

An FAQ on the LETS system

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THE TWENTY MOST ASKED QUESTIONS ABOUT LETS

Q.1 What is a LETSsystem?

A LETSsystem is a locally initiated, democratically organised, not-for-profit community enterprise which provides a community information service and records transactions of members exchanging goods and services by using the currency of locally created LETS Credits. The LETS Credit currency does not involve coins, paper money or tokens of any kind but rather acts as a scoring system, keeping track of the value of individual members' transactions within the system. It is simply a community information system attached to its own market-place. Different LETSsystems call their LETS Credits by different names, adding a "local flavour".

Q.2 How does LETS work?

LETS works a little like a baby-sitting club, where members earn credits by baby-sitting other people's children, spending whenever they need child minding. Unlike a baby-sitting club, however, LETS extends the range of services to whatever is available locally. A successful LETSsystem can provide members with food, clothing, housing, transport, health and legal services, repairs, equipment, business services, entertainment and much more, at a reduced or no cost in Federal dollars, through the operation of a community based credit

economy.

- It is available to anyone who is a member of the community and who joins a LETSystem.
- Individuals and businesses can use it to advertise goods or locate what they want, either by telephone, mail or in person.
- Information is updated regularly, added to or deleted at any time, and circulated regularly to members.
- There are no limitations or obligations on use. LETS is its name and "lets" is its nature!

Upon paying a small registration fee members are issued with a Registration Number which acts as a license to trade. On joining, members also list goods and services they are prepared to offer to, or require from the LETS community. In most systems, members also elect a LETSystem Committee or Board of Advisers at an Annual General Meeting, and establish a system to maintain LETS accounts and update trading sheets, advertising the goods and services available or needed.

Q.3 Why start a LETSystem?

When ordinary money is in short supply, needed community projects are put on indefinite hold, local businesses fail, people become unemployed, and individuals and families suffer, not because they have nothing to offer, or because they lack skills and abilities, but simply because there is not enough money to go around.

LETSystems helps develop and free local markets by operating like a community bank, in which members open an account. Unlike a bank, however, it gives unlimited interest-free credit, generated at the point of sale, to facilitate trading with other members. In this way, LETS acts like a supplementary currency, creating an additional system of value in a community. By supplementing conventional cash flow with a local currency, a community can maintain full employment, and protect itself from changes and fluctuations in the money supply.

Q.4 What other benefits are there in starting a LETSystem?

There are many benefits to LETSystems. Some others are--

- **Mobilising the Real Wealth of a Community:** The knowledge and skills of its people is the real wealth of a community. A local currency keeps this wealth working in the community, even while conventional money drains away, generating employment and income for all involved. People who have accumulated a wide range of skills and abilities suddenly become once again highly valued members of the community.
- **Helping Community Groups:** LETSystems help other local community organisations by giving them access to resources to extend their services to customers or clients currently not gaining access. Volunteer burn-out is reduced as LETS helps organisations recognise and acknowledge donated time and effort, allowing volunteers to meet their own needs while meeting the needs of others.
- **Fostering Self-Reliance & Self Esteem:** In our communities, unemployment is growing at the same time increasing numbers of people are unable to get their needs met. Supporting single-parents may need respite care or other services for their children. Elderly pensioners also need a range of specialised services or may simply require company to combat loneliness. At present a person's ability to access these and other services is proportional to their purchasing power. LETS breaks this bottleneck, by making it more possible to match someone's need with another's available labour. People are no longer dependent upon welfare or charity, and everyone's self esteem benefits.
- **Increased Personal Savings & Disposable Income:** Because members can get local goods and services through a LETSystem, members can substitute LETS for Federal dollars. The disposable income in Federal dollars, available after basic needs are met, actually increases. For those involved who are regularly trading in LETS will find

they have more money left in their pockets at the end of each week. The rate of community savings, and therefore of community investment capital generation, and with it the quality of life of everyone, will improve.

