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## The New Barter Economy: An Appraisal of Local Exchange and Trading Systems (LETS)

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### ABSTRACT

A new form of barter economy is emerging in many industrial nations. People are exchanging goods and services through Local Exchange and Trading Systems (LETS). These are local associations whose members list their offers of, and requests for, goods and services in a directory and then exchange them priced in a local unit of currency. Using a United Kingdom case study of Totnes LETS, this paper presents a preliminary appraisal of their economic, social equity and community-building objectives. It finds that although LETS are fulfilling these objectives, achievements could be substantially improved with some alterations in public policy towards LETS.

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Barter can be defined as the process by which there is the direct exchange of goods and services without money changing hands. If somebody has a particular good or service to offer, and requires some other good or service, s/he can either find somebody with matching requirements, or make one or more intermediate transactions to obtain the good and/or service wanted. Such a system is obviously cumbersome, especially in the contemporary economy, since specialization increases the need for an exchange economy to enable an easier satisfaction of demand. Some form of money, in terms of which the value of each good and/or service is expressed, and which can be exchanged for any good and/or service, has become essential. The problem, however, is that there are many people with unmet needs, and many others able and willing to work, but this supply and demand cannot be matched due to a shortage of money. Consequently, in the past few years, a new form of barter economy has started to emerge in industrialised nations in the form of Local Exchange and Trading Systems (LETS).

The function of LETS is to enable people to trade goods and services in a locality without using the national currency. To achieve this, a group of people form an association and create a local unit of exchange. They then sell goods and services to each other priced in these units.

Acorns, for example, are the local currency unit in Totnes, favours in Calderdale, solents in Southampton and stokers in Stoke. Normally, one unit is made equal to one unit of the national currency. To facilitate trade, each LETS member offers a range of goods and services in a directory which is circulated to every member. This also contains a list of the goods and services each member wants to receive. Individuals then decide both what they want to trade, who they want to trade with and how much trading they wish to do. The price is agreed between the seller and buyer, although the seller will sometimes state the price s/he wishes to receive in the directory. The association maintains a record of the transactions by means of cheques written in the local LETS units. Every time a transaction is made, these cheques are sent to the treasurer who works in a similar manner to a bank sending out regular statements of accounts to the members. No actual cash is issued since all transactions are by cheque and no interest is charged or paid. The level of LETS units exchange is thus entirely dependent upon the extent of trading conducted.

The concept of LETS was first propounded in the early 1980s by a Canadian, Michael Linton, who introduced the idea into the United Kingdom in 1985 at 'The Other Economic Summit', a forum for 'new economics' thinkers, after successfully developing such a system in Vancouver (Linton, 1986). Indeed, from that point onwards, it has been advocated and developed mostly by those connected with the 'new economics'.<sup>1</sup> It was not until the 1990s, however, that the idea began to take-off. In early 1992 in the United Kingdom, for instance, just five LETS were operating. By late 1994, this had expanded to more than 300 LETS in operation with over 20,000 members (LetsLink UK, 1994a). Other countries have witnessed a similar level of growth during the 1990s. New Zealand now has 54 LETS (Mallinson, 1994), Australia has 171 (Jackson, 1994), Canada has 10 and there are 10 in the USA (Greco, 1994; LetsLink UK, 1994a). Many of the early LETS were set up by individuals acting on their own initiative. However, a small but rapidly growing proportion of the more recent LETS in all of these countries are being set up by public sector agencies. In a December 1994 survey, moreover, Gibbs et al. (1995) discover that 64 per cent of United Kingdom local authorities intend to develop a LETS in their area.

However, little research has so far been undertaken which can inform public policy towards LETS. There has been little, if any, data collected and published on such matters as who participates in LETS, why, or the nature and extent of the work undertaken. Neither has there been any published appraisal of whether they are achieving their objectives.<sup>2</sup> According to the LetsLink UK Draft Constitution (LetsLink UK,

1994b), which is similar to that adopted in other countries, these objectives are:

- To stimulate the creation of social and economic benefits by and for its members and the people of the locality; and
- To develop and encourage the experience of community in the locality through the establishment of a local exchange trading system.

