

LETS: An Eco-Socialist Initiative?

Local Exchange Trading Systems (LETS) have been welcomed by many as a possible solution to the poverty, disempowerment and social exclusion suffered by the unemployed, as a practical and inexpensive stimulus for local economic regeneration, as the basis for stable, sustainable, and self-reliant community economies, and as a valuable complement to an increasingly over-stretched welfare state.¹ Given better publicity, financial backing, and government and local authority support, it is thought that LETS could significantly improve the quality of life for the residents of low-income neighbourhoods.² This essay evaluates the economic, social and ecological merits of LETS, assesses the theoretical positions that have been developed in their defence, and proposes a path for their future development.

The Origins of LETS

The original 'LETSsystem' was set up in 1983 on Vancouver Island, off the west coast of British Columbia, by a Scot who migrated to Canada's Pacific rim in the 1970s. A Cambridge graduate in electrical engineering, Michael Linton opted for a less conventional career and lifestyle when he settled in the town of Courtenay in the Comox Valley and began practising Alexander Technique. His venture was disrupted, however, when recession hit the timber industry at the beginning of the 1980s and a nearby US Air Force base was relocated to another province. As the region's two biggest employers disappeared and local purchasing power collapsed, Linton not only witnessed the dangers faced by communities which are heavily dependent on market forces and geo-political interests lying beyond their control, he also had a personal incentive to invent a system of exchange enabling him to continue treating clients with insufficient cash.

By 1985, membership of the Courtenay LETSsystem had grown from half-a-dozen to over 500 people. In the same year, Linton, who by then had formed a registered consultancy to promote the LETSsystem world-wide, brought his project to the attention of British economists and social policy thinkers when he delivered a paper at the second meeting of a continuing series of annual conferences called 'The Other Economic Summit' (TOES).³ Held at the same time and in the same city as the yearly G7 Economic Summit, this alternative forum was designed to widen the parameters of economic debate, addressing much-neglected social, cultural and environmental issues, and outlining human-scale solutions to the problems raised. It was out of the 1985 summit that the London-based New Economics Foundation was formed.⁴

¹ Clause Offe and Rolf G. Heinze's view, expressed in their book *Beyond Employment: Time, Work and the Informal Economy*, Cambridge 1992, is fairly typical: 'We believe that it is not unrealistic to suppose that such developments toward a non-monetary but exchange-led parallel economy can make a very positive contribution to the solution of many social and economic problems characteristic of societies suffering from high unemployment, from much personal isolation and from a poorly functioning welfare state.' (p. viii.)

² As argued in the study by Helen Barnes et al. for the New Economics Foundation, *LETS on Low Income*, London 1996; and in two papers by Colin C. Williams, one based on a study of Calderdale LETS ('Informal Sector Responses to Unemployment: An Evaluation of the Potential of Local Exchange Trading Systems (LETS)', *Work Employment and Society*, vol. 10, no. 2, June 1996, and the other on Manchester LETS ('Local Exchange and Trading Systems: A New Source of Work and Credit for the Poor and Unemployed', *Environment and Planning A*, vol. 28, no. 8, 1996).

³ The consultancy is called Landsman Community Services Ltd. The fact that LETS has since taken on a variety of meanings and inconsistent definitions—including, among other permutations, 'Local Employment and Trading Scheme'—does not concern Linton, since 'LETS' was originally adopted as a literal invitation to participate, and what it stood for was a secondary matter.

⁴ The first director of TOES, Paul Ekins, described it as 'an independent, international initiative, seeking to develop and promote a New Economics, based on personal development and social justice, the satisfaction of the whole range of human needs, sustainable use of resources and conservation of the environment', *The Living Economy: A New Economics in the Making*, edited by Paul Ekins, London 1986, p. xv. For a summary of Linton's conference paper, which outlines the defining features of the LETSsystem, see pp. 200–2 of the same book.

Various forms of LETS have subsequently spread across Canada and the US, and have been keenly promoted in Australia and New Zealand, where government social security departments have taken a relatively benign attitude towards unemployed benefit claimants who participate in LETS.⁵ According to Lee, the first UK system was established in Norwich in 1985.⁶ The number of British LETS in operation subsequently mushroomed in the 1990s, aided by widespread coverage in the local and national press, from just five in early 1992 to an estimated 400 or more today. Membership varies from a mere handful to several hundred—the biggest is Manchester LETS which has a current membership of 700, while in Australia the largest system boasted 2,000 members in Spring 1997. Although the level of trading in most UK LETS is modest, and many systems in Britain have not created sufficient interest to be self-maintaining, some 30,000 people are estimated to be members of UK schemes, with an annual turnover of trade equivalent to £2.1 million.⁷

The few surveys that have been conducted show that, although the employed and self-employed make up the biggest group of LETS members, membership rates for the unemployed are higher than both local and national unemployment rates.⁸ Although this does indicate that unemployed people make proportionately greater use of LETS than other groups, this must be viewed alongside the evidence that the vast majority of LETS are based in relatively affluent areas,⁹ and that attempts to develop LETS in poorer communities have met significant difficulties.¹⁰ Moreover, the evidence that membership of LETS is dominated by people with explicit environmental interests and alternative lifestyle philosophies, along with the 'disenfranchised middle class'—in Williams's study of Manchester LETS, 63 per cent of unemployed respondents held a degree or higher qualification—suggests that LETS are failing to attract those who are culturally and educationally as well as materially deprived.¹¹

⁵ In his book, *LETS Act Locally*, London 1997, Jonathan Croall states that there are over 200 LETS in Australia, 50 in New Zealand, 124 in France, 100 in Italy, 65 in the Netherlands, and 30 in Ireland.

⁶ R. Lee, 'Moral Money? LETS and the Social Construction of Local Economic Geographies in Southeast England', *Environment and Planning A*, vol. 28, no. 8, 1996.

⁷ Williams, 'Local Exchange and Trading Systems', p. 1401.

