**LET’s start new a LETS: Learning from a case-study investigation in Brno, Czech Republic**

*Začněme s LETS: poučení z případové studie (Brno, Czech Republic)*

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**Abstract**

This paper brings information about the operation of RozLEŤSe, a LETS (Local Exchange Trading System) network, based in Brno. LETS are parallel sustainable monetary systems, in which local community networks attempt to extricate themselves from the international economy by using their own currency. LETS is supposed to promote sustainable development by localising economic development. Although, there used to be several LETS group in the Czech Republic, all of them vanished during the first few years of the new millennium. RozLEŤSe was built from the remains of former LETS groups. Hence, the aim of this study is to determine possible threats to the future existence of the group and evaluate its current operations. This research is a sociological case study investigation examining the socio-demographic characteristics, motivations and organisational functioning of the group. We point out some serious threats to the group (lack of supply, growth in negative credit, decrease in trust) and offer possible solutions.

*Abstrakt*

*Tento text přináší poznatky ohledně fungování skupiny RozLEŤSe (LETS), což je brněnský místní systém výměnného obchodu. LETS představují paralelní udržitelný peněžní systém s vlastní měnou, díky kterému se může místní komunita stát nezávislou na mezinárodní ekonomii. Skrze ekonomickou lokalizaci by měly LETS napomáhat udržitelnému rozvoji společnosti. Přestože v České republice existovalo několik podobných skupin, všechny se na přelomu tisíciletí rozpadly. Samo RozLEŤSe vzniklo na základech bývalé LETS skupiny. Kvůli tomu jsme se rozhodli provést případovou studii mající za cíl popsat možné hrozby pro budoucí existenci této skupiny. Tato studie spočívá v analýze a zhodnocení jejího současné fungování. V rámci ní jsme se zaměřili na výzkum socio-demografických charakteristik lidí v RozLEŤSe, na výzkum jejich motivací a analýzu fungování skupiny. Upozorňujeme na některé vážné hrozby, které pro skupinu představuje zejména nízká nabídka zboží a služeb, rostoucí zadlužení pasivních členů a pokles důvěry. Na základě předchozích výzkumů pak navrhujeme možná řešení.*

**Key words**: Local Exchange Trading Systems (LETS), community currencies, sustainable development, RozLEŤSe, case-study investigation

*Klíčová slova:* LETS (*místní systém výměnného obchodu), místní měny, udržitelný rozvoj,* *RozLEŤSe, případová studie*

1. **Introduction**

In the last decade (especially after the economic crisis in 2008), community currencies have been a growing form of sustainable monetary systems, which exist beyond control of classic economic institutions such as banks or governments. There are more 4,000 forms such of community currencies all around the world (Blanc and Fare 2012). Community currencies such as local currencies are a sort of complementary currency, which is a generic term for alternative exchange systems. “A wide range of complementary currencies have been springing up in developed and developing countries since the 1990s as a response to social, economic and environmental needs, in the form of skills-exchanges, modern-day barter, green versions of supermarket reward schemes, and even notes and coins” (Seyfang, 2009:141).

Local Exchange Trading Systems (LETS) are among the most popular models of the broad variety of complementary currencies. There are about 250 LETS in the world registered in the Online Database of Complementary Currencies Worldwide, servicing almost eight hundred thousand members.[[1]](#footnote-1) Compared to classic barter system, where services and goods are exchanged directly between participants, LETS are used as a medium in the form of local currency (virtual or printed) which allow participants to trade member-to-member within the entire community. Technically speaking, LETS represent “membership clubs using a virtual currency created at the moment of transaction as a credit for the seller of a good or service and a debit for the buyer” (Dittmer, 2013:3).

Within a LETS, participants can offer or request goods and services through a website (like Cyclos[[2]](#footnote-2)), newsletter, notice board, or meetings. Actual transactions are negotiated and realized usually between two members of the LETS group, where the provider receives some kind of tradable credit[[3]](#footnote-3) from the buyer. “Local currency is not issued by a bank but by its members; therefore, this money is theoretically unlimited and economic activity need no longer be restricted by a lack of money” (Caldwell 2000: 4). The system is often managed by volunteers, who are simultaneously participants and administrators.

