THE ROLE OF THE INFORMAL ECONOMY IN COMMUNITY BASED ECONOMIC DEVELOPMENT: THE LOCAL EXCHANGE TRADING SYSTEM EXAMPLE

by

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The purpose of this thesis is to look at a non-conventional approach to increasing well-being at the community level. This new approach to development is called community-based economic development (CBED). Interest in CBED has been stimulated both by crises at the local level and by global problems. In Canada the impetus for CBED is attributable to three factors: the dependency of small communities on external factors and the alienation it promotes; a globalizing international economy; and the failure of past Canadian regional development planning policies.

Community-based economic development is a new approach that seeks to increase community self-reliance. Many different CBED initiatives are currently operating in various regions, communities, and neighbourhoods across Canada. These CBED initiatives have centred on stimulating local employment and income levels almost exclusively within the formal "monetized" economy. This thesis examines a CBED initiative that operates within the "non-monetized" informal sector called the Local Exchange Trading System (LETS). LETS is a barter network that uses a local currency, "green dollars", to facilitate trading between members.

To ascertain if the LETS system can improve well-being at the local level, this thesis has examined three Canadian LETS systems: Victoria, Cowichan Valley, and Ottawa. Three central goals of CBED were distilled: increased local control; implementation of an integrated approach to development; and sustainable development. The three LETS systems were then evaluated using the above goals.
There are two main findings of this thesis. The first finding is that CBED can be, and presently is being, promoted in the informal sector. The second finding is that the LETSystems three examined, pursued goals similar to those of other CBED initiatives and sought to improve community well-being. The continued promotion of CBED by LETS is subject to two constraints: the novelty of the idea; and the lack of variety of goods and services traded. Nevertheless, there exists additional opportunities for the increased promotion of CBED through LETS, increased community development, and an expanded range of employment opportunities.
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Two geographies together constitute a 'unity of opposites'. I shall call them life space and economic space. Although both are necessary for the sustenance of modern societies, they are inherently in conflict with each other. Over the last two centuries, economic space has been subverting, invading, and fragmenting the life spaces of individuals and communities.

... We can see the result in the dissolution of life spaces and their progressive assimilation into economic space. The capitalist city has no reverence for life. It bulldozes over neighbourhoods to make way for business. It abandons entire regions, because profits are greater somewhere else. Deprived of their lifespaces, peoples lives are reduced to purely economic dimensions as workers and consumers -- so long, at least, as there is work.

John Friedmann, 1981

This thesis is about possible resolutions to conflicts between life spaces and economic spaces.

1.1. THESIS STATEMENT

The purpose of this thesis is to examine how informal sector activities contribute to Community-Based Economic Development (CBED). CBED has emerged as a new approach to development that seeks to integrate the processes of social, cultural and economic development. The CBED process involves both increased participation and decision-making by community members and is closely tied to the principle of community self-reliance. CBED approaches have focused primarily
on stimulating economic activity in the formal 'monetized' economy. The case study of this thesis, the Local Exchange Trading System (LETS), is an example of an alternate approach that centres on increasing community well-being through the informal 'non-monetized' sector.

Community development, Community-Based Economic Development and organizations like Community Development Corporations (CDCs) are offshoots of grassroots organizations and movements interested in promoting social change. They all share common roots in the American Civil Rights movement of the sixties and seventies and currently enjoy great popularity among those involved in the environmentalist movement. In the American Black ghettos and Hispanic barrios the CDC is a vehicle aimed at "getting a piece of the action" (Stein, 1971). In Canada the popularity of CBED organizations, like the CDC, has been in part a response to urban renewal, as well as to continued economic decline and community demoralization. Today patterns of inequitable development and unequal access to employment opportunities continue to persist in both countries. Marginalized groups, whose positions have remained unaffected by government programmes, have continued the search for alternate approaches to development.

The research presented in this thesis is exploratory in nature as the theories of CBED are relatively new and continually evolving. Therefore, a discussion of CBED is predestined to be inquisitive in its tone, often stimulating more questions than it answers. The informal sector, specifically the Canadian informal sector, is presently neither well researched nor well understood and by its very definition it remains uncounted, unrecorded and largely invisible. Consequently, a
thesis which asserts the capability of informal sector activities to increase community well-being through CBED is difficult to articulate in specific and/or concrete terms. The example of the Local Exchange Trading System presented in this thesis serves as a powerful explanatory tool as it uses a local currency 'green dollars' to facilitate informal exchanges which can be easily measured and understood.

This introductory chapter identifies the research questions and definitions to be addressed in the thesis. The scope of the research is discussed in section 1.3. The context and study rationale are then laid out in the following section and three reasons for the emergence of Community-Based Economic Development in Canada are put forward. This chapter closes with an outline of the thesis and the methodology adopted.

1.2. RESEARCH QUESTIONS AND DEFINITIONS

Community-Based Economic Development and the informal sector are relatively new areas of interest to planners. It is important, therefore, to deal with the two subject areas -- CBED and the informal sector -- before the primary research question: how do informal sector activities (e.g., LETS) promote CBED; can be addressed. Thus many definitional questions about CBED and the informal sector must first be dealt with. These questions are:

A) What is Community-Based Economic Development?

- What are its characteristics, goals, and objectives?

- What differentiates this approach from other traditional
development approaches? and
- What circumstances or events have contributed to its
development?

and

B) What is the informal sector?
- How is it different from the formal and underground sectors
and why?
- What kind of activities make up the informal sector in
Canada, other First world countries and Third world countries?
and how are they different?

The Local Exchange Trading System (LETS), which is a modern barter network
using a local currency as a means of exchange, is examined in order to identify
specific ways in which CBED is promoted and can possibly be further promoted
through the informal sector.

1.3. SCOPE

The theoretical scope of this thesis is intentionally broad to give the reader an
overview of the many different theories that have contributed to the idea of
CBED, as well as research regarding the informal sector.

The scope is limited to Canada, and three LETSystems (Victoria, Duncan, and
Ottawa) are examined. A fourth example, one that would have extended the
geographic spectrum of this thesis eastward, was looked into (LETS
The objectives of this thesis are twofold. The primary objective is to look at an unconventional approach to stimulating development at the local level. This new approach (LETS) to increasing community well-being operates within the non-monetized economy. The secondary objective of this thesis is to decrease the novelty and misunderstandings regarding CBED and the informal sector.

1.4. CONTEXT AND STUDY RATIONALE

Interest in the theories and implementation of Community-Based Economic Development stems from many different sources: recent nuclear disasters, increasing pollution levels, toxic wastes, species extinctions, drought and famine. Simultaneously, the impetus for CBED arises from attempts at self-empowerment, born of both the Civil Rights’ and feminist’s movements, and the growing dissatisfaction with the old economic order. Economic uncertainty is becoming increasingly a global phenomenon, and underdevelopment is a condition no longer restricted to Third World countries:

Over the last decade, there has been a deepening of major structural economic and employment problems in the advanced capitalist economies, particularly in North America and Europe. Such problems include mounting unemployment and under-employment, slow productivity growth, inner city economic decline, uneven patterns of economic growth, regional shifts and inequities, deindustrialization and capital disinvestment (Shapira, 1983).

In the 1980s, development, economic growth, employment and life itself have all become increasingly uncertain. The need for global, social and economic change
are perceived as being critical and are important factors in the search for alternate approaches to development. These global changes are affecting many local communities and regions, whose economic positions are declining. These local concerns have spearheaded the search in Canada for alternate approaches to development such as, CBED.

Interest in CBED in Canada can be attributed specifically to three factors: 1) the continued alienation and increased dependency of individuals, communities, and regions; 2) a rapidly changing global economy; and 3) the failure of past regional economic development policies and programmes in Canada. Faced with high levels of under and unemployment, labour-replacing technologies, and the continued importance of, and dependence on, external factors, more and more individual communities are looking for new strategies that will ensure their survival and well-being. CBED is an attempt to create a more equitable system by giving depressed and oppressed individuals, communities, and regions a foothold in the economic system (Seeker and de Hoog, 1978).

1) Dependency and Alienation

The staples theory as put forward by Harold Innis, an economic historian, describes the concept of the 'staples trap'. Many economies of small rural communities in Canada have developed around the primary extraction of natural resources. The single export-base nature of their economies increases their vulnerability to shifts in exogenous demand, world price fluctuations, changing taste patterns and technologies, and the staples trap. "The important point is that if economic growth is to be sustained after staples exports decline, a shift
in resources (human, capital, and natural) into more diversified economic activities will be required” (Savoie, 1986). Dependency theorists argue that governments and international corporations have made local communities and small entrepreneurs dependent on forces they cannot control. The heartland-hinterland process that has characterized Canadian regional development has contributed to the systematic draining of capital and resources from the periphery to the core (Matthews 1977, McCann 1982, and Weaver and Gunton 1982).

The perpetual feeling of powerlessness and the increased dependency on government transfer payments experienced by many Canadian hinterland communities have stimulated interest in approaches to development that focus on increasing local control. Short-term job creation and make-work projects, like road resurfacing, are seen as insufficient and as decisively ineffective means for achieving long-term economic development. Attracting new large corporations, again often involved in natural resource extraction, through location incentives has been seen to perpetuate or simply transfer the dependency problem rather than solve it. Plant closures in single-industry hinterland communities, in both Canada and in the United States, have left many unpleasant legacies behind them (Bluestone and Harrison 1982).

Generally, communities and individuals who live in these communities, have become increasingly alienated from, and resentful of, the large corporations and centralized governments that influence and control their present and future well-being. The feeling of powerlessness this kind of dependency relationship creates has led communities and community organizers to seek a means of
altering this uneven relationship between core and periphery. The establishment of locally-controlled enterprises and community development corporations permits communities to direct better their own pattern of development. The decentralized nature of CBED has made it a countervailing force against a powerful global economy with transnational corporations at the decision-making helm. The increasing levels of alienation and dependency local communities are experiencing are in part a manifestation of this trend towards an integrated international economic system.

2) The International Economy

The world has become a much smaller place with the advent of advanced communication technologies that have facilitated the growth and increased power of a rapidly globalizing world economy.

Through the ages, people have reached beyond their own borders to obtain essential, valued, or exotic materials. Today's surer communications and larger trade and capital movements have greatly enlarged this process, quickened its pace, and endowed it with far reaching ecological [economic, social, and cultural] implications (WCED, 1987).

The effects of a globalizing economy that set the pace and pattern of development on an international scale has contributed to the search for countervailing locally controlled forces like CBED. An increasingly interconnected international economy has meant that business cycles and their social and ecological impacts have been felt world wide.

The development of a super-national globe-girdling monetary system, transferring money at electronic speeds, links all these high technology, industrial societies on the same roller coaster of world trade, making a parody of the efforts of nations' domestic economic management. Politicians desperately try to recalibrate domestic industrial policies
that often require decades to implement, while their plans are thrown away afresh each morning when the international currency exchanges open in London, New York, or Tokyo (Henderson, 1987).

The individual community is dependent on the ebb and flow of the global economic tide: how it influences domestic policy; how it influences currency exchange rates; and ultimately how it influences world market demand. With the likely advent of a Canadian-American free trade pact, it can be expected that these kinds of impacts and external influences will be felt more quickly and more sharply than ever.

The technological advances which have facilitated the growth and development of the international economy bring with them their own devastating impacts (e.g., labour force de-industrialization). The implementation of labour-replacing technologies has meant that many industries (most notably manufacturing and resource extractive industries), have increased output while employment levels have decreased. Hence, it is now possible to have a situation where the economy is growing and Gross National Product (GNP) may be rising, yet employment levels may either stay the same or decline. This kind of economic restructuring within certain industries has resulted in a trend towards high unemployment across the country, with some regions in Canada experiencing higher rates than others. "Statistics describing B.C.'s forest industry are indicative of the employment implications of the current economic situation. In 1985 log production in the province finally reached pre-recession levels of 1979. However, this growth in output was achieved with a corresponding 26% decline in employment from 1979 levels" (B.C. Central Credit Union, 1986).
These trends and the increasingly widespread influence they wield on local economies has contributed to the precarious and uncertain future many Canadian hinterland communities face. The inability of local communities to assert any influence upon the international economy has further stimulated their search for alternate approaches that emphasize local control and decision-making.

3) The Failure of Regional Development Planning in Canada

The inability of regional economic development initiatives to deal with or amend regional disparities has perhaps been the most important contributing factor in the search for new approaches to regional planning in Canada. Many regional development theorists agree that Canadian regional planning, in the past, has been a failure (Savoie 1986, Weaver and Gunton 1982, DeBenedetti 1980). Canadian dependency theorists believe:

regional development policies have failed to reduce Canadian disparities significantly; instead they are likely to have exacerbated class differences within the region and to institutionalize disparities to the point where they become permanent (Matthews, 1977).

In other words, Canadian regional development policies have perpetuated rather than eradicated the existing dependency relationship between heartland and hinterland regions. Studies (e.g., Savoie 1986) have shown that regional disparities (as measured in terms of earned income per capita and unemployment rates), continue to exist in Canada. Some Authors, such as Weaver and Gunton (1982), remark that "the impact of these policies if taken at face value is hardly impressive or encouraging". This view echoes the findings of the report published in 1977 by the Economic Council of Canada (ECC) which found that:"...disparities in Canada are surprisingly large, certainly larger than many of us
expected and larger than they need to be or ought to be."

Regional development planning policies in Canada:

were designed to subsidize declining staple industries such as agriculture and forestry, to reinforce labour market operation through mobility subsidies, to encourage private investment with social and economic overhead capital and industrial incentives, and to build 'mega-projects' (Eberle, 1987).

Canadian regional development policy programmes can be broken down into three phases, each signalling a relative shift in value orientation and/or programme implementation.

The first phase began during the Great Depression era and adopted a rural-based development orientation. The PFRA (Prairie Farm Rehabilitation Act) and the MMRA (Maritime Marshlands Rehabilitation Act) of the '30s and '40s, and ARDA (Agricultural Rehabilitation and Development Act) of the early '60s sought to encourage and support slumping agricultural industries. These programmes supported various soil and water conservation projects and, later on, sought to address the question of rural poverty. Assistance was seen as a way of supporting rural agricultural industries and their corresponding lifestyles.

A major shift in Canadian regional development policy orientation began in the sixties and culminated in 1969 with the establishment of the Department of Regional Economic Expansion (DREE). Economic development and the elimination of regional disparities had become an important national objective of Pierre Trudeau's Liberal government.
This new regional development policy centered on three inter-related programmes of regional development:

1) industrial incentive grants;
2) infrastructure assistance grants; and
3) programmes of 'social adjustment' and labour mobilization grants.

