

## Chapter 15: Local Exchange Trading System

On 25 February 1998, Tariq Shabeer talked about Bradford's Local Exchange Trading System - LETS. *Present* at the meeting were: Tricia Allen, Christina Arber, John Brierley, Bob Overy, Michael Randle, Carol Rank, Andrew Rigby, Tariq Shabeer.

### ***Presentation - Tariq Shabeer***

Introducing himself, Tariq said that he was a Community Economic Development Officer with Bradford Council and had been working on its programme to support LETS for the last year and a half. He was from a Pakistani Muslim family, his parents coming from Pakistan to Britain in 1960. He was born in 1962 in Hammersmith and grew up in Croydon, South London - a predominantly White, English, Christian environment.

He gained a 2:1 degree in Oceanography at Swansea university, followed by an M.Sc in Oceanography at Southampton University. He worked in London for several years, for a firm he set up himself, Marine Research Consultancy Ltd. This brought in good money but he got tired of the capitalist way of life and went to Essex University to do research, and a Ph.D, on acid rain. He moved from Colchester to Bradford in 1991 where his wife, Nighat, did an MA in Peace Studies. One attraction about Bradford was that it provided him with an opportunity to find out more about his own culture and religion.

He joined the Green Party while he was doing his Ph.D at Colchester and read about LETS in David Icke's book *It doesn't have to be like this* and Guy Dauncey's *After the Crash*. The LETS idea seemed to him to make simple sense. It was a system which could work in the most deprived community in Pakistan or in a large city like Bradford. It was practical and it could help regenerate communities and community spirit. It was also an interest free banking system which fitted with Islamic principles.

LETS was organised on a local basis, and was a method of networking resources. A directory listed the members and both their needs and what they had to offer, ie creating a free local market. It was open to both individuals and organisations - for instance community centres, schools, businesses. Five years ago when he and others set it up, Bradford LETS had 20 members. It now had 300 members and one day perhaps would have 3,000. The previous week the *Yorkshire Post* ran three pages of features and reports on Bradford LETS in its Business Week supplement. One of the individuals featured was John Robinson, of the optician firm Lloyd & Robinson, who offered contact lenses and glasses for 50 per cent cash, 50 per cent BRADS - the local LETS unit in the Bradford area.

The system worked as follows. Each member was issued with a LETS chequebook and traded with other members in BRADS and FORDS. The value of the BRAD was set at £1, the FORD, being a hundredth part of a BRAD, was worth 1p. Transactions were recorded in the computerised Directory at the Bradford LETS office and individuals or member organisations built up credits or debits. They could 'cash' their credits with anyone within the system (subject of course to the agreement of the person concerned) and likewise could redeem their debits by providing goods or services to anyone within it. He had recently bought a pair of glasses from John Robinson worth £100, which he paid for with £50 sterling and 50 BRADS. When this transaction reached the computer John's account would go up by 50 BRADS, and Tariq's would go down by the same amount. He could pay this back by, for instance, giving lifts to a number of other people until the debit was redeemed. Similarly John could spend his credits

elsewhere, perhaps by getting LETS members to distribute leaflets on housing estates about his business or for his campaigns as a Green Party candidate. The charge for joining the Bradford LETS was minimal: £5 for those in work, £2 for the unemployed. This was to cover running costs - producing the Directory, postage and so forth.

The *Yorkshire Post* features began with a story of a 90 year-old woman who had been victimised by local youths. After joining LETS, she realised that her experience as a solicitor could help some of the young lads when they were in trouble in the courts and she developed a relationship with them. She wrote letters to the court on their behalf, and they in return gave her protection, did shopping for her and so forth. This illustrated the point that LETS wasn't just about economic relations but about establishing a social contract and building social trust. Referring to his own experience, he said he had made contact through LETS with a woman who agreed to act as their babysitter. During the first six months they paid her in BRADS. But he and his wife Nighat then realised they had things to offer her as she had two children aged four and a six. So they dispensed with the BRADS and arranged to look after her children when she wanted to go out. The LETS system had brought them into contact, but after six months they no longer needed it.

