

Confessions of a Barter Baron

**Plus — No Cash, Wealth Building Secrets
of Other Barter Experts**

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INTRODUCTION

What has happened to the American dream?

You remember it, surely. You'd go to school, study reasonably hard, then go out into the "real world" and earn a living. Because you were hard-working, industrious, and honest...and because you were lucky enough to live in the most prosperous, most productive country on earth...your family would enjoy a standard of living and a quality of life that others only dream about.

Somehow, sometime, that dream started turning sour. We earn more and more, but it buys less and less. The goods we buy don't last as long, or please us as much as we thought they would. "Service" seems to be disappearing. It's already gone from gas stations; remember when they were service stations? It's vanishing from restaurants and department stores; and, where can you find a repair shop anymore?

Enduring values like honesty, dependability, the worth of your word, and an honest day's work for an honest day's pay, are mocked in the media, when they're mentioned at all.

Many of us are being crushed financially between the jaws of a deadly vise. On one side, recession, unemployment, foreign competition and other economic maladies limit our ability to earn more. On the other side, our own government, through direct and indirect taxation, inflation, regulation, and other ruinous economic policies, makes the dollars we receive worth less and less.

Caught between these two jaws, we suddenly realize that we're not living as well as we thought we would. We're not enjoying life as much as we thought we should. We're in a rat-race...and the rats are winning. But what can we do?

TRY BARTER!

Barter is one practical, possible, proven solution to this dilemma. Barter truly represents "the wisdom of the ages." It is a method of trade and exchange that has been used for as long as mankind has inhabited this planet.

In short, it works!

Barter is the single best way to dispose of surplus goods (and surplus time) at a profit, for exactly what you want or need, without paying for it with after-tax dollars. Without paying for it with dollars at all. And, in most cases, without paying any taxes on it, either, as we'll show you in this manual.

CONFESSIONS OF A BARTER BARON was compiled to show you the vast inventory of barterable goods and services you already possess. How to use those goods and services, in value-for-value exchanges, to get those things (luxuries or necessities) that you want or need.

This course will teach you how to make barter a family affair, with every person participating...profiting...and enjoying themselves in the process. (This definitely includes children, who often are better, more instinctive, and shrewder traders than their parents.)

For a trade as widely practiced as barter (estimates are that several million Americans barter at least occasionally) and as profitable as barter (the total value of bartered goods and services in this country is in the billions each year), it is surprising that so little has been written on the subject.

A search of Books in Print, Facts on File, computer data banks, and other sources indicates that less than 20 books have been written on the subject of barter in the past three decades. That's less than one book a year! While many articles and reports have been written about the growth of barter, or on some particular aspect of barter, there is very little available that can teach you how to use barter in your life, right now! Thus, the idea for this manual was born.

THREE SEPARATE SECTIONS

Part I of **CONFESSIONS OF A BARTER BARON** will take you through twelve carefully written and tested chapters, from being a total novice in barter to being a skilled and very successful amateur. It has been written for the person with no barter background (or so they think), to show you how to invest just a few hours a week in an avocation that is different, fun, interesting, exciting...and hugely rewarding.

Part II of **CONFESSIONS OF A BARTER BARON** is written for the new barter addict; the person who has successfully completed Part I and is now considering making barter a full-time profession. It includes expert advice from the professionals -- Jay Abraham, William Tanner, Karl Hess, Moreton Binn, Gary King, and many others. Much of the information in this manual was prepared exclusively for **CONFESSIONS OF A BARTER BARON** and contains material that has never appeared anywhere else.

Finally, Part III of **CONFESSIONS OF A BARTER BARON** gives you the resources and references necessary to master barter and make it a rewarding and profitable profession.

The contributors to **CONFESSIONS OF A BARTER BARON** know that "reading is no substitute for doin'." But in barter, as in so much else in life, action without understanding is a sure road to failure. This course will provide you with the education that is so terribly important. The action is then up to you.

NOT A BORING TREATISE!

CONFESSIONS OF A BARTER BARON is no dry study from the ivory towers of academia. It was written by people who speak from first-hand experience; who have not only done what they discuss, but who are doing it, right now, today.

And one final point: This manual will show you that barter is part-and-parcel of the philosophy of freedom. It represents a faith in Americanism -- in freely determined, value-for-value exchanges. In understanding the value of things, and not just their price. In believing in yourself, sticking to your word, living up to your promises, delivering what you say you will, when you say you will -- and expecting that your fellow trader will do exactly the same.

Barter leads to friendliness, neighborliness, trust. To improved communication and mutual cooperation. Barter is not just a better way to get things; it can lead to a better way of life.

