Program Description

Consumer and Commerce Circuit (C2C): Towards an Integrated Economy

The purpose of this document is to give a brief overview of the Consumer-Commerce Circuit.

Strohalm Foundation
Integrated Economic Development

Program Description

The "Consumer Commerce Circuit" approach is the result of more than a decade of investigation, experimentation and evaluation in the field of interest-free money carried out by Strohalm. It is the most powerful method Strohalm has developed so far in terms of potential outreach and impact.

C2C is a national and international cooperation of local and regional networks where members use money to buy exchange units (also known as ***vouchers***) that will be used for mutual trade. These transactions are recorded in an internal accounting system. They can always trade their vouchers back into money. This trading back of units will cost a percentage as trade-back premium. This percentage is always the same as or higher than a purchasing bonus. The participants have agreed to leave the consumer prices in vouchers/exchange units at the same level as the monetary prices.

A C2C is basically a combination of two elements:

1. a customer-loyalty program or consumer volume-purchasing group in which members buy prepaid vouchers (electronic and internal as calculation units), which they use for their purchases within the circuit.
2. a trade network between independent companies which employs an internal accounting system for transferring the calculation-units used in transactions between members. No conventional money is needed for these transactions.

Usually the major portion of the money on the savings account will not be withdrawn but made available to members in the form of interest-free loans through an agreement with an intermediate bank, preferably a cooperative Bank or Credit Union.

In this respect, the C2C is similar to the accounting system used by many large companies: internal transactions of funds between different branches of the same company are recorded within a joint accounting system, enable companies to improve

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their cash flow which was previously lost to facilitating internal transactions and to reduce their need for expensive interest-bearing money simply for this purpose, with the savings being used to improve the company's financial and competitive position. The difference is that the C2C, instead of working with one company, builds a network of independent businesses and cooperatives to achieve the same advantages and improve the competitivity of these businesses in the regional, national and global marketplace.

Local, National and International C2C networks utilize the Internet to facilitate communication, exchange and accounting between the participants in the network. In this way, a local area can choose to establish a C2C in order to coordinate its own production, and at some point join into larger regional, national or international networks.

Summary of the Program

1. Conversion of National Currency into Vouchers with National Currency going into a Fund.
2. The Fund is used to provide Interest-Free Loans to businesses, preferably at the top of the supply-chain, in order to lower prices at the bottom.
3. Prices are lowered by establishing buying arrangements between the links in the supply chain, to ensure efficiency as well as necessary profit.
4. Consumers who have converted their National Currency into Vouchers can now purchase goods at a good discount from local retailers, strengthening local industry, employment and the economy overall.
5. Purchasing using vouchers results in the purchaser receiving points which go towards the opportunity for low-interest or interest-free loans in the future.

Background

Over the last 20 years, Strohalm has published several articles and books demonstrating that the payment of interest on loans which is fundamental to the creation of money in the current monetary system is responsible for a great number of economic, social and ecological wrongs (see Strohalm's publications). Interest increases the gulf between rich and poor, increases prices unnecessarily, leads to investments decisions that take little or no notice of the long-term effects with consequent environmental degradation and forces the community to choose between an accelerated growth or economic recession.

For these main reasons we decided to establish interest-free systems. In order to have a meaningful impact, the interest-free system must be able to compete in a market environment where the creation of money is based on interest.

The C2C is only one of many Strohalm programs to improve the social, environmental and economic situation anywhere they are implemented.

The Purpose of a C2C

The purpose of C2C is to free society and the economy of the burden of interest that causes impoverishment, wide social inequality and conflict as well as environmental degradation.

More practically, the goal of the C2C network is to realize as much economic activities as possible in its own networks and in the process freeing as much national currency as possible in order to make it available for interest-free loans to members.

C2C lowers the financing costs of the participating companies by supplying the members with interest-free investment loans. The money for this is freed by replacing the money circulating for mutual transactions of the participating companies by a voucher. The money that used to circulate between companies has been replaced by the voucher, therefore the national currency funds can now be used for giving interest-free loans to those same companies. The principle can be compared to the practice of many multinationals that save money in the transactions between different company parts.

Advantages

The advantages of the C2C for its participating parties are:

<u>Consumers</u>:

- Increased purchasing power and access to interest-free credit.
- Increased local employment through a strengthened economy.

<u>Companies</u>:

- Increased access to cheap, interest-free credit.
- Reduction and eventual elimination of debts.
- Increased local demand, customer-loyalty and therefore increased turnover.
- Increased ability of small businesses to compete against large businesses.

<u>Local Community (“Society”)</u>:

- Strengthening of the local economy and less unemployment.
- Projects with a long pay-off period (e.g. environmental investments, community infrastructure) will turn out to be profitable thanks to the interest-free financing.
- Creation of a special fund for community projects, to be allocated by the members.

<u>Local government</u>:

- A more stable local situation.
- Increased tax incomes due to increased local economic activities;
- Fewer expenses for fighting poverty-related social ills.