(Matthews, 1977, Weaver and Gunton, 1982)

Industrialization and the role of the market place had become paramount in Canadian regional development policies and the previous, more comprehensive, regional development approach was abandoned in favour of an ad-hoc, project by project approach, with funding subject to efficiency measures such as job created per dollar expended (Weaver and Gunton, 1982). The programmes of DREE and its successor DRIE (The Department of Regional Industrial Expansion) centered on creating growth-poles and supporting economic sectors and geographic areas with growth potential. By 1981 those areas eligible for DREE assistance included areas of Montreal and 50% of the Canadian population. The creation of DREE in 1969 signalled a major shift in value orientation from "protecting or supporting rural life to building urban growth centres that sucked people and affluence from the hinterland areas" (Matthews, 1977).

Many studies have described the economic and social impacts of DREE and DRIE programmes. These programmes succeeded in attracting industries to disadvantaged regions through location subsidies and infrastructure facilities; yet many (approximately two thirds) of the firms would have made the investment or decision to locate without the grants they received (Woodward, 1975). Perhaps
the most unsettling effect of the DREE and DRIE grants was their capital bias. Investigations have shown that "DREE subsidies were biased in favour of capital, for they reduce the price of plant machinery and equipment proportionally more than the cost of other inputs, such as labour. As a result, new installations were more likely to be technologically efficient rather than labour intensive" (Matthews, 1977). The capital-intensive nature of the industries attracted through DREE and DRIE subsidies seems to be counter-intuitive and inconsistent with the departments' primary objective: employment creation. The branch plant character and foreign ownership of many of these industries also contributed to the increasing levels of external control experienced in disadvantaged regions and communities.

A third Canadian regional development policy phase has emerged focusing on the local economy. The current policy is implemented through a national programme called Canada Works. These assistance programmes (LEAD, LEAP, and the Community Futures Programme, see Eberle 1987) signal a more decentralized approach to economic development, but essentially their value orientation and approach have remained the same. The subsidies and grants are used as tools to stimulate small enterprise and business development (Eberle 1987; Williams 1987). Hence, the previous characteristics of the DREE and DRIE programmes have simply been scaled down to the local level. These programmes have been called Local Economic Development (LED) by government and other agencies:

... while there is an interest in changing specific situations by working in economically depressed communities, there is, of course, no inclination toward broader social change of the kind which characterized community development in the sixties (Williams, 1987).
This recent regional development policy phase remains top-down in its orientation as the control of funding remains centralized with subsidy and grant eligibility subject to endless constraints. Local groups and entrepreneurs are now dependent upon the federal government and its many programmes for continued funding.

In summary, the failure of regional development planning in Canada, the dependency relationship it helps perpetuate, and the increasing influence of the international economy have contributed to the search for alternate development approaches that are locally-controlled and emphasize the use of local resources (especially human ones) in an equitable fashion. Many Canadian communities have turned to Community-Based Economic Development to decrease their dependency on the external forces of multinational corporations and world price fluctuations, as well as on federal and provincial government programmes and funding.

1.5. THESIS ORGANIZATION AND METHODOLOGY

This thesis is organized so that the following two chapters respectively explore the two definitional questions identified in section 1.2 of this chapter. Chapter four then answers the research question presented in the thesis statement using the example of the Local Exchange Trading System. The final chapter of the thesis offers a summary and concluding remarks.

The preceding section of this chapter has answered the question regarding the impetus for CBED in Canada and thus serves as an introduction for the
theoretical discussions presented in chapter two. Four different theories of
development are examined and a fifth theory (CBED) is then discussed in detail.
The information presented in this chapter is drawn from an extensive literature
review which included many journals and books as well as individual case studies
of specific CBED organizations and their development efforts. The purpose of this
chapter is to establish the goals and objectives of Community-Based Economic
Development which will later serve as an evaluative tool when the role of the
informal sector in the CBED process is examined in chapters three and four.

Chapter three discusses the informal sector. Different definitions are examined
and a single definition is adopted. The literature pertaining to the informal sector
in both First and Third world economies is used in arriving at this single
definition. Finally, the role of the informal sector plays in CBED is explored.

Chapter four investigates in detail the example of the Local Exchange Trading
System (LETS). The analysis of the individual LETSystems -- Victoria, Duncan,
and Ottawa -- are preceded by a discussion of local currencies and the history
of LETS in Canada. Information regarding the Local Exchange Trading System,
as an example of informal economic activities, is later assessed according to the
goals and objectives of CBED as established in chapter two. The ability of the
informal sector to promote CBED is assessed, and further opportunities and
existing constraints are identified. This information was acquired from personal
interviews with LETS' administrators and from an examination of LETS' transaction records.
Chapter five is a summary of the research and findings of the thesis. The role the informal economy plays in promoting CBED is discussed and policy recommendations are put forward. The chapter and the thesis conclude with the examination of avenues for further research into the informal sector and CBED.
2. CHAPTER II : COMMUNITY-BASED ECONOMIC DEVELOPMENT

2.1. INTRODUCTION

There is no unique or comprehensive definition of Community-Based Economic Development (CBED). It starts with the community, a place where members sense and acknowledge that their destinies are somehow linked together. CBED is a process through which members of a community by their own initiatives can contribute to the social, economic, and cultural development of their community. It is an attempt to capitalize on local opportunities and resources in order to satisfy local needs. The Social Planning and Review Council (SPARC) of British Columbia admits that there are many definitions of CBED, and offers the following descriptive statement:

Community Economic Development [same as CBED] is concerned with fostering the social, economic, and environmental well-being of communities and regions through initiatives taken by institutions, community agencies, or other organizations that strengthen local decision-making and self-reliance, co-operative endeavour and broad participation in community affairs (SPARC, 1987)

The purpose of this chapter is to examine the meaning of the expression CBED and what differentiates this approach from other traditional economic development approaches. First, in section 2.2 the different definitions of community and the community development process will be discussed. This section will be followed by a review of the changing meanings of development and development planning approaches. A working definition of CBED is then put forward, with a brief discussion of its characteristics, organizational structure, as well as the goals and
objectives of different CBED efforts.

2.2. COMMUNITY

Rediscovering community identity and community development is the beginning of the CBED process. Before community organizations and local institutions can attempt to stimulate and guide local economic and social development they have to first foster a strong sense of community. This sense of community may stem from an attachment to a common geographical area or philosophy, or emerge in reaction to an outside threat, but once established the members of the community come to recognize that their individual futures are somehow linked together.

The Simple Living Collective American Friends Service Committee of San Francisco (1979) identifies three kinds of communities:

1) communities whose members share one household and interact in many aspects of their daily lives;

2) communities whose members choose to reside in a limited geographical area or 'neighbourhood'; and

3) communities of spirit or concern which can develop even though considerable geographical distances may separate their members.

In each of these kinds of communities the members share something in common. Whether a geographical location or a level of spiritual consciousness, this common
bond causes them to identify with one another as members of a particular group or community.

The existence of a common 'sense of identity' emerges through the process of community development. The United Nations in 1955 published *Social Progress Through Community Development* in which "community development can be tentatively defined as a process designed to create economic and social progress for the whole community with its active participation and the fullest reliance on the community’s initiative".

The process of community development is essentially a social learning process and the approach must continually be seen as a communication process, as an education process, and as a process that encourages a reconciliation of needs related to the community (Dykeman, 1987).

Hayden Roberts in his book *Community Development* (1979) sees community development as a learning process with three different stages: 1) mutual-learning; 2) consensus; and 3) action. The first stage, that of mutual-learning, is when "members of a community need to acquire knowledge of themselves, of the groups they are in, and of their environment". It is through this process of mutual-learning that a community can identify available local resources, both human and natural. In stage two, a consensus regarding the goals and objectives of the community is achieved. The members of the community have now developed a group identity built from common ends, norms, and means. In the third or action stage of the community development process, the members of the community seek the means to implement their shared goals and objectives. This
can often lead to the decision to establish a Community Development Corporation (CDC) or similar institution.

According to Hayden Roberts (1979) and George Melynk (1985) a community exists when a group of people perceive common needs and problems, acquire a sense of group identity, and establish a common set of objectives. It is very important that a community before establishing a CDC or parallel institution arrives at these common goals and objectives in order to proceed in the collective interest. It is therefore not until an agreement (sometimes only a partial one) regarding community goals and objectives is achieved, that the established organization can determine what and how to stimulate economic and social development.

2.3. DEVELOPMENT

Development means different things to different people, and the way one thinks about development will be influenced by one's personal philosophy and beliefs. Development is a multi-dimensional concept. The confusion surrounding the development process can be attributed to two factors: the interchanging of the terms economic growth and economic development; and the changing and evolving definition of development in the development planning literature.

Economic Growth and Development

When planners and economists speak of development and development planning, traditionally they are referring to economic development. In this context
development infers a quantitative increase in a given unit of measure, accompanied by structural change. Economic development can therefore be defined as economic growth and structural change: a shift in the occupational structure of the labour force; innovation in institutions; behavioural changes; and/or changes in technology (Zuvekas jr., 1979; Shapira, 1983).

Economic development is most often said to have occurred when both Gross National Product (GNP) and income per capita are rising annually at a reasonable rate. Development planners traditionally had a set of material goals on which they felt people of any culture must agree, and the progress towards them could be objectively measured in the comparisons of GNP and per capita income (Peattie, 1981). There has been no explicit idea or indicator of structural change incorporated in this traditional approach. Additionally, this definition of the development process implies that social development will occur as a result of economic growth. Here the emphasis is clearly on the economic, and social development is a subordinate rather than a conjunctive goal or variable. In many cases this traditional approach to economic development planning means an increase in physical facilities and infrastructure designed to attract more investment and stimulate private enterprise development. Consequently, development was (and for some people continues to be) synonymous with growth, and therefore more growth represented more development, regardless of the distribution of the associated costs and benefits.

This classical interpretation of economic development as economic growth has resulted in the past with "economic development being frequently couched in
terms of more jobs, increased wages, or more buildings .... in other words more growth" (Shapira, 1983). This narrow growth orientation of economic development planning (referred to by Boulding as the 'cowboy economy'(1972)) has not always been accepted and has of late drawn increasing criticism from many professionals and academics involved in development planning. This emphasis on economic rather than social development has in some cases led to situations where economic growth and development have been the catalyst for social unrest.

Dudley Sears (1979) argued that development has to include increased educational levels, increased participation in government, more and equally distributed social liberties, and improvements in the quality of life. Other definitions of development that follow Sears' argument suggest that permanent and irreversible changes in ownership, control and power relations in society are needed if the most pressing development problems are to be resolved and inequities reduced (Shapira, 1984). Anthropologists like Lisa Peattie (1981) argue that "thinking about development planning has gotten into trouble by dividing economy from society, and misconstruing moral-social-political issues as technical ones."

2.4. FOUR APPROACHES TO DEVELOPMENT

As previously stated, no single comprehensive definition of development exists. Anderson and Boothroyd (1984) point out that "development is a concept which is relatively new in human history, and has been fundamentally reformulated at several points in the last one hundred years or so." They develop four broad categories of development theories: classical; welfare; territorial; and systems. It is
important when examining these different categories to look at the broader context because thinking about development, like many other concepts is influenced by the ongoing changes in the economic, political, social, and biophysical environments. Therefore, "one must see changes in theories of development as reflections of changes in the actual development of society - economical, technological, intellectual, spiritual or whatever" (Anderson and Boothroyd, 1984).

A brief review of these four approaches with emphasis on the scope of the definition of development adopted and the roles that the marketplace, government, and individuals play in these different approaches lends some insight to the pending discussion of what might be considered a fifth approach - Community-Based Economic Development.

1) Classical Development Theory

"The classical approach assumes that where there is a free market in land, labour and capital, economic development will occur naturally. It assumes that given the opportunity, individuals can and will act in their own best economic interest" (Anderson and Boothroyd, 1984). The classical approach to development emerged in the eighteenth and nineteenth centuries, and to a large extent it was an attempt to understand and theorize about a rapidly changing society. Classical theory was the first explicit theory of societal development. Adam Smith and Alfred Marshall were the most influential contributors to classical theory with regard to economics and consequently economic development.
During the period of the industrial revolution many new industries and economic sectors were developed. This rapid burst of economic development stemmed from many sources, including technological innovations, as well as increased specialization and the division of labour. These were all key components of Laissez-Faire capitalism. According to classical theory the free market - which represented the collective interests of all participating individuals, and hence society - would decide what to produce, how to produce it, where to produce it, for whom to produce it, and consequently the pattern of development. Investment was the key to development. The government was allowed to play only a passive or supportive role in the market place. Government was to maintain the free market and perfect competition, thus ensuring ample investment opportunities, continued economic growth and development.

2) Welfare Development Theory

"The welfare approach synthesizes certain aspects of the classical approach and the Socialist reaction" (Anderson and Boothroyd, 1984). The welfare approach to development arose during the Depression era in reaction to classical theory and the apparent limitations of the market place. This approach is associated with market place subsidization, increased regulation, residual welfare, institutional welfare, and Keynesian economics.

The welfare approach to development breaks from classical theory in its realization that the market place does not always decide in the most equitable fashion. A Keynesian economic perspective was adopted and national government was to play a greater role in the market place, as both a producer and
consumer. The welfare approach called for expanded government services in the form of both residual and institutional welfare (e.g., unemployment insurance and medicare), increased government regulations (to ensure that no one's rights were being jeopardized by those actively pursuing their own economic interests) and increased government subsidization of industries, economic sectors, and regions, so as to ensure an acceptable and equitable pattern of development.

This approach embraces an expanded role for national government and centralized economic development planning and has tended to create a large public sector and burdensome bureaucracy. The neo-classical theorists led by Milton Friedman were to enjoy renewed popular support as national debt loads increased. However, many (e.g., J.K. Galbraith) would criticize the neo-classical theorists as searching for a simple theory, one dating back to the eighteenth century, to explain an increasingly complex world.

3) Territorial Development Theory

Those promoting the theory of territorial development have adopted an integrated approach to development planning. Friedmann and Weaver in their work *Territory and Function* have "based their approach upon the need for fundamental changes in the nature of the existing economy" (Coffey and Polese, 1985). They see both the classical and welfare development approaches as causes of the problems both developed and underdeveloped regions face because they perpetuate dependency and unequal economic relationships (Anderson and Boothroyd, 1984). Dependency theorists (e.g., Matthews, 1977), as well as others who view development as a heartland-hinterland process, echo this view and therefore are included in the
This approach is political and stresses the role of values and culture in politics, and ascribes an important role for government at the local level. Territorial development theory rejects programmes that seek to integrate local economies into the global economy through regional incentives, tax breaks and the like. Rather, the poorer community, region, or country should seek to organize itself and build boundaries between the individual community and the remaining society. The emphasis is on "integrated development at the local level in a culturally conservative and ecologically preservative manner". In this context economic development efforts concentrate on employing local human resources in order to meet basic human needs first (Anderson and Boothroyd, 1984).

This approach openly refutes the distributive role of the market place. Proponents of territorial development believe that, if allowed the community can and should decide what to produce, how to produce it, where to produce it and for whom to produce it. This approach contends that the community can, through a process of mutual learning, organize itself to promote a pattern of development which is much more likely to reflect the needs, culture and values of the community. The role of the individual is down played, as his or her individual contributions are collectively represented through the community.

