

Frequently Asked Questions

Overview	Consumer / Community Perspective	Business Perspective	Current Events
<ul style="list-style-type: none"> • Glossary of Terms • Where can I find an explanation of DualCurrency Commerce? • What are examples of DualCurrency programs? • Are all the details of DualCurrency Commerce worked out already? • What might the IRS say? • Does the envisioned technology make it easy to process transactions that combine dollars and rewards? • Why are there many different forms of new money in this system? • What were the results of your beta test? 	<ul style="list-style-type: none"> • How might I earn DualCurrency Dollars? • How might I spend DualCurrency Dollars? • How would I track my DualCurrency Dollars? • Would DualCurrency Dollars be taxed as income? • How is this different from the "universal" rewards program that my credit card offers? • Why would a Merchant accept DualCurrency Dollars? • What are the benefits to Nonprofit and Community Organizations? • What is meant by DualCurrency Tithing? • Is this program targeted more at Liberals or Conservatives? 	<ul style="list-style-type: none"> • What would be the business benefits of DualCurrency Commerce? • How does the transaction settlement system work? • How are DualCurrency Dollars a new financial instrument and not merely an electronic discount? • Do merchants risk turning full-cash customers into partial-cash, DualCurrency customers? • Why don't DualCurrency Dollars circulate like U.S. dollars, barter dollars and local currencies? • How are decisions made in a DualCurrency Network? 	<ul style="list-style-type: none"> • You assert that the current economic breakdowns can not be repaired through a bailout or with better monetary policies, but, instead, require a paradigm shift in economics and the creation of a new financial instrument. Please explain. • What should be the role of government in DualCurrency Commerce? • How quickly could this system be developed and implemented? • Is this just another model of excessive consumption? • Does DualCurrency Commerce have anything to do with Socialism or Communism?

Overview

Glossary of Terms

- **Money innovation** is the process of inventing new forms of money. Historic examples include: the evolution from barter to gold coins; from gold coins to paper currency; and from paper currency and checks to computer banking with electronic debits and credits.
- **Monetary policy** is the set of policies used by national and international governments to attempt to solve economic problems by manipulating the supply, availability and costs of national currencies. [Read Wikipedia's definition of monetary policy. http://en.wikipedia.org/wiki/Monetary_policy]
- **DualCurrency Commerce** is an innovative, technology-supported approach to solving economic problems through money innovation and new levels of business-employee-consumer-community cooperation. *DualCurrency Commerce improves economic efficiencies by expanding employee/consumer purchasing power to match ever-improving business technologies and productivity. One example is a new type of employee benefits that do not increase cash labor costs for employers or tax burdens on businesses and individuals.*
- **DualCurrency Systems (DCS)** is a closely-held, Minnesota C-Corporation founded by Joel Hodroff with a small group of socially responsible, angel investors and sweat equity volunteers. The company's mission is to utilize noncash rewards and incentives to profitably facilitate Business to Consumer (B2C) Commerce for the benefit of individuals, businesses and communities alike. *The company's two issued US Patents* [http://www.dualcurrency.com/files/patent_5687323.pdf] *will be auctioned in Chicago on October 30, 2008.* [http://www.oceantomoauctions.com/OTA_Catalogue_Lot.asp?eventid=102008&Lot=39]
- **Sustainable prosperity** is a stage of economic development where individuals, families and communities enjoy a high standard of living and a high quality of life, while respecting and preserving the natural environment. *DualCurrency Commerce is designed to create sustainable prosperity in the next economy.* [Read more about the DCS approach to sustainable prosperity in this white paper. <http://www.dualcurrency.com/Awakening.pdf>]
- **Barter** is the trading or exchanging of goods and services without the use of dollars. Such exchanges are sometimes facilitated with barter dollars or trade credits. Barter trades can be bilateral or multilateral and exist parallel to monetary systems in both developed and developing countries. *DualCurrency Systems has improved upon traditional barter methods, which are normally either Business to Business (B2B) exchanges or Individual to Individual (C2C) exchanges. DualCurrency Commerce makes possible widespread B2C commerce whenever traditional financial resources are unavailable or insufficient.* [Read Wikipedia's definition of barter. <http://en.wikipedia.org/wiki/Barter>]
- **Scrip** is a type of currency which is not legal tender and is often a form of credit. Scrip was originally created as company payment to employees and as a means of payment in times when regular money is unavailable, such as remote coal towns or occupied

countries in war time. *Today, consumer loyalty rewards, such as frequent flyer miles or Starbucks Points, are examples of product-backed, business-issued scrip currencies.*

[Read Wikipedia's definition of scrip. <http://en.wikipedia.org/wiki/Scrip>]

