



# Local Exchange Trading Systems—A Rural Response to the Globalization of Capitalism?

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**Abstract** — The local exchange trading system represents a possible community-level response to the globalization of capitalism. However, few studies have examined the potential of the LETS concept in rural areas, and no studies are available of LETS in rural Scotland. The present research employs empirical evidence from the Isle of Skye to investigate the potential of LETS for localising social and economic relations in remoter rural areas. This particular socio-cultural milieu presents both obstacles and opportunities for the development of LETS. It is suggested that further expansion of the Skye system could be stimulated by a focus on local food production. A LETS-based food co-operative can promote direct links between producers and consumers, extend the membership base and thereby reduce the frictional effect of distance on trading and social contact. It is concluded that to achieve such an objective the efforts of LETS members would be facilitated by the support of a sympathetic local authority. © 1997 Elsevier Science Ltd. All rights reserved

Uneven development is an inherent characteristic of the globalisation of capitalism which stems from the propensity of capital to flow to locations which offer the greatest potential return. The differential use of space by capital in pursuit of profit creates a mosaic of inequality at all geographic scales from global to local. At any one time certain countries, regions and localities will be in the throes of decline as a result of the retreat of capital investment while others will be experiencing the impact of capital inflows. The effects of this form of 'casino capitalism' (Strange, 1986) on local economies and communities not regarded as profitable spaces by capital can be traumatic.

The extent to which local economies can resist the hegemony of globalization is a subject of theoretical debate. While some have focused attention on the importance of local social practices in influencing the nature of 'post-Fordist' socio-economic spaces (Urry, 1981, Lash and Urry, 1994), others have emphasised the asymmetrical nature of the global-local conjuncture which is 'comprised on the one hand of powerful processes of global disorder and

on the other hand of largely reactive, and typically shallow, local responses' (Peck and Tickell, 1994, p. 278). Despite local examples of successful community-based struggles against the values of the global political economy (Egerman and Jameson, 1991, Douthwaite, 1996) the weight of evidence suggests that while some favoured growth areas might be able to exert some regulatory control over supra-local agencies the general effect of globalization is to reduce the power of localities to promote progressive economic and social change (Tickell and Dicken, 1993). This conclusion is supported in the particular context of rural areas by Hoggart *et al.* (1995, p. 7) who considered that 'while local arenas are important venues for exploring the precise impact of societal changes, the power that local communities have to direct their own future is limited, despite their perhaps unique and certainly adaptable responses to extralocal forces'.

The increasing spatial indifference of capital which has accompanied globalization has led to the emergence of a 'differentiated countryside' in which favoured locations that possess land and labour

characteristics in demand by the processes of flexible accumulation benefit from the increased mobility of capital while other places bear a disproportionate burden of disinvestment and regress within the post-Fordist political-economy. In view of their economic, social and geographical marginality in relation to the global, European and even national economic system, the remoter rural regions of the U.K. are not among those well placed to reap the socio-economic benefits of the globalization of capitalism. A basic question, therefore, is how people living in such disadvantaged locales can respond to their position. The local exchange trading system represents an innovative approach to the globalization of capitalism and marginalisation of people and places unable to compete successfully in the arena of market capitalism.

### The LETS approach

The LETS response to the unequal power struggle between global and local forces is both direct and indirect. It is direct in the sense that LETS explicitly acknowledge the hegemony of the formal capitalist economy and it is indirect in that LETS do not seek to challenge this hegemony but instead attempt to develop a parallel complementary form of social and economic organisation within local context. A LETS effectively de-couples from the global economic system in an effort to foster a local social and economic identity. The key question which the present research addresses is the extent to which a LETS located in one of the remoter rural areas of the U.K. can achieve this objective.

The research reported in this paper examines the potential of LETS as a means of re-localising interpersonal social and economic relations within the context of a remote rural area. The study is informed by an empirical analysis of the operation of the Skye LETS. Data were collected by means of a questionnaire-survey of the membership and in-depth interviews with the LETS organisers. The research findings illuminate the structure and modus operandi of the Skye LETS, identify the major obstacles to further development of the LETS, and inform the currently limited level of knowledge on the potential value of the LETS concept in rural areas peripheral to the mainstream of advanced capitalism.

The paper is organised into five main parts. Part one explains the structure and operation of a local exchange trading system, while in part two the goals of a LETS are identified. In part three a general model of economic activity within a developed

economy is presented to illustrate the relationship between a LETS and other sectors of the economy. The fourth section provides an empirically-informed analysis of the Skye LETS which considers its membership profile, trading activity, and obstacles to future growth. Finally, the concluding section of the paper examines a number of possible strategies for the development of the Skye LETS, and considers the potential of the LETS concept for re-localisation of social and economic relations within remoter rural areas.

### The anatomy of a LETS

All U.K. LETS are structured on similar lines with local variations in terms of currency used, volume of trading, membership profile, extent of social-community activity, and geographical context. The LETS is run on behalf of the membership by a steering group elected annually. This group appoints officers as necessary to carry out the tasks of operating the system. Members pay an annual fee (in local currency and/or sterling) to cover administrative expenses. Each member also indicates which goods and services they can offer and in return they receive a directory that lists all the goods and services available in the system. They can then arrange to trade with each other, paying in the local currency although no member is obliged to accept any particular invitation to trade. No warranty or undertaking as to the value, condition or quality of services or items exchanged is expressed or implied by virtue of the introduction of members to each other through the directory. Each member has an individual account and a cheque book and their transactions are recorded centrally by a bookkeeper. An *open* statement of each member's credit or debit balance is provided to all members on a regular basis and any member is entitled to know the balance and turnover of another member's account. Crucially, unlike a commercial bank an individual's credit/debit balance does not affect their ability to trade. Any member can issue another member with credit from their account subject to any limit that may be set by the steering group. On leaving the LETS members with commitments outstanding are obliged *morally* to balance their accounts. In extremis the steering group has the power to seek an explanation of a member whose activity is considered to be contrary to the interests of the membership and to suspend or exclude a delinquent member.