4) Systems Development Theory

"Systems theorists have a fundamental belief that progress - i.e., growth and positive change - is the natural course of events for humankind" (Anderson and
Boothroyd, 1984). They realize that systems - ecological systems, social systems, economic systems, and political systems - are all linked together. According to systems theory, a disturbance or change in a single system will cause a chain reaction of impacts throughout the other system networks. For example, the continued use of energy intensive technologies in Western societies has released high levels of carbon dioxide, which in turn has contributed through the "greenhouse effect" to an overall warming of the earth's hemisphere. This impact, has manifested itself in bizarre anomalous weather patterns, one of these being extreme cyclical changes in temperature of an area of the Pacific Ocean off South America. The extreme increase in water temperature has resulted in the extinction of a species of tiny fish traditionally harvested and sold as protein supplements for cattle feed. This has led to the search for an alternate source of protein and the eventual shift of some fields from grain to soya bean production. This shift to fulfill market demand for soya beans in turn spearheaded a world shortage in grain which has resulted in mass borrowing and farm expansions by North American grain farmers. The countervailing expansion in grain production eventually culminated in a market surplus and falling world grain prices. Decreasing world prices have been an important factor in the ensuing debt crisis of farmers in the Canadian Prairies and the American Midwest (C.S. Holling, 1987).

Systems theorists see world systems as achieving advanced stages of complexity representing a higher evolutionary stage. They feel the world is getting smaller due to the increasing interconnectedness of existing systems and innovations in transportation and communication technologies. This increase in the
interconnectedness of systems means that one community's actions can significantly impact the well-being of other communities, at a global scale (e.g., pollution). Therefore, systems theorists stress the importance of global sustainable development, carried out in a fair and ecologically sound fashion (Daly 1973, WCED 1987). Unlike territorial development theorists, systems theorists feel that poverty and unequal development need to be addressed within a global policy framework to be administered by a world governmental agency like the United Nations.

2.5. A FIFTH DEVELOPMENT APPROACH: CBED

Community-Based Economic Development (CBED) is an alternative model of economic development that is integrated, locally-based, decentralized, dynamic, flexible, adaptable and above all accessible. There is a great deal of CBED activity currently taking place in Canada. The Canadian Council on Social Development identified approximately 500 different organizations directly or indirectly involved with CBED (Forget, 1987). A large variety of different organizations are pursuing CBED: Community Development Corporations (CDCs); Native Indian Tribal Councils; voluntary agencies; self-help groups; women's groups; co-operatives ... etc. In different communities and through different organizations across Canada "... people have been embarking on CED (same as CBED) projects of various kinds, in order to create a greater degree of local control over their communities and economies by reducing local unemployment, raising capital to finance community-based social services and decreasing external dependency" (Wismer and Pell, 1981).
CBED, like territorial and systems theories, is an integrated approach to development. It is felt that

... just as social problems are related to economic problems, so are the solutions to these problems inseparable. Therefore, the interdependence of the social, economic, and cultural areas is given priority in the project and the creation of jobs and economic development are considered as a means (rather than an end in itself) to a kind of well-being (Le Groupe Contacte, 1977).

Community-Based Economic Development expands the traditional sense of "economic" to include well-being. Here, well-being is meant as a more comprehensive measure of the quality of life. This includes some non-economic values like self-respect, social position, reputation, cultural values, and traditions, rather than simply wage income. For example, suppose an individual who previously collected $450 per month in unemployment insurance now becomes employed and is earning $420 per month in wages. This may be seen as a decrease in personal income of $30 per month. However, the increase in social status, self-respect and future opportunities may represent to the individual an increase in well-being far greater than the actual decrease in wage income.

CBED projects seek to address local economic, social, political, and cultural needs using local human and natural resources. These projects are operated most often on a 'not-for-profit' basis, with any surplus profits being invested in other community projects. This has been called 'community-entrepreneurship' and is what separates CBED initiatives from ordinary small business development and Local Economic Development (LED). Individual CBED organizations may choose from a spectrum of initiatives, from local self-help groups that are seen to
address exclusively social needs, to promoting small enterprise development which is seen to address economic needs. Usually the CBED organization, often a CDC, will partake in both activities at the same time while pursuing other endeavours which integrate aspects of both. This is why Community-Based Economic Development theorists classify CBED projects as third sector activities. Third sector activities are those that are neither exclusively private sector, nor public sector activities, but in fact are a blending of the two (Wismer and Pell, 1981).

Satisfaction of human needs, a reconceptualization of the nature of work, environmental protection and a commitment to self-reliance are the pillars of the new economic framework developed by Paul Ekin (1986) in *The Living Economy, A New Economics in the Making*. Community-Based Economic Development is a way to implement these new ideas at the local level. In common with territorial development theorists, those involved in CBED have rejected the prevalence of the private market in determining the pattern of development. They seek instead to increase local control and promote community self-reliance. Yet many CBED advocates see small advancements in local communities as insufficient and call for global transformations and restructuring. These individuals are more influenced by systems theory. However, it is the point of view of this author and others that "just because we need organization, political and economic, at the global scale, we may need smaller levels of meaningful organization - like CBED - more than ever to articulate the interests of people with little leverage at the top; to experiment with new models and new forms of action and meaning; as a frame for life at the human scale" (Peattie, 1981). CBED efforts may seem minimal in face of national de-industrialization trends and global environmental distress, yet
an integration of the basic values of environmental preservation in Community-Based Economic Development initiatives can only help to educate and therefore prepare individuals to deal with the larger issues. Also, when problems such as unemployment, poverty and crime are viewed at the local level they become much more real, tangible and important.

...It is these close encounters that we know in the concrete, that is not simply youth that is unemployed and alienated but rather our own children. It is not simply anonymous numbers who cannot find jobs but those whom we have respected for their contributions to our communities. It is not the abstract generation to come who will inherit the consequences of environmental degradation and nuclear proliferation but rather those whom we see growing up around us. It is at these local levels of accountability that we can begin to appreciate how we are responsible not simply in economic or financial terms, but in social, historical, ecological, and cultural terms as well (Vanier Institute of the Family, 1984).

Thus CBED can be described as a fifth approach to development that synthesizes the focus on local communities of territorial development theory and the recognition of the need for global restructuring of systems theory.

2.6. THE GOALS AND OBJECTIVES OF CBED

The specific goals and objectives of Community-Based Economic Development are different according to the appropriate needs and wants of each individual community. However, there are guiding principles that characterize the general thrust and orientation of the goals and objectives of CBED activities. The most important one is community self-reliance.

Community development and the promotion of community self-reliance is the key
characteristic which distinguishes between CBED and Local Economic Development. The promotion of community self-reliance stems from the idea of self-help and it is also a reaction to the increasing dependency of communities on outside forces.

This is clearly expressed in the following quote:

Self-reliance is not merely an abstract recipe, a way of organizing the economy and heavy emphasis on the use of local factors, but a highly concrete fight against any kind of centre-periphery formation with the ultimate goal of arriving at a world where each part is a centre ... self-reliance cannot be at the expense of others and it implies the autonomy to set one's own goals and realize them as far as possible through one's own efforts (Galtung, 1976).

Community development necessitates the increased participation and interaction of individual members of a community. Together through the process of mutual-learning they establish their shared goals and objectives. This idea of democratic, shared decision-making is further reflected in the activities they choose to support.

There exists no magic recipe for CBED; consequently, the goals of each CBED organization will be different. However, in general there are three common goals and objectives of CBED organizations which all stem from the principle of increased community self-reliance.

1) increased community control

- as a means of determining one's own future
- as a means of determining the community's pattern of social, cultural, and economic development
- as a defence against external forces
CHAPTER II: COMMUNITY-BASED ECONOMIC DEVELOPMENT / 33

- as a means to promote the increased participation and shared decision-making of all members of the community

- maximization of the use of local resources and the increased implementation of appropriate technologies

2) integrated approach to development

- multi-dimensional approach to development which incorporates the blending of economic, social, and economic objectives

- implementation of a 'not-for-profit' orientation with profits generated through enterprise development being directly reinvested back into the community

- equity in employment opportunities

- expanded definition of work

- decentralized, flexible and adaptable in its approach

3) sustainable development

- environmental preservation and conservation

- appropriate technology

- long-term job creation

- economic stability

- maximization of the use of renewable resources

- increased community responsibility
2.7. SUMMARY

Community-Based Economic Development is a newly emerging approach to development that integrates the processes of economic, social and cultural development at the local level so as to increase community self-reliance while promoting both economic stability and sustainability. CBED is an approach whose theoretical background draws from both territorial and systems theories. It also represents the merging of community development and economic development, thus giving social, cultural and economic objectives equal status.
3. CHAPTER III : THE INFORMAL SECTOR

3.1. INTRODUCTION

Conventional community-based approaches to increasing employment and income have centred around traditional cash-flow analyses of local economies. According to this form of analysis there are two reasons why an individual community is poor: 1) not enough money (federal currency) flows into the local economy; and 2) of the money that does flow in too much flows out too quickly (Davis & Davis, 1986). These two reasons are seen as the primary contributing factors to unsatisfactory local income levels and employment opportunities.

Traditional analysis is based on the patterns of monetary exchange between households, businesses, and governments, and it further identifies specific channels of cash inflows and cash outflows. The cash inflows of a community are seen to rise through exports, investment, and government transfer payments and purchases. While, increased cash outflows are seen to stem from a rise in imports, savings and taxes. Consequently, conventional community-based economic development approaches have focused on increasing cash in-flows and decreasing cash out-flows.

Dollar Inflows

Different local economic development strategies have concentrated on increasing existing community export levels, encouraging the relocation of export-producing firms, the development of new products targetted at national or international
markets, and frequently, tourism promotion. A similar strategy that focuses on attracting and encouraging new investment is called the 'chamber of commerce' approach which is commonly associated with downtown revitalization and local infrastructure improvements. This increase in investment and capital spending, is said to increase community income and employment as new businesses relocate to newly built complexes. Governments, at all levels, through a variety of programmes, grants, and the institutional welfare system contribute significantly to the level of cash inflows of many local economies, and consequently are often lobbied to increase these efforts.

**Dollar Outflows**

A variety of current local economic development strategies have concentrated on decreasing the level of cash outflows of a community. These efforts have centred on import-replacement through buy-local campaigns and the establishment of locally-based financial institutions. These efforts decrease the amount of dollars flowing out of the local economy while the increase in cash retained is then respent in successive rounds within the local economy.

This kind of traditional economic cash-flow analysis ignores all economic activities that occur outside the boundaries of the 'formal' economy. The purpose of this chapter is to examine those economic activities that take place within the informal economy and how they contribute to Community-Based Economic Development (CBED). Section 3.2 of this chapter examines the multitude of different definitions of the informal sector and puts forward a single definition which will be used for the purpose of this thesis. The following two sections of
CHAPTER III: THE INFORMAL SECTOR / 37

This chapter will review the literature pertaining to informal sector activities, participants and theories with reference to First and Third World economies. Section 3.5 examines the literature pertaining to the Canadian informal sector, which acts as a background for the case study of the Local Exchange Trading System (LETS) presented in the following chapter. The subsequent section reveals avenues through which CBED can be promoted within the informal sector.

3.2. DEFINITIONS OF THE INFORMAL ECONOMY

There exists a variety of different interpretations and definitions of the informal economy (also referred to in this thesis as the informal sector), which has resulted in some confusion and ambiguity in the literature.

The informal economy has been referred to as: the black economy; the hidden economy; the underground economy; the shadow economy; the invisible economy; the second economy; the dual economy; the bazaar economy; the peasant economy; the traditional economy; the counter economy; the marginal economy; the household economy (Sauvy, 1984). The criteria chosen to define the informal economy in each case tends to reflect the philosophical and academic background of the author and the specific geographic context (e.g., Third World economies, Western capitalist market economies) in which the research is taking place (Connolly, 1985). Some authors differentiate informal sector activities by the scale of the activities themselves, their legality or illegality, or by the mode of production. Theories also differ in their individual hypotheses about the interrelationships between informal and formal sectors.
Attention in the literature of the informal economy was focussed initially on its dualistic relationship to the formal sector in Third World economies. The International Labour Office in 1972 published a list of characteristics that were used to distinguish informal from formal economic activities (see table III.i).

Table iii.i: The ILO Distinctions Between the Informal and Formal Sectors

<table>
<thead>
<tr>
<th>The Informal Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) ease of entry into the labour force</td>
</tr>
<tr>
<td>2) reliance on indigenous resources</td>
</tr>
<tr>
<td>3) family ownership of the enterprise</td>
</tr>
<tr>
<td>4) small scale operation</td>
</tr>
<tr>
<td>5) labour intensive and use of adapted technology</td>
</tr>
<tr>
<td>6) skills acquired outside the formal school system</td>
</tr>
<tr>
<td>7) unregulated and competitive markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Formal Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) difficult entry into the labour force</td>
</tr>
<tr>
<td>2) frequent reliance on outside resources</td>
</tr>
<tr>
<td>3) corporate ownership</td>
</tr>
<tr>
<td>4) large scale operation</td>
</tr>
<tr>
<td>5) capital intensive, often using imported technologies</td>
</tr>
<tr>
<td>6) formally acquired skills</td>
</tr>
<tr>
<td>7) protected markets (e.g., quotas, tariffs)</td>
</tr>
</tbody>
</table>

source: V. Das (1986)
The "informal sector is described as small scale, generally the economy of the poor and all other characteristics such as the level of the technology used, the source of resources for production could be placed in the context of poverty" (Das, 1986). This dualistic relationship between the formal and informal sectors has been reformulated many times and will be discussed further in the next section of this chapter.

In Western capitalistic market economies, much of the research surrounding the informal sector has focussed on estimating the volume of the unaccounted and most often illegal economic activities that are taking place outside the formalized economy. In this instance participation in the informal economy is synonomous with hidden, underground, or clandestine employment. It is often referred to as moonlighting and is defined "as having a sole or secondary gainful, noncasual occupation that is carried out on or beyond the fringes of the law or the terms of regulations and agreements" (De Grazia, 1982). These activities typically include, secret workshops, sweatshops, unaccounted for workers and unreported income ... organized smuggling, prostitution, trafficking ... etc. One of the motivating factors behind these studies is often to devise a means to recapture lost government tax revenues.

Another definition of the informal economy is one "which is based on non-money production of services within the household, which can be broadened to include the 'communal' production system which includes voluntary or religious organizations, child minding circles, transportation co-operatives, and housing improvement co-operatives" (Gershuny, 1979). This author points out that the
informal economy is not a separate economy at all, but an integrated part of a system by which work, paid and unpaid, attempts to satisfy human needs.

There exists it seems no unified, comprehensive definition of the informal sector. This presents added difficulties for one who is attempting to hypothesize about the role of informal sector activities play in Community-Based Economic Development. It is for this reason that I will now put forward my own schematic model of the informal-formal sector interrelationship, set within a context appropriate for this thesis (i.e., a Western society and economy).