When LETS began in Bradford five years ago there was one system for the whole city. But things worked better when LETS was more decentralised and those involved lived close to each other. If you were consulting the Yellow Pages you tended to look for a local firm so you could more easily keep in touch with them and go along and complain if something went wrong.

In the last two years the Council had helped by applying for and obtaining a grant from Europe of ,28,000 and matching that amount from its own funds. So £56,000 was made available to set up LETS systems at the neighbourhood level. The programme would finish at the end of March, but during the intervening period they had set up three LETS systems in deprived areas - one on the Canterbury Estate which had about 30 members, one in Great Horton with about 50 members, and one in West Bowling with about 35 members. Altogether these three LETS systems had traded about 50,000 BRADS - the equivalent of £50,000. The Council had also contributed by allowing some of their officers to spend time explaining the system to people. It was such a novel and radical idea that it took time for people to grasp it and be convinced it could work. Nevertheless the LETS system had blossomed in various parts of the country. In 1992 there were only seven LETS systems in the country; now there were 450.

The LETS units were a way of measuring voluntary time; in Bradford the going rate is five BRADS an hour. LETS was a great equalising system. Within the normal economy one person might be earning £100 an hour, another £50, yet another £1. But with LETS everybody's hour was worth approximately the same. This wasn't a rigid or absolute rule. For example when he was doing some really heavy physical work digging up a garden path with a sledgehammer he asked for 10 BRADS an hour. Someone doing babysitting might negotiate and just charge four or three. So there was some flexibility on this point.

## ***Discussion***

### *Getting Started*

In answer to a question about the Core Group, Tariq explained that this was a voluntary committee drawn from the membership which looked after the administration of the scheme.

When the Bradford LETS started with 20 members, five of these formed the Core Group. The Group produced a Directory and newsletter every quarter to keep people informed about what had been going on, what unusual trading had occurred, and so forth. It also issued a quarterly statement, just like a bank statement, telling every member how much they were in credit or debit. People sent or handed in their cheques to the central office in Gillington where all the transactions were recorded on computer. With the LETS systems on the estates there were local offices with their own computers and administration.

To get a LETS system to take off you needed a certain critical mass. Bradford LETS had received a lot of publicity in the *Telegraph & Argus* and elsewhere when it first started and the organisers were inundated with over 400 enquiries. But most lost interest because with only 20 people on the scheme at that point there was a very limited number of things on offer. Now that there were more than 300 members, things had improved. It had been a Catch 22 situation. You needed the numbers to have a reasonable range of things on offer, but people were reluctant to join until the scheme was sufficiently large.

Carol said there was an assumption of trust and mutual aid within the system, though it could absorb a certain amount of abuse by unscrupulous individuals. Presumably, however, as the system grew larger the task of administration would become heavier and more volunteers would need to be drawn in to help with it.

Tariq agreed. One weakness in the Bradford set-up was that in the early period they had not had a full-time, or even a part-time, worker; everything was done on a voluntary basis by the Core Group. The development of the system in the first three years relied on this voluntary work. It could be very time-consuming going out to schools or community centres, and it often proved difficult getting people to understand how the system operated and getting them to make use of it. One woman university lecturer in social policy waited for two years before anyone called on her services. This finally happened when a 19 year-old in the Youth Forum phoned her for some help with his A-level homework. She said how disappointed she had been that it had taken all this time for anyone to ask for her help. The young man for his part said he had been reluctant to contact her because he thought that a university lecturer was never going to come out to his home in Manningham, and help him with his homework.

#### *Extending to working class estates*

Andrew said it was one thing to set up LETS in towns with a large number of alternative people, such as Ithaca in up-State New York – where there was a large and thriving system - or with people who could afford to pay for the things they needed, quite another to establish it on a run-down Council estate. If it succeeded in such areas it could empower the people living in them as they became more aware of the skills that were around and started to tap into them. He wondered what success there had been in the efforts to extend the system into poorer areas and what lessons had been learnt from the experience.

