

THE COMMUNITY WAY TO COMMUNITY MONEY

The designers of the LETSystem are bringing business on side

MICHAEL LINTON & ERNIE YACUB

In 1982, interest rates in Canada reached 20% and the money dried up in the Comox Valley, British Columbia. My business evaporated, as did others. Several of us were in agreement that money was the only thing missing, that the necessary people and things were still here, and all we needed to do was organize a way to get people's needs matched to each others' capacities.

We looked at computer-supported barter, but realized one-to-one barter was impractical, and that we needed to use a money *of our own* - a community currency in other words. A community currency is a money only usable within a particular collection of people, businesses, and other organizations. Community currencies can be set up in many ways - paper, coin, account system, smart card - but some are more successful than others.

We saw the simplest way was to start an account for each person or organization, starting with precisely zero "local" dollars, and to keep records of transfers between accounts. It was a process owned by the community, with all action by consent, interest at zero, and measured in terms of the national currency, the Canadian dollar.

And that's how the first LETSystem got started. Fourteen years later, the LETSystem is the most widely adopted and adapted community currency, applied in one form or another in 800 places around the world. There are reports of 400 in the UK, 300 in Australia and New Zealand, many in Ireland and increasingly more around Europe.

GROWTH & LIMITS

This dramatic expansion and dispersal are due in part to the simplicity of the basic LETSystem concept. It captures people's imaginations.

We opened the prototype in the Comox Valley in December 1982. By May 1983 we had 300 accounts, an administration process, and the beginnings of a software system, both of which we still use today. Our operating costs were already less than banks. (The simplicity can be deceptive. As they say, local currencies are easy - any fool can start one. The history of LETSystems is littered with projects ill-considered or -administered by well-meaning people.)

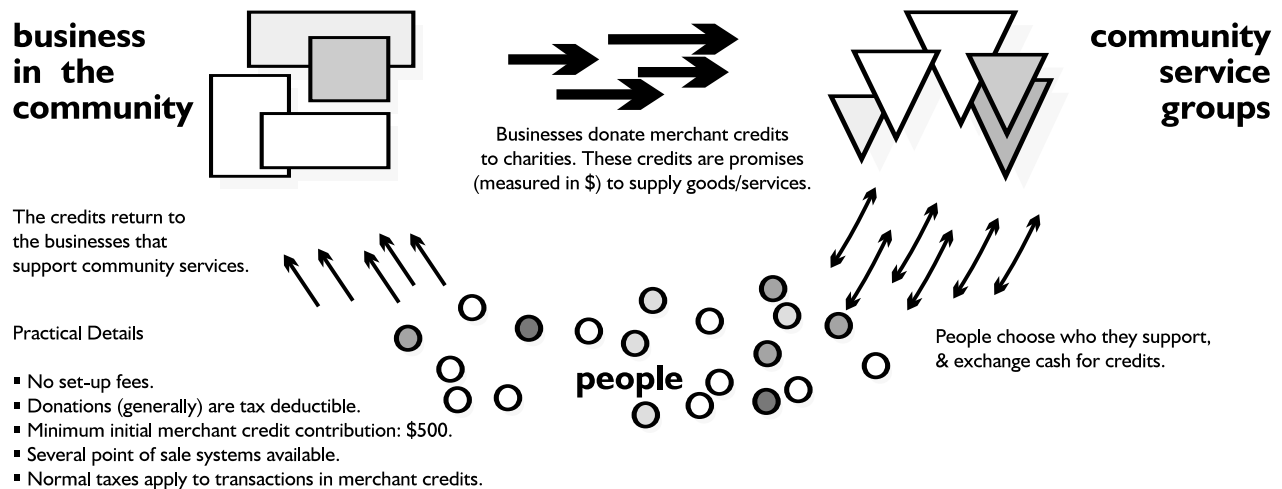
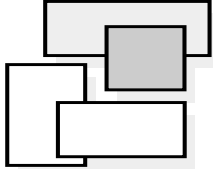
But we couldn't get our local business community to participate. Not then, and not since. Remarkably, there is almost no business participation in LETSystems even in the places where it is considered most successful.