No interest is charged or accrued to balances; the health of the system depends not on accumulated surpluses but on the circulation of 'capital' through

trading. The price of each transaction is a matter of agreement between the parties. Part of the agreed price may be paid in sterling (e.g. to cover the cost of materials purchased in the 'external' market) but only local currency units are recorded in the LETS accounting system. Members are individually responsible for their personal tax liabilities and returns within the formal economic system and, where appropriate, for their relationship with social security/benefit agencies.

For illustration, the range of goods and services available for trade in the Skye LETS is shown in Table 1. (The goods and services available in two urban LETS are also listed for comparison.) As well as trading activity the LETS organise social events (e.g. food fairs, outings) to help overcome the problems, doubts and personal mistrust that might inhibit trading, and to foster the growth of community spirit within the locality.

### Principal forms of exchange in a developed economy

Figure 1 provides a general model of economic activity within a developed economy. The different sectors of the economy offer differing routes to the satisfaction of needs and correspond to different systems of distribution. A key distinction is between the personalised (fully non-marketed) system of distribution in the complementary economy and the private market-based systems of the monopoly, non-monopoly and irregular sectors, as well as the public distribution of the state sector. Significantly, the institutions of the complementary economy are self-generated and informal and operate independently of conventional economic institutions. As Fig. 1 indicates, there are two forms of institutional rela-

tions in the complementary economy. While work is unpaid in both, in inter-household activity it consists of what Bulmer (1986) referred to as 'neighbouring' or voluntary work. The LETS scheme fits most closely into this sector of the economy. However, LETS activity is not voluntary work since it involves *reciprocity*. Rather it is a form of community-organised exchange based on reciprocity which is formalised by being recorded in local currency (Williams, 1996a). It differs from neighbouring which is generally unrecorded reciprocity (e.g. lending tools). A LETS also involves multilateral exchange in that a 'debt' can be repaid to anyone else in the system not only to the person from whom it was incurred. As Wheelock (1992, p. 135) points out, such activity within the complementary economy 'may be the result of the market constraints of increasing poverty; on the other hand, it may be the result of increasing affluence and a relative separation from economic constraints, represented by the adoption of a personalised life-style'.

There are also important differences between the formal economy and a LETS in the nature of 'money'. Fundamentally, the LETS currency is locally valuable only. Additional 'money' is created not by a central bank but by the users (via demand for goods and services) without affecting the value of the currency (there is no inflation). Since no interest is charged on 'debts', non-productive finance capital is absent from the LETS system. Neither is profit accumulation an important objective since trade can be engaged in by those in deficit. In a LETS 'money' is not commodified. A LETS currency is more a pure means of exchange and less a store of value. In both a local exchange trading system and the capitalist economic system the worth of the currency depends on confidence in its

**Table 1.** Goods and services available for trade in the Skye LETS (and comparison with two urban LETS)

	Skye		West Glasgow		Kelvingrove	
	No. of offers	%	No.	%	No.	%
Accommodation and storage (e.g. rooms, workshops)	3	2.1	2	0.7	2	0.7
Arts and crafts (e.g. screenprinting, glass painting)	18	12.8	16	5.9	39	13.6
Building and trades (e.g. plumbing, labouring)	12	8.5	12	4.4	8	2.8
Caring (e.g. childminding, pet sitting)	23	16.3	46	17.0	39	13.6
Food (e.g. baking, fruit and vegetables)	10	7.1	17	6.3	15	5.2
Garden and landscape (e.g. woodcutting, seedlings)	11	7.8	15	5.6	12	4.2
Health and personal (e.g. massage, hairdressing)	12	8.5	29	10.7	39	13.6
Household and clothing (e.g. utensils, knitwear)	14	10.0	26	9.6	28	9.8
Leisure (e.g. aerobics, music)	5	3.6	18	6.7	16	5.6
Office, computing and business (e.g. DTP, word processing)	8	5.7	37	13.7	37	12.9
Transport (e.g. car hire)	9	6.4	23	8.5	18	6.3
Tuition (e.g. music lessons, pottery)	16	11.4	29	10.7	33	11.5
Total	141	100	270	100	286	100
No. of members	35		50		90	
No. of offers/member	4.0		5.4		3.2	

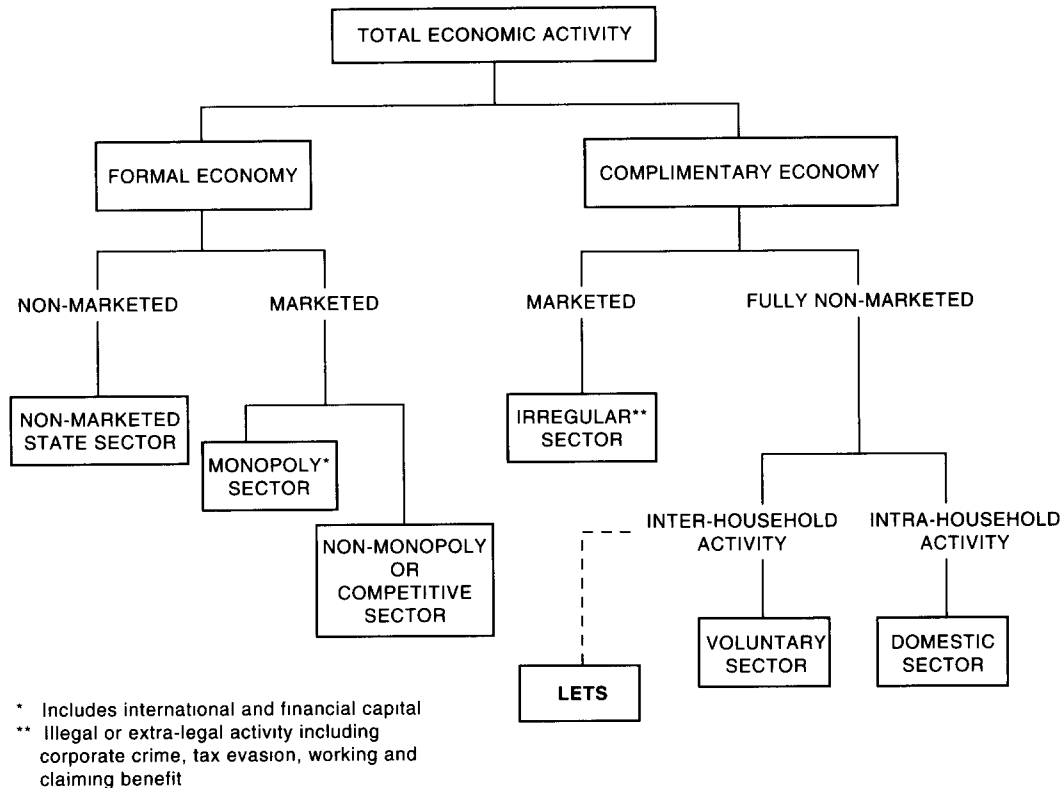


Figure 1. A general model of economic activity within a developed economy. (Source: Adapted from Wheelock, 1992)