Here, therefore, LETS will be evaluated in terms of their economic, social equity and community-building objectives. Having explained each of these objectives, a critical evaluation will be undertaken of whether LETS are realizing them in practice. To illustrate this, new empirical evidence is presented from a survey of Totnes LETS in Devon, which was one of the first operating in the UK, formed in October 1991. This reveals that although this LETS is fulfilling both its economic, social equity and community-building objectives, the impacts could be further improved if there were some alterations in public policy towards LETS. The paper thus concludes by outlining these necessary changes, in particular focusing upon the issues of taxation and social security policy.

### *Objectives of LETS*

LETS, to repeat, have economic, social equity and community-building objectives. Each will now be explained in turn in order that the performance of LETS can be evaluated.

#### *Economic objectives*

The principal economic objective of a LETS is to facilitate import substitution in its locality so as to help rebuild 'localised' economies which are more inter-linked and less reliant on outside sources for goods and services (Dobson, 1993; Lang, 1994; Shephard, 1992). As such, they are seen as a means of achieving sustainable local economic development (Boyle, 1993; Brandt, 1995; Elkins 1986; Robertson, 1987; Weston 1991; Wilding, 1991). The perception is that economies have become ever more open and that this has led to problems (Seyfang, 1994; Weston, 1991). Much has been asserted, for example, about the negative impacts of externally controlled investment on local economies (Galtung, 1986; Jenkins, 1987). As Weston (1991, 38) argues,

'centralised banks collect money from different regions but usually invest in specific, booming areas. Such a system deprives communities and regions of wealth created locally. Even if some of that money is re-imported into the

region, it has become externally controlled capital. The process causes local areas to lose control of their economy'.

LETS, meanwhile, are regarded as providing an opportunity for greater local control over finances and economic affairs since the local currency cannot be exported beyond the boundaries of the area, and so facilitates exchange within the local economy regardless of national currency shortages. Nevertheless, this is not to assert that supporters of LETS seek total self sufficiency for their area. Instead, the intention of a local currency is to provide a buffer against external economic change (Seyfang 1994). It is intended as a parallel economy. LETS are seen as a complement to, not a replacement for, national currency (Dauncey, 1988). To evaluate LETS in terms of their economic objectives, therefore, the extent to which they create new economic opportunities and the degree to which they facilitate locally-oriented activity will be examined.

#### *Social equity objectives*

Conventionally, the solution to unemployment in many industrialised nations has been to pursue full-employment and, failing this, to provide a universal, permanent and comprehensive 'safety net' in the form of welfare benefits. However, persistently high rates of unemployment coupled with recurrent fears about cuts in welfare spending have caused many, both in the new economics and beyond, to search for alternative solutions to unemployment and its resulting problems of social exclusion and poverty. For some, the informal sector has been heralded as one potential means through which those marginalised from employment can and do get-by (Rosanvallon 1980; Sauvy 1984). The vast majority of studies of the informal sector which have been conducted in European Union nations, nevertheless, reveal that relatively affluent populations undertake more informal work than poorer populations and that the unemployed conduct little informal work relative to the employed (for a review, see Williams and Windebank 1993, 1994). Indeed, relatively affluent populations tend to conduct the more autonomous, non-routine and rewarding informal work whilst poorer populations and the unemployed engage in the more exploitative, routine and monotonous informal work (Williams and Windebank, 1995). So, the informal sector has been found to reinforce, rather than reduce, the social inequalities produced by the formal sector.

LETS, however, are seen as a vehicle for encouraging the unemployed's participation in informal work so as to reduce social inequalities (Offe and Heinze, 1992; Williams, 1994). The unemployed and

poor are hypothesized to conduct less informal work because they: lack the money to buy the materials necessary to engage in such production; own fewer capital goods and less property and thus undertake a narrower range of tasks; lack the necessary skills; feel more inhibited, especially about engaging in paid informal work, for fear of being reported to the relevant authorities; and suffer from the reduction in the size of social networks following unemployment since they have fewer chances of hearing about opportunities for undertaking and receiving informal work (Williams and Windebank 1995).