 “Community currencies have been promoted as tools that can contribute towards the three pillars of sustainable development” (Seyfang and Longhurst 2013: 67). According to many authors[[4]](#footnote-4) LETS have a great potential for addressing current economic, social, and environmental problems, e.g. by building community and local economic circuits, supporting alternative values, allowing for the realization of alternative livelihoods, contributing to eco-localization (Dittmer, 2013), creating environmental awareness, resource-sharing (Collom 2011, Seyfang and Longhurst 2013), and opening access to goods and services to those who might otherwise be financially excluded or unable to find formal employment (Williams et al., 2001).

Despite the fact that LETS groups have such potential, both internal and external barriers prevent them from achieving the kinds of impact they initially promised (see section 5.2 in Seyfang and Longhurst 2013: 73). Some authors have already described the decline of LETS systems, which is usually caused by disagreement about how a group should be operated, an insufficient supply of goods and services (e.g. a lack of food and skilled and manual labour), or by geographical distance between members (see Crowley 2004, Schraven 2001). Surveys such as that conducted by Williams (2001) have shown that ideology (e.g.. environmental) usually attract the attention of people ready to join LETS, but fail in achieving practical needs and achieving a sufficient number of active members. Crowly, who carried out similar investigations in Ireland, would agree. Additionally, he suggests three conditions which could prevent the decline of LETS:

*“Firstly, that the range of goods and services needs to be expanded, so that people can get what they need from it. Secondly, it needs to become less like an environmentalist club that spreads by word-of-mouth, and a broader membership targeted through local publicity campaigns. Thirdly, there needs to be more equity of payment for work performed by all members so that social inequality is not reproduced within the LETS.” (Crowley 2004: 29)*

The same trends observed in Western countries have been described in the Czech Republic too. During the 1990s, the first complementary currency groups were established by environmental movement activists in Prague, Brno, and České Budějovice. Jelínek reports that their main purpose was to enable and promote environmentally-friendly behaviour more than to meet everyday needs (2011). These groups vanished at the beginning of the new millennium because of “fatigue of the LETS organizers”, “little real economic need for bartering of the LETS members”, and “other priorities of the LETS organisers, who were closely connected with environmental organizations.” (Jelínek 2012).

 After several years without a working LETS group in the Czech Republic the RozLEŤSe group was established in Brno in November 2010. Subsequently, they started regular trading after adopting the Cyclos software in February 2011, and after two years they had 41 active members. In order to analyse potential threats to this young group, we have conducted both a transaction network analysis[[5]](#footnote-5) and a questionnaire survey. We posed the following main questions: 1. Who uses the RozLEŤSe network and how? 2. What are the motivations for their participation in RozLEŤSe? 3. What kind of goods are traded? 4. How content are participants with the group and trading? 5. What factors or barriers limit access and participating in LETS?

Although the great potential of LETS for sustainable development is highlighted, so far, there has been little discussion about the malfunctioning of these systems. This article investigates the operation of the RozLEŤSe LETS with a special focus on potential threats. This study allowed us to compare our results with similar research from abroad. It could supply useful information for people, who would like to start a LETS in Central Europe.

The next section (2) provides an overview of the current situation of the group and the research and sampling methodology. That section is followed by a summary of results (3) and a discussion (4) where broader theoretical LETS interpretations are discussed. The last chapter (5) assesses the operation of the RozLEŤSe group and informs those interested in starting LETS group of possible threats.

1. **Sample and methods**

 As explained in the Introduction, we suggest the combination of qualitative and quantitative methods as optimal for studying LETS, and we apply this complex approach in the case study of the RozLEŤSe initiative in Brno, Czech Republic.

During the spring 2013, several interviews with key contact persons from RozLEŤSe were conducted regarding the history, organizational structure, decision making processes, and activities of the group. Our research project was presented to the group at one of its regular meetings, and then access to the transaction data and the distribution of the questionnaires were arranged.

The questionnaire survey was designed after we had gained data from transaction network analysis. We acknowledge that to understand the transactional data it is necessary to combine them with qualitative insights and an understanding of the group. However, to present all results of the transactional research is beyond the scope of this paper. In order to better understand the features of the RozLEŤSe group, we present only a few relevant numbers: 1. there are 89 members who have traded at least once and 41 active participants; 2. the number of transaction per month range from 50-100; 3. the amount of cash flow is about 15,000 BRK[[6]](#footnote-6) per month; and 4. the most frequently traded things within the group are second-hand goods, services (especially massages and therapy), and processed food.