I envisage three separate categories of economic activity that can be labelled: formal; informal; and underground (see fig. 3.1). In each case activities can be seen as belonging to one, or more categories, and the boundaries are neither absolutely clear nor precise. The two principal criteria used in distinguishing between the three categories are: 1) the nature of exchange or transaction taking place, i.e., cash or non-cash; and 2) the legal or illegal nature of the activity. As indicated in fig. 3.1 there exists a significant gray area of overlap between the informal and formal economies. This area has been labelled the 'bazaar economy' and will be discussed further in subsequent paragraphs.

The Formal Sector

The formal sector consists of all the legal economic activities that take place within the monetized economy. These activities operate within the boundaries of the law, and the incomes of those employed in the formal sector are reported as required to the relevant tax authorities. These activities are subject to
government regulation (e.g., working conditions must meet the standards set in the national Labour Code), those employed in the formal sector contribute to the appropriate social welfare programmes (e.g., unemployment insurance), and their incomes are taxed accordingly. These activities are measured and accounted for through various economic techniques (typically Gross National Product (GNP)), and in turn are used in the calculation and formulation of national, regional, and local economic development policies.
Figure 3.1: Four Categories of Economic Activity

- **FORMAL ECONOMY**
  - Cash
  - Non-cash

- **INFORMAL ECONOMY**
  - Legal
  - Illegal

- **BAZAAR ECONOMY**

- **UNDERGROUND ECONOMY**
The informal sector is defined here as encompassing all those activities that are legal - in that they are not considered criminal, nor are they motivated by tax evasion - and are carried out on a non-cash basis. The informal economy is made up of the services provided by mutual-aid groups, voluntary work, household activities, barter exchange, work-in-kind, and self-help activities. These activities are characterized by their unquantified, un-recorded, unaccounted and often invisible nature, and most often take place within the home (Ross and Usher, 1986).

The absence of an adequate measurement tool, one comparable to the dollar, makes it very difficult to estimate the total value of goods and services produced in the informal economy. The unpaid nature of work within the sector (e.g., housecleaning done by a family member), has contributed to the downplaying of the value of informal sector activities and those who participate in them. Typically, housework, child rearing and child care activities which are carried out every day by the mother (or parent) have been unrecognized as economic activities as they are unpaid. The mother or parent staying home is either considered unemployed (presuming s/he was working in the formal 'paid' economy before or as a non-participant in the labour force. Many parents work part-time in the labour force and full-time at home but only the paid labour is counted as productive work and incorporated in national statistics.

The non-cash nature of the activities within the informal sector has also meant
that it has remained largely unaccounted for in national, regional, and local development planning (with the exception of the Third World).

The Underground Sector

The underground economy includes those activities that are illegal, and most often criminal, that are carried out in federal currency. The nature of the activity itself ensures that it is neither reflected in national accounts nor in national, regional, or local development policies. These activities include the purposely hidden buying and selling of goods and services so as to avoid paying taxes, unrecorded workers who are often paid under-the-table less than minimum wages, and those trafficking illicit substances and services. Individuals who make their living or supplement their salaries through these kind of activities are not likely to report this income to the tax authorities.

The Bazaar Economy

Economic activities, or the individuals participating in them are difficult to differentiate categorically. Individuals readily participate in activities in all three sectors. They may work full-time or part-time in the formal sector, volunteer their time or work at home and probably at least once in their lifetime they have taken wages under the table. Also, many activities blend aspects of both the formal and informal sectors. Rather than define these kind or activities as one or the other, they can more comfortably be categorized as belonging to both, or the bazaar economy. For example, garage sales, babysitting and the bartering of goods and services might be considered as part of the informal or formal
economies. Money (federal dollars) may change hands; however, cleaning out the
the garage or basement is usually the primary motivating force. The exchange of
goods and services may be in part paid in cash but the price charged may
reflect the general feelings of reciprocity characteristic of the exchange or be so
cheap as to actually represent a gift.

The Local Exchange Trading System is another good example of activities
belonging to both informal and formal sectors. Goods and services are traded in
'green dollars' which serve as a means of exchange similar to federal dollars
(this idea of a local currency is explained further in chapter four). Goods and
services are also traded using a combination of green and federal dollars. At the
same time, LETSystems stimulate trading outside the system altogether where no
green or federal dollars are involved. Hence, the title bazaar economy which is
borrowed from the literature regarding the informal sector of the Third World
where exchanges include cash as well as non-cash transactions. The bazaar
economy is used for the purpose of this thesis to distinguish those activities
which belong exclusively to neither the informal economy nor the formal economy.
Instead these activities belong to both.

3.3. THE INFORMAL SECTOR IN THIRD WORLD COUNTRIES

The literature regarding the informal sector draws heavily from the Third World
context. In the early 1960s researchers, international agencies, and those involved
in economic development began to examine - what up until that time had been
largely the domain of social anthropologists - the informal sector (Moser, 1985).
Commonly, these studies centred on the urban informal sector of large industrial Third World cities. Correspondingly, many development policies were designed to reinforce and stimulate growth and development in the informal economy. Many authors (Moser, 1985) see,

the rapid growth in popularity of the informal sector concept with the ILO and other international agencies having occurred because it [informal sector development] embodied policy implications which were convenient for international organizations and politically 'middle-of-the-road' governments. Support of the informal sector appeared to offer the possibility for helping the poor without any major threat to the rich, a potential compromise between pressures for the redistribution of income and wealth and the desire for stability on the part of economic and political elites.

In the last 25 years or so, there has emerged a number of different theories pertaining to the urban informal sector, its characteristics, its relationship to the formal sector and the development process. The following paragraphs will outline the main arguments of what have been grouped into three different theories: 1) economic dualism, or the historical view; 2) dependency theory, the informal sector as a subordinate sector; and 3) the petty-capitalist sector.

The theory of urban dualism essentially identifies basic characteristics used to divide economic activities into two distinct and separate sectors: formal and informal (see table 3.a). This dichotomy is also referred to in the literature as eastern/western, rural (agricultural)/industrial, and traditional/modern, as well as informal/formal. The ILO characteristics were used in this instance to distinguish activities or enterprises and not individuals (Jordain, 1980). Each sector was seen to exist and operate independently of each other. A summary definition of the
The informal sector demonstrates the kind of activities being examined:

the bazaar economy [yet another term for the informal economy] is made up of a large number of small enterprises, which were highly competitive among themselves, which rely on the intensive use of labour, often draw from the family, and which seek to minimize their risks rather than seek profit maximization (Roberts, 1978).

This initial descriptive definition of the informal sector was expanded to include individual entrepreneurs (Friedmann and Sullivan, 1972) but it became increasingly criticized for the lack of supportive empirical evidence, and the lumping together of what appeared to be diverse activities into homogeneous groups (McGee, 1978). The context in which informal sector activities were being examined was later enlarged to include the distribution of income opportunities in large Third World cities. And the role of the informal sector was reevaluated to include the absorption of rural-urban migrants which were seen to serve as a reserve pool of labour for formal sector activities.

This view which sees the informal sector as co-existing and even sometimes reinforcing the formal sector came under criticism in the mid to late seventies. Theorists who viewed the development process from a neo-marxist perspective felt the relationship between the formal and informal sector was a very uneven and exploitative one. They felt economic dualism in Third World countries was just another example of the pattern of uneven development everywhere, characteristic of capitalism. Rob Davies (1979) describes what he termed an asymmetrical symbiotic relationship,

In oversimplified terms, in the formal sector the mode of production determines the superstructure, whereas the reverse is true for the informal sector, which on the other
hand, represents a subsidiary, peripheral and dependent
mode of production, having to exist within a social
formation it cannot directly influence.

T.G. McGee (1978), and Bromley and Gerry (1979), Lisa Peattie (1981) and
Vechibala Das (1986) presently see the role of the informal sector as being more
complex and the activities which make up the sector increasingly diverse.
Anthropologists like Peattie, reject the idea of two separate dualistic sectors, but
put forward instead the idea that: "indeed, there exists a hierarchy of labour
contracts of varying degrees of job security and remuneration and a hierarchy of
enterprises from the largest and most bureaucraticized down to the smallest and
most fly-by-night". This view refers to the urban-informal sector as the
petty-capitalist sector. And in fact it consists of a blending of both the traditional
dualistic model and the dependency model.

In summary, thinking and theories about the informal sector, its activities, the
individuals and enterprises involved, and its relationship to the formal sector, has
evolved considerably in the last 25 years. The general consensus is that there
exists a surprising amount of diversity and complexity in activities and
individuals operating within the urban informal sector in Third World countries.
Some participate by choice and often make a better income than those with
steady wage employment, while others are pushed into the margins of the
informal sector with little choice at all. Authors like Bromley and Gerry (1979)
now argue that this arbitrary distinction between the formal and informal sectors
is no longer relevant. Rather, what now needs to be researched is the 'poverty
in employment opportunities' that forces some individuals into the margins and
disguises unemployment as employment (see Bromley and Gerry, 1979: Casual Work and Poverty in Third World Cities; for a more detailed explanation).

3.4. THE INFORMAL SECTOR IN THE FIRST WORLD

The literature and research regarding the informal sector in Western capitalist economies can be divided into two distinct parts: 1) that concerned with what has been defined in this chapter as the 'informal economy' (e.g., communal and household activities); and 2) that which has been defined as the 'underground economy' (e.g., unreported income, and/or illegal activities). This distinction is important because the term 'informal sector' is used in reference to both and if one were to look under the subject heading of the 'informal sector or informal economy' of any library, the books cited would include both these very different definitions.

The emphasis in the literature has been placed on the underground economy. This preoccupation with the unrecorded or unaccounted nature of underground activity has led to a continually increasing number of attempts to measure or estimate the total value of final goods and services in the subterranean economy. The large mathematical models used to calculate the size of the informal sector stem from assumptions made by the authors regarding the nature of the formal/informal sector relationship. The conclusions of these studies list the following main implications of the informal sector:

1) national growth rates, calculated exclusively on the basis of the formal sector, are underestimated (i.e., things are not as bad as they seem);
2) the unemployment figures are exaggerated, as many of those receiving unemployment benefits are in fact gainfully employed;

3) the inflation index is also overestimated, as prices in the informal sector tend to be 20 to 40% lower than in the formal sector; and

4) taxes are too high, as this is what drives many activities into the underground economy (Connolly, 1985).

In Canada perceived excessive taxes, the inequitable burden of taxation and the reliance on self-assessment type income tax returns are seen by some authors as the primary motivating factors for individuals who choose to participate in the underground economy (Mirus and Smith, 1982).

Authors like De Grazia (1982) see both push and pull factors that contribute to the growth in clandestine employment. These factors are essentially "economic ones, where one of the parties increases his or her income, while the other reduces his or her costs". Therefore, insufficient income levels lead individuals to seek out additional income opportunities while high labour costs cause employers to seek alternative sources of labour, and often to turn to either a piece-work or putting-out type system.

The major thrust behind this argument is that growth in informal sector activities generally disguises employment as unemployment, and the unrecorded nature of these activities has cost governments a considerable amount in lost tax revenue and social security contributions. In this case the notion conveyed is that most individuals operating within the underground economy do so by choice, and are attracted by the additional income opportunities it provides. The notable exception to this idea, is the sweatshop situation where the majority of
employees are illegal immigrants. Informal sector activities, such as work-in-kind, household activities, and communal activities have been omitted from this kind of analysis which focuses on the underground economy.

There have been studies set in the context of a Western market economy that examine what has been defined as the informal sector (rather than the underground sector) earlier in this chapter. Some authors say that the "new attention focused on the non-monetary sector is due to the fact that it is most relevant in understanding today's global stresses, as well as the issues which industrial societies are faced with domestically: unemployment, stagflation, inflation, declining productivity, alienation, crime and the loss of family and community" (Henderson, 1983). A return to activities in the informal sector is seen as an attempt to reintroduce the social aspects and meaning into family and community (Ross and Usher, 1986). The activities most characteristic of the informal sector as defined in this thesis are household activities, mutual-aid, work-in-kind, barter exchange, and voluntary activities.

Also, recent interest in the informal sector has stemmed from research on the future of work (Handy, 1979 and Shankland, 1984). These authors define work as "action for a purpose." Specifically, Shankland states that

... It is work in its many forms, paid, unpaid, free and forced, taxed and untaxed, which has been shown historically to be the most important social and psychic activity of man in building and developing civilization, because it links the individual to the service of groups.

Given that traditional 'job' opportunities are shrinking, these studies look at the
increasingly important role of the informal economy in providing satisfying work opportunities.

Individuals, families and non-profit organizations are those which typically partake in the informal sector. These people or organizations tend to be more socially oriented than others. Participants in the informal sector are motivated by choice or absolute necessity, and increased 'privatized consumption' (doing for yourself) can be created by either increasing affluence or increasing poverty (Pahl and Wallace, 1985).

Those who choose to actively participate in the informal sector do so because they have rejected (usually only in part) the more sterile cash economy. They seek alternative modes of production that are ecologically sound and equitable. The arbitrary division between work (i.e., paid work) and non-work (i.e., unpaid work) is considered false. Their personal philosophy, founded in the ecological and/or feminist movements, motivates them to choose goods and services produced in the informal sector rather than similar goods and services available in the formal sector. Price is not the determining factor.

For those who persist in the margins of society, sometimes called the casual poor, participation in the informal sector is just another coping strategy. Pahl and Wallace (1985) in their three year study of the informal sector on the Isle of Sheppey in the United Kingdom found that indeed families and individuals who were unemployed or earned low-incomes were participating in the informal sector. However, in this community, which was beginning to feel the impacts of
labour-force de-industrialization, they found that the well-to-do (those who were employed full-time and could easily afford to buy goods and services in the formal sector) were participating in the informal sector in the greatest number and not the poor as originally suspected. In this study they also found that communal networks were not well established and that most informal activities involved self-provisioning. Poorer families it seemed did not enjoy the household gadgetry or the material possessions (e.g., a car) that were being utilized or repaired within the informal household economy. Still there was a significant number of families and/or individuals who increasingly did more for themselves in the way of self-provisioning, often because they simply could not afford to purchase the needed goods and/or services in the formal economy. Therefore, some people participate in the informal sector in accordance with the employment opportunities open to them in both sectors.

3.5. THE CANADIAN INFORMAL SECTOR

Research into the Canadian informal sector is very new (traditional Native economies being the notable exception), and similar to that into other First world economies it can be separated into two distinct parts: 1) that pertaining to the underground economy; and 2) that pertaining to the true informal economy or base economy.

The Vanier Institute of the Family is the leading organization pursuing this kind of research in Canada and has spawned many preliminary reports and projects, notably The Informal Economy by Nicholls and Dyson (1983). Their analysis of
the informal economy stems from the concept of the whole economy which includes both paid and unpaid work. This broader more comprehensive definition of the whole economy has led them to investigate the unreported and invisible informal sector.

