

**Landsman Community Services Ltd (Canada)**

**LETS DESIGN**  
**LETSYSTEM DESIGN MANUAL**

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## **LETS System Design Manual**

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## 1.1

### Money and Community

*"Give someone a fish and they'll eat for a day, teach them how to fish and they'll eat forever."*

#### The problem with money

Many of us are active in creating and maintaining a sense of community amongst our friends and neighbours. But more and more our hands seem to be tied: the world is in serious trouble, both ecologically and economically. Few people would argue with this, but how many would recognise a major cause of our problems? We assert that a major problem, perhaps the major problem, lies in conventional money and the form that it takes.

Every modern community depends on the flow of national currency through its internal economy. The money swirls in and it rushes out again. Money flows into the community from exports, visitors and government spending. It flows out on imports, travel and taxes.

When local industry loses an export market, when fewer visitors arrive or when governments cut spending, the money that leaves is not replaced.

As the amount of money circulating in the community falls, so does the level of trading. Business declines and people lose jobs, not because they have nothing to offer, but because there is not enough money to go around.

In the contest for a share of this limited supply, people work in ways that damage their own health, the environment and the well-being of the community.

People are prepared to do almost anything for money because they need it to take part in the game. This is the source of the problem, since money, by virtue of its very structure, is scarce and hard to come by.

There are three reasons for this:

- there is only so much in circulation;
- it can go virtually anywhere, and so it does;
- you can't issue it yourself.

All over the world communities suffer from a shortage of money, simply because there is only so much of it, it's gone elsewhere and they can't print their own .

When you think about it, this situation is nonsensical. Money is merely a means of exchange, a set of tickets, a number in your bank account. It has no value in itself - you can't eat it, wear it or build anything with it.

It is a measure of value, like an inch measures length or a ton measures weight . There need never be a shortage of the measure.

Imagine a carpenter not working because he has run out of inches!

Yet we are often idle when all we lack is the means of exchange. There may be plenty of materials, equipment, skills, time, goods and needs to be met, but we cannot work or trade with each other because there are no tickets around, no scores on the sheet, no means of measuring relative value.

## **The problem suggests the solution**

We can get around this problem by creating local money to finance local needs, to generate wealth and protect us from poverty.

A local currency can't leave the community it serves, so it ensures connections between people exchanging skills, goods and services. With a local currency, the community is less affected by fluctuations in the external money supply.

Local currencies have been common throughout history, emerging whenever a community needs to protect its internal economy from outside disturbances such as war, or depression. The Social Credit movement was one example, and more successful systems were used in Austria before the second world war.

Not surprisingly, the current economic climate has spawned several systems ranging from small, informal self help networks to the hundreds of commercial "barter" networks now operating throughout the US, and increasingly elsewhere.

The growth of these commercial networks is extraordinary. In 1991 they reported \$5.9 billion trading among 240,000 clients, in 450 systems. Two years later estimated trading had almost doubled to \$10 billion, at a time when the US economy as a whole was standing still. This growth has occurred despite the high costs of taking part.

At present the LETSystem - Local Exchange Trading System - is the most advanced form of local currency in circulation.

The first LETSystem was developed in Canada's Comox Valley, in 1983, where some people adapted the "barter" network model and turned it into a full scale community system with greater advantages, yet operating at a fraction of the cost.

This prototype was very successful, despite considerable antipathy and even active resistance from key elements in the local community, and about 20 similar systems sprang up across North America.

By 1988 a combination of factors, principally research and development costs and fragile user confidence, caused trading in the Comox Valley system to decline virtually to a standstill.

While this created a general loss of confidence in N. America, LETSystems began to grow worldwide. Since 1987 some 70 LETSystems have been established in New Zealand and almost 200 in Australia. In Britain the number has rocketed from 7 systems in early 1991 to 150 by the end of 1993.

All these systems are based on the original prototype in Comox Valley, which has recently resumed trading with improved computer software, administration and more ways of introducing and educating people about LETSystems.

For a local currency to work people need to be able to use it alongside conventional money, and its design should resolve the three fundamental problems of that money. A local currency should ideally

- stay within the community it serves
- be issued by the people who use it
- exist in sufficient supply to meet the needs of that community.

The LETSystem meets these criteria. It is also friendly, convenient, cost effective, simple and secure.

It works much like a bank or a building society. Everyone has an account, but instead of money transferring from one bank to another, all exchanges are within a single system.

### **Personal Money**

Each new account starts at zero and thereafter may hold a positive or a negative balance. Those with negative balances have, quite simply, created the money which is in the positive accounts. So this local money is essentially a promise by some members of the community to give service to others.

Money like this, which you issue yourself, is **personal money**.

Conventional money, while easy to spend, is hard to earn. As a result it is coercive by nature - people with money exercise power over people without it. Who pays the piper calls the tune.

In a personal network, however, money is easy to earn. Everyone has money to spend.

By the same token, nobody needs it, so things only happen when people want them to. People serve willingly, or not at all. Nobody can tell anyone else what to do.

We are acknowledged for what we give to others. Acknowledgement in the local money has value because that money is actually the commitment of people in the community, to the community.

## **1.2**

### **Currency and Values**

*Money is the nothing we take for something before we can get anything.*

### **Is money really real?**

To paraphrase Frederick Soddy, you have something that's real, you exchange it for money that isn't, so you can get something else that is.

It helps to see how money can be used simply as a measure of value. People have value, things have value, but to say that money in itself has value is to confuse the issue.

We can use inches to measure height and kilos to measure apples. But do inches have height? Or do the kilos themselves have weight? It's the apples that have the weight., not the kilos

Conventional money, on the other hand, confuses valuations. Because conventional money is scarce, it has more than just a trading value, it also has a commodity value. Effectively, it is considered and treated as real.

Notice how people are anxious to get as much as they can and spend as little as possible. They may value something highly, but they still want to spend as little as possible to get it. Everybody else thinks this way, and anyone who doesn't play the same game loses out.

You may feel guilty about getting trapped in this yourself, but what can you do? Personal valuations tend to follow the general "market" rates simply because, like everyone else, you can't afford to throw the stuff around.

That problem arises from the scarcity of the currency, not from anything to do with the unit of measure. With local money, whatever the unit of measure, you have the room to work at different rates. You can create and spend more freely, as it's coming back anyway. And also, the person you want to hire is equally able to issue his/her own money and is thus not going to put up with being exploited. There is a built in balance between the giver and the receiver, the seller and the buyer.

The determining factors are the sufficiency of the local money, and the patterns of trading that it creates. Rescaling, delinking or "floating" the unit of measure makes no difference beyond adding to the confusion.

### **Choosing the measure**

A currency unit, to be useful, needs to represent a commonly agreed unit of measure. That measure can be arbitrary. Ten inches of spaghetti is as good as 24.4 centimeters of spaghetti., or 0.244 meters and so on. Once you get clear about the units, you can get on with spaghetti. That's what local money allows us to do.

The Bank of England doesn't determine the value you put on your time. You do that. Just as you ascribe the value you put on the time and skill of others. A bottle of coke is worth nothing to someone who hates the stuff. Would you pay £20,000 for a car? What is the value to you of your donations to charity?

Choosing the pound sterling as a unit of measure for our local unit, still allows us to adopt our own methods of valuing others, methods which are independent of the conventional "market". And we have the advantage of a commonly understood measure.

Floating free from the pound sterling will do nothing to redress values within the community. It will certainly do nothing to deter the actions of the tax office. But it does effectively prevent many traders, particularly businesses, from participating in your system.

This is our experience. In systems where the local unit has the same measure as the national one (the pound , the dollar etc) we have seen valuations moving naturally to accommodate the wishes of the community. As Philip Revell of Autur Dyfi Economi Gwynedd (ADEG) has reported:

*People have values, currency measures do not. Local currency, unlike conventional money, is not a scarce commodity for which we have to compete. LETS therefore encourages much more co-operative modes of behaviour.*

*This is reflected in our experiences with ADEG. The "market rates" for skills traded within the system are often quite different from those prevailing generally, with lower differentials between skills.*

### **1.3**

#### **Fundamentals of the LETSystem**

### **Summary**

The LETSystem is designed to deal with the problems associated with conventional money. The system is defined by three underlying considerations: community, personal and practical.

The principle of community refers to a finite group of people who decide to participate in the system. It also requires that nobody can claim or exert ownership.

The money created within a LETSystem is personal in that it is created by the promises of the participants. The consent of the individual is required at all times. No third party can have control over the money and the money cannot leave the system.

The LETSystem differs from other personal money networks by adopting a practical stance. The unit of measure has the same value as the national currency, so allowing the local money to integrate into the mainstream economy where it sets up beneficial cycles within the community.

These three considerations give rise to the five essential characteristics of the LETSystem as originally defined and are implemented through the standard Account Holders' Agreements (Section 1.4).

### **The function of the LETSystem**

The LETSystem is an economic system intentionally designed to address the problems and limitations of conventional money. LETSystems offer only one of several frameworks which can be used to facilitate the use of personal or community money. But the LETSystem differs from most of these proposals in several respects.

These specific characteristics ensure that the LETSystem works with the existing money system. Rather than proposing a replacement for conventional money, the LETSystem is designed to integrate with all aspects of economic and financial life. It is a complementary system rather than an alternative one.

## The foundation of the LETSystem

The LETSystem is underpinned by three considerations. It is:

- \* community
- \* personal
- \* practical.

The LETSystem is defined by five fundamental criteria:

- \* **cost of service** - from the community for the community
- \* **consent** - results in the "flat start" of all accounts
- \* **disclosure** - to ensure informed action by users
- \* **equivalence** to the national currency
- \* **no interest** - no commission

**Cost of service.** The LETSystem is designed to operate cheaply and sustainably. Individuals who run accounts on the system will be looking for an efficient, trouble-free service. If a LETSystem is not run in a professional way, it will lay itself open to competition from systems which are better-run. Some of those systems may not share the same ethical basis.

Voluntary effort does not encourage the professional approach and is rarely sustainable. It therefore makes good sense to reward effort spent on administering the system in an appropriate way through the readily available local money.

The cost of service principle excludes any ideas of commissions and profit-taking in system administration. At the same time, we can provide a service which would be the envy of any profit-making business. Through feedback from those who hold accounts on the system, we can ensure that the services provided match their needs.

**Consent.** All activities within the LETSystem are based on consent. This consent is freely given by all participants to each other as a condition of holding an account. The most fundamental is the consent for an individual to make promises to the community. But there are many others, including the consent for any individual to start and administer a system.

Consent also involves the recognition that the individual may choose not to do something, for example, "there is never any obligation to trade." Nor is there any obligation upon anyone to join a LETSystem.

Consent inevitably leads to the "flat start", whereby all accounts start at zero. Money will not be moved from an account until permission is given by the account-holder. Nor can money be issued from the administration account in order to start a new account in credit. There is no consent to run the administration account in commitment (although participants will probably make allowances for day-to-day fluctuations).

**Disclosure** of key information is necessary for the users to have control over their system. First and foremost the users have to be able to trust the system. This takes pressure off them when it comes to trusting each other. The ability to know the balance and total trading of another account is both necessary and sufficient for users to regulate the system collectively. The balance shows the commitment of an account holder and the total trading volume demonstrates the degree of participation.

**Equivalence** to the national currency. In a LETSystem, the unit of measure has the same value as the national currency. A brief look at the nature of LETSystem currency will show that it is a totally different kind of money from the national currency. Equivalence only means that the value or measure of the two units is the same.

The value of money and the value of people are totally different things. Money is used as a measure, like a ruler is used to measure feet and inches. When we agree on what the measure is, we can value people's efforts in those terms. Conventional money, because of its scarcity, distorts valuations. In a LETSystem we are much more likely to value others at their true worth.

Equivalence means that a large number of individuals and organisations will be able to use LETSystems. Issues of accessibility, taxation and business accounting become straightforward. If equivalence is not present, many sections of the community are effectively prevented from using the system.

**No interest.** LETSystem money exists solely to allow exchange. It arises from people's promises to one another and there can be no profit in storing it up or treating it as a commodity. Interest is an idea which is alien to the way that the system works.

The principle of no interest applies to positive balances as well as negative ones. No interest means just that: so-called negative interest, where charges are levied on positive balances, has no place in the LETSystem. Agreements ensure that system administrators have no permission to levy any interest-related charges.

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The above points underpin the definition of a LETSystem and the all important account-holders' agreements. The principles should apply not only to the LETSystem itself, but to all our efforts in starting and developing systems.

If a money system does not adhere to these five principles it is still valid and it can still be workable. But it is not a LETSystem

## Some notes on LETSystem fundamentals

### The Definition and the Account-Holders' Agreements

Looking at our five fundamentals:

* cost of service/community	(no ownership)
* consent/"flat start"	(no obligation)
* disclosure	(no cheating)
* equivalence to the national currency	(no confusion)
* no interest/no commission	(no point)

- these lead straight on to the definition of the system and the account-holders' agreements. They can also be grouped under the three headings: community, personal and practical.

### Community

A community is a group which relates to itself. In any true community we have a sense of being there for each other and we act in a mutually supportive way.

The LETSystem is a finite network of participants that provides an opportunity for them to interact. Trading on the LETSystem brings benefits to all those who participate in addition to any individual gain. Any self-regarding community can therefore be supported by a LETSystem. Further, the system itself actively encourages a sense of community.

