

# **Implementing and Evaluating an Inner City Local Exchange Trading System**

**Final Report to  
Manitoba Research Alliance on Community Economic Development  
in the New Economy**

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## **Summary**

This report describes the development of a Local Exchange Trading System (LETS) in Winnipeg, and the impact of the LETS upon its members. It sets this description within the historical context of local currencies, and previous developments in Winnipeg. The report traces the development of the LETS in Winnipeg, outlines its current activity level and reviews some of the members' comments about its operation.

The findings suggest the difficulties of successfully implementing a LETS that will have significant economic impact. It also suggests some of the challenges of involving those who are of low income and low education levels in the trading system. Responses from members do suggest that the LETS helps to build community and neighbourliness.

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## **Research Purpose**

The research had as its purpose the implementation and evaluation of a Local Exchange Trading System (LETS) in the West Broadway and surrounding neighbourhoods. The LETS was evaluated through interviews with members upon joining and after one year. The effectiveness of the LETS in terms of direct economic impact, and also building individual self confidence and enhancing community was evaluated. The West Broadway neighbourhood was chosen as the base for the LETS because of the researcher's familiarity with it, and the number of community based organizations present within it. At the same time, it has a mix of students, artists and trades people, as well as low income residents who are unemployed or underemployed, which lends itself to the development of a trading system.

## **Local Currencies: A Brief History (1)**

Local currencies are hardly a recent innovation –they have formed the basis for local and regional exchanges for centuries. In fact, national currencies (e.g. dollars, yen, marks etc.) are the new kids on the block having been in existence only since the introduction of central banking in 1913. Prior to this, currencies were issued by sovereigns, all levels of government and even local banks. This era of “free- banking” when many currencies circulated, has been recognized as contributing substantially to the rapid development of the North American economy.

How are these currencies different from those we have today? Their biggest impact was in restricting the ability of resources (i .e. capital) to centralize and accumulate. Unlike national currencies which easily leave the region in which its value is created, the local or regional currency could circulate in only a limited area. Local currencies and local capital could not travel to the money centres to finance the operations of multinational corporations or interest payments on debt.

Local currencies also insulate a region against failures in the global economic networks. While central banks can facilitate the movement of capital and permit greater integration of the global economy, their failure affects all those tied to the economy. This was most evident during the deflationary 1930’s when national currencies lost favour and encouraged many new forms of local exchange.

The success of local currencies was most dramatically highlighted by the efforts of the town of Woerl, Austria which in 1932 was in dire straits. In the town of about four thousand people, many factories had closed, and almost everyone in town had lost their jobs. A large amount of local taxes were unpaid. The mayor of the town had heard about a scrip system that had been developed earlier through the efforts of Silvio Gessell, but which had never been widely used. He decided to try it in Woerl. The scrip called Wara (a combination of the German words for ‘goods’ and ‘currency’) was issued by the town, in conjunction with a number of merchants and the local savings bank. The town paid its employees half in Wara and half in official currency. Initially some of the local merchants refused to accept Wara, but when they saw the trade going to the other shops, they too had to climb on the band-wagon. The Wara issue was a great success: After the scrip was issued not only were current taxes paid (as well as other debts owing to the town) but many arrears of taxes were collected. During the first month alone 4,542 schillings were received in arrears. Accordingly, the city not only met its own obligations, but in the second half of 1932 executed new public works to the value of 100,000 schillings. Seven streets aggregating four miles were rebuilt and asphalted, twelve roads were improved, the sewer system was extended over two more streets; trees were planted and forests improved.

In the United States during the Depression years, people began to establish mutual support structures such as worker cooperatives. People learned to share what they had and to bypass the market and financial systems. In addition, thousands of scrip issues

were put into circulation by a variety of agencies including state governments, municipalities, school districts, business associations, local relief committees and even individuals. The scrip issues went by various names – certificates of indebtedness, tax anticipation, warrants, trade scrip, credit vouchers and more.

In recent years, particularly since the early 1980's, there has been a proliferation of local currency systems around the world. By 1997, well over a thousand communities in a dozen different countries-especially the U.K., Australia, New Zealand, France and Germany-had started their own local currency system. The oldest continuing such system, the 60plus year old 'WIR' system in Switzerland now has a yearly turnover of US\$2 billion in WIR currency-demonstrating the potential of such a system at maturity.

Local currencies come in a great variety of forms with the great majority being based on either the LETS (Local Exchange Trading System) or the Hours system most successfully implemented in Ithaca New York which pioneered the Hours. In addition, commercial barter or trade exchanges have increased greatly in number over the past twenty years with more than two hundred in operation in the United States. These exchanges generally operate as private incorporated businesses and cater to mostly small and medium size businesses.

The Ithaca HOUR was initiated by Paul Glover in Ithaca New York a city of a population of about 30,000 with an additional 15,000 in surrounding towns, and 120,000 people within a twenty mile radius. HOURS are accepted by more than four hundred local businesses including fifty-five vendors at the farmers' market. The HOUR notes are issued in denominations of one-eighth, one fourth, one half, one and two HOURS. A two colour tabloid newspaper originally called Ithaca Money and now HOUR Town is published and distributed by Glover, and has as its primary purpose to publicize the individuals and businesses that have agreed to accept the local currency in payment for their goods or services. Advertisers can pay for their ads in HOURS or dollars, and are given an initial payment of HOURS as a premium for participating. Additional HOURS were issued to those who repeated their ads or renewed at the monthly barter potlucks.

