

# **The SANE Community Exchange System**

By Tim Jenkin

SANE stands for the South African New Economics Network, an organisation modelled on the New Economics Foundation in the UK. We also hope it stands for the creation of a sane economic system based on a new type of money.

One of the pillars of New Economics is the promotion of local economic activity through encouraging complementary currencies. For years there was a lot talk in SANE (insane talk!) about setting up LETS groups in South Africa but somehow it never happened, perhaps because no one really knew how to do it and because most people were more concerned about macro issues such as globalisation and its effects.

In 2002 SANE invited James Taris, the Australian LETS 'guru', to visit South Africa. In November of that year James gave a number of talks to interested groups and was interviewed on radio. A lot of interest was generated and SANE took the step of inviting those who had shown interest to attend a meeting to set up a steering committee to form a LETS group.

A Steering Committee was subsequently formed and held a number of workshops to discuss the way forward. Various proposals were put forward but from the outset there was general consensus that whatever form the LETS group would take, it would not be established to provide a bit of middle-class fun but be a serious attempt to draw in those who had been marginalised by the conventional economy. This was post-apartheid South Africa and many of us had been involved in the anti-apartheid struggle and were disturbed by the way the new government was marching down the neo-liberal road to the globalised 'utopia'.

In the absence of any viable options the initial proposals were to establish a paper-based LETS group. One member had been in contact with Scottish LETS groups and had brought back to South Africa a wealth of useful materials on how to set up and run a LETS group according to the traditional model. These materials were distributed for consideration by the committee.

A few months prior to this I had been working on an internet-based trading system for a Cape Town hiking club! I had recently completed a web site for the club, and being a keen hiker myself had responded to a request by club members to create a 'skills database', which was supposed to be no more than a list of the skills and services that members could offer to each other. As I had long been interested in alternative money systems I built in a simple trading feature that allowed members to trade with each other using the club's own 'currency'. Needless to say it didn't work because hikers are really just pleasure seekers and anything like this was seen as plain weird and whacky! Members couldn't come to terms with the idea that money could be other than what they had always believed it to be.

Fortunately I was able to demonstrate what I had created to the members of the SANE Steering Committee and it was immediately taken up. As it was a

functioning system, all that had to be done was to change the colours and logo and we were away.

After further debate a decision was taken to call our currency 'Talents', which has proved to be a more than suitable name. Its value was to be based on the South African Rand, though this was to be taken merely as a reference for pricing. The Talent would not be 'tied' to the Rand and was expected to deviate from it over time. Certainly the Talent does appear to be 'stronger' than the Rand as prices in the CES are indeed lower than in the national economy.

Our implementation somehow got called the SANE Community Exchange System (CES). We didn't want to call it a LETS group because it was internet-based and thus very different from the traditional LETS model that we were at first going to use. I would have preferred the name Community Exchange Network or just plain 'New Money' as we were determined that our system was going to be much more than just a club or association trading for no other purpose than to provide its members with a bit of fun and access to services that they would not otherwise consider.

Our approach from the start was very political. We wanted to create a new way of 'doing' money that would break completely with the traditional way of 'doing' it. South Africa is an extremely polarised society with barely half of its population active in the formal economy. Everywhere there are people with valuable skills, others with great needs, yet nothing brings them together because of the dire lack of the official currency. Our CES was going to bridge the divide between skills and wants.

After a couple of months' pretend trading to see if the computerised system would stand up, it was decided to launch the CES as a pilot project at the beginning of February 2003. There were 11 participants, all members of the Steering Committee. At the end of that first month a total of three trades had taken place!

After three months just 20 trades had taken place and we were beginning to feel a bit despondent about it, but realised that the problem was one faced by all start-up LETS groups: a lack of inspiration because there was so little on offer.

After organising a public meeting and appearing at a few public markets, membership began to pick up and so too did the number and range of offerings. As we approached three hundred members things really began to take off and the CES began to take on a life of its own. To celebrate the 'lift off' we renamed the CES to the "Talent Exchange", though most of us still refer to the system as the CES. Our motto is "Your Wealth is your Talent"!

## **The Web Site**

The home page of the CES web site is at [www.ces.org.za](http://www.ces.org.za). Apart from that page and all the other public information pages hanging off it, we do not like to think of our site as a mere web site. Beyond the login page we prefer to think of it as the online 'bank' or 'clearing house' and directory of the CES. Each

member accesses the site through their personal account. It is similar in many respects to any online banking service offered by any commercial bank, though of course it has a lot more in the form of membership lists, 'offering' directories, 'wants' lists and other features that serve to build community.

On the home page is a link to an online application form. Here anyone who wants to join the CES can provide their details. We require full contact details and a few offerings if the applicant is to be considered. We do not have a system of recommendation as do some similar systems, though if an application looks dubious we communicate with the person before giving them an account. Applicants can indicate which group they would like to join.