The context for much of their research is the increasingly precarious future of our regional, national, and world economies. Unemployment, underemployment, seasonal employment, inflation, dysfunctional schooling, the break up of families and the collapse of communities are all seen as symptoms of this increasingly precarious future. The division between: productive and non-productive work; paid and un-paid work; and wage-labour and housework, as well as the gender related stereotypes they create, are considered false. This view echoes the ideas presented by Ivan Illich in his book *Shadow Work* (1981) which are expressed in the following quote:

> It was the economic division of labour into a productive and a non-productive kind, pronounced and first enforced through the domestic enclosure of women ... which allowed simultaneously man, as head of a family increasingly dependent on his wages, to perceive himself burdened with all society’s legitimate work, and under constant extraction from an unproductive woman. In and through the family the two complementary forms of industrial work were now fused: wage work and shadow work.

In their cross country study, Nicholls and Dyson interviewed many individuals participating in the informal economy, from both rural and urban backgrounds. They found there are two different groups of individuals, families and/or communities who are participating: 1) those who choose to involve themselves in these activities; and 2) and those whose economic circumstances force them to
seek out alternative ways to meet their needs. Activities in the informal sector are being carried out at two different levels: 1) the individual level which usually involves the small-scale production of goods and services and/or self-provisioning; and 2) the community level. They found that

Often, in their efforts to reduce dependence upon money to obtain goods and services, people were achieving their goals through using and developing cooperative social and economic networks with others as well as through reliance upon themselves.

Individuals tended to be motivated by a need or desire to become more self-sufficient. Self-provisioning is seen as an ecologically sound alternative to purchasing consumer goods. Also, self-provisioning is seen as a means of decreasing a person's dependence on money and other external factors. For many of the individuals interviewed, work in the informal sector is a way of expressing their personal dissatisfaction with a consumer society and their feelings of alienation. For these individuals increased participation in the informal sector is an active step towards changing their immediate environment and lifestyle. It appears that these individuals are representative of an increasing number of Canadians.

Families or communities who participate in the informal sector may do so by choice or by necessity. Those who choose to live co-operatively often establish intentional communities. In these communities work and its rewards are shared amongst community members. Where communities are faced with living with less, increased participation in the informal economy is seen as a coping strategy, sometimes a longterm one. This is especially true of isolated rural areas which
experience high levels of unemployment and seasonal employment. This idea is similar to the idea of 'occupational pluralism' which was first brought to my attention by L.D. McCann in 1984, in reference to marginal farmers in the Maritime provinces. In this case a single occupation, e.g., farmer, is insufficient to satisfy basic needs. In New Brunswick an individual farmer may cultivate potatoes for the summer and early fall months, cut timber from his or her lot during the fall and winter months, and perhaps even fish or trap lobster in the spring and early summer. The natural resource base and the resources available to the individual are insufficient to support a single full-time occupation, therefore, the farmer would do all three so as to meet his or her needs.

Communities, like Sydney Nova Scotia, have well established and integrated social networks. Families have lived in the same specific area for many generations, and they often share a common heritage and traditions (Nicholls and Dyson, 1983). The integrated nature of kinship and social patterns in these communities, coupled with the long-term economic distress of the region acts as a catalyst for the creation and maintenance of an active informal sector.

Dyson (1982) describes the "base-economy to be essentially small-scale, rooted in the household and face-to-face community relationships where activities of economic benefit are based upon exchanges and gifts of work, skills and goods". This description of informal sector activities points to many common or typical characteristics of such activities:

- self-definition and self-scheduling of such functions;
- self-management;
CHAPTER III: THE INFORMAL SECTOR / 57

- labour intensive;
- skill intensity - including human relations skills;
- less intensive use of capital;
- less intensive use of petro-fuels and other non-renewable physical resources;
- reliance on self and immediate face-to-face groups;
- necessary emphasis on cooperative and collaborative modes of behaviour

(Dyson, 1982).

Nicholls and Dyson found that no individual, family, and/or community is totally self-sufficient or completely autonomous from the monetized economy. Rather, every individual, family and/or community combines aspects of both the formal and informal economies in how they live and meet their needs. In fact rates of participation in the informal or formal sectors can be best expressed as a constantly changing ratio, one influenced both by personal choice and/or economic necessity.

In summary, the Canadian informal economy is similar to that described in other First world countries. However those participating in this sector are often motivated in a similar fashion to those in Third world countries by choice, economic necessity, and tradition. These conclusions are preliminary only, as research regarding the Canadian informal sector is very sparse. Detailed case studies of both the nature of the activities taking place and of the motivating forces of the individuals, families and communities participating are required.
before any precise inter-relationships between sectors can be identified. The next section of this thesis will discuss how informal sector activities contribute to Community-Based Economic Development.

3.6. THE ROLE OF THE INFORMAL SECTOR IN THE CBED PROCESS

Informal sector activities, whether based in the individual household or a community barter exchange network, can and do, promote Community-Based Economic Development as they promote both individual and community self-reliance. According to Nicholls and Dyson (1983) "within the base economy, self-reliant and self-sufficient activities that take place in the household can be extended through taking part in the informal structure of cooperative social and economic networks in the neighbourhood and community. In this fashion the pattern of self-reliance is extended to co-reliance". The informal sector by nature of its basic characteristics (outlined in the previous section of this chapter), and the importance placed upon community traditions, kinship and social networks, and trust, is well-suited to the promotion of the goals and objectives of CBED: increased local control; the adoption of an integrated approach to development; and the promotion of sustainable development.

1) Increased community control

One of the principal objectives of CBED is the promotion of community self-reliance through an increase in locally-controlled and directed enterprises. Increased participation in the informal sector for some individuals and communities has emerged as a reaction to dependency on outside forces, namely
the distribution or access to money. Informal sector activities promote self-reliance, through the encouragement of self-employment, self-management and self-provisioning. Rather than purchasing goods and/or services in the formal sector or because they lack the financial resources to do so, individuals and communities are increasingly providing for themselves. These activities are pitched at the local level as they are generally small-scale, and incorporate the use of local resources, especially human ones. Here informal sector activities are contributing to self-reliance by enabling individuals to take control of their own future and by decreasing their dependency on outside resources. The small scale of informal sector activities also allows them to be more flexible and imaginative and therefore, often more appropriate to local situations.

2) An integrated approach to development

Informal economic systems, similar to CBED projects, incorporate an integrated approach to development as they often address social, economic, and cultural objectives. Informal exchange or barter networks draw heavily on local traditions and community trust, and involve high levels of face-to-face contact and social interaction. Informal sector activities permit a greater level of accessibility to economic opportunities than the formal sector. These activities, which often stem from the principle of unconditional reciprocity, are not motivated by profit maximization and hence, do not share the operating expenses, budgets or reliance on capital that formal sector activities do, which often discourage or prohibit individuals and communities (e.g., the mentally and/or physically handicapped, disadvantaged regions), from participating. Informal sector activities are characterized by their skill-intensive nature. The skills or services exchanged
within the informal sector are typically those which are generally undervalued in the formal sector (e.g., housework, child-rearing).

3) Sustainable development

The informal sector encourages the promotion of sustainable development and environmental protection through its emphasis of the use of indigenous skills and resources and the discouragement (as it costs too much) of the use of non-renewable resources. Many intentional communities, individuals and families participate in the informal economy because they see it as a way of meeting their needs in an ecologically sound fashion. The social and kinship networks that are utilized in the informal exchange of goods and services are usually established over a long period of time. Members of a community have come to know and trust each other and hence, the social and economic relationships they establish tend to be long-term in nature.

The following chapter will examine the Local Exchange Trading System as an example of how informal sector activities promote and support the goals and objectives of CBED.
 CHAPTER IV: THE LOCAL EXCHANGE TRADING SYSTEM

4.1. INTRODUCTION

Traditional Community-Based Economic Development strategies based in the formal sector have centred on increasing cash inflows and decreasing cash outflows as a means of stimulating local employment and income levels. The emphasis, whether increasing cash inflows or decreasing cash outflows, is clearly on the increased circulation of 'federal currency' within a community. The Local Exchange Trading System (LETS) is an alternative approach to increasing community employment and income levels which is firmly rooted in the informal sector. A LETSystem can be defined as a "self-regulating economic network which allows its members to issue and manage their own money supply within a bounded system" (Landsman Community Services ltd., 1986).

The creation of a local currency through a LETSystem allows system members to trade goods and services on a non-cash basis which helps to decrease their dependency on an already fragile personal cash-flow. In many communities:

when recession strikes, so much money disappears from the local economy that even transactions involving local labour and resources, like home repairs or firewood, come to a grinding halt. The LETSystem, based entirely upon the value of local labour, overcomes this economic blight by its circulation of the 'green dollar' (Racey, 1987).

LETSsystems, each with their own local currency, have been and continue to be established in economically depressed communities and neighbourhoods across Canada and abroad. The three individual LETSystems examined in this thesis are
the Victoria and Comox Valley networks of Vancouver Island and the more recent Ottawa network.

The purpose of this chapter is to demonstrate, using specific examples of Local Exchange Trading Systems, how informal sector activities promote Community-Based Economic Development. A brief history of local currencies is presented in section 4.2. This is followed by a more detailed explanation of LETSystems, their memberships, and their operation and administration. Section 4.4 presents detailed information regarding memberships, the volume of green dollars traded, as well as the different goods and services traded for each of the three individual networks. An analysis of how LETS activities promote CBED and its goals and objectives is outlined in section 4.5. The chapter concludes with the identification of further opportunities, and existing constraints, for LETSystems promoting CBED.

4.2. THE HISTORY OF LOCAL CURRENCIES

Barter networks, exchange systems, self-provisioning and local currencies are not new ideas or concepts. Native communities, amongst others, have traditionally used barter as their primary method of exchange and as a base for a more communal way of life. Currently, money (national currency) no longer simply serves as a means of exchange.
Any economics student will tell you money serves four purposes:

1) a means of exchange;
2) a means for making (one-way) payments to discharge formal obligations;
3) a store of wealth; and
4) a standard of value (Rostein and Duncan, 1987).

But this hasn't always been the case. Local currencies, or 'special purposes monies' are not new to Western society or their economies. The use of local currencies can be traced back to Antiquity, continuing until the pre-mercantile era. The use of local currencies re-emerged during the Great Depression and is resurfacing once again today. The following paragraphs briefly outline the transition from special purposes monies and barter networks to general purposes monies and the eventual resurgence of local currencies in North America.

Karl Polanyi (1977) discovered that during the era of Antiquity "a radical separation existed between the circuits of long-distance trade and the local markets for domestic essentials". Local currencies and international currencies were kept distinct and separate so as a decline in one - i.e., international trade levels in tea and spices - would not jeopardize the functioning of the other - i.e., local base economies. This pattern characterized most European economies and societies. Fernand Braudel (1981) extended this interpretation of a dual currency system to a three tiered one: 1) the 'capitalist' or long-distance luxury trade levels which required a general purposes money; 2) local market economies which used local, special purposes monies; and 3) the 'non-monetized' informal household
or family economies. These tiered systems and their corresponding individual currencies worked very well for many centuries (Rotstein and Duncan, 1987).

Colonization and the rise of a Mercantile economy resulted in rising world trade levels. As trade patterns expanded and their volumes increased, so did the need for a single, comprehensive, common, generally recognized and accepted means of exchange. General purposes monies were established to fill this need and local currencies gradually disappeared. Gold and silver coins were eventually replaced by paper currencies based on a gold standard because of problems of hoarding and their costly nature. The scarcity of gold (especially in some countries), as well as other factors eventually led to the rise of central banking and increased national control over the domestic money supply and currency value. Power to control currencies, both their supply and value vis a vis other national currencies, had reverted exclusively back to the state after World War II (Rotstein and Duncan, 1987).

The use of local currencies re-emerged with the barter and script movements of the Great Depression. The lack of support and/or social welfare programs during the depression era and the large number of cash-poor individuals and communities stimulated a return to non-cash alternatives, such as script. The intention of these script networks was:

... to provide more than just a supplement to local relief disbursements. The organizations generally embraced a whole social philosophy and typically aimed to encompass the whole of the life of the unemployed person, and his/her family in a new structure of economically meaningful activity, in many cases including alternative institutions for credit, land holding, labour remuneration and so on" (Rotstein and Duncan, 1987).
By early 1933, there existed in the United States, 159 barter organizations involving approximately one million individuals. (Rotstein and Duncan, 1987). The creation of the Welfare state and its corresponding unemployment and social assistance programs helped dissipate the need - i.e., the cash-poor situation - for barter networks. Eventually more prosperous times and two decades of rapid economic growth would wipe-out this perceived need altogether.

The 1980s, which have been besieged with the problems of unemployment, underemployment, inflation, recession, increasing government debt loads and consequently, government spending cutbacks, have witnessed an increase in the number of cash-poor individuals and communities. This growing problem has signalled the revival of local currencies in North America and abroad.

It is tellingly ironic that the recent renaissance of barter networks is in part due to the current faltering of the macroeconomic policies whose success in the 1940's through the 1960's was behind the death of the earlier generation of networks (Rotstein and Duncan, 1987).

Local Exchange Trading Systems and/or barter networks have once again become ideas held in 'good currency' amongst many Canadian communities. The critical question is will economic 'good times' (if they ever return) replace the need for barter networks as they have in the past. The answer is no. To better understand the reasons why LETSystems appear to be here to stay it's necessary to look at the context in which they have evolved.
4.3. **THE LOCAL EXCHANGE TRADING SYSTEM**

Many Canadians and Canadian communities have perpetually found themselves in a cash-poor situation. In particular, the export-based economies - characteristic of many Canadian hinterland communities - have been especially vulnerable. For example:

> the decline in world demand for forest products caused so much money (federal currency) to disappear from these B.C. communities that even transactions involving purely local labour and resources came to a near standstill. The reason: the standard medium of exchange money - was no longer in adequate supply (Hayborne, 1986).

The gloomy local economic climate of the Courtenay Valley is typical of many other small communities on Vancouver Island. In the early 1980s an entire defence squadron (400 families) was pulled out of the local military base. Consequently, the local economy slowed down and the real estate market collapsed. Members of the Courtenay community were confronted increasingly with a cash-poor situation of unknown duration. One individual, Michael Linton, who at the time was already involved in a local barter club of approximately 20 members, decided that perhaps the members could better or at least maintain their standard of living by extending their barter network through computer interfacing. He felt that with the help of the computer, people could better discover who they wanted to trade with. Because the original barter system, which was based on the double coincidence of wants (e.g., someone wanting to trade milk for bread meeting someone wanting to trade bread for milk), was difficult to achieve, a very limited variety of goods and services was being exchanged amongst a small number of families. These individuals later came to
the realization that all they were lacking was money, and not the materials, knowledge, or labour involved in the production and trading of the goods and services they needed. Therefore, the obvious answer to this problem was to create what they were missing - money. Through the establishment of the first LETSystem in Courtenay, they created their own local currency, green dollars (personal interview M. Linton, 1987).

During periods of economic recession the systematic draining of local cash-flows results. Contributing to this is the mobility of conventional money and the desire to accumulate it for its own sake.

