Lekkernassûh & Timebank

Summary

TB and LN - it seems like a perfect match. Not only do the values and goals of both organizations appear to be very much aligned, but also both could profit from a successful cooperation. However, there are financial problems within LN, which are at least in part attributed to the cooperation with TB. This is the reason, why I was asked to look into the TB-LN-relationship. This report is the result.

The financial problems that LN is experiencing seem to originate 1) within LN, 2) in the way LN has made use of TB, and 3) the worldwide economic problems of 2022-23 might also play a role. The last one cannot be fixed by LN (at least not yet), but the first two probably can, which should be a hopeful prospect. Most of all, LN is not generating the returns necessary – both in terms of TBH and Euros – to cover its expenses. Therefore, this report will mostly explore ways of raising income, and/or lowering expenses.

Preliminaries

LN has begun to use TB in January 2018, with the goal to establish an alternative way of selling vegetables and buying labor.[1] LN wants to pay its workers in time, and wants those workers to be able to buy goods from LN in a time-based currency. For this purpose, TB has created Timebank Hours (TBH) out of thin air and donated them to LN.[2] LN could pay its volunteers with these TBH, and the recipients could buy vegetables from LN in TBH once they had earned them. So now LN is operating within a Euro-based and Time-based world – which can be tricky.

It is important to understand that after the original TBH creation, there is only a limited amount of TBH in circulation, and if LN spends them, they must be sure to get them back. If LN spends more TBH then they get back through sales, LN's account at TB will run to zero, causing them to bankrupt in the TBH currency – which would mean they can't pay their volunteers. At the same time, LN still has expenses in Euros (buying vegetables is by far the biggest chunk) and generates income in Euros (selling goods in Euros). And obviously, the Euro account has to be in balance too, in order to not go bankrupt in Euros.

I place these basics here so prominently, in order to make clear what it means to operate with two currencies at the same time. This will run through the entire rest of the report: If LN is committed to using TB (and of course must still operate with Euros) the two must always be considered together. Otherwise, certain proposed solutions might actually worsen the problems for the other currency account that is not considered.

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[1] I understand that LN does not only see it as "buying labor", but I will stick to the economic terms for the most part of this report, for the sake of clarity.

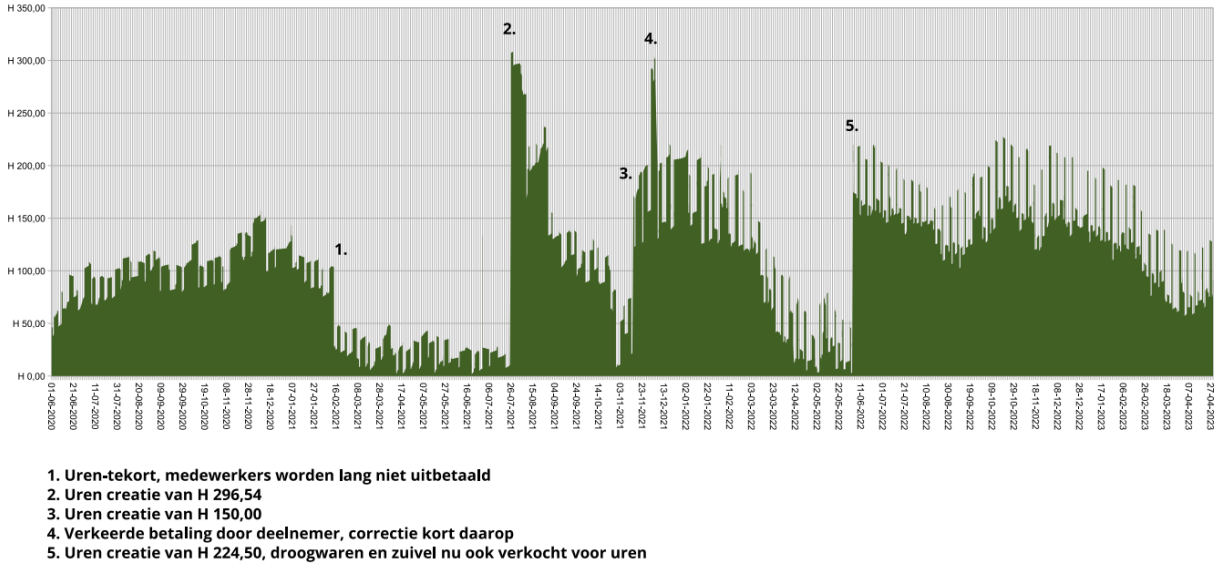
[2] A currency thus created is called fiat money and the same happens with Euros too. It can be done, but not indefinitely.