Communities can be both local and global. So LETSystems can be both local and global, too. Within LETS, "local" means local to the network of participants. In all cases, "local" is defined by the community itself - it may mean a geographical area, then again it may not.

"Cost of service" relates to the idea of community and "no ownership". This principle is secured by item 8 in the agreements

### Personal

"Consent" recognises the freedom of the individual. It is secured by the authority to transfer (item 3) which automatically leads to:

- no interest
- a flat start.

The flat start criterion is important, as it emphasises whose money it is and tends to discourage "budget stuffing" by administrators.

Consent is made explicit in "no obligation to trade" (item 2) Consent is also secured by disclosure of balance and trading figures (item 6)

There is no consent for the registry to issue money (via an admin. account in commitment) or to levy charges beyond the ongoing cost of service.

### Practical

The value of the unit is related to the value of the legal tender. (Stated in "essential characteristics"). "No interest" is also a practical consideration.

#### 1.4

### Definition of a LETSystem

#### Account-Holders' Agreements

A LETSystem, Local Exchange Trading System, is a self-regulating network which allows its users to issue and manage their own money supply within the boundaries of the network.

The LETSystem accounting service maintains a system of accounts for its users.

### **Essential Characteristics**

A LETSystem has the following essential characteristics:

1) A service in the community.

Administrative costs are recovered, in the internal currency, from each account according to the cost of the service. The system operates on a not-for-profit basis.

2) Consent is required at all times

There is never any obligation to trade.

It is the account-holders who have control over the movement of money out of their accounts. The administration can only act on the instructions of the account-holder who is making payment.

All accounts start at zero, no money is deposited or issued.

3) Key information is available to all account-holders.

Any account-holder may know the balance (the degree of commitment) and trading volume (the level of participation) of any other account on the system.

4) A convenient measure

The unit of account is a measure equivalent to the pound sterling.

5) Your money belongs to you

Your money is personal, in every way your own money. No interest is charged or paid on balances.

A personal money network that adopts all the above criteria and agreements is a LETSystem.

## **Account-Holders' Agreements**

1) A LETSystem is based on the free association of individuals (the users) who take out accounts on the system. The LETSystem Registry provides a service which allows account-holders to exchange information to support trading, and maintains such accounts of that trading as users request.

The account-holders delegate the maintenance of these accounts to the Recording Co-ordinators. The account-holders also delegate responsibilities to Stewards as stated in this agreement.

2) Account-holders shall be willing to consider using their accounts in [name of LETSystem] to trade with each other.

3) The Recording Co-ordinators will transfer money from one user's account to that of another only on the authority of the account-holder making payment.

4) The LETSystem Stewards may instruct the Recording Co-ordinators to decline to record an acknowledgement considered inappropriate.

5) The unit of exchange is a measure equivalent to the pound sterling.

6) An account-holder may know the balance and trading volume of any other account-holder.

7) a) Accountability for taxes incurred by users is the obligation of those involved in an exchange; the LETSystem Registry and its agents, including the Recording co-ordinators and Stewards, have no authority, nor liability, nor obligation to report to taxation authorities or to collect taxes on their behalf.

b) No warranty or undertaking as to value, condition, or quality of the items exchanged is expressed or implied by virtue of the introduction of users to each other.

c) Account-holders agree to the recording of any information that they supply and to the holding of all such information on computer. While all information, excepting balance and turnover of accounts, is considered confidential, neither the LETSystem Registry nor its agents can guarantee that confidentiality, or necessarily be held liable for any breach of it, once it has been legitimately disclosed.

8) Recording Co-ordinator(s) are authorised to levy charges on users' accounts in [name of internal currency] at rates assessed by the Registry Steward(s) in liaison with the Recording Co-ordinator(s).

Signed: .....

Date: .....

1.4

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Signed: .....

Date: .....

## 2.1

### Local Registries

#### Summary

The needs for local currencies are many and varied. This will be reflected in the number and variety of the systems which people will set up. The Registry:

- \* is a design for operational support of multiple currencies in local areas.
- \* provides facilities for registration and account recording facilities.
- \* supports a primary community currency through a LETS system which provides accounts to all those registered.
- \* enables registrants to associate and form multiple special systems with a minimum of effort.

#### Meeting local needs

Much energy has been wasted on discussions about the RIGHT way to operate a local currency. This seems to derive from a belief that one local currency can in itself correct the problems caused by the dependence of an economy on a single national money. When you think about it, this is totally unreasonable. There is absolutely no reason to suppose that any one formulation of a local currency will optimally meet everyone's various needs.

On the contrary, there will be as many systems in any community as people find useful: large and small systems, some related to sterling and some based on hours, some charging "tithes" and some not, some with "credit" limits and others without, and so on.

The task at present is to open channels through which all sorts of systems can co-exist in the same community with the minimum confusion and maximum benefit. We do not have to argue what is best; evolution will show us what works. It's likely there will be a broad spectrum of systems ranging from the mainstream, sterling based, tax accountable systems serving large and small populations, through equal hour networks like those promoted by Ralph Nader in the USA, all the way to others almost totally informal but very friendly. How much of our energy we circulate through each of our accounts will depend only on our personal needs and interests.

This leads us to the design and implementation of what we have termed multiLETS, which includes the introduction of registries to meet the diversity of needs within the community.

This is not simply a matter of choice, in the sense of it being a proposal that may, or may not, be adopted at some stage. Whether we initiate them or not, registries will happen in some form or another and by some name or other. Our recommendation is simply that we prepare for the inevitable. There is only one issue of practical interest: what sort of accounting services will emerge to meet the needs for maintaining multiple accounts?

Recent work in Australia and even more recent work in Canada and the UK has generated the following recommendations for the various components of Registry operations.

## **LETS System Registry**

The Registry design presented here will manage multiple currencies in a village or a town straightaway. It is sufficiently malleable and lightweight that it can accommodate future developments. The arrangements are considered to be those most generally and immediately applicable to the mainstream economy. Comments and questions are invited.

In any area, there will be a Registry, through which individuals and organizations declare an account identifier which they can use in whatever systems they choose to join in that area. Thereafter, anyone who wants to start a new system can easily do so, announcing the terms of operation, conditions of membership, fees, names of stewards, etc. Those who see additional benefit from another account will join. Others will not. Systems will thrive, indeed survive, only if they do actually fulfil a need in the community.

### **The functions of the Registry**

The Registry provides operational support for :

- \* registration: a record of local identifiers
- \* a primary community currency - through a LETS System which provides accounts to all those registered
- \* multiple special systems (supporting many forms of personal money).

(The distinction between the LETS System and other local and/or personal currency systems is laid out in the Fundamentals of the LETS System (see Section 1.3)).

The functional elements of the Registry are as follows:

- \* Registration of individuals and their identifiers
- \* Organisation and supervision of account recording facilities
  - authorisation of competent transaction inputters/recorders
  - monitoring of those recorders
  - co-ordinate multiple recording channels for the internal systems
  - report to external systems regarding records kept for them
  - provision of statements to account holders
- \* Stewardship: maintaining the authenticity and integrity of Registry activities

The Registry confines itself to this operational support for the local currencies associated with it, together with any other recording/accounting services which registrants may request. It restricts its activities to the functions outlined above and can therefore recover its costs with relative ease.

### **What the Registry does not do**

The Registry does not get involved with promotion and induction. That is the work of the associated Regional Development Group (see Sections 5.0 and 5.1 ).

The Registry does not get involved with noticeboards, listings and other community information systems. This is the work of separate groups within the various systems. It may also be taken on by Regional Development Groups during the early stages of development.

Regional Development activities require separate funding. If they are charged to small numbers of account holders, charges will become punitive. The "cost-of-service" principle will also be

undermined. But if the activities are not charged at all, the results will be unsustainable and the activities maybe taken over by someone else (see Section 5.1).

### **Choosing an identifier**

The Registry maintains a list of people who wish to maintain their personal money accounts by using the services of that Registry. The list includes name, contact address, phone number (where appropriate) and a short name tag to help with reporting and recording of transactions.

Each account holder registers under a unique "tag" or identifier. You use your tag instead of an account number (who wants to be a number?). When you register, you choose your own tag, but it must be:

\* unique - not in use by anyone else who has already registered

and it should be:

\* short - not more than four letters long. You are going to use it a lot, and so are others, so it helps to keep it simple.

For instance, J G Brown could register as jb (or jill). If both those tags are already in use, she could go for jgb, or whatever. You choose something which you can remember easily. Then it will be your identifier, unique to you. And if you want to take out accounts with other LETSystem registries, you can take your tag with you. Just add it to the tag for your "home" Registry. In our example, if Jill is registered with a Registry which has the tag "@shp" she could use jill@shp if she goes elsewhere. The "@" distinguishes between the account and the Registry address.

## **2.1**

### **Local Registries**

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#### **Meeting local needs**

Much energy has been wasted on discussions about the RIGHT way to operate a local currency. This seems to derive from a belief that one local currency can in itself correct the problems caused by the dependence of an economy on a single national money. When you think about it, this is totally unreasonable. There is absolutely no reason to suppose that any one formulation of a local currency will optimally meet everyone's various needs.

On the contrary, there will be as many systems in any community as people find useful: large and small systems, some related to sterling and some based on hours, some charging "tithes" and some not, some with "credit" limits and others without, and so on.

The task at present is to open channels through which all sorts of systems can co-exist in the same community with the minimum confusion and maximum benefit. We do not have to argue what is best; evolution will show us what works. It's likely there will be a broad spectrum of systems ranging from the mainstream, sterling based, tax accountable systems serving large and small populations, through equal hour networks like those promoted by Ralph Nader in the USA, all the way to others almost totally informal but very friendly. How much of our energy we circulate through each of our accounts will depend only on our personal needs and interests.

This leads us to the design and implementation of what we have termed multiLETS, which includes the introduction of registries to meet the diversity of needs within the community.

This is not simply a matter of choice, in the sense of it being a proposal that may, or may not, be adopted at some stage. Whether we initiate them or not, registries will happen in some form or another and by some name or other. Our recommendation is simply that we prepare for the inevitable. There is only one issue of practical interest: what sort of accounting services will emerge to meet the needs for maintaining multiple accounts?

Recent work in Australia and even more recent work in Canada and the UK has generated the following recommendations for the various components of Registry operations.

## **LETSsystem Registry**

The Registry design presented here will manage multiple currencies in a village or a town straightaway. It is sufficiently malleable and lightweight that it can accommodate future developments. The arrangements are considered to be those most generally and immediately applicable to the mainstream economy. Comments and questions are invited.

In any area, there will be a Registry, through which individuals and organizations declare an account identifier which they can use in whatever systems they choose to join in that area. Thereafter, anyone who wants to start a new system can easily do so, announcing the terms of operation, conditions of membership, fees, names of stewards, etc. Those who see additional benefit from another account will join. Others will not. Systems will thrive, indeed survive, only if they do actually fulfil a need in the community.

## **The functions of the Registry**

The Registry provides operational support for :

- \* registration: a record of local identifiers
- \* a primary community currency - through a LETSsystem which provides accounts to all those registered
- \* multiple special systems (supporting many forms of personal money).

(The distinction between the LETSsystem and other local and/or personal currency systems is laid out in the Fundamentals of the LETSsystem (see Section 1.3)).

The functional elements of the Registry are as follows:

- \* Registration of individuals and their identifiers
- \* Organisation and supervision of account recording facilities
  - authorisation of competent transaction inputters/recorders
  - monitoring of those recorders
  - co-ordinate multiple recording channels for the internal systems
  - report to external systems regarding records kept for them
  - provision of statements to account holders
- \* Stewardship: maintaining the authenticity and integrity of Registry activities

The Registry confines itself to this operational support for the local currencies associated with it, together with any other recording/accounting services which registrants may request. It restricts its activities to the functions outlined above and can therefore recover its costs with relative ease.

### **What the Registry does not do**

The Registry does not get involved with promotion and induction. That is the work of the associated Regional Development Group (see Sections 5.0 and 5.1 ).

The Registry does not get involved with noticeboards, listings and other community information systems. This is the work of separate groups within the various systems. It may also be taken on by Regional Development Groups during the early stages of development.

Regional Development activities require separate funding. If they are charged to small numbers of account holders, charges will become punitive. The "cost-of-service" principle will also be undermined. But if the activities are not charged at all, the results will be unsustainable and the activities maybe taken over by someone else (see Section 5.1).

### **Choosing an identifier**

The Registry maintains a list of people who wish to maintain their personal money accounts by using the services of that Registry. The list includes name, contact address, phone number (where appropriate) and a short name tag to help with reporting and recording of transactions.

Each account holder registers under a unique "tag" or identifier. You use your tag instead of an account number (who wants to be a number?). When you register, you choose your own tag, but it must be:

\* unique - not in use by anyone else who has already registered

and it should be:

\* short - not more than four letters long. You are going to use it a lot, and so are others, so it helps to keep it simple.

For instance, J G Brown could register as jb (or jill). If both those tags are already in use, she could go for jgb, or whatever. You choose something which you can remember easily. Then it will be your identifier, unique to you. And if you want to take out accounts with other LETSystem registries, you can take your tag with you. Just add it to the tag for your "home" Registry. In our example, if Jill is registered with a Registry which has the tag "@shp" she could use jill@shp if she goes elsewhere. The "@" distinguishes between the account and the Registry address.