For this small study, the online questionnaire survey was used to explore the socioeconomic profile of the members, their history and interactions within RozLEŤSe, their motivations for participation, and their views about the functioning of their LETS system. The questionnaire was distributed during June and July 2013. An electronic form with both open and closed questions was distributed to all RozLEŤSe members by email, and subsequently a printed version of the form was distributed during the RozLEŤSe meeting in June 2013. Of the 89 subjects to whom the questionnaire was sent, just one third returned the form.[[7]](#footnote-7) All questionnaires were analyzed both qualitatively (open questions) and quantitatively (closed questions).

1. **Research findings**

*Sociodemographic data*

Of the 25 respondents, 14 were female and 11 male. The average age of the respondents was 40 and ranged from 22 to 63. Most of them are younger than 30. Education levels education age, occupation, and household type ranged broadly. Most respondents (16, i.e. 64 %) had a university degree, 9 completed at least some college education. Most respondents (five) worked in the service sector, four were employed in education and academia, another four were worked in manual professions, four more worked in business, three homemakers, another three had artistic professions, and one was retired. Most of the respondents (ten; i.e. 40%) lived in a family with children or in a household with a partner (seven). Others lived in a shared flat, single household or lived with their parents. Five respondents described themselves as being lower class, 13 and middle class, and six upper class. Their monthly household expenditures ranged from 12 respondents spending up to 10,000 CZK (400 Euro), another seven up to 20,000 CZK (800 Euro), and the remaining three up to 30,000 CZK (1, 200 Euro). Monthly expenditures in BRKs ranged then from up to 200 BRKs (nine respondents), up to 600 BRKs (six respondents), and two respondents spending more than 600 BRKs per month for their household. On average, the respondents spent 408 BRKs per month in RozLEŤSe which is about 25 times less than their average household expenses in CZK. In other words, they spent about 3.8 % of their household expenses in BRKs. The average duration of RozLEŤSe membership was 15 months; eight respondents were members from the beginning (25-30 months), seven respondents on the other hand were newcomers (participating for less than 6 months).

*Motivations to join the LETS group*

Regarding the motivations to join the LETS group, eight respondents became members of RozLEŤSe to meet new and interesting people, and to create and/or participate in a social network.[[8]](#footnote-8) Six people considered LETS to be an interesting, new (or even “sexy”) activity, and wanted to support such a project, seven also wanted explicitly to participate in non-monetary activity, at least partly to exit the current financial system or support alternatives. Four people wanted to exchange with others, three wanted to share their skills and make use of them.[[9]](#footnote-9) Often, the motivations were mixed: “I have joined RozLEŤSe to be able to barter things, meet creative people, participate in personal connections, and emancipate myself from the system” (*housewife, 29 years*).Only a few respondents indicated that environmental concerns motivated them to join LETS[[10]](#footnote-10): “I expect that LETS will be soon the only possibility for trading. I’m using the time left to learn and build self-sufficiency” (*retired female, 58 years*)*.* There were also only a few people who joined RozLEŤSe for economic reasons (but they were not unemployed).

*Motivations for trading*

Motivations for trading overlapped partly with motivations for joining the group, however, they were more varied. Again, the motivations to meet people, exchange and share were significant: “I enjoy my production especially when it is appreciated by others” (*locksmith, 48 years*). It was coupled on the one hand with the appreciation of new and interesting/original goods and services (six people), on the other hand with the intention to help others (three people). Environmental motivations were more explicit in this case: “I don’t like throwing away old things. I check first if somebody doesn’t demand something what is redundant for me, or offer something I need” (*masseuse, 32 years*), motivation formulated also shortly as “saving the Earth’s resources” (*labor, 57 years*). Several people also appreciated home-made products, food, and local materials.[[11]](#footnote-11)