- **DualCurrency Dollars (DC\$)** are a new financial instrument that is earned and redeemed inside of a DualCurrency Network. Unlike the U.S. dollar, which is backed only by government promises to provide more dollars in the event of economic problems (*such as today's financial industry bailout*), DualCurrency Dollars are backed by contracts with businesses to accept them in a specified ratio with dollars. For example, a \$20 restaurant meal might cost \$12.00 and DC\$8.00, based upon the economics of "2 for 1" dining specials, while a \$20.00 pass to a health club might cost \$4.00 and DC\$16.00 based upon the low incremental cash cost of off-hours at a club. DualCurrency Dollars is a generic term for a variety of new kinds of purchasing power and rewards. [See Also: Why are there so many different forms of money in this system?](#)
- **DualCurrency Network** is a collaborative network of individuals, businesses and organizations that engage together in DualCurrency Commerce. A DualCurrency Network includes ways to earn DC\$ and places to spend DC\$, as well as transaction vendors to manage the accounting and transaction processing as described in the DCS Patents. [http://www.dualcurrency.com/files/patent_5687323.pdf] Individuals have DC\$ accounts. Businesses set DualCurrency prices as well as any restrictions on when and for what DC\$ can be redeemed.
- **Virtual Community Warehouse** is the comprehensive accounting of real community wealth that backs DualCurrency Dollars. *The Virtual Community Warehouse is literally the Fort Knox of DualCurrency Commerce. Instead of being filled with only a limited supply of rare metal, which does not feed or house or educate or heal people, the warehouse contains the nearly limitless wealth of human ingenuity and business productive capacity.* [Read about the U.S. Department of Treasury Bullion Depository, commonly called Fort Knox. http://en.wikipedia.org/wiki/United_States_Bullion_Depository]
- **DualCurrency Tithing** is a feature of the DCS patents which supports some participants in a DualCurrency Network to voluntarily making purchases with a greater percentage of US dollars so that other participants are able to make purchases with a greater percentage of DualCurrency Dollars. Such Tithing promotes a more level economic playing field without government regulation or redistribution of wealth. [Read more about DualCurrency Tithing in our white paper. <http://www.dualcurrency.com/Awakening.pdf>]
- **Proliferation of Competitive Duplication (PoCD)** is the free-enterprise trend towards market saturation, resulting in downward pressure on market share, prices, profits and wages. *PoCD results in excess or Underutilized Business Capacity, which is captured and applied to economic development in the US and around the world. One of the great flaws in today's economic model is that we fail to market excess business capacity for lack of paying customers, and then we downsize this real wealth while there is still great unmet need for those very products and services in the US and worldwide.* [Read more about PoCD in our white paper. <http://www.dualcurrency.com/Awakening.pdf>]
- **Excess or Underutilized Business Capacity** is a form of wasted wealth. For example, empty airline seats, college desks, and restaurant tables; off-hours at movie theatres, oil change shops, health clubs, and salons; excess retail inventory of every description. *DualCurrency pricing of currently Underutilized Business Capacity is based upon marginal cost of production calculations. Participating businesses cover their marginal*

cash costs and earn incremental profits in US\$, while the balance of the price is covered in DC\$. For example in a DualCurrency Network, a \$20 meal might cost \$12.00 cash and DC\$8.00 based on the marginal cost of underutilized restaurant capacity. On the other hand, a \$20.00 fitness club pass might cost \$4.00 cash and DC\$16.00, based upon the much lower marginal cost of off-hours at a fitness club. This fully-automated, sliding- scale DualCurrency pricing is part and parcel of the DCS patents and creates a new industry standard in financial services that promotes much needed economic cooperation. [Read more about underutilized capacity in our white paper.

<http://www.dualcurrency.com/Awakening.pdf> Read Investopedia's definition of excess capacity. <http://www.investopedia.com/terms/e/excesscapacity.asp>]

- **Marginal cost of production** is a calculation used to determine optimum production level and economies of scale. *In DualCurrency Commerce the production and distribution of Underutilized Business Capacity is supported by marginal cost of production calculations.* [Read Investopedia's definition of marginal cost of production. <http://www.investopedia.com/terms/m/marginalcostofproduction.asp>]

[Return to top of document](#)

Where can I find an explanation of DualCurrency Commerce?

- 10 minute introductory video presentation:
http://www.solutionstwicities.org/videos/dual_currency.htm#anchor
- White Paper, 34 pages. <http://www.dualcurrency.com/Awakening.pdf>

[Return to top of document](#)

What are examples of DualCurrency programs?

- **HealthBucks wellness incentives program** for the healthcare industry offers to improve public health while lowering costs for employers, employees and taxpayers alike:
<http://www.dualcurrency.com/files/HealthBucks.pdf>
- **Universal Reward Solutions** for the loyalty rewards industry:
<http://www.dualcurrency.com/files/UniversalRewardSolns.pdf>

[Return to top of document](#)

Are all the details of DualCurrency Commerce worked out already?

- The DualCurrency concept is in its infancy. While a great deal of conceptual design work has been accomplished, the details will be worked out as various DualCurrency programs are developed and rolled-out (just like with the introduction of credit cards and e-commerce).
- Get involved in sorting it out! This is an opportunity to be on the cutting edge and establish your place in the foundational infrastructure, just as some companies did with VISA or the Internet. Learn more about the DCS Patent Sale:

On October 30, two US patents issued to DualCurrency Systems (DCS) in 1997 will go on the auction block in Chicago.

- Learn more about the online Ocean Tomo Auction and how to register. Our patents are in Lot # 39:
http://www.oceantomoauctions.com/OTA_Catalogue_Lot.asp?eventid=102008&Lot=39
- Auction Registration information:
https://www.oceantomo.com/auction_registration.asp
- See a video of last year's Ocean Tomo patent auction:
http://www.news.com/1606-2_3-50000312.html
- Link to DualCurrency Systems U.S. Patent # 5,687,323
http://www.dualcurrency.com/files/patent_5687323.pdf

[Return to top of document](#)

What might the IRS say?*

* These answers are speculative and should not be relied upon as a legal opinion or tax advice.

- We can only hypothesize how DualCurrency Dollars (*DC\$*) will be treated from a taxation standpoint, and how various IRS rulings might help or hinder the development and growth of DualCurrency Commerce. There are tax regulations for some types of non-cash transactions, as well as for different types of employee benefits. None of these apply directly to DualCurrency Commerce and *DC\$*, which are a blend of features and practices from many different financial instruments, economic development strategies and marketing programs. As examples:
 - Barter dollars and local currencies are considered commercial in nature and taxable, with taxes due in U.S. dollars. *DC\$* are not barter dollars or local currencies.
 - Employee benefits such as free food for restaurant employees or free memberships for health club employees are not taxed as income. The DualCurrency Virtual Community Warehouse provides similar employee and community benefits in a DualCurrency Network
 - Various discounts for senior citizens and others are not taxed as income. In some ways, DualCurrency rewards can be perceived as discounts for DualCurrency Network Members.
- In the long term, DualCurrency Commerce can provide new economic resources for needed social services without raising tax burdens on businesses and individuals. Perhaps the most advantageous approach for local, state and federal governments to take would be to support the development of DualCurrency Commerce without adding the burden for early adopters of paying taxes on DualCurrency earning and spending.

