



mutual credit



what is it?

It's a means of trading, of exchange, that doesn't require money, doesn't incur interest and doesn't involve banks. It's based on local groups of businesses / traders, who get to know and trust each other in a geographical area or a business sector, and, in effect, give each other interest-free credit, when they purchase goods and services from each other.

Each business gets an account. They go into debit when they buy, and into credit when they sell. There's a limit to how far you can go into credit or debit – you wouldn't want to continue to trade with someone who never bought anything from anyone else in your community, or never provided anything useful for anyone else. Over time, everyone's account hovers around zero, as purchases are balanced out by sales.

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, which is difficult. With mutual credit, you get an account, and can trade with anyone – 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 similarities between mutual credit and local currencies. The main difference is that the former involves a membership scheme, and local currencies don't. Local currencies are usually bought with official currency, which ties them to the banking system, unlike mutual credit.

Software is being built to allow any group, anywhere in the world, to trade with any other. So you can trade with people in different groups, in different towns, and in different countries, in the same scheme, seamlessly, with the same credits. It can become a global system – a 'credit commons'.



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.



what are the benefits?

For small businesses

- Banks don't like lending to small businesses. Mortgages, governments, corporations, yes. But not small businesses – it's too much admin, too much risk, and not enough scope for profit.
- So this is, in effect, a way of providing interest-free credit to each other, without bank fees.
- Businesses become part of a network of trusted customers.

For society

- Builds trust within communities.
- Keeps wealth in communities it's generated in.
- Only rewards people who do useful work.
- Mutual credit favours local procurement, which reduces food miles and everything else miles.
- Allows economic activity to happen in communities that have very little money. To paraphrase Alan Watts, saying that people can't trade because there's a lack of money is like saying that people can't build houses because there's a lack of centimetres.
- Protects communities from external financial crashes. The more you trade in mutual credit, the less you'll be affected by a global financial crash. 2008 was a stumble. If the economy falls completely, credit commons may be the only safety net.
- Provides an alternative and an antidote to the damaging banking system.

To get philosophical...

When the means of exchange is also a store of value (i.e. you can spend it or accumulate it), there are problems. As it's accumulated, it's sucked out of circulation, so there's less money for people to spend, although all the same skills and resources still exist. This will not only lead to a 'lack of money' in communities, but it will mean that wealth concentrates in fewer and fewer hands. Then that concentrated wealth overflows into the political system and corrupts it. And that's exactly what's happened. This isn't a 'left' or 'right' position. A market based on mutual credit would be much freer than the one we have now – skewed as it is towards banks and corporations. But it's also non-extractive, in that wealth isn't sucked out of your community. It's just a practical tool – it doesn't have an ideology attached.

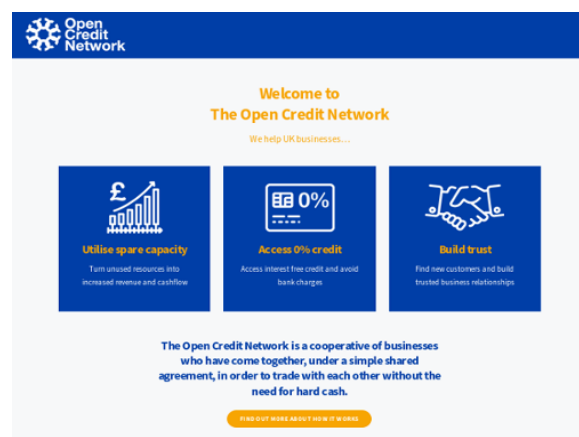
what can I do?

Lowimpact.org and Open.coop have partnered to develop a UK-wide mutual credit scheme – the Open Credit Network. We are a co-operative, using free / open source software. This approach is very important to us. We want to make our systems freely available for anyone, anywhere, to set up a co-operative network, that can then plug into the 'credit commons'. This means that although we'll have to work out some kind of fee structure in future, to cover the costs of running the network, we'll never extract profits from our members. We invite you to read our Membership Agreement and express interest via the button on the website (see below) and join the list of businesses that have already signed up.

Can you help spread the word? Please tell anyone you know (via social media or face-to-face) who runs or works for a small business. And if you'd like to work more closely with us on this project, please get in touch.

resources

- opencredit.network – UK mutual credit network
- 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
- sardex.net/?lang=en – Sardex, in Sardinia
- creditcommons.net - going global



The Open Credit Network: UK-wide mutual credit.

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.

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