

Sustainable Prosperity

CAPTURING UNDERUTILIZED BUSINESS CAPACITY TO
REVITALIZE THE ECONOMY AND TRANSFORM OUR QUALITY OF LIFE

A WHITE PAPER ON *BUSINESS DOLLARS™* AND DUALCURRENCY COMMERCE

PREPARED FOR THE *FUTURE OF MONEY SUMMIT*

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INTRODUCTION AND SUMMARY ONLY • SEE WWW.DUALCURRENCY.COM

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DUALCURRENCY SYSTEMS



DualCurrency Systems
Making the economy everybody's business

www.dualcurrency.com

Paradigm Shifters Wanted

TO HELP DEVELOP BUSINESS APPLICATIONS OF DUALCURRENCY COMMERCE

DualCurrency Systems (DCS) holds the first U.S. patent for DualCurrency Pricing, Accounting and Transaction Settlement Systems. (Patent 5,687,323) DCS seeks strategic alliance partners to develop a number of business applications for DualCurrency Commerce. If you are interested in investigating such a partnership, please contact us at:

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*Thank you to my team for holding the vision
together and setting things in motion.*

*Thank you to Anni, my wife, for partnership,
courage, love and support.*

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SUSTAINABLE

Sustainable \Sus*tain"ə*ble\, a. [Cf. F. soutenable, OF. soustenable.] 1. Capable of being sustained or maintained; 2. Supplied with necessities or nourishment; provided for; 3. A system, ecological or of human creation, that utilizes renewable resources for growth and maintenance.

PROSPERITY

Prosperity \Pros*per"i*ty\, n. [F. prosp[*ˈ*e]rit[*ˈ*e], L. prosperitas. See Prosperous.] 1. The state of being prosperous, wealthy or fulfilled; 2. Advance or gain in anything good or desirable; successful progress in any business or enterprise; attainment of the object desired; good fortune; success; as, commercial prosperity; national prosperity.

SUSTAINABLE PROSPERITY

1. A state 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;
2. A new balance of economic competition with economic cooperation that promotes the efficient use and sharing of natural resources, technologies, knowledge and capital at the local, national and global levels;
3. The highest expression of a free-enterprise system, which affords social, economic, political, cultural and artistic freedoms, side by side with individual responsibility, mutual respect and special consideration for people truly in need.



Forward

As the United States progresses from an industrial economy to a post-industrial information economy, we continue to experience severe economic dislocations. Millions of Americans have lost their jobs, somewhat akin to when factories replaced farms as the dominant form of production. Many communities are in decline, and many families face difficult times.

It may provide insight and some reassurance to recall the earlier transition from an agricultural to an industrial economy. Initially, many people lost their livelihoods on the land and few had needed skills for the industrial economy. Child labor, long hours of work, low wages, sweatshops and crippling industrial accidents were all commonplace. It is not surprising, that some of today's difficult economic conditions remind people of "the bad old days." As much of the suffering facing individuals, families and communities is heartrending, it may prove valuable to stop and ask, "Are the dislocations and hardships more painful and more protracted than is really necessary?"

An economic program that can speed the transition and soften the dislocations, as the Information Economy unfolds, would be of great value to businesses and their stakeholders—employees, customers, shareholders, vendors and communities alike. This White Paper introduces such a program for rapid, sustainable economic development. It challenges us to rethink a number of economic assumptions that once served us well, but which every day are proving more inadequate.

An innovative application of banking and transaction technologies has been devised to bridge the large and growing gap between the standard of living and quality of life that the global Information Economy makes possible and that which we currently experience. This new form of exchange is called DualCurrency Commerce. The simple premise is that dollar financial resources, whether for commerce or community development, can be augmented through use of an additional non-dollar medium of exchange. Similar non-cash instruments have been well received in the airlines industry, as the worldwide growth of frequent flyer mile programs documents. We will explore how a new financial instrument, as an incentive for more than consumer spending, can be utilized for economic revitalization.

DualCurrency Commerce is a business-led, market-based, profit and values-driven approach to sustainable economic development. As such, it offers to transcend the current left versus right polarization and stalemate that keeps both politics and economics from delivering effective solutions to longstanding social and economic challenges.