In Canada, the most well known local currencies are Toronto Dollars (formed in part from Toronto's LETS), Calgary Dollars (formerly the Bow Chinook HOURS) and Salt Spring Island Dollars. The latter has enjoyed unprecedented success among alternative currencies with banking institutions and 95% of local businesses accepting the Currency (2)

## **LETS**

The LETS (Local Exchange Trading System) originated in 1983 in the Comox Valley, British Columbia, and was developed by Michael Linton, a Scottish engineer. Linton later visited the United Kingdom and organized a campaign to promote LETS, including a LETS Conference held in London in 1984. LETS quickly proliferated initially within the English speaking countries, then later, around the world. It was introduced in Australia in 1987, and there are now more than 200 Australian LETSsystems at the local

level and several inter-trading LETS systems which enable multi-LETS transactions at the state level. (3).

Living in an area where the economy was depressed, Linton realized that natural resources, skills and talents, and needs were all there, but the money wasn't. He devised a system to facilitate trade without the need for scarce official money. LETS is a system which provides an internal currency for a group of people who trade goods and services with one another at the local level. The currency, which is often called Green Dollars, is specialized as a means of exchange. It is issued whenever a person gets goods or services from another member of LETS. The person who receives the currency can use it when he/she wants to get goods or services from a third member. As for the first person, it is expected that he/she will offer goods and services to any member of LETS.

LETS was not intended to replace the official currency, but only to supplement it. By its nature LETS is limited, local and personal, and these are the characteristics that give it strength.

During its first three years, the Comox LETS attracted 550 members and the total value of trading reached \$325,000 LETS dollars. As the economy recovered, membership and trading gradually reduced and finally stabilized at around 300 members. To give some idea of usage, here are figures for the LETS from August of 1995, the most recent information available. In that month, 50 members (15.3% of the total accounts) earned LETS dollars through trade with an average of \$112 LETS for those active that month. In terms of spending, 77 users or 23.55% of the members spent LETS dollars with an average of \$73 LETS. (4)

### **Comparisons of HOURS and LETS**

The main differences between the systems such as the Ithaca HOURS, and Toronto Dollars and LETS has to do with the way that the currency is issued and transactions recorded, and the general membership of each approach. The HOURS, Toronto Dollars and other such systems all use an actual printed currency. The currency is issued in various ways. In Ithaca, it is issued to advertisers in the HOURS newspaper, Currency can be purchased with Canadian dollars for Toronto and Salt Spring Island dollars. In contrast, LETS operate with a virtual currency. Transactions are recorded on balance sheets, and no actual LETS currency is exchanged. This feature allows LETS members to have a negative balance in their account. In fact, there will always be members who have a negative balance. In LETS, this negative balance is called 'commitment'. The understanding is that the LETS member has used the system to receive goods and services, and he or she is committed to give back to the system through offering goods or services. This negative balance is not possible with a printed currency where once one has spent currency allotted, it is necessary to wait for others to purchase one's goods and services, or to purchase more currency through using national currencies. Printed currencies lend themselves to members who have active small businesses. LETS, on the other hand, seems more a neighbourhood or community of people all of whom have something that they can trade.

Given the research interest of involving low income residents of an inner city neighbourhood, LETS seemed the more appropriate model, and was chosen for that purpose.

### **LETS and Local Currencies in Winnipeg**

Although there have been commercial bartering systems in Winnipeg (Barternet being one example) the two community based attempts have been the Community Circle, a LETS style system planned in 1987 and active for a number of years, and Community Labour Units (CLU) a printed currency model.

Community Circle generated some \$15,000 in trades over a three year period. (5) However, the system gradually fell into disuse. Ross Dobson, the initiator described his thinking about creating a LETS community in an interview with Makoto Moruyama. “ Ross Dobson thinks that the creation of a LETS community should be supported by other kinds of community organizations. He therefore, first looked for existing community organizations such as local ethnic communities, from which LETS could find its users. The result was rather discouraging, because most of the communities he approached were closed, and it was not easy to persuade the community people, from outside to use LETS.....Dobson’s experiment implies that the existing local communities do not necessarily seem to have urgent need for LETS. Generally speaking, the traditional communities have the redistributive and/or reciprocal networks for internal trading which apparently substitutes for LETS” (6)

By the early 90’s as the Community Circle LETS was declining, the membership seemed to be made up of those who had joined believing in its values but just didn’t do much trading and a number of members who were recruited but who didn’t have the skills to carry out what they had offered. There was some initial business interest in Community Circle, with a Wolseley based environmental business signing on and providing discounts to Community Circle members. However, with the demise of the system and the lack of opportunities for the business to ‘spend’ their credits, a residue of bitterness remained that coloured their future participation in such systems. Later in 1996 or so, an attempt to develop a local currency using the Ithaca model began with a group of people including Russ Rothney (Assiniboine Credit Union), Paul Chorney (Eco Village Project), Michael Rennie, Zanna Joyce and others. The system focused upon the West Broadway and Wolseley neighborhoods. An attractive currency was designed and produced and a few businesses including Tall Grass Prairie Bakery expressed interest, but the CLU – Community Labour Unit never got off the ground.