exchange value. Significantly, however, whereas in the formal market economy trust in the validity of a currency implies trust not between individuals but in the infrastructure responsible for its administration (the state and banking system), the LETS philosophy is based on belief in the idea of exchange grounded in *inter-personal* communal trust as represented in a local economy.

### The goals of LETS

LETS have both economic and social objectives (LetsLink UK, 1994a). A principal economic objective of a LETS is to facilitate 'import substitution' in its locality in order to promote a local economy that is less reliant on external sources of goods and services (Lang, 1994). Significantly, the LETS perspective does not imply isolation from the formal economy and restriction to internal resources and local markets. As Dobson (1993, p. 165) concedes 'our community economic goal is self reliance not necessarily a self-sufficiency which is, in our crowded and developed world, probably not possible'. A successful LETS community requires members with both a strong feeling of local identity and a global outlook. It also presupposes a social ethic or morality which accepts a degree of 'responsibility for each other' (Ignatieff, 1985, p. 10) to the extent that within a LETS 'some individuals such as the very

young, the very old or the infirm, might constantly receive more than they give, balanced by others' preponderance of giving over taking' (Dobson, 1993, p. 157). Most significantly, in financial terms, the LETS strategy of disengagement from the capitalist money economy through use of a non-commodified fictitious currency ensures that the circulation of LETS capital remains wholly within the local community system.

### LETS in rural areas

Local exchange trading systems have developed in the rural areas of most advanced capitalist societies (LetsLink UK, 1994b). According to Williams (1996a), by late 1994 46% of the 275 LETS in the U.K. were located in rural areas. In addition the U.K. government's White Paper on rural development identified local exchange trading systems as a means of encouraging local initiative and voluntary action (DOE/MAFF, 1995).

Despite the remarkable spread of LETS in the U.K. since the early 1990s, to reach a total of 350 by mid-1995 (LetsLink UK, 1995), and their potential for promoting the re-localisation of economic and social relations, with the exception of recent work by Williams (1996a-d) few detailed studies of LETS are available. Further, in terms of geographical

distribution, all previous research has focused exclusively on England with no published work currently available on LETS in other regions of the U.K. The findings presented in this paper represent part of a larger research project designed to illuminate the geography of LETS in Scotland.

LETS members in the north of Skye and relatively limited trade links between the northern and southern parts of the island. More generally, some broad comparisons between the Skye LETS and other rural LETS in U.K. are shown in Table 2.

**The Skye LETS**

The local exchange trading system on the Isle of Skye was formed in July 1994 and currently has 35 members. It is one of 21 LETS in Scotland (Fig. 2) and one of only two island-based systems. The location of members (both those who engaged in trade during the past year, and non-traders) is shown in Fig. 3. This indicates a greater concentration of

**Membership profile**

A questionnaire-survey designed to collect information on the membership profile, trading activity and members' views on the operation of the system was sent to all members of the Skye LETS in July 1996. Twenty-two replies were received representing a response rate of 63%. The survey data were supported by informal interviews with the LETS organisers. The empirical findings are summarised in

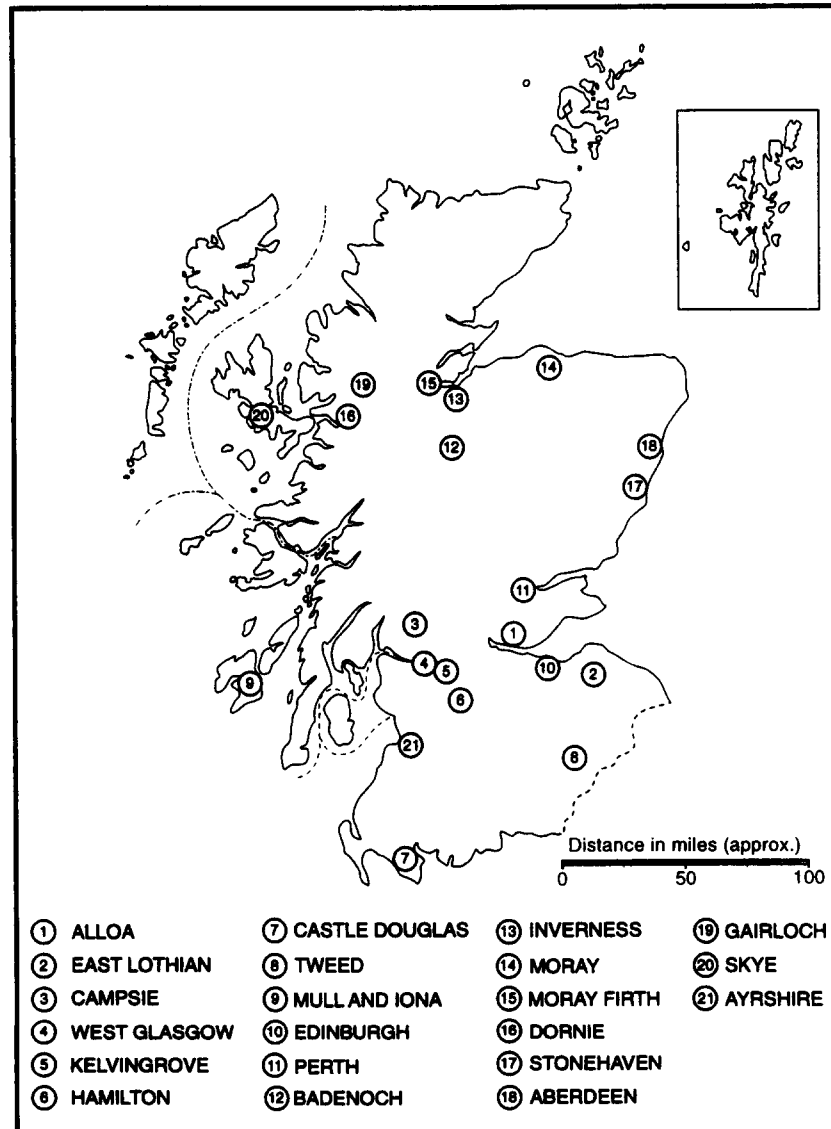


Figure 2. Location of LETS in Scotland, 1996

Fig. 4 which provides an overview of the Skye LETS in terms of 15 key dimensions.