LETS, meanwhile, are argued to be capable of helping the unemployed overcome many, if not all, of these barriers to their participation in informal exchange. For example, following redundancy, social networks tend to deplete, meaning that the unemployed tend only to mix with other unemployed. This leads to the unemployed 'falling out' of the local social structure and having less access to mutual aid support mechanisms than the employed (Morris, 1994). LETS attempt to alter this by reconstructing the social networks within which reciprocal exchange can occur which empowers the unemployed to participate in work and to demonstrate their worth through economic activity, boosting their self-esteem. Similarly, the unemployed often lack money to purchase the materials and capital goods necessary to undertake informal activity. A LETS, however, allows them to acquire or borrow these from either a formal business or another individual in the LETS and to repay the cost later. Hence, LETS provide the possibility of access to credit for the unemployed, a facility usually denied them, so that they can obtain the goods required to engage in informal work.

The value of the LETS approach, therefore, is that it can in theory directly attack each and every one of the barriers which prevent the unemployed from taking part in informal work, both as consumers and providers. As such, they can be seen as a vehicle for mitigating the problems resulting from unemployment and underemployment such as social exclusion, poverty and an inability to participate in work. To evaluate whether this is the case, LETS need to be evaluated in terms of who participates in them, their motivation for joining, the extent of their participation and the level of remuneration received so as to explore both whether they help the poor and unemployed get-by and whether they reinforce or mitigate the social inequalities produced by the formal and informal sectors.

#### *Community-building objectives*

A final objective of LETS is to rebuild community. 'Community' is a shorthand for those local social arrangements, which Bulmer (1989,

253) refers to as 'intermediary structures', that are beyond the realm of household relations but are more familiar to us than the impersonal institutions in the wider society. These intermediary structures may be formed around links between people with common residence, common interests, common attachments or some other shared experience which creates a sense of belonging.

A principal problem with much current thinking is that there is a romanticised view of community as a natural product of human nature (Bauman 1990). As Crow and Allen (1994, 5) assert, however, there is no '“natural community” in which social order and integration emerge automatically, without direction or even intention'. Instead, the emergence of community life requires not only favourable social structures (e.g. stable, homogeneous populations) but also the active creation of community. People need to actively generate and reproduce local social networks and identities, so as to construct and reconstruct community. Communities, therefore, are not natural entities. They are socially constructed. Recognising this fact, LETS create a formal structured framework within which social networks can develop through the medium of multilateral reciprocal exchange. To assess the community-building objective of LETS, therefore, the extent to which they help participants build and develop social networks within the locality can be evaluated.

Given these economic, social and community-building objectives underlying the LETS approach, attention now turns towards an analysis of whether they are being achieved in practice. To analyze this, a case study of Totnes LETS is undertaken.

#### *LETS in practice: a case study of Totnes*

Totnes is a small town in Devon with 4,257 inhabitants located between the Dartmoor National Park and the tourist coastal area of Torbay. Although the geography of the 'alternative' or 'green' movement remains unwritten, Totnes can be considered one of its centres, recently being referred to, for example, as 'a town with an uncanny attraction for New Seekers' (Margolis 1995: 8). It is also the home of 'Green Books', a rapidly expanding publishing house, and the Schumacher College at Dartington Hall which is one of the principal institutions globally for the teaching of 'green' philosophy. In many respects, therefore, if LETS are going to be effective in achieving their objectives, then it is in locations such as these that such a system should be seen in its best light. Concomitantly, if LETS is not working here, then there is little chance that it is working anywhere else. With this in mind, a postal questionnaire was sent to all 250 members of Totnes LETS in February 1995, which is 6 per cent of the Totnes population. 63