The Problem

The main problem is that there's not enough income in general – neither in terms of Euros, nor in terms of TBH – to cover the costs in Euros and TBH. Both components are out of balance.

On the Euro side of things, the year to 2022 has brought a loss of -6.821€, down from +30.441€ in 2021. Luckily LN had some reserves to cover for this, but of course this can't work in the future. If it did, LN's existence is in danger. In terms of Timebank, there has been a loss of -1.937, down from -5.329 the year before.[3] So while there is an upward trend, the loss remains, meaning: LN is running out of TBH to spend.

Even more worrying is that this seems to be a trend within the LN – TB cooperation from the beginning. As the following graph suggests, there has been a continuous outflow of TBH from LN's account (i.e., more TBH spent than coming back in through sales) over the past years. Only the injections of newly created TBH by TB have prevented an earlier bankruptcy. The problem, however, has become less acute in the most recent period. Ronald Huynen, co-founder of TB, suspects this might be due to more TB-account holders actually spending their money (on LN-products), thus bringing the TBH back into circulation.



The TB-account of LN – provided by Ronald Huynen.

On the surface, the financial issues in Euros might look more acute. And indeed, it seems more problematic to run out of Euros to spend, since this would make any more purchases of goods impossible – while running out of TBH would "only" mean having to turn to unpaid volunteering as a source of labor. The latter can be done, while the former cannot. However, if LN wants to still reward their employees (and value their time in this way) then the balance of payment

[3] How these numbers have been determined is not clear to me. I did not receive an answer to my question about the TBH accounting from the Finadmin-Team. Also, the TBH accounting by Maria Sogelee did not match the financial accounting figures provided by Michiel Ottolander. Nonetheless, it seems clear that there is negative balance of payments regarding TBH.

deficit in terms of TBH are to be taken seriously too. Also, because the TB made it quite clear that more "free money" will not be donated to LN.[4]

Solutions

Any solution to a balance of payments problem would probably entail raising income, lowering expenses or both – and for both the Euro and the TBH sides of the finances. But since this report is mostly concerned with Timebank, we shall focus and those solutions that are TB-related. Let's run through a couple of them.

1) Lowering expenses

The idea of spending fewer TBH seems to enjoy a lot of support within LN. People could expect two things from this: First, that it reduces the TB-account deficit (due to less TBH being spent); and second, that it might also help reduce the Euro-account deficit, because if LN's volunteers have fewer TBH to spend, then they might turn to Euros instead. And if they buy more goods in Euros, which could help increase the Euro income, thus balancing the budget there.

There are also already some ideas of how this can be done: One way is to lower the amount of TBH paid out to volunteers for specific tasks, so that it more accurately reflects the amount of time that is in fact necessary to do these tasks. For instance, do they really need to pay out an average of 30 hours per month for the cheese section at the weekly Gymzaal market (as has been the case so far in 2023)?

Another idea is to lower the amount of TBH that are budgeted as a share of actual hours worked. Currently only 0.65 of actual hours worked are budgeted; the rest ("passion hours") are essentially donated by the volunteers. If this could be lowered to 0.5 (for instance), or volunteers could decide for themselves whether to lower this ratio voluntarily, then fewer TBH would be budgeted, and the effects described above could be realized (i.e., the TB account gets into balance, and perhaps even the Euro account). On the downside: It has been the goal of LN and TB (as far as I can tell) to actually *raise* this ratio to 1 – thus paying out every actual hour.

Discussion: While there is some merit to the lowering costs in TBH, these solutions have limits. First, it is unclear whether lowering the amount of TBH that LN gives out would actually make people switch to paying in Euros, thus bolstering Euro-income. If people have less TBH, they might not buy any goods at all. If for instance, people with a low Euro-income do not get as many TBH, they might simply buy less overall, or leave LN altogether – if getting paid in TBH was a major motivation factor for working there.[5] However, if it can be expected that people would continue working and still buy goods – now more in Euros – this could potentially help balance the Euro account. The problem with the TB-account is a bit more difficult to address.

