

# LETS get real: constraints on the development of Local Exchange Trading Schemes

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Revised manuscript received 15 July 2002

*Local Exchange Trading Schemes (LETS) are widely promoted as a new tool for local economic development, but until recently the focus has been on their alleged 'potential' rather than the realities of their operation. This paper assesses the practical economic role of LETS by examining the amount of trading conducted, and demonstrates that both the volume of trading and the value of the trades are very low. Drawing on an intensive case study of the first UK LETS created explicitly as part of a local authority's anti-poverty strategy, explanations for the low levels of participation are suggested, and significant structural constraints on the development of LETS are identified.*

**Key words:** Hounslow, intensive case study, local currencies, local economic development, self-help

## Introduction

Local Exchange Trading Schemes<sup>1</sup> (LETS), and similar local currency schemes, have been created at different times and in different places for a wide range of purposes – social, cultural, economic and political. The history of local currencies has been explored by Williams (1996), who discusses, for example, the 'scrip' money that was used in the USA in the 1930s and the *Worgl* local money experiment in Austria in the same decade (see also Tibbett 1997). In this paper, however, we focus on the role of LETS as tools for local economic development and poverty alleviation in the UK. First, the paper explains the operation and growth of LETS, and discusses the ways in which these schemes have been promoted at the local and national level. Then the practical economic role of LETS is evaluated by drawing upon a number of extensive surveys of LETS trading and an intensive case study of Hounslow LETS in west London. All the evidence suggests that trading levels in LETS are very low and so we then address some of the reasons for this by examining a number of systemic constraints on LETS development.

LETS are 'community-orientated trading networks' (Lee 1996, 1378), which aim to develop and extend the exchange of goods and services within a group, re-localizing the provision of goods and services. Unlike traditional barter, trading through LETS is not reciprocated directly in a one-to-one relationship; rather work commissioned by a LETS member is paid for using a virtual local currency. Such currencies have no tangible form and are only created through the act of trading, but each transaction is normally recorded by the LETS accountant, who credits or debits the members' accounts when notified of the trade. The recipient of the goods or services is deemed to be 'in commitment' to the scheme as a whole – i.e. is expected to undertake work or provide goods for any member of the LETS at some later date.

The name of a LETS local currency is often derived, sometimes playfully, from a local feature. For example, in Hounslow the name is taken from a river (the Crane) that runs through the borough, but the name was also chosen because it was felt that it would remind members that the LETS was intended to act, metaphorically, like a mechanical crane – to lift them out of poverty. Elsewhere, LETS currencies

have been given names such as 'favours', 'harmonies', or 'thanks' to reflect the positive values that the organizers associate with the LETS.

LETS currencies have three distinctive features: first, their use is normally restricted to members of the local scheme; secondly, no interest is charged on debits, nor paid on credit; and thirdly, the currency is created only through the exchange of goods or services, not issued by a central authority. LETS currencies, therefore, have no intrinsic value, so there is no advantage to be gained from accumulating stocks of the currency; unlike capitalist forms of currency, the value of LETS currencies exists only in their capacity to facilitate transactions. LETS are intended to enable members to exchange labour, goods or services even if a lack of money would otherwise prevent them from trading.

### The growth of LETS in the UK

The expansion in the number of LETS in the UK has certainly been rapid, from only five schemes in 1992 (Williams 1995; Lee 1996), to an estimated 450 in 1998 (LETSLink UK 1998). Various estimates have been provided of the total UK LETS membership: for example, Croall (1997) suggests that there are 35 000 members, whereas LETSLink UK (1998) puts the figure as high as 40 000. However, these estimates are probably exaggerated as Williams *et al.* (2001), reporting the results of an extensive national survey of LETS,<sup>2</sup> identify only 303 LETS operating in the UK, with an estimated total membership of 21 800 (an average of only 72 members per LETS).

Within Greater London there are 31 LETS, with a further six in various stages of development (LETSLink London 1998), and these are typically larger than those elsewhere in the UK, with an average membership of 97 people. However, there is still considerable variation in size; for example, Battersea LETS has only 20 members, whereas North London LETS has a membership of 250. Hounslow LETS, with 130 members at the time the research reported here was conducted, was a relatively large scheme.