Potential Risks

1. Consumers are unwilling to convert their national currency into local vouchers.
   Solution: Grant a "Purchase Bonus" to encourage conversion into vouchers. For example, purchasing $105 worth of vouchers will only cost $100, although the price of the goods remains the same or is less than before.
   Solution: Grant "Credit Points" for every voucher purchased. These borrowing points entitle the member to a loan against a very low (or even 0%) interest rate.
2. Too many people seek to convert their vouchers into national currency.
   Solution: Impose a Conversion Free to discourage such conversions, while allowing them because it may be necessary to convert the voucher back into national currency

Process

1. Consumer or company buys vouchers with national currency.

The decision of which combination of incentives to use and at what level should be left to the local C2C itself. Nevertheless, one should always bear in mind that, in case the fee charged to convert vouchers for money is high, one needs to concentrate the "interest free" loan possibilities as much as possible in order to obtain involvement from the consumers or the companies.

2. Company or network member receives an interest-free loan in national currency or in vouchers (for local purchasing), and therefore can lower prices in equal measure with the savings gained from not having to pay interest. Loans can be repaid either in Vouchers or in National Currency.

3. Retailers, transporters and wholesalers can join into the network and also receive interest-free loans and guaranteed business. In return, they agree to lower prices in accordance with the savings they have gained from not having to pay interest. This results in a *networked supply chain*, with the overall goal being to network individual supply chains, and integrating them into a broader economy.

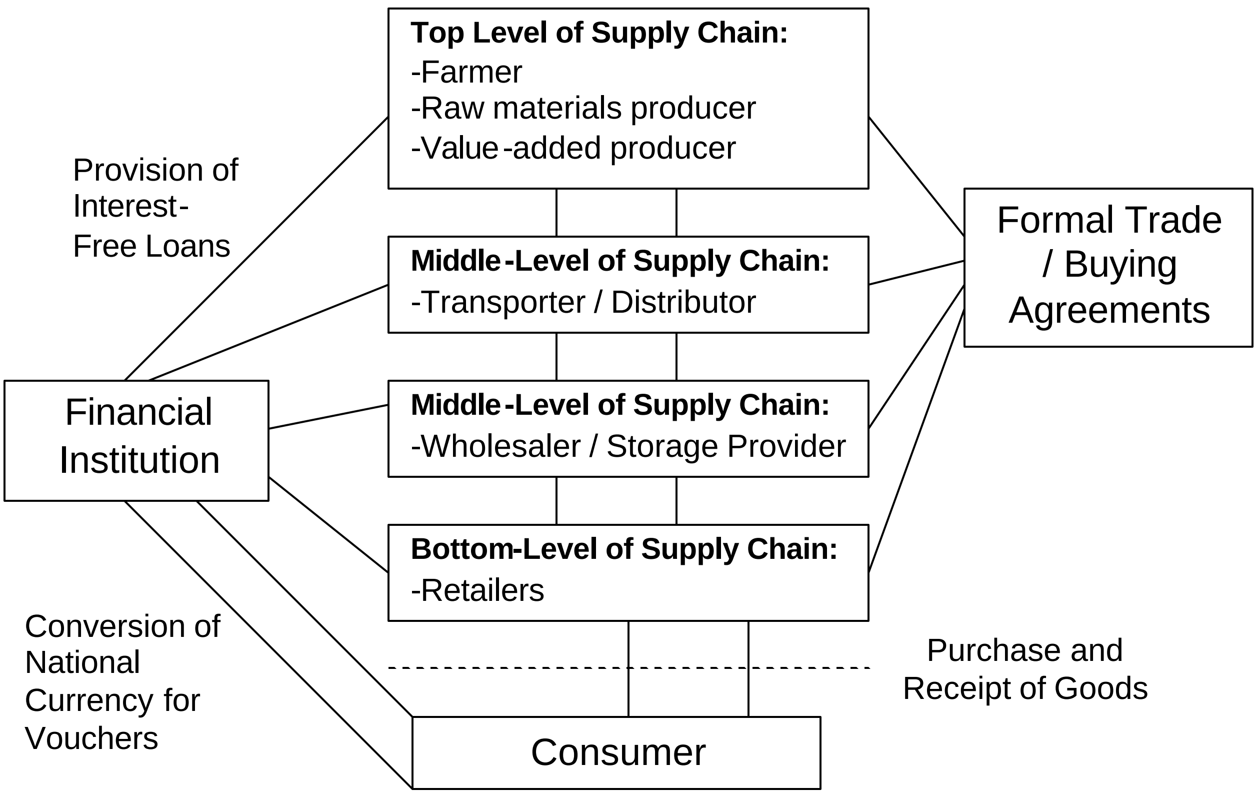
Why would a company accept voucher as payment?

- Because it too has a supplier that accepts them as payment as part of the purchasing agreement made with the other links in the supply chain. For those businesses that are not part of the network, they can receive vouchers anyway because they are still convertible and it means more business for them.

