



# The UNO

**A New Complementary Currency  
Dedicated to Reducing Poverty &  
Helping Build Healthy Local Economies**

**An Overview**

**National Commonwealth Group, Inc.  
650 641 1246**



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# Overview

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***Economic disparity is greater than at any time in recent human history.***

Four out five people live on the equivalent of \$10 USD or less per day,<sup>1</sup> largely left out of the global economy.

That is even more true for the more than 50% who live on the equivalent of \$5 USD or less a day. This group, often called the base of the pyramid (BoP),<sup>2</sup> can be divided into three strata.<sup>3</sup>

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***1. Low income: approximately 1.4 billion people who struggle to live on \$3-\$5 a day.***

***2. Subsistence: approximately 1.6 billion people who barely subsist on \$1-\$3 a day.***

***3. Extreme poverty: approximately 1 billion people who receive less than \$1 a day.***

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In 2002, C.K. Prahalad and Stuart Hart suggested that a fortune could be made in serving the needs of the poor and in the process coined the term BoP.<sup>4</sup> Unfortunately their vision to align corporate self-interest with improving the poor's standard of living has proven elusive. The global economy, for the most part, remains outside the grasp of the BoP, and attempts to integrate the poor, whether as potential consumers or as producers, have fallen well short of desired outcomes.

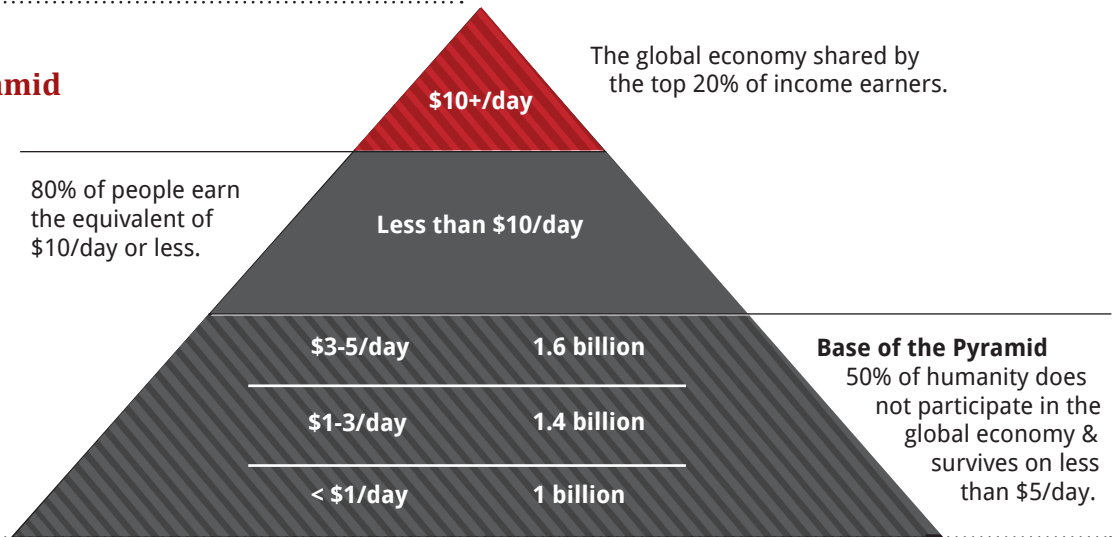
Treating the poor as consumers has left the corporate landscape littered with high profile disappointments due largely to the inability of sellers to reduce costs and prices enough to scale to profitability when each consumer makes a tiny purchase. Even deep-pocketed multinationals like Hewlett Packard, Procter & Gamble, SC Johnson and DuPont have either shut down projects or transferred them to non-profits.<sup>5</sup>

Treating the BoP as producers shows somewhat more promise, but this approach faces huge challenges, including producers' poor linkages to buyers, sellers and other producers, and very limited ability to take on economic risk.<sup>6</sup>

Borrowing doesn't really move the needle either. Microfinance, once held out as the rescue mechanism for the poor in the developing world, is proving to be inadequate.<sup>7</sup> Long-term studies reveal little difference in living standards between communities with available micro-lending and control communities.

To participate in the global economy, one has to start with certain minimum assets and financial resources. The BoP does not have those assets and therefore cannot get a foothold on the economic ladder.

**Fig. 1**  
**The Income Pyramid**



Income inequality in developed countries has created much the same hurdle. People born into ever-expanding pockets of poverty, poorly educated and stuck in low-wage service jobs, are unable to lift themselves off the bottom rung and build better lives for themselves and their children.

So the question is, how do we get money in the hands of the poor when the current financial system does not work for them? When it takes money to get money? And how do we then consolidate those individual gains to create healthy local economies and sustainable communities?

### **A two-pronged approach**

We answer those questions by combining two approaches that have each proven to work in alleviating poverty and in building and maintaining robust, inclusive local economies.

### **1. Basic income grants**

Only one concept has been proven to eliminate poverty, and do so rapidly, every time it has been implemented — basic income.<sup>8</sup>

Basic income is the idea that all citizens should be gifted a monthly income sufficient to cover their basics needs. It goes by various names, including unconditional basic income, basic income guarantee, universal basic income, social credit, social dividend, citizen's income or most commonly, basic income.