The trouble with ordinary money is that it's scarce. It's issued in limited amounts by a central authority. People have to compete for it, and they hoard it. And since it earns interest, two things happen: there is a premium on keeping it, which also keeps it away from everybody else, and it all goes wherever it earns the highest interest, which is, for most of us, somewhere else, usually outside our own communities and increasingly outside Canada (Dobson, 1987).

The issuing of currency and the control and management of the money supply in Canada are determined by the Bank of Canada partly in accordance with, and in reaction to, changes in the global economy. Local communities are unable to influence this process; yet, the health of many local economies is greatly affected by these changes. More and more, individual Canadian communities are looking for alternate ways to generate economic wealth and well-being that is locally controlled and therefore sensitive and responsive to local needs and situations. The LETSystem is a CBED initiative which moves towards the goal of increased community self-reliance through the creation of a local currency. This approach is
gaining popularity across the country, with twelve different LETSystems currently in operation in Canada (see table iv.i).

Table iv.i: Local Exchange Trading Systems in Canada

1) Comox Valley LETSystem, British Columbia
2) Hornby Island LETSystem, British Columbia
3) Powell River LETSystem, British Columbia
4) Cowichan Valley LETSystem, British Columbia
5) Victoria LETSystem, British Columbia
6) Salt Spring Island LETSystem, British Columbia
7) LETS 100 - 100 Mile House, British Columbia
8) LETSWIN - Winnipeg, Manitoba
9) Timmins LETSystem, Ontario
10) Wakefield LETSystem, Ontario
11) Ottawa LETSystem, Ontario
12) LETSystem Charlottetown, Prince Edward Island


LETS Operation and Administration

The LETSystem is simply a more organized or 'better' barter system. Goods and services are exchanged within the community and transactions are recorded in 'green dollars' on a home computer or in a double ledger accounting system. Each member establishes an account (computer) and is provided with a directory of available goods and services. The potential buyer and seller meet and decide
amongst themselves on a green dollar value (often transactions are traded in a combination of green dollars and federal dollars) for the transaction. Each individual phones in the transaction to the LETS office. The buyer’s account is then debited the agreed upon amount and the seller’s account credited.

A LETSystem by using green dollars as a means of exchange, offers its members a greater variety of goods and services, and more flexibility in trading practices, than a traditional barter network. A LETSystem supplements, rather than replaces, the conventional monetary system. The creation of a local currency enables the mobilization of underemployed local resources: natural resources, people, equipment, land, and energy, as they are needed by the community independent of the local cash economy. In this way it represents a step towards increased community control and self-reliance.

Characteristically LETSystems:

1) are operated as non-profit agencies, whose rights and authority are vested in a Trustee who acts as an agent for the members who are principals;

2) maintain a system of accounts in a quasi-currency, where one green dollar is equivalent to one Canadian dollar;

3) start members’ accounts at a zero balance;

4) act only on the authority of their members;

5) exert no obligation to trade;

6) make available to members balance and turnover rates;

7) do not charge or pay any interest on LETS accounts;

8) levy charges and fees only to recover administration costs; and
9) place the accountability for taxes upon the individual member in accordance with the Canadian Federal Tax regulations (Linton and Greco, 1987).

As trading occurs, more and more green dollars are circulated within the system. Some members accrue positive balances while others maintain negative ones. A negative account balance is not viewed as a debt - but rather as a commitment to the system and to the community. The development of a strong sense of community and trust is critical for a successful LETSystem. In the three systems examined in this thesis excessive negative account balances have not been a problem to date. In fact, sceptics are encouraged to maintain a negative balance until they have learned to trust the system and their fellow members.

LETSystems are administered by a trustee and/or a board of advisors. The trustee works on a voluntary basis, being paid (not in every case) a small wage in green dollars. Members who work in the LETS office, entering transactions, mailing out monthly statements, offers and requests bulletins and social events announcements, are also paid wages in green dollars. Usually a single member is in charge of keeping the accounts up to date by monitoring the answering machine. The board of advisors and/or the trustee is responsible for organizing and initiating social events or LETS promotion meetings. Typically they meet with LETS members once a month to discuss the system's administration and its future development. For example, in Ottawa the board of advisors has decided to actively pursue the increased membership of economically disadvantaged groups, such as single mothers. Other systems have collectively decided not to interfere with membership levels leaving them to fluctuate naturally.
Monthly news letters which include a listing of offers and requests are the primary method of disseminating information. In some communities, a local bulletin-board is used to post offers and requests but word of mouth is still the most effective advertising technique. The intimate size of a LETSystem helps to ensure that the goods and services traded are of the highest quality. Reputations are made quickly in a LETSystem and the quality of the goods and services one offers rapidly becomes common knowledge.

LETS Membership

Local Exchange Trading System membership is available to anyone in the community, providing s/he is willing to consider trading sometime in the future. A one time membership fee is charged, usually $10-15, and sometimes additional maintenance fees are charged to cover postage costs. The socio-economic and cultural backgrounds of individual LETS members are impossible to determine in absence of a comprehensive membership survey. However, in general, individuals in a community become interested in participating in a LETSystem because: 1) they are cash-poor and are looking for a means to supplement their income; and/or 2) they believe in and practice an alternative lifestyle based on an eco-philosophy.

According to the LETSystem administrators interviewed, membership levels are quite stable and overall they have grown gradually through word of mouth. It is felt that the level of the membership's commitment to LETS and the community is more important than the rate of membership growth. The Duncan system membership has grown quite slowly but new members are very loyal to, and
active in, the system. These members, whether they trade regularly or not, are committed to the ideas behind LETS, and they enjoy the increased social interaction the system facilitates.

Barter exchanges, such as LETS, involve a considerable amount of face to face interpersonal contact and promote social, as well as economic exchanges. The social component, for some members, is the most attractive aspect of a LETS system as it makes them feel more a part of their own community.

In many cases both an individual's economic situation and his/her personal philosophy motivates him/her to join a LETS network. As noted in the previous chapter, this pattern is very similar to that of individuals participating in the Canadian informal sector. LETS networks, as they represent a means of breaking down existing dependency relationships, are not simply coping strategies, they represent a move towards social change. Many individuals are drawn to LETS systems and in fact become members because they believe strongly in the need for social change. They come to LETS because it is a non-monetary system that emphasizes co-operation and exchanges that are not motivated by personal profit. Environmental conservation is also stressed in LETS systems and this aspect of the philosophy is the most important to many LETS members. With the recent growth in popularity of ideas, such as sustainable development and advocacy groups for social change, it seems apparent that LETS systems are here to stay. And although trading levels may fluctuate, the framework for trading remains intact regardless of changes in the local cash economy.
4.4. THE VICTORIA, COWICHAN VALLEY AND OTTAWA LETSYSTEMS

In each of the three LETSystems examined, the LETS trustee, and/or the individual who records LETS transactions, was interviewed. The following information regarding each system’s evolution, membership, volume of green dollars generated and the variety of goods and services exchanged, was acquired from these interviews.

Victoria

The Local Exchange Trading System in Victoria was re-established in May of 1985. Interest and activity in the previous system had disappeared after the original organizer left. Arlene Wells, who had received a $10,000 Canada Works Grant as part of the "Tough Times in Victoria" programme, began to revitalize the Victoria LETSystem full-time. The system has had two other trustees since then and the current trustee, Scott, now receives 100 green dollars per month for his administration services. Presently, the Victoria System has 191 members of which approximately 60 members are active (i.e., having traded in the last two months). As of July 1987 $22,937 in green had been traded through the Victoria network (see table iv.ii). For the last year the Victoria LETSystem has been divided into ten neighbourhood groups, each with its own group leader who is responsible for keeping in touch with members, usually by telephone, and reporting to the board of advisors. Previously the scattered distribution of LETS members across the urban area had made disseminating information difficult.

The Victoria LETS members are very much a heterogeneous group which
includes those on fixed incomes, both retired persons and those collecting income assistance; lower middle-class blue collar workers; part-time farmers; and white collar professionals. Currently, a large variety of goods and services is being traded, with massage and auto repair being the most popular. The System has one commercial enterprise - Syd's Garage - which accepts payment in 1/3 green dollars. The LETSystem in Victoria provides much more than simply a forum for economic exchanges. It organizes many social events, such as Pot Luck dinners. Additionally social services such as, counselling for single parents and women re-entering the labour force are offered by the Victoria LETSystem.

The Cowichan Valley

The Cowichan Valley LETSystem encompasses the area from Ladysmith up to Cowichan Lake and Shawnigan Lake. The system has been operational since April 1984 and has been described by Michael Linton as the most successful system to date. Currently the system has a membership of 125, of which 60-70 members are presently active. The Duncan area has experienced high levels of unemployment and many members in the community are dependent on UIC, Welfare, or Social Security for their economic well-being. The Cowichan Valley LETSystem has a diverse membership, as described in the following passage by one member:

...there are professionals in a job or career role, but they love sailing, gardening, all towards the endeavour of being in a homeostatic, symbiotic relationship with their environment, of being self-sustaining. We've got a few single parents, single people in the city, but most of the people are out on their little bit of rock, raising their food and animals, catching fish and sunshine. (Slater, 1986).
The diversity of individuals who are participating in the Cowichan Valley system helps to increase the variety of goods and services available within the system. This range extends from goats, geese, fruits and vegetables to art work, dishwashers and auto repairs. The Duncan LETSystem has twelve different businesses: 1) saw sharpening; 2) car repair; 3) maintenance services; 4) framing; 5) candle making; 6) graphics; 7) answering service; 8) publishing; 9) accounting; 10) outdoor sports equipment and rental; 11) health products and vitamins; and 12) printing, operating within it. Members involved in these commercial enterprises offer their services within the LETSystem as individuals or commercial enterprises. For the period between May 1985 to August 1987, $47,767 green have been traded (see Table iv.iii).

Ottawa

The Ottawa LETSystem is one of the most recent systems to be established in Canada. A group of individuals who were first introduced to LETS at a national peace conference decided to establish their own system in December 1986. Trading began in the spring of 1987 and as of November 1987, $1747 green have been traded (see Table iv.iv). The system now has 55 members of which 15 are very active. The Ottawa LETSystem includes three non-profit organizations: 1) Grassroots Financial Advisory Service; 2) Operation Dismantle; and 3) World Interaction. These organizations accept donations and charge membership fees on a percentage green basis. They also permit LETS members to pay for conference fees partially in green dollars. The system, though still relatively small, is doing well and has decided to actively pursue the membership of more low-income groups.
### Table iv.ii: Victoria LETS - Volume of Green Dollars Traded.

<table>
<thead>
<tr>
<th>Season</th>
<th>Green $</th>
<th># of Transactions</th>
<th>Average Green $ per Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring</td>
<td>$2765</td>
<td>138</td>
<td>$20.03</td>
</tr>
<tr>
<td>Summer</td>
<td>$ 987</td>
<td>46</td>
<td>$21.45</td>
</tr>
<tr>
<td>(june-july only)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring</td>
<td>$2846</td>
<td>169</td>
<td>$16.84</td>
</tr>
<tr>
<td>Summer</td>
<td>$3698</td>
<td>150</td>
<td>$24.65</td>
</tr>
<tr>
<td>Fall</td>
<td>$1977</td>
<td>87</td>
<td>$22.72</td>
</tr>
<tr>
<td>Winter</td>
<td>$3611</td>
<td>125</td>
<td>$28.88</td>
</tr>
<tr>
<td>1985</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Summer</td>
<td>$2396</td>
<td>74</td>
<td>$32.37</td>
</tr>
<tr>
<td>Fall</td>
<td>$2144</td>
<td>89</td>
<td>$24.08</td>
</tr>
<tr>
<td>Winter</td>
<td>$2513</td>
<td>81</td>
<td>$31.02</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$22,937</td>
<td></td>
<td></td>
</tr>
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</table>

Table iv.iii: The Cowichan Valley LETS - Volume of Green Dollars Traded.

<table>
<thead>
<tr>
<th>Season</th>
<th>Green $</th>
<th># of Transactions</th>
<th>Average Green $ per Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1987 Spring</td>
<td>$5237</td>
<td>118</td>
<td>$44.38</td>
</tr>
<tr>
<td>Summer</td>
<td>$2968</td>
<td>80</td>
<td>$37.10</td>
</tr>
<tr>
<td>1986 Spring</td>
<td>$8887</td>
<td>102</td>
<td>$870.65</td>
</tr>
<tr>
<td>Summer</td>
<td>$3847</td>
<td>89</td>
<td>$43.22</td>
</tr>
<tr>
<td>Fall</td>
<td>$2999</td>
<td>77</td>
<td>$38.94</td>
</tr>
<tr>
<td>Winter</td>
<td>$5939</td>
<td>94</td>
<td>$63.18</td>
</tr>
<tr>
<td>1985 Spring(May)</td>
<td>$1011</td>
<td>24</td>
<td>$42.12</td>
</tr>
<tr>
<td>Summer</td>
<td>$4295</td>
<td>119</td>
<td>$36.02</td>
</tr>
<tr>
<td>Fall</td>
<td>$7123</td>
<td>141</td>
<td>$50.51</td>
</tr>
<tr>
<td>Winter</td>
<td>$5461</td>
<td>113</td>
<td>$48.32</td>
</tr>
</tbody>
</table>

TOTAL $47,767

source: Cowichan Valley LETS Network Transaction Records 1985-1987
Table iv.iv: The Ottawa LETS Volume of Green Dollars Traded.

<table>
<thead>
<tr>
<th>Season</th>
<th>Green $ Amount</th>
<th># of Transactions</th>
<th>Average Green $ per Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring</td>
<td>$270</td>
<td>12</td>
<td>$22.50</td>
</tr>
<tr>
<td>Summer</td>
<td>$425</td>
<td>22</td>
<td>$19.30</td>
</tr>
<tr>
<td>Fall</td>
<td>$1052</td>
<td>40</td>
<td>$26.30</td>
</tr>
</tbody>
</table>

TOTAL $1747

source: The Ottawa LETS Transaction Records 1987
4.5. **THE LOCAL EXCHANGE TRADING SYSTEM AND CBED**

The Local Exchange Trading System stimulates Community-Based Economic Development as it increases community self-reliance through the establishment of a local currency. As stated by Davis and Davis (1986),

> the immediate objective of a LETSystem is to increase the exchange of goods and services outside the formal economy. The intended result is to provide for members an increased range of employment opportunities as well as a greater number of goods and services.

LETSystems not only provide an alternative forum to trade and work in but they also help decrease external dependencies on money, as well as adopt an approach to development that is integrated and in keeping with the goal of sustainable development. In sum, LETSystems, in particular the LETSystems of Victoria, Duncan, and Ottawa, endorse CBED as they strive to achieve the three goals of CBED as identified in chapter 2.