⁸ For a summary of the results of the survey carried out by the LETS development agency LETSLink UK in 1993, see Peter Lang, *LETS Work: Rebuilding the Local Economy*, Bristol 1994, pp. 150–1. LETSLink carried out a second survey in 1995. The results of this, which include a large growth in the proportion of jobless members, are discussed by Williams, 'Local Exchange and Trading Systems', pp. 1401–3. A third survey was conducted in 1996, the results of which suggest that up to 25 per cent of LETS members are unemployed (see Croall, *LETS Act Locally*, p. 34).

⁹ See Lee, 'Moral Money?'

¹⁰ See Helen Barnes et al., *LETS on Low Income*.

¹¹ On the other hand, Williams reports that the results of the 1995 LETSLink UK survey show a promising trend, with younger LETS having more jobless and women members and far fewer Greens.

How LETS Work

To join a LETS, the applicant fills in a membership form and signs a member's agreement or constitution outlining the basic rules, principles and aims of the system. A subscription fee of around £10 is normally charged, often renewed on an annual basis. This pays for management and administration costs that require sterling—the purchase of stamps, envelopes, paper, photocopying. The applicant provides a short description of those goods and services he or she wants to buy, and those he or she is offering to sell. A price is usually included with the details.

Once the application has been processed, the new member receives a LETS chequebook and a directory of offers and wants. The directory, which is periodically updated as new members join and as supply and demand changes, contains contact details of every participant. It is designed to be used like a telephone directory, and is often supplemented by short-life advertisements displayed on notice boards in participating shops, cafés, or in local libraries. Symbols may be used to signify those members who have an urgent desire to trade. Members search the catalogue of offers and wants until they find a suitable match. It is then up to them to contact the buyer or seller, agree on the time, place and price of the good or service, and ensure that the transaction is completed with the exchange of a LETS cheque.

The goods and services that are exchanged can be split into three categories. Most trade occurs in the form of services. Probably the majority of these are relatively uncomplicated, unskilled or common-skilled tasks oriented towards household maintenance and the satisfaction of basic domestic needs. They might include dogwalking, baby-sitting, house-minding, cleaning, catering, gardening, labouring, shopping, transportation, domestic help for elderly, disabled or infirm people. Skilled services are more varied but less commonplace, such as plumbing, plastering, roofing, pointing, hairdressing, book-keeping, typing, upholstery, painting and decorating, electrical services and repairs, landscape gardening, piano tuning, complementary therapies, sign painting, translating, portrait photography, sewing and darning, carpentry, car and bicycle maintenance. Many of the skills employed in these services are also offered for tuition, along with others like driving, swimming, horse-riding, foreign languages, music, painting and computer skills.

In addition to the exchange of labour, there is a second category of trade: the sale of products. These may be self-produced (art and craft items, home-baked bread and cakes, clothing) or self-earned (second-hand goods). There are also goods which are offered for hire. These range from everyday gardening and DIY tools to more specialist equipment such as musical instruments, computers, sewing machines, photography equipment, kilns for firing clay, printing facilities, home-brew utensils, rock-climbing gear. They may include premises

used for music practice or counselling, dry storage space, woodwork rooms, art and drama workshops, as well as holiday properties, vehicles, caravans and tents.

The basic optimism which underlies the LETS initiative reflects the conviction that everybody has socially useful resources which, although superfluous to the needs of today's high-tech, functionally specialized economy, can be exchanged for mutual benefit in their community. Some LETS may even appoint individuals—and there is no reason why they cannot advertise their services in the directory—to help prospective participants identify those talents and capabilities which their owners have forgotten, neglected and devalued because they cannot be sold to an employer.

When a LETS transaction has taken place, the seller posts the cheque he or she has received to the system's accounts administrator—some LETS may also have secure collection boxes in local cafes, community centres or libraries. The running of a LETS requires a number of specific jobs, such as recording transactions and updating members' accounts, editing the directory, organizing social events and meetings, arranging publicity material, filing membership details, fielding questions and problems, handling the system's sterling account, and keeping members informed with a posted newsletter. These tasks are normally assumed by core members, typically those who founded the system. Their meetings are open to all LETS members, and their responsibilities can be transferred or changed through voting procedures or informal volunteering. Most, but not all, UK LETS use computers for the administration of accounts.

The organizing group may perform this work voluntarily or, if individual responsibilities are particularly time-consuming, for a fee debited from a 'system account'. This is an administration account which is credited by charging a small surcharge on members' transactions, or a flat fee levied at regular intervals. Other than necessary expenses, then, the administrators are paid, if they are paid at all, in units of the LETS currency.

The LETS Currency

Unlike trade in a simple barter economy, LETS transactions use a subsidiary, or 'parallel', currency. In North America and Australia this is normally called the 'Green Dollar'. When a UK system is set up, the currency tends to be given a name with local geographical, historical or eponymous significance, such as 'Bobbins' in Manchester, 'Tales' in Canterbury, 'Hops' in Tunbridge, 'New Berries' in Newbury, 'Bricks' in Brixton. In this way the population is encouraged to have confidence in the currency as a community resource which cannot escape, be lost or removed from its native environment. As in the mainstream economy, this socially constructed representation of exchange-value permits multilateral transactions—or 'serial reciprocity'—rather

than simple barter exchange. Thus, while all buyers must find a supplier to match their specific needs, the supplier is not constrained to doing business only with buyers who can meet the supplier's immediate needs in return.¹²

The value of the local currency is, in the vast majority of UK LETS, set at the value of the national currency.¹³ Michael Linton states that parity with the official currency is one of five non-negotiable criteria which a local trading scheme must meet if it is to qualify as a LETS system. It is Linton's conviction that LETS will only become viable, self-sustaining systems when they have established an internal momentum of growth and diversification enabling them to satisfy heterogeneous needs and desires. This degree of diversification can only be achieved if the capital, skills and resources of businesses and professions operating in the mainstream economy are put at the disposal of LETS members, and if LETS members can respond with equal speed and reliability to the supply needs of commercial enterprises.