The survey revealed that 59% of the membership was aged 36–55 years; 59% was female; 41% were married and 65% lived in households with no children under 16 years of age. Two-thirds of LETS members lived in owner-occupied accommodation and one-third in privately-rented housing, a tenure structure which reflected the traditional significance of crofting on Skye. This particular socio-cultural context was also evident in the predominance of self-employment, low unemployment rates and in the pattern of multiple job holding among LETS members. The major forms of ‘off-croft’ economic activity involved manual work such as blacksmithing,

painting and decorating, pottery-making and general labouring. The employment-social class profile of the membership was reflected also in the level of educational qualifications obtained, with fewer than one in four having a university degree (Fig. 4). A majority of LETS members had lived on the island for less than ten years (having moved to Skye from places as far afield as London, Bristol, Edinburgh and Spain). For incomers the length of time on the island ranged from one year to 22 years (with the average being seven years). Incomers included a married couple from Nottingham who had lived on Skye for seven years, a single male from Bath (six years), and a nuclear family from Sussex (seven years). The majority of incomers (and, as we shall see below, the majority of all LETS members),

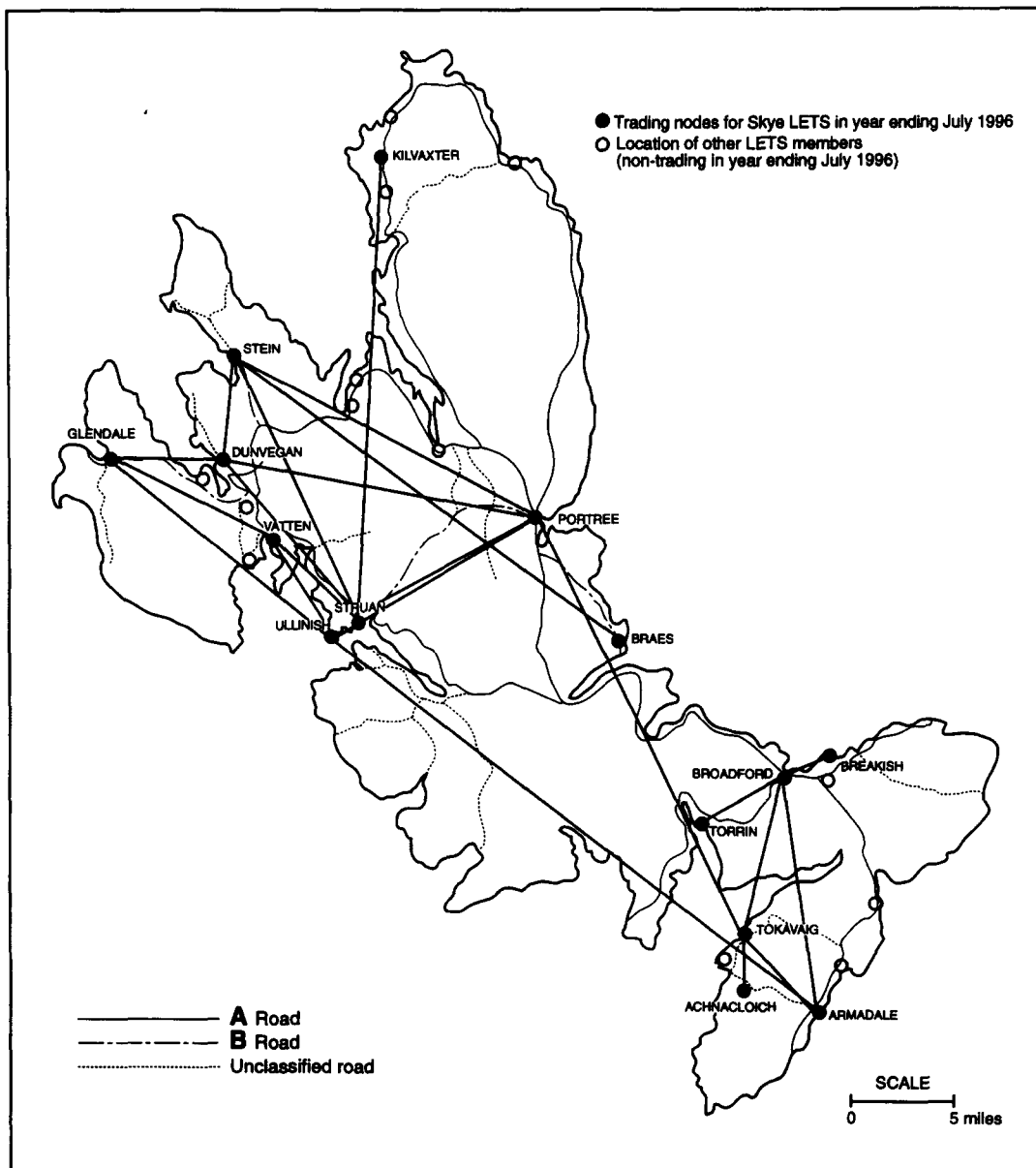


Figure 3. Trading linkages and locations of non-trading members in Skye LETS for year-ending June 1996

**Table 2.** Comparison of selected characteristics of rural LETS in U.K.

	U.K. rural LETS	Totnes LETS	Skye LETS
Number of members	73	250	35
Annual turnover	£5526	£39539	£2475
Annual level of trading per member	£75.70	£153.39	£70.71
% Membership female	58.2	73.0	58.8
% Members incomers to area	44.4	73.0	82.4
% Members unemployed	20.4	19.0	11.8
Number of business members	1.36	2.0	1.0
% 'Green' members	76.9	N/A	52.9

joined the LETS primarily for economic reasons although almost one in three of those citing a principal economic motive also referred to social-community reasons for their involvement. Of those whose motives were primarily economic two-thirds expressed this in purely financial terms (e.g. 'I joined to save money'), while one-third advanced a more ideological rationale (e.g. 'I joined to support what seems an ethically good idea'). Examination of the employment-education-social class characteristics of the membership (Fig. 4), and in particular of those citing ideological reasons for joining the LETS, did not afford strong support for the existence of the kind of 'disenfranchised middle class' identified by Williams (1996a) in Manchester. Most members of the Skye LETS were in employment and were seeking to use the system to improve the economic and social condition of their daily lives.