A demo site also available from the home page is how the site was right at the beginning. The real thing has advanced way beyond that. That section should be brought up to date, but who has the time for that?

After logging in, each member is presented with a personalised start page. A number of buttons across the top give access to the features and facilities that apply to the group: a member list, a personal record form, the 'Offerings List', an 'add offering' form, the 'Wants List', and an 'Add Want' form.

The 'Offerings List' is the heart of the system. There are now so many offerings that we have had to break down the list into 20 sub-categories, apart from providing 'Today's Offerings', 'This Week's Offerings' and 'All Offerings' in screen and print versions. The list defaults to the offerings of the member's group, but the offerings of any other group can be called up by selecting the group from a drop-down list. A search form on the page allows a nation-wide search for offerings. A group search form is available on every page of the site, which finds people as well as offerings.

Another set of menu options in the centre of the start page gives access to the actual 'banking' or clearing services of the CES. These options are divided into three categories: seller options, buyer options and querying the database. The seller options consist of a transaction input form and an online invoice form; the buyer options consist of an online order form and an online trading slip form.

The querying options provide account holders with their balance of account, their full statement of account and the full list of member balances with group trading statistics.

As this is a real-time system, everything displayed is as it is at that moment.

Account holders can modify their personal records and turn on or off various features such as whether or not they want to receive emailed updates, notices, and newsletters. They can also hide their accounts if they plan to be inactive for a period. This hides their records from all lists and searches. From their personal profile records, members can view, edit and delete their offerings and get a full statement of account.

The member list shows all members and their basic contact details. It can be sorted by various columns to list by account number, area, name etc. On

clicking the name of a member further details are provided: full contact details, the member's offerings and trading position (basic trading statistics and balance).

Each member can add/edit/delete their personal offerings and wants. 'Wants' disappear automatically after 30 days if not removed explicitly by their owners, while the life of 'offerings' can be set from one week to indefinite.

As the number of participants grew many members asked if it was possible to see only those in their immediate areas. To do this we divided the group into ten sub-areas. These are areas of about five kilometres radius, the range of where most people prefer to trade. Cape Town is fortunately broken up into distinct natural areas by the mountains, the sea and other geographical features. Members can now filter all lists and searches to their own sub-areas and set the sub-area as their default view. Most members, however, still prefer to see the whole group. The sub-areas represent the areas where the group will probably be split when it becomes too big and unwieldy. We keep explaining that we are growing our system in order to make it smaller!

There is a page that provides access to a range of documents that can be printed out for those who prefer to do things on paper. There are trading sheets for use by sellers at fairs and in shops, and trading slips that can be cut out to make 'cheque books'.

There is also a section providing new members with the information they require to get started, and every page has contextual help. The layout of the site is very basic and simple, without any fancy drop-down menus or other unnecessary embellishments that only confuse the average web user.

There are many other small features that will not be described here for fear of boring readers with too much detail!

## **How it Works**

The CES works pretty much the same as any LETS group, but because it is internet based it is much more dynamic and, we believe, democratic. Because it is a real-time system everything happens very quickly. There is no waiting for the administrator to enter your trades or to see who is offering what. Those who are keen check "Today's Offerings" every day to ensure that they don't miss a bargain or are first in line for a new service. The CES is democratic because everyone is equal. Sellers enter their own transaction information and everyone can see everyone else's trading position at any point in time. Sellers can decide not to sell to a buyer if the buyer's standing is not good.

Buyers contact sellers by phone or email and can even order goods and services by sending an online order form from the site. This is automatically formatted and contains all the necessary information about the buyer.

When a trade is completed (i.e. the goods are delivered or the service has been provided) buyers either give the seller a paper Trading Slip (a cheque-like form downloadable from the web site in plain or personalised versions) or

send on online Trading Slip. The latter sends by email an electronic version of the paper Trading Slip to the seller, and emails a 'counterfoil' to the buyer for record purposes.

Many sellers do not demand Trading Slips but we encourage members to use them as they are legal documents when signed by both sides.

In market situations sellers prefer to use Trading Sheets, which are sheets downloadable from the site having columns for buyer name, account number, signature, description and amount. These are like having multiple Trading Slips on one sheet.

Sellers can also send online invoices to buyers. These are used in cases where the seller needs to inform the buyer how much is owed. The seller simply enters the rate, number and description and the computer does all the calculations before sending the invoice to the buyer. The buyer receives by email a properly formatted invoice with all the information that is normally found on a commercial invoice. The relevant information is pulled out of the database and automatically inserted into the invoice. A copy of the invoice is also emailed to the seller for record purposes.