Williams (1996) notes that LETS' monetary units are complementary currencies that work alongside, rather than providing an alternative to, the formal market economy, but, more contentiously, he also argues that the emergence of LETS in the UK should be seen as 'a response to poverty and unemployment' (1996, 260). Both Lee (1996) and Thorne (1996) agree that LETS' currencies are

complementary to the formal economy, but they disagree with Williams' implicit linking of LETS' origins in the UK to the 1990 recession (see also Aldridge and Patterson 1998). For example, Thorne, argues that:

... the fact that support for LETS in the UK has continued to grow rapidly suggests more complexity than a knee-jerk reaction to the recession; rather it is spawned from a powerful mosaic of disempowerment around the nature of work and money. Arguably, LETS have emerged in part because of a chronic rather than necessarily acute problem with the nature of 'work'. (Thorne 1996, 1365)

Thorne's argument is particularly convincing given the nature of labour market restructuring that has taken place over the past 20 years and the changes in the nature and distribution of paid employment (Noon and Blyton 1997); in particular, the replacement of full-time permanent employment by temporary and part-time contracts, the result of which is expressed in the growing gap between work-rich and work-poor households (Walker and Walker 1997). We would, however, also argue that the widespread uncritical promotion of LETS' potential has played a powerful role in its rapid growth in the UK.

### LETS promotion

As LETS are a relatively new form of social organization, it is not surprising that little empirical data about their activities exists. In particular, there is very little qualitative information drawn from intensive case study research, and there are even fewer examples of published critical academic analysis (but see Lee 1996; Seyfang 2001; Williams *et al.* 2001; Aldridge *et al.* 2002). Consequently, discussion is only slowly moving beyond the perpetuation of the idealized representations of LETS development, originating in the promotional literature, that focus upon the assumed 'potential' of these organizations (e.g. see Figure 1). Within this literature, LETS have been described as offering a new method of self-provisioning, and as a means for people to re-negotiate their working lives, for example by mixing traditional paid work with LETS work; developing new skills and abilities; and even perhaps providing the opportunity to initiate and incubate a small business – paying for the initial set-up costs in local currency prior to formal self-employment. It is on the basis of this unexamined 'potential' that LETS are

'So simple, yet so revolutionary, it's bound to sweep the country.' (*Mail on Sunday*: LETSLink UK 1995)

'So practical, LETS is rapidly becoming the economic miracle of the '90s.' (*Today*: LETSLink UK 1995)

'A marvellous, marvellous idea. It may sound strange. What is important is it works.' (*Woman's Own*: LETSLink UK 1995)

'LETS have an almost incredible potential for regenerating local economies and helping people to restore the sense of community and friendship that much of our society has lost.' (Lang 1994, 156)

'LETS are certainly fun, but they have a serious side. They have enormous potential for tackling the widespread unemployment, poverty, social and environmental decay we see today.' (Ryrie 1995, 3)

'... LETS can offer new hope in areas of high unemployment, rebuilding communities, supporting local business through recession and *acting like lifeboats* in the storms of international trade and finance.' (LETSLink UK 1995, 19; emphasis in original)

Figure 1 Promoting the potential of LETS

being promoted by a number of state and voluntary agencies as a tool for community development and economic regeneration (see DETR 1988; Social Exclusion Unit 1998 2000; DfEE 1999). For example, a recent government working paper (DETR 1998) includes LETS as one of a number of new bottom-up approaches to local economic development; and over 100 LETS have received some form of support from local authorities (LETSLink UK 1997). This assistance has included direct funding, such as the employment of LETS development workers (e.g. Hounslow and Greenwich); and various forms of support in-kind, such as a range of promotional activities and the free use of facilities (e.g. Dursley). However, it is important to examine how LETS perform as tools of local economic development in practice, in different localities, both in order to evaluate their chances of success, and to allow the identification of developmental constraints prior to their widespread promotion.<sup>3</sup>

### LETS in practice

The issue of activity rates (the amount of trading being done through LETS) is of key significance if the value of LETS as a tool for economic development is to be properly assessed, and if the debate is to move on from generalized discussions of their 'potential'. Williams *et al.* (2001) estimate that in the UK the total LETS turnover is the equivalent of £1.4million/year, which we calculate to be about £64.50/member/year on average. However, even this relatively small sum overstates the real additional value generated by LETS trading, because 'turnover' is calculated by adding together total expenditure and

total income, and therefore double-counts the benefits accruing to members.<sup>4</sup> Moreover, evidence presented in this paper (see below), suggests that at least some LETS trades, especially those arranged between friends and family members, would have taken place even if the LETS did not exist.

