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Short on cash, businesses turn to bartering

By Jim Morrill

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Paula Chapman (left), who generally trades through a barter exchange, helps customer Lea Ann Meech. In a service swap worth \$400, Meech got Chapman connected online with her business SendOutCards, a computerized system to create and personalize greeting cards online, in return for Chapman's printing of a flier advertising an upcoming free seminar by Meech. DIEDRA LAIRD – dlaird@charlotteobserver.com

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There are a lot of ways Carolinians are helping themselves or their local economies in tight times. Here are two:

Barter networks

Chip Wilson didn't know much about barter when he opened Mr. Food no-fuss Meals on Charlotte's Providence Road, a business that lets customers prepare – or simply pick up – meals such as Chicken Cacciatore and Tokyo Tuna.

"I had a preconception about barter," he says, "that it was a one-to-one sort of trade. I never envisioned the opportunity to use it in a business like ours."

But Wilson, 44, met Tony Holden, CEO of a company called Synergy Street Trade, one of many barter brokerages. Holden, a veteran of the barter business, signed him up.

Now Wilson swaps dinners for services such as video production for his Web site and other marketing services.

A bonus: Members of the barter exchange often become paying customers.

Local currency

Want a cup of coffee? In a handful of N.C. counties, that might cost you a Plenty.

The Plenty was introduced in 2002 as a local currency in Alamance, Chatham, Durham and Orange counties as a way to keep money close to home. Usage fell, though some are still in circulation.

Soon it will get new life, with a big difference.

Plenty booster Lyle Estill, 47, president of Piedmont Bio Fuels in Pittsboro, says a Pittsboro bank is poised to announce that it will accept Plenties at the rate of one per dollar. New notes are being printed.

Local scrip like the Plenty was common during the Depression. The Plenty is loosely modeled on established local currencies such as "Ithaca Hours" in upstate New York and "Berkshires" in Massachusetts. They're all legal.

Estill says people will be able to get Plenties at the Pittsboro bank or ask for them in change from participating merchants. Plenties will only be recognized in the four counties, and only then by businesses that choose to accept it.

The point is it to keep money in the local economy.

"One of the reasons we have tough times like this is because we forgot about local economies," says Estill. "Globalization hasn't been very kind to North Carolina."

- [How to barter](#)

All you need to barter is something to swap and somebody who wants it. You can find opportunities at the water cooler or on sites such as Craigslist.

You can also check out barter brokers, organized exchanges that match traders with what they need. Charges and fees vary.

Here are some places to learn more.

Barter Brokers International: www.barterbrokers.com.

Barter Business Exchange: www.ncbarter.com.

Synergy Street Trade: www.synergystreet.com and synergystreettrade.com.

Tradebank: www.tbcharlotte.com.

Paula Chapman has seen the economy take its toll on the printing business she and her husband run out of their south Charlotte home. But that hasn't stopped them from dining out or even splurging on expensive filet mignons as holiday gifts.

Why? Because they barter.

"The cash business has been really, really slow," says Chapman, 56, who belongs to two barter exchanges. "So it's trade that has kept us at least working – and our brains functioning."

As the economy continues to sink, more people like Chapman are turning to bartering to keep themselves or their businesses afloat. Chapman, for example, barter printing services for everything from meals to eyeglasses. Networks of all sizes report spikes in interest as cash and credit become increasingly scarce.

"People who didn't give us the time of day in years past are opening their door now," says Bill Bailey, president of the Charleston-based Barter Brokers International, one of many for-profit exchanges.

"When the economy's doing well and people are slammed with cash, they don't need us. All we are is a different currency."

In recent months, Bailey has seen business double at his company. With more than 600 Carolinas' clients, it's one of the region's largest barter networks. Other exchanges are smaller and less formal. Some cater to local

communities. Some involve simple swaps between individuals.

And in an echo of the Great Depression, businesses in some Piedmont counties are even resurrecting a local paper currency. Pegged to the dollar, it's designed to keep money in the community.

Wall Street's troubles have created fertile ground for such alternatives.

The collapse of financial instruments known as commercial paper, which provided billions in short-term corporate financing, has forced big companies to turn for credit to banks, which then have little left for smaller businesses, says finance professor Campbell Harvey of Duke University's Fuqua School of Business.

"The small and medium-sized businesses are being hammered right now," Harvey says. "That means that it's hard to get working capital ... One thing you can do is barter. It's a great idea and we're going to see more of it because cash is scarce."

Works as a sort of bank

Tim Goodwin of Raleigh was running out of cash in December.

He'd spent most of what he had to buy a larger shop for his auto repair business. But the long-abandoned building needed a lot of work. So he dipped into credits he had with the Raleigh-based Barter Business Exchange.

The credits paid for the plumbers, painters, electricians, exterminators, contractors and sign makers that allowed him to open Goodwin Automotive in January.

"If it wasn't for that income stream, there's no way in the world I would have made it," says Goodwin, 35. "We never missed a beat."

Like similar brokers, the Barter Business Exchange works as a sort of bank.