### **Development of LETS Winnipeg**

The development of the LETS project here in Winnipeg followed three stages following the awarding of the research grant. The first was the bringing together of a small core planning group. This group was recruited by the researcher in the fall of 2003, and met on

a regular basis for several months discussing the possibility of LETS and how to go about organizing the system. With one exception, a woman living in the Osborne Village area who worked with another group member, members of this initial group were all West Broadway residents. One was an Aboriginal staff person with the Job Resource Centre, another a young woman interested in greening activities and working as a greening coordinator in the neighbourhood. A Board member of West Broadway Development Corporation who had an interest in trading systems based on his experience in BC a number of years previous, participated initially, but health problems prevented his continuing. The fourth member had been active in international development work and in Winnipeg with The Jubilee Fund and was interested in revitalizing low income communities. Another had been interested in LETS ideas and was particularly interested in using technology to facilitate the project. Finally, a University of Winnipeg student who became interested in LETS through her studies in alternative economics joined the planning group when she heard about it.

The emphasis upon residents of West Broadway was in keeping with the initial intent of the LETS project, which was to ground the project in West Broadway and immediately surrounding areas because of the connections among organizations there.

The model and experience of the Kitchener-Waterloo LETS System BarterWorks, which the researcher had visited, was used as a guide for development here in Winnipeg. It was chosen in part because of the personal contact made with it, its being in existence for more than ten years, and its commitment to working with low income marginalized residents as members of the LETS. This approach contrasted to some of the other LETS which focused upon either 'back to the land' individuals in rural areas or well educated low income or voluntary simplicity adherents in places like Victoria. In 1991, the K-W LETS System was formed by a group of local citizens interested in community economic development. Steadily membership grew and grew and in 1995, to attract more members, the K-W LETS System was renamed BarterWorks. By 1996 over 100 individuals, businesses and organizations had joined BarterWorks. Everything from accommodation, car repair, food, home renovations, arts and crafts and dozens more services became accessible through BarterWorks trading and BW was seeing over \$B350 worth of trades each month. Despite many early problems in such areas as organization, computer software, resource management and time constraints of volunteers, the BarterWorks community has held together and, having addressed and learned from these problems, is far stronger as a result. Its increasingly sophisticated organization and procedures have produced a shift towards a more business-oriented system, which has been well received by members. (7)

In addition, to the BarterWorks experience and materials, the LETS manual originally developed in the early years of LETS' development, and found on line (see end notes) was used to develop a FAQ sheet for prospective members.

Based upon discussions with BarterWorks, it was felt that an initial 100 members would need to join to allow for a critical mass of active LETS members to make for a viable trading system with sufficient variety of offerings and requests. A membership application, simple brochure and a category of the kinds of things that could be offered combined with a numbering system to allow for future web based work, was developed by the core group and the process of recruiting began. The initial members were told that trading would begin when a certain number of members joined. At that time a catalogue of members' offers and requests as well as contact information for each member would be distributed.

LETS Winnipeg was initially promoted through word of mouth, membership applications and information placed at various centres in the West Broadway neighbourhood such as Broadway Neighbourhood Centre, the West Broadway Job Resource Centre and Wolseley Family Place and articles in community newspapers-West Central Streets and The Broadcaster. In addition, information tables were staffed at University of Winnipeg, and informal presentations were made to students and to the Spence Neighbourhood Association Skills Bank group. Media presentations included an interview on CKUW's radio station on Inner City Voices, and a feature article in The Winnipeg Free Press.

Even with these promotional activities, growth in the LETS membership was slow. Although the core planning group had agreed that LETS would not go into operation without a minimum of fifty members signing up, it was decided to go ahead anyway with the first members-some thirty five people.

The initial trading was recorded using a basic Excel spreadsheet, and with members filling out trading forms with a copy given to the researcher. Trading was less robust than the group had hoped for with only a small number of people really being active traders. This pattern has continued. In questioning early members about their lack of trading the answers received were usually... *"I don't have the time"* (the most common response) , *I don't see anything I need,"* , *I don't know what can offer"* or *"I just don't think of LETS when I need something"*. For some members, the notion of entering into a negative balance in the system, (something, as noted earlier, that is a natural part of LETS-some members have a positive and some a negative balance which in LETS parlance is called 'commitment' ) was a barrier to their going out and looking for what offers were out there. They waited for others to first contact them so that they would have a positive balance. Education about LETS didn't seem to be able to penetrate that aversion to being in debt.

From the beginning, there was an interest in bringing current internet technology into the LETS system. An additional grant from Assiniboine Credit Union allowed for some resources to go towards this development. Members of the group met with a web designer who had been working with non profits, and he came back with a proposal that would be a bit outside of LETS' initial budget. At the same time, our web savvy core member had found some young web designers who were keen on LETS and wanted to contribute their time on a donation basis. The decision was made to go with them. Unfortunately, this led to a long delay in the completion of the web site. It had initially

been promised for September of 2004, and really didn't go on line until six months later. During that time period, LETS didn't show much growth or vitality with few trades taking place.

The web site launch led to many new members joining. LETS promotion through poster and flyers and e-mails to networks strongly emphasized the web site URL, and the site gave considerable explanation about LETS and an easy way to join. A LETS Open House held in April 2005 that coincided with the launch of the web site was promoted through flyers and by e mail, and resulted in some thirty new people dropping in to find out more about how the system worked.

