

Economics Outside The Box

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Looking Beyond the Limits of Cash or Credit

Photo - Touch the Soil

In modern economics, we have been taught to think in terms of using cash or credit in our economic lives. So much so to the exclusion of everything else.

Recently, I had the opportunity of communicating with Bob Meyer, founder, publisher and editor of BarterNews. Meyer is America's resident expert on bartering. The recipient of many awards within the bartering industry, Meyer publishes *The Competitive Edge* (a subscription newsletter), *Think Barter & Grow Richer* (a special report) and *FastStart Programs* (help you get started in bartering) all of which are designed to help people succeed economically. Meyer was gracious in taking time to explain, answer questions and offer technical background.

For most, the word bartering has the stigma of being a form of economic facilitation that resides in the past, among the more primitive economies. As we shall see, this is far from the truth. The truth is many individuals, companies and nations cannot achieve their economic goals or economic potential with just the use of cash or credit. Bartering is for the real entrepreneur (individual, business and nation) that looks beyond the limits of cash or credit.

Today, bartering takes place between individuals, between individuals using third-party barter exchanges, between companies, between companies using third-party barter exchanges, between large corporations and nations, and between nations.

In the world of agriculture, trades between farmers (sharing equipment and labor) have a long history of activity right up to today. Letting a neighbor use your tractor in exchange for using his combine is at the very core of American agriculture. Trades where consumers work for food on CSA farms and food co-op employees trading labor for food discounts are becoming commonplace.

"Bartering is a matter of creatively using what one has to get what one desires. Just like in the cash marketplace, the strategies and techniques can be used to structure deals," Meyer said. "The beauty of barter is that you are changing the method of payment and not having to convert everything into cash first before making the payment."

The cost of employing people is one of the largest expense items companies look to trim. As such, people are increasingly being forced to be creative. The modern world may just be touching the tip of the iceberg when it comes to the bartering of labor and human talent to augment traditional forms of cash or credit in

facilitating economic activity.

"When you change the method of payment, a person's mindset regarding the deal is different," Meyer said.

The story of Fulcrum Farm in the Sept/Oct 2006 issue of *Touch the Soil* covers co-owner Lisa Bjorn's experience with barter. Thirty percent of Fulcrum Farm's economic activity is due to trades.

"I receive a whole lot more value when doing trades than ►



Bob Meyer, founder, publisher, and editor of BarterNews.

BarterNews

Global Barter Estimates

Amount

Individual trades through barter companies plus one-on-one individual trades	\$3,000,000,000
Corporate trades through corporate barter companies	\$7,500,000,000
Direct one-on-one corporate trades	\$7,500,000,000
Tax deferred "1031 trades in real estate	\$175,000,000,000
Corporate mergers and acquisitions of approximately \$3 trillion per year, a large component of which is stock trades. (This is the author's low estimate that half of the value of acquisitions and mergers is done via trades of stock)	\$1,500,000,000,000
Countertrade between nations and multi-national corporations and nations. (according to the WTO, U.S. Dept. of Commerce and <i>The Economist</i> magazine)	\$2,000,000,000,000
Total estimated global economic activity facilitated by some form of barter/trade	\$3,693,000,000,000

"From a profit perspective, (bartering) certainly out performs the same transaction if done using cash."
— Bob Meyer, BarterNews

when purchasing things with cash," Bjorn said.

In a barter transaction, artificial pretensions that may be hidden by a dollar price tag are removed, and deals can get done. Fulcrum Farm's experience with local trades is that the product or service is not compromised by CEO salaries, corporate profits and engineered obsolescence for the sake of artificially keeping sales up.

It is easy to recognize the potential when the concept of barter is expanded to include the concepts of deals, arrangements and agreements. The sky is the limit, and emerging information systems can assist domestic and global economies to go where no money has gone.

"From a profit perspective, (bartering) certainly 'out performs' the same transaction if done using cash," Meyer said.

In a rare disclosure, Meyer provided best-guess estimates of the annual volume of different bartering groups around the globe — quantified in dollar value of the transactions. The chart above titled "Global Barter Estimates," provides more detail.

It is surprising the world's largest equity transfers (via mergers and acquisitions) are accomplished in large part not with cash or credit, but a trading of stock. The world's largest concentrations of capital were materially accomplished with barter trades. Are small and medium businesses missing an opportunity to grow and augment their economic activity?

Another big surprise is the \$2 trillion annual volume of trade between nations that is facilitated by barter popularly called countertrade.

"A series of massive arms sales by the United Kingdom to Saudi Arabia has been the most impressive (nation to nation barter) because of the astronomical size of the deal," Meyer said. "It was paid for by the delivery of up to 600,000 barrels of oil per day to the UK government. Al Yamamah (The Dove) is the name given to the huge deal, which has never been fully clarified, but has been described as 'the biggest United Kingdom sale of anything to anyone.' Al Yamamah prime contractor BAE systems revealed in 2005

that they, along with predecessor British Aerospace, had earned £43 billion in twenty years from the contracts."

The ability of bartering to maximize transactions where cash may be limited begs the question: Is the government's position that all taxes must be paid in cash, hurting itself? The nation is rich with educated people, resources and services that cannot always be transferred to the government via cash, something the IRS collections division could certainly attest to. In the past, when government obligations to farmers exceeded government budgets, the government paid the farmers with what it had — grain stocks. In what was called the PIK program (payment in kind), farm subsidy payments were paid with certificates that represented ownership of a certain amount of grain that farmers could then market or hold.

To build bridges across economic gaps, Meyer has assembled one of the nation's and world's most complete data bases of barter companies and companies doing direct trades. This data base is available on Meyer's Web site referenced below. The Web site has a map of the United States with each state highlighted. By selecting a particular state, a list of barter and trading companies for that state is retrieved. Of particular insight is Meyer's *Tuesday Barter Report*, a free e-newsletter service this author subscribes to.

"When trading direct (rather than through a trade exchange where all prices are at suggested retail price) one's negotiating abilities and business acumen plays an important role," Meyer said. "Understanding your variable costs — as well as the other party's variable costs — is the key to making extremely profitable deals. Barter, when used intelligently and creatively, is a powerful adjunct to a company's operations."

In a world of nations and consumers frothing in debt, \$3.7 trillion in annual economic activity facilitated by barter concepts stands to grow. Counter-intuitive as it may seem, the growth of barter concepts and the economic activity they facilitate is not limited by money, but inspired and propelled by a lack of money. With that said, bartering stands to grow a lot. ■

Web Resources



Barter News: www.barternews.com

FastStart: www.FastStart2Barter.com

BarterNews Blog: www.barternewsblog.com