When questioned on their reasons for joining the LETS the principal motives advanced by the membership in general referred to:

- (1) the potential economic advantages — 'The LETS is a viable alternative to the normal economy; its a good way of exchanging goods and services when cash is not available' (S4). 'I joined to save money' (S7). 'I'm a manufacturer of pottery and it seemed a good way of increasing sales' (S10).
- (2) feelings of community solidarity — 'It helps to develop a community spirit' (S6). 'It is an excellent scheme which represents a way forward for local communities' (S12).
- (3) an attraction to the ethos of the concept — 'I joined to support what seems an ethically sound idea' (S1). 'I enrolled to offer services and as a means of returning to a more honest form of trade' (S6).
- (4) a desire to develop social contact — 'I wanted to get to know local people' (S3). 'You get to meet people — and buy and sell stuff with no money' (S5).

### Trading activity

The annual turnover of the LETS for the year ending June 1996 amounted to 2475 Skyes (Sk). This represented a reduction from a turnover of Sk3144 for the first year of activity, and compares with a U.K. national average annual turnover of £6006 (assuming parity between local currencies and sterling). In terms of trading per member the figure of Sk70.71 for the period 1995–1996 compared favourably with that of 81.50 (groats) for the urban-based West Glasgow LETS. The majority of members had been engaged in between 1–4 transactions during the preceding 12 months (Fig. 4). Significantly, one-third of the membership did no trading in this period. More detailed insight into members' trading activities may be gained by considering two individual examples.

In the course of the year 'Fiona', one of the more active members of the LETS, engaged in over 60 transactions. She 'sold' home-grown fruit for 60 Sk, clothes for 20 Sk, books for 20 Sk and natural herbal therapies for a total of 105 Sk, making an overall 'sales' total of 225 Sk. She also 'bought' fencing for her fruit garden at a cost of 60 Sk, some plants and vegetables (40 Sk), home baking (18 Sk), and obtained the services of a knifesharpener (3 Sk), woodcutter (20 Sk), and grasscutting (40 Sk), making a total outlay of 181 Sk. The fact she ended the year with a positive trading balance of 44 Sk has no accounting significance within the LETS since, as we have seen, the concepts of 'profit' and 'loss' and 'credit' and 'debit' which dominate the commercial balance sheet have no real meaning in the context of a LETS. Of greater significance is the fact that by actively engaging in trading 'Fiona' has encouraged the circulation of local capital within the system.

'Calum' is a local manufacturer and retailer of pottery who accepts local currency in his shop as an 'act of faith' in the system. In the past year he accepted a total of 300 Sk for his pottery while expending 20 Sk on a filing cabinet and a further 20 Sk on some willow cuttings. Unlike 'Fiona', 'Calum' is in deficit to the sum of 280 Sk on the years trading activity. While this is of no immediate concern to him it is important for the continuing health and future development of the LETS that *excessive* 'credit' or 'debit' balances are avoided and that a sufficient number and range of goods and services are available for members to trade, with a view to centring the trading balance around zero both for individuals and for the system as a whole.

Examination of the types of transactions completed (Fig. 4) revealed a predominance of trade involving food (25%) and gardening (19%) and services.

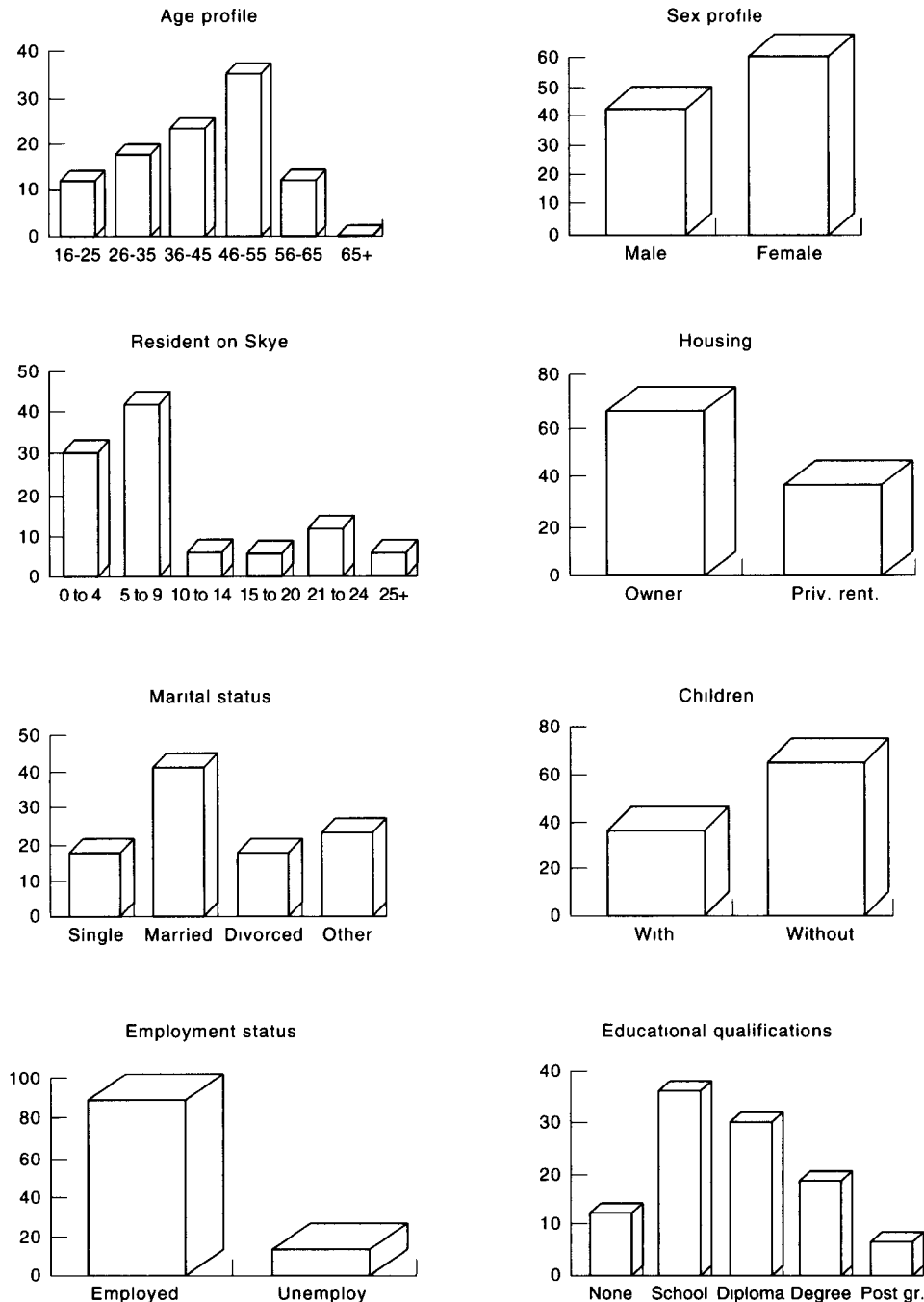
Clearly the patterns of trading reflected the personal characteristics and perceived needs and interests of the membership, as well as the opportunities provided by the local environment.