The seller enters the transaction information into the transaction form on the site. On submission a confirmation page appears and on acceptance of that the transaction record is stored in the database. The database also keeps a record of the seller's running totals so that when the information is requested it does not have to be recalculated from the transaction data.

My own business operates in both the conventional and Talent Exchange economies. I cannot help comparing how much more streamlined and efficiently business is conducted in the 'new' economy. In the 'old' economy we employ several people who do not create any saleable value for the company; they spend their time ensuring that we are paid for what values we have created. Our accountant prepares invoices at great effort and snail-mails them to those who owe us money. Some of the accounts never seem to make it to the clients while most of the rest don't get paid on time. Another employee spends a great deal of time chasing tardy clients for our money. Sometimes we have to call in the debt collectors and every year we write off sums of money because it costs too much to collect it. Then there are all the tax forms to fill in, bank charges to pay, repeated journeys to the bank, bills that have to be processed and sent back by snail-mail, and all the other frustrations of running a business in the formal economy.

In the Talent Exchange there is hardly any need to keep accounts because everything is there. Invoices can be sent by email and as soon as a job is signed off we credit ourselves. No waiting for 30 or 60 days for payment, no chasing debtors, no bad debts to write off. Our 'payments' are made by issuing online Trading Slips. There is always a full, up-to-the-minute statement of account and no waiting for cheques to clear! There are no bank charges, no interest charges, no unfriendly bank managers and the transaction levy that is paid is how tax to the government should be paid. A transaction levy instead of all the multitude of taxes we pay would eliminate the entire tax 'industry' and elevate state revenue.

Currently there are no debit or credit limits for members. The issue of limits has been on the agenda from the start but so far there has been no need to impose them. In fact it has proved difficult to get members to accept that it is normal to be in debit; that for the system to run there must always be equal amounts of debit and credit. The conventional money system has taught us all to hate debt so much that members associate the red numbers in their statements with debt and this causes a freeze in their trading activity. However, the time will come when such limits will have to be installed. The problem is one of devising a formula that can be applied according to how much the member is using the system. Clearly debit and credit limits cannot be fixed numbers but need to be based on volume and speed of turnover.

In this section there needs to be mention of the regular trading events that are held. An attempt is made to have at least one 'Market Day' each month. These are all-day events where members bring along their wares to sell and practitioners provide treatments. Musicians and actors provide interesting diversions and healthy organic food is provided. Members are encouraged to take the floor to either market their wares or services, or tell the crowd what the Talent Exchange means to them.

### **The Current Position**

At 6 June 2004 all the CES groups had a combined membership of about 700. The most active and developed group is the Cape Town group, while some of the others have not yet started trading.

The Cape Town group had 540 members comprised of 465 individual members, 30 companies, 24 organisations, 9 family members, 9 virtual members, 2 public members and 1 administrator. There were 1,343 offerings printing out to 102 pages. T280,580 had been generated in 3,028 trades since February 2003.

While these figures are relatively modest, it must be remembered that the CES is still in its pilot phase. There has been no concerted membership drive and very limited publicity about it. Most new members join after attending a CES event or through hearing about it from friends.

In the beginning there was talk about the optimum size for such a group. Research about other groups suggested that it was in the region of 300. For us that figure came and went and was the point at which the CES began to take off. Now no one talks about limits, for the bigger it gets the more dynamic it becomes. Our CES is truly beginning to feel like another 'economy' and I guess we will say it has reached optimum size when the last person in the country, or the world, signs up!

### **Administrative Interface**

Separate from the member interface, there is also a sophisticated administrative interface for managing the CES. This 'control room' is actually more extensive and complex than the member interface as it provides all the tools required by the Administrators to run their groups.

I do not wish to go into too much detail here, suffice to mention that it has the following features:

#### Members

1. Create New Account
2. View/Edit Accounts
3. Print Member List

#### Transactions

1. Enter Transaction
2. Edit Transactions
3. Transaction Statistics

#### Offerings

1. Add Offering
2. Edit Offerings
3. Edit Offering Categories
4. E-mail Offerings List
5. Print Offerings List

#### Wants

1. Add Want
2. Edit Wants
3. Clean Up Wants List
4. E-mail Wants List
5. Print Wants List

#### Group/Sub-Areas

1. Edit Administrator Details
2. Edit sub-areas/groups

#### Publications

1. Talent Exchange Update
2. Community Exchange News

All the tools are here for the automatic creation and distribution of offering/wants lists, updates/notices and newsletters. For updates and newsletters, simply drop the plain text into a box, press a button and everyone receives by email a properly formatted item of correspondence.

There is also a Super-Administration interface for managing the groups. This allows the Super-Administrator to easily set up and manage new groups, add/edit/delete Group Administrators and add/edit/delete virtual users. Setting up a new group takes just a few minutes and consists of copying and renaming a database template and setting group codes and details.