## 2.2

### Multi systems

#### Systems within and beyond the Registry

Each Registry operates LETSystem for those who are on the Registry list. All accounting charges are collected through this primary system.

But groupings of individuals may benefit from special systems which meet their particular needs. Anyone on the Registry list can declare a new system which can then be supported by the Registry accounting services. In this way, a groups of people on the Registry list can easily form additional systems. The members of this group determine their own unit of exchange, organisation, terms of trade, entry conditions and so on.

For instance, systems may be convened for child care, for the members of a housing co-op or a local environmental group. The child care system may exchange in hours, the housing co-op may have credit limits and the environmental system may institute a 10 per cent tithe towards a reclamation project.

Such terms may not be acceptable to all the participants in the Registry system, which is therefore required to remain neutral and operate as a non-partisan service to the community.

Individuals decide whether they want to be in the special systems or not. The following table gives an example of the choices which individuals can make.

#### Individual choices within multiLETS

Name	ID	Registry System	Child Care	Housing	Environment
Jill Brown	jb	o		o	
Pete Wood	pw	o	o		
Kim McLeod	km	o		o	
Mary Dalton	md	o	o		o
Betty Benn	bb	o			o
Phil Kingham	pk	o			

Notice that everyone participates in the Registry System, if only to pay their accounting charges.

In this example, no-one participates in all the systems. Phil Kingham uses only the Registry System. The others also participate in one or two of the other systems. Mary can trade with Betty on the Environment system, and with Pete on the child care system. But if she wants to trade with Kim she can only use the Registry system.

The natural tendency is for people to prefer trading in the smaller groups, as they provide more immediate feedback. On the other hand, the larger systems give access to more goods and services. Within a multiLETS framework, the individual has more choice.

Monthly statements, provided by the Registry accounting services, will give separate details of trading for all the systems that the individual participates in. Regular statements promote continuity and a feeling of security and control amongst the account holders.

Each system has its own unit of exchange which is independent of any other. Participants in a particular system determine their own units. Some will measure transactions in pounds, others will use hours, others something altogether different. Units from one system cannot be used in any other.

Personal money represents personal promises among a defined group of people. If units were to be convertible, this would sanction a type of money market, trading in the promises of others. (This breaches the fundamental LETSystem principle of consent.) In practice, convertibility could lead to the enrichment of those in one system and the impoverishment of those in another. The idea of local money is to prevent such a draw-down on communities, not to encourage it.

In due course, as personal money ideas become increasingly accepted, other systems such as LETShare, CapitaLETS, neighbourNETS (see Section 2.3), all related but distinctly different, will also be available through the Registry

### **Account charges**

\* A registration fee is charged. This is a one-off at, say, £10. and should be chosen to provide a cash float for start-up and maintenance of the accounting services in particular. It should ensure that account statements can be sent to participants for up to two years. The registration fee is merely the initial safety net. It can cover costs of "user" cards, ring-binders etc. and thereby establish a common style throughout a Registry. This style can be maintained even when people may be opening accounts through a variety of independent recorders, such as local accountancy practices, Granny Brown's Bookkeeping Service, the Credit Union and so on.

Where £10 is a barrier to those who are hard up, the Registry should work out a way to ensure that no-one is prevented from participating. But the cash float needs to cover every registrant, so that a reliable service can be provided. One solution is to charge in local money and obtain a cash swop from an account holder who is keen to acquire local money.

\* Account charges are levied in local money through the Registry LETSystem. Sticking to the "cost of service" principle, the actual on-going costs of operating the accounts must be recovered from charges to meet phone bills, stamps, etc. "Local for cash" exchanges can be used to convert local money from the service charges into the necessary cash. For practical reasons, account charges must be 100 per cent local.

\* Annual fees are definitely not recommended. They are difficult and expensive to collect, encourage people to drop out and in any case they may not reflect the cost of service principle. It is much better to charge accounts directly, in local, each month according to overall costs, as per the number of transactions that have passed through the account. The overall costs include the costs of sending out statements, the phone line, etc.

### **Providing a service**

The above recommendations are based on the primacy of the individual. The organisation is there to serve those who want to use the facilities provided. When someone registers, he or she is declaring and asserting his or her right to issue personal money (see Section 1.3). The identifier with which she or he registers is a further assertion of this basic right and a declaration of the willingness to use local money.

## **2.3**

### **LETShare, CapitaLETS and other familial types**

#### **Variations on a theme.**

Personal money networks can be adapted to apply to almost anything.

Naturally and without intervention, they provide for the coordination of the activities of many elements.

They can do this in many ways, for differing purposes - group projects or subscriptions, joint endeavours - co-operatives, consumer and worker, capital formation, underwriting agreements, congregational maintainance, etc , etc

## **Varying the core components**

### **1) LETShare**

The LETShare is used where there is no immediate exchange possible, but all participants are concerned with distributing the load of an expense of time, energy and money.

So there is not necessarily any trading between accounts; in fact - in most cases - this is not intended. Trading is generally allowed, however, so that my excess effort on one joint project can be seen to offset yours on another. The essence of the LETShare is just: "Who put in what"?

A record is kept of contributions by the various parties involved - so much by Jo, Mary, Rob etc. Records can be in terms of time, money or expenses generally. This may be just for the record, and/or to encourage others to put in their share. The records can also be a key factor for internal group maintainance and morale.

Examples might be keeping track of who works what hours at the food co-op / parent support in the school / flower arrangements in the church.

Rather than assure or assume equality of effort in the group, this accounting allows all concerned to be clear about who has been doing what. The emphasis is put on showing differences rather than masking or otherwise overlooking them.

Community and business projects can also be tracked in this way. The purpose might perhaps be to prepare for distribution of the spoils / revenues / profits according to some agreed formula - as in the profit sharing agreements for theatre or film productions.

There is nothing new in this - just a way of looking, with a LETSystem perspective, at what's been there for a while

If it's a :

group process  
no structure (hierarchy / control / intended persistence de facto)  
negotiation of value

- then it could be called a LETShare arrangement.

The group meets to review individual submissions for acknowledgement. Valuations are likely to be negotiated before they are acknowledged by the group and entered into the records. Often submissions need to be defined as preliminary statements, rather than presentations of invoices, which could lead to tax implications before revenues exist.

In summary, a LETShare is keeping score within a group, perhaps for allocating rewards. This is the recommended pattern for regional development programmes

### **2) capitaLETS**

Allows large numbers of diverse participants to make practical contributions to projects that will actually be carried out by only a few.

It is a form of community "sweat equity" - where the dentist and the cook and the retailer are effectively contributing to the construction of the new swimming pool without ever showing up on site. Those who are actually doing the work are paid in the promises of others to provide their services.

CapitaLETS can be for broad sharing of load without direct reward, and can also be used to attribute ownership, for instance, of a commercial venture.

The capital comes from promises to serve in the future, rather than risking savings from past efforts. Perhaps only some have any savings to consider. Direct contribution of sweat equity is likewise restricted to those with the particular skills needed and time available to provide them.

There are three phases:

- 1) set up the capital - the promises of the contributors
- 2) do the job and pay the workers
- 3) gradually clear balances back to zero through trading.

Characteristics -

- a) external to active group, allowing more contributions from wider skills base
- b) trading definitely intended, diminishing balance.
- c) promissory commitments to provide future service
  - asymmetric - few large +ves, many smaller -ves
  - negotiated by first receivers, who have to have TRUST
  - balance important in the portfolio of those committed.
- d) accountable
  - contracts
  - indexing against inflation
  - time to complete probably defined
- e) requires some LETS system experience

### 3) LETSupport / LETS'port

A percentage of each trade goes, on the side as it were, to the project. Take a community sports organization, for instance, with a large population base. A small percent (tithe) of the trade on the soccerLETS will support local clubs. Or perhaps for a community school, political party and other causes. And, of course, religious organizations, who practice tithing for the parish funds -

We encourage donor directed tithing through general networks - e.g. to Community Trusts

This is a precursor to responsible local taxation (?)

Systems implementing LETSupport will generally be monetised, and operating in so that they can cooperate with the financial sectors. Thus basically:

quantified (qualified ?)  
standard measure agreed between traders  
legitimate - i.e. publically accountable

Otherwise it is unlikely to sustain.

#### **4) ethicaLETS**

These are a moderated form of LETSystems, which include ethical commitments in their Account-Holders' Agreements. For instance:

pay equity - absolute or convergent  
performance standards - i.e. cash and value added as rule  
excluded / included activities - e.g. be kind to animals,

The group is self-selecting, so participants only play if they choose to respect the proposed rules.

But note - no credit or commitment limits can be set, or it's not a personal money, and thus not a "LETS" system.

The system will not be a "full" LETSystem if the unit of currency is undefined, yet qualifies if the unit relates to a standard measure, and the process thus remains comprehensible and thus inherently practical.

These take us all the way through to cover "time \$" systems - generally not \$-based at all, just time. It would help to call something by a name that carries an accurate meaning.

#### **5) sofLETS**

This is for neighbourLETS and extended "families". We may well lose interest in keeping score.

Thus, in general, the options range from measuring with care to not measuring, hopefully with equal care.

It's important to realise that these variations depend on the general competence of all participants.

Lastly "look, ma, no hands" - please, only after learning to ride the bike.

##### **3.1**

#### **The organisation of local Registries**

#### **Summary**

A Registry has no need to be incorporated or constituted into a formal body.

The key roles are:

\* stewardship - responsibility for integrity  
\* recording co-ordinator - responsibility for maintenance of accurate accounts

Integrity and accountability are reinforced by a group of advisors.

## Registry Organisation

The Registry is the primary level of organisation for LETSystem operation. It can be as large or as small as you like.

The functions of the Registry are listed in Section 2.1. When we organise to carry out these functions, we intend the structure and the processes to reflect those of the LETSystem itself. As a result, we adopt the Fundamentals of the LETSystem (see Section 1.3), including the cost-of-service principle. This promotes a coherence which gives clarity of thought and action to all concerned, both inside and outside the Registry.

A Registry has little or no need to be formalised as an incorporated body. Because of its clear functions and limited scope, it can exist as an unincorporated association of individuals, without the need for constitution. Registry organisation is along similar lines to that proposed for the organisation of the LETSystem itself (see Section 3.2).

Any person or organisation (the steward/trustee) can open and announce a Registry - thereby providing an opportunity for individuals to declare their willingness to participate. This person specifies the conditions of registration - geographic region, purpose, registration fees etc.

## Roles and Responsibilities

The **registry steward** is responsible for the integrity of the Registry. The steward thus has the right to decline an application for an account. While the right to use "personal" money is considered inherent, the exercise of this right within any particular Registry is the responsibility of, and lies at the discretion of, the registry steward.

The **recording co-ordinator** is responsible for the organisation and supervision of recording facilities for account-holders. This includes accurate entry of transactions, co-ordination of multiple recording channels and the provision of accurate statements to account-holders.

The recording co-ordinator sets the charges payable by account-holders, in consultation with the steward. The recording co-ordinator is responsible for obtaining the most cost-effective recording services for the account-holders and paying the recorders from the account charges. The steward must ensure that the cost-of-service principle is adhered to.

The recording co-ordinator also:

- \* manages the cash funds from the registration fees to support the recorders in their function.
- \* develops "cash for local" exchange opportunities so as to maintain cash viability and eliminate the need for cash input from fees etc.

Accountability is reinforced by a group of **advisors**. This group is self-selecting and self-sustaining. It has no authority beyond making recommendations to the steward.

Stewards and advisors are unpaid until and unless their duties turn into a major job. Recording co-ordinators, on the other hand, are paid, but only in the local money.

As additional systems are introduced, each of these will determine its own steward, board of advisors etc.

The use of specific technical names and tight definitions for these jobs is intentional. There is no consent for stewards, co-ordinators or advisors to do anything outside of the activities covered by the Account-Holders' Agreements.

## **Appendix - Notes on Organisation**

\* A primary function of the registry is just to define the locality - economic, social and operational rather than geographic, although that too. No definition is exclusive. It is the most organised registries that will attract the most activity. Our opening moves must show we do actually know what we are doing, and this means demonstrating that we have an organisation that is immediately compatible with the adoption of local currencies by the mainstream.

\* The only centralised feature of the Registry is the database of IDs. The concept of "membership" of the Registry is therefore not appropriate, or else misleading. All other aspects of the Registry, including the accounting services, can be decentralised as far as is required.

For instance, the accounts will generally be kept by several different community recording agencies, with the support of many different recorders to do the data inputting. Recording co-ordinators and the recorders themselves are independent sub-contractors providing a service to the participants. The Registry will probably authorise several different recording agencies. For example the credit union, local bookkeepers, a community answering service, and so on. Typically, in the beginning, of course, there will be only one authorised recording agency - the Registry itself.

\* The primary currency system attached to the Registry is run as a LETSystem. This means that there is no incorporation or constitution, and no formal requirement to "join" as a member, so ensuring a wide accessibility throughout the community. No formal agreement exists between trading individuals, other than the relevant Account-Holders' Agreements.

\* Other systems within the Registry are completely decentralised, self-regarding and self-defining social arrangements.

\* The Registry has an implicit agreement with the registrants to maintain accounting. What if the operators fail to do this? If the community is keen to continue, it will re-establish the Registry with other operators. If not, who cares? Who will sue? So what is the point of legal structures?