### **Current Status of LETS Winnipeg**

LETS Winnipeg currently has 125 members the majority of whom are recent members who have joined since the web site was made operational. While the original members were almost entirely residents of West Broadway, membership has expanded to include Wolseley, the West End, Fort Rouge, Osborne Village, River Heights, the North End and suburban areas, as well as a few members who live in rural communities an hour away from Winnipeg. Currently, approximately thirty –five percent of the membership lives in West Broadway with another fifteen percent living in Wolseley.

Of the 125 members, a smaller number have actually traded to date. Forty two members have participated in LETS trading with a total value of trades of just under \$3,500. There have been nearly 150 trades. A majority of these trades have in fact been carried out by about a dozen members most of whom live in West Broadway.

Members' offers and requests are organized by categories with some 40 categories in total. These include Food, Accommodation, Transportation, Computers, Gardening, Photography and Health Care. There are currently 147 individual offers and 50 requests listed on the web site. A number of members who have joined recently have not yet placed offers and requests, so some members are offering a number of things. The additional membership is not to date showing up as increased trading activity. Various methods have been used to encourage participation including a telephone outreach to new members inviting them to a LETS information session, and inviting them to participate, e mail news about LETS including a recent E- Newsletter which includes a profile of a trading member and some more recent offers and requests, and trading fairs which allows members to set up displays of their goods or services as well as an opportunity to use the computer lab to become more familiar with the LETS web site and how to use it.

### **Member Responses to LETS**

In the fall of 2004, thirty members were formally surveyed about their expectations for LETS and brief background in terms of education levels and household income. Twenty-one of these lived in the West Broadway neighbourhood, with the other members living in Osborne Village, Fort Rouge, the West End and the North End. Educationally, all but



four of those interviewed had received university or college training or beyond. Their household income ranged from 9 members with incomes of less than \$15,000 a year, 9 with incomes of between \$15 and \$30,000, 7 with household income between \$30,000 and \$50,000 and 5 with household incomes above \$50,000.

In terms of expectations and motivations for joining LETS, the strongest factor was the category "I want to participate in activities that strengthen my neighbourhood and community" with 85% of those responding ranking that as a 4 or 5 in importance on a scale of 1 to 5. The other high ranking category was "I want to receive goods and services that I need" with 70% ranking that as a 4 or 5.

When it came time to re-interview respondents, in addition to their assessing the extent to which their expectations for LETS were fulfilled, members responded to a series of questions. Some of the responses follow.

- "What would encourage you to trade more? "

*"I have the interest, but personal time is the issue for me in terms of trading"*

*"I have an internal barrier to trading I am excited about the idea, but this doesn't translate into action"*

*"I need to be less proud about asking for help. I need to feel that what I offer is wanted"  
'More offerings and having offerings directly sent to me"*

*"If I had more time (working part time), I would trade more. Also my needs are very low. If I owned a house I would use more goods and services from LETS"*

*"We need better categories for services offered. Also, more than half of those who have advertised offers aren't really interested in trading. They are too busy with full time work"*

*"If there were more services that I need, for example raking the lawn, or shoveling snow, I would trade more. Many of the things offered I can do myself. We need more young people offering these kinds of services"*

This theme of the time pressures for those who hadn't been active trading is one that has come up in less formal chats with newer members who haven't started to trade as well. As one very committed LETS member described. *"Even though I support LETS and think it's really important, when I need something I often don't think to check on LETS for its availability"*. Trading is a social action that requires a certain intention and time. For those who do have the time, because they are retired or work part time, the issue is one of diversity of offerings.

- Members were asked to describe trades that were successful for them or not so, and to describe what constitutes a successful trade

For one member *"I know that for some members the attraction of LETS is the system. For me it is the opportunity of relationship. When greed or the profit motive is taken out of the transaction, then there is time to get to know one another"* In one case, she didn't

want to offer her service to a particular member because he didn't take the time to get to know her, just wanted the product.

Another member recalled a trade for some rhubarb jam, something that she herself couldn't make because she didn't have rhubarbs. The jam was good, but what made the trade successful for her was that "*it was a neighbourly thing to do*", and in fact the trade was with someone who lived just down the lane from her who she hadn't known before.

One member dog- sat for another and found the experience positive because "*the dog behaved as expected, well- behaved, and it gave her a chance to get to know the members better.*"

For a member who hasn't participated as much as she would like, "*having one regular customer for my baked goods who was very pleased with them gave me a satisfied feeling.*"

One member who was offering organic vegetables described an attempted trade that wasn't successful. The logistics for picking up the vegetables didn't work out. She expressed frustration with being unable to promote what she was offering effectively because she was so busy and away from her computer and contacts. A recent successful trade in which she offered some squash to a member she knew, was successful for her because it went smoothly, required no initiation on her part-the other member approached her about squash possibilities- and was timely-she had extra squash and they wouldn't keep long.

Another member described a trade as successful because it used skills he had, he was able to work a few blocks from his home rather than in the suburbs, he got to know his neighbors, and increased his learning in an area of interest, and finally called on the expertise of another LETS member to assist in the task.

A member who is sometimes house bound for health reasons had a successful trade when she by chance met a woman who is a member and offers manicures and said she would come to her home.

A member helped another member learn to drive. It's something that he enjoyed doing but wouldn't have offered for free. LETS allowed for some social interaction and offering the service without his feeling any resentment. This same member provided a TV for use by a member who was disabled. It wasn't something advertised, but arose out of a different transaction. Being LETS members increased the comfort level for their transaction.

