LETS abolish money?

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If you listen to the enthusiasts they can recreate communities, cure unemployment, undermine the multinationals and even provide an alternative to the global capitalist economy. What can? LETS or Local Exchange and Trading Schemes.

This is what the enthusiasts say. First, Harry Wears from Haverfordwest:

“I’m really enthusiastic about LETS. I think it’s the most exciting mechanism for social change I have ever come across. In LETS, debts don’t accrue interest and there is no pressure to pay. A LETS cheque can’t bounce, nor a LETS business go bust. LETS sees money as a symbol but, unlike sterling, it can’t be manoeuvred to the detriment of people using it” (Woman & Home, October 1993).

Then Donnachadh McCarthy from Southwark:

“It is a system to recreate a community economy which we were losing because of multinational companies and big supermarkets. Money which comes into Southwark is used once and then leaves via the banks which use it to finance projects elsewhere” (Independent, 13 December 1993).

And Ed May of the New Economics Foundation:

“With mass unemployment in Britain many people have the time but not the cash. LETS gives them access to things they would not otherwise have” (Guardian, 12 March 1994).
Finally, from the same *Guardian* article by John Vidal:

“The implications, say the theorists, are enormous. In a cash-starved economy (one in five British households is severely in debt), despite the existence of wealth in the form of skills and resources, traditional exchange is hijacked by a lack of cash. With local currencies, as long as people make their goods and skills available, their exchange can go round and round. ‘The community therefore becomes richer,’ says Paul Ekins, a green economist”.

It is, of course, absurd that people who need things should go without even though the skills and resources to provide for them exist. We can go along with the LETS enthusiasts in denouncing this scandal of unmet needs alongside unused resources. The difference between Socialists and LETS enthusiasts is that, while both of us criticise money, they answer “yes” to the question “So, you want to go back to barter?” while we answer “no”. They want to retain exchange and trading with some new kind of money; we want a society based on common ownership geared to producing things directly for people to take and use in which exchange and trading, and money as the means of exchange, would be redundant.

**Return to Barter**

LETS schemes are essentially local barter clubs. A group of people with varying skills get together and agree to exchange the services they can provide with any other member without using money. Records, however, have to be kept. Each member has an account and when one member’s services are used their account is credited with the exchange value of that service while that of the user is debited by the same amount. What normally happens is that each member is given a sort of cheque book which they can use to pay for other members’ services either at a published price or as agreed between the two. Clearly for all this a unit of account is needed. Some schemes define this unit in terms of labour time. Others tie it to the pound. The accounts could in fact be done in pounds but generally the unit is given a special name. In Bath it is an “oliver”; in Brixton it is a “brick”; in Reading a “ready”, and so on.

Do LETS schemes really allow people, as is claimed, to by-pass money and so have “access to things they would not otherwise have”? Two unemployed people with different skills can always barter their services. Thus an unemployed plumber can repair an unemployed electrician’s central heating in exchange for some rewiring by the electrician. Neither needs money for this. A LETS scheme is merely an extension of this: the plumber or electrician joins a barter club and so gains access to a wider
range of potential clients as well as access to a wider range of reciprocal services (too often, though, things not normally needed by the unemployed like aromatherapy, holistic massage, acupuncture, tarot reading and other such New Age fads). So, it’s an alternative to placing cards in newsagent’s windows or relying on the grapevine to learn about work opportunities. As such, like the black economy, it’s one way of surviving in the capitalist jungle but that’s all. But don’t LETS schemes help create a “local community spirit”? Maybe, but no more than any other local club.

Small is Small

The trouble is that the idea has been hijacked by all sorts of currency cranks and funny money theorists who see it as the basis for an “alternative money” and an “alternative economy”. But they overlook two important facts.

First, the nature of the activities covered by LETS schemes. They are all activities that can be carried out by a single individual such as repairs and personal services, and which in the normal money economy could be done by self-employed people working on their own. In fact, from an economic point of view, LETS club members are acting as self-employed; a LETS scheme is a club in which self-employed individuals barter their services. It could never extend beyond this to productive activities that require expensive equipment and plant and a large workforce—such as, precisely, the manufacture of the things that LETS members and the self-employed repair.

Secondly, there are definite limits to the size a LETS scheme can attain. The biggest in Britain only has 300 members. If they got much bigger than this the administrative work of recording all the transactions would grow and could no longer be done by voluntary or part-time labour; people would have to be employed to do it, which would add to the running costs of the scheme and have to be shouldered by the members. The membership fees and transaction charges already levied by the scheme would rise. At a certain point this would cancel the advantages of being in the scheme and members would find it more convenient to re-enter the money economy and resort to newsagent’s windows and contacts.

Funny Money

What most of the currency cranks who have latched on to the LETS idea envisage is converting the units of account – the schemes use olivers, bricks, readies, etc. – into a real money that would circulate. In fact most commentators, like John Vidal in the Guardian article, refer to the LETS units of account as “currencies”, but
this is misleading. They are not money; they do not circulate. They only exist on paper or computer disk as a record of transactions. LETS schemes are in fact more cumbersome than money. After all, with a real money that circulates an individual account of a person’s exchange transactions doesn’t have to be kept.

Some of the advantages claimed for LETS units also apply to cash. So when Harry Wears says “a LETS cheque can’t bounce”, this is true but neither can cash. Similarly, when it is argued that people have an incentive to use LETS credits – and that when they do accumulate them this doesn’t give them any power to manipulate other people – as they don’t pay interest, the same applies to cash as such. A hoard of cash is no more useful than a large LETS credit balance. What is being advocated as the ideal is a money that can’t be accumulated and can’t be lent at interest, with LETS units being seen as the formula to achieve this.

But such an “alternative money” is never going to come into being, because it would be worse than existing money. If you have an exchange economy (which the LETS enthusiasts accept, as is seen by the full name Local Exchange and Trading System) then conventional money is the best means of exchange. Not only does it allow many more exchanges to take place than barter or a modified form of barter like LETS schemes, but the payment and receipt of interest also facilitates more exchange. Banks are not, as some LETS theorists (along with the traditional currency cranks) suggest, the villains of the peace who interrupt the normal circulation of money and goods by not making money available to match needs and resources unless they are paid a tribute in the form of interest. Banks are financial intermediaries which borrow money from people who have some but don’t want to spend it immediately, and then lend it those who have something to spend money on but no money of their own. Naturally the banks take precautions to ensure that they are going to get back any money they lend, but the overall result that they help keep money circulating and exchange going. To want to keep exchange but do away with banks and the taking of interest is unrealistic in the extreme. It is typical currency crankism.

The way to end the scandal of unmet needs alongside unused skills and resources is not to retain the exchange economy while trying to get rid of some of its effects by reforming the money system. It is to get rid of the exchange economy altogether by establishing a society based on the common ownership of productive resources where goods and services would be produced directly for people to take and use and not to be exchanged, or bought and sold, at all.

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