



mutual credit



what is it?

Mutual (or collaborative) credit is a way to trade / exchange products and services with each other, without official currency. It's an old idea that could really take off in the age of the internet. We think it can help strengthen communities and support small businesses, as an alternative to multinational banks and corporations.

Mutual credit isn't barter. With barter, two people exchange goods or services with each other. You have to find someone with something you want, and who wants what you have. With mutual credit, you just get an account, and can trade with anyone just one way – it doesn't have to be reciprocal. If you sell, you get credit in your account; if you buy, you go into debit.

There are limits to how far anyone can go into debit or credit (you wouldn't want people just taking but not giving, or just giving, but not providing work for anyone else; however, limits may vary between businesses and individuals, depending on how much they are trusted and how much trade they put through the system). Limits (and all other rules within each system) are decided collaboratively. This is important, because the risk / benefit of someone leaving the system owing / owed is shouldered by everyone through inflation / deflation, unless they agree otherwise. That's very different from our current finance system where banks make all the profits and taxpayers shoulder all the risk.

Now, plumbing work might 'cost' a lot more (in terms of credit) than, say, six eggs, so people offering products or services put a 'price' to those services, in credits. An hour's plumbing work might be twenty credits, and six eggs might be one credit. It's a 'free market', in that people are free to set their own prices, and customers are free to accept or reject those prices. If enough people reject a price, it will have to be reduced, and if too many people are chasing someone's products or services, prices will go up naturally.



You can develop new skills to provide products or services for a group of local customers, and maybe turn that hobby into a career.



A street ad for the Sardex mutual credit system in Sardinia.

Existing schemes

Here are ways that mutual credit already works, in order of increasing formality.

Families and friends: people do things for each other because they want to; they might keep mental tallies, or exchange verbal or written IOUs.

LETS: started in Canada in the 1980s. Most mutual credit schemes are formed where the economy is depressed, and there is a lack of money, which LETS doesn't need. It was successful, and soon spread around the world.

Timebanks: similar to LETS, but credit is based on hours worked. It's easier to express services in hours than products, but timebanks don't reward people more for more challenging or skilled work.

Eco- / Bangla-pesa: William Ruddick set up Eco-pesa (a printed voucher redeemable for a shilling) in slum areas of Kenya, from which developed Bangla-pesa – a voucher issued by the people themselves. Businesses flourished. The idea has spread to other parts of Kenya and South Africa.

Sardex: a business-to-business credit network on Sardinia in which there were trades valued over 40 million euros in 2017.

WIR Bank: the WIR Bank started in Switzerland during the hyperinflation / depression between the wars. Its members are businesses that trade using mutual credit accounts, not money. In 2005, trades were the equivalent of 6.5 billion swiss francs – but with no money involved.

Commercial barter: began, in the 1960s and 70s, to allow businesses to trade by offering credit to each other, avoiding interest on bank credit. They charge fees and commissions, and are overseen by the International Reciprocal Trade Association. They're for-profit and not democratic.

A global system? There's a plan ('Credit Commons') to allow schemes to trade with each other, to expand and co-ordinate the idea to encompass the world - see resources.



what are the benefits?

Economic: the means of exchange isn't scarce; there's no interest; and it doesn't allow banks to siphon wealth out of our communities. Only people who provide useful goods and services are able to obtain value from the system. Beautiful!

Money always concentrates in very few hands, causing scarcity for everyone else. Also, that money always buys power. This can't happen in a mutual credit system because credit doesn't attract more credit. You can't lend out your credits at interest. You can only spend credit on other people's products and services.

The more you trade in the system, the less you'll be affected by a global financial crash.

Social: mutual credit is about groups of people becoming stronger by leaning on each other, and is a natural tool for local organising. Even in a global system, you would plug into it via your local community, where you are known and trusted. Technology can spread the idea, but ultimately it's about real people. It can help build safer, more interesting and happier communities.

As well as all the essentials of life, you can also get things that are difficult to obtain from the money economy – like someone to house-sit for a meter-reader or a delivery while you're at work.

It allows ordinary people to decide where to give credit, rather than banks, who make those decisions based on profitability rather than what benefits your community.

Environmental: there's no interest, which can only be paid in a constantly growing economy (by producing more debt or by increasing the velocity of money – either will require more resources and produce more waste). It's this constant growth that's the root of the destruction of the biosphere. Mutual credit favours local procurement policies, which reduce food miles and everything else miles.

Members can hire out equipment, so that individual households don't have to have everything. This could work with lawn-mowers, gazebos, welding gear, camping or fishing gear, or even washing machines.

It doesn't cause the environmental problems associated with cryptocurrencies. Bitcoin transactions and mining uses huge amounts of energy. This would make a global system based on cryptocurrencies unsustainable.

what can I do?

Lowimpact.org and Open.coop have partnered to develop a UK-wide mutual credit network. At the moment, we're looking for expressions of interest. When we launch, we'll invite interested parties to join. Our current plan goes like this:

- UK businesses submit expressions of interest.
- Once we have enough business registered to make the network viable we will launch our site where you can log in to access your account.
- Businesses promote themselves in the directory to reach new customers.
- Start selling: increase your market share, customer base and revenue.
- Members who qualify will be provided with interest-free credit in proportion to the amount of goods and services they commit to provide.
- Spend: use credits to purchase what you need.

Please contact us to express your interest.

resources

- Thomas Greco, *The End of Money and the Future of Civilisation*
- lowimpact.org/mutual-credit for info, courses, links, books, including:
- Thomas Greco, *The End of Money and the Future of Civilisation*
- Kennedy, Lietaer & Rogers, *People Money*
- Thomas Greco, *Money: Understanding and Creating Alternatives to Legal Tender*
- grassrootseconomics.org mutual credit in Africa
- community-exchange.org, global system
- creditcommons.net, credit commons idea



Mutual credit can make repairs worthwhile again.

Feel free to upload, print and distribute this sheet as you see fit. 200+ topics on our website, each with introduction, books, courses, products, services, magazines, links, advice, articles, videos and tutorials.

Let's build a sustainable, non-corporate system.

facebook.com/lowimpactorg

Lowimpact.org

twitter.com/lowimpactorg

Registered in England. Company Ltd. by Guarantee no: 420502