[Return to top of document](#)

Does the envisioned technology make it easy to process transactions that combine dollars and rewards?

- The DCS patents [http://www.dualcurrency.com/files/patent_5687323.pdf] apply to a process termed DualCurrency pricing, accounting and transaction settlement, which expands economic resources for businesses, employees, customers and communities. Traditional consumer purchasing power in US dollars is supplemented or stretched with DualCurrency Dollars. The transaction platform described in the DCS patents is a

straightforward enhancement to bank accounts, credit card processing and e-commerce. Therefore, the merchant and consumer roles and experiences match what they are today. Utilizing an additional account holding DualCurrency Dollars, the process is similar to making a purchase partly in cash and partly by check; or partly by check and partly with a credit card; in other words drawing on funds from two sources instead of just one. The difference is that the DualCurrency system is designed to handle the entire process with the single swipe of a single card or with a traditional e-commerce point and click payment. Other than debiting two accounts, one in US Dollars and one in DualCurrency Dollars, the transaction settlement and tracking looks like it does today.

[Return to top of document](#)

Why are there many different forms of new money in this system?

- There is only one new financial instrument termed the DualCurrency Dollar. It is packaged in different ways to explain and market a variety of commercial and economic development programs of DualCurrency Commerce. DualCurrency Dollars are a universal business-community scrip backed by real goods and services accounted for in a Virtual Community Warehouse. [Read more about universal business-community scrip in our white paper. <http://www.dualcurrency.com/Awakening.pdf>] This is an advance over backing currency with gold or with government promises to issue more currency in the event of a money crisis.
- To keep things simple, one DualCurrency Dollar equals one U.S. Dollar in purchasing power. DualCurrency Dollars could be earned in a variety of ways:
 - **HealthBucks** could be earned as wellness incentives for activities, such as quitting smoking, losing weight, giving blood or learning meditation or yoga to reduce stress;
 - **Community Service Dollars** could be earned for volunteering in such activities as mentoring youth, building and repairing housing or driving senior citizens to their appointments;
 - **EcoBucks** could be earned for protecting the environment through recycling, carpooling or adding a solar heating system to one's home;
 - **Traditional loyalty rewards**, such as Northwest Airlines World Perks, American Express Membership Rewards or Starbucks Points could be converted to DualCurrency Dollars through a currency exchange process within the system and then redeemed along with cash at participating merchants.*

*Businesses loyalty rewards are examples only; no contracts or endorsements are implied.

[Return to top of document](#)

What were the results of your beta test?

- DualCurrency Systems developed a small demonstration of DualCurrency Commerce with a beta technology, a dozen merchants and a few dozen volunteers. It was an effort to attract attention and resources in order to scale the system for commercial introduction to the market. The DCS accounting and transaction processing system worked well. It utilized a PayPal back-end to process the cash portion of the transaction using a volunteer's credit card or checking account as the cash source. The beta test never

reached a critical mass of transactions, nor did it attract needed funding. It was eventually discontinued. DCS believes that needed technologies, merchant and customer networks and financial resources are all at hand for the rapid development of DualCurrency Commerce.

[Return to top of document](#)

Consumer / Community Perspective

How might I earn DualCurrency Dollars?

- That depends on what programs are set up in your community or online. You might earn DualCurrency wellness incentives and other employee benefits where you work or volunteer rewards from your community or religious organization. There could be supplemental DualCurrency income for senior citizens and displaced workers or welfare reform programs through the government. You might earn green incentives through environmental organizations or youth incentives to get better grades and graduate through the school system. It will be up to those who set up DualCurrency programs in collaborative alliances of merchants, transaction vendors, employers and community organizations to design rules and programs for earning DualCurrency Dollars.

[Return to top of document](#)

How might I spend DualCurrency Dollars?

- Participating merchants in your community or online would accept DC\$ along with cash from participants in DualCurrency programs. You would look online for a list of participating businesses. Either online or in stores the merchants would explain their offers, including what percentage of DC\$ can be redeemed on purchases, plus whether there are any restrictions on available products, services, hours of service, etc. In the early stages of DualCurrency Commerce there will likely be some restrictions on purchases, just as there are with other promotional offers, such as '2 for 1' dining, cyber fares, senior citizen discounts and so forth. This is not much different from the early stages of the introduction of paper currency or of credit cards, where few merchants initially accepted paper currency or credit cards, but eventually acceptance became widespread.

[Return to top of document](#)

How would I track my DualCurrency Dollars?

- Just as with any bankcard service or online buying program, there would be an 'electronic paper trail' for all transactions and an updating of balances in your accounts. You would log-in with a typical security password and look up your earning, spending and balance. Depending on the design processes of a given DualCurrency Network, you may have separate accounts for each type of reward that you earn or all your rewards might be aggregated into a single DualCurrency Dollar account according to their valuation in the Network. Public kiosks would be readily available as part of the new economic infrastructure for people who don't have easy home access to computers. As well, the growth of the home computer market, due in part to enhanced DualCurrency purchasing power would continue to close the gap.

[Return to top of document](#)

Would DualCurrency Dollars be taxed as income?

[See the response to the question: What might the IRS say?](#)

[Return to top of document](#)

How is this different from the “universal” rewards program that my credit card offers?

