

Local Exchange And Trading Systems (LETS) In Australia: A New Tool For Community Development?

[Colin C. Williams](#)

*Centre for Urban Development and Environmental Management (CUDEM)
Leeds Metropolitan University
Brunswick Building
Leeds LS2 8BU, United Kingdom
Tel: 0113 283 2600
Fax: 0113 283 3190*

International Journal of Community Currency Research

1997: Volume 1
ISSN 1325-9547

Williams, C. C. (1997) 'Local Exchange And Trading Systems (LETS) In Australia: A New Tool For Community Development?', *International Journal of Community Currency Research* Vol 1 <www.uea.ac.uk/env/ijccr/>

Introduction

A Local Exchange and Trading System (LETS) is a locally created not-for-profit community enterprise. Its function is to enable people to trade goods and services with each other where the national currency is in short-supply. The underlying premise is that there are many people in contemporary society who have needs and wants, and many others who would like to work, but what prevents this supply and demand being matched is a shortage of national currency (Lang 1994). LETS overcome this by enabling people to exchange goods and services with each other priced in a local unit of currency which can be used instead of the national currency. This local currency acts as a scoring system by which individuals can record the value of the work that they have undertaken for somebody else and received. However, no coins, notes or tokens are produced or exchanged.

Having paid a small registration fee to cover the costs of the administration of the service, LETS account holders are issued with a registration number which functions as a license to trade. Account holders then list the goods and services which they wish to offer and receive in a directory. Those seeking to trade contact the buyer or seller of a good or service and mutually agree a price in their local currency unit, which is given various local names such as cowries, ecos, tides, zacs and mouses in different LETS. Once the transaction has been completed, they notify the central accounting system either by telephone, cheque or ledger. Individuals accounts are adjusted accordingly and all account holders receive a regular statement of the balance of their account together with expenditure and income information. The central accounting office, therefore, functions in a similar manner to a formal sector bank. The difference is that no interest is charged or paid to account holders and debt within the system is actively encouraged. This is because debt is seen to represent 'a commitment to put "energy" back into the system at some time in the future' (Birch, Liesch and Yau 1994, p.5). So, although no national currency is changing hands, the local currency is enabling goods and services to be exchanged. The amount of local currency in the system is thus entirely dependent upon the volume of trade conducted.

During the past five years or so, LETS have rapidly spread across most English-speaking industrialised nations. Australia now has 164 systems (Jackson, 1994a), New Zealand has 54 (Mallinson 1994), the United Kingdom has around 350 (LetsLink UK 1995) and there are about 20 in North America (Greco 1994). Indeed, they are now expanding in non-English speaking industrialised nations, such as Denmark, Finland, France, Germany, Holland, Norway, Spain, Sweden and Switzerland (LetsLink UK 1994). The problem, however, is that there has been little, if

any, published research on the nature and extent of such systems, nor any critical evaluation of whether they are achieving their stated objectives [1].

Consequently, a questionnaire survey was conducted in April 1995 of all LETS in Australia. The objective of this survey was to collect empirical evidence on the growth of LETS, the nature and extent of their development and the major problems in their operations. 164 questionnaires were sent to all LETS coordinators listed in *OZLETS*, the national newsletter for Australian LETS. 57 responses were obtained (a 34.8 per cent response rate). The results of this survey reported here provide the first analysis, so far as is known, of the origins, growth, magnitude and character of LETS in Australia.

To evaluate their potential as tools for community development, this paper commences by charting the origins and growth of Australian LETS and their objectives. Following this, the extent to which they are achieving these objectives is evaluated. With this in hand, attention then turns towards the barriers preventing their further development and how these could be overcome. The finding is that LETS represent a potentially powerful weapon in the armoury of community development agencies seeking to revitalise localities and documents the barriers which need to be overcome for them to become more effective. However, and to end on a cautionary note, questions are raised about not only the effectiveness of, but also the reasons for, the state's support of LETS in Australia.

Origins And Growth Of Australian LETS

LETS were introduced into Australia during the late 1980s and early 1990s, when the country was witnessing protracted economic recession, widespread unemployment (Liesch, St Hill and Birch 1994) and there was increasing pressure on the state to reduce social costs, similar to many other industrialised nations (Windebank and Williams 1995; Williams, 1996). The first LETS was established in the small country town of Maleny in Queensland in 1987. Jordan (1990), one of the co-founders of this system, asserts that the decision to launch this form of not-for-profit community enterprise arose out her (and Ian Smith's) visit to Canada where they saw a LETS in operation which had been set up by Michael Linton in the Comox Valley in 1983.