The appeal to conservatives is private sector, market-based and profit-driven solutions. There is no need and no call for "redistribution of wealth." DualCurrency Commerce produces and distributes new wealth from currently underutilized resources. As well, the proposals contained herein require neither government regulation nor government funding to succeed. The appeal to liberals is that new economic resources do not "trickle down." They are already at our fingertips, if only we can open our eyes and see them. What will appeal to both sides is a way out of our current economic dilemmas, which includes a new level playing field for those willing and able to help themselves, combined with additional community resources for those truly in need of a helping hand. Lastly, there is a deep commitment to environmental sensitivity and long-term sustainability, along with extensive local autonomy to address local concerns.

The proposals contained in this White Paper do not break any rules of free enterprise, market economics. In fact, DualCurrency Commerce improves market efficiencies, wherever businesses have underutilized productive capacities side by side with individuals, families and communities with unmet wants and needs.

The economic and business insights shared in this White Paper began with a simple inquiry: “Why don’t continuous advances in technology and labor skill result in commensurate, across-the-board improvements in our standard of living and our quality of life?” I questioned what might be behind the money-chasing rat race that seems to have engulfed modern American life.

I could not be convinced that economic suffering—unemployment, homelessness, poverty, disease and global famine—or, what seemed to be the social consequences of such suffering—alcoholism, drug addition, domestic violence and despair—had to characterize life in the twenty first century. I never believed the explanation/justification of a greedy human nature, and I wondered if instead there wasn’t merely a hidden flaw in our economic thinking. One result of my unfolding inquiry was the discovery of certain mysteries and anomalies in modern economics and the design of several practical business tools to address them.

This White Paper is a work in progress. It is a first modest exploration into a new economics for a new economic era. As such, it is destined to be enriched by discussion, debate, and most importantly, by real world applications of the concepts.

The White Paper is divided into three major sections. The first section explores a number of my discoveries about money, wealth, competition, cooperation and economics. The second section introduces new tools for transaction banking and commerce that apply the DualCurrency solution. The third section is comprised of appendices, which suggest applications of DualCurrency Commerce.