For one member, food trades were successful. She liked cooking and was cooking already anyway. "*I felt affirmed that people liked my food and encouraged my culinary gifts.*" In one case, she provided a finished meal for someone and learned that they could get her ingredients that she needed for LETS. They made a perfectly reciprocal trade. One successful trade occurred when she made a huge amount of stew. She sent out an e mail

directly to members offering a fresh hot meal, and her stew was gone in 3 hours when members responded.

A member who is an active trader defined a successful trade as one that was well carried out. For her, receiving an excellent product was important, and it needed to be coupled with a good attitude. She expressed frustration when a potential trading person didn't reply to her request. She also found a few members who had a poor attitude, and didn't want to trade with them.

One member raised the spin off effect of trading using several examples. She received bicycle repair work and in the course of meeting with the member doing the repair work learned that he was interested in car sharing. Because she has expertise in that area through managing a small neighbourhood car sharing club she was able to meet with a group the bike repair person brought together and talk about her experiences, and how to go about setting up a car club (she did this as a LETS offer). In another case, trading with a member who was supplying home made soy milk and tofu inspired her to learn to make her own. So, in this case, future trading for this commodity will decrease for her, but she will enjoy the pleasure of doing it herself.

Relationship building- getting to know another member of LETS- was an important factor for a number of the members. However, in initial surveys that wasn't as strong an expectation or motive. More than half of those initially interviewed rated it as neutral or low in importance.

- We asked members what had been most successful about LETS to date, and what had been least successful about LETS to date.

Answers to this question varied. They included having the web site which has really solidified the LETS system making it more official, easy to use and accessible. The relationship building and increasing neighborliness was most successful for a number of members. Just the fact that it is there, with new people joining and new offerings coming forward, encouraged some. The trade fairs were seen as a good idea, one which provided a good way to see offerings and to meet one another. One member spoke of the social circles relationship building in an urban setting. LETS helps to increase the trust level. Otherwise it may take longer to build relationships

When asked what has been least successful, the trading fairs came up again, not because of the idea but because the turn- out was much smaller than members expected. One member expected a much livelier LETS circle with more trading. He was disappointed that he hadn't been called about his offerings. A number of members echoed this concern.

- We asked for suggestions in how to improve LETS Winnipeg

Members had a variety of suggestions to improve LETS. Here are some of them:

*“We need more outreach to members. Help members think of themselves as LETS consumers.”*

*“Provide ‘job counseling ‘in terms of how to trade”*

*“Communicate with members with regular e news”*

*“LETS needs a very charismatic person to connect on a continual basis with businesses and individuals to promote and grow LETS’*

*‘LETS could organize into regions, narrowing search options on the web site for people to highlight their own neighbourhood”*

*“Allow LETS to grow in a slow person to person way”*

*‘LETS isn’t obvious. Take the time to explain it to prospective members”*

*“Have a rural branch” (From a member who has moved to the country)*

*“Continue to spread the word. Invite non-members to the trading fairs and encourage them to join”*

*‘Profile new members and their offerings on a regular twice a month basis”*

### **LETS and Businesses**

In theory, a business would use a LETS system for a number of reasons and in a number of ways:

- **to attract customers** - by accepting part cash and part LETS money, the goods and services are more affordable and the fact that the customer may be short of cash is less of an obstacle.
- **to increase cash income** - although the cash portion of the sale is now lower than the full price, total sales go up and cash income is the same or higher than before. In addition, local money has been earned which can be spent or, if desired, given to charity.
- **to encourage customer loyalty** - customers with LETS accounts like the deal and they come back again.
- **to ease cash flow** - if suppliers of goods and services (book-keeping or advertising, for example) accept part payment in LETS System money, then the harder-to-earn cash is available to help with other bills.
- **to gain a higher profile within the community** - making donations to local projects in LETS system money is a more affordable way of gaining good PR within the local community. Because the LETS system money cannot leave the system, it tends to come back, even when it is given away. (8)

While the above all make sense, in practice it has been difficult for LETS systems to attract businesses as members. The main difficulty has to do with taxation rulings and record keeping. For example, Canada Customs and Revenue Agency takes the view that barter transactions are within the purview of the income tax act. In particular, when goods or services are of a kind generally provided by an individual in the course of earning income, or is related to a profession or business carried on by that person, then the value of those services must be brought into the taxpayer’s income. This ruling is a real

deterrent to involving business, in addition to the time required of record keeping for a virtual currency.

Currently, LETS Winnipeg has two storefront businesses that have joined, and a third seriously considering joining. They are all one person storefront operations –recycling and collectibles, massage and an herbalist. LETS early on met with members of the Community Development Business Association, a network of small businesses in Winnipeg committed to community economic development, explaining to them the LETS framework and inviting their participation. This did not result in any businesses joining. LETS will be promoting itself at the CDBA fair scheduled in mid November, and potential connections will continue to be explored.

Increasing the number of business members would make LETS more attractive to its members and to other businesses, but the regulatory constraints make that difficult. The task is much easier with a printed currency which is more easily accounted for in the business.

