

## **SECTION 2:**

# **THE HISTORY OF LETS**

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### Background to LETS

Ever since humans first used cowrie shells as a measure of value, we have been trying to find a better means than straight barter for ordering our economic affairs. For most of human history, we have tended to use an agreed standard measure of value. The biblical "talent" and "shekel" were initially measures of weight, and were established as the basis of value, first as measures of grain, later for weights of bronze. Coins were first used in the Lydian kingdom of what is today Turkey, and the gold "Daric" of the Persian Empire spread to become the unit of value throughout the middle east. Byzantine gold "solidus" gave us our meaning for the word solid. £sd refers to the coins of the Roman Empire.

Such early systems were usually based on the ratio of values between gold, silver, other metals, and local goods and services. Governments from the first attempted to create and maintain monopolies on the issuing of money as a means of maintaining political power and control. The first paper money issued by the Chinese emperors, was a part of the same system.

Our modern system of money began in the seventeenth and eighteenth centuries with the issue, by banks, of promissory notes. A promissory note (like a cheque), entitles the bearer to receive a certain monetary payment when submitted to a bank. Bank issued promissory notes, made out to various denominations, began to circulate as a supplement to metal coinage. By the early eighteenth century, "bills" printed by the Bank of England, in denominations of the official coinage of Pounds Sterling, had risen to prominence, and were displacing a mixed coinage system based on Spanish "doubloons", dollars and Guineas, each with different and variable rates of exchange. The growth of national central banking systems as a part of the industrial revolution, created "national economies" rather than local subsistence systems - and the infant science of economics grew up in their wake.

Despite our often simplistic assumptions, money (unlike LETS credits), is not merely a unit of value which enables comparison between goods and services of a different kind. The way in which our modern money systems have been established operates according to a range of rules and conditions, the consequences of which are often poorly understood. The value of any good or service, supposed to be reflected in its price, determined by the invisible hand of the balance between supply and demand, is in fact determined by the current purchasing power and level of information of those involved in the market place. It has never been a "free-market system", as the unforeseen social consequences of the so-called "free" market have required community regulation, ever since the beginning of the industrial revolution.

1. When modern money systems first appeared, there was a "free-market" in humans. Many championed slavery, as a means by which the economies of Britain and the West Indian plantations could mutually prosper. By 1860, however, the market in slaves was declared illegal. Human life was not a tradeable commodity, although "labour power" has continued to be "bought and sold" on a "labour market". Prohibition of child labour, conditions for the employment of women, occupational health and safety matters, working hours and conditions, have all been necessary to monitor and regulate the potentially negative effects of a completely "free market".

2. Secondly, there is a growing tendency in the market for smaller producers to be squeezed out of existence by larger monopolies. This has continually enhanced the power of multinational corporations, operating today to maximise their profits in a global market. Local communities have been disempowered by decisions which vitally affect their viability, often taken in board rooms on the other side of the planet.

3. Conventional market economics assumes "perfect entry" - that anyone can enter a market and set themselves up to compete with any other producer for a share of the market. This may have been almost possible in the days of independent home-workshops, but with highly sophisticated, technological, information based societies, it has become more and more difficult. Today, information has become a commodity, and information too has its price, like any other. The cost of this information acts to inhibit "perfect entry" from occurring (for instance, you could not set yourself up to compete with BHP).

4. The assumption of perfect information amongst producers and consumers about their products, and the consequences they will have, is also doubtful. Trillions of dollars are spent by the advertising industry, to persuade people to consume more, and to convince them that a "want" is really a "need". In actual fact most people are ignorant about the true nature of many of their consumables (eg. asbestos, CFC refrigerants, leaded petrol, pesticides and chemical fertilisers etc), and their ultimate impact on the community. This is especially true because the vast majority of resource consumers (i.e. the future generations), are automatically excluded from the market place, and so have no effect upon determining the way present resources are used. Short-term profitability has often taken precedence over long-term sustainability, although consumers are demanding more and more sustainable, environmentally acceptable commodities from the marketplace.

5. Rather than just being a means of exchange, our system uses money to make more money. The payment of interest on loans, enabled those with money to use their money to grow more wealthy. In this way, rather than just being a measure of value - money has become a commodity too. Exploitation has often resulted in cases where the market value of workers' labour is less than the value of the goods and services that they have produced when sold in the market. Expropriation of this "profit" by those that provided the workers with their jobs, often provided a way for the rich to grow still richer. These and other methods have weakened the viability of many communities.

