

13th February 2009

Barter!

Back to more straightforward trading!

In the 1930s a large part of America had to take up bartering for a few weeks when the newly installed President Roosevelt shut down the banking system in various parts of the country.

Banking crises are not a new thing it seems!

After the Wall Street crash in 1929 many banks in the United States failed. The failures and general economic concerns led many depositors to demand their money back from banks showing any signs of financial trouble and sometimes even those banks that were stable and well managed.

Having frequent 'runs on the banks' Roosevelt implemented various 'bank holidays', virtually closing the banking system to many. Bank holidays meant the banks were closed and people could not therefore withdraw cash.

People had to rely on cash held to survive, which was quite tricky because many didn't have that much cash to hand and had to develop a sudden frugality with spending. Soon the money began to run out, and critically, there was a shortage of ready change (coins etc). You can imagine the panic if this happened now, because most of us use credit or debit cards, don't carry much cash and there is much less change in the system than a few years ago!

In the 1930s when the cash started to run out individuals and businesses turned to bartering to survive.

Bartering is the exchange of goods or services where the majority, or all, of the transaction is done on a cashless basis. As one article quoted recently 'I will swap my goat for your pair of shoes'.

Ok maybe the goat is a poor example, but bartering is becoming more mainstream. Right now most organisations undertake some form of bartering, although usually this is in very informal transactions and often not recorded.

But more and more, the cashless exchange is a great way to do business, especially in business and professional services where you find non-chargeable/billable hours are increasing and you may be able to exchange some time for other services that you would normally pay cash for. To pay cash of course you have to earn the money, issue an invoice and get paid. With a bartering exchange you simply provide your services to another in exchange for them doing likewise. There is a mutual interest which is far simpler to navigate than you might think.

Take for example the accountancy practice that needs a plumber for central heating maintenance. They could offer accounting and tax work in exchange for plumbing services, after all most plumbers need their accounts and tax returns preparing. No cash changes hands and although there are some straightforward taxation and VAT issues to address it can be a simple clean transaction between both parties.

There are unlimited possibilities for this type of transaction. Hotels could provide rooms in exchange for advertising or airlines flights in exchange for media publicity. Doctors could provide health checks in exchange for maintenance work on their surgeries. Dentists could undertake fillings in exchange for financial advice (although not at the same time!)

All the above bartering examples are happening right now. Bartering can help increase your turnover and maximise your profits by using the spare capacity in your business more efficiently.

We are currently involved in setting up one of the first business and professional services barter exchanges. Keep your eye on www.open2barter.co.uk which is scheduled for launch in March 2009.

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