Tariq said this task had indeed proved difficult. He thought it would help if LETS could operate with an actual local currency, rather than with cheques, as this would make it more accessible to all those people on the estates who did not have a bank account and were not used to handling cheques. In Ithaca they did have their own currency, the Time Dollar, which probably contributed to the success of the scheme there. In general, people became convinced through practical involvement in LETS and experiencing its benefits. It enabled a lot to people

on very low incomes to save just a few pounds here and there. They had had a lot of success in West Bowling because the Core Group organised socials every couple of months. There was one the next night where everyone would be bringing food which would be paid for half in cash and half in BRADS. There would be food from different cultures - Asian, Afro-Caribbean and English. At one social they had an auction and a raffle in BRADS. They had also set up a food co-operative because there wasn't a shop in the locality selling fresh fruit and vegetables.

### *LETS and Bradford Council*

Christina asked about Bradford Council's perspective on LETS. Did they have to be pressurised into supporting it, or did they genuinely endorse it as a means of empowering people in deprived areas, and reducing poverty. She wondered too if there was a danger that they would see it as a means of relieving themselves of the responsibility of creating jobs and dealing with various other problems.

Tariq said that he did not think the Council saw it as a way of ducking their responsibilities. About two years previously it had amalgamated the Economic Development Unit, which dealt with the 'hard edge' of development - business start-ups, planning, job-creation, and so forth, - with the Community Development side, which operated more at the grassroots level with the unemployed and other disadvantaged individuals and communities. The Community Economic Development Unit, which he now worked for, comprised seven people and was part of the Council's Economic Initiatives Division. LETS was only one of several projects in the 'Rainbow Economy' which the Unit was helping. Others included Credit Unions, Producer Cooperatives, and community businesses. The London based New Economics Foundation had recently produced a booklet, *Community Economic Action*, describing around 100 economic development techniques - ways in which people could generate or save money.

The Council had supported LETS from the outset with the housing department making a grant and donating a computer. The project had also received a grant from Bradford Task Force, set up by central government during the Thatcher period, and advice and support from the Agenda 21 Unit. The EU/Council grant was aimed at extending LETS to the Council estates and deprived areas. He was not sure what would happen in these areas when the grant period finished at the end of March. Some of the equipment and infrastructure was in place but few people, even amongst those within the scheme, had a clear grasp of how LETS worked. He added that Bradford was not the only council supporting LETS projects. The responses to a recent questionnaire showed that two-thirds of all local authorities supported LETS systems.

### *State Benefits and taxes*

Tricia said that according to a Radio 4 feature programme Dorset council was deducting money from people's benefit if they were in LETS as they were judged to be benefiting economically through the scheme. She had also read discussions in the financial pages of newspapers about a taxation system for LETS to ensure that the state did not miss out on this economic activity which was outside the mainstream.

Tariq said one very commonly asked question was how involvement in LETS might affect an individual's entitlement to state benefits, such as Social Security. When the group in Bradford started up LETS they wrote to the local DSS office on this point. They responded that in principle LETS earnings could be taken into account, but that every case would have to be

judged on its merits by the adjudicating officer - an answer which left the issue unclear. However, there had recently been a positive case down south where someone had got family credit because their earnings were in LETS units.

LETS earnings were taxable in this country - though there was a national campaign amongst some MPs to have them exempted, as they already were in Australia. For this reason people were advised to make transactions partly in LETS and partly in cash. They could then pay the taxes out of the cash proceeds. All business within the scheme would have a separate column listing their LETS earnings. He agreed with a comment made by Andrew that if the authorities were going to count LETS earnings, they should be prepared to accept payments in its units. In the Austrian town of Worgl in 1930 a scheme similar to LETS was set up which took off in a big way. In the course of a year the equivalent of some 2.3 million schillings were spent, substantially reducing unemployment, and improving the town. But the Austrian State Bank became alarmed at this development and in 1933 succeeded in having legislation passed to bring it to a halt.