With the registry LETSystem, however, Account-Holders' Agreements apply (see Section 1.4). This is a form of contract which defines the responsibilities of the operators, together with the mutual responsibilities of the participants. Further legal requirements in the form of constitutions etc are unnecessary.

\* It becomes clear that a successful Registry will have a minimal structure and facilities. It is critically important that a Registry must stay a very light, low asset organisational entity. It CANNOT afford to put money into equipment, premises and so on, as it would very quickly lose its shirt when the existing data processing and financial clearing houses begin to offer high tech and low cost services. If a Registry has any substantial investment, it will sink like a stone, taking credibility with it, and in the process misdirect considerable effort that could be better placed.

\* Data processing, such as entry of transactions, and all other office tasks will be done by account-holders, preferably as independent sub-contractors, and will generally be paid in local money only.

- \* A Registry holds no significant assets. Account-holders can lease assets to the registry in return for local money. If equipment such as computers and photocopier is owned by a community organisation, it may be possible to lease that equipment for local money, which may then be used by that organisation for work within the community.

This route is particularly useful when equipment is offered in the form of a grant. The assets themselves can be held by a local trust, which then receives a steady stream of local money from the Registry, which can then be put to good work by the trust. This enables money to work twice, once for the Registry and again for the trust. This gives the Registry the opportunity to demonstrate that it operates at "cost of service" and can therefore repay any grants or loans.

### 3.2

#### **LETSystem Organisation**

A LETSystem is like a club, but to think of it as a formal Association can be misleading. It's more like a community that comes together to hold parties or meets regularly on Sundays to play football. A core group is useful in getting the system up and running. But for the day-to-day running, a committee approach brings unnecessary bureaucracy and can be contrary to the spirit of the LETSystem.

In a LETSystem there is always enough information to allow participants to regulate the system themselves. There is no need for a separate group to "govern" the system. But organisers are needed to make the system work. Like all other participants in the system, they are accountable to everyone involved.

Once it becomes clear who does what, there is no further need for regular meetings, constitutions and other legal paraphernalia. All that is required is that responsibilities are clearly laid out and consent to those arrangements is freely given. This is easily achieved through the account-holders' agreements. (These are agreements between account-holders, not an agreement with a central or higher authority.)

#### **System Administration**

Keeping it in mind that work needs to be kept to a minimum and that all running costs are recovered from the account holders, the following organisation is recommended:

1) The Recording Co-ordinator takes responsibility for keeping the accounts. Since this function is performed by the Registry Co-Ordinator (see Section 3.1), any systems attached to a Registry can do without their own Recording Co-Ordinator, and rely on the Steward for liaison with the Registry. The tasks are to:

- \* ensure that all entries are made according to the instructions of the account holders
- \* make available accounting information when it is required by the account holders
- \* keep the administration account in balance
- \* levy charges (after consultation with Advisory Group and Stewards) to recover costs of accounting administration
- \* carry out valid requests from LETSystem Stewards (see next section)

Note that this is a co-ordinating role and the accounting work can be shared amongst other participants. Both the co-ordinating and the accounting work should be rewarded in local currency and charged at cost to the account holders. (A flat fee per transaction is the fairest way.)

2) The stewardship role is about looking after the LETSystem as a whole and maintaining its integrity. A Steward (sometimes called the trustee in other countries) is responsible for:

- \* setting charges in consultation with the Recording Co-ordinator and Advisory Group
- \* acting in the best interest of account-holders in general to:
  - suspend accounts or
  - instruct the Administration to refuse to record a transaction (in cases of anti-social behaviour which is damaging to the operation of the system).
- \* working with the Advisory group to resolve complaints about stewardship
- \* monitoring development and liaising with other groups.

The idea is to keep intervention to a minimum. This job is generally unpaid, and should stay so until there is good reason for a change.

3) A self-selected Advisory Group is composed of account-holders who are not involved in other aspects of organisation. They put themselves forward at an early stage to act as sounding boards and to advise the Steward or the Recording Co-ordinator.

This role is one of observing and communicating. As with stewardship, the advisors are unpaid.

### **Other activities**

It is vital that system start-up and development activities are kept separate from system administration. Account holders pay for services as they use them. It is totally unfair and counter productive to expect the first few users to cover large initial development costs for systems which will eventually benefit many, many people. It's like opening a hairdressers and asking the first day's customers £1000 each for a haircut. Development funding is provided externally and those active in development can charge their efforts through a LETShare (refer to Section 2.3 and Section 5.3.)

The directory/noticeboard is also a separate function which does not require the involvement of anyone outside the directory group. Once a system is up and running, the directory can be provided by this independent group as an offer through the system. Costs are recovered from users of this service as they are incurred and are transferred to those who operate the directory.

The same applies to organisation of socials etc. Users feed back directly to the group concerned.

### **No need for constitution**

Some development groups may need a constitution or some form of incorporation. But the LETSystem, when organised on the above lines, requires nothing more than clear account holders agreements.

The LETSystem is based on the idea of community where there is interaction but no ownership. If the system is organised in the above way, responsibilities are limited and clearly defined. No profits are made. Any assets such as computers can be leased or rented. Ownership is not an issue, so there is no need for constitutions, formal decision making, regular meetings etc.

Recent research has shown that account holders are very happy to leave the running of the system to responsible individuals. Experience also tells us that the committee style of organisation is associated with a particular way of thinking which is often associated with volunteerism, make-work and political activity.

The answer to the constitution problem is incredibly simple. Don't constitute. There are no reasons for, and every reason against doing so.

### **3.3**

#### **LETSystems Registry Software.**

The only software presently recommended as suitable for the administration of multiple personal money accounting systems is :

multiLETS Manager, version 1, Release 3

MLETS . EXE                    164 , 452 01-20-94        5 : 55a

designed and developed by

Ecodata Design, Western Australia  
and  
Landsman Community Services Ltd, Canada

This program, and the associated necessary files described below, is available from the diskette published by Landsman, in the PKZip compressed file :

MLETS . ZIP                    383 , 383 01-19-94    11 : 39p

The disk, and the programs, are only available for IBM compatible computers.

The minimum recommended equipment is a 286 computer with 640K RAM. Smaller configurations may be possible, but are not recommended.

When unzipped, the files use 700K of disk space in total, but this can be reduced to nearer 500K if a registry is starting from fresh, or when earlier data files have been converted to run with this version of the program.

The dataset for a typical registry will probably not exceed 1 Megabyte until the registry has several hundred active accounts.

This program set is all that is necessary to manage the accounts of a registry. mLETS has the capacity to prepare individual statements for users and period end summaries for administration for :

at least 1000 users

participating in

at least 20 independent systems

recording

at least 5000 transactions per month.

The programs are supported with rudimentary but sufficient on-screen help, and their basic functions are menu controlled.

If the information contained in "readme" files on the distribution disk is insufficient to explain proper procedure, you need more competent computer support.

Files required for full registry support..

Absolutely necessary are :

MLETS.EXE	164,452	01-20-94	5:55a
MLETS.HLP	24,483	01-13-94	7:57a
CLARION.RTL	279,026	08-14-91	2:18a runtime
library			
RTLINKST.COM	7,525	08-14-91	2:18a runtime
linker			

Optional data backup and restore batch files :

MLBACK.BAT	246	11-08-93	10:46a
MLREST.BAT	403	11-08-93	10:48a

Data import and export, allowing transfer of registry information to and from ASCII comma delimited files that can be used by text editors, database programs, spreadsheets, etc, requires :

MLXCHG.EXE	57,343	01-17-94	4:56p
MLXCHG.HLP	2,070	01-17-94	4:56p

Transfer of data from previous LETSystem files in dBASE 3 or Clipper format is assisted by proper use of :

DICTA.DBF	1,942	07-14-93	2:14p
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Background documentation is contained in :

HISTORY.TXT	1,425	01-13-94	8:31a
READ.ME	1,161	10-17-93	3:08a
README.TXT	10,202	01-17-94	5:12p

Earlier versions of mLETS.exe used slightly different datafiles, and the conversion to current file structures is achieved with :

FIXFILES.BAT	1,359	11-17-93	3:07p
MLFILES.CLA	4,769	12-05-93	8:59a
CFIL.EXE	112,461	11-09-93	10:02a
FIXLED.EXE	4,842	01-11-94	9:24a

As you start to generate data, remember the silicon rule.

"Make backups, live long and prosper."

The mLETS program does NOT support noticeboard and newsletter functions, which are organisationally separate from the registry accounting process. Programs supporting these services are also available on the diskette distributed by Landsman, or directly from

Richard Knights  
31d High Street,  
Totnes, Devon  
UK TQ9 5PH

4.0

## **The LETSystem - Legal Issues in the U.K.**

## Summary

- \* The LETSystem as designed conforms to the various requirements of legislation.
- \* All taxation regulations apply, to our benefit as well as to our detriment. Tax is liable on profits which obviously come from a business, a trade or a profession. Otherwise, for example with exchanges of a social nature, tax is not liable. Tax must be paid in sterling until the legislation is changed.
- \* The Social Security implications are confused and are subject to various interpretations from local benefits offices. Various strategies are presented in Section 4.3.
- \* Quality of any work done using the system, and the insurance issues arising, are the responsibilities of the parties engaged in the trade, and no-one else. As with tax, normal legislation and practices apply.
- \* The applicability of the Data Protection Act is unclear, but simple precautions on the part of the Registry are probably more than sufficient.

## Introduction

The LETSystem is designed to be easily understood by government agencies and individuals alike. This is underlined in the definition of the LETSystem (Section 1.2). The legal issues discussed here apply to systems with that definition. Other community currency systems may have different legal implications and they will need to be considered separately, according to the way they are set up and run.

When discussing legal issues, it is useful to draw a distinction between two types of trade:

- \* commercial exchanges, where you are offering something connected with your normal line of work, and are supplying something regularly which obviously results from a business.
- \* social exchanges, where you are doing something unconnected with your normal work. These exchanges can be classed as "doing a favour for a friend".

With the emphasis on community-building and skills share, a lot of trading will fall into the "social favour" category of exchange. The Inland Revenue recognises that these exchanges are outside the tax system. The DSS, on the other hand, seems to make no distinction between social and commercial exchange.

Commercial exchanges play their part in strengthening the system and revitalising all parts of the local economy. The position here is simple: tax may be liable and should be paid according to existing legislation.

Exchanges which are recorded on a LETSystem are not barter. Barter opens up a legislative can of worms. Much effort will be saved by avoiding the legal analysis of barter. It is sufficient to say that:

- \* Barter means that the requester must pay something back to the offerer. With the LETSystem this is not so. The commitment is to the membership as a whole, not to any one person. Further, you can make a commitment on the LETSystem with no thought of when or where you will balance it. This point should be stressed wherever possible.
- \* LETSystem trades assign a value to the exchange which is measured in pounds sterling. This is a contract between two parties which is freely entered into. This contract should not be subject to any valuation by outside authorities. If I want to charge you less than the "going rate" and you accept, that's our decision. We should not have to conform to any requirements for notional valuation.

### **Notional Values**

If the monetary value of a transaction is not clear, the authorities can put a sterling value on it according to their idea of "the going rate". This is often called a "notional value". When assessing notional values, they need not pay any attention to the implied value of the transaction.

Within a LETSystem, the monetary values are clear and the problem does not arise. But with other forms of community currency, lack of clarity over valuations may attract investigation. The investigators may ignore guidelines over "local exchange rate" (the number of units to the pound sterling) and fall back on notional values. Thus we lose the opportunity to value our own work within the community and are forced back into the values of the national economy.

### **Dealing with Government Agencies**

Local officers were not born yesterday. Rather than set up smoke screens, it may be a better policy to communicate with them, clarifying the social aims of LETS and explaining that many trades are not purely commercial.

### **LETS and the administrators**

A few words on legal structure of LETSystems are appropriate here. One legal freedom that we have in this country is freedom of association. To form an association, all we need to do is to get together and get on with it.

If you do nothing about legal structures then you are considered to be an "unincorporated association". All "members" will then be legally responsible for any debts the association runs up, or any legal offence it commits. If registries and systems organise themselves according to the recommendations in Sections 1.2 and 3.1, several key legal points emerge.

- \* Because of the "cost of service" ethic, no serious debts should be necessary.
- \* No assets are held by the Registry/LETSystem. Issues of trusteeship do not arise.
- \* There is no group responsibility (no "corporate identity" and no "officers"). Legal infringements are a matter for the individuals concerned. Anyone in an administration role is fully accountable to the account-holders for the job they are doing (but nothing else). Their role should be made clear in the Account-Holders' Agreements (Section 1.2)

- \* There are no "members" in the conventional sense, just "users" who are bound to each other by the contract set out in the Account-Holders' Agreements.

## 4.1

### **LETSsystems and Relations with Government**

Existing regulations on taxation, Social Security etc are as relevant to local money as 19th century transport regulations were to the first aircraft. Landsman Community Services Ltd will persist in bringing to the attention of national and local authorities:

- the benefits that will be realized by communities everywhere establishing their own LETSystems, and
- that these benefits can be greatly enhanced by minor amendments to current legislation.

Our immediate direction will be to open discussion on principles that local LETS credits are:

- a) liable for tax assessment and should thus be payable for tax commitments, and
- b) only partially applicable to necessities and hence their receipt should not necessarily entail reduction of Social Security entitlement.