- **Opportunities for Businesses:** LETS adds a new tier to a local economy and generates wealth that is not able to be accessed through the conventional monetary system. This wealth creates new opportunities for expansion of existing local businesses, or even markets for new goods and services that previously were not available.
- **Creating Local Economic Control:** LETS helps to plug the leaky bucket of the local economy, by creating a local currency that cannot leave the community, thereby reducing uncontrolled and activity limiting capital outflows. As LETS credits only have value in the community in which they were generated, they stay circulating to create more wealth for everyone. LETS gives community members a powerful new tool with which to "steer" the local economy in directions which benefit everyone.
- **Support to Buy Local:** At present, economies of scale, transfer pricing, and capitalising on cheap Third World labour or raw materials enables larger multinational and interstate manufacturers and retailers to tip the so-called "level playing field" in their direction, to the detriment of local businesses. LETS provides a Federal dollar discount to those using local businesses, manufacturers and retailers, while not sacrificing total income in the hope of making it up through increased business. Local businesses thrive.
- **Building Community Support Networks:** Because LETS plugs members into a local information network, it provides new or isolated residents living in a local community with an instantaneous community support system, which avoids the embarrassment of introductions to strangers. Through the LETS network all members have a ready reason for calling for support or help. Elderly pensioners, unemployed youth, supporting parents, new arrivals, and

single-income families with partners "trapped" in a dormitory suburb, can all build firm friendships on relationships established through a LETS connection.

- **Fostering Social Justice & Equality:** Because the value attached to one's time and commitment is set individually amongst the participating members, a LETS system equalises the wage differential that exists in the value attached in the conventional economy to the work of women as compared to the work of men. This greater equality helps to prevent the polarisation of the community between those that "have" compared to the "have-nots". There is no value in accumulating LETS credits, as they cannot earn interest. It is only by putting them to productive work that the individual or the community benefits. LETS fosters local participation in the community at all levels.
- **Helping Community Projects:** There are many worthy and worthwhile community projects and activities that languish for lack of money. By donating LETS credits to a community chest, major community initiatives for local improvement or charitable work can be generated, without putting a severe strain on one's Federal dollar income. Because the local LETS credits remain in the local community, the wealth donated will circle back to the donor as a form of long-term "money back guarantee", to generate demand for the goods and services they are providing to their community.
- **Building a Sense of Community:** The increasingly transient, temporary and mobile lifestyle in Australia has greatly damaged our sense of belonging to a meaningful community. Because a LETS system builds local relationships it is a powerful means of regenerating a sense of trust among members, a necessary component to the health of any community. As communities become more self-aware and self-reliant as the result of a LETS system, community isolation, fear and loneliness diminishes and everyone benefits.

Q.5 What is Multi-LETS?

A Multi-LETS system is a LETS system like any other. Like any other LETS, a Multi-LETS provides a register of members, in which transactions are recorded, statements and accounts are prepared, and a notice-board or trading sheet of offers and requests are prepared.

A Multi-LETS, in addition, has the facility for a number of separate networks to exist within the single registry. These networks resemble separate LETS systems, in that they charge their own membership fees, that members of a particular network may trade goods and services in their own local currency, according to the rules and conditions upon which members agree, they may provide their own separate list of offers and requests, and their own newsletter. Again, like a LETS system, the LETS Credit units cannot be transferred outside of their membership base or taken out of the system.

The difference with a conventional LETS system is that in Multi-LETS, people initially join the general register, specifying which networks they would like to participate in. In return they receive a single trading Registration Number which can be used in the general register, and in any network to which they may belong. People then have the choice whether to record the transaction within the general system, or at the level of a particular network.

