

LETS kick-start the local economy

By Wayne Visser

Continuing the focus on local economic development (LED), the spotlight falls on LETS - the so-called Local Exchange Trading System. This is perhaps the most well known and increasingly widespread hybrid of local currency/exchange systems. It has all the potential to help ease the burden of the one third of South Africa's population which is unemployed, as well as to re-ignite the lost sense of community among the more affluent sector.

LETS was first established by Michael Linton in 1983 when his rural community in British Columbia, Canada, was devastated by an economic recession. The system allows members to trade both goods and services, using a combination of conventional currency and community-created credit called "Green Dollars" with members balances updated on a central computer program. By 1990, Linton's system had 600 members with a yearly turnover of \$325,000 equivalent.

LETS has since spread to other countries in the world, with more than 500 schemes operating in 1994, mostly in Canada, the US, England, and New Zealand, and the largest national network of over 200 existing in Australia. UK LETS have also grown quickly since their debut in Norwich in 1985, and now have over 15,000 members trading in more than 300 schemes throughout the country.

How does LETS work? Essentially, participants, which must be local residents, create their own directory of goods and services which they have to trade (many of which are not recognised or valued by the formal economy), and agree on a community currency as a medium to facilitate the exchanges. Sometimes, trades occur using a combination of LETS currencies and the national currency (to cover petrol or materials, for example). Often, a central register is kept of trades, and people's balances published to keep individuals from abusing the system (i.e. taking substantially more than they are giving).

LETS schemes display all the essential features of money - a means of exchange, a unit of value, a store of worth, a form of organisation, a relationship of trust. Importantly, however, they tackle the problem of low local liquidity and enable people with relatively little money to expand their economic activity. In addition, these community currency and exchange systems have the distinct advantage of:

- being created in the community at the time when it is needed and being non-inflationary;
- having availability limited only by the time and energy of participating individuals;

- only being useful in their trading function, rather than being used for hoarding (no interest is paid and no speculation allowed);
- and being simple and safely limited to usefulness only within the community.

LETS-type schemes do have their limitations too. Most obviously, the range of goods and services typically provided under these networks still tends to be very limited, and most systems function as an extramural activity, i.e. requiring additional labour outside of "normal working hours". Inflationary problems will also occur if rules are not enforced, such as in the case of the "WIR" currency in Switzerland where some of the member enterprises accumulated the script and began trading WIRs at a 40% discount for Swiss Franks.

Despite these limitations LETS-type systems hold out great promise for addressing unemployment and poverty in SA. For instance, they might be applied in a way similar to the city of Curitiba in Brazil, which has instigated programmes to link the unemployed and poor to unmet needs of the city such as street cleanups, garbage recycling, and at the same time allowing fuller use of city buses and services. SA's priorities might be different - community policing, for example.

Healthy local economies will only exist once local currencies are in place which ensure local trade where possible and help to stem the outward tide of resource-drainage common to many modern communities. LETS demonstrates one of the positive faces of the Information Age - that wealth is only artificially scarce - money and information are in fact equivalent. It is time to break the government monopoly on money and to give it back to the people!

Source:

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