### **Remote Trading**

The reach of the internet is global yet we wanted to use it to create something local. It did not seem right to create one whopping big database for the whole country. That would not create local economies and had the potential of

becoming truly massive and unmanageable. The scope of our first group was restricted to Cape Town, which in itself is too big, but we had no choice because our members came from all over the city.

The single group with which we started suggested that we could create many such groups, and if we were to do that it made sense that they should be able to trade with each other. But how such trading was to be effected we had no idea. It seemed impossible. Each group was a closed entity with a balance of credits and debits that always had to equal zero. If a member of one group was to trade with a member of another group, credits in the one group would be debits in the other and that would upset the balances on both sides.

Despite having no solution we began to set up groups in Johannesburg and Pretoria and each of these operated on its own for a few months. All groups use the same interface on the same server but each one accesses its own data. By virtue of the account number typed in at login, the user sees the appropriate group data. Account numbers consist of eight characters: the first four alphabetic characters identify the group while the other four are the member's actual account number. We have plenty of time to think of what to do when there are more than 10,000 members!

We continued to seek a solution to the remote trading dilemma but there seemed to be no way of getting around the fact that if there was to be remote trading there still had to be credits on the one side and debits on the other. The answer to this dilemma was staring me in the face all the time but I failed to notice it, until one day I mentioned to one of our committee members that I had created accounts for myself in the remote groups so that I could watch what was going on. She insisted that I give her accounts too as she also wanted to see what was going on, and perhaps do a bit of trading with the folk in the remote groups. I didn't like the idea of creating accounts for the same person all over the place as it would become messy, though it was a way of solving the inter-group trading problem.

When I refused to create the accounts the member accused me of advantaging myself as I would be able to trade with a larger 'market', and that was not fair. I promised that I wouldn't trade with remote users, but that was not sufficient to satisfy her. It was only when I offered my account details to her that I suddenly realised that my having accounts in the various groups was the solution to the inter-group trading dilemma. If I acted as an intermediary, a 'middle man', I could buy from a seller in one group and then sell it on to a buyer in another group. In that way my debits from buying from the seller in one group would remain in that group and I would gain credits in the other group by selling to the ultimate buyer in the other group.

This of course would not be fair and we didn't want any middle-men profiting from the situation. But if we created virtual members they could perform this same service. Everyone would be happy and remote trading could take place as easily and efficiently as if the buyer and seller were in the same group.

We now have ten separate CES groups around the country and any member of any group can trade with any other member of any other group. Even if a member travels to another area she or he can trade with members of local



groups without having to be a member of those groups. This makes our Talents almost as versatile as the national currency.

How it works is like this: each group has virtual members representing the other groups. Currently this means each group has nine virtual members. These virtual members are like human members in all respects except that their offerings are all the offerings of the groups they represent. Each virtual member is its opposite in the group it represents. For example, 'Pretoria Virtual' in the Cape Town group is 'Cape Town Virtual' in the Pretoria group.

When someone in Cape Town wants to buy something from someone in Pretoria the trade is set up in the normal way between two human beings. When the goods or service are/is delivered the buyer will 'pay' the seller by sending an online trading slip. The seller (in Pretoria in this example) will first select the Cape Town group when entering the trade through their transaction input form. This will load the list of Cape Town members and the seller will select the name and account number of the remote buyer from a drop down list. The amount and description will be entered and the trade will be recorded in the normal way. But what actually happens here is that the seller is not credited against the remote buyer but against Cape Town Virtual (the local 'buyer') in the Pretoria group. If the amount is, say T100, the seller will be credited for this amount and Cape Town Virtual will be debited for the same amount. In this way the amounts +T100 and -T100 are kept in the Pretoria group and the balance of zero is maintained.

At the same time, however, Pretoria Virtual in the Cape Town group (the remote 'seller') will be credited with T100 and the real buyer in the Cape Town group will be debited T100. This keeps the zero balance in the Cape Town group, leaving everyone happy and all accounts balanced!

The seller's statement of account records a sale to Cape Town Virtual and the buyer's statement of account records a purchase from Pretoria Virtual. At the user level there is no record of the actual buyer for the seller and the actual seller for the buyer. However, this information is stored in the transaction record in case the price has to be adjusted (the incorrect amount could have been entered) or the sale is cancelled.

While this might sound complicated, and would be if it had to be entered by hand in a ledger, the computer deals with it easily and from the users' point of view it is completely seamless and transparent. The virtual users' account balances reflect the 'balance of trade' between groups.

The programming for remote trading is actually quite complicated as it has to combine the deduction of levies on both sides (*see below*) and be completely adjustable and reversible.