Joel Hodoff
October 2003



Solving the Puzzle

OF MONEY AND SUSTAINABLE PROSPERITY

PROLIFERATION
OF
COMPETITIVE
DUPLICATION

CHAORDIC
ORGANIZATIONAL
MODELS

BUILDING
HEALTHY
COMMUNITIES

COMPETITION AND
COOPERATION OUT
OF BALANCE

DUALCURRENCY
COMMERCE

BUSINESS
DOLLARS

COOPERATIVE
INDUSTRY
ASSOCIATIONS

STAKEHOLDER
CONSENSUS
BUILDING
TECHNOLOGIES

ALL-
ELECTRONIC
COMMERCE

MONEY
≠ WEALTH

PARADIGM
SHIFT

NEED w/o
\$
≠ DEMAND

GOODS &
SERVICES w/o
\$ ≠ SUPPLY

Assumptions and Insights

OF DUALCURRENCY COMMERCE

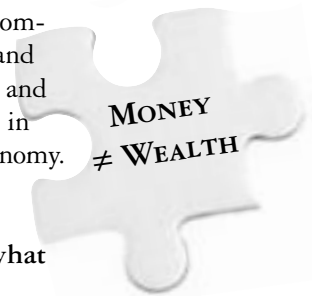


1. The possibility of *Sustainable Prosperity* calls into question the long-held theory of “scarce resources and unlimited wants and needs” as a foundation for modern economics and commerce. Every day the Information Economy produces more and better goods and services with fewer materials, less energy, less labor and less capital. These trends should be driving a continuously higher standard of living and quality of life, with ever-less detrimental impact from production on the environment. For some mysterious reason, this is not happening.
2. At the same time, underutilized business capacity—or wasted wealth—can be seen everywhere in the economy: from empty restaurant tables, empty airline seats, and empty college desks; to excess inventories at auto dealerships, big-box retailers, neighborhood shops and shopping malls; to off-hours at such venues as movie theaters, health clubs and beauty salons. This underutilized capacity and excess inventory represents inefficiency in the market and a significant business opportunity.
3. Only a lack of consumer purchasing power keeps many willing buyers and willing sellers apart. Countless individuals, families and communities in the U.S. and around the world yearn to buy the very products and services that businesses seek to sell. A lack of consumer purchasing power is nothing more than a lack of money, thus, only a lack of money keeps buyers and sellers apart. The anomaly that begs a paradigm shift in our thinking is that money was created to promote commerce, rather than to inhibit it.
4. Much confusion exists in economics and commerce involving money (the tool) and wealth (the objective). If economic competition were strictly to distribute more and better goods and services, then there is plenty of capacity to produce and distribute more. In contrast, observe how businesses downsize and fail, merely for lack of cash paying customers, while there is still plenty of unmet wants and needs for their product or service. This gap between available business capacity and unmet consumer wants and needs is a classic example of paradigm blindness.
5. An underlying problem is that *competition and cooperation are out of balance*. Imagine a business where every department in the company competed the way that businesses within an industry compete, with no management or authority to reduce the competition. There would be total chaos. Yet, we fully expect unbridled competition between businesses to produce the best possible economic results. Until we can better distinguish between money and wealth, it is nearly impossible to discern how competition over money undermines needed cooperation to efficiently produce and distribute goods and services.
6. *Cooperating industry associations* are an important way to improve the balance between competition and cooperation. Competitive businesses often cooperate through industry associations. One example is jointly setting product specifications and standards, such as 24" wide dishwashers, address protocol on the World Wide Web, or standard-sized spark plugs and tires for automobiles. Competitors also cooperate in industry associations such as the American Manufacturers Association, the American Medical Association or Chambers of Commerce. An important precedent for this discussion is the 1969-70 creation of the VISA processing system, where a large number of competing banks cooperated to build the system, while still competing to acquire individual cardholders. All these examples represent a constructive balance of competition and cooperation.



7. **Because Economics confuses money and wealth, it also confuses “productivity” and “profitability.”** Productivity results from advances in technology and improvements in labor skill. Productivity is clearly improving daily in the Information Economy. Profitability, on the other hand, is a money matter. Profitability generally declines as industries mature and competition increases. When economists call for greater productivity through lowering labor and other production costs, they are ignoring the already vast productivity of our technologies and work force and overlooking that every cut in labor costs translates directly into reductions in consumer purchasing power. This of course drives down sales and profits elsewhere in the economy.

8. **Much of the mystery, confusion and controversy linked to economics stems from what might be termed the dual nature of money and competition.**



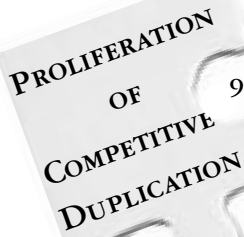
A) **The Dual Nature of Money: Money simultaneously encourages cooperation in the production of goods and services, while encouraging competition over their distribution.** On the one hand, the dollar functions as a universal unit of measure and accounting, i.e.; a symbol or icon. Dollars are used to measure the value of goods and services—including the value of labor—for exchange in the market, as well as to keep account of financial transactions. This is how money promotes economic cooperation.

Yet, every other unit of measure and accounting, such as an inch, a gallon, a pound or the number eight, is *purely symbolic*. They cannot be owned, loaned, invested, exchanged, stolen or hoarded. Everyone shares them freely and equally.

Money, on the other hand, descended from scarce commodities, such as gold and silver coins, and functions as a semi-scarce unit of exchange (an object passed between buyer and seller). This *semi-scarce, commodity-like nature* allows money to be the only symbol that is bought and sold and which commands interest and dividends in the market. In this way, money promotes competition in the distribution of *scarce resources, one of which is money itself*. It matters not that economists call modern money *fiat*, for symbolic, or that electronic debits and credits are infinitely available. Money—*itself a scarce commodity*—becomes the missing ingredient between otherwise eager sellers and buyers.

B) **The Dual Nature of Competition: Economic competition simultaneously promotes and hinders commerce and economic growth.** Moderate competition increases consumer choice, creates jobs, holds down prices and pushes up quality. Extreme competition or what might be termed *proliferation of competitive duplication*, places severe downward pressure on market share, profits and wages. Because employee wages are the single greatest source of consumer purchasing power, there becomes a large and growing gap between business capacity and consumer purchasing power or between what the economy can produce and what consumers can afford to enjoy.