### **Challenges for LETS Winnipeg**

The major challenge of LETS Winnipeg to date is in encouraging members to actually trade. Here is a comment about LETS that fits the situation for many members “LETS has some flaws that need attention. As an alternative money system local currency-it only works well when there is a short supply of real dollars in the community. If people are employed at traditional jobs for traditional pay, they will have little time to contribute or ‘need’ for an alternative money network. Disuse of the system is deadly and spreads a loss of confidence in the network whose success depends on the members’ commitment to use the system” (9). LETS Winnipeg is not yet in a situation where there is a loss of confidence in it. However, that is certainly a real possibility for some of the most active traders who become frustrated with poor response or an absence of requests for what they have to offer.

There are other perspectives on LETS as a local currency. James Taris is a self described ‘LETSholic’ who has been traveling around the world visiting LETS communities or helping to initiate them. This is from a conversation with a long time LETS member in a Melbourne, Australia LETS:

“Then Sue concluded with a revelation that I have since adopted as my own: ‘James, LETS points aren’t dollars. They’re more like favours. And when you can accept these LETS points as just being “favours” from one member to another, you won’t be too concerned about the balances on their accounts; either in debit or in credit. And really, what does it matter if Helen isn’t able to bring her account balance back to zero. I’m sure most of our members, especially our helpers, will take pride in knowing they’ve been able to help one of “us”. These members, you’ll notice, have credit balances – some quite high – and most have never asked any members for anything, and don’t ever intend to. They’re Givers and don’t really want anything back in return. They’re just as excited

about giving to our members, as those that are helped are excited about receiving. In their minds, they're simply doing favours for our LETS members, just as they would for their neighbours, families and friends.'

And from that moment on, I knew exactly what LETS was ... at least to Sue and to me and to our LETS group. That LETS philosophy has stayed with me for ten years, and it has been the key motivation that has driven me to be such an active participant in "all things LETS". My understanding of what Sue had shared with me in such a caring way was that the LETS account balances were just a record of how much each member was giving to, or receiving from, the system. It was necessary to keep record of each member's trading activity so they could then strive to bring their balances back to zero, thereby keeping the system as fair as possible for all.

By far, the biggest improvements I have seen in LETS groups have come about after members have changed their concept of the group's purpose from that of being a local "employment" or "barter" system to that of being a "self-help" group. Along with that comes a new understanding of what a LETS point really represents: changing it from being an alternative to cold hard "cash" to a much warmer "favour".(10)

This perspective on LETS seems to fit with the one that was expressed by a number of members of LETS Winnipeg in describing successful trades, and called 'neighbourliness'.

It contrasts with a comment of a committed LETS member originally from Argentina who stated in discussing some things that aren't successful in trading "for some members what is important is the need to connect or socialize and trading becomes secondary to that need" There is a different tone or emphasis here. Interestingly, this members' interest in LETS came from being in Argentina when the economy collapsed, and there was no national currency to speak of. Barter clubs, LETS and locals currencies sprang up all over, and their energy and enthusiasm made a strong impact upon her.

Generally, there seem to be half dozen different reasons why LETS members aren't trading. They are listed below with the kind of responses that have been offered in the past, but which need to be done more thoroughly and effectively in order to increase the trading volume.

- *"I am too busy in my life and don't have the time for the inconvenience of LETS trading"*

This has been the most common reason given for not trading. For someone who is genuinely too busy with other things, be they work, raising a family, meetings or anything else, LETS probably won't work. Usually this person has joined because they believe in the ideals of LETS, community currencies and local community development. However, truly participating in LETS requires one to either prioritize it strongly and make the commitment to trade, or to be living a slower paced life.

- *"I just don't know what I have to offer to LETS. What can I trade?"*

For this person, personal contact and reviewing the kinds of things that are enjoyed or possible is important. James Taris has some good advice in this regard:

“Only offer three kinds of goods and services:

- a- things you love doing.
- b- skills you want to learn, improve or perfect.
- c- items you don't want or need (often excess goods).

So whenever you get a call from a member you'll try your hardest to help them out. There's nothing more frustrating than contacting members who don't want to (or can't) provide the goods and services they've listed on their List of Offerings.” (11)

It is often the case that new members will not trade for a year after joining, and up to a third of LETS members never trade. Getting the hang of the kind of trading that they wish to do may take some time which is fine, and needs to be reassured. However, the personal contact and the reviewing of possible services or goods that they could offer can shorten this period considerably.

Another issue beyond a member discovering what it is she wishes to trade is the question of marketing. The most successful traders seem to be those who have either a product or service that is in high demand, or those who assertively market their offers beyond merely listing them on the web site. This may include sending individual e mails to members, creating attractive displays for trading fairs, or lots of personal connecting. Not everyone is comfortable or skilled in this aspect of presenting oneself, and there is a place in LETS for coaching members about this aspect. The marketing aspect also applies to the next category of members.

- *“I am shy and there's a barrier for me to call up or e mail someone to trade”*

For this type of person, inviting them to a trading fair or LETS get together where they will have an opportunity to meet face to face with other LETS members and to trade on the spot by buying something from a member at a table is an effective way to ease them into a trading mentality. Even without the trading, facilitating ways for LETS members to meet one another in an informal setting will make it easier for those who are more reserved. LETS has sponsored three trading fairs to date. All of them have been small informal gatherings at Crossways in Common where anywhere from five to eight members have had tables selling or displaying their goods or services. The number of members attending has varied from fifteen to twenty-five, and there are always trades happening or being talked about for the future. Continuing with regular fairs every three months or so is an important strategy to building LETS through face to face meetings.