Little qualitative information exists about the nature of LETS activity although, as noted earlier, LETS are currently promoted by both central and local government, on this limited research basis. Hounslow LETS is particularly useful as a case study in this context, because it was the first UK LETS to be initiated by a local authority explicitly as part of an anti-poverty strategy. In 1994 the London Borough of Hounslow employed a development worker for 18 months to establish a credit union and a LETS. At the same time a health worker was appointed to develop a 'good neighbour' scheme, and the two worked together to develop Hounslow LETS borough-wide. The original data presented in this paper were collected during an 18-month period of intensive research from 'within' this scheme, which combined participant ethnography (see Aldridge 1997), with semi-structured interviews, and a comprehensive analysis of the complete LETS trading accounts.<sup>5</sup>

As Table 1 indicates, the level of participation in Hounslow LETS by its members was very low. During the 30 month life of the scheme, more than half (53%) of the members did not engage in even one trade through the LETS; and only eight per cent (ten people) had conducted more than ten transactions. Table 1 also allows the comparison of activity rates in Hounslow LETS with rates observed elsewhere, and shows that Hounslow LETS was not unusual in having low activity levels: trading through LETS is

**Table 1** Participation in LETS trading

LETS	Hounslow	KwinLETS	West Glasgow	Skye
Type of location	Outer London Borough	Town and rural hinterland	Urban area (Scotland)	Island (Scotland)
Membership	130	107	50	35
Never traded	53%	31%	36%	—
0–4 trades	85%	46%	—	79%
>10 trades	8%	20%	7%	6%
Source	see text	Seyfang (1998)	Pacione (1997a)	Pacione (1997b)

Note: Kwin = King's Lynn and West Norfolk

**Table 2** Volume of trading by five most active traders (Hounslow LETS)

LETS member (ranked by trades)	Descriptor	Number of trades	'Value' of trades (cranes)	Proportion of total value of trading (%)
1 'A'	Voluntary Group	46	1643	20.1
2 'B'	Close friend of 'C'	35	480	5.9
3 'C'	Close friend of 'B'	28	354	4.3
4 'D'	Only traded on 'Trading Days'; paid LETS worker	27	603	7.4
5 'E'	Only traded on 'Trading Days'	24	199	2.4
Total:	Top five traders	160 (43%)	3279	40.1

Note: these were the only members with more than 20 recorded trades

Source: analysis of Hounslow LETS trading accounts, October 1994–March 1997

typically low and is also generally confined to a small proportion of the membership in each of these schemes.

To explore the scope of trading on LETS further, the quantity and regularity of trading of the five most active traders in Hounslow LETS was analyzed in more detail (Table 2). These five members were the only ones to have engaged in more than 20 trades, and together they carried out 43 per cent of the trading (40.1% by 'value') conducted through Hounslow LETS. Two of these 'top traders', members 'E' and 'D', only ever conducted transactions at the specially organized 'trading days'. For member 'E' this only involved selling and buying goods (not services), and spending some of the local currency on competitions. Member 'D', who was employed by the local authority as the LETS development worker, sold one type of service (computer training), and also bought goods.

Members 'C' and 'B' were close friends before they joined the LETS, and they mostly traded just between themselves, as one of them noted:

[We] do each other a lot of favours the whole time, but I mean we'd do this in any case . . . If the LETS scheme shut down tomorrow I would probably do this anyway, because [we] do a lot of favours for each other, we pay each other cranes and keep the scheme going. (Hounslow LETS member 1998)

These two members participated in Hounslow LETS because they believed that the initiative deserved their support, but they would have done this work for each other even if the LETS did not exist.