- The “universal” reward programs which are offered by some credit card companies are not universal in the way that we use the term. For the Loyalty Rewards Industry, DCS devised the Universal Rewards Solutions program [\[http://www.dualcurrency.com/files/UniversalRewardSolns.pdf\]](http://www.dualcurrency.com/files/UniversalRewardSolns.pdf) where any participating merchant could accept any participating reward on a DualCurrency (part-cash; part-rewards) basis. This program is a way to stretch consumer cash using existing rewards and to drive desired traffic to participating merchants. The biggest difference with DualCurrency Commerce is that today’s customer loyalty rewards only reward consumer spending. The result is that whoever already has the most money also earns the most rewards — not a very level economic playing field! DualCurrency Commerce offers to reward many socially beneficial activities and behaviors; giving blood, community service, wellness activities, recycling and more).
- **EcoBucks: an Example of Green Incentives from the Consumer/Community Perspective:*** Sally Anderson is a volunteer for the Sierra Club. Sally receives 10.00 EcoBucks (E\$) for each hour of promoting public awareness on environmental issues. As she canvasses door to door, the EcoBucks program also offers incentives to community members for recycling, carpooling and improvements to the energy efficiency of their homes. Sally goes on-line to view her EcoBucks account balance and to learn where she can spend her EcoBucks. She sees that the Olive Garden Italian Restaurant offers DualCurrency specials at lunchtime. Sally takes a friend to lunch and pays the \$30.00 tab with her DualCurrency enhanced VISA card. Sally saves cash and supports participating businesses. The community gets a better environment. Sierra Club improves volunteer recruitment and retention, while encouraging sustainable commerce and a new economy.

*Businesses and organizations are examples only; no contracts or endorsements are implied.

[Return to top of document](#)

Why would a Merchant accept DualCurrency Dollars?

- By participating, businesses open up more customers, just as businesses today who take several forms of payment or participate in several sales and promotional programs.
- The impetus for a business to put on sale or barter its excess or underutilized capacity is what economics terms the marginal cost of production. It is the same principle behind discount offers such as “2 for 1” dining, senior discounts, dollar movie night or cyber-fares. After fixed overhead is covered, even highly-discounted sales can be profitable.
- **EcoBucks: an Example of Green Incentives from the Vendor Perspective:** The merchant receives \$12.00 in US dollars and E\$8.00 (this is similar to the economics of “2 for 1” dining specials. Merchants can set their own ratios of dollars to EcoBucks). The Olive Garden enjoys additional sales and incremental profits without advertising; they also promote sustainability by exchanging underutilized business capacity for EcoBucks earned by community volunteers.

[Return to top of document](#)

What are the benefits to Nonprofit and Community Organizations?

- DualCurrency Commerce and the Virtual Community Warehouse represent a new source of financial resources beyond philanthropy, government funding and traditional earned income from product sales. Charitable, nonprofit and community organizations continuously seek funding, because both the organizations and their clients need money to buy things. But looking into the modern economy, all of the *things* that organizations, families and communities need: healthcare; education; housing; transportation; legal services; marketing services retail products; office supplies and more are abundantly available whenever people have the required purchasing power. So there may be a shortage of money, but there is no shortage of needed goods and services. Because businesses everywhere seek more customers for the very products and services that organizations, people and communities need, DualCurrency Commerce provides the additional purchasing power to close the gap, making needed goods and services more widely available.
- Examples of DualCurrency funding for the nonprofit sector might include: volunteer rewards to attract, motivate and retain more volunteers; employee benefits that don't increase the cash labor costs of organizations and don't require more fundraising; subsidies for seniors or people unable to work which don't require philanthropic donations or tax dollars; financing for community programs for youth and seniors or to upgrade people's work skills; funding to upgrade deteriorating community infrastructure. This can all be funded through the products and services in the Virtual Community Warehouse, which represents the abundant productive capacity and human skills of our businesses and communities.

[Return to top of document](#)

What is meant by DualCurrency Tithing?

- ***DualCurrency Tithing: New Financial Resources without Charity or Taxes*** Innovation in the nature of money, as well as how it is used, offers commercial opportunities with important social benefits. As an example, *DualCurrency Tithing* blends *DualCurrency* pricing with the age-old religious practice of tithing.
- Everyone in a *DualCurrency Network* pays for products and services partly in cash and partly in rewards (generically termed *DualCurrency Dollars*). While everyone pays the same prices for goods and services, those with greater financial resources voluntarily pay a higher percentage of *US\$*, so those with fewer financial resources can pay with a higher percentage of *DC\$*.
- For example, an upper middle-class family might pay for a \$40.00 restaurant tab with *US\$*32.00 and *DC\$*8.00. This would allow a lower income family in the Network to enjoy the very same \$40.00 dining experience by spending *US\$*12.00 and *DC\$*28.00. Meanwhile, the restaurant does not get involved in this arrangement and still gets the ratio of *DualCurrency Dollars* they want. [See Appendix One of our white paper. <http://www.dualcurrency.com/Awakening.pdf>] It is a bit like teaming-up on the benefits of two for one dining or senior discounts. Both families have produced value in the economy and each can afford an enjoyable family dining experience.

[Return to top of document](#)

Is this program targeted more at Liberals or Conservatives?

- DualCurrency Commerce operates outside of the Liberal versus Conservative framework. The DualCurrency approach to economic development is business-community-led, market-based and profit-driven, yet it is decidedly not trickle down. The program is completely voluntary and does not tell people what they can and cannot buy with their DualCurrency Dollars. The premise of DualCurrency Commerce is that by removing economic obstacles and by creating more opportunities for good paying work and community service — on a more level economic playing field — society will see a dramatic rise in the number of healthy families and communities.
- DualCurrency Commerce eschews the blame of traditional political debates. The list is long of who and what gets the blame for problems in the economy: the rich and the poor; politicians on the left or the right; global corporations, foreign competition and immigrant workers; the unions and poor family values; schools, teachers, parents and children. The targets of blame and people's political perspectives seem to go hand-in-hand. Yet not a single person alive on the planet today created the economic system that we all inherited, so why blame anyone... when blame gets us nowhere?

[Return to top of document](#)

Business Perspective

What would be the business benefits of DualCurrency Commerce?