**Practical advantages**

Over three-quarters (77.3%) of respondents reported real benefits from membership of the Skye LETS. Of the remainder, some expressed ‘disillusionment’ (S15), while others offered the view

that ‘the idea is good but its not working for me’ (S14). Positive evaluations of the operation and impact of the LETS emphasised the tangible economic benefits which stemmed from the system ‘making trading possible between people who have little or no disposable income’ (S2) and the fact that ‘it doesn’t cost anything to be involved in trade’ (S9). For one active member, the LETS ‘extends the kind of informal bartering system that already operated among my friends’ (S5).

Those who engaged in trade over the past year felt that ‘there is a wide range of useful goods and



**Figure 4.** Profile of the Skye LETS on 15 key dimensions



services available' (S16), although clearly those who were non-traders in the year took a contrary view. The record of transactions for the year ending July 1996 identified a variety of goods and services in trade. These ranged from general labouring work (e.g. gardening, woodcutting) to desk-top publishing and included transactions involving food (baking, fruit, vegetables, fresh pork), household utensils (cooker, heater and Hoover), handicrafts (candles, pottery, greetings cards), clothing, plants, books and

tapes as well as services including aromatherapy and knifesharpening. In addition to the economic benefits members also identified the beneficial effect of LETS activity on social and community life in their locality. Specific comments emphasised the way in which LETS membership affords opportunities to learn skills (such as music or languages), helps people to meet socially, develops a 'communication network', promotes a community spirit, and enhances individual self-esteem and confidence by

