

## **SECTION 5:**

# **EFFECTS OF LETSYSTEMS**

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As a result of their success, LETSystems are now being asked to explain to local government councils, businesspeople or government officers the effects that their system is likely to have on different sections of the community. The following section is not intended to be comprehensive, but can help you in framing your answers.

### Effects on the Individual

Most people who get into a "crisis" situation, do so for two reasons. Either their income is insufficient to meet urgent needs, or they lack a personal support network in the local community, or both. If this is the case, even a minor personal or financial difficulty can catalyse a major crisis. Poverty and low income and social isolation, for instance, are common characteristics in the backgrounds of most DCS and Welfare Organisations clients.

The number of people below the Henderson poverty line in 1986 in Western Australia was over 20% and over 27% of all children were then living in poverty. Despite changes to government family allowances, further economic deterioration has worsened the situation for many families, and our community continues to polarise between "haves" and "have-nots".

Increasing numbers of people also feel isolated and without support in our community. Migrants from non-English speaking backgrounds, and racial minorities such as Aboriginal families, suffer especially. Growth of a deregulated labour market increases occupational mobility and reduces the number of stable residents who remain in a community for long periods of time. Social isolation of those shifting increases as a result.

LETS addresses both issues directly.

**(a) Poverty:** In the conventional economy unemployment is growing at the same time that increasing numbers of people have needs that are not met. Supporting single parents need respite care of their children, old age pensioners are often lonely. A person's ability to get these and other goods and services is proportional to their purchasing power. LETS breaks the bottleneck. LETS, far better than the monetary system, is able to match one person's needs with someone else's labour availability.

LETS also addresses poverty by allowing people to have access to local goods and services on credit, without interest payments or a fixed repayment schedule. Because those who provide the goods is "paid" immediately, there is no loss to anyone should someone not be able to immediately repay or discharge their debit to the system. LETS Trustees are available to assist anyone getting into difficulty. To get out of debit is as easy as checking your trading sheet to see if they can do something that someone else wants, making contact, and offering it to that person.

At the same time, because members can get local goods and services through the LETSystem, a person's disposable income in federal dollars, available after their needs are met, actually increases. If they are regularly trading through a LETSystem they have more money left in their pocket at the end of each week, and possibly have access to a range of goods and services that previously were not available. The quality of life of everyone involved will improve.

**(b) Social Support:** Because LETS plugs members into a local trading network, it also helps to provide new or isolated residents living in a local community with an instantaneous community support system. They no longer need to go through the sometimes embarrassing task of trying to introduce themselves to strangers in the community. Through the trading network of LETS they have a ready reason for establishing contact or calling for support or help. Old age pensioners, unemployed youth, supporting parents, new arrivals, and single income families, with wives living as virtual prisoners in dormitory suburbs, all benefit. In every LETSystem firm friendships have been founded upon trading connections.

### **Effects on Local Businesses**

At first glance it would seem that local business people may suffer if there was a local L.E.T.Scheme operating in their neighbourhood. People are now able to get plumbing or mechanical work done without paying in dollars and cents. In fact, the reverse is true. Businesses benefit too. Most people in financial difficulty defer large expenses until a major crisis, not from need, but from poverty. A mother on low income avoids taking her children to a dentist, not because the child does not need to have their teeth fixed, but because the parents cannot afford to do so. The family will only go when they have a major tooth ache or some other dental problem.

If the dentist was a member of LETS, because people could afford to pay a proportion of their bills in a mixture of LETS points and in Australian dollars, a "new market" is created and the total amount spent by the community on dentistry actually increases! The same is true for any trade for which poverty constitutes a reason for lack of access.

Similarly, because LETS increases the disposable income of people living in poverty, and because they are likely to use their money to buy local goods and services they require, all local businesses benefit. Basic needs met, they would be inclined to spend on simple luxury items, where profit margins for local business people are often higher than on essentials.

Most LETS transactions seem to be in the area of personal goods and services, like baby-sitting and child minding, housecleaning, gardening or health areas. The conventional "market" for such goods in the community excludes low income families. LETS create new access and thus brings benefits to everyone, business person and consumer alike.

There is another intriguing property about a LETSystem that benefits business. A local entrepreneur can easily estimate the local demand for his goods and services, at little cost to himself, by joining a LETSystem. If it is a popular item, it would be in high demand. Prices could be adjusted easily in local LETS currency, and demand can be closely monitored. This market feasibility survey could indicate if it would succeed in the formal economy. In Maleny, over 30 small businesses began in such a fashion.

People setting themselves up in business in such a fashion, are not lost to a LETSystem as they can still offer their services to LETS members as before. The difference is, now they are also being paid in Australian Dollars for their services to the wider community as well as in Credits to LETSystem members. In such situations, it is advisable that the Taxation implications be fully addressed. (See Below)

*A Case Study: In Wollongong, at the community presentation that led to the formation of their LETSystem, there was one man who stated that he had nothing to offer to the LETSystem, as he had worked in the Steel Industry from the age of 12 until being made redundant with the closure of the industry at the age of 45, and he could not see how LETS could employ someone with his skills.*

*After interrupting the presentation for several times with entertaining and amusing stories. The presenters suggested he register one of his skills as story-telling. He did so. After some time one LETSystem member was having a party "with a difference", and invited the storyteller to come. He enjoyed himself immensely. He also received so many offers to tell stories that he decided to start charging dollars to those people not members of the LETSystem.*

*Today, he is self-employed, as Wollongong's only professional story-teller.*

### **Effects on The Local Community**

LETS has many effects within the community. Chief amongst these is a fostering of the sense of "community" itself, as the system rebuilds a sense of trust amongst the members which is essential if the community is to be effective in meeting the needs of its members. Because members will only get out of a LETSystem in proportion to what they put in, a system is also a training ground for the types of citizens we will need in the future. As communities become more self-aware and self-reliant, as the result of a LETSystem, everyone in the community could benefit. There are, however, a range of economic effects which can also be considered.