*Participation in RozLEŤSe*

Regarding their participation in RozLEŤSe, 11 respondents considered themselves more active than others, another 12 felt the opposite. Most of the respondents (17, i.e. 68 %) are fully or rather satisfied with the frequency of transactions within the group. On average, it is fair according to them to balance the debts on individual accounts in 7.3 months with expectations ranging from 2 to 12 months. About one third of the respondents were satisfied with the supply of goods and services within RozLEŤSe, one third was rather discontent and the rest was undecided. Mostly the varied supply of traded goods was appreciated, but there was a widely reported (11; 44 %) lack of (local, home-made, organic) food, craft work and manual labor. Most of the respondents (14; 56 %) were fully or rather happy with the current way of pricing of goods and services, five (20 %) saw both its advantages and disadvantages, However, there was also strong criticism of the pricing present in the group: “I’ve learned during the three years to negotiate about the price so that there is a balance between giving and receiving. […] I think the exchange ratio of 1:1 [BRK:CZK] can’t work” (*masseuse, 32 years*). Another responsdent (*housewife, 29 years)*, on the other hand, would appreciate a “fixed conversion rate between BRK and CZK”, whereas yet another (*teacher, 40 years*) would like to have “the unified pricing of services according to time demands”.

*Evaluation of RozLEŤSe operations*

Despite partial disagreements, there was a strong accordance within the respondents about positives of RozLEŤSe. Nearly all of them appreciated the social spirit, personal interactions and alternative accent of the group. Also the self-sufficiency/independence,[[12]](#footnote-12) local scope, trust and helpfulness were mentioned several times. The variety of perceived weaknesses was wider, mostly connected to the practice of trading: little activity of some members, limited supply of goods and services requested by many (home-made food, skilled labor) on one side, and abundance of marginally useful products (trinkets, decorations) on the other. According to a *locksmith (48 years),* “Many people would like to take, but they bring only little. Those who produce something (e.g. basic foodstuff) can’t be sure they will be able to buy something useful with gained BRKs”. A related issue was that members can build quite a high credit (up to -10 000 BRKs) which enables them to buy for quite a long time without selling anything back. Several times also a significant geographical distance between the members, and some organizational inadequacies were mentioned as barriers.

1. **Discussion**

Previous studies have reported that some people are motivated to joint LETS because of the *inclusive potential* of these systems (Seyfang 2004). Several attempts have been made to describe how LETS empower socially excluded groups by enabling them to apply their skills, which are not valued on the formal market (Williams et al., 2001). Although we found rather mixed motivations for *joining RozLEŤSe, probably strongest one was* a willingness to be a part of a community[[13]](#footnote-13). Many of participants saw it similarly like the *32- year*-old *masseuse*: “…I saw in LETs mainly the forming of a social network.” Surprisingly, this kind of motivation is better for this group, because the participants are more interested in service to others (see Collom 163).

 Serious problems include insufficient supply (with regard to food, crafts, and manual labour). Some members of RozLEŤSe showed very low motivation to trading such as the 48-year-old *locksmith.* Crowley refers to a similar situation[[14]](#footnote-14) which happened after membership fell off in the West Cork LETS (2004: 20). The decline of group was caused by a lack of useful supply. Although, the supply of second-hand items within RozLEŤSe is environmentally friendly, the lack of a supply of basic needs makes the whole system suffer.

 A possible threat for the group could also be the fact that nearly half of the respondents feel more active than the rest. Some members complain about the passivity of the others, who do not care about the development of group, who do not have anything to offer (not even time), and who just profit from others efforts. Passive members[[15]](#footnote-15) are usually associated with ideologically motivated individuals who really deo not need to trade, who besides RozLEŤSe are involved inmany other activities, and who offer second-hand things instead of work or needed supply. These people pose a significant problem for the stability of the group[[16]](#footnote-16) mainly when they run up large negative credit (debt). Therefore, “those who produce have no warranty that they will get some goods or services ever”[[17]](#footnote-17) (*locksmith, 48 years*.*)* Whereas, low debt represents a commitment to the group and binds the local community together[[18]](#footnote-18), high dept causes derision in the group[[19]](#footnote-19).

 Previous studies have reported that the great distance between member’s residences is also a serious threat because members know each other less and time spent travelling is not counted.[[20]](#footnote-20) Some members of RozLEŤSe point out this problem. “Even local Brno is quite big and distances between members are relatively large” (s*cientist, 60 years*). Not surprisingly, most of the transactions are made at regular meetings of the group and in daily life.