- There are different benefits for different business stakeholders. Here are some examples:
 - **Merchants** would enjoy a boost in sales and profits, with customers delivered for free through DualCurrency Networks. Electronic card processing at the point of sale saves merchants time and money over cash, checks, coupons and punch cards. Merchants would enjoy a variety of DualCurrency incentives for their employees, such as HealthBucks and Community Service Dollars.
 - **Individuals** (employees and customers) would enjoy increased purchasing power through spending DualCurrency Dollars along with cash. Because a DualCurrency Network would also function as a currency exchange for the different rewards in the system, customers would experience less hassle with their many different loyalty reward programs.
 - **Banks, Credit Card Issuers, Transaction Processors and E-Commerce Intermediaries** would have exciting new programs to offer; attracting more cardholders, driving more customers to Merchants and enjoying increased transaction revenues. Three important industry trends would be supported: continued migration from currency and checks to all-electronic commerce; helping the unbanked to enjoy the security and convenience of banking relationships; and spreading electronic banking services globally in support of international economic development efforts.
 - **Customer Loyalty Program Operators**, such as the airlines, credit card companies and many retailers, could help to restore customer loyalty by making their rewards easier to redeem. They could take high liabilities off their books at very low costs. Program Operators could also gain valuable demographic

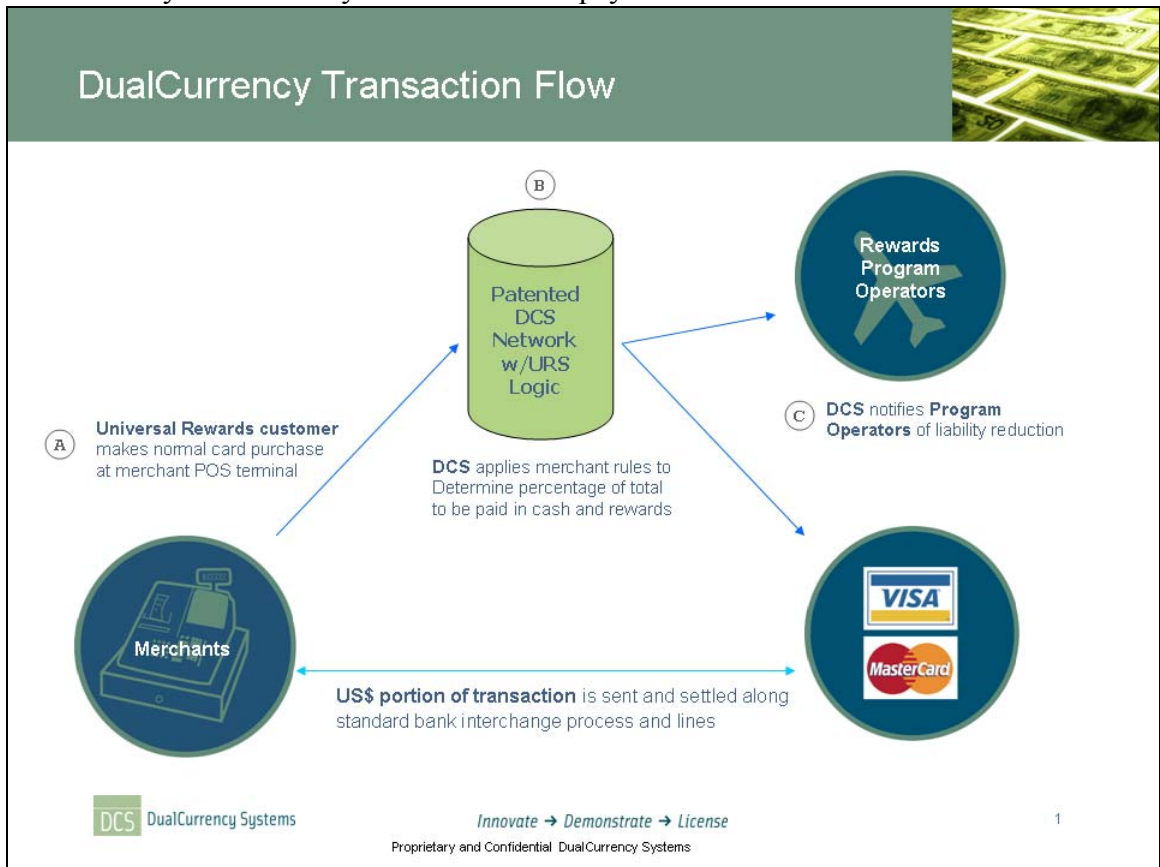
information on customers buying preferences through voluntary surveys conducted within a DualCurrency Network.

- **Communities** would enjoy new financial resources by capturing currently wasted business wealth within the Virtual Community Warehouse. Communities could use those resources to create full employment, to improve economic infrastructure, to improve childcare, education and youth mentoring, as well as to address many environmental protection and energy conservation issues.

[Return to top of document](#)