Four further LETS were established during 1988: in the Blue Mountains, just outside of Sydney; in Wollongong to retrain steel workers made redundant by the restructuring of BHP (see Haughton, 1990); in Brisbane, and in northern New South Wales. After this, systems were created at an increasing rate. By 1990, 34 LETS had been established (Jordan, 1990) and 164 by September 1994 (Jackson 1994a). Table 1 examines this growth of LETS in more detail. This shows a slow growth in the number of new LETS between 1987 and 1990 as the concept disseminated, but a surge in their growth between 1991 and the end of 1993. Since then, the number of LETS being formed has slowed down. Indeed, 70.2 per cent of all LETS responding to the survey were established between 1991 and 1993, delineating this as the period of rapid growth. The older the LETS, moreover, the larger is the membership, which suggests that membership of LETS in Australia will continue to grow in the immediate future as the younger LETS start to mature.

Table 1 Size of LETS: by year established

	% of LETS	Average Membership
1995	2.1	27.0
1994	6.4	62.7
1993	21.3	71.4
1992	17.0	76.6
1991	31.9	151.1
1990	8.5	103.3

1989	4.3	132.5
1988	6.4	461.3
1987	2.1	824.0
Average		144.8

Source: author's survey

So, who founded these LETS? 83 per cent of all LETS responding have been set up by an individual person and 17 per cent by groups. A large number of LETS, moreover, are funded by government agencies. In many cases, they have also been initiated by them. A typical example of how LETS are created is depicted in the following description:

"The council gave the community centre a small grant to set up a LETS system in their council area. A lady started the group but it was at the councils request and it was they who provided a special grant to have a LETS group in their area" (LETS coordinator).

Similar descriptions about the genesis of LETS are repeated in many other cases. In Australia, therefore, the state has often been the catalyst for LETS development.

Objectives Of LETS

Examining why the founders of LETS decided to established them, three reasons can be identified, ranked here by the order in which they are most commonly cited:

- to develop a greater sense of community within their area (specified by 69.0 per cent as an objective);
- to rebuild 'localised' economies which are more inter-linked and less reliant on external goods and services (stated by 42.9 per cent); and
- to help those excluded from employment to participate in productive activity, use or extend their skills, and improve their self-esteem and quality of life (cited by 28.6 per cent of founders).

These community-building, economic and social equity objectives have been reported elsewhere as the aims of LETS (Boyle 1993; Brandt 1995; Dobson 1993; Jackson, 1994b; Lang 1994; Offe and Heinze 1992; Seyfang 1994; Williams 1996). This survey, however, reveals how these objectives are prioritised in Australia, showing that community-building is the most common motivation followed by the economic objective of creating more localised economies, whilst the social equity rationale of helping the unemployed engage in productive activity is less frequently mentioned.

Founders, therefore, aim to form systems which reconstruct social networks by encouraging local exchange. This is not to claim that they are adopting some crude economically deterministic approach to community-building, nor is it to assert that they do not recognise the way in which the social and economic are inter-related. As Stockley (1995, p.3) reports, discussion at the third Australian National LETS Conference revolved around the issue of "Is the trading the important factor or is the social network of supportive and cooperative people more important; economic tools or social cohesion, can they be separated, or do they go together?". Here, therefore, in a practical policy-oriented environment, is a recognition that social relations both shape, and are shaped by, economic life and a questioning of the rigid division between economy and society, reflecting what has been discussed, albeit in a more theoretical and arcane manner, by those involved in the 'cultural turn' in the social sciences (Amin and Thrift 1995; Granovetter 1994; Polanyi 1957).

Impacts Of LETS

Having outlined these economic, social equity and community-building objectives, attention now turns towards the

extent to which LETS are achieving them in practice. Each objective is considered in turn.

Economic impacts

In April 1995, LETS in Australia had a mean annual turnover equivalent to A\$55,064, an average of 144.8 members and thus an average annual level of trade per member of A\$329.80. Extrapolating from this data, LETS in Australia can be estimated to have some 24,700 members (0.14 per cent of the total population) and an annual turnover equal to A\$9.4 million (0.002 per cent of the Australian GDP).