TABLE 1: *Trading on British LETS: by number of members*

Name of LETS	Number of Members	Turnover p.a.	Average trade per member p.a.
National average (LetsLink UK survey) <sup>1</sup>	88	£6,496	£74
Diss <sup>2</sup>	35	£1,849	£52
Stoke	47	£1,927	£41
Nottingham <sup>2</sup>	130	£2,500	£19
Bradford	120	£6,000	£50
Bristol <sup>2</sup>	120	£15,000	£125
Tradelink <sup>2</sup>	202	£31,000	£153
Totnes	250	£39,539	£153
Manchester	500	£120,000	£240

1. Results of 57 LETS co-ordinators surveyed by LetsLink UK.

2. Derived from results of co-ordinators survey of several LETS by Seyfang (1994).

responded (25.2 per cent). At the time of the survey, Totnes suffered from an above average unemployment rate (10.6 per cent of the economically active population compared with 9.1 per cent in England as a whole). Here, the survey results are analyzed in terms of the economic, social and community-building impacts, so that one can analyze whether the objectives of LETS are being achieved in practice.

*Economic impacts*

The total value of the trade undertaken by these 63 respondents was the equivalent of £9,964 (since one ‘acorn’ is the equivalent of one pound sterling). This is an average of £153.39 per member and a total value of trade in the past year on Totnes LETS of £39,539. As the co-ordinators of Totnes LETS have independently put the level of trading at 40,000 ‘acorns’, it can be assumed that the respondents to the questionnaire are representative of the membership, at least in terms of the level of trading undertaken.

As a LETS, moreover, Totnes has a similar level of trading to other LETS of its size (see Table 1). Indeed, the limited data available seems to suggest that the larger the number of members, the higher is both the total volume of trade and the average trade per member. Such bland figures, however, say little about the relative importance of this trading to the LETS participants. With an average annual household income (before tax) of £9,722, and average earnings on LETS of £153.39, the LETS earning of Totnes members represent under 2 per cent of total household income. This might seem insignificant. However, members in households on less than £5,000 (before tax) not only earned an average of £176.70 in LETS units during the past year, which represents between 3–7 per cent of their household income, but 44 per

cent of them asserted that the LETS has helped to improve their material standard of living.

To explore whether LETS promote import substitution and create new economic opportunities, the survey asked respondents what form of work they would have used, if any, had they not employed the LETS to get the work done. Some 32 per cent of all of the LETS work (by value) would have been conducted through employment had the LETS not existed. That is the equivalent of work to a value of £12,573. Even if all this had been imported, the import substituting function of Totnes LETS is still fairly small at present.

Moreover, and so far as LETS creating new economic opportunities are concerned, 37.9 per cent of the LETS work (by value) would not have been conducted by the respondents if the LETS did not exist. This is equivalent to work pertaining to a value of £14,985. Assuming a sales/employment ratio of £17,000, which is an approximation of the average across sectors in Britain at present, then Totnes LETS has created new economic opportunities broadly equivalent to 0.9 jobs. Superficially, therefore, LETS do not appear to create significant new economic opportunities. Even so, 38 per cent of respondents asserted that the LETS had helped them to use skills which they would not otherwise have used.

#### *Social equity impacts*

Whether Totnes LETS is achieving its social equity objectives will here be evaluated through an analysis of the membership, their motivations for joining and the level and nature of their participation and remuneration. Of the 63 members who responded, 19 per cent were not employed, 45 per cent were self-employed and just 36 per cent were employees. It thus appears that the unemployed and self-employed are more likely to participate in LETS than the employed. Nevertheless, whether or not the unemployed are seen to be over- or under-represented on Totnes LETS is in part a function of how 'unemployment' is defined. Many LETS members reject the notion of defining people by employment status and thus do not answer questions about their occupation in a way conducive to exploring occupational status. For example, many members of Totnes LETS describe their occupation as a self-employed astrologer, basket-maker, or physiotherapist (denoting how they perceive their role in the community) when their 'official' status is unemployed and claiming social security.