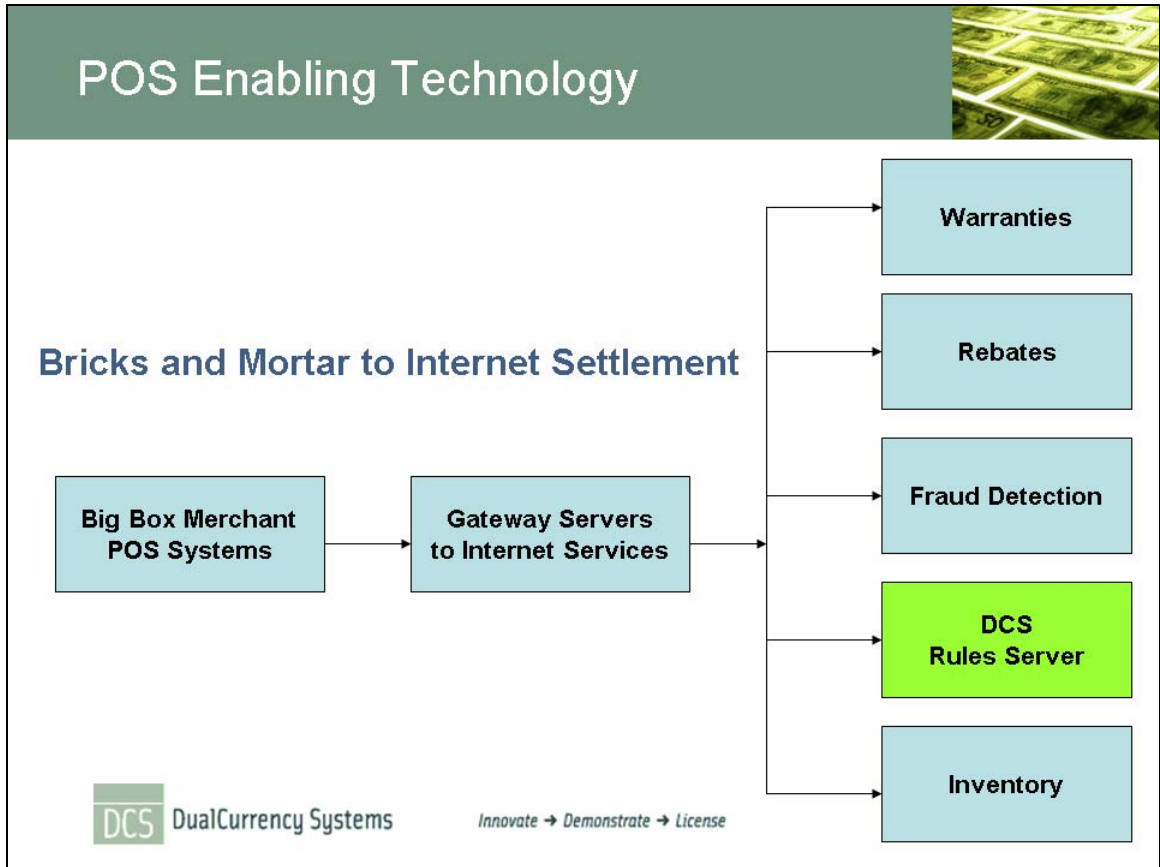
How does the transaction settlement system work?

- In Online DualCurrency transaction settlement everything is handled on the Internet. When a customer makes a DualCurrency purchase online, the DualCurrency Rules Server checks the merchant's rule base for the percentage of rewards acceptable in the transaction and calculates the cash and rewards portions. The rules base is also checked to confirm that the purchase qualifies for DualCurrency pricing (i.e. there are no adverse restrictions). The Customer Rewards Account is debited by the DC\$ amount and the US\$ source (credit or debit card; checking or savings account) is charged for the cash portion. The Merchant would receive the negotiated cash percentage of the transaction in the same way that he always receives online payments.



- For an in-store DualCurrency credit or debit card transaction the key to settlement is exiting with credit card and purchase data from the point-of-sale (POS) terminal to the Internet through a 'gateway.' The information is transmitted to the

DualCurrency Rules Server where the same process outlined above is repeated. Today there are a variety of Merchant services bundled together by vendors and delivered both to and from the POS terminal through the gateway. These services include warranties, rebates, fraud protection, inventory and others, so DualCurrency pricing, accounting and transaction settlement would simply piggyback on this established transaction settlement infrastructure.



- Until recently, gateway computers were used almost exclusively by larger, big box-style Merchants with multiple check-out lanes and POS terminals. Today, an ever-growing number of “mom and pop” or mid-sized retail operations have integrated and Internet enabled cash registers and POS systems. This means that participation in DualCurrency Commerce would be available to businesses large and small.

How are DualCurrency Dollars a new financial instrument and not merely an electronic discount?

- If we only think in terms of a single legitimate currency, then any time that a merchant accepts less of that currency the transaction appears to be discounted. The DC\$ is, at one and the same time, a discount in the old economy and a bridge to the next one. A useful analogy in grappling with this distinction would be the emergence of paper currency, at a time when only gold coins and tradable goods and services served as money. The first promissory notes and paper currencies were not a discount against the full price of an

item in gold or goods. They represented the first uncertain steps towards a powerful new financial instrument.

- DualCurrency Dollars are backed by contracts with Network Merchants to redeem them in a specific ratio with U.S. dollars (that ratio is set by the Merchant). This is dramatically different from a discount which is just lost revenue for the merchant and a smaller taxable transaction for the community.
- Competitive discounting is an essential feature of modern marketing and commerce. Over time, competitive discounts contribute to downward pressure on profits and wages. [Read more in our white paper. <http://www.dualcurrency.com/Awakening.pdf>] An unintended consequence of ever-falling prices is often business downsizing and the general decline of employee compensation. Employee wages are, of course, the source of most consumer purchasing power. *DC\$* can restore lost purchasing power into the hands of employees (as well as owners or investors), without raising the cash costs of the business.

[Return to top of document](#)

Do merchants risk turning full-cash customers into partial-cash, DualCurrency customers?

- Every type of sale or promotion runs a similar risk. In today's competitive business environment, the trend is for customers to search out the lowest available prices (especially through the Internet), therefore, downward pressure on prices and margins is likely to continue. In the early stages, DualCurrency Commerce would employ restrictions and redemption guidelines that are traditionally used to steer customers towards excess capacity that is sold at lower cash prices. Examples include:
 - No Friday or Saturday nights
 - New members only
 - Off-season special
 - Only available on the Internet
 - Not good with other special offers
 - Limit one per customer
 - One free with one paid
 - Available between 4:00 – 6:00 p.m.
 - And more
- DualCurrency Commerce has several distinct advantages over traditional discounting that help to counteract the problem of narrowing margins and lost revenues. First, in a DualCurrency Network, customers pay normal retail prices in a combination of cash and rewards, which helps to create stable, workable prices for merchants. Second, discount programs generally require additional cash expenditures for advertising to make the special offers known. A DualCurrency Network would drive traffic to Merchants, thereby lowering the cost of customer acquisition and retention. Third, *DC\$* would provide an alternative form of purchasing power to owners/investors and to employees in place of what is normally lost from discounting and could similarly be lost in a DualCurrency transaction. Fourth, while lost revenues from discounting might normally send shock waves throughout an entire network of inter-dependent merchants and vendors over time, *DC\$* again provide alternative resources that create stability and upward economic momentum among all the parties. Lastly, a DualCurrency transaction

system could cut money handling costs associated with: counting currency and coins or posting checks; managing coupons and other promotional devices; and suffering losses from bad checks.