### **Taxation**

Some observers have noted that LETSystems can be used to evade taxation and some have drawn unwarranted conclusions. There is a prevalent perception that government is in some way separate from its community. Most people regret or resent the taxation of their production and few are satisfied that tax revenues are well spent. Government in turn seems to wage war on the community to extract its revenue. Hence we perpetuate a "them and us" scenario without hope of resolution.

Landsman Community Services Ltd. deplores the practice of tax evasion and will not knowingly lend support to persons who are thus defrauding their community. It will continue to recommend to LETSystem administrators that they clearly advise its membership that local currency in no way differs from national currency in matters of taxation, and that persons incurring tax liabilities through local currency trading are advised to make appropriate provision.

Certainly, there are ways to set up systems that effectively avoid tax. Some of these ways are quite legitimate. However, such systems will equally be avoided by business, and as such will only have a limited and indirect relevance to the mainstream.

We don't argue that such systems are therefore useless, or risky, or unethical - although some approaches do score 3 out of 3; just that fighting battles against governments, for whatever justification, should not obstruct or obscure other approaches that make the best of the current rules.

Certainly, we should work to change tax laws, but it would be a mistake to commit all our eggs just to that basket. Fortunately we don't have to; we can establish as many systems as we like.

We will have our cake - a sensible tax structure - in the end, but we can also eat it and like it right now. "I never yet turned down earnings just because of the tax I would have to pay. I

can live with cash taxes on local currency trading better than I can handle taxes with no local currency".

It is in addition considerably more difficult to deal responsibly with issues of welfare and other social services - which are much more immediately relevant to the growth of a LETS system - if we are seen to be resisting paying tax.

### **Advice to government**

LETS systems are founded on the basis of community self-help and personal empowerment. Problems within the community are addressed by the community. Intervention by local and national governments will be necessary rarely, if at all. Since this approach is different from many other current initiatives, some guidelines are suggested:

Governments SHOULD

- study - local currencies are going to change dramatically almost all aspects of government action - revenues, budgets and programs - so government has a high need-to-know.
- inform internally/externally - in addition to becoming aware of the situation and the possibilities, governments can and should play a role in informing the general population, much as they do in matters of public safety, health care etc.
- co-operate, facilitate - in general terms, in any appropriate social change process, the government role should be to help it along.
- underwrite, guarantee loans - financial support can legitimately be provided through programs of loan guarantees, in support of system development, but NOT system operation; conventional lenders (banks etc) have not yet shown much interest in supporting these ideas.
- exempt (partially) earnings of welfare claimants - present social security arrangements discriminate against claimants who participate in local currencies, in that they generally lose a £ of benefit for every £ they earn; sliding scales should be implemented, relating on a local basis to the extent to which "local" earnings can actually be spent to meet statutory needs.
- participate - governments are obliged to perform their function efficiently, using the tools available; local currencies are available
- accept taxes - no good reason not to.
- internalize - the interactions of different departments within any organization, private or public, can be supported by internal currency system
- plan - draw up capital budgets for infrastructure, respond with changes in ongoing program financing.
- issue bonds - government may not directly issue money, but, much as they borrow "normal" money, they can in some circumstances borrow local currency
- review economic development and trade strategy - governments should reappraise their position on "growth-and-export-or-die" policies. The "lean and mean competitive global market" is a dangerous solution to the current problems. There are better ways to go.

## Governments SHOULD NOT

- panic - the first response in crisis
- overlook - "if we don't think about it it isn't there".
- resist, fight - quite useless, if you are surrounded.
- remain ignorant - very expensive, much more so than getting informed.

## NOR SHOULD THEY

- start systems - it isn't appropriate to get involved, and direct action will likely be viewed with great suspicion.
- make grants, subsidise - LETSystems are inherently profitable, if properly operated, and it does not serve to support inefficiency; there are better ways to provide financial support..
- commit - governments may NOT issue local money, since they are, in all relevant respects, "irresponsible" institutions (no-one can guarantee to keep their promises)
- dominate - government accounts could easily become the highest volume traders in any system and might thus tend to skew and destabilize; the prohibition against commitment by government will reduce this risk, as they can only spend what they are given, but even with this limitation, LETSystem stewards must be wary.

### 4.2

#### **The LETSystem - Taxation Issues in the UK**

*Every effort has been made to ensure the accuracy of the following pages, but they do contain matters of opinion which may not stand the full scrutiny of the legal process. It is a basic principle in LETSystems that everyone is responsible for their own tax affairs. The following is not meant to replace advice from the appropriate experts or the local Inland Revenue Officers themselves. But it does provide guidelines and it may be used to brief relevant tax specialists about LETSystems.*

#### **Summary**

- \* LETSystem currency is treated in the same way as sterling for tax purposes.
- \* Income through the LETSystem is taxable if it is regular and clearly arises from activities of a business nature.
- \* Until we can obtain a change in the law, all taxes will have to be paid in sterling.
- \* Participants in a LETSystem are responsible for their own tax affairs. Under the account holders' agreements, no administrative function has the power to report to the tax authorities concerning individual accounts. However, tax authorities may gain access to account information through the appropriate legal process.

#### **Position**

For the reasons outlined below, the following position is suggested:

- \* If an exchange is clearly a transaction of a commercial nature, then tax will be liable in the normal way.
- \* If an exchange is of a social nature, then there is no tax liability.
- \* Tax liabilities will be paid in sterling. It is most convenient for both taxpayers and tax assessors when the value of the local unit can be taken as equivalent to the pound sterling, as is the case with the LETSystem (see Definition of a LETSystem, Section 1.4). Summaries of LETSystem transactions will be included in the appropriate Profit and Loss statement prepared for the Inland Revenue. These summaries will be shown in the accounts in the normal way, with notes to the accounts indicating their source.
- \* Under the standard LETSystem account-holders' agreements, individual members are responsible for their own tax affairs. LETSystem administrators and developers, will refer users to sources of support and advice on taxation in general terms, but it remains the responsibility of the account-holder to clarify any uncertainties about his or her individual case with a suitable accountant, or with the Inland Revenue themselves.
- \* LETSystems themselves are not-for-profit mutual organisations and as such should not be liable to tax.

## **Distinctions**

When discussing legal issues, it is useful to draw a distinction between two types of trade:

- \* commercial exchanges, where you are offering something connected with your normal line of work, and are supplying something regularly which obviously results from a business.
- \* social exchanges, where you are doing something unconnected with your normal work. These exchanges can be classed as "doing a favour for a friend".

With the emphasis on community-building and skills share, a lot of trading will fall into the "social favour" category of exchange. The Inland Revenue considers that these exchanges are outside the tax system. (See, for example, article in Observer 4/04/93).

Commercial exchanges play their part in strengthening the system and revitalising all parts of the local economy. The position here is simple: tax may be liable and should be paid according to existing legislation.

The above principles have been agreed by the Treasury (see letters from Stephen Dorrell dated 29/10/92 and 19/04/93).

## **Problems with Barter**

Exchanges which are recorded on a LETSystem are not barter. Barter opens up a legislative can of worms. Much effort will be saved by avoiding the legal analysis of barter. It is sufficient to say that:

- \* Barter means that the requester must send something to the offerer, as a return. With the LETSystem this is not so. The commitment is to the membership as a whole, not to any one person. Further, you can make a commitment on the LETSystem with no thought of when or where you will balance it. This point should be stressed wherever possible.

- \* When LETSystem trades assign a value to the exchange which is measured in pounds sterling, the result is a contract between two parties which is freely entered into. This contract should not be subject to any valuation by outside authorities. If I want to charge you less than the "going rate" and you accept, that's our decision. We should not have to conform to any requirements for notional valuation.

## **Notional Values**

If the monetary value of a transaction is not clear, the authorities can put a sterling value on it according to their idea of "the going rate". This is often called a "notional value". When assessing notional values they may ignore a local exchange rate which is not clearly measuring in the pound Sterling.

Local officers were not born yesterday. Rather than set up smoke screens, it may be a better policy to communicate with them, clarifying the social aims of LETSystems and explaining that many trades are not purely commercial.

## **LETSsystems and income tax**

In theory, most exchanges are taxable. This includes barter - tax may still be liable even if no money changes hands.

So in theory, if I sell my bicycle, I am liable for tax. But there are two important points that will affect the tax that I will end up paying:

- \* Do I make a habit of selling bicycles for profit? If I don't, then the Inland Revenue are unlikely to be interested. If I do, then I am engaged in the trade of bicycle selling, which is a different matter.
- \* Have I made a profit? I am only liable for tax on my **profits**.

If I am engaged in a trade or profession, the Revenue are interested. They will want me to inform them that I am trading and they will want to know what my profits are.

My status with the Revenue is not affected by the amount of time I spend trading. I could have a full-time job at County Hall and still be a self-employed bicycle trader working evenings and weekends. The Revenue will then want to know about my activities as a bicycle seller.

We now have a taxpayers' charter, which enshrines the basic principle that no-one should pay more tax than they need to. Inland Revenue offices are usually helpful, but in the end it's up to each individual to make his or her own case for minimising tax payments, getting help from someone more experienced if necessary.

This is the process of tax avoidance, which is legal. On the other hand, false declarations, secret slush funds and other forms of cheating are tax evasion, which can get you into trouble.

## **Exchange and Mart**

If you are not using the LETSystem for transactions connected with your normal trade or business, then it is unlikely that you will be liable for tax. A spokesperson for the Inland Revenue has said that tax is liable when income is :

- \* regular and
- \* can be defined as coming from a business.

LETSsystems are primarily about community development, education and training. Within our communities we can apply a basic guideline: if you're just doing a favour for a friend, it's not taxable.

You will enter a grey area when your trade on the system builds up until you are supplying similar goods or services on a regular basis. Until it is clear that you are carrying out a trade or profession through LETSystems, I would use the following arguments:

- \* our trading with each other is a hobby or pastime
- \* our activities are basically training and skills share and until we become more proficient we will not be able to trade in the outside economy
- \* we operate on the same lines as a baby-sitting circle: credits gained on baby-sitting circles are not taxed
- \* if I made the same sales through the local paper, Exchange and Mart or at a car boot sale, I would not expect to pay tax.

(All these points need investigating and clarifying on a legal basis.)

Remember that tax officers have a lot of work to do and they don't have time to monitor small private transactions - it's not a good return for the time they spend. (They have bigger fish to fry.) But they don't like the idea of people cheating the system. If you get to the point where you are doing serious trading, it's best to tell them and make arrangements for offering to pay tax - the minimum necessary, of course.

### **LETSsystems and commercial trade**

If your yearly turnover as a self-employed person ("sole trader") is greater than £15,000 the Revenue will require a full set of accounts from you. If your turnover is less than this limit, they will want a brief profits statement.

Remember that tax is based on your **profits**. In any tax year, if you balance sales made in local pounds with allowable expenses paid in local pounds, you can avoid tax on your profits in the LETSystem, because you will not have any profits! This will also avoid any arguments about how tax will be paid.

If you undergo relevant training then that is an allowable expense too. You can carry forward losses in previous years to offset profits in later ones.

National Insurance liability only comes into force above the small National Insurance exemption limit - currently £3,140 net **profit**.

**Submitting Tax Accounts:** Prepare clear accounts of transactions on the LETSystem(s), in exactly the same form as you prepare your normal accounts. Incorporate the sterling equivalent in any profit and loss statements you prepare for the Revenue.

Tax is payable in Sterling on drawings (for your personal use) from the LETSystem. Set up a personal account for "non business" transactions. If you do take drawings, prepare to pay tax on them.

Until we find an alternative, tax bills will have to be paid in sterling. If you think you are going to be liable, it would be best to collect some sterling from your trades to cover tax. Get a good accountant on the system.

**Employment tax:** I suspect, that employer's National Insurance payments will have to be linked to the full sterling value of any wages paid, as will PAYE.

Perhaps it's better to "contract out" as many services as possible to "self-employed" people on the system. Give people an order or a letter of contract specifying a finite amount of work to be done with a lump sum price. But watch the "rules of thumb" used by the Revenue to assess whether anyone is employed or self employed: contact the address below for more details.

Any local pounds given to employees are best given in the form of a bonus and not as a regular payment. Non-regular "payment in kind" is not liable for National Insurance (see Revenue comments in Daily Telegraph article by Carol O'Leary 6/11/93). The employees may still have to pay income tax - check with the Revenue.

**Value Added Tax:** if your turnover is greater than £45,000 per annum you should charge VAT on your LETS transactions.

If you are already registered, it's not a big problem. You should accurately assess the full sterling value of the transaction. VAT must be calculated on this full sterling value and charged to the buyer in sterling as normal. The ex-VAT amount can be in any mix of local pounds and sterling: you decide this with the buyer.

The VAT can then be included in your return to Customs and Excise. Don't wait for them to come looking for it, they have very clear rules for assessing VAT on "payments in kind" or barter. You must collect the VAT for them, or they'll have it from you anyway.

There are enough uphill struggles to be undertaken before offering to pay VAT in local pounds. (Customs and Excise can get very nasty when riled, people are trying to fiddle them all the time and it's part of their culture to look for trouble.) My strategy would be to bring the Inland Revenue round first, go for legislation and bring in the VAT question then.

