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Making Cents

Creating a local currency can help entrepreneurs drive sales.

By Carol Tice | [Entrepreneur Magazine - December 2007](#)

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At Tom's Toys in Great Barrington, Massachusetts, some customers don't pay with cash or credit. Instead, they use a newly printed local currency that's good only in the Southern Berkshires. The money, known as BerkShares, is purchased for 90 cents on the dollar but is redeemable at full price at participating stores. The goal is to encourage shoppers to buy from local merchants. "I think of it as a goodwill form of advertising," says Tom's Toys owner Tom Levin.

BerkShares was launched in 2006 by a coalition of local business owners and community activists looking for a way to strengthen community ties and encourage local purchasing. Today, more than 280 merchants participate in the program, and more than \$1.5 million in BerkShares is expected to be in circulation by year-end. One secret to the currency's success is that, unlike many other local-currency schemes, it can be converted back into U.S. dollars. Levin says that's crucial for his participation since he can take in \$1,000 a month in BerkShares but has few vendors that will accept them.

BerkShares' success comes at a time when many local currencies have floundered. Ed Collom, an associate professor at the University of Southern Maine, tracked 82 local currencies started in the U.S. since 1991 and found that by 2004, only 17 had survived. The primary reason for the failures was founder burnout.

To help you succeed in launching a local currency in your neighborhood, BerkShares' administrator, Susan Witt, offers the following advice:

- 1. Recruit a nonprofit, or form one.** A nonprofit will need to issue the currency, and it can also help promote or sell the currency to consumers.
- 2. Interest your local banker.** BerkShares got five locally based banks--a total of 12 branches--to offer convenient places for locals to convert dollars to BerkShares and back again. BerkShares opened accounts at each branch, making it easy to track the new currency's movements.
- 3. Achieve critical mass.** At least 100 local businesses should be ready to participate before you launch, says Witt. There should be a variety of vendors to keep the currency circulating.

For more information on starting a local currency, go to berkshares.org or smallisbeautiful.org, the website of BerkShares' nonprofit sponsor, the E.F. Schumacher Society.