Member 'A' is an unusual case, not an individual but a voluntary group – Cranford Good Neighbours (CGN) – that used Hounslow LETS to set up four small sub-groups, including a group for expectant mothers; a 'Mother Plus' group (for mothers and babies); a women's support group; and a Lunch Club for older people. Apart from the wages of the CGN organizer, which were paid by the Health Authority, all of the costs involved in running these sub-groups were met through Hounslow LETS. This included the renting of meeting rooms, and the employment of

**Table 3 Hounslow LETS members' evaluation of their trading**

LETS members were asked whether they agreed or disagreed with the following statements	Agree (%)	Disagree (%)	Don't know (%)
I am satisfied with my current level of trading	0	67	33
I see my involvement in Hounslow LETS as an alternative way of creating work for myself	89	0	11
Being a member of Hounslow LETS has not met the expectations I had when I joined the system	78	22	0
The social aspect of being involved in Hounslow LETS is more important to me than trading	33	56	11

Source: see text

both a nursery nurse, who worked with the Mother Plus group, and a cook, who provided dinners for the Lunch Club. The LETS development worker felt that the LETS was particularly beneficial for the cook:

The Lunch Club cook has learning and speech difficulties, which means that he can't read recipes, so people have to show him the recipe and then he remembers it all the way through. So he prepares most of the food at home, and then somebody else from the LETS collects him and the pre-prepared food and drops them off at the church hall. . . . He's in control, and he's extremely organized, but nobody would give him a chance in the 'money world' because he can't read recipes and he can't speak clearly, but there he is the King, and he tells people what to do. . . . He can't drive, which means he gets lifts, and haircuts and other things that are offered in the directory. And this has come out of the LETS and it's something that people wouldn't have thought about in terms of the cash world, they never would have. (Hounslow LETS worker 1996)

The value of participating in LETS for the Lunch Club cook is clear: LETS enabled him to engage in productive activity, gaining rewards for his work, and control of his working environment – with positive impacts in terms of empowerment and belonging. Beyond this, between 1995 and 1997, CGN was very important in stimulating LETS trading by identifying and using a number of different service providers. It presents an interesting example of one way that voluntary groups can use LETS to reward workers. But there is also an issue here about the long-term sustainability of such LETS-based groups in the absence of waged administrators – the waged CGN organizer was only in post until early 1997 and shortly afterwards all of the sub-groups were closed.

From the information presented so far, three general points about LETS trading can be identified. First, organized 'trading days' played a vital role in promoting the economic role of LETS, as this permitted members to meet and engage in trading in goods. Secondly, some LETS trades may simply represent the formalizing of previously informal relations, such as the work done for each other by friends or family members (e.g. the trading of members 'B' and 'C'), suggesting that attempts to quantify the value of LETS in financial terms may seriously overstate their contribution in generating trading that would otherwise not take place. Thirdly, it is clear that active traders form a very small proportion of the membership of the LETS, and therefore to state that LETS represent a widespread new form of work, or a significant new form of self-provisioning, would be considerably overstating their current role (see also Aldridge *et al.* 2001).

As Table 3 indicates, although 89 per cent of interviewees initially saw Hounslow LETS as an alternative way of creating work for themselves, none were satisfied with their level of trading, and 78 per cent of those interviewed agreed that their expectations on joining had not been fulfilled. It appears that most members were misled by the over-optimistic representations of LETS potential portrayed in the promotional material, and had initially expected to participate more extensively in trading. It is therefore important to consider the reasons why LETS trading levels are so low in practice. In order to pursue this question, semi-structured interviews with Hounslow LETS members were used to explore their motivations for joining the scheme, the trading they had done, the personal importance of these trades and the perceived barriers to trading.

**Table 4 Summary of constraints on LETS development**

Type	Issues	Detail
Fiscal issues	Conceptual issue of debt	Problem of getting people to 'spend' – time and resources are needed to communicate a new discourse of 'debit'
	Need for money	Local currency constraints Poverty can exclude participation
Mismatch of supply and demand	Availability of goods and services	Significant gaps exist in the types of goods and services that LETS provide
	Efficiency of provision	Inability to access goods and services when required
Organizational barriers	Local/scheme	Organizing meetings and social events, promoting LETS, preparing account statements, updating directories – heavy administrative workload
	National	Development of models of good practice, national legal framework
Community and scale effects	Trust/guarantees	LETS work best in stable communities, with close contacts and common links. Diverse and transient populations pose problem of developing trust because people are strangers
	Scale	Telephone, travel and childminding costs incurred in trading; LETS work best at small scale – problems at 'borough-wide' level

Source: see text

## Constraints to LETS development

LETS members identified and described a range of structural problems that prevented them from engaging in higher levels of trading. These can be placed into four broad categories: fiscal issues, mismatch of supply and demand, organizational barriers, and community and scale effects (see Table 4).