Presently, the Comox Valley system still has about 300 nominally active accounts. But almost all of the average \$6,000 trading per month is among about 100 accounts. Administration costs average \$250 per month. The system works and it runs, but not fast enough to fly.

GETTING BUSINESS ON BOARD

Clearly, if a community currency doesn't involve business - groceries, restaurants, mechanics - it's not very much use, and it's not very much used. Activity in the network is peripheral to everyday life, and people only make small and occasional transactions. There is benefit, but not great benefit, and little or no difference

the community way connects businesses, charities, & the public in a fund-raising cycle that works to everyone's benefit

Good BUSINESS supports community projects. But there are so many appeals & every donation costs. Community way is a simple & effective way for a business to

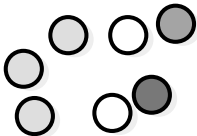
- be generous.
- save cash & stock.
- secure customer recognition & loyalty.
- develop the local economy.

How it works

Businesses donate "merchant credits" to their choice of projects, charities, & nonprofits participating in the program.

Credits can be spent according to terms & conditions set by the issuing business, which might:

- set a limit on the % of any sale accepted in credits, to ensure that all cash costs are covered.
- exclude some goods or services from the offer.
- restrict acceptance to particular days or times.



PEOPLE volunteer their time & money when they can. But it's getting harder to donate & as needs increase, harder to make a choice. Through community way, people can lend support to good causes simply by changing the way they spend their money.

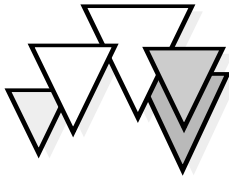
People "vote" for the community they want with their shopping \$.

How it works

- Decide how much money you want to change.
- Select the projects & charities you want to help.
- Complete the form, specifying the amount for each choice.
- Put your money down & get your community way card.

Then,

- Check the community way list. Look for the logo at stores & restaurants.
- Check the terms of trade before buying.
- Show your card, & sign or swipe.
- Check your monthly community way statement & reload as required.



COMMUNITY SERVICE GROUPS have to work hard to raise funds. But with government cutting back, & business & the public short of money, it's getting still more difficult. Competition between agencies is hard on donors & fund-raisers alike.

Community way offers an efficient & effective way to match community needs & resources.

- It is easier to raise donations in merchant credits than in cash or kind.
- People can help just by giving you cash for your credits.
- You can get to work on what matters.

How it works

- Write a proposal stating your purpose & the funding you seek, for community way to circulate.
- Businesses make direct donations of merchant credits to your community way account.
- Exchange these credits with supporters for cash, or use them in your local spending.

in the main issues - managing the getting and spending of hard cash.

However, if using a community currency saves substantial amounts of hard cash, then it's definitely worth earning. When people can use community money in local retail stores, particularly for food and other necessities, the money takes off.

A LETSystem is probably "real" for anyone when it accounts for 10% of their income and expense. But it's only going to affect a local economy when maybe 10% of the population find it at least that "real," i.e., involving about 1% of local wages and spending. Up until that point, the system will generally provide various personal, social, and community development benefits, some perhaps quite significant, but it has little real substance in an economic context.

Current numbers indicate that LETSystems are not yet close to that, anywhere in the world. In organization, however, they are very close to it indeed, which means they may also be very close in time. For instance, any credit union

could implement a LETSystem for its membership - at no cost, and no risk, anytime. Most of the smart card trials already taking place in various sites around the world could be immediately adapted to support community money.

We believe that when business does take part in the LETSystem, the rate of growth will be still more rapid, and the effects increasingly significant. Getting business introduced to the whole notion of community currency is where our *community way* program comes in.