1. **Conclusion**

This paper gives an account of the operations of a LETS group in Brno called RozLEŤSe. It set out to determine possible threats to the group’s existence in the future and to evaluate its current functioning. This study has shown that the significance of RozLEŤSe for members is not primarily economic, but social. One of the more significant findings to emerge from this study is that half of the group consider other members passive. It was also shown that the passivity of some members has serious impacts on how the group operates – resulting in a lack of supply, growth of negative credit, and decrease in trust. These results are consistent with those of other studies and suggest that LETS should be a community based not just on ideology, but rather on the exchange of goods and services. All members should know each other and actively trade with everybody. Things of daily need should be offered rather than second-hand items of questionable value. The group should be localized so that members can easily trade every day. These findings may help us understand how a LETS can operate healthily. The sustainable future of complementary currencies (not just LETS) remains an important issue for future research.

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1. Within this database, 32 initiatives are use the “LETS” acronym in their name, 18 describe themselves featuring a LETS type of exchange system, and ten are doing both. For details see<http://www.complementarycurrency.org/ccDatabase/les_public.html> (2013-01-10). [↑](#footnote-ref-1)
2. Cyclos is software for the administration of online payments for transactions within complementary currency systems. [↑](#footnote-ref-2)
3. “These local currencies are usually pegged to the national currency and are tracked electronically or by a checkbook system through a centralized administrator”(Collom 2011: 146). [↑](#footnote-ref-3)
4. See (Johanisová et al. 2013) [↑](#footnote-ref-4)
5. This specific aproach resulted in a complex description of the system and allowed us to identify the key active members. Thanks to that type of data, we could also simulate scenarios of e.g. the removal of key transacting persons from the network. These findings will be published soon in another paper. [↑](#footnote-ref-5)
6. BRK is Rozleťse currency and corresponds to Czech Crown approx. 4 Euro cents. [↑](#footnote-ref-6)
7. Otherwise, we received responses from the majority of active participants. [↑](#footnote-ref-7)
8. Ten respondents (40 %) fully agreed with the statement “I have found new friends in RozLEŤSe with whom I meet also beyond trading”, whereas just 17 % fully or rather disagreed. [↑](#footnote-ref-8)
9. Regarding the statement “Within RozLEŤSe, I have employed my skills and proficiency that I would not be normally paid for”, the sample was split into two groups of the same size agreeing (eight) and disagreeing (seven). Nine (37 %) respondents stayed in the middle. [↑](#footnote-ref-9)
10. However, there is strong agreement (75 %) with the statement that LETS contribute to sustainable development. [↑](#footnote-ref-10)
11. There was also strong agreement (75%) with the statement that “LETS contribute to the sustainable development of our society”. [↑](#footnote-ref-11)
12. When asked directly, the majority of respondents (66 %) fully or rather agreed with the statement “By participating in RozLEŤSe, I’m trying to reduce my dependence on the current economic system.” Just one person disagreed, and 29 % stand in the middle. [↑](#footnote-ref-12)
13. Among our respondents there is 41% who absolutely agree with statement „I have found new friends in Rozleťse with whom I meet beyond the trading“and just a 17% disagree. [↑](#footnote-ref-13)
14. „You could get someone to give you a massage, but no-one to dig your garden.“ (Crowley 2004: 20). [↑](#footnote-ref-14)
15. These members who don’t participate on operating of group are called by others “closet people” – deduce probably from idiom “to have a skeleton in the closet.” [↑](#footnote-ref-15)
16. They could cause dwindle or even decline of group (se Jelínek 2012: 118). [↑](#footnote-ref-16)
17. Douthwaite describes this as “a serious weakness with LETS because people earning more local units than they can immediately spend stop accepting them so readily and thus damage the system for everyone else.” (1996:112). [↑](#footnote-ref-17)
18. See (Lee 1996:1384). [↑](#footnote-ref-18)
19. Transaction analysis (not part of this paper) has shown the existence of “rich club”- group of relatively active members without whom Rozleťse couldn’t exist. [↑](#footnote-ref-19)
20. Crowley support it by his respondent statement: “There’s no incentive to go all the way to Bantry [30 miles away] to do work for someone you don’t know, or who isn’t likely to become part of your community. (2004: 20) [↑](#footnote-ref-20)