Businesses and organizations competing in the cash economy can only participate in local exchange systems, however, if trading with the parallel currency is compatible with the principles of economic rationality which regulate the strategic operations of the firm. For the latter, all production costs must be firm and calculable, all utilized resources must be subject to the same standard of valuation. Profits must be measurable and tax payable. Making LETS currency units equal in value to those of the national currency thus enables the partial, and potentially full, participation of established companies in the system. Although the biggest incentive for firms to join is the existing participation of a multitude of economic agents, two specific conditions do make business involvement more likely. The first is the establishment of a stable LETS infrastructure, a reliable and efficient administration system, and an active and varied membership whose size has reached that 'critical mass' whereby offers and wants can be swiftly matched and confidence in the system is self-sustaining.

The second condition is the possibility of a 'split currency', which is made viable by parity between the parallel and mainstream currencies. 'Dual pricing' may already be used in common transactions

¹² Ross V. G. Dobson offers an extensive commentary on his struggle to develop a LETS in Winnipeg, Canada, in his book *Bringing the Economy Home from the Market*, Montreal 1993. He argues that the description of LETS as an 'alternative money' system is misleading, and can alienate people who are committed to non-monetary forms of exchange. His point is that, since LETS money only comes into being after the exchange that occasions it, being nothing more than the information record of a transaction, it cannot properly be likened to a physical commodity like money—'virtual money' is a term that has been suggested instead. The Winnipeg LETS is therefore called a 'Barter Credit Network'—a multilateral barter system assisted by interest-free credit.

¹³ According to Croall's report on the most recent LETSLink survey, only 13 per cent of LETS now fix their currency units exactly to the value of the pound, while 79 per cent 'have a unit related to the pound but "floating" against it' (*LETS Act Locally*, p. 26). For reasons to be discussed, the currency is unlikely to float *above* the value of cash units, and is therefore permanently susceptible to depreciation.

between LETS members, since many goods and services, entail overheads—for instance, bank loans, fuel, heating and lighting, materials, rent, mortgage payments, and tax—that the seller cannot pay for in LETS units, and which therefore have to be charged to the buyer in sterling. For commercial businesses whose main trade is conducted with conventional currency, substituting part of the price of goods with a LETS component enables them to attract ‘borderline’ markets of potential customers who are otherwise deterred by lack of cash. As more and more businesses are encouraged to trade in LETS, the range of materials, component parts, labour (consumption needs) and other overheads that can be paid for in the local currency also increases, thus enabling the LETS proportion of the average transaction to grow.¹⁴

Credit and Debt

LETS depend on active and regular trade. Although moving one’s trading balance towards zero should be of periodic concern to all members, keeping an account in balance by failing to trade retards the system. Accumulating credits by selling goods and services without buying anything in return is possible but, since no interest is earned by keeping an account in credit, there is little incentive for this. On the other hand, going into debt is essential if the trading system is to function at all. Since all account-holders begin with a zero account, trade can only start when some members are prepared to buy the goods and services of others, and therefore to go into debt. Again, no interest is charged on a minus account, and LETS promoters emphasize that buying is as much a service as selling since it enables other members to earn credits and therefore stimulates trade. To avoid the negative connotations surrounding the word ‘debt’, especially in poor communities, many LETS refer instead to a ‘minus balance’ or to ‘being in commitment’, meaning that someone who has bought more than they have sold is committed to selling in the future.

Nevertheless, individuals who accrue large plus or minus accounts may be a problem for LETS. The most obvious safeguard against one-sided trade is the transparency of members’ accounts. Account statements are sent to all LETS members at regular intervals, the frequency depending on the turnover of trade. Often, each statement or trading bulletin includes the credit balance of every LETS member. In other systems, the trading statistics are generalized and presented in graph form, while other members’ account details are made available on request. In effect this means that individuals with high plus or minus accounts will be known to other members. Someone who is hoarding credits may begin to lose custom for his or her services, while someone who has a static minus account may be solicited by needy customers, recruited by work teams performing large labouring jobs,

¹⁴ Manchester LETS has 65 small businesses on its books, most of which are self-employed traders (see Croall, *LETS Act Locally*, p. 66).

or asked by core members to earn credits by helping with the system's administrative tasks.

Statements normally contain details of units earned, units spent, and the current balance. This information enables people to see how active other members are. This is important, because the same plus or minus balance means different things according to the overall volume of trade conducted by the individual. Somebody who is buying but not selling may be a liability; but someone with the same level of 'debt' who is also an active seller is an asset to the system. The openness of members' trading details also means that individuals can contact the previous customers of a potential supplier, and check their degree of satisfaction. This works as a quality control mechanism.

Some LETS regard the hoarding of credits as a particular threat to the trading system, since people's confidence in the value of the currency depends on everybody's readiness to buy as well as sell. Consequently the idea of introducing credit ceilings, of transferring excess credits to a charity account, or of giving credits a limited shelf-life after which they become obsolete, has been mooted. Like the famous Austrian town mayor in the 1930s who, adopting Silvio Gesell's belief that money should lose its natural advantage over perishable commodities by similarly deteriorating in value, authorized the remuneration of public works with local currency notes that automatically depreciated the longer they were held, the aim is to ensure people's commitment to regular trade.

Regenerating the Local Economy

Revised versions of the nineteenth-century British and French experiments in moneyless exchange networks proliferated in the US during the Great Depression, at one time involving over a million people.¹⁵ Disrupted by the War and discontinued when welfare became a nominal responsibility of the federal state, these barter schemes bore practical similarities to the modern LETS, but were the product of a different social philosophy. Whereas the former were explicitly targeted at the indigent, often with a paternalistic edge, the latter are driven by an environmental and alternative lifestyle ethos which lacks the strong mutualist and philanthropic ethic of the earlier social reformers. This is not a wholly unwelcome change.

The most ambitious and radical support for the LETS initiative has come from environmental activists who believe LETS provide a vehicle for the progressive disengagement of communities from the global economy.¹⁶ Since they operate with a medium of exchange

¹⁵ See Abraham Rotstein and Colin A. M. Duncan, 'For a Second Economy', in *The New Era of Global Competition*, edited by Daniel Drache and Meric S. Gertler, Montreal 1991.