Andrew asked whether there was a debate within LETS about the pros and cons of issuing currency rather than dealing in cheques. Tariq replied that in this country a law of 1854 prohibited people from issuing their own currency. LETS had got round this by issuing cheques instead of notes and coins. But someone from Ithaca would be speaking the following day in Liverpool about the Time Dollar system there. If the necessary changes in the law were made, he thought this was the direction in which things LETS would move.

### *Spending to create wealth*

Bob enquired about a possible catch. If people could set their own prices in BRADS, didn't that mean you could reward someone with an inordinate number of BRADS, and thereby distort the system? Tariq replied that anyone could pay another person as much as they wanted; that was for the individuals involved to agree. But if one person was giving credit, their own balance would be diminished by the same amount. The real difficulty in practice was that everybody wanted to earn first and too few wanted to spend because there was such a stigma within the culture to being in debt. In LETS it was the good people who spent; they were the ones giving the credits to somebody else.

John asked if there was a limit to the debits one could run up. Tariq replied that in the Bradford LETS there was no limit, though some systems did have one. They had always encouraged people to spend, because it was only by spending that the wealth could be created somewhere else. It had been enormously difficult and they had been praying for a thief or a big spender! Some systems had only got under way where there was an emergency and people were forced to spend, thereby giving other people credit. Ninety-nine point nine per cent of the people were stuck in the rut of wanting to earn first.

Christina commented that the scheme was similar in some respects to a bank loan, and asked if there was a time limit on repayment. Tariq said there was no time limit; nor was any interest charged. For him, as a Muslim, the interest-free aspect of LETS was one of its great attractions. The Islamic religion prohibited the taking of interest, and this was a problem even with Credit Unions which charged very small interest. In Islamic interest-free banking, a bank would give out say £1,000. Profits would be shared if there were any, but if there were losses these too were shared. LETS worked in a similar way. If you took out a 5,000 BRAD loan and you didn't pay it off, that wouldn't matter because everybody else would have got paid. It

would be good if it was paid off, but it was a win-win situation.

Carol said that as a member of Bradford LETS she had listed things she could do, but the truth was she didn't really want to do them because her free time was so limited and so precious to her. She felt she couldn't really use the system until she was willing to devote the time to fulfill her side of the bargain. She had also thought about how the system might operate in relation to the Peace Museum. It could, for instance, pay volunteers in BRADS, but the problem was that at present she *was* the Peace Museum so again the work of paying back the debt would fall on her. Tariq said people who were in full-time work often had this problem. One way round it was to offer to loan equipment, such as a lawn mower. The City Farm project had a similar problem to the Peace Museum. They solved this in part by persuading supporters to donate BRADS to them.

Answering a question from John, Tariq said that Yorkshire and Humberside CND could pay volunteers in BRADS. Obviously in the end there had to be some kind of balance but presumably there were services such as photocopying that the organisation could offer. A business in Totnes in Devon which needed 3,000 units to get up and running informed the LETS Core Group in the town would be going down by this amount and would be paying it back gradually over the next two or three years. They succeeded in doing this and finally went into credit. If Yorkshire CND paid its volunteers in BRADS, it would know that as a result its existence, and the services it had to offer, would be advertised amongst the 320 LETS members. Supply and demand never matched exactly, but with LETS nobody lost out. Within the capitalist economy when a bank had to write off bad debts, or when they foreclosed, people really suffered. LETS was a market system, but a genuinely free market. Goods and services were freely advertised, and individuals could negotiate without anyone else being involved. It was a fair system because people were exchanging on an equal basis.