In a Multi-LETS, all transactions are recorded at the level of the Multi-LETS register, so networks can have the advantages of a LETS system, without needing to worry about the recording of transactions, or the issuing of statements. This can be an immense advantage to a particular club or group who do not have any members interested in "running the system" but who wish to use LETS for their own purpose, without necessarily wanting to go through the hassle of starting their own separate LETS system. Their members also gain access to a wider range of goods and services through the general register than they would in a smaller system of their own network. In a Multi-LETS

people have greater freedom of choice, as they can choose which networks they want to participate in and which local causes, clubs or groups they want to support whilst trading in LETS.

Q.6 How do I join a LETSystem?

Each LETSystem is independent and has its own contact person or mailing address. Once you have made a decision about which LETSystem or systems you want to join, make contact and they will tell you how much it costs. Generally people then fill in a sheet of offers and requests, their name, mailing address and phone number. The LETSystem will then inform the new member of their Registration Number within that system, which acts as their license to begin trading. Different LETSystems have different ways of renewing memberships, but generally members have to renew their membership once a year.

Q.7 What happens with my list of offers and requests?

You have already listed what you want to receive from the LETS Community, and what you are prepared to contribute to that community in return. These are incorporated with those of others into the Trading Sheet. There is a charge of a proportion of a LETS Credit per line for listings in each trading sheet (to pay the Trustee who updates the listing). Your account may head backwards, therefore, if you are not trading.

It is a good idea, therefore, to regularly check your list to make sure that it does reflect what you are prepared to provide, or prepared to receive. As you will discover, it can be frustrating to members to have to make a large number of phone calls before they find a "genuine" trader in that item, or if they discover that it was sold 6 months ago! This can be overcome in part by keeping your list up-to-date. This is your responsibility. It does not cost you to delete an item, and will save your account the expense of listing unwanted or no-longer-traded goods and services.

Q.8 What should I do now? How do I start trading?

Your LETSystem, like all LETSystems, works best through your participation. Rather than waiting for someone to contact you about your listings, your LETSystem will best meet your needs if you use it actively, rather than passively. Contact someone perhaps who is requesting some good or service that you can offer. It may be something that you did not even consider listing in your offers in the trading sheet, something that you never considered before. Whatever it is the person you phone will be glad to make a new LETS contact.

This will give you a taste of trading, and show you how it is done. If that person is interested in your assistance, make sure that you clearly establish exactly how many LETS Credits you propose to charge. This may result in some friendly "haggling", but do not proceed until a mutually agreeable "price" has been set. Make sure that both parties to the transaction have the correct name, registration number, and amount before completing the cheque tab, or phoning the transaction through to the Trustees.

Q.9 How do I get most personal benefit from my LETSystem?

Your LETSystem will have the greatest economic use to you if you look at where you currently spend money. Have you built a personal relationship with the people involved, or is it only a commercial transaction? If you can recruit to the system individuals with whom you normally spend Federal Dollars, you will find that being able to buy the same goods and services in part for LETS will have a big effect on increasing your savings and disposable income. For instance, if you can buy local foodstuffs and groceries for LETS it will have a big impact upon your spending patterns and you may save Federal Dollars! If you want help enrolling someone into the LETSystem, ask your area coordinator, Trustee or LETS Committee. If successful,

you can start to spend local currency more widely, so creating more jobs and increasing the wealth of your local community! Try to develop the LETS habit by using LETS first, Federal Dollars second, only if you have to! LETS gives people a chance to meet their neighbours in a new way, enriches your community life and provides you with a community support network of great strength and durability.

Q.10 How much is a LETS Credit worth?

For most business transactions it is easiest to equate one LETS Credit to one federal dollar. Business people find it hard to cope with a system of value that varies widely between different times and different people trading.

Most transactions in a LETSsystem, however, are for goods and services that would be called personal arrangements, social arrangements, hobbies or pass-times. For these, people are free to set their own value scale, which can vary wildly between times of the day, depending upon the amount of free-time one has, or the nature of other pressures or demands they may have on their time.