### *Fiscal issues*

The category of fiscal issues can be sub-divided into two aspects: the conceptual issue of debt and the need for money, both of which highlight how the formal economy dominates – psychologically and materially – the use of LETS. All LETS accounts begin at zero, therefore for a trade to take place in LETS someone must be willing to go into debit on their LETS trading account. Even though no interest is charged on negative balances in LETS accounts (because a 'debit' is simply intended to denote the commitment of a LETS member to do work to that value for another member at some point in the future) many members were reluctant to allow their account to go 'into the red'. As one member put it:

One of the things that has been discussed is the initial reluctance of people to get spending. I mean, my own sterling real, live account, I have been working on such a tight budget for so long now, I know to the nearest 5p how much I have got in my bank, I know precisely who I owe money to, you've got this absolute horror of getting into debt, you're constantly juggling money and it becomes a mindset that absolutely surrounds you. Well, I shall commission you to make me a waistcoat, and I owe 100 cranes ... and it's that whole feeling of 'oh dear god, another overdraft'. Now I know these cranes are totally meaningless ... I don't know how to get over it. I don't know that it's very real, it's a very real barrier, I live with debt and then it's the thought of another. (Hounslow LETS member 1998)

Most LETS members appeared to transfer the concept of indebtedness from the cash economy to LETS, and therefore considered a LETS debit to be just another form of debt or overdraft, and this seriously reduced their willingness to initiate trading. To overcome this conceptual problem, so that LETS' debits are conceived of positively, would require a considerable shift in attitudes.<sup>6</sup> In Hounslow, the LETS development worker said that attempts had

been made to transform members' attitudes towards debt within the scheme, however there had been insufficient resources to do much work on this. Although LETS promotional material describes a new discourse of debit which is intended to be distinct from debt, it clearly requires considerable time and effort to convince new members so that they readily accept this aspect of LETS trading. This appears to be a particularly serious problem for those members on low incomes for whom the threat of debt was seen as pernicious.

Secondly, the practical need for money constrains the use of LETS. The use of a local currency is normally restricted to the membership of the local scheme, thus the range of goods and services that can be purchased is necessarily limited. Very few essential requirements of life, such as food, housing or clothing, can be obtained through LETS (see below). Members were aware that Hounslow LETS did not provide a viable alternative to the purchase of these goods; thus money was required. As one member described the situation:

The attraction of money is really hard though, you see, that's the one thing about LETS that doesn't really work. There is no... I mean people need dosh in order to pay for their lives and there's no replacement for that, and unless you do have something of value, and that's of interest to the other party, it doesn't work. Getting the cranes isn't the same as getting a cheque. There's no other way around it, because you're trying to avoid the monetary system but people have such an ingrained sense of value with money. (Hounslow LETS member 1997)

In addition, poverty itself can exclude participation in LETS because, in order to engage in LETS trading, members may incur costs for telephone calls, transport and childcare. For example, as one member explained:

I wouldn't phone anyone speculatively about trading because I couldn't afford the prices of calls on my phone bill; it's too expensive. (Hounslow LETS member 1997)

Many members, particularly those on low incomes, highlighted these costs as a serious constraint on their use of LETS.

#### *Mismatch of supply and demand*

The second category of constraints on LETS trading concerned the mismatch between the supply of, and

the demand for, goods and services. A number of interviewees who had sold goods and services found that they were unable to spend the cranes that they had earned. As one noted:

I bought some things at the auction, some Tupperware and sold quite a lot of things, things that were too bulky to take to a car boot sale so I was quite pleased by that. So I'm probably in credit quite a bit, but I haven't really been able to use the services of someone to use up my cranes. To me it's not money in the bank but it's like I haven't been able to make use of them. Now I don't think I'm going to get anything back for what I've sold. (Hounslow LETS member 1998)

For this member, the inability to readily access useful goods and services led her to leave the scheme:

I've stopped using the LETS because I wasn't confident that I could pick up the phone and find someone to do the job. (Hounslow LETS member 1998)

Others interviewed felt the same way, for example:

I've sold a number of goods, but... I haven't been able to use it reciprocally, I simply haven't been able to access the services I need. (Hounslow LETS member 1998)