Not surprisingly, there is a popular misconception that a guaranteed basic income will just make the recipients lazy. In fact, the opposite is true. Evidence is accumulating that free money, as Dutch writer Rutger Bregman notes in the Washington Post,<sup>9</sup> has several advantages:

- *There is no negative effect on labor supply – recipients do not work less.*
- *Households make good use of the money.*
- *Poverty decreases.*
- *Long-term benefits in income, health, and tax income are remarkable.*
- *The programs save money.*

Basic income experiments have largely focused on grants of national currency and thus have faced an uphill battle to gain legitimacy and acceptance, not to mention severe structural challenges. Elected officials assume that such programs will require new taxes, anathema to politicians everywhere. And they are slow to realize that implementing basic income could well replace programs like welfare, housing

assistance, food stamps and unemployment compensation that require complex and costly administration, eligibility review and oversight.

Nonetheless, where basic income programs have overcome these obstacles, the results are compelling. Thus we have concluded that some form of a basic income program is essential to reducing poverty.

But can a basic income program be implemented in a way that gets around the problems associated with using national currency? We believe it can — by introducing a second approach to produce an integrated solution.

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*We propose to simply make unconditional basic income grants to recipients using a complementary currency.*<sup>10</sup>

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## **2. Complementary currencies**

Complementary currencies have a long history<sup>11</sup> of creating strong, stable economies that make full use of local productive capacity. Complementary currencies are so named because they function in parallel with conventional money.

They do not replace national currencies, but rather complement them. Users need only agree to accept those alternative currencies as a medium of exchange for goods and services in addition to the money they normally use.

A complementary currency then is an agreement to use something other than national legal tender as a medium of exchange.

### **Types of complementary currencies**

Complementary currencies can be broadly assigned to one of three categories:<sup>12</sup>

- Currency **sold** for cash: Toronto Dollars, Berkshares, Brixton Pounds, Bristol Pounds.
- Currency **distributed** with no formal obligation to reciprocate: Ithaca HOURS and other time-based currencies.
- Currency **spent** into circulation as a credit obligation: LETS, WIR, mutual credit clearing systems like CES in Africa.

Programs such as airline miles and similar loyalty programs are also generally grouped under the umbrella of complementary currencies.

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According to an analysis by *The Economist* magazine, the global stock of air miles in 2005 was worth more than **\$700 billion**, more than all the US dollar bills in circulation.<sup>13</sup>

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These are one of the fastest-growing subsets of complementary currencies. Indeed, by 2005, it was estimated that the value of air miles in circulation far surpassed that of any other national currency.

### **Meeting multiple goals**

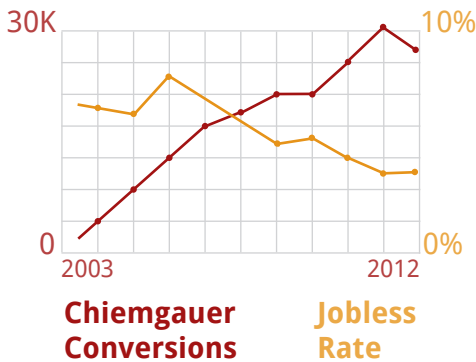
Complementary currencies are often used to link unmet needs with otherwise unused resources.<sup>14</sup> In every community there are things that need to be done and people willing to do them. All that's missing is the medium to connect the two.

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*“Adopting a diversity of currencies is just as important to human survival as biodiversity is to the fate of the earth.”<sup>15</sup>*  
—Bernard Lietaer

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Therefore, the more money, i.e., medium of exchange, there is in local circulation, the less unused productive capacity and therefore the better off everyone is.



In Rosenheim, Germany, unemployment declines as *Chiemgauer* complementary currency use increases.<sup>16</sup>

Beyond its ability to protect or stimulate a local economy, a complementary currency can be used to pursue social or environmental objectives.

And although complementary currencies are often local in nature, they can be used within virtual communities globally, promoting fuller utilization of resources over a much wider geographic area.

And like basic income, they have been shown to also significantly reduce poverty, depending on implementation and circumstances.

### Combining two proven methods

By combining basic income with a complementary currency, we address both poverty elimination and the building of healthy local economies.

- By giving a grant, we circumvent barriers implicit in conditional government programs like those mentioned above. We also remove any incentive for fraud and corruption in participation and administration. And we allow recipients to decide for themselves how to use the money.
- By making the grant in a complementary instead of a national currency, we remove many of the real and perceived constraints and obstacles associated with the use of national currencies, including the assumed necessity to tax or deficit spend to fund such a program, reliance on donations or other contribution, and more.
- By coupling a basic grant program with a complementary currency, we get the best of both worlds.

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*To implement this strategy, we are introducing the UNO, a new complementary currency that can be used to provide a basic income to its users anywhere in the world.*

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The UNO is designed to alleviate the ravages of poverty and thereby the suffering of the BoP, one village at a time, and also serve as a catalyst for creating healthy local economies that provide opportunities for citizens, and ultimately nations, in both the developing and developed world.

We based our approach on evidence from studies conducted on basic income programs around the world, described in greater detail in our *Basic Income Primer*,<sup>17</sup> and on complementary currency programs, explored in *A Primer on Complementary Currencies*.<sup>18</sup> ■

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#### Recommended Reading:

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## Endnotes

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