



mutual credit



what is it?

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

Each business gets an account. They go into a directory so businesses can find suppliers and customers. When a purchase is made, the buyer's account goes into debit, and the seller's account goes into the same amount of credit. There's a limit to how far you can go into credit or debit – and that's it.

Mutual credit is *not* barter. You don't have to find someone who has what you want and wants what you have – you just get credit or debit in your account. It's not a swap. You can then use your credits to trade with anyone else in the network.

There are similarities with local currencies. The main differences are:

- Mutual credit involves a trusted network of traders; local currencies don't.
- Local currencies are bought and redeemed for conventional, bank-issued money; mutual credit can't be bought with conventional money.
- Local currencies can still be hoarded and made scarce; mutual credit can't – it's just a means of exchange.

History

Mutual credit has a fine pedigree. Pre-money, villagers everywhere traded with each other in credit – you help fix my roof, I give you meat when I kill an animal; you help me harvest my crop, I help you bring in firewood – and so on. The



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



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

accounting was done informally, in people's heads, and no money changed hands.

In the 19th century, William Greene, Lysander Spooner and Pierre-Joseph Proudhon championed mutual credit and mutual banking in the US.

During the 1930s depression, various scrip currencies were used, and the mutual credit Wir Bank was born in Switzerland.

After the Second World War, at the Bretton Woods conference, John Maynard Keynes proposed a mutual credit scheme between nations – the International Clearing Union – but it was rejected.

The large-scale, for-profit barter industry (actually mutual credit) has developed since the War, overseen by the International Reciprocal Trade Association (IRTA), comprising 400,000 businesses and trades valued at 14 billion dollars in 2019.

LETS and time banks are community-based, non-commercial exchanges in which local people exchange favours and hours of work.

On the island of Sardinia in the Mediterranean, a group of arts graduates launched a mutual credit scheme called Sardex in 2009 – after the financial crash when money was very scarce (mutual credit schemes are often formed in times of economic hardship). However, skills, tools and infrastructure were the same as before the crash, and so Sardex allowed businesses to trade without money. There are now 4000 businesses involved, with trades approaching 50 million euros per year. Grassroots Economics are building mutual credit networks in poor areas of cities in eastern and southern Africa.

Now, Mutual Credit Systems are building a package for local mutual credit clubs to federate towards a global 'Credit Commons' - see below.



what are the benefits?

For businesses

- Mutual credit provides a parallel purchasing / accounting system that means businesses don't have to rely entirely on sterling. This insures them against sterling cashflow problems and wider economic downturns.
- Businesses give each other interest-free credit - difficult from banks; expensive via credit cards.
- Provides new leads / customers for members.
- Customers can buy if they have no money.
- Can sell surplus stock / spare capacity.

For communities

- Mutual credit can not be sucked out of communities and accumulated in tax havens.
- Builds trusted networks of businesses, which can improve community cohesion.
- A strong mutual credit network offers protection against wider economic crashes.

Wider benefits

- Sterling is scarce; mutual credit isn't – it's available to anyone who want to trade. To paraphrase Alan Watts: to say you can't trade because of a lack of money is like saying you can't build a house because of a lack of inches.
- Enables trade in areas of extreme poverty.
- Mutual credit is not a store of value to be accumulated and hoarded by some individuals.
- There's no interest to be paid, and no impetus to hoard, so no 'growth imperative' that causes overconsumption and damages nature.
- Takes control of money from banks
- In a well-run system, inflation can't happen.
- No divisive ideology. It's just a practical tool that has multiple benefits, whatever your politics.
- No mining of precious metals or of digital coins.



Money didn't evolve from barter, but from mutual exchange within communities.

what can I do?

Covid provided the stimulus to bring together a group of specialists who have formed Mutual Credit Services (MCS) to help interested parties set up mutual credit groups (or 'clubs'). There could be a club in your town – or they can be clubs of interest, e.g. in a particular industry, with members in different parts of the country, or even in different countries. The most important thing is that these clubs contain businesses that can trade with each other. Active trading loops or circles need to exist, so that popular businesses don't get stuck at their credit limit with no-one to buy from, or that other businesses end up at their debit limit with no-one to sell to.

MCS are working to build a simple package that business networks can set up quickly and cheaply, but with something new – federatability – i.e. the ability for businesses in a particular club to trade seamlessly with businesses in any other club. As this network grows, existing mutual credit schemes will be able to join, and it can develop towards a global 'Credit Commons'.

If you'd like to be involved:

- First, it might be an idea to learn more about mutual credit: we recommend Thomas Greco's book (see below).
- Have a look at some existing or forming (non-federatable) schemes such as the Open Credit Network or Simbi, and if you're in Wales or the West Midlands, you can contact Celyn or Parity.
- Contact MCS if you're interested in hosting a club, or if you'd like to volunteer, or if you work for a food business in Devon, and you'd like to know more about the pilot project there.
- If you know someone who might be interested, or if you want to help spread the word, please share this information. We'll keep this information updated as things develop.

resources

- lowimpact.org/mutual-credit for more info, courses, links and books, including:
- Thomas Greco, *The End of Money and the Future of Civilisation*
- Kennedy, Lietaer & Rogers, *People Money*
- mutualcredit.services – MCS
- grassrootseconomics.org – African network
- sardex.net – Sardinian mutual credit network
- creditcommons.net - going global

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