Indeed, the overall trend is one of continued expansion: 68.9 per cent of LETS are still growing, with just 2.2 per cent contracting. The remaining quarter (24.4 per cent) are in a stable condition. Those expanding are the younger and older ones, whilst some of the middle-aged ones which commenced trading between 1991 and 1993 are declining. This displays that LETS, similar to the small firm sector, have a high birth and death rate, and that if LETS survive the first 5 or 6 years of their existence, they tend to be stable or steadily expanding associations. They may be in decline because the initial enthusiasm of the individual or core group who set up the LETS is waning or just because they never reach the 'critical mass' necessary to become stable functioning entities. Indeed, most of the systems which achieve a membership of over fifty are growing or stable, whilst those who do not are in a weaker position. Consequently, it is the mid-age LETS with small memberships which are in decline.

Reinforcing this, Table 2 reveals that as membership size increases, the average trade per annum of members rises. This is because the range of goods and services available on the LETS broadens and deepens so that it is easier to match the supply and demand of the participants. LETS with fewer members, in contrast, are characterised by large mismatches between the goods and services offered and requested and consequently suffer relatively low levels of trade per member. It is perhaps the case, moreover, that when LETS grow beyond 200 members, the level of trade per member slightly drops because they become less personal entities in the sense that it becomes difficult to maintain close social ties amongst such a large group. Alternatively, it may also be because such systems have a larger number of 'inactive' members who, despite listing offers and requests in the directory, do not fulfil their obligations, which slows down trade amongst the membership.

Table 2 Turnover of LETS: by size of membership

Number of Members	% of LETS	Mean turnover	Mean turnover per member
Under 50	36.4	4,804.5	105.70
50-99	22.7	24,269.5	237.64
100-199	22.7	75,256.0	444.97
Over 200	18.2	128,527.5	377.89
All LETS	100.0	55,064	329.80

Source: author's survey

Nevertheless, although 76.3 per cent of LETS perceive themselves as successful in encouraging people to trade locally, those with larger memberships and turnovers are more likely to view themselves as successful in this task than those who coordinate exchanges with relatively small memberships and turnovers.

It is not only the size of membership and turnover which influences the economic impacts of LETS but also their geographical location. As Table 3 displays, those LETS operating in smaller neighbourhood areas of towns and cities have higher turnovers and trading levels per member than urban-wide or more rural systems. This is because the urban-wide and rural systems cover large geographical areas but much of the trade on LETS is in consumer services, which generally have relatively confined market areas close to the purchaser's home. The result is relatively lower levels of trade since LETS participants are unwilling to travel large distances across the urban area or within rural

localities to purchase such services (eg. hairdressing, food, baby-sitting). Indeed, nearly half of rural LETS stated that the large geographical area they cover leads to problems concerning the ability of members to provide goods and services for each other, thus reinforcing this theorisation that there is a relatively low level of trade amongst geographically dispersed memberships.

Table 3 Trading on LETS: by geographical area

	% of LETS	Average turnover	Average membership	Average trade per member
Whole city	14.9	33,167	142	233.6
Whole town	14.9	31,358	184	170.4
Neighbourhood	106	118,143	153	772.2
Rural area	59.6	52,745	139	379.5

Source: author's survey

To understand the significance of LETS, however, there is a need to move beyond such macro-economic measures of their performance and towards an understanding of who is joining them. This is because although the overall level of trade may be small, for the individuals involved, the impacts on their quality of life can be major. This has been revealed, for example, in a case study of Calderdale LETS in the United Kingdom where, although the trading levels are low, the use-value of the exchanges to the individuals are very significant (Williams 1995; 1996). Who, therefore, joins LETS? Are they playthings for the environmentally conscious middle-class or are they being used by the socially excluded as a coping mechanism?

Social equity impacts

Coordinators estimate that, on average, 34.1 per cent of their members are not in employment, a much higher proportion than in the population as a whole. This, moreover, changes by the age of the LETS. In older LETS, a relatively small proportion of members are unemployed, although in more recent LETS, the share is larger. The result is that the socio-economic profile of LETS members is changing. In major part, this is because younger LETS are more likely to have been founded with the explicit aim of promoting social equity. However, it is also due to the fact that younger LETS are more likely to appear to potential members who are unemployed as associations to which they can belong and identify (see below).