6. Converting money into a commodity has enabled international currency speculation to grow. Today, many fear that speculative wealth, and the debts owed on loans, now exceeds the value of all goods and services produced by all countries many times over. Third World debt is a major problem. The size of the deficit in countries like Australia and the USA is also a reflection of this imbalance between "money" and "real value". The transfer of wealth out of a community is today possible on a massive scale. Re-importing money, as it is externally controlled, results in the community losing further control of its own economy.

These problems have not always been with us. They are a consequence of many of the rules we have adopted to guide the operation of our current economic system. They are not "fixed", or "natural", but are the result of choices made by our ancestors. Different rules would have had different consequences. LETS systems are only the last in a series of attempts to reform the economy by changing the rules by which money is "created" and "used".

## **Early Local Currencies**

As early as 1832, the social reformer Robert Owen attempted to set up an alternative currency based on issuing promissory notes of one, two, five, ten, twenty, forty and eight hours of work. The monetary values of raw materials were then determined by how many hours of labour went into their production. His Labour Exchange Bazaar, within a very short time, had a capital turnover of over \$2,000 per week, and "Workers who had been unemployed and unpaid for months and years were now using their skills and receiving good (alternative currency) income." Ekins, (1988) p.199. This system of "The Time Dollar" has recently been revived in the USA as a basis for providing services to elderly pensioners and others needing rehabilitation after a hospital visit (see below).

On the Channel Island of Guernsey, in the Napoleonic War, the local community issued its own currency to build roads and bridges and maintain community services. Within twenty years, partly as a result of the liberation of local innovation released by this measure, Guernsey evolved from a depressed local economy into a prosperous community. The experiment was revived in 1914, again for the same reason, and with similar results. Although central, interest-charging banks have attempted to destroy the Guernsey system, determined perseverance has enabled them to continue to the present. As a result, local government could pay, and charge for its services in "local currency" with the result that these Channel Islanders even today pay little tax.

In Worgl, in Austria, at the start of the Great Depression, the local mayor created a debt-free local currency that lifted the area out of poverty within three months and into prosperity within one year, at a time when unemployment in the national economy was spiralling out of control. Other towns soon followed suit, but eventually the central banks took legal action against the scheme. After a long legal battle the Austrian Supreme Court found in favour of the banks and the scheme was outlawed.

These systems eventually failed because they had many of the disadvantages of conventional money. They used tokens or coins, which could be stolen or lost. They also set out to replace the conventional system rather than to supplement with an alternative. Because they were seen as threats by the private banking sector, there was also attempts to destroy or subvert the new systems.

## **LETSystems overseas**

An alternative local currency which avoided these weaknesses is the LETSystem. LETS was started in Courtenay, British Columbia, Canada, in the early 1980s by Michael Wade Linton, and seems to have grown from two sources -

- \* A thorough critique of the conventional economy and its effects on weakening the system of local self reliance and community support, so worsening local effects of the depression of the early 1980s and
- \* Establishment and enlargement of a "point system" local currency, similar to that adopted by many baby-sitting clubs, expanding it to include all goods and services traded in the local community.

In addition to developing the theory of LETS, Michael also developed a computer program, based upon DBase II, which would simplify the accounting system upon which LETS is based. There are

a number of "Share-ware" systems now in operation which can be used on home or personal computers to record transactions, to keep track of accounts and to prepare trading sheets. Peter Austin, of Ecodata, has trialled a system especially adapted to Western Australian conditions. Information on his system is included in this pack.

Through his company, Landsman, Michael circulated information about LETSystems through a series of articles, and has given significant help to others who have been interested in the system. Meanwhile, as the conventional economic problems at both national and international levels have worsened, interest in LETS, in Canada and overseas, has proliferated. Starting in 1983, by 1985 it had over 500 members and had injected over \$300,000 worth of goods and services into the depressed local economy.

Linton established the following definition of a LETSystem.

*"A LETSystem is a self-regulating economic network which allows its members to issue and manage their own money supply within a bounded system. Its essential characteristics are:*

- 1. The agency maintains a system of accounts in a quasi-currency, the unit being related to the prevalent legal tender;*
- 2. Member accounts start at zero; no money is deposited or issued;*
- 3. The network agency acts only on the authority of the member in making a credit transfer from that member's account into another's;*
- 4. There is no obligation to trade;*
- 5. A member may know the balance and turnover of another member;*
- 6. No interest is charged or paid on balances;*
- 7. Administration costs are recovered in internal currency from member accounts on a cost-of-service basis."*

LETSystems initially spread along the West Coast of Canada, extending (after initial difficulties) in areas of high unemployment and with depressed local economies. A LETSystem was adopted in Calgary, and a government operated system is operating in Halifax, Nova Scotia (the homeland of the Cooperative Antigonish movement).