A trickier problem is one where your turnover is less than the £45,000 registration limit, but the volume of LETSystem trading, when translated into sterling, takes you above that limit. You don't have to register for VAT if you think you are going to go above the limit within the next twelve months (registering in advance was previously the rule, but that's changed now). But you are obliged to register as soon as you go above the limit. There is a case for contacting your VAT office before this happens to sound them out about it.

The Inland Revenue have a certain amount of discretion at local level and we can probably manage the majority of problems locally. But ultimately we will probably have to lobby for a change in the regulations to prevent businesses becoming "cash poor". This will mean action at

central government level. It will be best if we can get the local Revenue offices on our side. In Australia this process is already going on. Tax officials are sympathetic, but their hands are tied. They have advised LETSystem development co-ordinators to press for changes in legislation.

### **LETSystems and Business - Summary**

For taxation purposes, local pounds are treated as money. A local pound has a value equivalent to the pound sterling and is taxable in the normal way. A business has an extra column in its books of account to record local pounds, which are then treated as if they were pounds sterling. Taxable profits are computed in the usual manner, as is VAT.

All taxes are paid in sterling. Businesses will almost always require a sterling component when using LETSystems. This sterling component is set to include the normal VAT charge (if any) and an estimate of tax liability.

Since all the normal rules apply, business expenses paid through the LETSystem are tax deductible and charitable gifts can be tax exempt. Drawings will give rise to income tax on the part of the proprietor. But the cash paid out as tax can be viewed as a small outlay compared to the purchasing power of the local pounds drawn out and spent in the local economy.

The principle has been agreed by the Treasury (see letters from Stephen Dorrell dated 29/10/92 and 19/04/93).

The Inland Revenue and HM Customs and Excise are familiar with the process, which is already established through the use of numerous LETSystems and commercial barter networks now operating within the UK. LETSystems are community-based versions of the commercial "barter" systems.

### **LETSystems and the administrators**

A few words on legal structure of LETSystems is appropriate here. One legal freedom that we have in this country is freedom of association. To form an association, all we need to do is to get together and get on with it.

If you do nothing about legal structures then you are considered to be an "unincorporated association".

Unlike the commercial "barter" networks, LETSystems operate on a not-for-profit basis and the Registries are usually not liable to tax, provided they fulfil the non-profit conditions.

As soon as you feel ready, contact your local Inland Revenue office and ask them for advice about administration and taxation. In this case it's best to take the initiative before they get to hear about you. The Revenue may suspect that you are one of the commercial barter organisations so you should make it clear from the start that you are not-for-profit. The tax implications for administrators are likely to revolve around the following questions:

- \* Are you trading with the general public?  
As long as we are merely keeping accounts and producing directories for a private network, there is no risk that we are trading with the public.
- \* What income are you receiving and are there any profits made from it?

Again if we restrict ourselves to the basics and are clear about our cost-of-service ethic, there should be no tax liability.

- \* Is anyone receiving income from the Registry?

Any payments made to people who carry out Registry tasks should be consistent with the work done. The individuals concerned may be liable to tax. As outlined above, if the rewards are occasional and obviously **not** a business activity, no individual tax should be liable. When a significant amount of work builds up, it makes sense to share the work out, especially among people who do not earn enough to pay tax anyway.

## **Disclosure**

The Inland Revenue have the power to inspect LETSystem accounts if they so wish. But first they have to go through a legal process to obtain access to them.

- \* All accounts are private to the network, so any initial demands can be met with a polite refusal and reference to the agreements. The standard LETSystem agreement gives you no authority to release details outside the network. Say you want our accounts to be treated with the same confidentiality as bank accounts. Ask revenue officers what action they intend to take. This will buy time.
- \* Refusals will probably increase suspicion, so it is a good idea for some individuals to reveal their own accounts to show the type of activities undertaken and the scale of trading. For small LETSystems, there is nothing like a detailed account of dog-walking and granny-sitting to convince an officer that further investigation is likely to be less than cost-effective.
- \* Commercial barter-systems have to agree to provide a list of their account-holders to the Revenue. Everyone trading on the LETSystem should be aware that in the extreme case their names and/or accounts may be accessed by the Revenue.

### **4.3**

#### **The LETSystem - Social Security Issues in the U.K.**

## **Summary**

Main problem areas for claimants revolve around the "availability for work" rule and the "actively seeking work" rule.

Earnings limits are a further disincentive to using the system.

Disabled people are not even allowed to do voluntary work so they should not become involved (although a "disabled only" system seems feasible).

We need clear strategies and support before we attempt to build up case law. Otherwise individuals could come under undue pressure.

Local groups should beware of "going it alone".

Outline positions and strategies are outlined in this paper.

## **Basic Advice**

Many issues are not resolved yet, and are unlikely to be until a concerted approach is taken at national level. Since activity on the ground is still at a low level, the current response from DSS/Benefits Agency in most areas is to:

- a) say no
- b) ignore us and deal on a claimant-by-claimant basis

From this point of view, it will be better to spend our energy building contacts with MPs and local politicians. Brief them on the problems.

**Claimants are at risk. Always advise claimants to BE VERY CAREFUL in their use of the system. As administrators, our job is not to police the activity of those people who use the system. However, we can provide clear information to all concerned.**

If you do want to approach the Benefits Agency locally, it is courtesy to consult claimants who are using the LETS system before you do so.

**Disabled people are (unfortunately) advised to stay clear at the moment because any "activity" may be interpreted as being fit for work again. Another point to make to the MPs.**

Special systems which are limited to claimants or disabled people and use non-money-equivalent measures, such as hours, may be one way forward. This will become increasingly easy to administer as the multiLETS methods are adopted.

### **Draft Position Statement**

- \* By the general agreement of LETS system account-holders, either expressed or implied, anyone who uses the system and who is also claiming benefit can be at all times available for work. Claimants are able to interrupt or postpone any LETS system exchanges should they be offered employment.
- \* Even though a claimant participates in exchanges in the LETS system, he or she is not prevented from actively seeking work.
- \* When the equivalent value of LETS system income exceeds the appropriate disregard, benefit payments may be reduced, but only when the claimant can use local pounds to obtain - at no extra cost - the minimum needs that are covered by those benefits. These minimum needs are typically in the categories of food, fuel and shelter.

Note: DSS/Benefits Agency offices may not accept this.

### **LETS systems and social security**

The DSS/Benefits Agency position is, we suggest, a far more serious problem than the one of taxation.

Without the support of, say, the Local Authority, we are unlikely to make any progress with local offices and it has been suggested that we make approaches at Regional level.

In addition, some local benefits officers would feel compelled to suspend the benefits of people who exchange on LETS systems and refer their cases for consideration by the local Adjudication Officer. This is a powerful deterrent to claimants who wish to participate.

The first thing the Adjudication Officer would have to consider was whether the Account-holder was engaged in **remunerative work**.

- \* Remunerative work is defined as work in which the person is engaged for, on average, 16 hours or more a week and **which is done in expectation of payment**.

Those engaged in remunerative work are not normally eligible to claim Income Support. If the person spends less than 16 hours a week on LETSystem activities, the Adjudication Officer will have to decide whether the local pounds count as earnings. Notional earnings are subtracted from a person's benefit in the same way as ordinary earnings. (See section on "notional earnings" in Section 4.0.)

- \* The **earnings** rule only allows you to earn a small amount before you start to lose your benefit. This limit (the "standard disregard") for Income Support is £5 with a "higher disregard" of £15 for special groups.

The 16hr a week limit for Income Support will probably only affect those in part-time work. Those without work will find it difficult to do more than 16hrs per week at the moment. In any case, we should look further at the idea of "remunerative work".

Although the measure of the unit of exchange in a LETSystem is the same as the pound sterling, the unit itself is not the same as the pound and may not have the same spending power. Can we use local pounds to buy food or pay our electricity bills? The other areas which is cause concern for claimants are:

- \* the "**availability for work**" rule.
- \* the "**actively seeking work**" rule

Since work on the system can be done in the evenings and on Sundays, claimants who do not enter into an employment relationship can argue that they comply with these requirements, as long as they are not involved in a lot of work through the system.

If a significant number of hours are worked in the week, a further rule to take into account is:

- \* the "**extended normal hours**" rule

### **DSS/Benefits Agency Position**

The DSS position is given in the letter from Alistair Burt (9/12/92) to Judith Chaplin MP (copies available on request). "We would have to consider very carefully whether it is right to meet a person's living expenses in full from public funds where he has another source of income available to supplement any benefit he receives." Also, "In considering entitlement to IS, we must ensure that no one group of people has too great an advantage over other recipients. To ignore a form of payment simply because it is in the form of a local pounds, could lead to the scheme becoming inequitable as only those living in certain towns and who are able to participate in such a scheme can benefit."

Whatever happened to the idea of incentives?

On a more serious note, with increasing demands on the benefits system and a commitment from government to cut public expenditure, we can only expect further tightening of the rules.

### **Suggested negotiating strategies**

Regarding the **earnings** limits, the case for not applying the rules is based on the following arguments:

- 1) DSS claimants should not be penalised if they are receiving extra support from the community.. This state of affairs will arise if claimants' balances show a continual state of commitment. The community is basically saying, "We will support you now and you can pay us back later." This point will be rammed home if claimants are in commitment because they have been exchanging local pounds for skills training.
- 2) Benefits are designed to meet the subsistence needs of the claimants: food, fuel etc. At present these are not normally available on LETSystems, so local pounds are not equivalent to normal earnings. Even if they are "payments in kind", the kind of payments does not meet any of the subsistence needs.
- 3) The availability for work rule should not apply if those requesting a service from a claimant agree to release the claimant if they are offered paid work. If I ask a claimant to supply me with something on a LETSystem, I will do so on the condition that they can break off at any time if they are offered formal employment. They can then return at a later date to finish the trade. If all participants trade under a similar condition, the problem should be solved. Perhaps this could be emphasised by a special agreement form to be signed by the person receiving the trade.

We are on difficult ground arguing against the current rules. The moral case is clear, but the practical one is bogged down in legal concepts. My inclination is to go to the legislators for special incentives (like, no initial loss of benefit) for claimants who use LETSystems, provided that we meet certain safeguards against fiddling. We all have much to gain from this, it's not one sided.

It looks like we will have to approach central government including the DSS, Benefits Agency HQ and the Treasury. Our case can be based on the fact that LETSystems provide:

- \* training for new skills
- \* a route for individuals to develop and establish their new skills to a point where they can enter the formal economy
- \* local economic activity **which would not exist without the system**
- \* community development resulting in a healthier physical and social environment.

Perhaps an approach to local MPs is the best place to start. Don't assume that Conservatives will be unsympathetic. Many of them are turned on by the idea of self-reliance, also our aims which involve lifting people's earning potential to a point where they don't have to claim benefit any more. And training is **the** big buzzword of the moment.

Allies may be also found in other government departments, Employment in particular springs to mind.

Footnote: the Business Start-up Scheme had a 4 month "business planning phase". Claimants could join. Is it still running? Could claimants use LETSystems to do "market research" and "market testing"? (But a loan/grant of more than £3000 is classed as "income".)

## Suggested Community Strategies

In an area which tends to operate on case law, we have no real cases to refer to. And that's as it should be, because cases involve putting vulnerable individuals through the adjudication process. Until the community can support individuals through adjudication, the case law route will be closed to us.

Community support gives us the opportunity to link the better-off sections of the community with the disadvantaged, which is more powerful than leaving matters to external agencies.

- 1) People who are well-off in the community and have little spare time (such as doctors or skilled manufacturing workers) can swap hard cash for claimants' earnings in local currency. Claimants can then declare income and accept pro-rata reduction in benefits. Their "sponsors" can then spend local money within the local community, so strengthening the system.
- 2) Make full use of Registry multiLETS facilities to set up claimants-only systems where the unit of exchange is not linked to sterling (e.g. hours), thus emphasising the community and self-help aspects. Also we should investigate "pooling" by claimants.
- 3) Set up funds to support claimants through a rolling series of appeals. Demonstrate community willingness to challenge obstructive tactics by local Benefits Agency offices.

### **Disability Benefit**

Disabled people are advised to stay clear at the moment because any "activity" may be interpreted as being fit for work again. "Disabled only" systems have a potential to help out and they can easily be administered through the new multiLETS software.

## **4.4**

### **The LETSystem - Further Legal Issues**

#### **Liability**

**Liability** is, at present, entirely a matter for the two individuals who are making the trade. The LETSystem information services only acts as a kind of "Yellow Pages" and does not get involved. The Registry administration does not involved either. Many LETSystem exchanges are of a social rather than a business nature, so business legislation may not apply (e.g. Sale of Goods, Trading Standards etc ).

In the case of work-exchange organisations like WWOOF, farms are business premises and so need the insurance. But what if I'm just helping my neighbour with the decorating and the ladder breaks? Many household insurance policies offer personal (non-business) liability insurance, which would be appropriate for most LETSystem trades.

For the more commercial type of transactions, most traders and businesses will have public liability anyway. Again, is the key point whether you are supplying something in connection with your normal trade or profession (a business transaction, public liability, taxable etc) or whether you are doing social favours or hobbies (social transaction, personal liability, not taxable)?

Developing the point, a LETSystem exchange can be considered as a contract between two individuals. Contract law will apply. Should you want to apply it, of course.