- Because it can collect "Credit Points" this way. These borrowing points entitle them to a loan for a very low or even 0% interest. If a company receives a payment electronically, these borrowing points will be given automatically. If company X receivers vouchers from a consumer or from company Y, then company X can deposit this amount on its account in vouchers after which the "Credit Points" will be allocated at that time.

4. The Consumer can then purchase goods from retailers at a price which is lower than other local stores, and more competitive with larger stores.

This Process can be described visually as:



Generating Revenue for the C2C Network

When national currency is converted into vouchers, the national currency goes into a fund which is used for interest-free loans and other expenses related to the function of the system. Therefore, revenues must be generated in other ways, such as:

1. **A registration fee** for new members, preferably only during the start-up phase.
2. **A periodic membership fee**, preferably only during the start-up phase.
3. **A liquidity charge**, which is a levy on account holders' positive balances and intended to encourage them to quickly spend their units. It is set on a

standard of 12% per annum, from which 7 or 11% is made available for the local system. The liquidity levy can be imposed in two ways:

a. If the account is a bank account:

An automatic levy. At the end of every day, the computer calculates a standard levy of 1/30% on positive balances and en deducts it from the account.

b. If the account is kept with vouchers:

Through the purchase of stamps or seals. E.G.: at the back of the vouchers are 12 boxes where a stamp has to be glued every first of the month. Without this stamp, the voucher loses it value. Electronically, this can be applied as a time-based charge applied to various electronic transaction platform methods.

4. **Commissions on conversion from vouchers to national currency**. To discourage the trading back of vouchers for national currency there will be a commission charge. For example, when someone wants to trade back a voucher of $100 he will receive $97 in national currency. And in the same way,
5. **Through payment of a converting premium if the voucher is traded back after the validity has expired**. E.g.**:** the voucher has a validity of three months. Whoever has the voucher after these three months, has to turn it into a new voucher. He has to pay a liquidity levy of 3% of the voucher's value.
6. **Interest revenues on saving accounts**. The national currency revenues from the sale of vouchers are put in a savings account to fully back the circulating vouchers. The interest on this savings account can be used for interest-free loans to members. In practice, this interest never occurs if a deal has been closed with the bank to act as private bank; the money saved in this account is added to the money lent out by the bank to the network.
7. **The "collector's effect".** This effect occurs with the issuing of vouchers. Experience in other systems shows that only a small part of the circulating vouchers are actually traded back for national currency. Part of the vouchers will get lost in the course of time or disappear in the albums of collectors. If vouchers have not been handed in after a certain period of time, they can no longer be exchanged. The national currency used for coverage in the reserve fund are transferred to the investment fund (for interest-free loans to members). Attention for design and regular changes in this design can increase this effect.

What parameters are the local C2C allowed to set?

A. Purchase Bonus and Credit Points Incentives to encourage conversion of national currency for vouchers.
B. Trade back fee /converting discount for people who exchange vouchers for national currency (3,06% in example.) N.B. (a) has to be smaller than (b).
C. Purchasing and sales fees for intermediaries.

D. The part from the liquidity levy income intended for promoting the system (if there is no executive committee yet, Strohalm prefers 1/3 of the liquidity levy or 4% annually of the amount in circulation).
E. The spending of the C2C's income.
F. Membership costs.

What role does Strohalm play in all this?

During the start-up phase, Strohalm assumes the part of international umbrella organization for C2Cs. In due course, this position of global support will be transferred to an international democratic structure of associated C2Cs. Until then, Strohalm takes as its rights and responsibilities:

A. Development of the model.
B. Has a Veto-right to changes and appendixes to the model, both on a local level and on higher levels.
C. Does the training (and if necessary selection) of promoters /subsidiary.
D. In the start-up phase, act as the first executive committee of the local C2C and close the deal with the subsidiary.
E. Supply necessary software. In principle we let the software operate locally, under the responsibility of the local C2C; the partner can opt to make use of the central (internet-based) software, but this comes with a price tag.
F. Regular follow-up.
G. Setting up regional and supra-regional umbrella (trade) structures, that enable individual members to trade outside of their own C2C.

Which obligations does the local partner (promoters) have to Strohalm?

- Annually pay a liquidity levy of 1% of the average volume that Strohalm/international organization uses to distribute and improve the C2C-model. (Distribution means that the money has a bigger chance of staying inside the C2C as a whole, which is very important for each of the C2C's.)
- Strohalm has the veto right in adaptations to the model as it grows and develops. This veto right will be transferred to an international democratic structure, at the moment that structure can guarantee the quality and a strong development of the international network.

Project Results

From the implementation of the C2C program, we can predict the following general results:

- Increased local economic activity and employment,
- Increased access to low/no-interest loans,
- Increased competitiveness of smaller businesses with larger businesses,
- Improved local infrastructure.