¹⁶ See Richard Douthwaite, *Short Circuit: Strengthening Local Economies in an Unstable World*, Bideford and Dublin 1996.

whose value is only recognized by participating members of the local community, LETS are not subject to the predatory interests of highly mobile national and international capital nor dependent on the disruptive cycles of the boom and bust cash economy. LETS money, as Guy Dauncey sees it, is 'immune from international recession, debt charges, supply problems, theft, scarcity and currency fluctuations', and its value will survive unaffected by the anticipated Global Crash.¹⁷ Credit earned in local exchange cannot be spent on or invested in goods and businesses which do not circulate and trade in the currency of that local economy. Most importantly, at least in the eyes of sympathetic economists, LETS schemes enable resources to be utilized, products exchanged and needs met, even when demand for paid labour is depressed and there is no money to sanction these transactions. In broad macro-economic terms, LETS thus offer a means of short-circuiting the downward spiral of economic slumps, of turning into wealth all those resources—time, skills, property, tools—which are, in capitalist market economies, abandoned when they can no longer produce competitive rates of profit.

For this reason, many liberal commentators now argue that LETS should be promoted as a community economic development tool. For local businesses, as already noted, LETS currency enables enterprises operating in the mainstream economy to attract cash customers who would otherwise spend their sterling on the products of non-local competitors. When interest rates are prohibitively high, entrepreneurs can use LETS to finance new ventures, to test their market base without committing scarce sterling. When, during economic contraction, purchasing power is depressed, companies may allow customers to pay in LETS. The local currency is then recycled as payment to local suppliers—who the business owner will have to find—and to workers who will accept LETS wages in exchange for job security. Enterprises can then continue functioning at full capacity and preserve the efficiency gains associated with economies of scale.

If there are significant economic benefits to be gained from LETS, then there is every reason, economists now argue, for the schemes to be deliberately targeted at poor neighbourhoods whose needs have been made more urgent by shrinking welfare services and concentrated unemployment. So long as LETS participants are not claiming benefit, it is argued, then the systems can help the unemployed out of the poverty trap by allowing them to trade their abundant time and thus make piecemeal advances in their living standards without being financially penalized. In the process, they are likely to acquire marketable talents, make useful contacts and generally gain resources that improve their chances of finding work in the formal economy. By rewarding industrious and enterprising behaviour, LETS may therefore contribute to the social and economic 'rehabilitation' of unem-

¹⁷ Guy Dauncey, *After the Crash: The Emergence of the Rainbow Economy*, Basingstoke 1988, p. 51.

ployed people, helping them maintain their attachment to the skills and values which are central to paid work and desired by employers. This was the thinking behind a statement from the Australian Minister for Social Security, accepting that LETS should not be discouraged: 'They represent a form of activity that assists our clients in keeping in contact with labour market skills and habits and with the labour market itself'.¹⁸

If LETS were to receive formal government backing, then public agencies, local council services, health-care trusts, as well as non-statutory organizations such as charities and voluntary associations, would also feel confident participating in the schemes. Promoters argue that the currency could be accepted in leisure centres, as payment for adult education classes, as rent for council housing, in exchange for scarce and expensive remedial health treatments which would otherwise require long waiting periods, and potentially as payment for a variety of social services which local authorities cannot afford to provide free on demand. According to Dauncey, there is no reason why local authorities cannot accept LETS for council tax payments, for parking tickets and small fines, nor why their employees cannot be offered a proportion of their salary in LETS.

LETS units would also be returned to the community in the form of payment for cleaning, maintenance and repair work—of council buildings, public recreation areas, school playgrounds—for teaching assistants, consultancy work, extra care assistants, and so on. Public bodies could issue LETS in the form of grants, with charities and voluntary organizations being typical recipients. The latter would then be able to attract more workers by offering them payment in LETS.¹⁹

Reintegrating Society

Many participants in LETS also report that the social advantages of the schemes exceed the economic ones. Given the popularity of LETS amongst relatively affluent populations, where a lack of social cohesion and residential stability may be felt more keenly than economic deprivation, this is not surprising. Even so, it is unemployed people

¹⁸ Cited by Lang, *LETS Work*, p. 124.

¹⁹ According to Croall, a quarter of UK LETS are already in receipt of some local authority assistance, ranging from modest technical and communication support to financial grants and the appointment of full-time development officers. Some councils are LETS account holders, exchanging office space, administrative resources and sports facilities, for example, for credits which are then spent as top-up grants for local charities or on the gardening and decorating services of LETS members. Several Steiner schools accept fees paid in LETS, while some state schools have also begun to trade in local schemes. In Manchester a housing association allows residents to pay part of their rent in LETS, the credits being spent on maintenance labour. A number of LETS have also been established specifically for people with mental health problems, with the aim of increasing their independence, sociability and self-esteem. In Wiltshire, Warminster Social Services teamed up with Bath Mental Health Care Trust to offer psychiatric services and complementary therapies through the regional LETS. During the first 18 months the scheme provided over £60,000 worth of services (see Croall, *LETS Act Locally*).

who make proportionately greatest use of LETS, and it is unemployment which normally causes the most pernicious forms of social exclusion. For unemployed people whose social networks are typically restricted to groups of other non-working individuals, LETS may not only offer opportunities to gain extra material resources, they may also provide a mechanism for bringing different members of the community into contact with the values, talents, beliefs and personalities of people they would otherwise have little occasion to meet.