The potential sales, and thereby the value attached to any local goods and services is determined by the availability of money circulating within that community. The local economy, in turn is determined by how money circulates and by a balance between total community income and community expenditure. This is often independent of the true nature of the abilities and skills of local residents. For instance, an elderly pensioner may have many skills which are never tapped by their local community. A single parent mother on supporting parent's benefit may be excluded from part-time work, not because of her "employability" but because of the depressed nature of the local economy.

LETS liberates such untapped resources and makes them available to everyone in the community. The experienced pensioner or the skilled supporting parent once again becomes an asset. The Northern Suburbs LETSystem, over a period of 12 months traded nearly 5,000 cowries. This reflects the value of untapped time, effort, skill and ability previously inaccessible in the monetary economy. Individuals and families dependent upon welfare or government support achieve a degree of autonomy and independence not possible otherwise.

Because the trading sheet of a LETSystem records only a person's first name and their trading number, it takes no account of race, age or sex. Children can trade in LETS as freely as any adult, building their own self-esteem at providing socially valued goods and services. LETS can also be a useful bridge between races and ethnic groups. Some localities, divided between whites and Aboriginal families, have reported that the commencement of a LETSystem has brought the community together and healed old wounds. The elderly, kept from earning a monetary income from

the skills they have accumulated over a lifetime suddenly find that they are once again valued members of a local community, with much to offer, and at the same time can use LETS to obtain goods and services which a frail condition and low income may otherwise prevent. Communities really start to work in together in cooperation, rather than as accidental assemblages to people sharing nothing but a geographic proximity.

### **Effects on Community Organisations**

Community non-profit organisations often depend upon a small group of dedicated volunteers. These people, out of interest and personal motivation, commit a large amount of their free, disposable time to a cause they feel is important, not just to themselves, but to the community as a whole. This group is rarely a static one, but is constantly changing as the volunteers' lives also change. Such people leave community organisations for many reasons. Often, it may be a simple change in interests. More frequently it will be a change in their motivation. Less common, but equally important in the life of a community organisation is the stress of burn out.

Changes in motivation usually stem from the same source. Commitment is usually on the basis of a personal calculus of benefits minus costs, weighted for risks. Benefits are many, and should not be thought of exclusively in terms of self-interest. Altruism exists as a personal motivation too and appears in many ways - the sense of personal satisfaction of a job well done, or the sense of self-worth often created by service to others. Costs are equally complex. Time is always a limiting factor, and in the voluntary sector, the volunteer is always faced with choices amongst competing demands as to how they could make use of their time. Where risks and costs are low, and benefits are many, obvious and immediate, then people will generally maintain their motivation to the cause. When risks and costs are high, obvious and immediate, and if benefits are hazy, few and of low probability, motivation will be difficult to maintain.

Burn out is an extreme form of loss of motivation. It results from a slow build up of stress and tension which goes unperceived or ignored until a crisis is reached. Such stresses come from many sources. For volunteers in a community organisation, they often come from the fact that in addition to the time they donate to the community, they also need to spend time maintaining the viability of themselves and their family. If the latter is ignored, then the stress produced will grow in importance until it begins to interfere with the volunteers' work in the organisation.

LETS cannot address the issue of a change of interests, but it can help maintain motivation and assist in preventing burn out. A community organisation that is a part of a LETS system can give its volunteers a payment in LETS currency in recognition of the time and effort those people give to the agency. This can be used, in turn, to provide for a meal, to get someone to collect and mind the children, or to do the gardening - those tasks which tend to pile up and which thus contribute to the growing number of stresses which may eventually cause burn out. By providing an immediate, and tangible benefit to volunteers and activists, motivation is strengthened.

A community organisation that pays its volunteers has to get its LETS currency from some activity of its own. This can be done in one of three ways.

- Firstly, members of an organisation who are simultaneously members of a LETS system can give donations. In Perth the Campaign to Save Native Forests and the Gaia Foundation are

two organisations which have their members donate LETS currency to cover organisational expenses.

- Other organisations which currently charge a fee for service, can equally charge in LETS. This has an added advantage. A charge in federal dollars automatically discriminates against low-income users of the service. The alternative - of giving services away freely - has other disadvantages. Many feel because it is "free" it is "worth nothing" and will not give it due care or attention. Charging in LETS still enables an organisation to signal that it attaches importance to what is being offered (and is not providing a "hand-out" or "charity"), and at the time ensures that the service is available to the whole community, irrespective of income. Learning Centres or Neighbourhood Centres, for instance, can charge in both LETS or dollars for their courses, paying presenters in a similar fashion.
- A community organisation can give direct assistance to a LETSystem itself, undertaking a role as a Trustee, helping to keep the record of transactions or preparing the trading sheet and thereby earning themselves LETS currency within the system. The Maleny LETSystem is run from the Maleny Community Credit Society in such a way. The Armadale LETSystem is similarly run by Armadale Joblink, and Fremantle LETS by the Environment Centre.

LETS provides community organisations with all the benefits which are available to local businesses. It attaches the organisation to a strong, grass roots network of community support, which can be mobilised to provide assistance if needed. Because people who get involved in LETS are likely to be "community minded", it provides such services with a ready framework for recruiting people to more active involvement as and when required.