LETSystems have also been introduced in Missouri and Florida, largely through the influence of Hazel Henderson, one of the leading "Green" economists in the USA. In the latter cases, it is understood that local government authorities have opened accounts in the LETSystem for collection of local rates and taxes, which are thereafter "spent" on local community improvement programs. By 1987 a dozen LETSystems were in operation in Canada, with 10 more at different points around the world.

Independently of the work of Michael, a very similar USA scheme has proliferated through the work of Edgar Cahn. Known as "The Time Dollar", it establishes an hour of service credit as an

exchangeable commodity, and has been very significant in meeting the needs of older Americans. In 1987, the US Congress recognised the potential of the Service Credit scheme by authorising pilot projects under the Older Americans Act. Seven US states have followed suit. Time Dollar systems have assisted in three principle areas --

- At home personal care, such as personal grooming, meal preparation, letter writing and reading, feeding and at home respite care for families of the frail aged.
- Household chores such as light housekeeping, heavy cleaning, lawn maintenance, home repairs, laundry and gardening.
- Service outside the home, such as transportation, shopping, assistance with medical visits etc.

LETSystems as they have developed in Australia, however, have significant advantages to the Time Dollar, and, arguably, Michael Linton's own original concept.

1. Administrative costs are covered from within the system, and do not require costly full-time or part-time administrator/director/coordinator positions. Cahn has estimated that the total cost of establishing a Time Dollar system to range between \$12,000 and \$120,000 - averaging out at \$1/hour of delivered service. The cost of a fully fledged LETSystem is under \$1,500, covered by 100 membership costs of \$15 per member.
2. The flexibility of the LETSystem credit, allows locally produced goods to be provided as well as community based services. This allows LETS to fulfil community needs in a range of different ways not possible with Time Dollar. Locally produced Christmas presents, for instance, can help poorer families immensely.
3. Australian LETSystems are not tied to an inflexible system of value. People value their time differently, depending on what they are doing or the time of day. LETS enables these differences of value to be recognised. By allowing those engaged in the transaction to gauge the value of their activities, LETS helps to empower the people involved in other ways.

*A Case Study: In the Northern Suburbs LETSystem a member was wanting a lift to a local shopping centre, which cost him 4 cowries (The cowrie is the name given to LETSystem credits in this system).*

*Two weeks later he phoned up the same person, wanting a lift of the same distance and was told it would cost him 36 cowries! When questioning the difference he was told - "Last time it was 2.30 pm, and I wanted to go shopping anyway. It is now 6.30pm. I am in the middle of preparing tea, I have to organise baby-sitters, and I am not interested in going out. It will cost you 36 cowries."*

*The man paid for the lift!*

## LETSystems come to Australia

LETSystems came to Australia principally through the work of Jill Jordan. Jill, involved with the Maple Street Cooperative, and cofounder of the highly successful Maleny Credit Society had been aware that, even when communities owned their own credit institutions, the payment of interest on loans operated to enrich the prosperous and impoverish the poor in the community. After hearing of LETSystems at a conference organised by Bill Mollinson, the "father" of Permaculture (sustainable agriculture) in Australia, she applied for a grant to go to Canada to study the appropriateness of LETS for Australian conditions. She was unsuccessful with her grant, but paid for her own fare to visit Michael Linton, in Vancouver. Whilst in Canada she also visited Calgary, to check out "the history, demography and effectiveness of the local situation, and learn how to set up a LETSystem for ourselves." Upon her return to Australia Jill organised a public meeting, and operating from Bunya House, shared with the Maleny Credit Society, LETS was launched with over 85 members.

In it's first year of operation, October 1987, the number grew to over 100 people, who traded approximately 28,000 dollars worth of goods and services in the local community, reflecting skills and abilities of local residents that could not be tapped by the conventional market. In the first six months of, 1989, those trading had increased to over 220 and transactions to the value of 64,000 bunya nuts (Maleny's Trading Unit) are now "in circulation".

In a widely circulated letter sent to many groups around Australia when she returned, Jill stated "If you are sufficiently certain that your region could benefit from a LETSystem and you have access to an MS-DOS (IBM compatible) computer, it is well worthwhile to send \$20 to" LETSystem Maleny, Bunya House, 28 Maple Street, Maleny Qld 4552, "for which we will provide copies of the latest 3 software disks. These disks contain all the work Michael Linton has done in developing the system over 5 years (over 200 printed pages), how to start a LETSystem, the simulation game LETSPlay, all the notice board and accounting programs the system uses, plus an operating manual, and more - all you need to begin in your own region. All you need to supply is your own enthusiasm and enough capital to pay the membership fee (in Australian dollars).