LETS transactions, especially when they are conducted with members' knowledge that they are participating in a shared project of community regeneration, can also be a catalyst for wider civic participation and for the development of more cooperative models of work and exchange. In Dauncey's view, it is the unlimited availability of LETS units and the fact that they are valueless until exchanged for the products and labour of the community's members, which makes LETS money an intrinsically convivial currency: 'While ordinary money is inherently privatized and individualistic, Green Dollars are a community money, carrying an inherently social message'.²⁰

Unlike the competitiveness and suspicion that often accompanies impersonal transactions between strangers, the informal aspect of LETS trading is lauded by its proponents for fostering trust and friendship. Unburdened by the scarcity of conventional money, participants are invited to negotiate ethical prices which reflect the membership's shared perception of the relative worth of goods rather than their global production costs or scarcity value. Even where prices are formed by supply and demand, the social dimension to this local market economy is made visible by the openness of members' trading accounts, as 'the market is forced to show, rather than enabled to hide, its hand'.²¹ One view holds that the social relations of exchange formed through the cashless economy may become so transparent that 'commodity fetishism' will be liquidated altogether, as the small-scale character of LETS and the face-to-face nature of trading 'facilitates a knowledge and understanding of economy based upon immediate and observable cause and effect'.²²

The freedom of LETS participants to transfer credits to other members may also help to strengthen and widen social networks. This enables individuals to earn LETS credits according to their time, interests and location, and then to give these credits to elderly relatives or disabled friends, for example, who can use them to buy domestic help from neighbouring members able to respond more rapidly or flexibly to their needs. In families where kinship relations are emotionally taxing, this may enable individuals to earn care for their elderly parents, for example, without having to deliver that care personally.

²⁰ Dauncey, *After the Crash*, p. 64.

²¹ Lee, 'Moral Money?', p. 1380.

²² *Ibid.*, p. 1384–5

The gift of LETS credits also means that voluntary associations can accept donations to their LETS accounts, which can then be used to reward the work of 'volunteers'. Local charities may also charge an optional price for their services, the argument being that charitable assistance which asks for nothing in return is often oppressive and demeaning, and that payment for services is given with the knowledge that the community as a whole will benefit from the exchange of value. Interest-free credit, which is at the heart of the LETS system, as well as the versatility of trading participation which LETS encourages, should allow the more disadvantaged members of the community to contribute at their own pace, while credit 'gifts' from friends or relatives can subsidize their spending.²³ Ultimately, LETS payments and donations are a valuable social resource because they amount to a form of tied aid that cannot be spent on commodities imported from outside the community.

Social relations in local trading schemes are also likely to be less alienated because, as in systems of simple commodity production, the majority of services supplied are performed by individuals or small groups who are free to dispose of their labour power as they see fit. They are not under the command of an employer, nor obliged to tailor their conduct to a pre-existing division of labour. Since they are unlikely to be producing branded goods, and products and services with a high-profile public image, members may also gain some satisfaction from meeting needs which they know are not generated by institutions and corporations as a means of justifying their growth.²⁴

Sustainable Economics

Because LETS draw on the resources of the local region, they have obvious ecological significance. Since the major resource they depend on is time, and since labour-intensive services make up the bulk of LETS trading, the values that are created in these systems are unlikely to have a major impact on non-renewable energy and materials. The exchange and combination of local resources and the development of a less energy- and commodity-intensive lifestyle also implies a growth in regional self-sufficiency and therefore a reduction in environmentally destructive transportation.

Three other aspects of LETS illustrate the ecological value of these schemes. First, insofar as products, tools, property and equipment are offered for second-hand sale or for hire, the sharing and recycling of industrially produced goods reduces the need for their mass duplication.

²³ The membership may decide to allow less able participants to run permanent minus accounts. Since the whole LETS community is then collectively subsidizing these members, there is no reason for the latter to feel any personal debt to the particular individuals whose services they buy.

²⁴ Dobson states that even LETS businesses should be 'small-scale and expect to be short term. They are prepared from the beginning to dissolve when the need has been met.' *Bringing the Economy Home from the Market*, p. 192.

Second, LETS normally involve considerable trade in affordable repair and maintenance work. Such services help to reduce environmental costs by prolonging the longevity of goods that would, at early signs of malfunction, normally be abandoned and replaced. A decrease in demand for industrial manufactures, as well as for the landfill sites where obsolete goods are disposed of, is a possible result.

Third, LETS encourage the active and productive use of people's free time in contexts largely removed from commercial influences and institutionally defined needs. In this way, they restrict the exposure of individuals to client and consumer propaganda, contribute to their practical autonomy and self-direction, and consequently reduce their desire for gratuitous and wasteful forms of consumption.

LETS and Inequality

For all the potential advantages of LETS, it is clear that they also have serious limitations. Many of these derive from the insistence that LETS should be integrated with the mainstream capitalist economy, their complementary function facilitated by the use of trading units related in value to those of the national currency. Indeed, if we are really to applaud the ecological benefits of LETS—and especially the way they encourage an ethic of resourcefulness and self-reliance which, in reducing the perceived value of conventionally paid labour, *reduces the dependence of workers on the owners of capital*—then we cannot in the same breath promote LETS as a local economic development tool with politically neutral macro-economic merits. If LETS harbour the potential to weaken people's dependence on the existing social system and to foster the self-productive use of their time, then the same schemes cannot simultaneously be championed as the saviours of work-based society, as the means by which the unemployed can be reconnected—and re-subjected—to the dominant system of wage relations, private companies protected against the vagaries of the business cycle, and the market economy placed on a more stable and efficient footing.

To begin with, we should note that, while LETS currencies retain their value only within the boundaries of local communities, there is nothing inherent in LETS which prohibits exploitation. The fact that LETS are specifically non-profit-making systems, this being one of the original criteria for their existence, does not mean that LETS members who set up in business cannot appropriate the—albeit small—surplus value produced by their employees. We have already seen that the incentives for existing businesses to participate in LETS may be of a purely mercenary nature. A whole range of products and services may become available to LETS account-holders simply because commercial enterprises realize they can widen their customer base by accepting LETS units during fallow periods of trade, and because LETS offers firms a cheap source of advertising and a healthy public relations image.