After figuring out how remote groups could trade we realised that this scheme could operate on many levels and is a way that groups could trade around the world. Someone in Cape Town could trade with someone in Wellington, New Zealand, in pretty much the same way, though there would have to be some intervening 'exchange rate' mechanism to reconcile relative 'currency' differences. To prevent groups having thousands of virtual members there

could just as easily be virtual members representing regions, provinces, states, countries or whatever.

This raises the whole question of a global standard unit of account based on a basket of commonly available goods. For now this kind of 'Esperanto solution' seems far off. Computers can easily deal with discrepancies between numbers and values; the problem is deciding what the ratios are. These have to be fair and based on some objective standard.

Some observers have noted that easy remote trading undermines the notions of local trade and community money. Our experience, however, has shown that very little inter-group trading takes place. Most offerings are meaningless if they are not available locally (you can't get a massage from someone a thousand miles away, though you can get one if you go there!) and people just prefer to deal with those they know or can meet. In any case, inter-group trading could be discouraged in a number of ways. A simple remote-trading 'import duty' would encourage traders to look locally before looking remotely.

Our view is that if we are going to create a serious alternative money system it has to be able to compete with the national money system nationally. Isolated pockets of individuals trading among themselves for the mere satisfaction of doing so are not going to pose any challenge, however many of them exist.

### **Paying for the System**

Every community money system has its expenses. Conventional LETS groups need a supply of the national currency to purchase stationery, print documents and mail them to members. Other expenses can be covered by community money. Usually members are asked to pay a membership fee on joining and this becomes renewable annually. Using conventional money creates a lot of extra work and added complication, and links the new money system to the old, creating a sense of dependence on it.

Our intention from the start was that the CES would fund itself and avoid any recourse to the national currency. Although it might sound contradictory, we also did not want to ask for any membership fee or impose any kind of levy or 'tax' on members. The Administration would earn its keep by providing services to its members. The trouble was, who was the Administration? Those performing the administrative tasks were also members of the CES and if they were going to provide any services they would prefer to do it in their own names and earn their own Talents. As a consequence no income was generated and the Administration account moved deeper and deeper into the red.

After a while the downwardly spiralling Administration balance became an embarrassment and to rectify the situation committee members started selling things at fairs to earn an income for the Administration. Earning an income from cake sales was clearly not sustainable and not the way forward!

After much discussion it was decided to implement a temporary donation system until we had come up with a better way of acquiring an income for the

Administration. Sellers were asked to donate 10% of the value of their sales to the Administration account when entering their trades. While this did turn the Administration account around and provide a steady income, it was an accounting nightmare. Each donation was recorded as a normal trade, with the Administration being the seller (selling the CES service) and the donor being the buyer. This messed up our statistics because it meant that for every real transaction two were recorded. The average value of trades plunged while the number of trades increased. For example, if the seller entered a sale of T100 and made a donation of T10, this was equal to an average of T55 per trade!

As the donation system was optional it worked a bit like a tip in a restaurant: many sellers simply ignored it when entering their trades. This created a sense of unfairness for those who did contribute and the actual amount gained by the Administration was less than 5% of income. The revenue was also quite variable and so it was not possible to predict what would be earned at the end of the month.

There followed a lot of discussion around the issue of earning an income for the Administration. The purists argued that any kind of transaction 'tax' was a move back to the 'old' economy and amounted to the Administration 'milking' its members without delivering anything of value. The pragmatists argued that members were getting a service - the advertising and clearing services of the CES - and that they had to 'pay' for it.

A variety of revenue generating schemes was discussed, including a demurrage charge on positive balances. By creating 'savings accounts' for members, they could 'lend' their positive balances to the Administration and thus avoid the negative interest. On further consideration there seemed no point in all the complication involved in implementing this because in a 100% computerised system the programming could simply take all the positive balances and throw them into a pool for the Administration to use. Members needn't even know about this as their access to their positive balances would not be affected in any way. What a user sees on the computer screen is all smoke and mirrors! This is effectively what commercial banks do when customers deposit money in their accounts. The money is not put into boxes but thrown into a general pool that the bank uses to make investments, loans or whatever. The amount of money in your bank account merely represents your claim on that pool of money.

There was a general hesitancy against introducing such a scheme as it had a bad feel and would have given the Administration such a huge income that it could have opened the way for corruption. There was also no way of determining how much of the pool would have to be put aside as a 'reserve' for general 'cash flow'. A sudden spending spree by members would really upset things!

In the end it was decided to introduce an automatic transaction levy, which came into effect in May this year. On each transaction entered by the seller, both the seller and buyer are levied 4%, bringing in a fixed 8% for the Administration. Thus if a seller credits herself with T100 she is levied T4, effectively increasing her balance by T96. The buyer is debited T100 and

levied T4, effectively reducing his balance by T104. This does balance out in the accounting because T100 is recorded on each side and not +T96 and -T104. The levies are treated separately but only one transaction is recorded.