Unraveling these dualities within money and competition helps us to understand that while dollars may be ideal for managing competition in the distribution of relatively scarce goods and services, they are less than ideal for the distribution of goods and services that are relatively abundant. Because the Information Economy produces an ever-greater abundance of more and more products and services, it behooves us to consider the possible role of a new financial instrument.



**PROLIFERATION
OF
COMPETITIVE
DUPLICATION**

9. This seeming unmanageability of money and the economy contains the seeds of an entrepreneurial solution. Downward pressure on market share from *proliferation of competitive duplication* produces excess or underutilized business capacity. It is possible to capture underutilized capacity and use it to back a new financial instrument. Such a financial instrument can increase employee compensation (i.e.; consumer purchasing power) without raising cash labor costs. It would be somewhat akin to giving employees raises and benefits out of currently empty restaurant tables, empty airline seats and empty college desks. It is useful to remember that people do not so much desire money, as they want the things that money can buy. So, instead of downsizing companies to match demand (in available dollars), it makes more sense to increase purchasing power to the level of available capacity—which businesses are already expert at doing whenever cash demand increases.

10. A new financial instrument, termed *Business Dollars*[™] ($\B)[™], has been developed to increase the purchasing power of employees and consumers. This in turn improves the sales and profits of retailers and the financial resources of communities. Similar non-cash instruments, such as frequent flyer miles, are already well received in the market and indicate the commercial potential for a supplemental business currency. While frequent flyer miles are issued primarily as spending perks, so that those with the greatest spending power also enjoy the most perks, *Business Dollars* are designed to promote Sustainable Prosperity and widespread economic security.

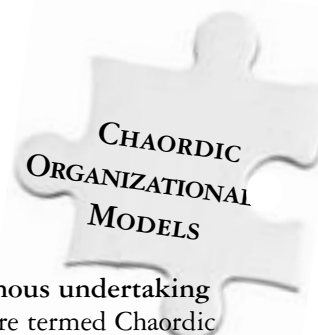
11. Similar to frequent flyer miles or barter dollars, *Business Dollars* are issued and redeemed within a voluntary, cooperative network of businesses. Under contract, participating businesses agree to sell a portion of their unsold products and services for some combination of dollars and Business Dollars. Each merchant sets their own ratio of US\$ to $\B , as well as any needed restrictions, similar to “2 for 1” dining offers, senior citizens discounts, dollar movie night and cyber-fares.

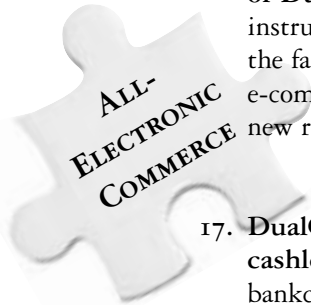
12. To function optimally, *Business Dollars* are designed with *eight distinct features*. They represent *best practices* among noncash financial instruments, transaction settlement systems and commercial networks:
 - A) $\B are denominated in dollars instead of miles, points, products or hours. They are therefore compatible with standard transaction, accounting and retail point-of-sale systems.
 - B) $\B are linked to dollars and exchanged in a ratio with dollars. Businesses set their own DualCurrency prices, based upon underutilized capacity and market response. This way, merchants enjoy incremental cash profits while accepting some percentage of *Business Dollars*.
 - C) $\B are backed contractually by a broad array of products and services from a diversity of merchants. This is distinct from frequent flyer miles backed only by airline seats or national currencies backed only by government promises. It is also distinct from backing a new currency with dollars, which does nothing to solve the dilemma of scarce dollars.
 - D) $\B distribute goods and services that are more abundantly available, while U.S. dollars (or a greater percentage of US\$ in the price) limit distribution of goods and services that are relatively scarce.