1) **Local Control**

LETSystems increase local control through the creation of a local currency. Green dollars are circulated amongst LETS' members and never leave the community like conventional money because they are worthless outside network boundaries. Green money

...is not tangible. It exists only as a figure in the accounts of the members of a LETSystem ... It is issued by each individual who is spending it, and its backed up by their own commitment of an equal value of goods and/or services at a later date, known in the LETSystem as commitment, meaning commitment to the community (Dobson, 1987).
Interest is neither paid nor charged on green dollar accounts and accordingly there is no reason to save green dollars nor are there opportunities to invest them outside the community. Thus the only thing to do with green dollars is to spend them. This impetus to spend green dollars also helps increase income levels and stimulates more trading within the network.

The LETSystem operates independently of the formal economy and helps decrease members' dependency on federal currency; therefore increasing the amount of influence individuals have over levels of both personal, and community well-being. In the three LETSystems examined in this thesis a total of $72,457 in green dollar income has been created outside of the formal economy.

LETSystems operate within local geographic boundaries. Anyone in the community can participate in a LETSystem as long as s/he is willing to consider trading sometime in the future. Local LETS members determine the direction of development taken by their network and in this way they gain increased control over the development of their own community.

A community with its own currency has the capacity to adopt and maintain coherent and relevant directions of development with minimal dislocation by external events (Linton and Greco, 1987).

This decision may be to increase public awareness of environmental issues or women's issues in their community. A LETSystem can also choose not to support certain kinds of activities (e.g., gun repairs) by not permitting that good or service to be traded within their system.

Collectively LETS members determine whether to expand the system or not, plan
social events, garage sales ... etc. The administrative structure of LETSystems is
decentralized, very informal and the intimacy of its members ensures that
information and knowledge about decision-making are passed on effectively and
quickly.

2) An Integrated Approach to Development

The Local Exchange Trading System adopts an integrated approach to
development as it blends social, economic and environmental objectives. The
benefits of participating in a LETSystem are more than purely economic and
include psychological benefits as well.

LETSystems permit members to maintain a better standard of living by providing
the opportunity to purchase goods and services which previously they might not
have been able to afford. LETS members increase their overall disposable income
as they can now buy more goods and services with green dollars. Hence, the
creation of a LETSystem expands members overall consumption levels. LETS also
provides a means for individuals to exchange their own goods and services in
return for green dollars. Members, as producers, are able to expand their total
income by participating in a LETS network. Economic benefits of LETS
participation are available to both producer and consumer.

The informal organizational structure of the Local Exchange Trading System
enables the increased participation of those traditionally discriminated against in
the (paid) labour force. For those who are on fixed incomes, e.g., social security,
participation in a LETSystem allows them to feel like a productive member of
their community. For a part-time carpenter, craftsperson, or retired person, who
may be seen as technologically obsolete, LETS provides the chance to contribute to their community. As one LETS member puts it,

"I feel that I am valued in the community for the work that I provide ... I have also found that people have skills which they haven't used or thought about in years, and it is all being drawn out and interest re-kindled. People have started to value themselves differently and come alive" (Racey, 1987).

LETS is helping build self-esteem while at the same time providing an increased variety of goods and services in the community, thus supporting both social and economic development. Whether herbal medicines or house-sitting, the variety of goods and services traded creates a more flexible forum of exchange, one that is not governed by profit margins. Individuals who may not be able to produce or provide their goods or services in the formal economy because of lack of capital, market share, business expertise ...etc., can do so at a smaller scale through LETS. In this way LETS is providing employment opportunities in addition to those in the local monetized economy and with less restrictions. LETSystems also involve the trading of goods and services that are normally exchanged within the household economy. Women whose contributions are typically unpaid and often unrecognized can now extend their services to the greater community while at the same time building self-esteem.

A LETSystem, similar to the informal sector, supports a very diverse spectrum of work opportunities. Individuals are able to share with other members of their community their own areas of expertise or special interest. For example, crafts like pottery, knitting, photography, cooking, are all traded within the LETSystems examined (except Ottawa which is still very new). The individuals who provide
these goods and services gain the psychological and emotional satisfaction of doing something they enjoy while those who purchase them also gain a comparable level of satisfaction. Additionally, LETSystems allow individuals more flexibility in their work schedules. Those who provide goods and services in a LETSystem are not bound to a 9 to 5 job, and thus, are better able to organize their time around other activities, or work in the formal economy. LETS also enables individuals, especially women and single parents, who previously might not have been able to afford to work in the formal sector to now do so, as these members would now have access to babysitting and other child care services, as well as laundry, house-cleaning and cooking services.

Many social and health related services are available through LETS, for example, the Women's Study Group of the Duncan LETSystem. LETSystems also offer music, computer, athletic and language training. Massage therapy is the most popular service in both the Victoria and Cowichan Valley systems. Additionally, several organic medical remedies and treatments are being frequently traded such as, reiki, accupressure, polarity, back therapy, reflexology and yoga lessons. Dr. Peter Walford, a dentist who now participates in the Hornby Island LETSystem, offers his services on a partial green/federal dollar basis. In return he has been able to refurbish an old school bus into a mobile dental clinic. He is presently looking for another way to spend his green dollars so as to provide a necessary service for his community, like a park or similar recreational facility (personal interview July 1987). Dr. Walford expressed that he has experienced considerable personal and spiritual satisfaction from participating in a LETS community network, as well as accumulating numerous green dollars. This is true of many
other individuals who participate in LETS because it permits them the flexibility necessary in maintaining an 'alternative lifestyle' which they prefer.

As dealt with further in the next section, LETSystems promote and support patterns of development that are ecologically preservative and conservative in nature.

3) Sustainable Development

Local Exchange Trading Systems promote the third goal of CBED - sustainable development - through the emphasis it places on long-term solutions that are ecologically sound. For some members this is the most attractive aspect of participating in a LETSystem,

"LETS filled a need that I had felt for a long time in 1986 with regards to my responsibility to the planet that I live on and something that had positive implications for future development" (Slater, 1986)

The emphasis LETS activities place on the maximization of local resources, particularly human ones, helps ensure that activities are environmentally conservative. An increase in trading levels of the community LETS network does not contribute to local pollution levels. Also, because goods and services are exchanged in green dollars, rather than federal dollars, the use of energy intensive technologies or inputs is discouraged because they are simply too expensive. Furthermore, many members that are drawn to the idea of LETS because of its goal of sustainable development are not likely to trade or purchase such goods and services anyway.
CHAPTER IV: THE LOCAL EXCHANGE TRADING SYSTEM / 85

The Local Exchange Trading System provides a more effective and better organized means to recycle used goods. Approximately 61% of the goods traded in Victoria, 55% of the goods traded in Duncan, and 33% of the goods traded in Ottawa were second-hand goods. Many items, such as cars, boats, records, books, appliances, furniture, and even a toilet seat, are being traded through LETS (see Tables: IV.IIb, IV.IIIb and IV.IVb in Appendix C). In this way the use or utility of goods through recycling is maximized within the

4.6. LETS AND CBED: OPPORTUNITIES AND CONSTRAINTS

LETSystem has been defined as, a self-regulating economic network which allows its members to issue and manage their own money supply (green dollars) within a bounded system.

CONSTRAINTS

The continued success of Local Exchange Trading System is subject to many constraints. The two most important are described here.

1) The novelty of the idea

In many communities where LETSystems are currently operating potential members simply can't get past the novelty of the LETS concept. For many it is simply dismissed as another bizarre counter-culture concept that is decidedly 'hippy-dippy' in character and premise. Others who show interest in joining a LETSystem, are deterred because they feel they have nothing to offer (i.e., they have no goods or can provide no services anyone might want). These people
underestimate their own potential and consequently the potential of the system itself. Individuals are also fearful of joining because they see negative account balances as debts. This notion of debt is probably the most damaging, an a strong one based on their lifelong experiences in a conventional monetary system.

Clearly the ideas behind LETS need to be explained further to these individuals, some systems have held public lectures in hopes of remedying this misconception. The best way to decrease this novelty is to increase community and public awareness of LETS: its philosophy and the way in which it operates.

Some recent attempts to increase public awareness have been: a T.V. documentary (Venture); academic articles and educational symposiums; newspaper articles; and word of mouth. These attempts need to emphasize the low cost in, and simplicity of, setting up a LETS network. All that is required to establish a LETS network is a group of interested people, who share a common commitment to their community, and mutual trust.

2) The variety of goods and services available

The future success of LETSystems is greatly dependent on continued trading. Therefore, it is important that both the variety of goods and services and the number of transactions taking place increase over time. If transaction levels are to be maintained the system has to offer goods and services members want and need. As well, the increased number of goods and services offered through LETS that meet basic needs (e.g., food, clothing) will better help those who need help the most. Also, the kind of goods and services being traded is critical. Durable goods, like used refrigerators, washing-machines, cars...etc., are less likely to be
traded on a frequent basis. Rather the exchange of non-durable goods, like food, clothing, health and leisure services, needs to be promoted and the variety offered expanded. These goods and services are traded more frequently and therefore will contribute more to the local economy.

A simple response to this dilemma is the increased participation of retailers and other local commercial enterprises. So far they have been reluctant to join for many reasons, foremost the apparent lack of ways to spend the green dollars they would accumulate. Obviously a large food chain, like Safeway, would not be tempted to accept partial payment in green dollars when they already give their customers discounts to increase sale’s volume. On the other hand, producer co-ops would be ideal retailers to involve in a LETSystem, because they share the common goals of CBED. Also, businesses could use some of the green dollars they accumulate to pay a portion of their employees’ wages.

OPPORTUNITIES

Two opportunities are available to LETSystems to further promote CBED.

1) Community development

LETSystems enable the increased personal interaction between members. Trading between members in a LETSystem doesn’t involve federal currency, but rather it involves the promotion of community development and mutual trust. Because money -- which I have been told symbolizes distrust -- is rarely involved, LETSystem traders are able to see better how they can help and provide for each other, as well as themselves. Goods and services traded in green dollars
represent both an increase in community well-being and an increased commitment to the community in the future.

2) Increased range of employment opportunities

The Local Exchange Trading System sustains a much wider range of employment opportunities than the local monetized economy. This advantage of a LETS system has not been expanded to its fullest potential to date. Those traditionally discriminated against in the paid labour force (women, the elderly, youth, visual minorities, Natives, the physically and/or mentally handicapped and the long-term unemployed) have equal access to employment opportunities within LETS because fewer barriers (e.g., uniform worker production quotas) exist within the LETS system. Traditional skills and a variety of talents are currently being traded, and hence valued through LETS systems. The bartering of goods and services doesn't jeopardize the amount of income assistance these individuals were receiving, where part-time employment in the formal economy (providing they could find any) would.

LETSystems' administrators should follow the example of the Ottawa LETS in targeting specific 'disadvantaged' groups.

While LETS systems are faced with difficult constraints with regards to attaining future success, they are also faced with additional opportunities to expand their supportive role in Community-Based Economic Development.
5. CHAPTER V: SUMMARY AND CONCLUSIONS

5.1. INTRODUCTION

This final chapter summarizes the definitions and findings presented in this thesis. The success of LETS in promoting CBED is examined and a supportive role for informal sector activities is assigned. This is followed by a general discussion of the role governments should play in promoting CBED within the informal sector. The thesis concludes with the identification of areas for further research.

5.2. DEFINITIONS: CBED AND THE INFORMAL SECTOR

As expressed in the opening quote by John Friedmann (pg. 1) economic and life spaces have increasingly come into conflict in neighbourhoods and communities across North America. Concurrently, development, economic growth, employment, and life all have become increasingly uncertain in the 1980s. The need for global social and economic change coupled with the increasing number of communities in conflict have contributed to the search for alternate approaches to development. One response has been Community-Based Economic Development.

As defined earlier, CBED is a process through which members of a community by their own initiative can contribute to the social, economic, and cultural development of their community. To reiterate, the central goals of CBED are: increased local control; the implementation of an integrated approach to
development; and sustainable development. Each of these three goals further supports the primary goal of CBED: community self-reliance. Community-Based Economic Development is an attempt to capitalize on local opportunities and resources in order to satisfy local needs. The increased participation of community members is a key component of CBED that enables it to respond to community needs in an appropriate fashion. Additionally, the CBED process stems from, as well as stimulates further, a strong sense of community.

CBED is not the answer for all the many problems of the world or of local communities. It is, however, a means through which individuals can influence incrementally their present circumstances and become more involved in determining their community's future economic, social, biophysical, and cultural development.

The purpose of this thesis has been to examine an approach that seeks to stimulate CBED through the informal sector. Many different definitions of the informal sector exist and are plentiful in the literature. Within a Canadian context, the informal economy was defined as:

one which is based on the non-money production of services within the household, which can be broadened to include the 'communal' production system which includes voluntary or religious organizations, child minding circles, transportation co-operatives and housing improvement co-operatives (Gershuny, 1979).

The informal exchange of goods and services amongst kin and neighbours is often inherent in local culture and traditions. In some instances these traditions have been greatly influenced by long periods of economic hardship. Nicholls and Dyson
(1983) found that no individual, family and/or community is totally self-sufficient or completely autonomous from the monetized economy. Rather, every individual, family, and/or community combines aspects of both the formal and informal economies in how they live and meet their needs.

5.3. FINDINGS AND CONCLUSIONS

The research question examined in this thesis is: how do informal sector activities promote CBED? This initial examination of the Local Exchange Trading System provides some answers to this question.

The Local Exchange Trading System (LETS) is an alternate approach to increasing community employment and income levels which is firmly rooted in the informal sector. Through the creation of a local currency a LETS system permits its members to trade goods and services on a non-cash basis, thus decreasing their dependence on the local circulation of federal currency. The creation of a local currency also enables the mobilization of underemployed local resources -- natural resources, people, equipment, land, and energy -- as they are needed by the community. This represents a step towards the primary goal of CBED: increased community self-reliance.

In summary, LETS supports CBED as it:

1) increases local control through the creation of a local currency;
2) opens up participation to anyone in the community;
3) provides a greater variety of and equal access to employment opportunities;
4) improves the material well-being of its members through the increased access to goods and services, basic needs, health services, as well as luxury items and leisure activities;

5) enables the increased reuse and recycling of goods;

6) gives value to goods and services that normally go undervalued or unrecognized in the formal economy;

7) increases members' self-esteem and confidence; and

8) builds community trust and increases community development.

The LETSystem as it is representative of informal sector activities clearly supports community-based economic development. The impact that LETS has on the overall well-being of the community is relatively small in economic terms. The informal economy in general supports an increased variety of, and invokes fewer restrictions to, employment opportunities than the formal economy. However, informal sector activities, such as LETS, provide few full-time employment opportunities, housework and child rearing being the notable exceptions. Informal sector activities promoting CBED significantly influence the social, cultural, and environmental development of communities. For example, LETSystems are able to offer a variety of social services and health services to their members on a non-cash basis. LETSystems also support and promote environmentally conservative activities. The magnitude of the impacts LETS has on community well-being is relatively small when compared to other CBED initiatives operating in the formal sector. However, LETSystems are relatively new and continue to evolve at their own pace and their potential should not be underestimated nor should LETS be ignored. Rather, informal sector contributions to CBED should be further supported and encouraged.
5.4. THE ROLE OF GOVERNMENT

The role of Government in the CBED process is definitely an important and active one. It is the opinion of this thesis however, that the current role of Government (federal, provincial, and local) in promoting CBED in the informal economy is a passive and supportive one, primarily educational.