Our levy system is based on a concept being promoted by a lobby group in South Africa who have devised an innovative taxation system called TEAL (Total Economic Activity Levy). The TEAL Association is lobbying government and other financial bodies to adopt TEAL as a replacement for the conventional taxation system that prevails. If implemented all income and other taxes, including VAT, could be done away with. The TEAL transaction tax will be applied to every transaction conducted through every bank and/or money-receiving institution. It will be applied to both parties to each transaction.

On introducing our TEAL implementation a couple of members resigned, claiming that it was the end of the CES and accusing us of becoming 'parasites'. A few members expressed their reservations but were happy after receiving our explanation. One member said it would lead to inflation as everyone would raise their prices to compensate for the levy.

The TEAL concept certainly is very elegant. It is instantaneous, fair, open, transparent, progressive, efficient and simple enough for everyone to comprehend. It gives the Administration a definite and predictable income and everyone knows what they are going to contribute.

The levy system works separately for each group; there is no central or super-Administration that can siphon off Talents.

Instead of the levies going directly into the Administration account, which has the same status as any other account, it goes into a special account called the 'Talentry'. This name was derived from 'Talents', 'pantry' and 'treasury' to indicate that it is a staging account, a kind of money box or piggy bank where the levies are stored until required by the Administration! The 'Talentry' account is special because it is separate from the normal accounts. If it had been another normal account each transaction would have been recorded as three transactions: one between buyer and seller; one between seller and Administration (levy); and one between buyer and Administration (levy). In this way only one transaction is recorded in the general group account but the income (levies), expenditure (transfers to the Administration) and balance of the 'Talentry' are added to the general trading statistics of the group. This is not 'creative accounting' because it simply adds back to the total what has been subtracted as levies. The revenue generated by the levies is not lost revenue; it needs to be seen as a form of compulsory saving or the recirculation of value within the group.

The 'Talentry' account is not open in the sense that members can view its statement of account. There is nothing to see except levies coming in one end and going out in instalments to the Administration. As the Administration account is open (i.e. all members can view its statement of account), not a single Talent can go 'missing'. The total of all individual levies must equal the total that the 'Talentry' has received, and from there every Talent can be followed into and out of the Administration account. The system is fraud-proof

at the accounting level, though of course if the Administrator enters "Printing of brochures" instead of "Three bottles of wine" we can do nothing about that!

Now that members have got used to the levy no one says anything and it is an accepted part of the CES. It operates completely unobtrusively and instantaneously, and because everyone pays it everyone feels that it is fair.

We are hoping that as the number of CES members and transactions increase it will be possible to reduce the levy rate. To change the rate requires only one small change in the programming. We had the good sense not to 'hard-wire' the 4%!

Programming the levy was another nightmare as it added an extra dimension of complexity to the accounting. The accounting has to be adjustable in case a transaction is entered incorrectly (e.g. T1000 is entered instead of T100) and reversible in case a trade is cancelled. It also has to be able to correct the transaction at the levy rate that applied when it was entered in case the rate changes between the time it was entered and the date of the adjustment.

The complexity of the programming was amplified even further by having to cater for remote trading. In a single remote trade six entities are involved: local seller to local virtual buyer, local seller to local Administration, local virtual buyer to local Administration, remote virtual seller to remote buyer, remote virtual seller to remote Administration, and remote buyer to Administration. And all this has to be adjustable and reversible! However, all this happens instantaneously in the background and no one needs to be aware of what is happening.

## **Planned Features**

As many people in this country do not have computers or access to computers we have attempted to bring the CES 'back to the ground'. While the commercial banks are attempting to shut down their branches and encourage everyone to do their banking on the internet, we are moving in the opposite direction. We started on the internet and are attempting to set up local area co-ordinators - 'branches of the bank' - who will cater for the computerless and the computer-challenged. We have also been talking to schools, NGOs and other bodies to set them up as 'branches' where paper-based members can bring their trading slips for entering into the system, and where they can check the offerings and wants lists.

An auto-payment feature is soon to be implemented. This will work like the conventional debit orders that banks provide for their customers to make regular payments. It will be set up by the seller but once it is running both parties will have to provide authorisation before it can be deactivated.

Programming has begun on an events/announcements section that will work much like the other lists. Here members will be able to make announcements about events that might interest other members and where the Administration can make announcements about anything related to the CES community.

To further enhance democracy and participation, we are currently working on

a voting mechanism through which members will be able to express their opinions. A new section dealing with governance issues is soon to be added. In this section all committee minutes will be published and there will be a discussion forum where members can discuss their views with the committee and other members.

