: the process of selling memberships to reach critical trading mass. It also overcomes a significant psychological hurdle: a community currency is now something you (and your community) already have, not something alternative that needs to be joined. Feedback from VBSR members led VSE to change the terms it uses from something they should 'join' to something they should simply 'activate'. IRS regulations require the Marketplace to collect an additional form, the W9, that is not required for general VBSR membership. So the term 'activation' is used to describe the necessary step of collecting this form.

Building a Restoration Economy

The Marketplace can be used to support relocalization initiatives in many of the small towns around Vermont. The GETS platform allows for the issuing of customized scrip which can be circulated among citizens for small transactions while the businesses trade electronic credits. VSE is currently working with small place-based non-profits, who are also VBSR members, in various towns around Vermont to develop this process.

Individuals can join VBSR, meaning that people can build or use skills to supplement their incomes during times of under employment. Individual membership is relatively inexpensive (\$30-\$100) and comes with the same full access to the Marketplace that all business memberships receive. An individual can list their skills or respond to advertisements in the Marketplace. VBSR members have high demand for reliable tradespeople (electricians, plumbers, carpenters) to help with projects that have been put off due to cash shortages caused by the current recession. Individuals can also use the Marketplace to build their portfolios and gain customer referrals.

VSE is also exploring the idea of cooperating in the development of a local business incubator where VBSR trade credits would be a part of the start-up funding packages. Vermont has a strong agricultural heritage and tradition of entrepreneurship. Many small and micro food enterprises are looking for credit to fund start up expenses. The Marketplace provides an immediate audience to test and refine their products while earning revenue and provides no-interest credit lines (in VBSR Trade Credits, if they meet the requirements of the credit granting process as described above) which significantly reduces the cost of borrowing.

The national non-profit Green America, an organization with a focus on building a green economy through individual, collective, and business action, has recently launched the Green America Exchange (GAEX) among their membership this year, also using the GETS trading platform and philosophy. As such, both exchanges can be governed and connected in a manner so that reciprocal trading of goods and services is available to the benefit of both sets of members. VSE is working in co-operation with Green America on this endeavor.

Challenges

While the relationship with VBSR makes start-up significantly easier and the GETS platform handles the administration smoothly and provides credit clearing and online buying and selling functionality – the amount of work that was required was significant. In short, the idea of starting a community currency should not be mistaken as simply a novel approach or quick fix for a lackluster economy. Persistence in selling the benefits and educating after the business has activated their account is required and a dedicated staff is necessary. For these reasons, the ramp-up time and start-up costs are more than most communities anticipate.

These factors contributed to the shaping of this project as a social enterprise rather than a non-profit, volunteer driven organization. VSE is a limited liability company that contracts services to VBSR. Vermont is unique in that it has a number of corporate structure options

including a for-benefit corporation (recently passed by the Vermont Legislature) and an L3C (a low profit limited liability company also recently passed). Future changes to the corporate form of VSE to ensure that it stays rooted in community and true to its social mission will be explored.

Progress to date

To date, over 60 VBSR members have activated their account and started trading, representing a mix of Founder and Basic Accounts. Premium Accounts will not be started until all 50 places in the Founder Level are filled, which is anticipated by the end of this year.

There is a healthy mix of products offers and requests. Offers include a mix of products and services such as radio advertising (statewide through VPR and hyper local low-fi from a music education nonprofit), green design/build classes, computer/office equipment, wellness programs, catering, meeting and event space, hotel/hostel rooms, conference attendance, promotional items and apparel, gift baskets, printing and signage, recycling pickup, website development, and restaurants.

One early success has been with Vermont Public Radio (VPR). They are a Founder Member with a credit limit of 2000 VBSR Trade Credits. They started by purchasing from VBSR members.

VPR Facilities Manager, Laurie Kigonya notes, "...we have a very tight budget. Each year we

Figure 1: Vermont Public Radio employees at their 2010 listener picnic wearing t-shirts purchased through the VBSR Marketplace



have an employee recognition event and a listener picnic that staff attend. For the picnic, we like to have promotional logo wear to identify the staff and personalities among the 1000-plus listeners.

In the past we've bought shirts from Lands End, but in this economy that was a stretch. It is hard to justify spending donors' money for employee shirts. The Marketplace seemed the most responsible option to explore. I imagined there were others in Vermont in the same situation, with needs to fill but limited cash. So we bought 62 logo shirts for employees. Lands End would have cost us \$3500. Here, with a 50-50 cash/trade with Vermont Clothing Company, we paid \$700 cash (and about 700 in VBSR Trade Credits). Also, VPR is very community-driven so it's a plus that we could buy from a Vermont company. Now we have a relationship with the firm.² Vermont Public Radio is now putting their first offer of underwriting into the system.

VBSR has also benefited. They received a Founder Credit Line and are exempt from transaction fees. This allows them to spend credits with members, expanding their purchasing power and circulating credits with the membership. Their first purchase was sending a Thank You gift to their sponsors of locally made cookies from Vermont Cookie Love.

"Sending a gift to supporters had long been on VBSR's wish list, says Owen Milne, VBSR Development Director. "We're a nonprofit. We don't have a lot of cash reserves," he says. "This allowed us to take the idea right from 'this is a great idea' to a reality. Otherwise it would still be sitting on the back burner. Because of the Marketplace, we could do it."

VBSR earns credits through conference fees and newsletter advertising. They have chosen not to accept credits for membership fees as this part of the cash budget contributes to staff salaries and benefits which currently cannot be shifted to trade.

Looking Forward

GETS is currently organizing collaborative efforts among GETS users such as the VBSR Marketplace and is well underway with initial

development of the GETS Together cooperative that will place the technology, training and marketing assets into the hands of cooperative members.

We look forward to sharing our progress and lessons learned to other interested communities who are interested in developing a similar concept. Communities of place and interest could be well-served by applying this exchange model to already existing membership-based associations.