Other LETSystems were quickly springing up. As Peter Geddes reported in Australian Wellbeing, February, 1989 "In the Rockhampton LETSystem they traded in Loaves and Fishes, in Taree, N.S.W. the currency was called Figs, and in Bellingen, N.S.W. the community considered Bellos and Bats before settling on LETS Dollars. Within a year of Maleny commencing, at least nine other groups were operating, including LETS in Sydney, Brisbane, Ballarat and Wollongong." At first there was an attempt to keep a register of new groups. Twenty five were registered in 1989, but LETSystems were so easy to operate, that new systems began without taking the effort to register. Innovations were made, too, on how to run a computer-less system for LETS

The Community Quarterly, in its July 1992 article about LETSystems in Australia provided the following information about separate systems.

New South Wales	19 systems
Queensland	16 systems
Tasmania	7 systems
South Australia	7 systems
Western Australia	16 systems (actually 20)

Victoria	43 systems
<b>TOTAL AUSTRALIA</b>	<b>118 systems</b>

The magazine is produced in Victoria, so the Victorian record is probably the most complete as Western Australia's total (and probably other states) is considerably underestimated. No mention is made of Canberra, Darwin and Alice Springs LETSystems either. It also has the problem that currently LETSystems are starting at the rate of about one per week.

### **LETSystems in Western Australia**

In February 1989, the Department of Employment and Training sponsored a visit by Jill Jordan to Western Australia as a Local Enterprise Initiative. At that time, Jill reported that she had received 60 inquiries from groups around Australia who had started, or were in the process of starting a local LETSystem. Following that visit, two systems started in Western Australia.

The first LETSystem was established in W.A. in February, 1989 at Fremantle. It began as an Environmental Centre initiative by the Centre Coordinator, Beth Perrin. Frequent users of the system are about 1/3rd of membership, the remainder being infrequent or occasional users. Membership is now stable at about 60 users, although individuals come and go.

Margaret River LETSystem started with 30 members in May 1989, growing to over 170 in January 1992. Like most LETSystems it began through a public meeting, convened in this case by Lynne Tinley, Shelley Cullen and Sally Minett, who became the first trustees of the system. In January 1991 the LETSystem got an office in the old Margaret River hospital, which is open for the public 2 half days weekly. Current turnover is estimated at more than 100,000 shares per annum. Earthworms, local pottery, Christmas cakes in season, are amongst a wide range of goods available. Local businesses are showing increasing interest.

In July 1989, Jill returned to Perth to run a second workshop. Fourteen different agencies attended, and four new systems, two metro (Northern Suburbs, South East Metro) and two country (Bunbury, Albany), commenced as a result of her visit.

The formation of the North Metro LETSystem was typical of the pattern that was subsequently followed elsewhere. A small LETS seminar was held at Sudbury Community House in Mirrabooka at which fifteen people heard about the system. A subcommittee of 6 was formed, which established the first trading schedule, and met fortnightly to plan a major public launch to the community. Members of this committee approached the media for publicity, and had appearances on ABC Radio (Verity James) and on locally produced programs on Channel 10 and Channel 9. The Sunday Times ran an article on "Going well with shell" - as the LETS credit in the northern suburbs was called the "cowrie". A public presentation meeting held at the Yokine sports centre one very wet October night was attended by 60 people, of whom 40 subsequently joined the system. Northern Suburbs LETS was away to a strong start.

As of January 1992, 16 LETSystems had started trading throughout the state, including five metro systems and eleven country systems. Communities from Esperance to Kununurra are expressing an interest in LETS and requests for assistance in starting LETSystems have been received from



Kununurra, Derby, Karratha, Port Hedland, Northam, Moora, Narrogin, Wagin and Bencubbin. A list of current systems as at 28 October 1992, is contained in Section 8 of this manual.

The problems faced by Western Australian LETSsystems are remarkably similar. People everywhere have reported that --

1. There is a problem communicating the complexities of how a LETSsystem operates, especially to the conventional communities.
2. People frequently have difficulty in understanding how a LETSsystem can benefit themselves in particular or serve a local community as a whole.
3. A sizeable minority of people joining a LETSsystem do not trade. Whether this is due to the fact that the system does not offer services that they need, or that they are intimidated at making initial contact, is not known.
4. People are unsure of Social Security pension and benefit implications, Taxation responsibilities and insurance issues in relation to LETSsystems.
5. There is a need for an effective market strategy in order to ensure that the LETSsystem, after an initial first flush of enthusiasm, remains viable. This requires continuous commitment from those people chosen as Advisers and Trustees.
6. New members report difficulty in understanding how they can set a value on their time, or on the goods or services they are prepared to trade.
7. Many people interested in LETS have troubles identifying their personal skill or service they could give to the system.

These issues will be addressed in the remainder of this pack.