As a result, in a LETSsystem, you may find a wider range of pricing than you would in a conventional market system. Prices for such items are negotiated freely between the two people engaging in the transaction, and there is rarely a "set take-it-or-leave-it" price as one finds in a conventional money purchase. This helps the relationship building nature of a LETSsystem. Because people attach their own value to what they change, many of the inequalities that exist within the normal economy are not found in a LETSsystem. The gap in hourly wage rates between professional and labouring work, between the work of men and the work of women, and between tasks that would be normally considered voluntary or unpaid, and those that are paid for, are narrowed or do not exist. Generally, a person's purchasing power in a LETSsystem is equal to the purchasing power of anyone else, although the demand for their services may vary widely.

Q.11 Can I charge part LETS Credits/part federal Dollars in a Transaction?

Yes. If in providing that service you will have to pay federal dollars for providing part of what is requested (eg. for paint, petrol, your tax (if you are a tradesperson or professional exercising their regular occupation)) you can ask for dollars to cover this needed component. Make sure that the other person understands why you are charging dollars, as this helps make sure that they feel what you are charging is fair.

Q.12 How should I charge in LETS if I run a business?

If you run a business, a useful way to start is to offer what you think would be a fair percentage in LETS Credits and federal dollars. The other person in the transaction is free to accept or reject, as in LETS, there is no obligation. LETS is its name and LETS is its nature!

The only requirement is that you are prepared to consider trading in LETS Credits for whole or part of the transaction. Make sure that the other person understands in advance of providing the goods or services if you are not trading any item for LETS. Not doing so will come as a nasty shock to your customer, and may lead to them telling others of their unfortunate experience, with the result that you may find you do little trading in the future!

If you are running a business and wish to trade in LETS, ask us about the "LETS Do Business" information. We can explain how you can record transactions in part LETS part dollars in an easy and reliable fashion. Members of a LETS system would prefer to trade in local currency, so you will probably find that your number of sales, and your total cash turnover will increase as your business joins the local system.

Q.13 Do I have to be in credit before starting to buy?

No. You do not have to be in credit before making your first buying transaction. In this way your LETS Account is very different from a conventional Bank Account! If you wish to purchase a good or service from the LETSsystem, you can do so straight away, as when you go into debit (which in LETS is a measure of your future commitment to the system), someone else will go into credit. The system will in this way stay balanced at zero.

It is by buying that "new LETS Credits" enter the system, creating more wealth in the local trading community. As the LETS Credit cannot leave your LETSsystem, eventually they will come back to you in the form of someone who wants what you provide. A debit (or commitment) thus is a "money back guarantee". This is very different to money.

Q.14 What happens if I leave the area?

It is a good idea to inform the Trustees or your area coordinator immediately you shift residence. This helps make sure that they can send any future trading sheets or newsletters to the correct address.

If you are shifting out of the region of the LETSsystem, you have a number of options.

Firstly, you can keep your account open, in case you visit the area and want to do some trading, or if you are prepared to provide services to your LETS members who visit your new place of residence.

Secondly, you can close your account. This can be best achieved by returning your balance to zero. Your area coordinator or LETSsystem Trustees can help show you how this may be done.

Thirdly, if you leave with either a credit or a debit balance, you should not worry too much, as the LETSsystem as a whole will still be balanced at zero, and the LETS Credits, unlike federal dollars, can never leave the area. People will still be able to trade, and get their needs met.

Obviously, if everyone left your LETS system, it would become inactivated, and transactions would dry-up. This has happened to LETS systems in the past, but nothing is lost, and no-one is hurt by the process (again, unlike the conventional money system).

Q.15 How can a person "rip-off" the LETS system?

Forget it. They cannot. Surprisingly LETS Credits provide one of the only theft-proof, non-rip-off-able currency systems possible in the world. Its simple rules operate in a fashion entirely different to conventional money, which can be stolen, and is often "ripped off". LETS Credits operate in a fashion wholly different to federal dollars.