The outcome is that 73.9 per cent of LETS believe that they are effective in helping the poor get-by. Nevertheless, despite both this assertion and the explicit rationale when founding them of promoting social equity, no LETS explicitly target any particular groups so far as encouraging them to join is concerned. It appears, therefore, that low income groups and the unemployed join in greater numbers than more affluent groups of the population despite of, rather than because of, the targeting policy of LETS. In contrast to the DSS, LETS themselves do not actively entice the unemployed to become members. Indeed, and as will now be shown, there is some evidence that LETS, especially the older ones, dissuade rather than persuade the unemployed to join.

Community-building impacts

As Bulmer (1989, 253) asserts, 'community' is a shorthand used to describe those local social arrangements which are 'intermediary structures' that exist beyond the sphere of household relations but which are more familiar to people than the remote institutions in the wider society. These intermediary structures are formed around the ties between people with common residence, interests, attachments or some other shared experience which creates a sense of belonging amongst them. Recognising that community is not a natural entity which emerges automatically without intention but, rather, is something which needs to be actively generated and reproduced (Bauman 1990; Crow and Allen 1994),

LETS have been created to provide a formal structured framework within which social networks can develop through the medium of exchange. Who, however, benefits from such a framework?

Coordinators estimate that 73.9 per cent of their members are 'greens', 66.8 per cent are women, 34.1 per cent are not in employment and 18.7 per cent are incomers. Indeed, when LETS are asked to describe in their own words the type of people who join, the most common response is to assert that they are 'greens/alternatives' (cited by 38.3 per cent), 'low income' people (31.9 per cent) and those 'active in the community' (27.7 per cent), followed by 'very varied' (23.4 per cent).

However, these descriptions differ according to the age of the LETS. The vast majority of older LETS characterise their membership as 'greens/alternatives' but a smaller proportion of the younger ones. Those who describe their LETS as having a 'varied' membership, furthermore, are generally younger rather than the 'first wave' which came into existence prior to 1991. Similarly, it is mostly the younger LETS who are likely to describe their membership as being composed of people on low incomes. The implication therefore, is that the older more established LETS have a 'green/alternative' profile and the more recent ones comprise a diverse range of people, particularly those on low incomes.

This domination of LETS by 'greens' is because although none explicitly target particular groups in a strategic and pro-active manner, there has been much unintentional targeting. For example, many LETS have pursued the line of 'least resistance' so far as recruitment is concerned by aiming their publicity at organisations likely to be interested, such as environmental groups and rely on word-of-mouth as the main means of diffusing the concept. The outcome has been a skewed membership profile and to use the post-modernist language, the 'othering' of certain groups, who have been made to feel excluded, seeing LETS as something for people other than themselves. However, it is important to state that this was not a deliberate policy. Rather, it was and still is unintentional.

As LETS have grown, however, and the idea has spread, a wider audience have come into contact with the concept, such as through the DSS publicity targeted at the unemployed and the local media who often write articles on individual LETS as they start to take-off. The result is that a wider array of people have started to join. For example, the unemployed who suffer severe contraction of their social networks following redundancy and tend only to mix with other unemployed (Morris 1994) have started to hear about the concept and to join. In the early stages, however, due to their limited social networks and their unintentional exclusion, it is unsurprising that a relatively small proportion of the membership were unemployed. As they have grown, moreover, the self-interest of the unemployed in joining LETS has become more apparent since the widening range of goods and services available on them means that they are able to meet needs and wants which they cannot via the conventional informal sector. This is because their limited social networks, lack of resources and the restrictions imposed by the DSS result in the unemployed being less able to use the informal sector as a coping mechanism than the employed (Williams and Windebank 1995; Windebank and Williams 1995).

Barriers To Growth

As the above analysis displays, the evolution of LETS in Australia has been rapid. Just eight years ago, none existed. They have now blossomed to cover much of the Australian landscape. With such brisk growth has also been an evolution in approach amongst those in the LETS movement from an optimistic idealism that LETS would 'naturally' continue to grow, as expressed at the first national LETS conference in 1992, to a more pragmatic approach that problems exist and need to be confronted and overcome, as witnessed at the most recent 1995 national LETS conference (Jackson 1995). This change results from the recognition that many LETS have ceased trading, many committees replaced and that many members have come and gone.