SIMPLY, COMMUNITY WAY

Community way is an innovative fund-raising process that uses a local currency to raise both cash and credit to meet community needs. While the initial program can and should involve as many businesses and beneficiaries as possible, it can also start perfectly well with just one of each. Here is how it works:

- business donates credits (not cash or products) to the charities and/or projects of their choice, undertaking to

accept the credits just like dollars, in partial payment (usually 15-50%) of a sale.

- people exchange cash with the charities for those credits, dollar for dollar, and support community needs at no personal cost - the credits are as good as cash in participating stores, restaurants, etc.

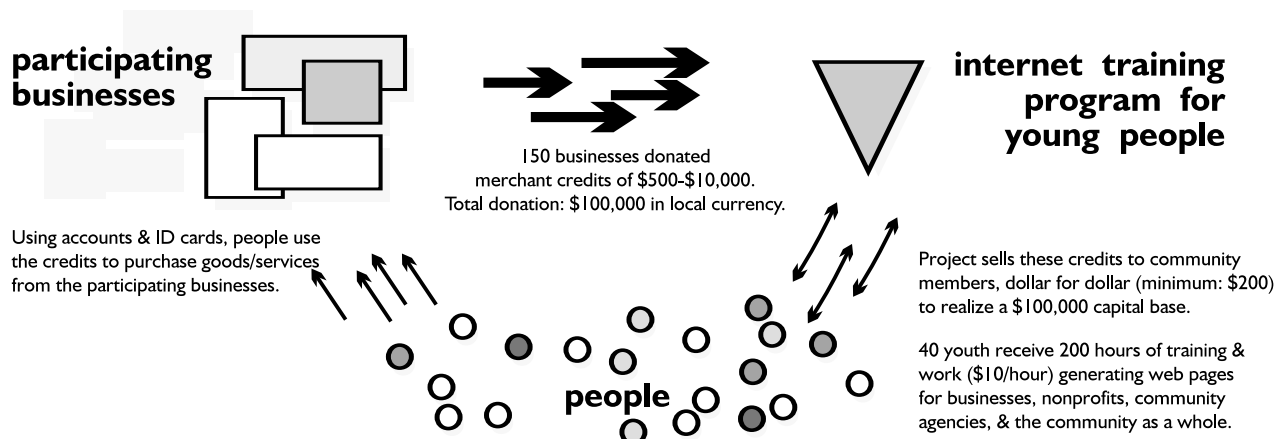
This is one of the simplest forms of community currency. It is a "loyalty" program for businesses, which also provides them with a way of contributing to the community without parting with cash.

Three different sectors - business, community organizations, and the public at large - all gain substantial benefit, nobody is out any cash, and a local currency is moving. The credits can be in the form of paper or coinage, but account-based methods are more efficient from the outset, and are immediately compatible with LETSystems and smart cards.

We now recommend to people considering start-up of LETSystems that they install *community way* instead, and let that process evolve into LETSystems. The diagrams opposite and below, and the hypothetical community profile on the pages following, show how community way works. (Note: although much of this material has been "crash-tested," use it only as directed, and entirely at your own risk.)

a small-town approach to community way

In a town of 60,000, with 3,000 businesses, a \$100,000 community way project has been proposed to support an internet training program for youth. Participating businesses secure loyal customers without donating goods or services; people fund community needs without loss of spending power; the community as a whole receives valuable internet services. Similar projects are currently proposed for Victoria (\$300,000) & Vancouver, B.C. (\$2 m).



Notes from Newmarket, Turtle Island

A fictional community way scenario

It's November 199? and the community way installation is now complete, just under six months from its inception. Now that donations have reached \$1.2 million (\$1 per person in the region), no further commissions on donations are paid to the development group, and its direct involvement in community way is over.

From the 10% commission on funds raised, a budget of \$120,000 has been secured for opening community way. Of this, \$25,600 has been applied to the usual overhead and material costs, and \$94,400 has been paid to the 18 people and to the contractors who have been active in the project. Six people worked full time from the beginning for an average rate of \$500 per week.