While fees vary from one exchange to another, Barter Business members pay a \$500 joining fee and small monthly charges in addition to a 10 percent cash fee on each transaction. When they trade a service – such as Goodwin's auto repair – "barter dollars" go into their computerized account.

When they want to trade for something themselves, their account is debited. The "dollars" transfer as credits to the member who provides the goods or services.

"Think of it as a prepaid Visa card within certain member businesses," says Maurya Lane, owner of Barter Business Exchange, which has around 700 members.

Companies like Lane's act as a third-party bookkeeper. Because many brokers have reciprocal agreements, members can trade credits across the country and around the world.

"The beauty is when you're involved with one you really have access to all," says Lou Amico, 53, president of the Lake Norman-based L.A. Management Co., a marketing firm whose services include video production and Web design.

Amico has traded for an office copier, home furnishings, a laptop and jewelry. He even took five clients on a four-day outing to Fripp Island last fall – all on barter.

There's little that can't be bartered, says Ron Whitney, executive director of the Virginia-based International Reciprocal Trade Association. He's working on a deal involving a half-million-dollar modular home.

One party that doesn't barter is the Internal Revenue Service. It treats the market value of goods and services received in trade as income. Get \$3,000 worth of office supplies in a swap through an exchange, for example, add \$3,000 to your taxable income.

At the same time, the value of some trades can be deducted for business expenses. Most barter brokerages provide members with the IRS forms they need every year.

Individuals barter, too

When Paula Chapman and her husband moved from upstate New York in late 2007, barter gave them a ready network of printing customers. Through the national Tradebank network and Charlotte-based Synergy Street Trade, she says they traded \$22,000 worth of services last year.

She and others say barter often leads to word-of-mouth networking that brings in cash customers.

Most barter brokers cater to businesses and professionals. But not all.

The fledgling Synergy Street Trade has individual members as well, says Tony Holden, CEO of the Charlotte-based startup. Members offer services from private Tai Chi lessons to limo service.

“Everyone has something that they can barter for,” he says. “And they can use what they have to get what they want.”

More than 260 people belong to Asheville's LETS network. They trade credits called LETS (for Local Exchange Trading System) which, unlike other such credits, aren't pegged to dollars.

Members generally charge five LETS per hour. For work they find unappealing, they charge more. For work they like, they charge less.

“We like to say that it has the flexibility of a currency but the values of a community favor exchange,” says co-founder Kila Donovan, 34.

When Asheville therapist Carlyle Stewart needed a ride to his mechanic's garage 30 miles away, he got one by cashing in some LETS. Stewart, 41, accumulated his not through counseling sessions but more mundane tasks such as raking leaves and washing windows.

“It may not sound all that exciting but actually all of that was very satisfying,” he says.

Organizers say new sign-ups have tripled in recent months.

“When we first started out we had to explain that it can be a lifeboat in times of economic uncertainty or instability,” Donovan says. “But we don't have to explain that anymore.”

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lamico165 wrote on 02/23/2009 12:51:29 PM:

Barter takes patience and flexibility. The beauty of a professional exchange is that they have enough variety of services and products that there is something you can

when you need them. I have worked with Barter Brokers International www.barterbrokers.com for 5 years and have purchased 10's of thousands of dollars in travel, printing, office equipment, home items, jewelry and vacations.

There are fees involved and ytu have to be selective in what you do but it is much more flexible than direct trade. Lou Amico - www.lamanagementco.com

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TheBrain wrote on 02/22/2009 11:11:08 PM:

As the article states, all bartered income must be declared and taxes paid. If you don't and get caught (which I hope happens) you will be paying penalties and possibly looking at jail time in extreme case. Be careful and pay your taxes!

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bridgetbrush wrote on 02/22/2009 09:02:36 PM:

I personally thing a little education goes a long way with Barter. We knew that we could always barter one-on-one with any cooperative 2nd party. We've used Craig's list and eBay. We shopped around for what we thought was the best Barter Exchange in the Charlotte area. We evaluated initial Membership fees, monthly dues, transaction fees and reputation of those running the exchanges as well as interviews with participating members. The winner hands down on all counts.....SynergyStreet trade. Low Membership joining fee: \$25-\$50 Low monthly advertising/service fee \$25-\$50. The more you prepay your monthly fees up to \$5000 the lower all of your fees. At the highest membership level, you pay no fees for life, period. Their "Cash-rewards" program for referring others to the exchange can even put substantial money in your pocket. For me: SYNERGY STREET TRADE was a NO BRAINER. I would really recommend that Episode XI Studios take another look at www.SynergyStreet.com

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e11studios wrote on 02/22/2009 11:25:42 AM:

Bartering one on one with people/business DOES work, trade organizations DO NOT. You end up "paying" for any jobs that you may get from the trade organization. The person selling always has to "pay" a fee for the exchange, either by paying a monthly fee or transaction fee. The only people who benefit from trade are the trade organizations. My business has only completed two barter transactions and I will never enter into one again with any trade organization-I don't see a need to.

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