We have also been investigating the use of cellphones to enter trades. Practically everyone in this country, from the richest to the poorest, has a cellphone so this will be tremendously useful for those without computers. We have already set up a WAP site through which members can enter transactions but have not activated it as many cellphones still do not have WAP and it is a rather fiddly procedure. Far better will be the inputting of trade information using formatted SMS messages. The messages will be parsed by the server and entered as trades in the normal way. The seller's password will serve as authentication.

The use of smart cards that can save trading information has also been investigated. There is offline equipment that can be used to enter financial information. This will allow users to record their trades on such cards without having to go on line. Periodically they will have to synchronise with their accounts through an online reader.

The CES is still too small to consider services such as insurance, investment, savings and large debits (e.g. buying a house), but the time is approaching when these will have to be given serious consideration.

### **The Advantages of an Online System**

When the initial CES Steering Committee was set up there was some resistance to using the internet as the locus of the group's directory and clearing services. They felt it was too 'high-tech' and would exclude all but the privileged middle-classes who could afford computers. While there is some truth in this, if in addition to the services on the internet, the same facilities as those provided by traditional LETS groups were provided for those without computers, the CES would then cater for everyone.

Traditional LETS groups are not internet based and thus have to operate over a small geographical area and can and will not grow beyond a limited number of participants. The load of running such a system falls entirely on the administration, which has to enter all the trades, prepare the offerings and wants lists by hand, lay out newsletters, and perform a host of other (often manual) tasks. Even if the administration is performing most of the tasks on a computer, the hard work falls on a limited number of people.

Our system runs itself. There is very little work for the Administrator to do, and what has to be done can be performed literally in seconds. New applications simply have to be approved or rejected, the offerings and wants lists can be sent to the group or to one member by pressing one button, newsletters and notices can be emailed to all simply by dropping unformatted text into a box and pressing a button.

The load of running the system is spread among the members. Everyone

enters their own trades, manages their own account and their own offerings and wants. And as everything that members can want is available from the site, they look after themselves.

The main task of the Administrator is answering member queries, and this can be handled by anyone who understands the system sufficiently. There are virtually no running costs, either in the national or local currencies, and no need to keep books or other written records.

There is no doubt that the success of the CES can largely be attributed to the fact that it is internet based. In our context it is hard to imagine that a conventional LETS group would have gone anywhere.

## **Problems**

I would not like to create the impression that everything has developed smoothly from the start and that the CES is without any problems.

As I have indicated above, creating a new group on the computer takes literally a couple of minutes. That does not mean, however, that a new group exists in reality. The computerised interface is just a tool, an accounting package and a listing mechanism, and setting it up is but one of the steps in setting up a group. Far more important is having a dedicated team of people who are able to convince others in their community that a community money system will benefit them and, ultimately, the health of the planet.

Several of the groups that have been set up on the computer are not really functioning on the ground. This does not mean that they will never function, but the people who offered to be administrators were daunted by the practical tasks that confronted them after taking 'possession' of their web sites.

For the Cape Town group the greatest factor hindering expansion is the 'inconvenience factor'. While practically everything one could want is available on the system, who wants to drive to the other side of town for a carton of organic yoghurt or some free-range eggs? It is far easier to pop into the supermarket across the road and get it there. Approximately half of all monthly trading takes place on the single market days that are held each month. This informs us that for trading to increase there have to be shops or places where people can go to acquire what they want. This problem is being addressed but it is not an easy one to tackle because everyone still has to devote most of their 'earning time' to acquiring the national currency.

Our belief is that the best way to tackle the 'inconvenience problem' is to grow the CES. As more and more of the basic necessities of life become available on the system it will then be possible to establish Talent-only shops. In the meantime we are attempting to get companies to agree to sell limited amounts of their stock for Talents and to stock the goods produced by CES members.

Linked to the 'inconvenience factor' is the problem of waning interest by those who do not attract custom. Many members join up with great enthusiasm, make a few purchases and then sit back and wait for others to come to them

for the goods or services they offer. And when it doesn't happen, members quickly lose interest. Lack of custom is usually the result of poor advertising (bad formulation of offerings), too few or inappropriate offerings, or prices pitched too high. We try to keep interest alive by issuing regular newsletters and updates, but in this day and age of spam overload, too much correspondence tends to get interpreted as additional spam. Another way we are attempting to encourage group spirit and the feeling of belonging to a support network is by getting local area co-ordinators to organise social events in their sub-areas.