The installation crew, which now has 10 full-time and 20 part-time and contract workers, are now active as a regional LETSystems Development Initiative, which is expected to run for about three years and to support at least 20 full-time equivalent positions within six months.

Initial financing of \$10,000 was arranged through a local credit union, and guaranteed by a group of depositors. The stability of the start-up was also greatly assisted by the Newmarket regional council's early commitment to exchange half the development budget credits for cash. The government is recirculating these credits through their purchasing and grant aiding programs, and establishing an on-going policy of acquiring community currency for these purposes. (See community information services, next page.)

From this point, the accounting of further community way donations, ex-

changes, and trading will be maintained by the LETSystems registries as part of their normal service, typically for a few cents per transaction.

FUNDS RAISED DURING COMMUNITY WAY INSTALLATION

A total of 1240 businesses (over 2% of the 60,000) donated an average \$970 through community way, ranging from \$500 to \$35,000. Most businesses have been keen to specify the causes they want to support, and with how much. Others have

elected to "go with the flow" - to have their contributions distributed across all recipients, in proportion to the support already conferred by others.

The credit-cash exchange (cce) is naturally the last part of the cycle to get going. Business first has to respond to community requests and people need to see a range of places to spend before they will readily participate. In this instance, it was the participation of various local newspapers, radio, cable TV and internet services, and their particular support of

FUNDRAISING & DISBURSEMENT

| range | # of recipients | donations received | average |
|-------------------------------------|-----------------|--------------------|-----------|
| \$50,000 | 1 (cis*) | \$100,000 | \$100,000 |
| \$10,000-\$50,000 | 11 | \$345,000 | \$33,000 |
| \$5,000-\$10,000 | 15 | \$124,000 | \$8,300 |
| \$1,000-\$5,000 | 122 | \$375,000 | \$3,100 |
| \$50-\$1000 | 412 | \$136,000 | \$330 |
| 10% commission to development group | | \$120,000 | |
| Total | | \$1,200,000 | |

| The funds have been distributed to: | % |
|--------------------------------------|-------|
| food, clothing, and shelter services | 24 |
| environmental projects | 17 |
| community development | 13 ** |
| health safety and security | 12 |
| education and training | 11 |
| sports/recreation | 7 |
| external | 6 *** |
| arts / culture | 5 |
| on-going support | 3 |
| emergency disaster | 2 |

* cis (community information services), the focus project for the community way installation, accounted for \$100,000 itself, 9% of the total funds raised in this initial phase.

**mainly local co-op and university radio.

*** mainly medical research, third world aid, and global environment issues.

the community information service project that made the idea of "cce" very straightforward to the general public.

As project organizers and community fundraisers are becoming more familiar with community way, public acceptance of the idea is increasing rapidly. A total of 2800 people have now exchanged \$830,000 cash for credits. Over half this total (\$480,000) occurred in the last month alone, from 1200 new accounts, and 300 earlier accounts coming back for more.

Several projects that have previously been unable to attract conventional funding due to a lack of formal standing, risk of failure, or radical approach are finding support through community way. The positive response has encouraged a second wave of proposals for funding, as all participants - merchants, community groups, and the public - become more imaginative and daring.

With new business registration now averaging 15 per day and rising, at least 3,000 businesses are projected for the first year, making a joint contribution to community needs over \$3 million.

CIS - COMMUNITY INFORMATION SERVICES

Community information services (cis) was established as the focus project for the community way launch.

Essentially a youth computer/internet training project, the \$100,000 raised through community way attracted equal matching funds from higher government.

Regional government exchanged cash for \$50,000 of the credits to reflect their commitment to youth training and employment.

Cis has become a public information service and cybercafe, complete with pool table, juice bar, and internet connections. Fully staffed by youth-in-training, cis is a gateway to the world of information for people without internet access, or the time and resources to find what they need. Individually tailored information packages are prepared by the youth co-operative and distributed to clients through a network of bicycle couriers and street vendors.