Here, therefore, attention turns towards a brief review of the main problems confronting LETS development in Australia. These are of two types: membership-related and administrative. In the order in which they are most commonly cited by LETS coordinators, membership-related problems which persist from the initial phase into maturity include: the fact that the majority of members have a low level of trading; overcoming members' fears of debt; the difficulty in attracting new members; and encouraging a wider range of goods and services. New membership-related problems which arise as LETS mature include: the idea that people trade less seriously with LETS currency than with Australian dollars; the lack of socialising; people leaving with debt owing and the proportion of local-to-national currency in trading.

Organisational-related problems which persist both in the initial and more mature phase include the lack of time of

committee members to run the LETS (since most are volunteers), the need to formalise the administration, and the lack of funding. New organisational problems which arise once the LETS is up and running include working out what to pay the administrators of the system and the need for better accounts software. Indeed, the reason why many of the initial and current problems are similar is because most LETS remain in their infancy in business terms. Here, therefore, the ways in which they have been overcome by various individual LETS are reviewed so as to indicate solutions to these problems hindering the overall development of LETS in Australia.

Membership-related problems

To encourage people to join, various strategies have been adopted. Most LETS find that simply sending out basic information is a poor means of turning enquiries into memberships. Some LETS therefore send out promotion information packs to new members containing an information brochure, past editorials, a sample trading page, a copy of the current trading directory minus the telephone numbers, and feel that this has played a large role in their success. Those that simply send out a basic folded A4 sheet of paper have limited responses and are relatively unsuccessful at turning enquiries into memberships. Others use face-to-face follow-ups to explain the LETS idea and feel that this is an effective instrument.

A low level of trading amongst the majority of participants occurs for a variety of reasons. As one LETS coordinator stated,

"At the outset, we unnecessarily 'reinvented the wheel' due to ignorance about the information available on LETS development and management...The wants of our members have only just begun to be published - we had not realised the importance of doing this".

Although there is now less likelihood of such basic mistakes being repeated, information remains lacking on what a pro-active group can do to facilitate trade amongst the majority of members. One LETS operates a 'buddy' system for new members who they are able to contact to sort out any problems that may arise. This 'mentoring' is perhaps useful in providing new members with a contact person within the system and also in giving existing members greater 'ownership' for, and responsibility within, the system.

For the vast majority of LETS, however, the principal method used to encourage trading is markets. Here, people both trade and are able to form new friendships and socialise, displaying the way in which the social and the economic mutually reinforce on another. For many LETS, moreover, it is the regularity of the newsletter and keeping the directory up-to-date which is the key to encouraging trade. Maintaining such up-dated directories is seen as essential if regular trading is to occur. In many cases, however, the problem is that members are spatially dispersed which makes trading in what are essentially consumer services problematic since they are normally purchased within the vicinity of a member's home. As LETS grow both in number and membership size, however, such a problem should reduce.

The mix of local and national currency in trade has also been seen as a problem. Some LETS have managed to overcome this simply by placing a note in the newsletter requesting that in the spirit of LETS, members are expected to trade in local currency, not Australian dollars. Since then, the proportion of trade in Australian dollars has greatly reduced. It is to be expected, moreover, that the recent amendment to the Social Security Act, which asserts that local currency exchanges amongst the unemployed do not affect benefits but exchanges in Australian dollars do, will also lessen the extent to which national currency is pervading exchanges on LETS (see below).

An increasing problem has been people who leave owing a debt to the system. To overcome this, some Australian LETS operate a credit/debit limit. Others circulate the amount of credit and debit each member has received to all other members, so that members themselves can decide whether or not to do further work for those who have high debts and can also target their offerings at those with high credit levels. For those unable to give as much as they need to receive, moreover, some LETS operate a fund into which members can voluntarily donate some of the LETS currency that they have earned. This is then used to assist certain groups. For example, on Blue Mountain LETS, a number of permanently or temporarily disabled people are provided with services such as home maintenance, shopping, lawn mowing and food preparation.

A major problem, moreover, is that smaller LETS with a narrow range of goods and services are the weakest and most likely to cease trading. To overcome this, businesses have been encouraged to join to expand the range of goods and services available and people have been facilitated to think more creatively about what they could offer.

Organisational problems

To help overcome funding problems, many LETS in Australia have incorporated, which is seen as necessary for purposes such as receiving grants, getting insurance and signing leases. Sources of funding are diverse, including the Lotteries commission and state Department of Planning grants. An increasing proportion of LETS, however, are funded by the Department of Social Security (Felix 1995).