Primarily, members identified a need for practical services including: plumbing, decorating, labouring, gardening, child-care and transport. However, even after many phone-calls, members were often unable to obtain these services. Much of the information in the LETS directory was out of date, thus actually speaking to another LETS member could take many attempts, perhaps over several days. Those who required time-critical services, such as transport or child-care, could not be sure that their needs would be met in time through the LETS. As another member put it:

I feel that LETS can only work when at the point of delivery you receive actual goods and services. I think that building up meaningless tokens that you don't value, because you don't really know what you're going to spend them on, is pointless. Barter has been successful for me when I've arranged my own reciprocation, and it's been direct. With LETS I've built up a whole bunch of cranes, and I'm sitting on them and I don't really need them, because I'm going to have to go to Argos to get my kids Christmas presents, I can't get them from the LETS, therefore LETS means nothing. I'm not willing to trade my services unless I know that I can

use the cranes straight away, that for me is the bottom line! (Hounslow LETS member 1997)

LETS members indicated a great deal of frustration with the inefficiencies of LETS trading, either because the goods or services they required were simply not offered by any members of the local LETS, or because they had to expend so much time trying to contact a suitable supplier that the need had passed.

### *Organizational barriers*

The third category of constraints is related to organizational aspects of LETS, operating at a range of scales from the local to the national. At the level of the individual scheme, organizing and trying to sustain a viable LETS requires considerable resources. Although Hounslow LETS was established by the local authority, which had paid for a community worker to facilitate the initial development of the scheme, LETS ultimately rely on a voluntary committee, who undertake a number of tasks central to delivering an effective scheme. These tasks include: preparing and updating members' contact details and the LETS directory (listing the goods and services that members offer), organizing 'trading days', managing LETS accounts and producing regular mailings of accounts and newsletters to the membership. These tasks are time-consuming and require a high level of commitment from the committee. However, most of the people that became members of Hounslow LETS' committee were also involved in a number of other local organizations, and therefore there were many other calls upon their time. As one committee member noted:

The problem is that people on the committee have all got other things to do: the usual problem with voluntary organisations. I mean, there's six people on the committee, and we haven't been able to get together for a committee meeting over the course of 12 months. It's not good enough, we need to be more in the forefront, we need to be offering more trading days, or themed meetings. (Hounslow LETS committee member 1997)

As the committee members were unable to allocate sufficient time to the administration of the LETS, much of the information that the scheme relied on became outdated. Members trying to organize a trade would often find out that the person they were trying to contact had moved, left the scheme, or was no longer offering the goods or services described in the directory. One member complained that:

... they need to organise it more, because somebody didn't bother for a long time and we didn't get a

directory for six or seven months. The directory needs updating because there are so many people on the list who aren't in the scheme anymore, and we try phoning them, and it's off-putting. (Hounslow LETS member 1998)

In addition, Hounslow LETS was unable to provide sufficient support or advice for new recruits, particularly in relation to the practical side of trading. As another member explains:

There was no support. I had no idea about pricing, and when I took up the services (I had someone chop down the tree in the front), I was ... we were in a dilemma about ... we didn't know what we were doing basically. I still don't know about the cranes in terms of charging. I found it very confusing. I've never heard how many cranes I've got; it's all very confusing. (Hounslow LETS member 1998)

These organizational and communication issues point to a wider problem at the local level concerning the 'ownership' of the scheme. Although most of the members did not want to become involved in the administration or development of the scheme, it was clear that there were a number who would have considered participating in this way but did not feel that they had a real stake in the scheme, and this appeared to result from a lack of clarity about how the scheme operated and the lack of encouragement to participate. On the other hand, the local authority-funded LETS worker did not have the necessary time or resources to encourage wider participation in the administration and organization of the system. For those few members that formed the committee, the workload became increasingly heavy and onerous, particularly after the development worker's term of employment ended, and this was to be a key factor in the closure of Hounslow LETS the following year.