The largest governmental responsibility should be placed at the federal level. Firstly, the federal government can encourage CBED in the informal sector by supporting additional research in this area. Secondly, federal government agencies and corporations, such as the CBC, could also help increase public awareness about the issues pertaining to, and the different activities of, the informal economy. "Venture", a CBC television programme, has already run one episode regarding LETS and it drew the highest viewer response rate of any episode to date. Thirdly, government programmes should continue to offer start-up funding to communities wanting to establish their own LETSystems. Lastly, the federal government could explicitly recognize the value of unpaid work, such as housework and child-rearing, by providing a guaranteed annual income.

The role provincial governments should play in supporting CBED within the informal sector is small. Provincial governments can also help improve the availability of information regarding LETS and other informal sector activities. This could be done by increasing research funding in this area.

Municipal governments can support CBED in the informal sector by first
recognizing efforts such as LETS in their own communities. Local Exchange Trading Systems in B.C. have largely operated autonomously of local governments as institutions, as well as the individuals who work for them. An end to the labelling of alternate ideas, such as LETS, as "counter-culture" or "radical" would help to increase both public awareness and interest for such ideas. In this situation perhaps the local planner is the best individual to facilitate this kind of information exchange and break down existing stereo-type barriers. Of course the first step would be for the community planner to join the local LETSystem.

In summary, governments at all levels have no direct role to play in the promotion of CBED within the informal economy. But, government policies and agencies can support informal sector initiatives such as LETS by:

1) providing funding for start-up costs as they do for formal sector activities;
2) providing funding for continued research in this area;
3) increasing public awareness and acceptance through additional media coverage; and
4) recognizing the value -- economic, social, and cultural -- of unpaid work.

5.5. AREAS FOR FURTHER RESEARCH

Presently the Canadian informal sector is neither well-researched nor well-understood. The studies initially undertaken by the Vanier Institute of the Family are insufficient to draw any firm conclusions regarding the relationship between the formal and informal sectors.
This thesis has put forward a preliminary response to the question: do informal sector activities promote CBED? This response is yes, informal sector activities do promote CBED. The case study of the Local Exchange Trading System has been put forward as supporting evidence. However, there remain many unanswered questions around the role of the informal sector in CBED that are outside the scope of this thesis:

1) Who is participating in the informal economy? where do they live?, what is their socio-economic profile? and gender?

2) How exactly are they participating?

3) If they are participating, how much time do they spend doing it?

4) How much do they value what they are doing? (i.e., how important is it to their economic, spiritual survival) and

5) Why are they participating in the informal economy?

Government research funding should begin with proposals that focus on the above questions. This thesis provides some preliminary answers to these questions that help to focus future research in this area. These answers would help to develop a better understanding of the informal sector, its potential to generate new work opportunities, as well as provide new information about those who are already participating in the informal economy. This kind of information would help identify new opportunities for further promoting CBED within the informal sector.
6. BIBLIOGRAPHY


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7. APPENDIX A: LETS TRANSACTION RECORDS
<table>
<thead>
<tr>
<th>Goods</th>
<th>Traded</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) fruits &amp; vegetables (71)</td>
<td>26) wok (1)</td>
</tr>
<tr>
<td>2) baked goods (22)</td>
<td>27) table (1)</td>
</tr>
<tr>
<td>3) goat’s milk (18)</td>
<td>28) stereo equipment (1)</td>
</tr>
<tr>
<td>4) flowers (16)</td>
<td>29) bedspread (1)</td>
</tr>
<tr>
<td>5) herbs (15)</td>
<td>30) storage rack (1)</td>
</tr>
<tr>
<td>6) bread &amp; muffins (14)</td>
<td>31) fish (1)</td>
</tr>
<tr>
<td>7) jam (14)</td>
<td>32) chutney (1)</td>
</tr>
<tr>
<td>8) books and records (6)</td>
<td>33) waterbed (1)</td>
</tr>
<tr>
<td>9) greeting cards (6)</td>
<td>34) answering machine (1)</td>
</tr>
<tr>
<td>10) ice cream (5)</td>
<td>35) vegetable plants (1)</td>
</tr>
<tr>
<td>11) wool (4)</td>
<td>36) manure (1)</td>
</tr>
<tr>
<td>12) clothing (4)</td>
<td>37) coffee grinder (1)</td>
</tr>
<tr>
<td>13) knitted sweater (3)</td>
<td>38) kitchen chair (1)</td>
</tr>
<tr>
<td>14) cookbook (3)</td>
<td>39) bicycle (1)</td>
</tr>
<tr>
<td>15) furniture (3)</td>
<td>40) bottles (1)</td>
</tr>
<tr>
<td>16) TV (2)</td>
<td>41) vacuum cleaner (1)</td>
</tr>
<tr>
<td>17) art work (2)</td>
<td>42) clock (1)</td>
</tr>
<tr>
<td>18) tapestry (2)</td>
<td>43) lantern (1)</td>
</tr>
<tr>
<td>19) eggs (2)</td>
<td>44) pottery (1)</td>
</tr>
<tr>
<td>20) stationary (2)</td>
<td>45) rocking chair (1)</td>
</tr>
<tr>
<td>21) car (2)</td>
<td>46) camera (1)</td>
</tr>
<tr>
<td>22) toys (2)</td>
<td>47) freezer (1)</td>
</tr>
<tr>
<td>23) hat (1)</td>
<td>48) recliner chair (1)</td>
</tr>
<tr>
<td>24) soup stock (1)</td>
<td>49) dishwasher (1)</td>
</tr>
<tr>
<td>25) planer blade (1)</td>
<td>50) bookshelf (1)</td>
</tr>
<tr>
<td></td>
<td>51) pair of oars (1)</td>
</tr>
</tbody>
</table>
52) trailer (1)
53) typewriter (1)
54) gardening equipment (1)
55) backpack (1)

Services
1) auto repairs (54)
2) massage (51)
3) office work (LETS) (50)
4) babysitting (29)
5) counselling - legal (28)
6) gardening (28)
7) laundry (23)
8) photocopying (23)
9) transport services (16)
10) herb/nature walks (15)
11) reflexology (15)
12) guitar lessons (13)
13) house cleaning (13)
14) wood cutting (11)
15) postering (10)
16) horseback riding lessons (9)
17) homeopathic/herb medicine (9)
18) sewing (9)
19) photography (7)
20) computer services (7)
21) painting (7)
22) typing (6)
23) reiki (4)
24) bicycle repair (4)
25) polarity (4)
26) picture framing (4)
27) back therapy (4)
28) tutoring (4)
29) house sitting (4)
30) advertising (3)
31) delivery services (3)
32) machine repairs (3)
33) carpentry (3)
34) house repairs (3)
35) cooking (3)
36) small appliance repair (3)
37) accounting (3)
38) moving (3)
39) dog/cat sitting (2)
40) computer (music) services (2)
41) taping (2)
42) electrical work (2)
43) caligraphy (2)
44) tree felling (2)
45) garage rental (2)
46) kayak rental (1)
47) ceiling washing (1)
48) moving (1)
49) piano lessons (1)  
50) teaching lessons (1)  
51) manicure (1)  
52) piano tuning (1)  
53) futon rental (1)  
54) tax advice (1)  
55) rent (1)  
56) truck rental (1)  
57) lawn cutting (1)  
58) car washing (1)  
59) insulation checking (1)  
60) assertiveness training (1)  
61) furniture rental (1)  
62) art rental (1)  
63) piano lessons (1)  
64) digging (1)  
65) botany instruction (1)  

source: Victoria LETS Transaction Records 1985-1987
## The Cowichan Valley LETS Goods and Services Traded

<table>
<thead>
<tr>
<th>Goods</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) baked goods</td>
<td>25</td>
</tr>
<tr>
<td>2) firewood</td>
<td>24</td>
</tr>
<tr>
<td>3) fruits and vegetables</td>
<td>23</td>
</tr>
<tr>
<td>4) fresh fish</td>
<td>9</td>
</tr>
<tr>
<td>5) books</td>
<td>9</td>
</tr>
<tr>
<td>6) eggs</td>
<td>8</td>
</tr>
<tr>
<td>7) honey</td>
<td>9</td>
</tr>
<tr>
<td>8) plants</td>
<td>8</td>
</tr>
<tr>
<td>9) stereo equipment</td>
<td>6</td>
</tr>
<tr>
<td>10) fridge/freezer</td>
<td>5</td>
</tr>
<tr>
<td>11) fruit nectar</td>
<td>4</td>
</tr>
<tr>
<td>12) goat's milk</td>
<td>4</td>
</tr>
<tr>
<td>13) B 'n B</td>
<td>4</td>
</tr>
<tr>
<td>14) sailboat</td>
<td>3</td>
</tr>
<tr>
<td>15) herbs</td>
<td>3</td>
</tr>
<tr>
<td>16) T shirts</td>
<td>3</td>
</tr>
<tr>
<td>17) clothes (hand made)</td>
<td>3</td>
</tr>
<tr>
<td>18) art work</td>
<td>3</td>
</tr>
<tr>
<td>19) geese</td>
<td>2</td>
</tr>
<tr>
<td>20) brakes</td>
<td>2</td>
</tr>
<tr>
<td>21) piano</td>
<td>2</td>
</tr>
<tr>
<td>22) knitted sweater</td>
<td>2</td>
</tr>
<tr>
<td>23) bed &amp; breakfast</td>
<td>2</td>
</tr>
<tr>
<td>24) shantam bond</td>
<td>2</td>
</tr>
<tr>
<td>25) life jackets</td>
<td>2</td>
</tr>
<tr>
<td>26) car</td>
<td>2</td>
</tr>
<tr>
<td>27) signs</td>
<td>2</td>
</tr>
<tr>
<td>28) banjo</td>
<td>2</td>
</tr>
<tr>
<td>29) meat</td>
<td>2</td>
</tr>
<tr>
<td>30) hanging basket</td>
<td>2</td>
</tr>
<tr>
<td>31) camera equipment</td>
<td>2</td>
</tr>
<tr>
<td>32) windows</td>
<td>2</td>
</tr>
<tr>
<td>33) woodworking</td>
<td>1</td>
</tr>
<tr>
<td>34) futures/commodities</td>
<td>1</td>
</tr>
<tr>
<td>35) tube</td>
<td>1</td>
</tr>
<tr>
<td>36) tofu</td>
<td>1</td>
</tr>
<tr>
<td>37) TV</td>
<td>1</td>
</tr>
<tr>
<td>38) food</td>
<td>1</td>
</tr>
<tr>
<td>39) ragbags</td>
<td>1</td>
</tr>
<tr>
<td>40) housefan</td>
<td>1</td>
</tr>
<tr>
<td>41) antler racks</td>
<td>1</td>
</tr>
<tr>
<td>42) jam</td>
<td>1</td>
</tr>
<tr>
<td>43) lamb</td>
<td>1</td>
</tr>
<tr>
<td>44) outboard motor</td>
<td>1</td>
</tr>
<tr>
<td>45) washing machine</td>
<td>1</td>
</tr>
<tr>
<td>46) beehive</td>
<td>1</td>
</tr>
<tr>
<td>47) chickens</td>
<td>1</td>
</tr>
<tr>
<td>48) juicer</td>
<td>1</td>
</tr>
<tr>
<td>49) bottles</td>
<td>1</td>
</tr>
<tr>
<td>50) washer</td>
<td>1</td>
</tr>
<tr>
<td>51) goat</td>
<td>1</td>
</tr>
</tbody>
</table>
52) bees’ wax (1)
53) christmas decorations (1)
54) stained glass (1)
55) computer parts (1)
56) ducks (1)
57) sink (1)
58) sailboat (1)
59) letter openers (1)
60) truck canopy (1)
61) plunger (1)
62) metal mold (1)
63) quilt (1)
64) canoe package (1)
65) washer/dryer (1)
66) rug (1)
67) weight set (1)
68) woodheater (1)
69) van (1)
70) paint (1)
71) trailer (1)
72) curtains (1)
73) furniture (1)
74) moving equipment (1)
75) camping equipment (1)
76) letters (1)
77) toilet seat (1)
78) candles (1)

79) curtain door (1)
80) bicycle (1)
81) poles (1)
82) baseball mit (1)
83) knife (1)

Services
1) massage (107)
2) auto repair (63)
3) office work (LETS) (46)
4) tool (saw) sharpening (33)
5) gardening - landscaping (31)
6) daycare/childcare (24)
7) hairstyling cutting (19)
8) accupressure (17)
9) carpentry (16)
10) sewing (15)
11) women’s support group (14)
12) photocopying (12)
13) music lessons (12)
14) plumbing (10)
15) house cleaning (10)
16) framing (9)
17) answering service (8)
18) rebirthing workshop (8)
19) electrical work (8)
20) book keeping (6)
21) mechanical repairs (6)
22) garage sale (6)
23) photography (5)
24) transportation services (5)
25) room & board (5)
26) counselling (5)
27) painting (5)
28) printing (4)
29) homeopathic medicine (4)
30) gin shin do classes (3)
31) moving services (3)
32) wordprocessing (3)
33) Tee Pee rental (3)
34) roof repair (3)
35) ghetto repairs (3)
36) spanish lessons (3)
37) moorage (2)
38) computype (2)
39) taping (2)
40) stud services (goats) (2)
41) hot tub rental (2)
42) craft lessons (2)
43) welding (2)
44) sailing lessons (2)
45) bicycle repair (1)
46) bellydancing (1)

47) gyp rock instaulation (1)
48) piano lessons (1)
49) home repairs (1)
50) video facilities (1)
51) tractor work (1)
52) stereo repair (1)
53) kayak rental (1)
54) TV repair (1)
55) freezer rental (1)
56) wall papering (1)
57) yoga lessons (1)
58) woodheater installation (1)
59) driving lessons (1)
60) campsite rental (1)
61) meat cutting (1)
62) bicycle repairs (1)
63) sailing lessons (2)
64) accounting (1)

source: Cowichan Valley LETS Transaction Records 1985-1987
The Ottawa LETS - Goods and Services Traded

Goods
1) flowers (3)
2) party tags (2)
3) child's table set (1)
4) silk screen supplies (1)
5) gift (1)
6) urban farm cow (1)

Services
1) office work (LETS) (13)
2) massage (2)
3) moving (4)
4) non-profit society contributions (4)
5) dream analysis (3)
6) truck rental (2)
7) piano lessons (2)
8) bicycle repair (2)
9) gardening (2)
10) conference fees (2)
11) LETS workshop (1)
12) lanscape consulting (1)
13) clowning (1)
14) house party (1)
15) reflexology (1)
16) car ride (1)
17) face painting (1)
18) reiki (1)

source: The Ottawa LETS Transaction Records 1987