Of course, it could be appropriate to cut spending. First, because unusually high labor costs represent a drainage of LN's TBH. Second, if there are some tasks that are currently done much

[4] Essentially, TB wants to be a bank, not a central bank or lender of last resort. At some point, new money creation to keep LN afloat is not an option anymore.
[5] I don't know which kind of people buy at LN with TBH. Therefore I can't say much on this topic, but this question can probably be answered by other volunteers.

slower than they could be, or people are inflating the amount of time they work, than it could be considered fair to change that. On the other hand, it seems like it is part of LN's identity and value system that people are not to be rushed and pushed to produce results, as this could impede creativity and make people unhappy in the organization. So, this is something LN must decide on its own with regards to its values as an organization. Also, it is not for me to decide, which tasks deserve how much time spent on them. This a discussion LN must have internally.

However, there is a key problem with any attempt to balance the TBH-budget by saving on TBH expenses: And that is the huge share that LN makes up of all TB transactions. I don't have clear information on this, but it seems that LN makes up more than 90% of TB action.[6] If this is true, it means that if LN reduces the amount of TBH it gives out, it also must expect getting in fewer TBH in return. In this sense, LN is not like a household – but more like the treasury of a state. If a household cuts spending, it has more money at the end of the day, but if a state cuts spending, it also gets less money back (in taxes), because economic activity dries up altogether. This could be much the same for LN: If it pays its volunteers less, there is no one else to buy LN's goods in TBH, meaning that the deficit might remain. This is a central issue that should be addressed by LN and TB together and ideally, they would find ways to increase the TB community, in order to diminish the big role that LN plays in this environment.

Still, it could make sense to give volunteers the opportunity to "donate" their working hours to LN, by choosing a lower rate of turning actual working hours into TBH – for instance 0.5 or even 0. If certain people say that they would not spend their TBH anyway (either because they have no use for the goods LN provides, or they would prefer paying actual money), then they could be very welcome to voluntarily decide not to be paid in TBH. It does not seem that this violates LN's principle of "everyone's time is valued equally", because if people feel valued without payment, why should this be a problem? They are probably just choosing a different "currency" in which they want to be valued.

The upside of this would be that people would not be spending their TBH anyway, this way won't receive them. This is crucial, because TBH that are simply sitting on people's accounts are damaging the idea of such a currency. After all, they are permanently drawn out of circulation, meaning that LN has no way of getting that money back in – which it needs to balance its accounts. The data provided by Ronald Huynen implies that there are quite a few big TB-members (with many hours on their account), which never spend their TBH. If these people would decide to not receive TBH for their work, this could help. This problem, however, should also be addressed in a more fundamental way, mostly by raising awareness that people should spend their TBH.

Raising the pay-out rate of hours to 1, and thus eliminating the "passion hours" does not seem like a good idea right now. In the short run it would put additional stress on the TBH-account of LN, and only in the long run would it be able to expect a large part of that sum to flow back into the account. But even then, this would probably reduce sales in Euros, which LN can't afford at the moment either. In the very long run, however, this could be done indeed. Especially, if people are encouraged to spend their TBH again, and if the price system reflects the increase in TB users and TBH out there.

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[6] This is according to an estimate by Michiel Ottolander.

2) Increasing income

A crucial way to try to balance the TB-account is increasing the income in TBH. One way of doing this is to encourage those that have stored up TBH in the past, to spend them. As indicated just before, there are some people that have many TBH on their account, but never spend them. Amongst the 50 biggest TB-account holders, 13 belong to this group. The biggest ones have up to 50 TBH stored away like this, and if the average is around 20 (as the evidence suggests) then this amounts to 260 TBH out of circulation. If these people could be encouraged to start spending their TBH, this could mean a lot of potential for LN to re-balance its own TB-account and prevent bankruptcy.

Discussion: The problem with this solution is that if those people actually spent their TBH, this would mean that more goods were purchased without creating any Euro-income for LN. So LN would have to buy more goods in Euro, but only get back TBH – which would help with the TB-account problems, but by making the Euro-account deficit bigger. Solving one problem would lead to the exacerbation of the other, if not other steps are being taken to prevent this. We will get to these steps later.

This brings us to the other solution, which is to raise the prices for goods at LN. This solution has already been discussed at LN. For instance, raising the price of the vegetable package to 14€, which would in turn also drive up the cost in TBH to 1.4 (as opposed to 12,50€ and 1.25TBH). Yet this solution seems to be quite unpopular within LN – which is very understandable. The idea behind LN is to provide people with good but affordable vegetables, and prices are indeed important. Nonetheless, prices are an easy and effective way of adjusting account balances.