Andrew gave an example from his own experience as a member of Bradford LETS. He recently sold several jars of honey to a woman in the group at the price of 2 BRADS a jar. He, like many others, was wary of building up a debit, but talking to her it emerged that one of the things she had to offer was cooking, so they arranged that she would come over and cook a meal. He would never have had the courage to have rung her and suggested such an exchange. It was the LETS system which facilitated it. The woman also ended up with a credit balance in BRADS for the Asian Women's Club.

Tariq added that she could of course have done the cooking or whatever for someone else. His own turnover over two and a half years was 2,500 BRADS, but he had a minus balance of only 240 approximately which he would pay off. Sometimes people moved out of the area with a LETS credit balance, but they had never had anyone move away with a debit.

### *Safety valve*

Tricia asked whether there was any kind of 'safety valve' in the system. She knew of a case in Manchester where someone putting up some shelving as part of a LETS arrangement tried to fix a faulty floorboard and burst a water pipe. This could have been really dangerous.

Tariq said that again this was a common question asked about LETS. He knew of a case where someone who had had their car serviced by a LETS member narrowly avoided a serious accident on the motorway because the wheel-nuts had not been properly tightened. In fact the LETS was not responsible for the quality of the work or of the goods on offer, and they made

this clear in the Directory. So before you got your house done or your car serviced, it was up to you to check the individual's qualifications and to negotiate the price in advance.

In the worst circumstances - if you were poisoned by the cake you obtained, or if you couldn't get faulty work put right - you could take the other person to court as with any normal transaction. In this respect, LETS was like the Yellow Pages - in fact you could think of it as a cross between Yellow Pages and a Bank. Anyone could advertise in the Yellow Pages and there was no check on their competence or qualifications; it was up to the customer to do that. However, as LETS was a local system, and was based on trust, there was less chance of things going badly wrong. The other point to bear in mind was that if you rang up a plumber from the Yellow Pages they were not going to look at a job costing less than £40 or £50.

### *LETS and the mainstream economy*

John asked Tariq whether he thought LETS could ever undermine the present economic system as some people hoped it might. Tariq said he saw LETS as a harbour in the storm. The orthodox economy had had its Black Mondays with billions of pounds being wiped off the market, and LETS provided a bootstrap method of getting basic things. It had started in Canada in 1981 and spread across North America - the largest one, as mentioned earlier, being in Ithaca in up-state New York with 30,000 members and its own currency. LETS involved most of the businesses there, and produced its own newspaper.

However, he did not think LETS undermined the mainstream economy. That could carry on to its destruction. LETS ran alongside it and would only replace money if the mainstream financial system collapsed. Perhaps, here in Bradford or elsewhere, it would be possible to charge a percentage of the Council Tax in LETS currency - and perhaps this could be done with gas or electricity. LETS was a positive, nonviolent way of changing the economy. If it got to the stage that you could pay 100% of such services in local units, this would be a local currency generated locally and spent locally. The beauty of it was that it would never escape the local economy. With the mainstream economy, if the Council obtained say a £1 million grant from the EU to spend in Manningham, a lot of the work would probably go to contractors from other parts of the country - in which case people in the area would not benefit at all, as far as employment or wealth creation was concerned. With LETS the wealth was always recycled because the currency was local. It would be possible, however, to belong to several different LETS systems. You could, for example, be a member of a scheme in Scotland, go up there on holiday and spend 100 LETS, and return there six months or one year later to repay the debit.

John asked how LETS could break out from the confines of being a small-scale system for alternatively-minded people and achieve the kind of large base it had in Ithaca. Tariq said there was a big ethical debate within LETS about expansion. Some people argued that we should have a regional, national, or even global currency, so that there could be trade between regions or countries. He knew of someone in Manchester who paid part of an air-ticket to New Zealand in LETS currency, presumably with the involvement of someone in a New Zealand LETS. But the system was designed with the local economy in mind, not as something to operate on a national or global level. If we went down the line of making LETS national or global it would end up the same as money. The experience in Canada was that once a LETS scheme involved 5,000 or more people it became too impersonal. The more local it was, the better.