

Barter: Alternative to 'The System'

Non-cash transactions lead to more self-reliance, less government intervention

By Dr. Paul Clark
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Throughout history, and even today, most of the world's commerce has been non-monetary — that is, the direct exchange of goods and services for other goods and services. In recent decades here in the United States, barter has generally been viewed with suspicion, especially by the government which views non-monetary transactions as a way to avoid sales and income taxes — which it sometimes is.

For many reasons, however, people are beginning to return to barter as a hedge against inflation or monetary crisis [such as potential Year 2000 "millennium bug" computer/infrastructure meltdowns] and as a step toward independence by avoiding various types of government regulations and taxes that apply to monetary transactions.

Opting Out of The Global Economy

Those of us who long to return to the social and economic freedom found in America prior to the New Deal are all too familiar with the trite slogans of those pushing the New World Order: We live in a global marketplace; all men are now interdependent; we need world government for the global village; we need NAFTA and the World Trade Organization to regulate the world economy; and so forth. The basic idea is that because regardless disaster in China or Anytown, USA will affect everyone in the world that big governments and international bodies must regulate what goes on in Anytown, USA.

Many of us, however, do not want to live in a global village. We just want to live in our own community and have the rest of the world leave us alone. For these people, using barter or even local currencies can be a way to insulate oneself and one's community from the rest of the world. By having a local economy based more on barter and alternative currencies we reach a greater level of independence in which we do not need to worry so much about the "world economy."

Banking and almost all financial transactions involve government oversight and regulation. Through the Federal Reserve system, which is a mostly governmental/partly private organization, banks have become one of the most government controlled industries. One phone call from the IRS is all it takes for

the government to find out how much money you have, or to have the bank send all of your money to Washington, no questions asked. We all know that dollars are not backed by anything, other than people's trust in them and the government's ability to force people to accept those little pieces of paper as legal tender.

One way to cut the strings by which the Federal Reserve, the IRS, the WTO and other government agencies is to simplify our lives through barter and other non-monetary exchange.

High Tech Barter

Perhaps one of the reasons people have been reluctant to be more involved in barter is the belief that barter is slow and inefficient. Nothing could be further from the truth. Today, computer databases are used to match up trading partners. In other words, you simply enter into the barter computer what you have and what you want, and the computer finds people who need what you have, and have what you need. It can also facilitate multiparty trades. That is, "A" has what "B" needs, "B" has what "C" needs and "C" has what "A" needs.

The barter marketplace can be as large or small as needed. Through use of the Internet people can barter goods with others around the world. Use of a World Wide Web "search engine" such as Yahoo or Lycos will quickly turn up numerous barter systems. Two easily accessible Web sites are <<http://www.barter.com>> and <<http://www.ibarter.com>>. The latter site is the brainchild of Gary Lasater, who is also mayor of Parker, Colo. Lasater says that barter is a way of building community and togetherness, and his organization focuses more on local communities than some other barter networks.

When you subscribe to <<http://www.ibarter.com>> (for a \$20 subscription fee), the database will try to match you up with trading partners in your area code or city. One of the interesting projects that Lasater's company is pursuing is providing churches with the software to set up barter networks within church congregations.

Lasater says that churches are perfect places to set up barter networks because "it adds validity to the bartering process when you have a group of people who trust one and other." He also adds that this is not only an opportunity for churches to provide a service to parishioners and form a tighter community, but it can also be a source of additional revenue for churches if they get a commission for each person who signs up to a larger system or if it charges a small fee to use its own local system.

Is Smaller Better?

Local networks such as church-based ones have an advantage over an Internet-based one in that they can be run from a single PC and are not subject to network trouble which might result in times of emergency. Another advantage of

a church-based system, according to Lasater, is that the parish can provide a means of adjudicating disputes which might arise as a result of a trade. Part of the trade agreement can be that any disputes will go before a parish council. Hopefully this will allow disputes to be resolved quickly and without resort to attorneys or outsiders.

Another factor to be considered about large barter companies is that barter companies are required to report trade transactions to the IRS as income. According to the IRS, when a person trades one thing for another, the value of the thing acquired is supposed to be reported as income. In a small local system there will probably be no record of transactions nor will it likely report anything to the IRS. The onus, therefore, will fall on individuals to determine what they should report as income.

Even if a person accurately reports the value of all transactions, however, there still seems to be a great advantage in not having any outside record of trades. That way, there is no basis for the IRS to claim that trades were worth more than they actually were. In other words, in a small closed system you are able to better protect yourself by controlling the flow of information to the government.

While on the topic of taxes, it should be pointed out that one of the great advantages of barter is to avoid sales and excise taxes which would apply to regular purchases. This in itself represents a saving of 7 to 8 percent. It may also be possible to avoid certain types of licenses — such as a contractor's license — if work is not done in exchange for money, but this will depend on the particulars of the local law and how it is enforced.

One advantage of larger barter networks, such as the International Trade Exchange, which is at [http://www. barter.com.](http://www.barter.com), is the use of electronic credits, which work much the same as money. In other words, when someone "trades" for your goods on the barter net, rather than doing a direct goods for goods exchange, you receive a certain number of credits which can be used to trade for other goods on the net. This basically amounts to a private currency.

Local Private Currencies

In ancient Sparta, a king named Lycurgus wanted to protect the city from what he considered were the corrupting influences of the outside world, as well as keep the city self-sufficient so as not to depend on the outside world. To do this he banned silver and gold coin and instead made worthless metals the currency of the city. Supposedly trade with the outside world ceased and everyone left Sparta alone since they had no gold or silver.

A variation of this theme is practiced today in many American communities, and is even more common in Canada and European countries. About 50 American communities have their own paper currencies according to Lewis Solomon, of the George Washington University School of Law. These currencies are always

issued by private groups rather than governments. Many places also use electronic accounting systems for trading within the local community.

While not banning outside currency, as Lycurgus did, the goal is much the same. It is to keep resources within the local community, and encourage the community to more self-sufficient. Suppose you get paid in a local currency, you can then spend those "time-dollars" in participating businesses around town. Most such businesses will give customers a discount of 10 percent or so for using local currency. Those "time-dollars" cannot be spent in other cities, so it helps to ensure that the money stays in the community. This, in turn, helps the community develop services for which people might otherwise have gone out of town to acquire.

Whether the system uses local currency, local electronic credits or direct barter, the program not only makes the community more self-sufficient, but also develops a greater sense of togetherness in the community. Today, when so many people have become rootless and no longer have any particular attachment to their little corner of the world, many people think this sense of community may be the most important aspect.

Many people today have lost their sense of loyalty to their home or community and have shifted their allegiance to abstractions like nationalism, and even internationalism. Governments have long tried to enforce monopolies on currency and have placed the pictures of kings and presidents on the currency, because they want people to believe that their economic survival depends upon the government. We have all heard the question: "If there were no government, who would print the money?"

The reality is that there are many alternatives to the Federal Reserve Notes which most of us use [such as NORFED, page 22]. There was barter and private currency long before there was ever a Federal Reserve, and there will be barter long after the Federal Reserve is no more. Barter then, is actually more permanent than the U.S. monetary system. It only makes sense to hedge one's bet against monetary crisis by trying to develop more widespread and efficient non-monetary trade systems.

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