Although a number of LETS coordinators claim that the quality of the software is a problem, many LETS still use manual methods to record the trade taking place. Indeed, although it was not explicitly asked in the questionnaire whether or not LETS coordinators use computer or manual methods, at least 15 per cent of the questionnaire returns explicitly stated that they could not provide trading information because they use manual methods. The real figure for the proportion of LETS who do not use computers for this purpose is probably a good deal higher. Leaving aside this on-going problem, there is some concern amongst respondents about the quality of the software being used on LETS. Nevertheless, just after the survey was completed, new software for LETS was released in Australia (Austin 1995). The major problem now is to encourage those who persist with manual techniques to move to computer-based methods.

Having reviewed the nature of the problems confronting LETS, it is important to note that unlike LETS in countries such as the United Kingdom (Williams 1995; 1996), government policy is no longer seen as a constraint on their growth. Here, therefore, the Australian government's policy towards LETS will be briefly outlined so that other countries currently adopting LETS can assess the implications of this more positive approach.

Government Policy Towards LETS

In the early stages of LETS in Australia, the state authorities tended to be rather cautious which had a deleterious affect on many of the early systems. As one coordinator put it who had unsuccessfully attempted to set up a LETS:

"I tried to start LETS at the wrong time. The Minister for Social Security had just announced that people on pensions or the dole would have any LETS earnings deducted from their dole/pension (This was later rescinded but the damage was done)".

Nevertheless, over time, this approach has quickly changed. Even by 1990, some state governments had recognised the benefits of LETS and were actively supporting their proliferation. Indeed, the position of the state vis-a-vis LETS has become increasingly clear. So far as the taxation department is concerned, local dollars earned from a hobby are not declarable for income tax purposes. However, where a person earns local dollars using skills which are a part of their main formal occupation, then taxation in federal dollars is payable on the amount earned. Very few, if any, LETS disagree with this approach. The result is that a member trading through a business, profession or trade must be prepared to cover their taxation by charging a percentage of federal currency, as they will be required to pay taxation on profits.

The Department of Social Security, meanwhile, has been increasingly positive and supportive of LETS. Nevertheless, until 1995, its approach was still variable with some local social security offices adopting a more cautious approach than others. In some local offices, social security recipients earning local dollars had their state social security benefits reduced by an equal amount in federal dollars. The response was for many LETS to write to the Minister of Social Security for greater clarity. After discussion, the Minister recommended the dropping of this practice.

In March 1995, this became enshrined in legislation in the form of the "Deahm Amendment" to the Social Security Act which was passed in the Australian Federal Parliament on 1 March 1995. Margaret Deahm (member for Macquarie), whose constituency includes one of the largest LETS in Australia (Blue Mountains LETS with 1007 members trading 400,000 ecos per annum), introduced an amendment to the social security bill which removes the provision requiring LETS work to be counted in the income test for social security. This was passed without opposition. Nevertheless, certain restrictions remain. These are three-fold. First, there is the normal activity test requiring members to continue to look for appropriate work. A LETS member cannot say that they are working on LETS for a living. They must still be looking for employment. Second, any Australian dollar earnings on LETS (where a job is completed for a mixture of LETS units and national currency) is not exempt. They must still declare these national currency earnings which are counted as income for social security purposes. Third, the social security system must be satisfied that the system is a local community based system, the primary purpose of which is to help

persons maintain their labour skills and keep them in touch with the formal labour market. It is not to be run with a view to making a profit.

As the survey reported here was conducted in April 1995, just one month after the Deahm Amendment had been accepted as law, any impacts of this legitimization of LETS will not be captured. For example, there will be no indication of whether the profile of the membership of LETS is starting to change with the unemployed joining in greater numbers, nor whether they will be now trading more due to this change in legislation. Superficially, it might be expected that a larger number of unemployed people will be joining and working on LETS and that their level of trading will rise. Nevertheless, this might not occur to the extent that many expect because although social security legislation is a necessary pre-requisite to facilitate the participation of the unemployed on LETS, it might be insufficient *per se* to greatly change the unemployed's participation.

This is because whether or not the unemployed join LETS and trade may also be dependent upon them overcoming four additional barriers. These are:

- whether a LETS exists in their locality;
- whether they know about it;
- whether they feel it is something for them; and
- whether they feel that they have something to contribute.

So, although LETS in Australia have overcome what can be seen as the fifth and final hurdle by ensuring that legislation has been passed to allow the unemployed to participate in LETS, the four preceding hurdles may now require attention.