Organizational barriers at the national scale, principally 'institutional thinness' (Williams *et al.* 2001) also constrain LETS development in the UK. The development of models of good practice was led by LETSLink UK, which, until 1997, was totally reliant on the voluntary efforts of a few key personalities. Although LETSLink UK had developed a range of useful materials for groups interested in LETS development (including specialist accounting software and directory formats), the effective dissemination of these materials was constrained by a lack of resources. Unfortunately, this meant that committee members of many new LETS expended much time and energy 're-inventing the wheel' in the initial

**Table 5 Population by ethnic group (%)**

	White	Black	Indian	Pakistani	Bangladeshi	Chinese	Other
LB Hounslow	75.6	2.7	14.3	2.6	0.3	0.6	3.9
Great Britain	94.5	1.6	1.5	0.9	0.3	0.3	0.9

Source: derived from Government Statistical Service, Government Office for London, and the London Research Centre (1996) tables 2.12 and A2.4

stages rather than engaging in essential capacity building, marketing and promotional work.

Furthermore, the position of LETS within the national legal framework continues to constrain the use of LETS, especially for people on low incomes. Whilst the Labour Government has continued to promote LETS as a 'bottom-up' strategy for tackling economic exclusion and community re-building (Social Exclusion Unit 1998 2000), LETS 'earnings' are officially considered to be equivalent to income in pounds sterling for the calculation of social security entitlements (DfEE 1999). Although there has been a 'benign neglect' of this issue by the Benefits Agencies (Barnes *et al.* 1996), the fear of benefit reduction acts as a real disincentive to people on benefits – the very group that the government states that it wants to encourage to engage in greater participation in LETS.

#### *Community and scale effects*

The final category of constraints on LETS development identified here consists of community and scale effects. Hounslow is an outer London borough, 5852 hectares in area, stretching from the edge of Hammersmith at its eastern boundary to Heathrow airport in the west – a distance of 13 kilometres. Within the borough it is still possible to distinguish a number of small towns – including the relatively poor areas of Cranford and Feltham in the west, Hounslow, Heston and Isleworth in the centre, and Brentford and the affluent area of Chiswick in the east. Compared to Great Britain as a whole, the population of 204 000 is also ethnically diverse (see Table 5).

This diversity, together with the geographical separateness of the communities within the borough of Hounslow, was identified by some members as a significant problem in developing the LETS because people were seen as 'strangers' who lacked common bonds. One member argued that the London Borough of Hounslow is:

... too diverse an area; it's too big. It's very sad, I've tried setting up groups before and it's impossible. It's just not a community: geographically and demographically it's too diverse, and that's a problem for developing groups, it might work in small pockets. (Hounslow LETS member 1998)

A number of Hounslow LETS members reported that a lack of trust constrained their use of LETS, for example:

I felt I wanted to trust people but you don't know who they are, there's a lack of trust, and that's where I think it falls down. Because no one knows each other, you've got the mistrust, this way it's really dealing with strangers, there's no common link. (Hounslow LETS member 1998)

This lack of trust resulted in some LETS members being reluctant to contact members who they had not previously met to organize trades – trades which would, in many cases, involve people coming into their homes. A lack of any guarantees about the qualifications and training of the people involved, and the quality of the services they could provide reinforced these problems. This resulted in a heavy reliance on the organization of 'trading days' to stimulate LETS trading, which placed a heavy, and ultimately unmanageable, workload on committee members.

This issue of a 'lack of community' relates in part to the scale at which Hounslow LETS was developed. Prior to establishing the scheme, there had been some consideration of the most appropriate scale for development. A smaller-scale scheme, focusing on local housing estates, had been rejected: the borough-wide approach was preferred as it was thought it could attract a wider mix of people (with a broader range of skills and needs) and to avoid the scheme being identified locally as something that was just for people on low incomes. However, after their experience of participating in the scheme, many

members argued that it could have worked better at the local scale because it could then have built upon community links and common bonds. It was also felt that a smaller-scale scheme would have been more efficient as many members had found trading across the whole borough prohibitively expensive, both in terms of the time required and the associated financial costs. For example, as these members proposed:

... it should become more localised, because I personally wouldn't go all the way over to Hounslow, say for a massage, or for someone to baby-sit for me, you know. I would rather trade within my local, very local community. (Hounslow LETS member 1997)

... we need a pan-Hounslow LETS but with separate groups in the different 'villages'. I just think the whole thing's too big, you can't build a community that is too large and this is all about building community networks. (Hounslow LETS member 1998)

## Conclusions

The examination of activity levels within LETS demonstrates that their economic role is tiny, and that participation in LETS is skewed towards a small number of core members, as typically only about 20–25 per cent of the membership use LETS regularly (10% in Hounslow). Analysis of trading within Hounslow LETS reveals that one-third of all trades consisted of the transfer of goods, mainly at specially organized trading days, and that a significant proportion of the services that were traded simply represented the incorporation within the LETS trading accounts of transactions that would have taken place without the existence of the LETS (such as services provided within families or between friends) rather than new forms of self provisioning.