Due to such problems, an alternative means of discovering whether it is the poor or the relatively affluent who are participating in LETS, is to examine the annual household income (before tax) of LETS mem-

TABLE 2: *Participation in Totnes LETS: by gross income of members household*

	Sold Goods & Services		Did Not Sell Anything	
	No.	%	No.	%
<£4,999	16	80	4	20
£5,000-£9,999	13	68	6	32
£10,000-£14,999	9	90	1	10
£15,000-£19,999	5	63	3	37
£20,000-£29,999	4	80	1	20
>£30,000	0	0	1	100

bers. This more clearly depicts that participation in Totnes LETS is the province of poorer sections of society. In the South West in 1992, just 21 per cent of households had a gross weekly income of less than £125. Yet in 1994, 32 per cent of the LETS respondents' households had a total annual household income (before tax) of less than £96 per week (that is, £5,000 per annum). Only 9 per cent, moreover, live in households where the total annual household income is over £20,000 whilst in the South West as a whole, 26 per cent have a gross annual household income of over £19,500. Participants in Totnes LETS, therefore, appear to be disproportionately from the lower-income groups in the local economy, with 62 per cent living in households with an annual income (before tax) of under £10,000, whilst the relatively wealthy groups are heavily under-represented. If membership of LETS is dominated by lower income groups, then the next question is whether their motivation for joining is economic.

The most popular reason for joining Totnes LETS was purely economic, cited by 36 per cent of respondents. Indeed, economic motivations, as one would expect, were more commonly cited amongst those in lower income households, followed by combined economic and social motivations, the latter perhaps resulting from the fact that unemployment produces a reduction in the size of one's social networks and thus sources of help. Hence, not only is membership of LETS confined to the poorer sections of the population but the rationale for participating is more often than not economically motivated. Given this, the extent to which various social groups participate in LETS along with the level of remuneration which they receive is examined.

The unemployed and self-employed are much more likely than the employed to have sold goods and services. Only two people without employment found themselves also unemployed in the LETS. Similarly, those living in households earning less than £5,000 (before tax) were more likely to trade on LETS than higher income groups (see Table 2). Lower income households, moreover, sell a wider range of goods and/or services than higher income households and have a higher aver-

TABLE 3: *Trading on Totnes LETS: by household income*

	<£5,000 (n=20)	£5,000– £9,999 (n=19)	£10,000– £14,999 (n=10)	£15,000– £19,999 (n=8)	£20,000– £29,999 (n=5)
Mean number of goods/services sold	2.1	1.6	1.4	0.9	1.6
Average price per transaction	£16.02	£15.62	£9.84	£8.09	£11.36
Services sold (mean price/hour)	£5.65	£5.75	£8.30	£14.14	£10.67
Goods sold/hired (mean price)	£18.04	£21.39	£22.01	£23.71	£28.30

age price per transaction (see Table 3). Consequently, lower income households appear to benefit from LETS to a greater extent than higher income households. However, both the average price per hour of services and the mean price received for the hire or sale of goods rises as household income increases. The implication is that LETS members in lower income households are employed for longer periods to do jobs which explains why they receive higher prices per transaction even though the price per hour and per good hired or sold is lower. Given that many LETS members are interested in social redistribution of income; this finding suggests how buyers facilitate a redistribution of income; they hire individuals from poorer groups for a long time-period to do a piece of work. Lang (1994) has intimated that many LETS members do indeed know the economic situation of others in LETS and use positive discrimination policies when charging so as to facilitate income redistribution. This finding displays that this is achieved not by altering the rate per hour but the time for which someone is employed.