For most small businesses which trade in LETS, the chief benefit will be increased liquidity and the freeing up of capital that would otherwise be spent servicing expensive bank loans. As the range of goods and services traded in LETS expands, both prosperous professionals and property-owning entrepreneurs may see in LETS the opportunity to increase their disposable cash income. LETS administrators are powerless to influence how and where this liberated capital is spent or invested. In the unlikely event that a local business were able to conduct most or all of its trade in LETS, exploitation of workers paid in LETS would not be impossible, though limited markets would mean limited profits. Nonetheless, to argue that LETS wage labour is 'ethical' because the surplus value created is returned to the local community, as the owners of capital are obliged to spend their profits on goods and services that keep local people in LETS employment, is to mistake the re-circulation of exchange-values for the redistribution of the social product. A large, efficient and diverse local trading system is not incapable of maintaining the luxuries and privileges of a minority, and is also quite compatible with forms of employment that offer little opportunity for worker satisfaction and autonomy.

The evidence already suggests that formal inequalities between skilled and unskilled workers are being reproduced and consolidated in the LETS economies, as are gender inequalities.²⁵ By hiring out accumulated property and equipment, or by selling labour power with a high market value, the owners of capital goods, tools or scarce qualifications can earn credits with little or no expenditure of time—an attractive proposition for the overworked middle class. The result may well be the deepening of already disturbing employment patterns, as the money-rich but time-poor professional classes use this credit dividend to hire, from a gamut of unskilled—and typically female—LETS members, servants who, in addition to doing their own housework, are willing to perform domestic chores for the wealthy.²⁶

A New Moral Economy?

Skilled workers and professionals tend to expect from LETS rates of pay comparable to those they receive in the conventional economy. In principle, of course, all LETS prices are negotiable, and there is never an obligation to trade. But parity between LETS units and the national currency is favoured by many LETS promoters precisely because it helps to minimize disagreements over labour rates by enabling mem-

²⁵ Williams reports this finding on skilled and unskilled labour in his studies both of Calderdale and Manchester LETS. Sexual inequality persists partly because the gendered division of labour is imported from the formal economy, with wage rates remaining the same, and partly because men show a greater willingness than women to negotiate a satisfactory price. See Lee, 'Moral Money?', pp. 1383–4.

²⁶ The Family Expenditure Survey for 1997 showed that over the past ten years annual UK spending on household services has increased four-fold to £4 billion, with domestic help and childcare the second highest items after telephone bills. See *The Guardian*, 9 January 1997.

bers to use the prices established by official market mechanisms as a benchmark. Moreover, as membership grows beyond familiar networks and trade becomes more frequent and diverse, it would be quite reasonable to expect convivial interpretations of value, which may well be vital to the initial success of the trading schemes, to give way to competing private interests, which are, after all, a more efficient motor for the productive mobilization of resources, as well as a basic safeguard against excessive community pressure.

In this respect, Dobson is misguided in his belief that, while 'LETS restores a free-market economy' operating 'according to classic economic rules', it does so by allowing us to 'bring our own moral values into the marketplace'. His theory is that undistorted market forces should encourage 'valuation patterns' that reflect the shared value system of the community, 'replicating in economic life the values held by the members of the trading group in their social, ethical and cultural life. Art, and such social acts as neighbourly visiting, can, for example, be more highly valued than they tend to be in the money system'. 'Because people can be more generous with barter credit', he explains, 'artists are more readily acknowledged for their work in a barter credit economy'.²⁷

Dobson's flawed analysis ultimately founders on his failure to distinguish between exchange-value and use-value, and his misplaced faith in the capacity of local currencies to resist the 'inversion of individualities' which Marx detected in money. The cultural values of a community do not determine the exchange-value of its products since, at least when work is labour-intensive and markets equilibrate, the price of a commodity is proportional to the quantity of labour expended in its production. To make the exchange and circulation of commodities fair and efficient, exchange-values abstract from the otherwise incommensurable relationship between people and their work or goods. However high or low, prices only express the ratio of equivalence *between commodities*, and never, therefore, signify a moral appreciation, a human affirmation, of their worth. Indeed, it is precisely because it is the 'universal whore', the 'fraternization of incompatibles' and the 'general confusion and exchange of all things' (Marx) that money, as Illich used to say, 'is the cheapest currency', helping minimize the costs of wasted time and energy otherwise spent haggling or alleviating endemic suspicion.

It is true, however, that a community's value system may influence its economic organization. So long as 'needs' themselves have not become distorted or colonized by the principles of economic rationality, and production is not so abstract, dispersed and fragmented that workers are incapable of assessing the value of the things they produce, then the cultural definition of use-values—the interpretation of needs and of their relative importance—will determine what propor-

²⁷ Dobson, *Bringing the Economy Home from the Market*, pp. 122, 188, 207.

tion of total labour power is allocated to which productive tasks. The degree to which a society values art would then be indicated, not by the price which a painting fetches in a competitive market, but by the number of artists who can earn a living from painting. A community might therefore choose an elementary material standard of living for its members in order to free more labour time for the production of educational or culturally elevating goods.

But even this scenario is precluded by Dobson's insistence that we should use LETS to develop sustainable subsistence economies and learn 'to adjust our basic needs to fit our available resources'.²⁸ The self-limitation of needs is a vital cultural and political project, but one that is unlikely to succeed if people are not rewarded for their self-restraint with an expansion in disposable time. Given the meagre capital resources—and relatively low productivity levels—of the local economy, it is unlikely that, unless they chose an extremely primitive lifestyle, the small-scale, self-sufficient communities imagined by Dobson would have much spare time to devote to labour-intensive, non-essential cultural pursuits or to pioneering entrepreneurial projects. Maintaining the tension between the micro-social activities of local trading systems and the more efficient and productive functioning of the macro-economic system is thus crucial to the protection of individual liberties and of the space for innovation, imagination, and experimental change.

A Second-Class Currency

The policy of tying LETS units to the value of the national currency also compromises some of the stated aims of LETS. The most obvious weakness is that this removes the immunity of LETS to inflation of the official currency. More worryingly, poorer members will see their purchasing power depreciate if mainstream traders feel that participation in LETS means sacrificing conventional earnings for an inferior money. And LETS units are indeed likely to be perceived as inferior to their official equivalent for two reasons. First, local economies, because they cannot achieve the rates of productivity—and low labour costs—common in national and international industries, are incapable of supplying the volume of goods, and therefore of meeting the range of needs and wants, which the global division of labour makes possible. Second, there is a hypothetical or 'choice-value' dimension to a currency, which describes the variety of comparable products which the holders believe they *could* buy—and which are therefore ultimately rejected—when the attempt to satisfy a perceived need takes place. Again, LETS cannot hope to offer consumers the frequently bewildering range of alternatives—probably cosmetic, but always multiplying faster than our capacity to verify this suspicion—from which cash customers are often forced to choose.