Discussion: Especially in times of inflation (6.1% for May 2023 in the Netherlands), people watch their expenses closely, and might turn to cheaper food if necessary. In Germany, this year the organic food sector shrank for the first time ever – since people increasingly try to save on food. This makes raising prices risky, because customers might move away from LN too, if prices are considered too high. This is so especially since the data I was given does suggest that most customers are not “die hard”-LN-clients and might react strongly to small changes.

Type bezoeker	**Aantal bezoeken afgelopen 2 jaar**	**Aantal bezoekers**
Harde kern	91 – 102	9
Trouwe bezoekers	70 – 90	75
Niet altijd	40 – 69	212
Incidenteel	10 – 39	803
Snelle afhakers	1 – 9	1444
Niet de afgelopen 2 jaar	0	455
Totaal		2998

Data provided by Michiel Ottolander

Nonetheless, there are reasons for the inflation, which is especially acute in the food industry, standing at around 15% for the year (in April and May 2023). It is commendable if LN wants to

avoid putting this burden on its customers, but how much longer can LN afford to bear the full costs by itself? Perhaps raising prices is the best option here – especially on goods on which LN is currently making a loss. Both for cheese and eggs this seems to be the case at the moment, with costs in purchasing being greater than the rewards from sales.

This measure may also have the benefit of getting not only the TBH-account closer to balance, but also the Euro-account, if prices would move up in parallel.

3) Pricing schemes

Instead of raising prices in parallel, one could also try to get more creative in pricing. One option would be to raise prices only in TBH, but not in Euros. This would mean breaking with the current Euro-to-TBH "conversion rate" of 1TBH = 10€. If, for instance, one vegetable package would still cost 12.50€, but no more 1.25 TBH, but instead 1.5 TBH, this might have the following effects: 1) the food is still affordable in Euros. LN is not priced out of the market, 2) LN might earn more TBH, because the price is higher, thus balancing the budget 3) It's more difficult to high-TBH-earners to save up, and thus store away all these TBH, 4) If some people don't have enough TBH now to pay for the goods at the higher price, more Euros might come in.

Changing prices slightly and carefully might be a fair way to react to inflation. It could keep LN from going bankrupt, without making it impossible for less wealthy households to buy good food. Of course, the exact prices would have to be discussed and probably only be reached by experimenting a bit. And they might also have to be adjusted in the long run, depending on the overall development of LN. In fact, TB has already suggested using flexible prices, which may be adjusted every couple of months to reflect the current situation at LN. These potentials have not yet been fully exploited.

Additionally, it might be useful to make it a requirement to pay in both currencies at the same time. Such pricing mechanisms have been developed by TB from the beginning and have been advertised ever since. Also LN has been aware of this option from the start. I simply refer to one of the early documents on the TB-LN relationship, which reads:

"In the beginning of our experiment there will be a small number of Timebank members. For these people this results in a vegetable package that they can purchase with Timebank Hours only. The Euro costs of the market will be covered by Lekkernassûh members that do not have a Timebank account. And the labour costs will be paid in Timebank Hours received from the Timebank clients. As the number of Timebank clients grows they will at a certain point also have to pay an additional amount of Euros. This happens when there will be too few Euro-only clients left to completely cover the market's costs in Euro. So, in practice the price of a package will fluctuate up to a point that it will gradually stabilize. In the ideal case where every member of Lekkernassûh will also be registered as a Timebank member, every person will pay exactly the costs in Euros that we spend on the purchase and exactly the amount of labour time spent to make the vegetable package possible."

Perhaps it is time to end the "beginning of our experiment" and adopt such flexible price mechanisms. But so far LN has not yet picked up on them. This is again understandable if the goal is to establish a stable payment environment, for people to put their trust in. Ever-changing prices seem detrimental to that effect, but perhaps it is the only way that TB can work for LN. The

other solutions for resolving the double-problem of unbalanced TBH- and Euro-accounts seem to address only one of sides of the equation, but hardly both.

4) Abandoning TB

Lastly, I want to mention the idea of stopping the "experiment" with TB altogether. Given the current problems this might seem like an enticing idea – getting rid of the TBH deficit problems by simply returning to volunteering without payment.