LETS, therefore, do appear to benefit those living in relatively low income households. This is reinforced by more qualitative evidence. At present, for instance, and as has been revealed by Leyshon and Thrift (1995), the unemployed have little or no access to credit, unless this is sought through a 'loan shark' at rates of interest considerably higher than the formal sector rates. LETS, however, represent a mean by which the unemployed can get access to credit and this survey shows that this is indeed occurring. One unemployed single-parent with two young children aged under five years old and on income support, for example, had spent the equivalent of £100 on the LETS but had not yet sold anything. This 'credit' had been used both to provide childcare and cleaning at a rate of 4 acorns per hour. She intended to 'pay back' what she owed in the future when she would have more time available. If this credit had not been possible, she declared that either she would have paid 'cash-in-hand' through the paid informal sector or else have

not bought these services. Another single mother, again on income support, but with four children, had received 160 acorns worth of 'credit' so as to pay for house cleaning and 7 acorns for a massage. Such anecdotal examples are evidence that LETS can operate in a manner which provides credit to those who need it and who are ineligible for support from the formal sector credit donors.

Indeed, when one examines how households with an annual income of less than £5,000 (before tax) normally spent their 'acorns', it becomes immediately evident that the LETS is being used to get access to credit not necessarily to buy 'luxuries' or 'treats' but, rather many basic necessities. The most commonly bought good on the LETS by these households was food, followed by clothes and to a lesser extent improvement and maintenance work such as plumbing, carpentry and roofing. Little was spent on acquiring 'luxury' goods and services, although where this did occur, it was used to purchase services such as shiatsu, polarity therapy, massage, singing classes, pottery training and yoghurt making tuition.

In sum, the membership of Totnes LETS is disproportionately from the unemployed and lower income households who have an economic motivation for joining. As they engage in trade and earn more per transaction than those from higher income households, Totnes LETS appears to have socially redistributive impacts and provides the poor and unemployed with a means by which they can ameliorate their circumstances.

#### *Community-building impacts*

The 'community-building' ability of Totnes LETS is here evaluated through an analysis of who joins and their perceptions concerning whether or not the LETS has improved their social networks. This survey discovers that the vast majority of members are 'incomers' rather than indigenous to the area. Indeed, nearly three-quarters of LETS members (73 per cent) had moved to Totnes during the past 8 years and just one respondent had lived there all of their life. Neither, moreover, are LETS joined by those who have extensive kinship networks in Totnes and its environs. Not one respondent had any grandparents, uncles or aunties living in the area, and very few had any parents, brothers or sisters, or cousins in the locality. They are thus unlikely to have robust social networks and informal sources of support beyond the LETS. It appears, in other words, that Totnes LETS is being used by incomers to construct a community.

Totnes LETS, moreover, appears to have been successful in this community-building venture: 69 per cent of members perceive it to have helped them develop a wider network of people they can call on for

help, although only 40 per cent accept that it has enabled them to develop more friends and just 8 per cent that it has facilitated deeper friendships. This is particularly the case for the unemployed who, as outlined, suffer severe contractions of their social networks following redundancy. It appears, therefore, that at least in the early stages, Totnes LETS has provided contacts to call on for help but has not yet succeeded in converting such contacts into friendships. Indeed, it may never do so. The impact of a LETS may well rest with supplying wider social networks rather than turning these into friendships. Future research will need to investigate this issue as LETS mature and contacts develop.

In sum, Totnes LETS not only provides economic benefits to its members and helps those who are relatively deprived to partially mitigate their circumstances but also appears to have significant community-building impacts. However, and as will now be discussed, their potential could be substantially ameliorated if there were to be some alterations in public policy towards LETS.

### *Policy Implications*

This case study reveals that LETS, as they are currently constituted, do provide economic, social and community building benefits but perhaps to a lesser extent than some might have hoped. On the one hand, this will be because LETS are a new phenomenon and in their infancy. On the other hand, however, it is due to several additional problems which need to be overcome for LETS to have more significant impacts. Here, therefore, several suggestions are made concerning how LETS could be improved so as to better fulfil their objectives. In particular, the focus will be upon ameliorating the economic and social benefits which, according to both the survey results and other analyses (Lang 1994; Seyfang 1994), are perhaps more in need of improvement than the community-building aspects.