**BUSINESS
DOLLARS**

- E) **$\B are managed cooperatively by a strategic alliance of businesses**, much like the VISA system. This is distinct from third party management such as a barter broker or the Federal Reserve. Such a strategic alliance — utilizing *stakeholder consensus building technologies* — assures that *Business Dollars* best serve the entire array of business stakeholders: investors, employees, consumers, vendors, competitors and communities.
- F) **$\B are electronic**. Processing paper currency, coins, checks, discount coupons, punch cards and the like is inefficient, expensive and predisposed to errors and fraud. DualCurrency Commerce is designed as a simple enhancement to credit cards, debit cards, smart cards and e-commerce with the most sophisticated security systems possible.
- G) **$\B are virtual, purely symbolic and information-based**. *Business Dollars* are purely an accounting tool to better match business capacity with consumer wants and needs. They are neither loaned for interest nor invested for dividends. As an accounting tool, $\B are ideal to support local, national and even global commerce.
- H) **$\B are community or social capital**. It takes everyone's cooperation to make *Business Dollars* fungible (earned and spent broadly, like dollars). Therefore, underutilized business capacity becomes a shared resource of the entire community. $\B increase current financial resources — without resorting to tax dollars or philanthropy.
13. **These eight requirements are supported through the patented pricing, accounting and transaction settlement system of DualCurrency Systems (DCS)**. The integration of a universal corporate scrip along side dollars helps to close the gap between underutilized business capacity and the limited purchasing power of many individuals, families and communities. The DualCurrency System matches trends towards all electronic commerce and promotes greater cooperation between all stakeholders in the production and distribution of new wealth.
14. **There are countless uses for *Business Dollars* within a DualCurrency network, just as there are for U.S. dollars**. New purchasing power can reach virtually every customer demographic. Examples include:
- Employees through employee benefits programs
 - Investors through dividends paid in $\B
 - Retirees through Social Security enhancements
 - Clients of health care systems through incentives for healthy behaviors
 - Community members, corporate employees and students through volunteer incentives
15. **The organizational model that can develop and manage such an enormous undertaking already exists in a variety of complex adaptive systems**. These systems are termed Chaordic (representing a dynamic balance of chaos and order or competition and cooperation) by Dee Hock, founder of VISA International. They are characterized by: decentralized and nonhierarchical management; moral as well as financial drivers; little staffing relative to their size and function; complete disengagement from politics and rivalries between nations; and voluntary, not compulsory, affiliation. Examples include VISA International and the Internet, as well as self-help and mutual aid groups such as the 12 Step program of AA.



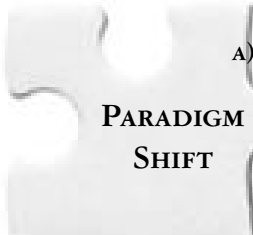


16. The banking and transaction processing industry can certainly amass the necessary human, technological and financial resources to develop, test and launch a broad array of DualCurrency beta tests and pilots. Besides establishing credibility for any new financial instrument, these powerful institutions offer established retailer and cardholder networks. In the face of growing competition from non-banking enterprises — including a proliferation of e-commerce and electronic payment intermediaries — the industry is highly motivated to find new revenue streams.

17. DualCurrency Commerce fits industry trends towards all-electronic exchange and a cashless economy. Supplemental purchasing power — available only through DualCurrency bankcards or via the Internet — constitutes a significant incentive for almost anyone to join the cashless economy. DualCurrency Commerce reduces transaction costs for retailers, who today must manage cash, checks, coupons and many special promotional programs, most of which would be unnecessary within a DualCurrency network.

18. The business opportunity of DualCurrency Commerce is virtually limitless. Businesses the world over seek more customers, while consumers and communities everywhere seek greater economic resources. There is a significant profit motive for developing DualCurrency Commerce, as well as an opportunity to launch many new socially responsible business ventures. Enhancing the profit motive with an altruistic vision is an essential ingredient in balancing competition and cooperation.

19. In summary, there are four key elements to DualCurrency Commerce:



A) **A Unique Market Analysis:** In the Information Economy, there is a large and growing gap between the productive capabilities of businesses and the purchasing power of most consumers. Only the perception of scarce resources and a few long-held theories and practices keep society from realizing Sustainable Abundance. Business leadership and the profit motive can rapidly carry us to a new economy with a higher standard of living and quality of life for all people.

B) **A Proprietary Financial Instrument:** *Business Dollars* are a universal corporate marketing scrip and a design tool for sustainable economic development. Similar to frequent flyer miles, but denominated in dollars, \$^B are compatible with popular accounting, transaction and point-of-sale systems. As an accounting tool, and not a scarce commodity-like currency, *Business Dollars* can be utilized in local, national and global commerce.