Consider, for instance, the question of debt. If I borrow 100 federal dollars from you, then I effectively have \$100 of your money which you cannot spend until I pay back. This is inconvenient to you, and, as a measure of this inconvenience you charge me interest (I may have to pay back \$110 eventually).

In LETS if my account is 100 LETS Credits in debit, it means I have already paid someone 100 LETS Credits! No-one is inconvenienced, and so there is no interest. I can discharge my commitment whenever it is most convenient to me to do so. LETS by name and LETS by nature!

Q.16 What about Tax?

Do I have to pay tax on LETS Credits? The Australian Taxation Office ruling on LETS, released in February 13th 1991 states that there are no Taxation implications for personal arrangements, social arrangements, hobbies or pass-times. These constitute about 70 to 80% of all LETS transactions. Only if I am a tradesperson, a professional, a business, or a retailer or wholesaler and I am trading in my business is there any implication for tax. In such cases, "Income" is income, and I have to pay tax on my LETS Credit earnings just as I do on my

federal Dollar earnings. At present you should estimate the amount of tax you would have to pay on the transaction and charge that as part of the federal Dollars component to the person purchasing your services or buying your goods. The "LETS Do Business" guide will help you keep track of the amount you need to charge. These dollars you collect will have to be paid, eventually, to the Taxman, just as you do with any federal Dollar earnings. There is no difference with LETS. LETSsystems across Australia, while agreeing recommend to their members to abide by the Taxation ruling, also think it unfair. Tax on LETS should be paid for in LETS - Tax on Dollars, paid for in Dollars. This has the effect on keeping taxes collected on local transactions in the local community. If you would like to help your LETSsystem lobby the government on this matter, get in touch with your Trustees or area coordinator. Your LETSsystem believes that tax is an individual matter, and an individual responsibility. LETS is not a Taxation Avoidance Scheme. Your LETSsystem takes no responsibility for collecting or policing tax, and will not act as an agent of the Taxation Office. Under law, it cannot prevent the Taxation Office obtaining legal right to view our documents.

Q.17 What about insurance?

Your LETSsystem does not provide insurance, workers compensation, public liability nor any other coverage. These are individual matters and should be checked, if required, between the individuals involved in the transaction. If insurance is required, you may have to pay federal Dollars to help the other person cover the cost of the premiums (unless the LETSsystem has managed to enrol an Insurance Company! If you would like to help enrol an Insurance Company, contact the Trustees or the area coordinator!)

Q.18 What about Social Security?

It is a matter of interpretation whether and what degree LETS is

"valuable consideration" under the Social Security Act. If you are concerned about Social Security, it is a good idea to keep your LETS account as balanced as much as possible, close to zero. For each positive transaction, try to provide a negative one balancing up as soon as you can. If Social Security becomes a matter of concern, contact your LETSsystem, or ask Social Security about the Appeals Procedure, as an appeal against any Social Security ruling that is open to interpretation is your right under the Act. In Western Australia 50% of appeals are found in favour of the appellant, and Social Security have to reimburse any payments lost.

If you receive Unemployment Benefit, and you wish to continue to do so, you should not allow your involvement in the LETSsystem interfere with your ability to seek full time or part time work. After- hours involvement is probably best.

Q.19 How are decisions determined within this LETSsystem?

LETSystems are democratic organisations, controlled by their members. Your LETSsystem will probably have an annual general meeting for the election of office bearers and committee members. Committee meetings are usually open to members and all are invited to participate. If you are interested in participating in either the administration or development of this LETSsystem, you should get in touch with the local contact or LETS Committee. Increasingly, all work done for LETS Administration or Development will be acknowledged and paid through the system!

Q.20 Where can I get more information?

The Community Development Branch of the Department of Commerce and Trade have a LETSystems Training Pack which provides groups and individuals interested in LETS with the all information required to start their own system (\$25.00 + \$3.70 postage & handling). There is also a video available.

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