- One day, DualCurrency Dollars may be as fungible as U.S. dollars. Then, most restrictions would disappear, because the two financial instruments would be interchangeable. When new financial instruments solve economic problems that their predecessors could not, they eventually become the coin of the realm. This is true, whether we are discussing the convenience and versatility of paper money over gold, or the many advantages of electronic debits and credits in computers over paper currency and checks.

[Return to top of document](#)

Why don't DualCurrency Dollars circulate like U.S. dollars, barter dollars and local currencies?

- Circulating currencies lack the flexibility of purely symbolic units of measure. No other symbol is a “unit of exchange,” which is one reason that we are having so much trouble with our money. Everywhere, businesses want to sell things that people need to buy, yet the needed money might be off in the Japanese stock market, invested in Swiss Francs or chasing a Return on Investment in a Chinese construction company. It is impossible to exchange a true symbol, such as an inch, a gallon or a pound. “Hey, Charlie, pass me the gallon to measure this liquid.” It is equally absurd to charge interest or to offer dividends for use of the number nine, the unit of measure quart or the symbol pi. “Say, Betty, if you would lend me a nine today to get my taxes done, I’ll pay you back a ten when I get my tax return.” Yet charging interest and paying dividends is exactly what we do with the symbolic electronic debits and credits called money. Addressing this strange characteristic of money by having ***a second unit of measure and accounting that that is purely symbolic is one of the breakthroughs in DualCurrency Commerce.***
- But if DualCurrency Dollars do not circulate can they really be a next generation of money? What makes something money is very simple. It must be a reliable tool to increase economic cooperation and to expand the volume of goods and services produced and distributed? If so, it is a form of money.
- Put even more simply:
If businesses redeem it for their products and services...
If employees accept it and spend it as customers...
If communities prosper from its use...
Then it is money.

[Return to top of document](#)

How are decisions made in a DualCurrency Network?

- Decisions made by businesses, employees and customers would most likely look pretty much like they do today. Owners and managers would make decisions about hiring, promotions, employee compensation, hours of business, distribution of profits, etc. Businesses would decide what items to produce and sell and would set prices according to market dictates, but with a new factor: customers would be asking, “Where can I spend my DC\$ and what percentage of DC\$ can I pay?” Employees, who are also customers

away from work, would still decide where to work and how to spend their paychecks. Labor unions might play their traditional role, only with labor-management relations enhanced through the creation of a growing economic pie and an inherently more cooperative set up. Lastly, dissatisfied customers would have the same recourse that they do today; going to the Better Business Bureau or similar agencies.

- There are other decisions that would be built into the design of different DualCurrency Networks by the founding businesses and organizations. These Founders might include banks, credit card and e-commerce companies; merchants; employee, consumer and community representatives and others. Just as the current economic structure once set up rules and standards for currency and banking and just as the Internet evolved a set of protocol making it easy to access and use, so the new DualCurrency Networks would evolve rules for ease of use and the collaborative use of a valuable infrastructure.
- There is much to be learned from the original VISA network which was cooperatively owned and managed by its member banks. Banks set policies and controlled operations through representative boards. While individual banks would compete over and control their own portfolios of cardholders, all banks cooperated by following the VISA rules and regulations. A DualCurrency Network would be a similar cooperative association, only made up of retailers, employers, employees and community organizations, as well as banks and transaction vendors.
- Here are four useful references on the topic of new organizational models and collaborative decision-making:
 - DCS White Paper, Sustainable Prosperity Now! (page 15) New Organizational Forms for a New Economic Era <http://www.dualcurrency.com/Awakening.pdf>
 - [The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations](http://www.amazon.com/gp/product/1591841437/102-5120480-9149730) by Ori Brafman and Rod Beckstrom <http://www.amazon.com/gp/product/1591841437/102-5120480-9149730>
 - Birth of the Chaordic Age by Visa Founder Dee Hock <http://www.amazon.com/Birth-Chaordic-Age-Dee-Hock/dp/1576750744>
 - A shorter essay by Dee Hock: Chaordic Organizations: Out of Chaos and into Order <http://www.ki-net.co.uk/graphics/Dee%20Hock%20-%20The%20Chaordic%20Organization.pdf>

[Return to top of document](#)

Current Events

You assert that the current economic breakdowns can not be repaired through a bailout or by better monetary policies, but, instead, require a paradigm shift in economics and the creation of a new financial instrument. Please explain.

- There are *two reasons* that seemingly intractable economic problems have persisted into the 21st Century.
- ***The first reason is that modern economics operates from the outdated premise of “scarce resources and unlimited wants and needs.”*** When any field of human endeavor operates on a faulty premise, such as “the earth is flat,” “evil spirits cause disease,” or “man will never fly,” it is impossible for society to advance in that field. Countless

products and services are no longer “scarce,” yet how we conduct business keeps them financially out of reach of people who need them. Take the example of food and world hunger. In contrast to economic theory, food is not a “scarce resource.” It is an abundant renewable resource. There are not “unlimited wants and needs” for food, but rather practical and biological limits to how much food any human being can consume. Indeed, the consequences of overeating are obesity and poor health. Yet people die of starvation around the world, today, while global agribusiness — one of the most powerful industries on the planet — seeks to sell more food to more customers. The issue of world hunger, then, is neither a matter of scarcity nor of unlimited wants and needs, but instead is first and foremost a matter of financial resources (meaning money or purchasing power in the hands of would-be food customers).

