

# BUILDING A COMMUNITY CURRENCY: LESSONS DRAWN FROM CREATION OF LETSYSTEMS

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**ABSTRACT:** *This article was based upon Western Australian experience with LETSystems from 1987 to 2003. It is still in need of updating based upon the new developments in community and regional currencies in Europe, the development of the Boya and the Minuto of Konstantin Kirsch. This will be added as soon as possible.*

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## LETSystems

A LETSystem is a locally initiated, democratically controlled community enterprise which facilitates trading for goods and services amongst members of a local community by issuing a local currency which functions as a personal money. Unlike conventional money, any LETS currency issued, which is recorded only as an account or book-keeping entry, cannot leave the local community, as they are not recognised elsewhere. Each LETSystem also produces a community trading directory or local "yellow pages" which lists all goods and services provided or requested by members on an advertising fee for service basis which is paid for in local LETS currency.

Because donations of LETS credits to local charities are literally tax deductible, LETSystems provide opportunities for local philanthropy that does not interfere with the economic operation of local enterprises or businesses. Non government organisations and agencies whose ability to provide service to their customers is limited by the size of their budget can either draw upon an interest free LETS overdraft, or apply to a LETS operated "community services fund", which provides them access to a local currency which never leaves the community. A local business which manages to shift 30% of their costs into LETS, while maintaining 75% of their sales in Australian dollars, increases their cash-flow operating surplus by 5%. Simultaneously on the basket of goods previously costing \$120, they can now offer the same goods for \$90 Australian, \$30 LETS, effectively undercutting the cost of the same goods that would cost \$100 at the nearest regional centre. The LETS component of the transaction, unlike the Australian dollar part is a money-back guarantee, circulating forever within the local economy to stimulate more and more local business. At the same time, community or environmental projects previously stuck for the lack of funds can re-build the community or ecological layers of the cake taking advantage of the new capital injected into the economy. The proposed amendments to the Local Government Act in Western Australia also allow rural shires and municipal authorities to collect revenues or make expenditures in local currency.

I posted this ethos a couple of weeks ago, but believe it went adrift somewhere. Apologies if you have seen this before, but I wanted to post it again as we are interested on feedback on this side of the development of LETS, which in Frome is considered quite deeply. One of the things that we are trying to do with it is delineate what LETS is without defining and limiting it within a set of rules or structure. As the scheme grows and develops there is an increasing pressure to create a sense of boundaries. We are a lets scheme, and as such do not have the sort of definition that LETSystems are using, neither do we want one, but we do feel a need to give utterance to our common perceptions about the shape and the identity of Frome LETS - plus of course, a degree of clarity for the benefit of people who are interested in joining, so that they know whether or not it is of interest to them.

ETHOS, revised draft.

Frome LETS has an ethos or characteristic spirit which plays an essential role in the day-to-day running of the scheme. Rather than try to define ourselves in conventional terms as an organisation of a particular type, the core group prefers to identify the qualities and values which shape this ethos, and, in so doing, provide the strongest safeguard of the scheme's integrity.

1. It is committed to being a local scheme, independent and autonomous.
2. It seeks to be responsive, facilitative and supportive with regard to the needs and interests of its members.
3. It is flexible and organic in organisation and operation.
4. It relies on the willing participation of its members.
5. It seeks to be honest, open and generous in all its dealings.
6. It seeks to link people together in creative, stimulating and harmonious ways.
7. It seeks to be non-discriminatory and non-hierarchical.
8. It offers an alternative set of values and practices to those of money and the market, based on respect for people, the environment, other life forms and sustainable lifestyles.
9. It is committed to the principle of equal value for work as expressed in "standard rate" trading.
10. It believes that we are responsible for our own lives and encourages self-help and self-sufficiency in the lives of its members both individually and collectively.
11. It respects the mutuality of interests and the differences which members bring to their involvement in the scheme.
12. It aspires to high standards of integrity and achievement.
13. It values all forms of work and service which do not hurt or threaten the rights of other living things to be treated with courtesy and respect.