## 4.5

### **Data Protection Act**

Registries are subject to the Data Protection Act.

Registries will find their operations to be much easier if they register under the Data Protection Act. There is a possible exemption for small Registries under Exemption 5 (Unincorporate Members' Clubs). But the requirements will be quite strict and there is always the risk of non-compliance.

Registration under the Act costs £75 for 3 years (just less than 15p per week). The following clauses should then be included in the Registry Agreement:

"I agree to the personal details on this form being held on computer, and used for maintaining a record of my trading in the system.

NB. Computer repair/maintenance will be carried out by reputable service personnel who will be advised of the confidential nature of these records."

## 5.0

### **System Development**

William Ophuls points out that planning and design both attempt to achieve real world outcomes by influencing nature. The subtle but important distinction is that:

"planning refers to the attempt to produce the outcome by actively managing the process, whereas design refers to the attempt to produce the outcome by establishing criteria to govern the process so that **the desired result will occur more or less automatically** without further human intervention."

Ecology and the Politics of Scarcity, W.H. Freeman & Co., 1977 (our emphasis)

The essence of a really good system is that it really develops itself - that is, it doesn't really matter much what you do, this will work out.

Nonetheless, it will work out better in some ways than others.

### **Value in development**

Good design eliminates the need for development intervention in a system once it is in a mature state. However, a small amount of development input in the earlier stages can lead to smoother growth and earlier maturity than would take place otherwise.

The value in the development process lies mainly in:

- \* getting things going locally
- \* creating an expanded local economic base
- \* establishing community loan funds, projects, charities
- \* providing direction to others in and outside the community.

## Should I get involved in development?

There is no need to get involved in development unless you feel it is really appropriate for you.. If you open a registry, and it is run effectively, it will evolve more or less on its own in any case. Either because others will get interested, or parallel events in other communities will percolate through.

Furthermore, development work is something of a gamble, in that you are paid by results, probably in the course of time, rather than by the hour as in running a registry or acting as a recorder.

It is, above all, a speculative venture and that does not suit everyone. Volunteer input is subject to burn-out and is unlikely to be effective. You will need some rewards to keep you going and pay the bills. The problem is that there is no simple way to charge people for their own money and get away with it for long.

So there is no point unless you are keen. And, as far as we are concerned, you should only be keen if you are comfortable that:

- \* businesses will join
- \* every business worth considering will be using local money
- \* each business will use several systems (typically, business will use a minimum of 5 local money accounts).

Ignore the time-scales for now, and think about the implications. It means:

- \* many accounting services will be cheaply available
- \* everyone will want this, and it can be made available,
- \* so there will be lots of supply, and essentially no market.

Thus there is, in the end, no way to "charge" an entry fee, so:

- \* you cannot expect to finance LETSystem development that way
- \* investing energy, or money, in such directions could be costly
- \* there is need for care: its like trying to tap into a high tension line to power up your computer, or like hanging a bucket in Niagara Falls to fill it with water.

## Contribution to community

However, the cost-of-service principle suggests that we can attempt to obtain the cost of development from those who receive the benefit. We cannot ask for those costs directly, for the reasons outlined above. But when businesses want to become involved, they will be prepared to make a small monetary contribution if it is used to support the local community.

This contribution to community can become the customary way to open an account. For instance, £50 plus £50 local would be a small payment for a local business to make. This can be established as an acceptable indication of commitment to the community which provides the business with a market.

The contribution should be donor directed. Donors can choose a local charity, a community project or a loan fund.

Because these funds are being raised as the result of the existence of a LETSystem, it seems fair to ask for a small proportion of the money to be allocated to LETSystem development, in the form of a fund-raising fee. These fees, when accumulated, should be enough to cover development costs. The process is straightforward and is likely to be widely adopted, provided that:

- \* it is seen to be a community process, which is
- \* ethically and effectively organised, where the
- \* focus lies in support for community development.

### **Basic strategy for system development**

We do not have a lot of scope if we are to maintain our ethical approach. In essence the requirements are:

- \* a co-ordinated approach
- \* working at the appropriate scale - regional clusters of registries, sharing successes and benefits
- \* separate funding of development and registry operation
- \* development funding from "contribution to community".

Anything outside of this is not recommended. We would be in danger of failing to establish an ethical imperative, we could lose the benefits of co-operative working and we could get sucked into a trade war with the "get-rich-quick" brigade. This is why development is not for the faint-hearted. It's uncharted territory, and as the old maps describe it: here be tygers, and dragons, and snakes.

So you may decide that the best place for you is operating a registry and there is much good work that you can do. In fact the first thing to do is to start a registry and get it going. But alongside that, we can continue to map out the development task.

#### **5.1**

#### **LETSystem Development Strategy**

#### **Summary**

The LETSystem is now clearly demonstrated, but it has a much wider application than has been achieved so far. This section outlines proposals for systems development, emphasising the following points.

- \* Further organisation is necessary for systems to realise their full potential. We propose organisation for development on a regional basis. Organisation needs to ensure that efforts are co-ordinated and that those who do the work share equitably in the rewards.
- \* We need to bring business into LETSystems so that individuals, businesses and the entire community can share the benefits.
- \* Business donations provide a source of finance

*This section is based on material written by Michael Linton and published in Australia during the summer of 1993. It was prefaced with the following comments on LETSystem development:*

*"On the one hand, there are all sorts of developments in place. However, there is still as yet not much financing, and so not many people able to devote a great deal of time or other resources to this, and thus, regrettably, not as much real result is emerging as we really need to see. Hence we presently face a serious risk of being overrun by others with perhaps less purpose and/or ethical scruples, but more money and organisation."*

## **A matter of organisation**

All the pieces are more or less in place. The LETSystem itself is clearly demonstrated. It functions in many different forms - small scale and large, community based or commercial, accounted in sterling or hours, with competent and even with incompetent administration, it works, it survives. Sometimes it even pays its way.

So now what? So now the next level.

Given that the appeal, and indeed the need, is universal, and that the system is stable within any reasonable limits, there is a clear opportunity. And a responsibility.

If the social and ecological components of our planetary process were to hold together long enough, LETSystems in various forms would eventually become commonplace, without much significant effort from any of us. Just because the process is powerfully contagious, and largely irresistible.

However there is little hope that the social and ecological context can hold together that long. The very pattern of conventional money trading is destroying our world, and far faster than all the efforts of all those dedicated to arresting or modifying the process.

LETSsystems must become mainstream very soon if we are to have any hope of leaving to future generations a world in which they can even survive, much less thrive.

So what do we have to do? Basically, we have to get our acts together; we have to start behaving as though this were a matter of life or death, which it very probably is. That doesn't so much mean working harder - some of us are already putting everything we have into this. It does mean is that we have to work smarter - and that more of us have to get to work.

We have to start applying the lessons of the LETSystem to our work on the LETSystem. And the most important lesson is simply this - that organization matters. LETSystems don't depend primarily on how people are, as individual actors; they depend on how people connect and interact.

It will not serve us to continue to suppose that, and act as though, the manner in which we manage our LETSystems is merely a matter of local style and preference. Clearly, some arrangements are effective, some are not - and some are entirely detrimental. It is proof of the extraordinary resilience of the LETSystem concept that it survives almost all of our often misguided efforts on its behalf. To rephrase an old line - the operation was a failure, but the patient lives.

Let's get organised so that our development programs are aimed at realistic ends.

## **Organising for development**

It seems obvious that multi-system registries are the inevitable outcome in the long term, and that communities will typically be supported by several independent and yet co-operative registries. Certainly cities will have at least as many registries as there are defineable localities, and rural bioregions will be similarly differentiated.

Yet clearly the efforts that people apply in one locality to establish their LETSystems will directly affect growth and development in those of their neighbours. Thus there is a clear need to organise so that there is some degree of group co-ordination of efforts throughout the region; and equally that there is a clearly defined process whereby those who do the work share equitably in the financial rewards that will emerge in time.

A further consideration is the need to form organizations of an appropriate local scale, large enough to be effective and well funded, and small enough to avoid becoming centralised and disconnected from their source - the local community.

While we must also take careful account of all ethical factors, and the normal considerations of prudence, there is little justification for acting slowly and every reason to act quickly. In this case the old adage applies - if you don't do it, somebody else will. We must act promptly and effectively to protect ourselves against the short term schemers who will very soon be attracted to the ideas of personal money and local currencies as means of making lots of money for themselves.

## **Commercial activity**

LETS get down to business. LETSystems for small subsets of society may be warm and cosy, but they won't do much to protect us when the great economic meltdown comes along. We need changes in the mainstream economy if we are to survive at all. And we are only going to make the necessary difference in how the economy works when a major proportion of the local population is involved. The general public will only take interest when they can buy groceries, clothes, dental services, restaurant meals etc in the local money.

So we need to bring business into LETSystems. There is really little impediment to this. After all, money that comes back when you spend it is as attractive to any business as to any individual.

Notice how commercial "barter" organizations are growing - despite their exorbitant costs and the internal restrictions. The success of these networks is an indication of how well LETSystems will do when they enter the same market. Nor should we be in the least concerned that "commercial" networks will overrun LETSystems; on the contrary, we need expect little or no difficulty in assuming their business.

### **Administration costs and development funds.**

No free lunches here. Most of the systems (that I heard of) have trouble supporting any system development through administration charges. Which is good; this is how it should be.

Administration and development need to be clearly separated. In any case, operating costs must be kept low, by efficient procedures, to avoid any excessive drag on the system. People are discouraged from trading if service costs are perhaps 5 per cent of their trading - it can feel just like a tax. And for people who trade about £20 per month, a charge of just a few pounds is a high percentage of trading. So, particularly in the beginning, when trading volumes are low, it is essential that operating costs are kept low.

Although administration is an unavoidable cost for any system, it's also a small cost when the system itself is small. Unfortunately, this is also the time when design, organization, development, promotion, etc., etc. is most needed, and when the system can least bear the load of paying for that work.

All such development is a long term process, and should be related to long term revenues and sources of funding. If we can establish what it is we are aiming at, the scale that LETSystems might have in, say, 5 years, then we can design an approach based on the end result rather than the situation at the beginning. We can be looking at £100,000 ideas rather than penny pinching for £100 here and £50 there.

Also, recompense, to those noble adventurers who put their resources - energy, time or money - into this effort, should be paid from results. If development is successful, those who do it should be paid; if unsuccessful, it further compounds the problem to pay for those efforts out of administration budgets.

Since multiple systems in any area all contribute to each others' development, the organization should be a regionally based group process, using a system of group incentives and/or rewards.

## **5.2**

### **Regional Development**

## Summary

This section explores the Regional Development Project and takes a closer look at its source of funding. Business entry donations/fees, in the form of a "Contribution to Community", can establish local social investment funds and, in addition, support LETSystem development activity.

### Regional Development Projects

People active in the design, implementation and development of LETSystems clearly contribute to the growth of LETSfunds for local investment and/or charity purposes. Thus it is appropriate to consider the LETSystem development community in the same way as other fundraisers for local benefits.

The proposition is thus that LETSystem stewardship encourages that

Registries offer full account recording services ONLY to those commercial accounts that have demonstrated their support for local issues by contributing a donation (say £50 sterling plus £50 local) to LETSfunds or local charities. This donation is termed **Contribution to Community (CtC)**.

Those funds and local charities, in recognition of the source of the funds, return a commission or fee between 10 per cent and 20 per cent of funds received to properly incorporated regional LETSystem development organisations.

This arrangement has considerable flexibility, and needs little organisational structure.

The percentage fee should be around 10% in high population regions where the revenues are going to be substantial and there is a need to exercise restraint - for instance, in London the total revenues may reach £150 M, and 10 per cent is enough to finance 1000 people-years of development work. In smaller communities, 10 per cent is likely to be too small a fee to provide a proper level of local development support, and a higher percentage should be considered - up to 20.

The revenue likely to result from such arrangements, over the next several years, can reasonably be estimated from:

- \*the regional population
- \* the number of businesses
- \* the amount of the contribution to LETSfunds
- \* a guess at how many local systems a business will likely join over the years, and
- \* the appropriate percentage.

A regional development funds flow model is shown in Section 5.4.

The model indicates that it is of diminishing value to establish regional development for population groups under 50,000, as the funds available might only be around £200,000: enough for perhaps 10 person-years of paid work. 20,000 people could pay for perhaps 2 person-years, and 10,000 for maybe 1. It is generally going to be better to group in larger

numbers, for greater regional interaction and coordination, and less reinvention of wheels locality by locality.

We think the most immediately available and productive scales will be those between 100,000 people for about 20 person-years, and 500,000 for about 90. The bigger cities - with millions of people - will be somewhat larger undertakings, and will probably, at these early stages, be more difficult to organise.

If we project the revenue over several years, a first year could realistically be aimed at expending 10% of the total anticipated. 3 month, 6 month and 1 year budgets can then be outlined.

### **Initial funding**

People interested in applying their time and other resources to LETSystem development within the region should incorporate and seek investment support to cover initial expenses.

A regional development group should be incorporated in itself, or its accounts should be managed through an existing and appropriate incorporation, as the funds flow will be substantial, and there is every reason to set up so as to be able to borrow working capital to get up and away.

One approach recommended is that the development group incorporate in a form that would allow borrowing from banks, credit unions and the like, and apply for a line of credit or overdraft, with guarantees provided by a group of local social investors. Interest is paid to the lender, and some appropriate compensation, related to actual exposure to risk, negotiated with the guarantors.