- Healthcare, education and renewable energy (sun, wind, hydro and geothermal) are each abundant renewable resources today. In ever more countries around the globe, there are enormous surpluses of desirable products and services. There are more books, newspapers and magazines than it is possible to read. There are more television programs, radio shows, movies, museums, concerts and theatrical events than anyone could ever watch or attend. Eager fans can not enjoy even a fraction of the sporting events in progress at any point in time. There are more restaurants than anyone could eat at; more travel destinations than anyone could visit; more classes and lectures than anyone could attend and so forth—and, there is more of nearly everything, all of the time! So, abundance has already replaced scarcity as a foundation for modern economics and commerce. The modern economy also produces innumerable products and services using ever-less raw materials, energy, labor and capital. DualCurrency Commerce provides tools and a profit motive for more sustainable production and living. [See our white paper at: <http://www.dualcurrency.com/Awakening.pdf>]

“If your only tool is a hammer, then every problem looks like a nail”

— Abraham Maslow

- *The second reason for the persistence of our economic problems is that a national currency, such as the US dollar, is an inadequate financial instrument to distribute the abundance that the modern economy produces. [See this question: Why don't DualCurrency Dollars circulate like US dollars, barter dollars and local currencies?](#)*
- **Money-innovation and the Next Economy** There is an indisputable relationship between innovations in money and the progression of economic systems. As well, there is an acceleration in the pace of change in both our money and in our economic system:
 - The **agricultural era** developed over a period of **three to five thousand years**. Productivity improved and products diversified with the emergence of barter and early forms of money (shells, precious stones, gold and silver coins).
 - The **industrial era** matured in a mere **three to five hundred years**, propelled by the emergence of paper currency and checks, and the growth of banking systems.
 - Today's **global high-tech era** is mature in an astounding **30 to 50 years**, spurred by electronic banking, credit cards, and e-commerce.

- It is not difficult to imagine that a new economic era of Sustainable Prosperity — turbocharged by the next innovation in money and payment platforms — could suddenly be upon us due to the rapid pace of today's business innovation.

[Return to top of document](#)

What should be the role of government in DualCurrency Commerce?

- There are many public sector institutions that produce useful products and services. Examples include public schools and universities, public hospitals, job training and public libraries. Therefore some government institutions can add products and services to the Virtual Community Warehouse. On the other hand, there would be no need in a DualCurrency System for taxpayers to fund competitive duplication of goods and services that the private sector can already produce in abundance.
- The traditional role of government in providing a social safety net or as the employer of last resort may be reduced when the power of business to produce needed goods and services is unchained from the limitations of dollars only economics. There is a growing bias towards greater control of resources by businesses and communities, and a business-community alliance can efficiently provide services that we have come to expect tax-funded government programs to supply. On the other hand, in the short run, government has the existing relationships to add DualCurrency purchasing power for seniors, stay at home parents, people in work transitions and so forth.

[Return to top of document](#)

How quickly could this system be developed and implemented?

- The world is now witnessing the blinding pace of business mergers and acquisitions, and capital allotments by traditionally sluggish financial institutions and government regulators in the face of an economic crisis. Imagine what might be possible by adding a new and hopeful vision of the future. When the time is right, even the oldest paradigms can shift on a dime. One hundred and fifty years ago, the 3000 year old economic system of slavery ended in a five year civil war with none of our current technologies of global telecommunications and banking. Similarly the 3000 year old paradigm “man will never fly” ended in eight seconds and 120 feet at Kitty Hawk. Timing is everything, and nothing is as powerful as an idea that's time has come!
- The DualCurrency Systems' business method patents for the financial services industry describe a simple and straightforward enhancement to existing business practices and tools. Credit cards and e-commerce can be utilized to mobilize the currently underutilized productive capacities and skills of most businesses and individuals relatively quickly. We know exactly how to produce and distribute food, shelter, clothing, housing, healthcare, education, transportation, travel, recreation, leisure and more that people can afford to buy. A DualCurrency economic revitalization and transformation of current systems is just a matter of doing more broadly and more sustainably what we already do relatively well.

[Return to top of document](#)

Is this just another model of excessive consumption?

- Shopping and consumerism could be considered addictive coping mechanisms within a dysfunctional economy and culture. US consumers are depleting and destroying the very life-supporting ecosystems that all life depends upon. DualCurrency Commerce is designed to promote sustainable economic development by offering powerful tools for economic design. DualCurrency Commerce promotes environmentally sustainable behaviors through the EcoBucks program, as well as promoting ever-greater economic cooperation among businesses and industries to eliminate Proliferation of Competitive Duplication. The result would be an enormous reduction of waste in production and distribution of goods and services, while simultaneously addressing the social stresses that have led to a culture of consumerism. DualCurrency Commerce also holds the promise of Eco-Conversion – the elimination of environmentally harmful products and production processes, without people losing their livelihoods and communities losing their financial resources.

[Return to top of document](#)

Does DualCurrency Commerce have anything to do with Socialism or Communism?

- Not at all. DualCurrency Commerce is a revolutionary new approach to solving economic problems that is business and community-led, market-based and profit-driven. **All the power within the system rests in the hands of businesses, employees, customers and communities.** Self-regulation comes from the common needs of all the stakeholders and from the underlying, collaborative design principles of the Networks – much like industry associations or the Internet function. There is **no need for taxpayer funding**, because abundant technologies, products and services from businesses, labor and management skills, existing infrastructure and renewable materials and energy sources are the resources used to produce and distribute wealth, with money playing an enabling but subordinate role. There is no reason to nationalize banks or any other institution, which is turning out — tragically or comically — to be a capitalist, not a communist, imperative today.
- DualCurrency Commerce offers financial and moral incentives in a balance that invites **voluntary participation and promotes optimum efficiency and cooperation.** The zero sum game of traditional money-based economics is transcended through the development of a much bigger economic pie on a win-win and sustainable basis. This transformation in economics as we know it would benefit not only people in the US, but people the world over. The free-enterprise system would be the engine of rapid and sustainable global economic development with the US economy demonstrating a high quality of life for all and a new commitment to preserving and restoring the natural environment for future generations and all living beings.