The biggest argument in favor of this approach seems to be that LN is currently by far the biggest player in the TB system. This seems very risky to me. As I have mentioned above, this puts LN (kind of) in the role of the state within a national economy. If it doesn't spend, it doesn't get anything back. In this role, it is hard to get back exactly as much as you spend, and it is almost impossible to get back more than what you spend (which would be needed sometimes to balance out the account). There's a reason why many states are heavily in debt. The issue here is that TB does not want to play the role of a central bank and create new money for LN, as it has in the past. I think this is a risk worth the attention of LN and TB, but it does not mean that LN leaving TB is the best option.

Because quitting on TB contains many risks too. For instance, it raises the question whether LN could still function without paying volunteers, at least at its current size. I cannot tell how many of the current volunteers would still want to work (as much) if they were getting no reward. This is for LN to determine. Of course, one could say: "this is how LN used to work before the introduction of TB, so it would easily work again". But this is not entirely clear. Incentives are much more complicated than that, and evidence suggests that it is much harder to revoke certain benefits than it is to start without them. Also, the transition period might be very hard to manage and cause entirely new problems of its own.

But most of all it would be a shame to abandon the many positive sides of the LN-TB-cooperation, while there are still other options to explore. And there are major benefits. I am not able to provide a full list of all upsides and downsides, but a couple shall be mentioned here.

The Pros and Cons of using Timebank

The following table contains a few of the Pros and Cons of using Timebank. Many more can be added, and a couple Cons can possibly be taken out, once appropriate measures are being taken to prevent the financial problems discussed above. This is not a complete list by any means and should only be regarded as a starting point. Members of LN and TB are much better equipped to fill the gaps than an outside observer like me.

Pros	**Cons**
Good way of rewarding and valuing people for their work	Risk of a collapse, if TBH run out & volunteers can't be paid

Pros	**Cons**
People with little financial resources can afford good & healthy food	Paying for goods in TBH may prevent much needed inflow of Euros
Additional motivation probably translates to more volunteers	Can be exploited if people mark up more hours than really necessary
Educational benefit? Makes visible how care and time are crucial parts of the economy	Intrinsic motivation of volunteering can perhaps be crowded out if rewards are given
Educational benefit? Members may understand what money is and isn't	
Enables people to organize themselves independently of government infrastructure (money) and build resilient communities	
More people buy good food. May boost the market share of organic products.	

Most crucially, I believe LN and TB thrive on the very same values and goals and are thus well-equipped to promote and reinforce societal patterns that they deem important. Both organizations seem to advocate self-organization, trust between members, resilience, and independence of undemocratic, unfair and unequal modes of transaction. TB gains in LN a powerful ally to expand and become a bigger bank, cutting into the purely Euro-based economy. LN gains a strong tool for valuing its members' contributions, making itself independent of the Euro-economy and gaining space for collective action within a broad alliance of volunteers. If this partnership is managed correctly, both can help each other develop into something better, and that is what they should aim for.

Suggestions

To realize the potential described above, I suggest the following:

1. Explore ways of more flexible pricing mechanisms, where prices change in line with the amount of TB-customers vis-à-vis Euro-customers. TB has many ideas on that.
2. Perhaps raise prices. Discuss whether prices could be raised only in TBH, but not in Euros. This would change the "conversion rate" between the two but could have benefits.
3. The ratio of 0.65 budgeted hours to 1 working hours could be lowered, if this is desired. Potentially this could help balance the Euro-account, but I doubt it will help the TB account (due to the fact that LN is such a big chunk of TB).
    a. Moving up to a ratio of 1=1 seems risky at this point and should probably be put on hold. However it is possible in the long run, if all else is managed differently.

4. Maybe make it optional to increase the “passion hours” of volunteers that do not intend to use their TBH. This helps the TB-account.
5. Encourage volunteers that just store TBH in their accounts, to use them. Create awareness that these hours should be in circulation.
    a. Watch out that this does not threaten the Euro-account – perhaps adjust prices.
6. Consider the amount of time required for certain tasks. It is kind to let people work at their own pace, but this has limits.
7. Explore ways of expanding the TB community outside of LN, or look for other solutions to address the problem that TB consists mostly of transactions made within the LN ecosystem. (As this may prevent LN from reducing TBH-costs without also cutting down its earnings).