- *“I don't see anything that I really need being offered”*

There are a number of areas in which LETS has few or no members offering services. Skilled trades people massage therapists, auto mechanics, and general labourers are to some extent missing. Targeting those skills and looking for members who may fit them is one strategy that is being followed. In addition, there may be a fit with the Spence Skills Bank which seems to have a number of members in the labour or trades category. Currently a few Skills Bank members are members of LETS and one in particular has used tools offered by LETS members for jobs which are paying him in Canadian currency. Discussions and connecting with the Skills Bank are on-going, and the Skills Bank promotes LETS to its members through their displays and in their office

- *“I don’t have a computer or I just don’t know how to use the site”*

All members of LETS who have joined have an e mail address, but a number of members do not have home computers and rely upon public access sites. Being able to use a computer and to navigate a web site is important to participate effectively in LETS. Offers and requests are posted on the web site. Most general communication is via group e mails. Members receive news about current offers and requests through e mails. LETS has offered training sessions for members in conjunction with trading fairs and a LETS Open House, as well as phone and in person support for members who are having difficulties with the site. In addition, improvements to the web site are in process of being undertaken that will allow for easier use of the site by members as well as the possibility of directly receiving offers via e mail as they are posted rather than going to the site. A print version of the member catalogue was prepared initially. However it is currently out of date, and there are mixed opinions about whether to invest time and resources in printed materials as opposed to encouraging members to effectively use the site.

One unorthodox strategy that LETS is currently experimenting with to encourage trading is to ‘prime the pump’ by issuing every LETS member a credit of \$90 LETS which must be used in trading within a 90 day period or it is withdrawn . This experiment runs for the period October 1 to December 31. It goes against the conventional LETS instruction of ensuring that all credits and debits in the system total zero. LETS is here taking on the central banking role and issuing currency. Although it is too early to know if the ‘90LETS for 90 days’ offer will stimulate trading, it has gotten positive feed-back from a number of members to date.

### **Future Directions**

In the short term, LETS Winnipeg will continue to grow slowly with the most effective membership growth coming from word of mouth and personal contact. Improvements to the web site should be completed by spring, 2006. Trading fairs will continue on a regular basis as long as there are a number of members willing to advertise their goods or services at a table. The suggestions offered for improving LETS will be followed up. In terms of longer term growth, the pattern for most LETS groups seems to be periods of growth and stabilization at a relatively small group of members-one to two hundred. An exception to this is in Australia where some groups have reached several thousand with national inter-group trading. (12) A larger LETS membership would lend itself easily to



organizing by neighbourhood. A number of members in West Broadway commented that they meet LETS members in other contexts in the neighbourhood, and their LETS connections leads to an ease in relating in other ways.

### **Sustaining LETS Winnipeg**

Ultimately, the only way that LETS can sustain itself is through its members participating in the system through trading. Most LETS go through periods of growth and decline in membership and trading. LETS Winnipeg is certainly growing in terms of its membership, with new members joining weekly. Translating that membership growth into increased trading in a way that is organic and comfortable for members is a key task. The resources required to continue operating LETS are mostly able to found within those members willing to volunteer their time or to work for LETS dollars in administering and promoting the system. The system is currently managed by several volunteers, and the hosting of the web site which has been paid for on a monthly basis can shift in the future to a host who has offered to do so at no cost. There are however needs for Canadian dollars, primarily ongoing domain registration, and occasional printing needs. A small yearly fee may need to be instituted if these services are not able to be provided through LETS. LETS Winnipeg is an incorporated not for profit organization, and there may be opportunities for small grants to help sustain it as well.

### **Lessons Learned**

The section on LETS in Tools and Techniques for Community Renewal provides some cautionary advice about establishing LETS systems, advice which seems applicable to the development of LETS Winnipeg. “The Local Exchange Trading System is easy to understand and very appealing for those disenchanted with the conventional monetary system. As such, there may be a temptation for a community to hastily establish such a system without sufficient attention to creating a strong shared vision, building community support and developing the organizational capacity to sustain the administration of the system over time” (13)

An open question is whether there was a sufficient base of community support and a shared vision for LETS prior to beginning its actual trading. Certainly, there was such a commitment and vision among the small core planning group. However, that may not have been sufficiently shared with the larger neighbourhood and community. The choice was taken to go ahead and try something to see how it worked out and to adjust it to community responses. A different approach would have been to go more slowly, hosting educational meetings, talking about LETS as an idea with various community groups and individuals, and waiting for the membership to increase to the point where it seemed viable to launch the trading. Whether that would have changed the results to date is a moot question.

In terms of the research questions as to the effectiveness of LETS in having a significant economic impact, the results to date suggest a negative answer. Total trading amount in LETS dollars is small, and the kinds of trades for the most part reflect hobbies and particular interests. LETS isn't able to significantly impact the economic life of its members. As one member stated, *"LETS is a way for me to access 'frills', not essential needs. I look to LETS to get things that I can't justify spending money on. But, when time is tight there is less time to pursue frills."* Generally, LETS systems have less potential for having this economic impact than printed currency systems which are used by small businesses.

In terms of community and neighbourhood building, LETS has had a more positive effect based upon the responses from members' interviewed. It has allowed LETS members to get to know others in their own neighbourhood, and people of similar values in other communities.