As earlier indicated, both the turnover and the level of trading per member tends to rise as the number of members increases. Smaller LETS mean not only a narrower range of goods and services from which to choose but also less chance of being able to get a piece of work done and/or acquire the tools and resources to undertake self-provisioning. For example, 65 per cent of Totnes members felt that their requests for goods and services had been met immediately and 60 per cent were satisfied with the *range* of goods and services on offer. On the smaller Stoke LETS in Coventry with 47 members, meanwhile, these figures are lower at 43 per cent and 38 per cent respectively. Until LETS grow in size, therefore, they will remain limited in their capacity to meet a

significant proportion of people's needs and wants through them. Currently, few are of a sufficient magnitude to yield major economic (as well as social and community-building) impacts.

As Seyfang (1994, 10) asserts, 'it is possible that existing LETS are only the forerunners of much larger systems'. Indeed, the concerted effort currently being made in the context of Manchester LETS and LETSgo Manchester to create a large-scale city-wide scheme with a mass membership should answer some of these questions in the next few years. Whether there is a 'critical mass' beyond which the economic, social equity and community-building benefits rapidly improve, for example, is something which will unfold as this LETS in particular grows in size. Even if this 'critical mass' is reached, nevertheless, several additional changes will be required if LETS are to be more successful in achieving their objectives.

Although no detailed research has yet been conducted on the spatial distribution of LETS, it appears that many, especially the larger schemes, are grounded either in affluent populations or amongst 'alternative' communities. It is no coincidence, for example, that some of the largest LETS in the UK are located in Totnes, Warminster and Stroud, all locations with a relatively high concentration of people holding 'alternative' or 'green' philosophies, the latter town for instance being one of the few in the UK to have elected Green Party councillors. It is a similar tale in other countries. The largest LETS in Australia is in Katoomba near Sydney which, as Seaton (1994, 4) asserts, 'contains a high proportion of people who have moved away from Sydney for life-style reasons, and who were already fairly innovative and open to new ideas'. Consequently, much work remains in promoting LETS to all sections of the population, especially in deprived peripheral locations. In this regard, there is a role for local authorities in both setting up LETS in relatively deprived communities and promoting their existence so that larger numbers and a wider range of people join. This could be achieved through either their Local Agenda 21 initiatives, anti-poverty programmes or their broader economic development strategies.

However, although such changes are necessary, they are insufficient alone to significantly change the impacts of LETS, especially as regards their social equity impacts. To achieve this, changes in public policy at central government level are required. At present, so far as the UK is concerned, state policy appears to be that a blind eye is turned to those in employment who participate in LETS whilst anyone claiming social security is surveyed more closely and dissuaded from engaging in such work. Both Lang (1994) and LetsLink UK (1994c) provide an overview of how LETS are treated by the Inland Revenue and Department of

Social Security. The Inland Revenue state that if an exchange is clearly of a commercial nature, then tax will be liable in the normal way. Commercial exchanges are where a person is self-employed and offering something connected with their usual business. Exchanges when something is being offered not connected with a person's normal business, but which is offered and supplied regularly so as to amount to a business in itself, is also commercial and therefore tax liable. Isolated or fairly infrequent exchanges, where typically someone is doing a favour for a friend, are not tax liable. A key element is the level of turnover. However, if a person is not using LETS for transactions connected with their normal trade or business, then it is unlikely that they will be liable for tax. In practice, therefore, most LETS work is disregarded for income tax purposes.

Current social security regulations, in contrast, adopt a more stringent approach. The DSS (which decides policy) and the Benefits Agency (which administers payments) assert that LETS income constitutes earnings. Any income over the disregard limit thus affects benefit levels. LETS units, therefore, are treated as income despite regulations which say that 'payments or income in kind' are not. As the rules stand, therefore, those already in employment can partake in LETS without too much fear or problems whilst those on social security of whatever type are more hindered by the regulations. The impact is that the unemployed are prevented from engaging to a greater extent than the employed. Indeed, the co-ordinator of Totnes LETS sums up his perception of the situation by stating,

'unemployed people are not encouraged to take part in LETS and if a person wants to join the system who is in receipt of sickness or invalidity benefit, then we point out very carefully to them the possible effects that using LETS may have on their benefit status. In short, we dissuade them from joining. This is a great shame but the last thing we want is for people to run into trouble with the DSS' (personal correspondence with author).