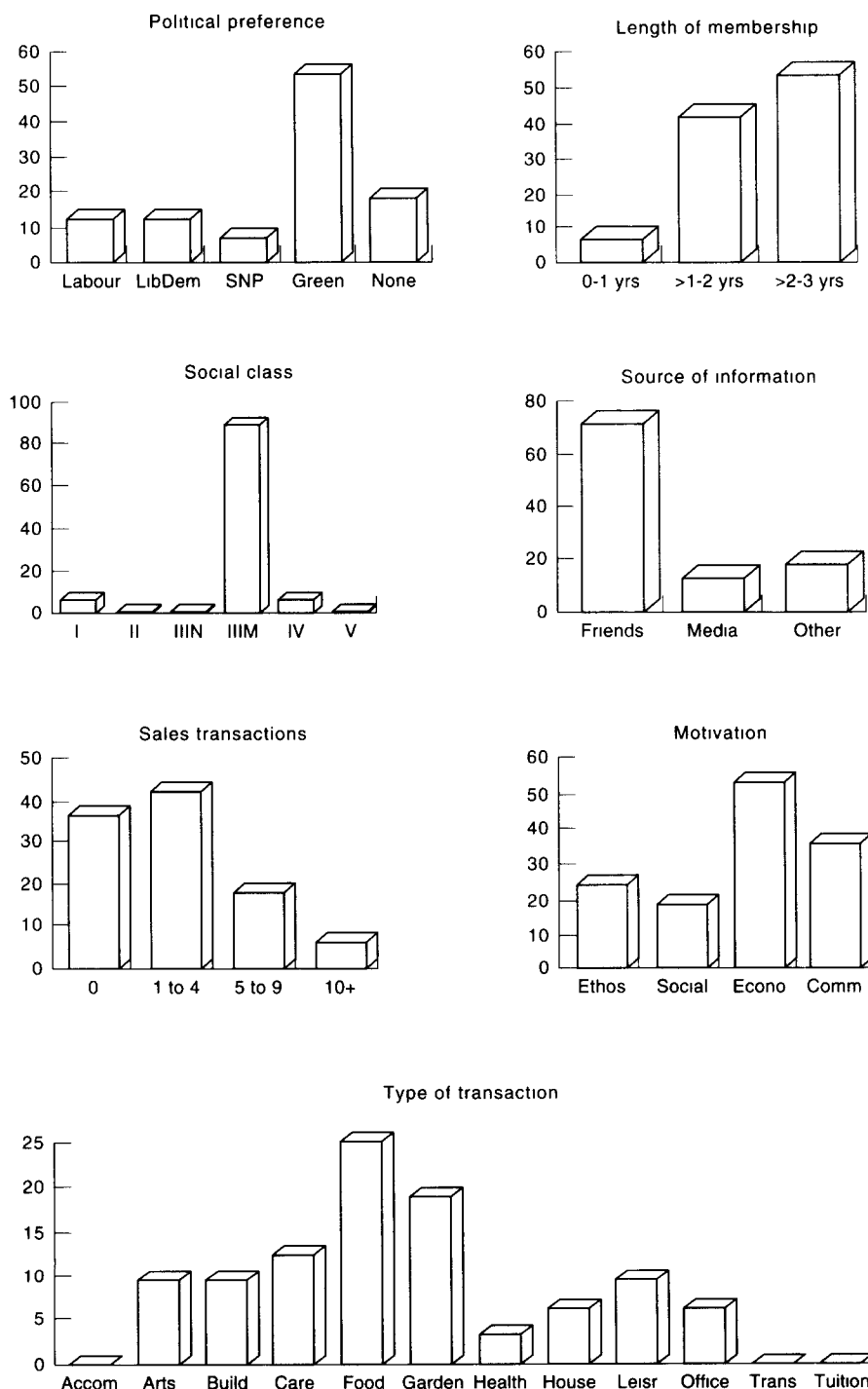


Figure 4. continued

valuing people's skills. In general those who engaged in trade in the Skye LETS found the experience to be economically and socially rewarding.

### Obstacles to growth

A fundamental problem encountered by all LETS is the limited amount and cautious growth of trading activity in the early phases. In purely economic terms, most LETS exhibit a fairly limited volume of trade by value. The Stroud LETS, one of the most successful in England, has a monthly turnover per member equivalent to only £15, while in the Westport County Mayo LETS the corresponding figure was £20 (Douthwaite, 1996). In a survey of five English LETS Seyfang (1994) found that even when the least active 30% of members were excluded turnover per head ranged from only £75 to £220 per year. As Rotstein and Duncan (1991, p.425) observed, 'networks often get off to a very slow start and tend to stagnate during a 'wait and see' period before commencing solid and steady growth. Since there is less pressure to grow than in a commercial network, the community systems are often structurally capable of idling for long periods at a low level of activity'. This conclusion is confirmed by the experiences of some members of the Skye LETS who considered that: 'In practice the system seems to be rather passive with not enough trading going on' (S1) and that: 'It's a good idea but in practice there have been few benefits to date because of lack of growth in the system' (S7).

More specifically, the principal reasons identified to explain the limited amount of trading referred to:

**Lack of Time** — 'Most people on the island are busy doing numerous jobs and don't have the time or inclination for a LETS scheme; they would rather just pay cash' (S17).

**Lack of Awareness** — 'There needs to be much greater marketing and publicity about LETS on the island' (S3). 'The LETS desperately needs a higher profile and more publicity' (S4).

**Lack of System Confidence** — 'Dynamic people are needed to operate the scheme' (S3). 'The initial enthusiasm seems to have run out of steam. I am on the committee and feel fed-up trying to make the things we agree on actually happen. There should be more regular statements and meetings to maintain interest' (S8).

**Lack of Self-Confidence** — 'More effort is needed to encourage people to trade and to show them they do have something to offer in a LETS' (S12).

**Lack of Confidence in the Pricing Mechanism** — 'Some people are greedy — charging for 'little favours' not normally bought' (S12). 'I would prefer a simple bartering system instead of using a local currency' (S1).

**Economic Conservatism** — 'I don't want to get into too much debt and no-one seems to want my services. People, including myself, seem nervous about really jumping into LETS trading' (S5).

**Lack of Contacts** — 'The network is poorly organised; directories need to be updated more regularly to foster useful contacts among members, especially those who have not yet met face to face' (S13).

**Lack of Indigenous Involvement** — 'A problem is that on Skye people are very independent and self-contained, although they do help each other informally quite a lot' (S1). 'Local people are apathetic about LETS' (S17). 'There is a tendency for locals to be resistant to anything new or alternative to what they are used to' (S12).

**The Friction of Distance** — 'The main problem on Skye is one of distance. Skye is quite a big island with LETS members spread thinly in a very low population density. Consequently to receive a service at the other end of Skye may involve a 150 mile round trip. This makes opting for a LETS approach an expensive choice unless the service is provided within one's own peninsula' (S10). 'The fact that the population lives in small scattered communities throughout the island means that a lot of travelling is involved and this adds to the expense. I think a rural LETS finds it difficult to overcome the effect of geography' (S4).

A second basic problem which acts as an obstacle to growth is the need to expand the range of goods and services available within the system (Table 1). For some members of the Skye LETS:

- (1) 'There are not enough everyday useful services available' (S2).
- (2) 'Too many people offer similar services' (S13).
- (3) 'Nobody has ever offered a service that I'm interested in' (S14).

Comparison of the goods and services available in the Skye LETS directory with the actual pattern of trading over the past year identifies an imbalance in some fields with, for example, a surplus of arts and crafts, health and personal, and tuition-related goods and services, and a deficit of food and gardening items for trade (Table 3). In order to advance to a situation of sustainable growth the LETS needs to address successfully this range of general and local contextual problems. The next

**Table 3.** Comparison of directory-listed goods and services with those traded in the past year

	Directory (% total)	Traded (% total)	Surplus/deficit* (in directory)
Accommodation and storage	2.1	0.0	+2.1
Arts and crafts	12.8	9.4	+3.4
Building and trades	8.5	9.4	-0.9
Caring	16.3	12.5	+3.8
Food	7.1	25.0	-17.9
Garden and landscape	7.8	18.8	-11.0
Health and personal	8.5	3.1	+5.4
Household and clothing	10.0	6.2	+3.8
Leisure	3.6	9.4	-5.8
Office, computing and business	5.7	6.2	-0.5
Transport	6.4	0.0	+6.4
Tuition	11.4	0.0	+11.4

\*A negative figure indicates unmet demand for a particular good or service, while a positive value represents a relative oversupply.

section of the paper considers how this may be achieved.

### Discussion and prospective

The concept of a local exchange trading system was introduced to the U.K. from Canada in 1984 (Linton, 1986) with the first LETS being established in Norwich in the following year (Lee, 1996). The idea gained momentum in the early 1990s and between 1992 and 1994 the number of functioning LETS in the U.K. rose from five to over 300 with a combined membership of more than 20000 (LetsLink UK, 1994a).