First, LETS will need to be formed not only in 'alternative-style' communities but also in poorer deprived localities. Second, there will need to be a shift beyond the current 'word-of-mouth' method of advertising and towards more formal targeted methods, although the steps taken by the DSS in Australia to give the unemployed information on their local LETS when they register as unemployed is a step in this direction. Third, some unemployed may not feel that LETS is something for them even if one exists and they know about it. For example, they may not see a reason for joining. This may well require a change in the 'image' of LETS so as to allow the unemployed in particular to feel that it is something 'for them' as well as 'others'. As Lee (1996) has argued with regard to British LETS, the representation of LETS as marginal entities for a particular type of people has a tendency to exclude many of those already marginalised from formal sector employment. And finally, many people, and especially the unemployed, suffering from low self-esteem, may not feel that they have anything to offer on a LETS. This will require pro-active policies to be adopted which not only allow the unemployed to explore the skills that they possess which can be utilised on such a system but also enable new skills to be acquired and developed. It is only after these each of these four hurdles are overcome that the recent legislative changes may come into play in impacting upon the unemployed's participation in LETS. Monitoring the changing nature of the unemployed's participation in LETS during the forthcoming years will be important, therefore, so as enquire into whether or not these are indeed major hurdles to their participation. In this regard, the current study reported here may represent a benchmark against which future studies can be compared.

Appraisal And Conclusions

This paper has shown that LETS have undergone a rapid growth in Australia, many having been founded either at the instigation or with the aid of the state. Over time, moreover, their membership profile has changed from being dominated by 'greens/alternatives' to a more varied range of people, albeit mostly on low incomes, mostly on low incomes. This, in part, is due to the social security authorities publicising them amongst the unemployed.

Although many involved in developing not-for-profit community enterprises may well welcome such a positive approach towards LETS from the Australian government, there is perhaps a need for some caution in this regard. Why, for example, are LETS being supported to such an extent by government? At the Australian National LETS Conference in August 1995, a representative of the Federal Minister for Social Security, Peter Baldwin, explained that the support by the DSS for LETS was not party political but reflected an OECD-wide cultural shift in the realisation that not everyone today can expect access to paid employment. The result, he asserted, was that governments are seeking new (and inexpensive) ways of enhancing the quality of life of claimants. LETS, he asserted, are currently being viewed in this regard by the DSS in Australia (Jackson 1995).

The question which remains unanswered, however, is whether this form of not-for-profit community enterprise is seen

as a 'complement' to the welfare state, or whether it is to be adopted as an 'alternative' or 'substitute' for formal sector welfare provision. Is it, as one LETS coordinator puts it, that LETS are being supported simply because

"the LETS system works, on a grass roots level, as a fully comprehensive alternative social welfare system which reaches into areas that the formal welfare structure cannot. In this way, it acts as a perfect handmaiden to the formal system".

Or, alternatively, is it that LETS are being promoted as a substitute for, rather than a complement to, formal sector welfare provision? That is, is it more the case that

"As the 'economic rationalist' governments adopt Thatcherism in Australia, 'the community' is being encouraged to take up what was previously regarded as government responsibilities" (LETS coordinator).

If the latter is the case, then LETS can be seen as a means by which the state is seeking to informalise some of its responsibilities in order to reduce social costs. As LETS continue to expand, such questions will doubtless be raised many more times. However, for the moment, the jury must remain out on this issue. Whether we are witnessing the growth of a 'second-class' parallel economy and welfare system for the socially excluded or whether we are seeing the emergence of a more environmentally-conscious, socially equitable and community-empowering means of exchange is something which only the future will tell. To an extent, however, and as always, the future is in our hands.

Footnotes

1. Notable exceptions are case studies undertaken of Calderdale LETS (Williams 1995; 1996) and Diss LETS (Seyfang 1994) in the United Kingdom.