²⁸ Ibid., p. 68.

If LETS are to encourage the repatriation of mainstream economic activity to the local sphere, and in such a way that abstract or remote ecological and political goals are achieved not by moral or material coercion but by offering people tangible personal benefits, then LETS will struggle to compete on a consumer platform. In the long term, the perceived disadvantages of LETS to existing wage-earners will fuel the inflation of wealthier members' prices, as sellers of labour, goods and services, especially when their acceptance of LETS payment leads to a reduction in their cash income, demand a surcharge to compensate for the inferior value of the currency.²⁹ The unemployed, on the other hand, will have weak grounds to raise the price of their labour: they have nothing to lose but their time.³⁰

So long as members trade in LETS from asymmetrical positions transferred from the formal economy, the reproduction, and even widening, of established inequalities will be the likely result. Moreover, as LETS are held out to the unemployed, in true Victorian spirit, as a genuine opportunity to better themselves, the abandonment by mainstream society of the jobless poor, and of the welfare services they depend on, will be legitimized, and their exclusion from the structural guarantors of social identity and citizenship consolidated. Once LETS prove to be a reliable source of welfare, unemployed members will no doubt be disqualified from receiving state benefits—or, as Dauncey sanguinely foresees, will willingly 'sign off welfarealtogether'.³¹ Since LETS promoters have themselves suggested that LETS earners be taxed, in their own currency, and that social security payments could take the same form, it is then only a small step for the authorities to begin withholding benefits to jobless people who refuse to work in the LETS economy, thus inverting the whole principle of voluntary exchange and making participation in the community economy—and exclusion from mainstream society—compulsory.

Reforming LETS

In view of the preceding criticism, I suggest that the reform and development of LETS should be guided by the following six principles.

First, LETS should remain a community resource operating on a local or municipal scale. Attempts to create inter-regional or even national

²⁹ The inferior value of LETS currency is illustrated in Lang's account of a problem encountered by the owner of a café in Stroud. When she offered to give staff a pay increase exclusively in LETS, the Inland Revenue insisted that the LETS component of their wages would be taxed as ordinary income, and that this tax had to be paid in sterling. The fact that the staff were then unwilling to accept the LETS, since the higher payment would result in a net reduction in their sterling wages, proved to the café owner that the 'Stroud' was not equal to the value of the pound—and that the Inland Revenue should not treat it as such, Lang, *LETS Work*, pp. 97–9.

³⁰ If the unemployed did increase the price of their labour, hyperinflation could be prevented by allowing the exchange rate to float until the true market value of LETS units was established. But this would invite currency speculation, as LETS credits would be traded in anticipation of their future value.

³¹ Dauncey, *After the Crash*, p. 65.

systems with a larger and more diverse volume of trade should be resisted. This will ensure that trading has a limited environmental impact, that inequalities will be controlled by restricted levels of demand, that the systems remain informal enough to be flexible and responsive to cultural and personal needs, and that their management will remain open to democratic accountability. Second, LETS should not be conceived as a remedy for unemployment. If they are, there is the real danger that LETS employment will be officially regarded as a viable alternative to employment in the formal economy. A two-tier economy will thus accompany the two-tier welfare state. The unemployed will be disconnected from mainstream society, the scarcity of paid jobs will continue to be denied, and the well-paid middle classes will continue to work unnecessarily long hours.

Third, LETS should have their roots firmly embedded in civil society, and resist the temptation to assimilate their services to the statutory welfare systems of local and national government. Legitimate sponsors of LETS include charities, religious denominations, cultural, residential, political or ethnic associations. Trade unions should also play a role in founding and developing LETS. This would not be an altruistic relationship, since local trading systems would be particularly advantageous to workers who are in dispute with employers, enabling them to supplement the informal networks of mutual aid that are essential to the well-being and morale of strikers with a more versatile and heterogeneous pool of resources. However, this also presupposes that the unions abandon their corporatist character and orientation, that they form firmer links with non-workers and residents of local communities, and that they commit themselves to a non-productivist agenda which gives priority to the redistribution of work, for instance, rather than zealously guarding the jobs, skills and incomes of existing employees.

A pluralistic approach, comparable to Paul Hirst's model of 'associative democracy', is therefore possible, with various exchange systems, each having a specific cultural or functional emphasis, competing for members. Each LETS should be organized around a resource centre offering for hire communally owned space, tools and materials with which people can engage in autonomous, self-productive projects. Such centres would be especially desirable because they expand the sphere of strictly self-determined activities rather than simply supplementing or replacing formal employment with LETS employment—and because they reduce the trading power of the owners of capital goods offering their property for hire.

Against Parochialism

Fourth, LETS should not be designed to produce self-sufficient individuals or communities capable of cutting themselves—or being cut-off from the macro-social sphere. Communitarian parochialism can only be prevented by maintaining each individual's dual identity, as a mem-

ber of both a particular and a universal community. This is why LETS cannot be regarded as a remedy for unemployment. Everyone should be entitled and encouraged to participate in the abstract domain of interchangeable, socially necessary—though individually useless—labour, this being the basis to the assertion and defence of the universal rights of citizenship, including the right to privacy and personal sovereignty.

With work in the macro-social economy everybody's obligation and right, this ensuring the most efficient satisfaction of basic needs, participation in LETS will be a matter of choice rather than necessity. The possibility of exploitation will in turn be minimized, and the right to privacy and non-participation guaranteed. As things currently stand, however, initiatives like LETS must also bear some of the responsibility for generating the momentum to achieve macro-social change. A fifth key principle of LETS, therefore, should be the explicit promotion of people's practical self-reliance and autonomy, in such a way that the redistribution, and eventual reduction, of formal working hours—and therefore the cessation of commodity growth—does not threaten people with forced inactivity, social isolation, or a depressed quality of life.