Cis has many satellite operations in other parts of Newmarket. Kiosks in various suburban malls, on the university campus, several neighborhood recreation centres, and in the downtown business district act as ordering and distribution points for cis. These out-

lets are also transaction centres for LET-System registries, recharging of community way cards, and cash-credit exchange.

HIGHER EDUCATION & RESEARCH

The university and colleges, in perpetual funding crisis, are studying the matter and monitoring the process. In addition to student fees payable in community money, and increased support from the expansion of local and regional tax base, they see strong possibilities for community-oriented and -financed research programs.

A proposal for a long-term research and development program on community

money has already attracted considerable interest (and potential finance) from the software and systems industry.

In the meantime, several simulations of full-scale community currency systems are already very advanced. Most effort is being applied to the macro-economic implications for the Newmarket region over 5, 10, and 20 year time scales. Others focus on higher education funding patterns, and emerging projections may account for the unusually persistent good mood of the university president.

CREDIT UNIONS GETTING SMART

Several local credit unions are well advanced in preparing their account base to support multiple community currencies for their members. There are no technical impediments to be resolved, it is expected that full service (direct debit at point of sale) will be available within the next few months, once the concerns of various regulatory authorities are satisfied.

The credit unions are actively participating in the development and testing of a community way smart card carrying five currencies. The tests are yielding useful data on the public and business acceptance of this new technology. The credit unions propose to introduce cash services on the card when all the security issues are resolved.

VOTING

Coincidentally, regional elections were held during the community way installation period. Through a special program, all done with coloured stickers on card, a number of businesses initially issued \$5,000 worth of credits to an election fund which was distributed equally to all seven candidates. The voters' willingness to convert the candidates' credits into cash became an informal poll. Soon many other businesses joined the game until the fund peaked at \$15,000 in credits, of which \$11,000 was exchanged for cash by

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election day. Some candidates were unable to find enough supporters to buy their credits.

CAPITAL PROJECTS

The old island hotel restoration project uses community way to raise capital. The building needs more money than the owners have on hand to bring it back up to code, so they have formed a community corporation to implement the renovation and operate the building. The comcorp is seeking investment in credits from local contractors and tradespeople within a special purpose business-business system. The cash funds raised from the exchange of some of the credits will cover materials, and the contractors who actually do the work will be partly paid in the remaining credits which they will use in that business-business network.

TRANSITION TO LETSYSTEMS DEVELOPMENT

With the success of community way, the grounds for further LETSystems development is well assured. Businesses, by donating, are automatically registered in the primary community network. The benefits to their cash flow make the case for continuing to use community money.

When people have spent their credits, they too are offered a complimentary LETSystem registration and 85% of them



Photo credit: Leonard (Boomer) Jerritt



MICHAEL LINTON (left) of Landsman Community Services (lcs - the originator of the LETSystem) and ERNIE YACUB of Cumberland Business Services are “virtually joined” in meme productions. Currently, most of the efforts of lcs are focused on a major upcoming launch of community way in Manchester, England, where participants aim to raise £1.5 million, mainly for application to issues of youth employment and homelessness.

This article is based on material for a training program to be held in Honolulu early in May. Lcs encourages and will support parallel initiatives wherever possible. Other workshops and trainings can be convened where/as interest develops.

For more information, contact Michael at (tel) 604-338-0213, (e-mail) lcs@mars.ark.com, (internet) <http://www.u-net.com/gmlets>. Early results of the Hawaii event will likely be published on internet, most probably linked from <http://www.u-net.com/gmlets/go/hawaii>.

now have personal money accounts.

Many businesses are already participating in several LETSystems, some serving particular groups around the city, and in the region. Systems have been started by the women’s network and the university students association. The Italian community was the first of several “cultural” systems to go public. There are already five church congregations trading

and tithing. Both the sports/recreation and the arts/culture communities will announce the opening of trading in support nets next month, and the chamber of commerce has introduced a business-business LETSystem to support their members’ mutual trading.

For more information, connect cis. ☞