References

- Amin, A. and Thrift, N. (1995) 'Institutional issues for the European regions: from markets and plans to socioeconomics and powers of association', *Economy and Society*, 24(1): 41-66.
- Austin, P. (1994) "New LETS software is released", *Ozlets News*, vol.8, pp.4-5.
- Bauman, Z. (1990) *Thinking sociologically*, Basil Blackwell, Oxford.
- Birch, D., Liesch, P. and Yau, O. (1994) "Institutionalisation of Domestic barter as an Alternative Marketing Exchange System in Australia" in F. Yuncheng and W. Chowdou (eds) *Proceedings of the 10th Academy of International Business, Southeast Asia Regional Conference on Asia-Pacific Business, Year 2000*, China Aviation Industry Press, Beijing, pp.203-209.
- Boyle, D. (1993) "Practical theoretical money", *Town and Country Planning*, vol.62, no.4, pp.90-91.
- Brandt, B. (1995) *Whole life economics: revaluing daily life*, New Society Publishers, Philadelphia.
- Bulmer, M. (1989) 'The underclass, empowerment and public policy', in M. Bulmer, J. Lewis and D. Piachaud (eds) *The goals of social policy*, Unwin Hyman, London, pp.245-57.
- Crow, G. and Allen, G. (1994) *Community life: an introduction to local social relations*, Harvester Wheatsheaf, London.
- Dauncey, G. (1988) *After the crash: the emergence of the rainbow economy*, Green Print, London.
- Dobson, R.V.G. (1993) *Bringing the economy home from the market*, Black Rose Books, London.
- Felix, P. (1995) "TasLETS scoops computers", *Ozlets News*, vol.8, p.1.
- Granovetter, M. (1994) 'Economic action and social structure: the problem of embeddedness', *American Journal of Sociology*, 91(3): 481-510.

- Greco, T.H. (1994) *New money for healthy communities*, Thomas H Greco, Tucson.
- Haughton, G. (1990) "Manufacturing recession? BHP and the recession in Wollongong", *International Journal of Urban and Regional Research*, vol.14, no.1, pp.70-88.
- Jackson, M. (1994a) "Known Australian LETS systems, either functioning or suspected as at 20 September 1994", *OZLETS*, vol. 7, pp.10-13.
- Jackson, M. (1994b) "LETS in New Zealand: directions for an analysis of women's involvement", Paper presented to Geography and Gender Study Group, Institute of Australian Geographers, February.
- Jackson, M. (1995) "The Australian National Conference 1995", mimeo.
- Jordan, J. (1990) "LETS spread across Australia", *Maleny Cooperatives Review*, Christmas, pp.22-23.
- Lang, P. (1994) *Lets Work: rebuilding the local economy*, Grover Books, Bristol.
- Lee, R. (1996) "Moral money? LETS And The Social Construction Of Local Economic Geographies In Southeast England", *Environment and Planning A*, Vol 28, No 8, pp 1377 - 1394
- LetsLink UK (1994) *Directory of International LETS Contacts*, LetsLink UK, Warminster.
- LetsLink UK (1995) "LETS soars to 350 and more!", *LetsLink!*, no.2, p.8.
- Mallinson, M. (1994) "1994 New Zealand Green Dollar Exchanges", *Green Dollar Quarterly*, vol.16, p.2.
- Morris, L. (1994) "Informal aspects of social divisions", *International Journal of Urban and Regional Research*, vol.18, no.1, pp.112-126.
- Offe, C. and Heinze, R (1992) *Beyond employment: time, work and the informal economy*, Polity, Cambridge.
- Polanyi, K (1957) *The great transformation: the political and economic origin of our times*, Beacon Press, Boston.
- Seyfang, G. (1994) *The Local Exchange Trading System: political economy and social audit*, Msc thesis, School of Environmental Sciences, University of East Anglia.
- Stockley, P. (1995) "National Conference '95", *Ozlets News*, vol.8, p.5
- Williams, C.C. (1995) 'Trading favours in Calderdale' *Town and Country Planning*, vol.64, pp.214-215.
- Williams, C. C. (1996) 'Informal Sector Responses To Unemployment: An Evaluation Of The Potential Of Local Exchange Trading Systems (LETS)', *Work, Employment And Society*, Vol 10, No 2, pp 341-359
- Williams, C.C. and Windebank, J. (1995) "Black market work in the European Community: peripheral work for peripheral localities?", *International Journal of Urban and Regional Research*, vol.19, no.1, pp.22-39.
- Windebank, J. and Williams, C.C. (1995) "The implications for the informal sector of European Union integration", *European Spatial Research and Policy*, vol.2, no.1, pp.17-34. <! common bottom>

Colin C. Williams: *Local Exchange And Trading Systems (LETS) In Australia: A New Tool For Community Development?*

[International Journal of Community Currency Research](#)

1997: Volume 1

ISSN 1325-9547