My sixth and final suggestion is that, for the time being at least, LETS should signal their departure from, and challenge to, the iniquitous and frequently anarchic distribution of wealth and opportunity that characterizes modern market economies, by learning from the success of Edgar Cahn's 'Service Credits' system, and using currency units of time rather than market values.³²

This has four principal advantages. First, if significant inequalities between workers still exist in the formal economy, these will not be reproduced, as every hour worked in LETS is equivalent in value. Similarly, employees paid in LETS units cannot receive less than the value of that which they produce—cannot be exploited—since the purchasing power of their LETS wages is fixed to the time they expend and not to the amount of time required to produce the necessities of their existence. A time-based currency may well remove all mainstream business interest in LETS. Second, a practical critique of capitalism is advanced, entailing a cultural and political reinterpretation of value along egalitarian lines. Third, assessment of LETS income by state benefit agencies and tax authorities is made extremely difficult—Cahn, for example, has persuaded the US Revenue that Time Dollars are non-taxable. In this way, the successful development of existing LETS should not weaken the political pressure for the implementation of macro-social solutions to structural inequality and unemployment. Fourth, where unemployment still exists, LETS trade will be of greatest benefit to the unemployed—and to those who choose to work less—since participants earn the same rate for exchanging that which the jobless have the greatest reserves of: time.

³² While only a very small percentage of UK LETS use a time-based currency, up to 100 US cities across 38 states are thought to be trading in Cahn's 'Time Dollars'.

The Reskilling and Self-Management of Time

There are inevitable problems associated with time-based local trading systems, but none of these are insuperable. The time-unit price of self-made goods should not be difficult to calculate, and traders selling second-hand bought goods that cannot be competitively produced by LETS members should be encouraged to price them according to the amount of formal time they spent earning the money to buy them—minus depreciation for wear and tear. In the long-run, a large LETS may produce Market forces capable of forming equilibrium prices for some goods.

As Marx complained of Robert Owen, there is always the danger that idle and incompetent workers will be unjustly remunerated, but the openness of members' accounts and the opportunity to confer with a supplier's previous customers should militate against this. A more serious problem is that complex labour which has incorporated the time spent teaching and learning a skill has a higher value than is recognized by standardized time units. Complex labour may also require a degree of concentration or emotional involvement which, although always rewarding in itself, is also taxing for the individual. People who earn their living exercising such skills in the formal economy—teachers, therapists, scientists, technicians, designers, craft workers—will have little incentive to offer their skilled labour at a rate they could more easily earn by baby-sitting or dog-walking. Consequently, many important and socially useful services whose scarcity a market economy would normally be efficient at remedying, would be unavailable on LETS.

One solution to this is for the membership to agree on a higher labour value—say double or triple time—and to allow any activity to qualify for this premium rate, but *only when it is offered as tuition*. This would help facilitate the transmission of skills, the democratization of knowledge, and the demystification of the professions. Minimum standards would have to be met before students were permitted to trade their acquired skills on LETS—since they would not be qualified to practise in the formal economy, official wage rates would not be threatened—and minimum experience of LETS trade would be required before students could themselves become tutors. This incentive for LETS members to practise their new talents at the standard time-unit rate would be complemented by the fact that, unlike those who practise for a living, people acquiring a novel skill should take pleasure in the widening of personal faculties which its exercise entails, and without which it would deteriorate anyway.

Nonetheless, even when the services available in LETS are limited to the commonplace, there is still a valid mutual incentive to trade. This is the 'banking' of otherwise redundant time—the reciprocal exchange of time when, for one reason or another, it is more useful to the recipient than to the provider, so that individuals can 'save up'

their time when it is least useful to them and withdraw it when it can be more fruitfully employed. Combined with the democratization of skills and the establishment of community-owned resource centres, the result should be an escape from what Offe and Heinze call the 'modernization trap', that is, the impossibility of converting into use-values the time dividend which technological advance delivers.

Finally, it should be emphasized that the ultimate objective of LETS should not only be a contraction in the scope of large-scale apparatuses, impersonal market forces and bureaucratic procedures, and their partial replacement by more responsive institutions. The micro-economic production of use-values, facilitated by systems like LETS, does not stand fully at the opposite extreme to the macro-social coordination of labour, but rather occupies, to use Gorz's tripartite system, that 'intermediary level connecting socially necessary, heteronomous work and autonomous activity entirely determined by individual choice'.³³ Helping constitute 'the social fabric of civil society', community initiatives like LETS serve to widen and democratize the public space in which needs are negotiated and defined, and common interests discussed and articulated. But the same initiatives must also work to buttress the realm of the personal from the values, imperatives and obligations of the social, to protect and nourish the sphere of personal responsibilities and commitments, to help strengthen, rather than replace, the bonds of spontaneous reciprocity between neighbours and friends, to increase people's capacity and desire to care for themselves and those others with whom they form a noncontractual community, and thus to enable them, unmotivated by the prospect of exchange, to make, build, produce and maintain their living environments according to values they claim authentically as their own.

This project would be unthinkable, however, without a weakening of the prevailing economic interpretation of time. What is required is a cultural subversion capable of challenging that apparently insurmountable obstacle to the state of abundance on which Marx's communist utopia was ultimately founded and, in Sirianni's view, therefore ultimately flawed.³⁴ For the arts and graces of communal life, of contemplation and play, of eating and lovemaking, of conviviality and trust, and perhaps even of democracy itself, depend on an autonomous appreciation of time—not as a scarce resource which we must count and measure, trade and exchange, and permanently fear to waste; but as the constantly interrupted but always renewable possibility of a shared and meaningful existence.

³³ André Gorz, *Paths to Paradise: On the Liberation from Work*, London 1985, pp. 60–63.

³⁴ Carmen Sirianni, 'Production and Power in a Classless Society: A Critical Analysis of the Utopian Dimensions of Marxist Theory', *Socialist Review*, no. 59, September–October 1981.