The hope in developing the LETS was that it be West Broadway based, and that it actively involve low income members. The change of focus to a Winnipeg based LETS was a reflection of the difficulty in attracting sufficient members from within a single neighbourhood or two. Still, more than sixty per cent of the membership lives in the inner city, if Wolseley is considered inner city. In terms of income levels, there is certainly a mix of incomes represented in LETS as the initial survey showed for the first members. However, those of low income, for the most part, are well educated, and are either choosing voluntary simple lives, or still students or young.

The research doesn't provide any definitive answer as to the difficulties in both attracting and keeping LETS members who are low income and with low education levels. The numbers of such members is small. Those from that group who initially joined and then dropped out stated that the reasons were primarily around time constraints-personal issues with family, or a choice to go back to school to study.

It is also possible that the absence of inner city residents of low income and education shows that the barriers that prevent people from gaining education, skills or good employment are also there in terms of participating in LETS. Efforts will continue to be made to attract low income residents, and particular strategies in terms of recruitment, confidence building and skill building may be needed for their more active participation.

### **LETS and the New Economy**

The New Economy as defined by The Manitoba Research Alliance on Community Economic Development in The New Economy is underpinned by three major structural changes:

- a rise in general education levels
- the development and availability of new information technology
- an increase in 'invisible' trade and services, mergers and acquisitions, and the flow of information.

LETS Winnipeg's relationship to these changes is most apparent in the latter two.

The use of the web site by LETS for members to post offers and requests and to view all offers and other members' transaction balances isn't essential. This could have been done in a much more low-tech way with a notebook tracking trades and paper transactions. However, the site allows for LETS to grow and to become more sophisticated in both size and in transaction details.

The total value of the trading in LETS Winnipeg is tiny, and it is invisible in the conventional market economy. LETS members' trading isn't their primary way of earning income, and so isn't taxable or a part of the market economy. LETS fits into the informal economy, the extent of which is considerable. As a part of the informal economy, LETS transactions do not show up in any measures of the market economy.

LETS belongs to the range of activities, projects, organizations and communities which are defining a way of being influenced by critics of the economics of growth. Although they may use some of the tools of the New Economy, they are not a part of it, if the New Economy implies unlimited growth and a globalization that devalues the local experience. It is not a new economy that is spoken about, but a new economics

Barbara Brandt has given this economics the name "whole life economics". For Brandt, the goal of this whole life economics is to empower people and create a better balance between our economic activities and the rest of life. Whole life economics recognizes that human well-being comes from treating individuals as whole people, integrating body, mind, emotions, social needs and spiritual values. It follows that a good economic system is one that promotes such integration in all our activities. For this reason, the primary focus of whole life economics is not on money, business, interest rates, productivity, or other conventional economic concepts. Instead, whole life economics starts from such values as our physical well-being and mental and emotional health, our social relationships, our ability to meet our needs and the needs of those we care about, our connection to the natural environment, and our need for spiritual meaning. And the new paradigm is characterized by economic institutions that honor rather than ignore or negate these crucial sources of human well-being." (14)

LETS and local currencies are far from being economic institutions, and LETS Winnipeg members, for the most part, don't speak of LETS in the way that Brandt does, but at a deeper level this may be what attracts many members to LETS.

## Notes and Resources

1. The section on currency history is taken from an unpublished paper by Vishel Kapoor prepared for the Community Labour unit CLU project as well as information from the book Money by Thomas Greco an invaluable resource for anyone interested in community currencies
2. From the article ‘ Raising Funds’ in Alternatives Journal-January/February 2005 p10
3. Makoto Maruyama: Local Currencies in New Zealand and Australia in Junji Koizumi- Editor: Dynamics of Cultures and Systems in the Pacific Rim-Osaka University Press 2003 p. 181
4. Makoto Maruyama-The Socio Economic Role of the Local Exchange and Trading System (LETS) in Canada February 1996 p.4
5. Marcia Nozick- No Place Like Home page 56
6. Maruyama 1996 p. 6
7. From the BarterWorks web site: [www.barterworks.org](http://www.barterworks.org)
8. From James Taris:“The LETSaholic Twist: a guide to Improving your Lifestyle Through LETS “ found at [http:// LETS-Linkup.com](http://LETS-Linkup.com)
9. Nozick page 56
10. Taris
11. Taris
12. Makoto Maruyama 2003 p.181
13. Stewart Perry –Editor: Tools and Techniques for Community Recovery and Renewal p.173
14. Barbara Brandt- Whole Life Economics: Valuing Daily Life-New Society Publishers 1995 p. 10

## On Line Resources

[www.letswinnipeg.com](http://www.letswinnipeg.com) The web site for LETS Winnipeg

[www.gmlets.u-net.com](http://www.gmlets.u-net.com) This site is the original home page for LETS, and provides a good user manual and FAQ, although some links and information are out-dated

[www.reinventingmoney.com](http://www.reinventingmoney.com)

This is the web site of Thomas Greco, and provides an excellent theoretical overview of community currencies

[http:// LETS-Linkup.com](http://LETS-Linkup.com) –James Taris’ site contains links to many LETS groups throughout the world.

[www.ithacahours.com](http://www.ithacahours.com) This is the site for Ithaca’s local currency

[www.torontodollars.com](http://www.torontodollars.com) Toronto dollars site with links and additional information

<http://saltspring.gulfislands.com/money> The Salt Spring Islands Dollars