C) **A Patented Transaction System:** The patented DCS pricing, accounting and transaction settlement system creates a seamless interface between dollars and *Business Dollars*. Instead of creating another alternative or complementary currency, DualCurrency Commerce offers the world's first companion currency that brings a new financial instrument directly into mainstream commerce. The system enhances standard credit cards, debit cards, smart cards and e-commerce, and assures positive cash flow from DualCurrency transactions for retailers, banks and transaction companies.

D) **A DualCurrency Employee Benefits Network:** A DualCurrency Employee Benefits Network (DCNET) is a voluntary association of businesses, employees and consumers that all agree to conduct business in a combination of cash and *Business Dollars*. Within the network, *Business Dollars* increase purchasing power without increasing either cash labor costs or retail prices. DCNET is managed like the VISA system, through representative boards of affected stakeholders. Stakeholder consensus building technologies allow every business stakeholder—owners, employees, customers, vendors, competitors and communities alike—the opportunity to contribute to greater productive efficiencies and to share in the new wealth created.

Discussion points for economists and business leaders emerging from DualCurrency theory.

20. *Stakeholder Consensus Building Technologies* can bring democratic processes and fresh solutions to economics, eliminating some of the acrimony from political and economic life. There is no question that, in today's world, money buys power and influence. On the other hand, political protest by small numbers of people who claim to speak for the majority is not much of an alternative. Imagine instead if every stakeholder to an economic issue had the right to a voice and a vote. Imagine if the very plastic card that brings enhanced purchasing power also allows us to express economic preferences between guns and butter or between higher taxes and shorter working hours. Technologies are at our fingertips to help us consider any and every point of view on matters that affect our economic lives.

For example, imagine if Starbucks could poll an entire community about their wants and needs. How empowering might it be if instead of building a twenty-second coffee shop within a three mile radius, consumers could pledge to go the extra mile to the nearest Starbucks in exchange for Starbucks building a new child care center? Impossible? Why? If *Business Dollars* helped Starbucks to recruit and retain the best employees, and if *Business Dollars* rewarded investors, while conserving cash in the company, then why shouldn't Starbucks offer additional resources for community development... something that they already do generously?

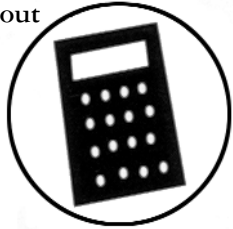
2 Imagine if *Stakeholder Consensus Building Technologies* helped Wal-Mart and Home Depot to converse with other stakeholders, wherever they open new stores. Imagine *Business Dollar* resources helping to design win-win solutions where win-lose models prevail today. Instead of seeing protests by organized labor and citizens opposed to big-box retailers, creative new approaches could be designed to compliment traditional market forces in order to preserve jobs, respect local traditions, and still deliver the best products and services at the lowest prices to consumers.

New wealth, produced and distributed through *Business Dollars*, will certainly not solve every social, economic and environmental problem that we face. But, like previous improvements to money, banking and commerce, DualCurrency Commerce can provide additional tools and resources to forge an improved quality of life... and perhaps the kind of society that we delight to live in and that we hope to leave to our children and grandchildren.

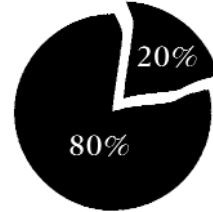


A Sample DCNET Transaction

1 The DualCurrency Employee Benefits Network (DCNET) measures excess productive capacity throughout the network.



2 DCNET management allocates \$4 million in available goods and services for June — 80% to employee member benefits and 20% to community projects.

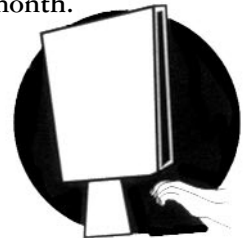


3 August employee member benefits equal \$^B8.00 (Business Dollars) per hour for all employee in the DCNET.



Jill gets a monthly DCNET statement showing her \$^B member benefit and her spending in cash and \$^B.

4 Jill Jones, a computer programmer, enjoys a boost in her spending power of nearly \$^B1300/month.



EVERYONE BENEFITS

- Employees stretch their cash and enjoy greater purchasing power.
- Employers enjoy better paid, more productive employees.
- Retailers gain additional customers, increased sales and higher profits.
- Banks and transaction vendors increase customers and revenues.
- DCNET profits from transaction fees.

5 Jill buys a \$1000 mountain bike from a participating retailer and pays \$800 in cash and \$^B200.