This state policy towards the unemployed with regard to working on LETS derives from a wider societal perception that social security fraud is in some way worse than tax fraud (Cook, 1989) and thus requires stronger regulation. However, unless such prejudices are overcome, LETS will not be able to facilitate the unemployed's participation in productive activity. Present government regulations are simply bolstering existing social disparities. Those ostracized from employment and constrained from participating in the informal sector are also being suppressed from allaying their situation in LETS. What is required, in other words, is a change in current state policy towards LETS.

Here, therefore, the suggestion is that LETS users who earn an income over a certain threshold in their employment should pay taxes



where this LETS activity is part of their main formal occupation, which could perhaps be in either sterling or the 'local currency', whilst those on low incomes and the unemployed could be permitted to undertake this work unhindered by the DSS. A tax, if fully implemented, would not only raise further revenue but would mean that those in higher waged formal jobs are at a disadvantage in LETS, having to charge higher 'prices' for their work than the poorer and unemployed groups, who would not have to add the tax rate to their price. The impact might be to coax consumers to employ the unemployed and poor to get work done on LETS, thus providing them with a competitive advantage in this alternative labour market. Alternatively, however, those in higher waged formal jobs might simply take lower incomes from their LETS work.

Indeed, to adopt this approach in the UK would be to follow the decision already taken in New Zealand and Australia towards LETS. Social security officials in New Zealand now advise claimants to contact their local LETS (called green dollar schemes), understanding that it takes some pressure off them so far as meeting the needs and wants of the unemployed are concerned. The Inland Revenue, moreover, reserves the right to tax green dollar earnings where this activity is a part of a person's main formal occupation (Boyle, 1993). Similarly, in Australia, whilst the employed are taxed in the same way as in New Zealand, the 'Deahm Amendment' to the Social Security Act 1995 exempts LETS earnings from the income test for social security subject to three restrictions: that unemployed LETS members continue to search for employment; that any Australian dollar earnings on LETS, where a job is completed for a mixture of LETS units and national currency, must still be declared and will be counted as income for social security purposes; and that the social security system must be satisfied that the LETS is a non-profit making local community-based organisation. Although it is too early to know the impacts of this legislation on either the composition of LETS membership or the level of activity undertaken by the poor and unemployed, it displays that precedents exist where public policy has recognised the potential contributions of LETS, especially towards resolving unemployment and its attendant problems.

### *Conclusions*

Using a case study of Totnes LETS, this paper has started to uncover the nature of the new multilateral barter economy which is emerging in the form of LETS. Here, a preliminary evaluation of their economic, social equity and community-building objectives has revealed that

Totnes LETS not only provides economic benefits to its members and helps the relatively deprived partially mitigate their circumstances but also shows significant potential as a community-builder. However, and as has been discussed, for LETS to be more successful in achieving their objectives, there will need to be an increase in their size so as to make a wider range of goods and services available, a focus upon developing them amongst relatively deprived populations and, following the examples of New Zealand and Australia, a change in approach by the social security authorities. Both local and central government, therefore, have key roles to play in their future development. In an age where many government agencies see themselves as 'enabler', LETS represent a useful vehicle through which they can help people to help themselves. Without such intervention, however, LETS seem likely to remain small-scale initiatives of little utility to the vast majority of people who could potentially benefit from them.

#### NOTES

1. Elins (1986: xv) defines the 'new economics' as being 'based on personal development and social justice, the satisfaction of the whole range of human needs, sustainable use of resources and conservation of the environment'.
2. An unpublished but excellent appraisal of Diss LETS is Seyfang's (1994) Masters thesis. Unfortunately, just six members were interviewed. A postal questionnaire conducted by LetsLink UK (1994a), moreover, only asks co-ordinators to guess the type of people involved in their LETS, thus providing little concrete evidence on who participates, why and what they do.

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