Two years of global economic shocks, a whipsawing stock market, a credit crisis, and revelations of mismanagement and corruption at the heart of the nation’s financial system have catalyzed a fledgling nationwide movement to “slow money down” and put it to work close to home.

Making it easy for people to invest in their local economies is the holy grail for Woody Tasch, a Santa Fe-based venture capitalist and author of *Inquiries into the Nature of Slow Money: Investing as if Food, Farms, and Fertility Mattered*. Two years ago, he founded the nonprofit Slow Money Alliance, in response to the economic meltdown and what he calls “the nuclear explosion in complexity and volatility of financial products” that precipitated it.

Using the tenets of the slow food movement (buy local produce, take time to prepare and savor meals at home), the Alliance’s small network of investors, entrepreneurs and ordinary citizens are devising ways to get investment capital flowing to local, small food enterprises. The modest goal: to get a million Americans investing 1 percent of their assets in local food systems within a decade.

Call it nurture capital.

Why food enterprises? Tasch believes they will yield stronger local economies, a healthier environment, and improved supplies of affordable, healthful food.

“Right now, money goes zooming around the planet, invested in distant, large-scale, complicated things,” he says. “You can add four layers of noncorrelating razzmatazz to securities, they’re still just money circulating between different classes of investors.” Slow Money, he asserts, is a kind of antidote; investing in things close to home that you can understand.

At the first Slow Money conference last year in Santa Fe, four companies received a total of $265,000 from a group of individual investors. Among the recipients: the Carrot Project, which makes loans to small organic farmers in New England; and Gather, an organic restaurant of locally sourced foods, where the banquettes are covered with recycled leather belts.
If all goes well, Tasch believes such investments would deliver returns in the low single digits over a number of years. But these investments would offer the added dividend of what Tasch calls “true diversity” — diversity that comes from promoting small local farms and related businesses, as an alternative to industrial agriculture’s millions of acres of single-variety corn and soybeans, for example.

The expected low single-digit returns, however, may not cut it for most investors who expect their money to work harder than a certificate of deposit. Slow Money is still a few years away from directly funding anything (currently membership is about 1,100, with 180 founding members who have contributed $1,000 each), so time will tell if investors accept social good as sufficient dividend.

What’s more, investing in small companies can be risky. “The risk with a small local company is disproportionate to any potential return,” says Matt McGrath, a financial planner with Evensky & Katz in Coral Gables, Fla. “There’s a greater chance the company could go under.”

Raising Nurture Capital
Michael Shuman, director for research and economic development at the Business Alliance for Local Living Economies, points to growing evidence that every dollar spent at a locally owned business generates two to four more times economic benefit—measured in local income, jobs and tax revenue—than a dollar spent at a globally owned business.

Eventually, Slow Money advocates hope to create regional slow money funds that would connect local people to local food enterprises needing investment. Other pilot projects include offering slow money tax-exempt municipal bonds to fund a diversified portfolio of local food ventures; and a slow money short-term bond, developed with the Calvert Foundation, which is partly funded by Calvert Group, a mutual fund company specializing in socially responsible investments.

Beyond the Dollar
Local currencies, which briefly flourished in this country when federal dollars were in short supply during the Depression, are one way of getting money re-circulating within communities. Some of these local currency systems, meant mainly for transactions among individuals, involve forms of barter, where you receive local currency in exchange for a service or good you provide. Other systems involve notes that can be exchanged for federal dollars, and can be spent at any local business that accepts them.

One of the more sophisticated networks, and the largest of its kind in the country, is BerkShares, begun four years ago in the Berkshires region of Western Massachusetts. BerkShares founder, Susan Witt, says the program was initiated in 2006, before the global meltdown, as a way to build wealth locally in a region that “sees more tax dollars flow out than come back into it.”

The notes — printed in 1, 5, 10, 20, and 50 denominations—feature local heroes including W.E. DuBois and Norman Rockwell. BerkShares can only be spent at the
almost 400 area businesses that formally accept them, and in another 200 home-based
businesses that also take them.

And yes, the IRS gets its share. When someone pays for goods or services with local
money, the income to the business is taxable, says Ed Collom, a University of Maine
sociologist who has studied local currencies. For accounting purposes, the discount is
shown as a business expense, like a credit card fee, and the total is taken from profit at
the end of the year in determining a business’s federal and state income taxes.

“We’ve had nonstop requests from other communities asking how to do this,” says Witt,
who says that since its start in 2006, $2.6 million worth of BerkShares have gone out
and she estimates about $130,000 is currently in circulation in a region of about 19,000
year-round people. “The current economic situation is demanding a response, and
citizens are stepping up,” she says.

“Comfort Dollars” Save a Business
John Halko, chef and owner of Comfort Lounge, an organic restaurant in Hastings-on-
Hudson, New York, had no choice but to step up. Two years ago, when he was halfway
through the renovation of an expanded space for his original 14-table café, his home
equity line of credit ran out. (Small businesses are often, funded with credit cards and
home equity lines; in the past two years, more than $1.5 trillion in credit card lines
have been cut.) Unable to get a loan, he raised the money himself by printing his own
currency, in the form of a swipable card, called “Comfort Dollars,” and sold them to his
customers. They were an instant hit. For every dollar spent on a card, the customer
received $1.20 worth of credit at either restaurant—a 20 percent rate of return.

“I’ve been told I’m the best thing that ever happened to Hastings, and I knew at one
point I’d want to give back,” says Halko, who raised nearly $40,000. “The Comfort
Dollars were sort of giving back, and the customers were giving to me.” No longer in
need of financial support, he’s no longer offering the cards. In spite of offers to expand
to other locations, he’s staying small and local for now.

Related Links:
Big Bank Backlash
Connecting Investors Directly to the Dirt
BerkShares Local Currency

http://www.thefiscaltimes.com/Issues/Life-and-Money/2010/06/11/Slow-Money-
How-a-New-Community-Movement-is-Picking-Up-Steam.aspx