One reason why LETS is being promoted by central government and supported by local authorities may be because these schemes are thought to offer a cheap solution to a problem that would otherwise be very costly to tackle. The promotion of LETS as a tool for local economic development and poverty alleviation places the responsibility for dealing with the multifaceted causes of poverty onto the poor themselves. However, as discussed above, participation in LETS requires access to significant financial resources on the part of the individual members, and the effective organization of LETS also requires the input of considerable resources in order to maintain the effectiveness of their administrative

systems and provide members with the trading opportunities and other information they require.

To date, almost all of the literature on LETS has been very optimistic about them as a new form of self-provisioning, and about their potential for the alleviation of poverty. However, there are significant structural constraints on the effective use of LETS, and these need to be seriously addressed before too much faith is put in them as tools for tackling poverty. More in-depth research is needed to understand if and how these constraints might be overcome in different localities. LETS seem to be operating most effectively in small-scale, self-contained, middle-class areas with a relatively stable population, especially those places with a 'green' or 'environmentalist' reputation, such as the English market town of Stroud (see Aldridge *et al.* 2003), but they clearly do not perform well in large, ethnically and class diverse urban areas with relatively transient populations, such as the part of west London discussed here. Moreover, even the most successful of the UK's LETS do not provide members with the opportunity to step completely outside the capitalist economy<sup>7</sup> – rather they provide some complementary opportunities to those who already have access to economic resources and social networks. Although LETS are often presented as tools for community building, they seem to need strong pre-existing community networks in order to operate effectively.

LETS may prove to have many potential uses, in particular they may be able to make a small contribution to local economic development (perhaps especially for those groups with solidaristic social networks and adequate incomes derived from the formal economy), but what is clear from this research is that they do not provide a cheap or a simple way to alleviate poverty in urban areas.

## Acknowledgements

The authors gratefully acknowledge the contribution of the members of Hounslow LETS, and the members and officers of the London Borough of Hounslow who generously gave their time to participate in this research.

## Notes

1 LETS are known by several names. Michael Linton (one of the originators of the LETS concept) coined the term Local Employment and Trading System in 1983, and although the terms 'scheme' and 'system' have been used interchangeably in the past, they are now generally used to denote two relatively distinct approaches to LETS

organization. Hounslow LETS, on which this paper is based, was designed using the 'scheme' approach. Other, less significant, examples of variations in LETS names include the substitution of the word 'trust' for 'trading'; and 'employment', 'enterprise', or 'energy' for 'exchange'.

- 2 This survey was carried out between December 1998 and February 1999.
- 3 Bovaird (1993) has noted the way in which, in the UK, new approaches to local economic development are often rapidly and widely adopted without proper evaluation.
- 4 A further complication when trying to calculate the monetary value generated by LETS trading is that many LETS explicitly encourage their members to 'overpay' for work that is poorly paid in the formal economy. Moreover, because local currencies have no intrinsic value of their own and are not convertible, one unit of local currency cannot be directly equated to one pound sterling.
- 5 Rather than using data gathered from survey responses (which necessarily involves estimates of trading activity), this research is based on an examination of the complete trading accounts for Hounslow LETS, thus eliminating possible survey bias which may produce overestimated trading levels.
- 6 One of the anonymous referees suggested that creative thinking about LETS accounting practices could provide an alternative way to resolve this problem. One example of such creativity is the concept of the 'community chest' as suggested by LETSLink UK (1995): members with many LETS credits can make donations to this account and then these credits can be distributed to members struggling with the concept of indebtedness, or to those who are finding it difficult to sell their services. However, on the whole accounting practices within UK LETS have remained very conservative, exemplified by the number of LETS introducing credit and debit limits (Williams *et al.* 2001).
- 7 Stroud LETS, which is generally acknowledged to be one of the most successful schemes in the UK (see Aldridge *et al.* 2003), has an average annual turnover per member of only 394 local currency units. This small amount is about six times the national average.

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