The Skye LETS has reached the stage of seeking to expand the volume and range of goods and services in trade in order to achieve economies of scale. An enhanced membership could also reduce the frictional effect of distance on inter-personal contacts and increase trading activity on the island. Practical steps which other U.K. LETS have taken in pursuit of these goals include advertising strategies to heighten public awareness in the local area, recruitment drives in local libraries clubs and businesses, and local 'trade fairs' and markets to demonstrate the LETS concept to the community at large. Other strategies to expand the trading network include organising workshops (e.g. on car maintenance or food preparation) and social events to encourage members to meet face to face and thereby overcome any reluctance to initiate trade contacts. The LETS could also seek to involve local businesses, incorporate people with particular skills, and develop functional linkage with other agencies such as credit unions and voluntary groups.

In addition to these general development strategies the particular local context of rural areas such as

Skye demands a more specific response to the challenge of fostering growth. In terms of the Skye LETS the nature of the local resource base, an employment structure heavily dependent on the service sector, and a crofting tradition identified food production as an area with the potential to expand both the membership and trading activity of the LETS. Food is a daily necessity and its local importance was reflected in the pattern of trade engaged in by LETS members (Table 3 and Fig. 4). The development of a 'LETS food co-operative' is in accordance with the crofting tradition of local production and would develop a mutually-beneficial and direct link between producers and consumers. This philosophy has been pioneered in the small town of Great Barrington, Massachusetts where a local organic market garden covers its high winter heating bills by 'pre-selling' its produce to consumers using a local currency redeemable at the farm when the crop is ready. In Scotland, the 45 members of the Ayrshire Growers Co-operative pay a fixed amount (£180) each year and in return receive a regular supply of organic fruit and vegetables in season. Similarly, the Stirling LETS food co-operative charges members a fee payable in local currency which can then be used to pay workers to collect, pack and deliver organic produce to the members. The use of local currency for transactions has the ability to increase turnover in the LETS. The scheme would also enable members to meet more regularly, for example, at markets. The restriction of trading to members also enables the LETS to legally circumvent EU regulations governing the commercial preparation of food, the implementation costs of which could undermine the viability of small scale local production. A major difficulty in realising such a proposal is the fact that the global economy and internationalisation of agricultural markets has meant that agricultural produce may be obtained from overseas more cheaply than it can be grown

locally. Continuing pressure on the agricultural support mechanism of the CAP will further price higher-cost agricultural areas out of the market. It would be unrealistic to expect residents of Skye, or other rural areas, to pay a premium to consume local fruit and vegetables. (Equally unsustainable, however, is the current practice whereby fish sold by a supermarket chain store on Skye is caught in local waters and sent to Grimsby for processing and packaging before returning to the supermarket shelves). Since intensification of production is beyond the capacity of the local land resource a more fruitful alternative strategy could be to develop a local niche in the growing market for organically-produced crops (Clunies-Ross and Cox, 1994). The dependence of organic farming on local inputs (such as labour and manure) facilitates trade in local currency, while the concepts of sustainability and re-localisation of economic and social relations are central to the LETS approach.

Further development of the concept and extension of the LETS scheme on the island would be aided by a degree of financial and administrative assistance from a sympathetic local authority. To date, the growth of the Skye LETS has depended on the grassroots efforts of interested local people, with little support from the local state. The use of council vehicles for transport of trade goods, for example, would ease the barrier effect of distance on transactions between north and south Skye (Fig. 2). The development of a more integrated island-wide network of LETS members could encourage local service providers, including the local authority, to trade in local currency. (The local council in Manchester already accepts part payment of rent in local currency). Evidence from the use of a local currency during the early 1930s in the Austrian commune of Worgl (Gaitskell, 1936) suggested that within local context a LETS network coupled with adoption of a local currency could provide a number of advantages. Such a system could enable a financially-constrained local authority to pay part of its wage bill in local currency thus retaining staff (thereby reducing unemployment) and maintaining levels of service provision for residents. Use of the local currency would also conserve the authority's holdings of real currency (which would accrue interest from the formal financial sector). Furthermore, depending on the extent to which it was generally accepted, the local currency would stimulate activity in the local economy. Progress towards an extended system of this kind, however, depends not only on the willingness of the local authority to act as system catalyst but on LETS members achieving a reconciliation between the concept of government involvement and the LETS principle of independence from formal economic institutions.

## Conclusion

There are, as yet, relatively few empirically-informed studies available of LETS in rural Britain. What is evident is that in terms of number of members and volume of trading LETS activity represents a tiny proportion of GNP. It can be argued, however, that such a conventional economic indicator is an inappropriate yardstick against which to measure the success of a concept which embraces social and community as well as economic goals. The value of a LETS is more properly gauged in terms of its use-value to members rather than simply in terms of the exchange value indicated in turnover or trade figures. A successful LETS can perform an enabling role both economically and socially by providing a substitute for the increasingly attenuated kinship networks which characterise contemporary society, by fostering community spirit in a locality, enhancing self-esteem by valuing skills and, through provision of interest-free credit, bringing individuals into the circle of exchange and thereby providing them with materials and services and an opportunity to enrich their lives. It is important to understand, however, that LETS do not represent a local solution to the economic whirlwind of global capitalism. They are not alternatives to the formal monetary economic system, but are complementary to it. The LETS objective 'is not to achieve near self-sufficiency of supply, but to strengthen the structure of self-help capability, in the full realisation that the vast majority of goods and services will continue to be provided by and from the formal economy with its medium of money' (Offe and Heinze, 1992, p. 199). To be successful, all LETS must overcome the general barriers to growth identified. As this research has demonstrated rural areas, such as Skye, present additional obstacles for the development of a local exchange trading system. However, the socio-spatial context of such areas can also provide particular opportunities for the growth of a LETS. The development of a successful rural LETS is dependent not only on community adoption of the ethical principles of solidarity and reciprocity which underlie LETS trade but also on the identification of a sound foundation for LETS activity based on a synergetic relationship between people and environment which acknowledges the obstacles and opportunities provided by the particular local socio-cultural milieu.

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