The development group should look on itself simply as an accounting framework for coordinating and rewarding the efforts of all involved, and should not accrue any but the most minimal assets. Hardware, premises and the like should be leased rather than purchased.

Such support might be arranged as a parallel investment by local social investors - an "electronic cottage" for the community, offering services to a wide variety of local organisations and individuals, but largely supported by LETSystem and LETSystem development activities. Government funds are often available for such installations.

Participants of the development group should use a LETShare model for accrual of contributions. Each person or organisation active in LETSystem development should regularly file a record of their time and expense - a submission for acknowledgement. All involved can participate in a group review of such submissions, a process whereby the group becomes responsible for the direction of its efforts and an analysis of its results.

If there is a basic agreement on the principle and the process, the consequence should naturally be co-operative, consensual and powerfully interactive. And fun.

### **A generative project**

It is extremely important that the development group base their operational style on the clear assumption that they are - under arrangements such as those above - financially viable, and not

in need of grant funding. All involved should be aware of the scale of the opportunity, and the potential for a return, and operate on that basis.

Thus, it is not a question of how can we scrape together the resources to address this task, but rather what means need be adopted to ethically manage revenues which are potentially excessive.

Those that do not appreciate this distinction should expect to be quickly overtaken by others that do - quite possibly, by people who see the opportunity for personal profit on a grand scale, and have little or no concern for ethics or community. While such profiteering is likely to lead to its own end, and appropriate systems will eventually assume the territory, the level of confusion generated in the interim will not be useful.

### **5.3**

#### **Organisation for LETSystem Development**

For consistency and coherence, our organisational basis should reflect the fundamentals of the LETSystem itself (see Section 1.3). These are taken into account when outlining the group process for development activities (see below).

#### **Key points for organisation**

We have identified key points which make an effective organisation for the task we have set ourselves. These are:

- \* clear aims
- \* open participation
- \* rewards linked to results
- \* flexibility
- \* easy to copy.

#### **Clear aims**

If you don't know where you're going, any road will take you there. Agreement on aims gives us a sense of shared work which holds us together even when events are moving fast and communications are poor.

#### **Open Participation**

We have set ourselves a large task which will be achieved more easily and quickly if we involve a large number of competent people.

Enthusiasm and talent is widely available. It is much easier to recruit that talent in a framework which emphasises participation and reward.

Open participation is achieved by a group which operates as a collective of independent individuals, each free to act as they choose. Work done on behalf of the group must be acceptable to the group as a whole.

#### **Rewards according to results**

To ensure continued commitment from competent contributors, rewards must be both available and fairly distributed. The risk of inadequate rewards is shared by all the participants and final distribution will reflect the quality and quantity of each individual's input. This puts a focus on results.

This allows a group to begin with a small amount of cash, paying minimal amounts to contributors. However, the agreed value of individual inputs is recorded in detail. The shortfall between amounts paid out and agreed values will be paid out when funds are available to do so.

This is a form of "sweat equity" which can be recorded as a LETShare and is consistent with the fundamental LETSystem philosophy.

## **Flexibility**

Our task is a project: it has a beginning and an end. Both response and timescales are highly unpredictable. Even predictable projects are dynamic and require flexible, team based organisation. And different stages of a project require different skills and resources.

Response to LETSystem development will not be linear. Hence the need for an organisation that can grow rapidly. This is where the issues of aims, participation and rewards become vitally important.

## **Replication**

Many problems associated with large organisations can be avoided by working as a federation of small groups, all adopting similar protocols along the above lines. Success can establish successful patterns which can be learnt and easily put into practice by others, enabling rapid growth when required. And it's much more fun than being a small cog in a big wheel.

## **Development Groups**

All LETSystem operational process and administration should reflect, or follow the pattern of, the LETSystem process itself - the community managing its own best interests.

It follows that the development group:

- \* must be as open as possible,
- \* allows participation by as many as want and are able to contribute,
- \* must have an equitable and effective decision-making process,
- \* must not become the exclusive territory of any particular individual or group.

Naturally, the design of organisations for LETSystem development will also follow this direction.

Landsman's recommendations for development efforts use the LETShare model :

- \* anyone can contribute
- \* each says what they think they have contributed
- \* the group accepts the submission, or responds to it
- \* if your act isn't supported, perhaps you can change it
- \* nobody is in charge
- \* decisions are personal and group
- \* if you can't get support for your ideas, you can still do them yourself, and see if the group likes the results
- \* incentive systems are group rather than individual.

A system that embodies the ethics and practice of good community will not thrive if its support organizations fail to reflect these same values.

Detailed procedures will of course vary from place to place.

Generally, participants will file statements of their contribution (submissions for acknowledgement) on a regular basis - probably weekly or monthly - citing time, money and other expenses attributable to their work on LETSystem development.

Through ongoing discussion of these submissions, budgets will be allocated and, eventually, revenues distributed.

With regard to further levels of organisation, the same considerations are highly recommended. Initially, central funding may be usefully applied in all sorts of ways. However, any such organization can only be considered successful if it stimulates grass-roots action that in turn develops resources from local operations to provide continuing support to a national/wide regional body.

If further funding is necessary, something is wrong.

Landsman's recommendation for any large-regional (e.g. national) organisation is that it be composed of resources and contributions from participating local regional development groups in that territory.

The revenues generated at the local regional level - through the collaboration of natural affiliations of registries and activists - should be sufficient to underwrite the ongoing costs of networking amongst those regions, and in due course repay any initial funding.

Once things are moving well, minimal funds will be necessary to keep the network effective, as much of the action and co-ordination can be in the form of direct contributions by the regional development groups. Thus, one region might sponsor a conference, another might produce administrative training materials, another explore legal issues, another design software, etc etc. The coordination will ensure that there is good communication, that duplication of effort isn't excessive, and that the recording of contributions provides a measure whereby continuing support is negotiated.

## **Regional Development Group Process**

The group operates as a collective of independents, each free to act as they choose, and required to ratify their contribution with the whole.

The LETShare model is to be used to record accounts and determine how revenues deriving from the program are distributed.

Control of finances is vested in those liable for borrowed funds.

Incentives are implemented to encourage broadest distribution of funds to finance as many participants as possible. Incentives should be conservative, ethical, and consistent with overall program design.

The development group acts as a channel for receiving and distributing funds. It does not acquire assets; equipment, premises, etc are leased, preferably from a community equipment co-operative.

## Summary

Sections 5.0 to 5.3 can be summarised as follows:

### Premises

eventually universal

multi-registry / multi-system / multi-administration  
extractive methods insupportable in long term (self-defeating)  
setting precedents  
means must be related to ends

### Consequences

service rather than extraction  
inhibit rather than stimulate speculative interests  
non - exclusive  
group efforts / group rewards  
no commissions / no territory

### Arrangements

- \* Local money systems recognised as personal money
- \* Administrations approved by Registry stewards for acceptance of registration
- \* Processing fee £5/10/15 as determined by Registry, and paid to Registry, for provision of account services through the general LETSystem of that Registry. This is intended to underwrite cash component of LETSystem operational costs for approx. 2 years

Business accounts registered as above are only processed by approved administrations where a "£50 plus 50 local" **contribution to community - CtC** - has been made.

CtC works through:

direct allocation of £50/50local to chosen charity / project

or

direct allocation of £50 to LETSfund operated by LETSystem  
and 50local to LETSystem commercial administration reserve

In acknowledgement of generation of the funds flow to the listing charities / projects / loan funds, a fee for service, between a minimum 10% in cities and a maximum 20% in small or rural communities, is remitted to the Regional Development Group.

### 5.4

#### Financial Projections for Regional Development of LETSystems

The models, in the form of a table of projections, are shown at the end of this Section.

Each column examines a different type of locality with the total population base shown. 20,000 people is typically a sparsely populated rural area, 3,000,000 is a large city.

Moving down the model line-by-line:

The **business ratio** is the number of businesses per head of the general population. We have chosen general mid-range figures for western communities. Single industry communities might go up to 1:25, if a large percentage of people work "in the mill".

Dividing the population by the business ratio gives the **no. of businesses**.

Within the multi-LETS Registries, businesses will eventually join several systems. We therefore assume figures for the **no. of accounts** that businesses will take out. The no. of accounts is pure guesswork, but we really think we are being conservative, although we are probably almost alone in that belief. We are referring to the situation after several years, when local currencies account for perhaps 40% of the local economy, and the more accounts a business has, the more business they do.

Before they take out an account, we would like to establish that businesses make a **Contribution to Community** (CtC) of, say, £50 plus £50 local to local charities and investment funds.

This is drafted to avoid restricting the possibilities to officially approved charitable organisations - although presumably they will be the only beneficiaries capable of issuing tax receipts. The point is to establish right from the beginning that there is an honorarium / gesture or something customarily associated with a business participating in any network. If this can be established as a norm, then we have an opportunity to channel substantial funds to charities / loan funds / projects in the community, AND

Provide a protected source of funding for LETS system development. Direct application of entry "fees" to development will not be sustainable, as the true costs of initiating business accounts will quickly drop to zilch, and you will have to likewise reduce charges, or suffer competition from profit takers, who will likely be considerably less scrupulous, and possibly more cost-effective, than you.

CtC is entirely arbitrary. But necessary. Without such a cash flow system development is under financed. If you take too much, you will start a feeding frenzy. By establishing a protocol, a customary level of entry, whatever, we can stimulate local charities, and thus bring them on line, and there is real possibility of making such entry styles customary. Which is the best one can hope for.

Some systems within a registry will of course prefer NOT to levy an entry on business, perhaps from short term expediency as any entry cost is an impediment, perhaps because they choose to set up a substantial charitable donation as the precondition - maybe £n,000 local - in which case £50/£50 local is superfluous. But we believe we can set standards here, that may pattern other initiatives elsewhere.

**Commission** is the percentage of the CtC that is made available to fund the development groups. It is higher for small communities than large, because of the degree of duplication that small places will have to go through, and the comparatively higher no of accounts per business in cities.

The development **programme budget** is the total CtC multiplied by the percentage commission.

**Cost of person per year** is the amount needed to keep a full-time member of the development group resourced for a year. Assuming that people who start LETSystems are motivated by other concerns than just salary, rates may be slightly less than competitive. Costs should include an allowance for office support, transport etc, but not very much. The main thing in the budget is the time allocation for active workers, who will generally be a mix of part and full timers. Most group members will be working part-time but we are calculating full-time equivalents.

Total programme budget available divided by this amount generally needed to keep someone on the job gives the **no. of person-years** available to the project.

During the first period, we have estimated that 10% of the budget is spent. Since this can be projected but not assumed, it is reasonable to only commit a small part of the total budget for the opening phase.

If it turns out that the figures are coming through, then phases 2 & 3 should each be 40% of the predicted budget, and the last part 10%. If not, then the accumulated debt during the first phase will not be disastrous. The first phase will require somewhat less than 10% of total budget, as there will hopefully be SOME income, and workers will generally co-operate with each other and the project by drawing only a proportion of their contracts and leaving some on the books.

The cash needed in the first year, **the capital required** is therefore estimated at 33% of the first period budget.

The **first quarter** of the first year will see slightly heavier expenditure because of set-up costs (but not hardware purchases!) This again emphasises the need for cash in the early days - and also the need to get some income in soon.

## 6.0

### **Landsman Community Services**

Landsman itself has designed its programmes of design, development and publication on similar lines to regional development, but with a global perspective -

because it's there

because it's time, and

because no other organization has that capacity.

Thus, any persons or organisations active in LETSystem development are encouraged to submit, to Landsman, accounts of their contribution.

If these accounts are indeed considered to reflect actual and substantial furtherance of the directions Landsman is proposing, then the accounts are accepted as a record showing that person or organisation's contribution to the effort, and their entitlement to share of the proceeds.

To be considered, submissions must be :

unique - not also submitted to either local or large regional  
aligned with published directions.

Contracts negotiated in advance are preferred.

Thus far, over 200 people and organizations have recorded something like £500,000 of contributions in one form or another - funds, equipment, products or materials, professional services, or simply by putting in time.

## **LETSGO - a fast track project**

It has been generally shown that :

1 person, undistracted, active, equipped and intent can expect to register at least 2 people per day.

200 people for 50 days should be able to reach 20,000.

The activities of such a group will clearly be of benefit to the community in which the action takes place

The result is greatly accelerated development and an earlier achievement of effective local economy etc.

The opportunity arguably justifies the allocation of some of the resources available.

3 million people will likely, at £100 per business, generate around £150 million for community development - and in the process £15 million for LETSystem development.

If 90% of that £15 million budget is reserved for the slower, more conservative approach to LETSystem development generally recommended, then the Landsman project only fractionally reduces the funds available, and

Just 10% of that budget, £1.5 million, is sufficient to pay for the activities of 200 people for 50 days.

If a similar proportion of the overall revenue, that arising from business entry to the main regional LETSystem until the end of the decade, is likewise awarded to Landsman, then the many who have recorded contributions to this process over the years can be paid for their efforts.

Not likely to attract the timid, but at this stage perhaps we need more daring more than more discretion.

During the summer of 1994, LETSgo Manchester was established to demonstrate the above proposals. Documentation and further information is available of Landsman Community Services Ltd.