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**Barter: The 'New/Old' Currency For Business**

By Lynnea M. Bylund

Special Business Correspondent

*(Editor's note: This is the first of a two-part article designed to acquaint Las Vegas Tribune readers and small business owners with the growing advantage of utilizing business barter)*



Many developing countries with little or no access to money and banking that have commonly traded raw materials, such as iron for chickens, or grain for coffee, may soon have the opportunity to participate in a global economy that uses a common platform and unit of

exchange. The result could lead to a more equitable "universal currency" that is trade-based and backed by commodities such as real goods and services.

So what is this latest development in global commerce called?

Something very old and familiar to humankind - Barter.

People have been bartering since the dawn of history. Practiced and perfected long before currency, the exchange of products and/or services without using money is the oldest form of commerce and is arguably one of the most enabling forces of civilization. Barter enables people to undertake tasks best suited to their abilities and to do so in a cooperative and mutually beneficial manner.

Although the creation of money as we know it today has long since displaced it as the central mechanism for economic transactions, barter remains a viable method of trading goods and services. The United States Department of Commerce estimates that 20 percent of the world's \$10.9 trillion total trade is conducted through barter, a global transaction value of approximately \$2.2 trillion annually. The International Reciprocal Trade Association estimates that in the United States alone more than 450,000 companies currently barter, generating over \$10 billion in annual sales. The Association predicts that within a decade, 1.2 million North American businesses will barter, pushing sales upward to more than \$30 billion a year.

**Barter Comes Full Circle**

"We're coming full circle back to barter," says Mohan Sawhney, professor of electronic commerce and technology at Northwestern University's Kellogg Graduate School of Management. "This could be the death of currency."

In August of last year, the world's economic leaders met for an annual policy conference in Jackson Hole, Wyoming. Alan Greenspan was there, as were the heads of the central banks of Britain, Japan, and 26 other

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countries. One of the attendees, Mervyn King, Deputy Governor of the Bank of England, ruminated on the impact of electronic commerce and the future of money -

"There is no reason products and services could not be swapped directly by consumers and producers through a system of direct exchange--essentially a massive barter economy. All it requires is some commonly used unit of account and adequate computing power to make sure all transactions could be settled immediately. People would pay each other electronically, without the payment being routed through anything that we would currently recognize as a bank. Central banks in their present form would no longer exist--nor would money."

### **Old Meets New**

Despite the magnitude of the market, barter has traditionally been conducted without the benefit of fully integrated technology and without a common currency and liquidity. Until recently, transactions have been highly unsophisticated, often manual and requiring onerous user involvement. The market itself has been hugely fragmented, with literally thousands of separate barter and trade exchanges mostly isolated from one another.

A new form of barter has now evolved from the US small business sector. Known as a trade exchange, it's a proven, effective way to conduct business without the use of cash. Now used worldwide by some 600,000 companies aggregately, it has recently taken on an international bent by increasing its availability from three countries ten years ago to a present 23 countries. This method of trading is more sophisticated and versatile because it's multi-lateral.

### **Barter Meets Dot.com**

The Internet presents an all-new opportunity to streamline the creation, communication, facilitation and management of non-monetary transactions on a global platform. The Internet combines low-cost communication with high computing power to enable complicated, high-volume, real-time multi-lateral transactions. Within the last year barter on the Internet has appeared and promises to take the industry to the next level, as the bartering opportunities for various products and services become increasingly global using this new medium.

"Mervyn King's vision of the future implementation of direct exchanging - becoming an immense barter economy - is plausible because all the ingredients necessary for attainment are now at hand with today's enormous and ever-growing computer power. The use of trade units, as a viable universal currency or a medium-of-exchange, is four decades old and utilized in millions of transactions," writes BarterNews' Bob Meyer. "The ubiquitous ness of the Internet and its infrastructure should/could enable the development of a massive online electronic barter economy, to complement and expand the off-line barter offices now dotted around the globe."

Publisher Myer continues - "Dot.com companies entering the barter arena will accelerate the phenomena forward. How big will the electronic barter economy ultimately become? Given the projections for U.S. business-to-business e-commerce, which is expected to explode over the next few years reaching \$1.3 trillion in 2003, it is not that far a reach to assume that the creation of an efficient, effective mechanism for barter-commerce will emerge which will allow for the payment and acquisition of goods and services by utilizing one's own products and services."

Indeed, Mr. Myer, not a far reach at all!

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