Another problem faced by our internet-based system is that it is in danger of developing in the wrong direction. The people who would most benefit from being members of the CES are those living in disadvantaged areas, where there is a distinct lack of computers. Because the development of the CES has been so rapid the committee constantly feels that it is playing catch up, and that the demands of the system are getting ahead of them. For this reason our efforts tend to get focussed on those who are already on the system instead of on those who aren't (but should be!). As pointed out above, we are attempting to bring the CES back to the ground by setting up nodes or 'branches' where those without computers can connect with the system, but such efforts are not sufficient. Organising real life structures in the communities requires a lot more effort than doing the same on a computer. Committee members have full time jobs and contribute to the CES on a voluntary basis, though we are now in a position to 'outsource' many of the tasks using the revenue that is accumulating through the recently-introduced levy system.

The most serious problem is not a problem yet, but could become our downfall if concrete steps are not taken soon. It is the problem of too rapid growth. One of the reasons we have not tried too hard to promote the system is that we are not in a position to cater for a sudden dramatic increase in participant numbers. The computerised system as it exists today is an extension of the basic rickety framework that was created in the beginning. We had no idea how it would develop and so simply added things when required. There was no model to follow and no precedents to warn us of pitfalls. The whole CES edifice has a rather Mickey Mouse feel about it and needs to be recreated from bottom up to be able to cater for greater activity.

The current set up is not extensible and has almost reached its limit of expansion. A new, scalable architecture needs to be adopted and a more robust framework needs to be put in place. There possibly needs to be a separation of the directory and clearing services. In the long term, the directory services might fall away if member offerings are available from shops, offices, other public places and directly from online stores.

## **Conclusion**

The experience of participating in a real-life 'new' economy has been fascinating, exciting and educational. It has given us a whole new perspective on how money works, and it has confirmed our belief that people can engage in serious trading without using bank-created, debt money. We are convinced now that our national, and indeed the global money system could run on the same principles.



More than anything we are convinced that the old money system is a relic of history and that what we are doing is something ground-breaking that has the potential of challenging the fundamentals of the current paradigm. Maybe we are living in a fantasy world by believing that we could one day challenge the money-creating role of the commercial banks, but we will continue to let that vision drive us!

The global money system has to be challenged but it has to be challenged on its own playing field. Setting up quaint little alternative money systems isolated from each other and hidden away in our local communities is not going to achieve anything, apart from some entertainment and community building for those involved.

If we are to one day pose a real challenge to the prevailing money system we have to prove that it is possible to create an alternative one that is more efficient, less destructive, keeps wealth where it is created, builds community, does not concentrate wealth, does not exclude anyone, and allows humans to live sustainable lives on planet Earth. We cannot do this by writing articles and holding conferences alone. We need to get our hands dirty by rolling out serious alternative money systems that really begin to benefit those who are marginalised by the current money system. Those who benefit from the current money system will not be interested in another money system that seeks to undermine the one that gives them their privileges and wealth.

If you are concerned about the destructive effects of conventional money then get your local currency system onto the internet immediately! You have to take advantage of the reach of the internet to counter the depredations of the global money system. You have to embrace modern technologies to create a money system that is more efficient and less wasteful than the current one.

If you are not really concerned about what is happening in the world and just looking for some fun with your neighbours, then don't concern yourself with the internet and modern technologies. There is plenty of software out there to run the accounts of your group on a single PC, and it is better to keep your affairs 'on the ground' rather than trying to spread your influence too far. Such groups do not in any case have the potential of advancing beyond their own built-in limits.

We would be the first to admit that our CES is not perfect but we believe that we are on the right track. We cannot from this point in time or from this point in its evolution know the correct next step, but provided we do not deviate from our vision and do not get tempted into promoting 'community money' as a way of making conventional money, we will find the way. The point is always to recognise that the answers cannot be found by theorising alone. Only through putting into practice and developing real-life alternative money systems will we discover the problems that need answers.

We believe that South Africa is the perfect context for the rapid development and adoption of an alternative money system of the type we have begun to implement. Apartheid left a legacy that cannot be corrected by an economy based on the old paradigm. Those marginalised by the conventional economy

are ready to accept something new that is designed to include them and provide them with the means for a better life.

We also believe that there is a growing movement worldwide that would like to see the replacement of the current monetary regime. Our wish is to link with that movement to share experiences and contribute to the development of a new money system.

In conclusion, what we would like to see coming out of the Local Currency Conference in New York this June is discussion of the following:

- The establishment of a community-based, global money system. This is not a contradiction. It means the establishment of local groups that are able to link into broader networks of groups that can ultimately link globally.
- The establishment of a universal set of protocols for the exchange of values between groups worldwide.
- The establishment of a global standard unit of account to be adopted by groups trading globally.
- The establishment of a repository for open-source software that can be shared to build local trading groups than can link to other groups and networks of groups.
- A campaign to promote the notion of a global alternative money network.

Cape Town, June 2004

[tim@ces.org.za](mailto:tim@ces.org.za)