For the past four years the Department of Commerce and Trade has been providing a developmental service to assist Western Australian LETSsystems. During this time it undertook the following :

1. Produced a LETS Training Pack on how to start and run a LETSsystem
2. Underwrote some of the costs of the first 3 State LETS Conferences
3. Assisted in bringing the founder of LETS, Mr Michael Linton, to Perth
4. Provided WALLETS with equipment to support LETSsystems
5. Provided funds for the production of Software to assist LETSsystems

6. Promoted the concept of LETS in various government forums
7. Provided a small consultancy in training, advice, information and support.

With the rejuvenation of WALLETS, the peak body to support the development of LETSsystems in Western Australia, the Department will no longer provide the developmental service. It is hoped that this role will now be undertaken directly by WALLETS.

## CONSEQUENCES FOR COMMUNITY ECONOMIES

Community Enterprise and LETSsystems have demonstrated profound effects on the operation of local economies. In 1989 the state had only three LETSsystems. Already, by December 1994 some 46 communities in Western Australia have worked to develop LETSsystems. New LETSsystems are starting at the rate of one per month. Equally some 18 new or existing community enterprises have started or expanded their operation over the last 3 years. Some of these have grown to be enterprises worth a cash flow of well over \$100,000 per year. A recent evaluation shows that the typical LETSystem today would have an average of 100 participating member households, in which the average household would trade approximately \$50 worth of goods and services a month. At that rate LETS contributes an additional \$2.6 million of goods and services to the WA community each year.

Let us extrapolate these trends to our hypothetical community. Firstly let us propose that a Community Enterprise Development Agency in our community of 4,000 people has started a LETSystem, which has enrolled 50% of the households of the community. A well based community trading directory lists all goods and services members are prepared to provide, or which they are requesting from their community. Furthermore let us propose that the LETSystem has grown to the extent where \$1 in \$5 was being expended through local currency. The average household would be spending \$50 week in LETS, or \$200 month, 4 times the current average. This would generate an additional \$1.2 million worth of goods and services for the local economy each year, giving \$13.2 million worth of direct local activity, an immediate expansion of 10%. A 10% expansion in the local economy would, all other things being equal, fully absorb the 10% unemployed.

An even more dramatic effect is shown by the change in the purchasing multiplier mentioned above. Such a LETSystem coupled with a community enterprise strategy would mean that an additional 10-20% of each typical transaction would be retained within the local community. Instead of 66c leaving the community with each purchase, an additional 15c would be retained, meaning that the community would now only lose 51c with the first purchase, 25c with the second purchase, 12c with the third, 6c with the fourth, 3c with the fifth, 2c with the 6th and the remaining cent with the 7th. Each \$1 spent now generates \$2.10 of economic activity (as compared to \$1.50) before it is lost to the local community, largely because its LETS component is permanently retained by that locality.

The \$8 million input to a local economy would, under such circumstances generate some \$17 million worth of economic activity in the community. Such growth would convert our rural area from being

one with a 10% labour surplus to having a significant labour shortage. The wage rates payable to local people, in a mixture of \$Australian and \$LETS could grow, bringing returned prosperity to all and narrowing the gap between those that have and those that do not. Such local economic growth would permit a number of new community and private enterprises to operate and permit the expansion of all current small businesses in the community. Community services would flourish upon the local philanthropism, and resources could be channelled from the formal monetary economy towards community enhancement and environmental repair, improving the local quality of life and re-equilibrating amongst the three layers of the cake in a balanced fashion.

## CONCLUSION

Given the pace of change buffeting all communities in Australia, it would appear from the available evidence that community resilience and community vitality are emerging as the key variables that foster community survival. Not only to communities require a common widely shared vision, but they also need to engage in community economic analysis to permit the identification of local strengths and weaknesses, and to discover current trends and the likelihood for such trends to continue. Finally they will need to design a number of tools - strategies and tactics, that enable appropriate action to be taken.

Community enterprise and LETSsystems are highly flexible strategies that fit well into the armoury of any community. They permit a number of complementary approaches to be taken that creates a level playing field between those small community operated businesses and those operating at regional, state, national or even global level. They make "local shopping" a reality, a rational choice based on the self interest of the individuals involved, rather than a pious exhortation that you "should do for the benefit of your community". And over the medium to long term? These tools are sufficiently powerful to re-knit divided communities, creating tolerance of difference and a cohesive community spirit. They also allow localities to survive where otherwise they may disappear, maintaining environmental and cultural integrity for all. And surely this is worth the effort that they require, even if only for the sake of our children's children.

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