PART I: CHAPTER I
GETTING STARTED
IN BARTER

GETTING STARTED IN BARTER

You may not be ready to believe that barter can cure warts, straighten your teeth, or get you a date on Saturday night. Your hopes for barter at this point are probably very small. If it can help you improve your standard of living -- even a little...if it can help your family live better, eat better, enjoy life better -- even a little -- then it is very definitely worth looking into.

Barter will do all of that, and more. It will enable you to enjoy life, your family, your own talent and skills, and yourself more than you believe possible. It may even turn from a pleasant past time into a full-time vocation for you.

But right now, you are probably saying to yourself: "Ask a total stranger to trade his (much-to-be-desired) widget for my (totally-useless, of-no-conceivable-value-to-anyone) wadget? There is no way on earth I could do that! I'll never be able to trade anything."

If you believe it would be impossible for you to ever initiate, and then conclude, a successful trade, our first piece of advice for you is very simple: Relax. You're not alone. Virtually everyone else in the barter business felt exactly as you do when they got started. (Yes, even the full-time traders and nationally known dealers. Everyone had cold feet when they first started out).

Can you trade? Of course you can! You've probably been doing it since childhood without even realizing it.

Children are natural traders. You probably engaged in scores of swaps and trades and barterings while you were growing up....and thought nothing of it because every other kid you knew was doing exactly the same thing. (And yes, some always ended up with the best goods, while others got stuck with the junk, didn't they? The adult world works much the same way).

Think Like a Child.

There are two simple reasons why most children are such good, natural traders: First, they have very little appreciation of money. A \$20 bill is not twice as valuable to them as a \$10 bill. Both have only a nebulous, abstract worth.

The second reason is even more important: Children have an instinctive (and highly refined) sense of value. They know what something is worth to them.

Remembering your childhood experiences as a swapper, trader, and barterer, two important lessons leap out that you must relearn now, to become a successful trader as an adult:

1.) **Always think value, not price.** This applies both to what you seek in trade, and what you will offer. One person's junk is another man's treasure. That three-legged chair with the sway back you got from Aunt Mary may be absolutely worthless to you, but it could be just the thing another trader will cherish.

2.) **Both sides in the exchange must be satisfied.** There were probably times as a child when you horrified your parents, by trading a \$10 toy in a like-new condition, for some do-dad that couldn't have cost more than \$1.25 when it was store-fresh, two or three decades ago. But if you were satisfied with the deal, it was a good trade, wasn't it?

On the other hand, we've all been deluded, deceived, or just remarkably naive at one time or another. It will probably happen as you start your life in barter, too. Chalk it up to experience. But remember this important lesson: A trader who always over-values his own goods, who constantly battles to get the best in every exchange, and who doesn't mind gilding the lily to the extent that an old pop bottle becomes "a rare, almost priceless vase" -- that sort of trader very soon runs out of people to trade with.

Beginning in Barter.

Now that you've decided to enter the exciting and rewarding world of barter, how do you start? Well, let's begin with one of the most obvious considerations: What do you have to barter? As soon as the question is asked, you probably think immediately of a couple of pieces of furniture you really don't want any more; maybe three or four items stored in an attic or down in the basement, some old office furniture and one or two other things you could probably learn to do without.

Organize a complete inventory of barterable items, and you'll be amazed at the length of the list. You'll find details on building your barter inventory in Chapter Three.

Also, don't think merely of goods; remember, services are extremely barterable, too. Any skill, from cutting hair to fixing teeth, from sewing clothes to repairing a car is valuable barter commodity. And thanks to the planned, effective use of scrip (see Chapter Eight), it is something with which you'll be able to negotiate some extremely valuable trades.

Even if you don't have a professional skill, you have something that can always be used in barter -- **time.** If someone were to offer you \$5 an hour to scrape and paint their house, you might not leap at the chance. But what if that same time and effort could be bartered for the old-fashioned brass bed you've always coveted?

No matter who you are, where you are, what you own, or what you can do, you do have valuable items with which to barter. After completing this home study course, your barter inventory will be amazingly comprehensive. And you'll be ready to set out on your own barter quest, for whatever grails or grills or other goodies you want to acquire.

Making Your First Trade.

For most of us, approaching a total stranger and trying to sell him something is simply a terrifying prospect. Some psychological studies say that it ranks second, behind speaking in public, in the list of our greatest fears.

If the thought of “cold calling” in the barter business bothers you as much as it does most Americans, don’t worry about it. There are many different ways around this particular obstacle.

Here are a few to consider:

First, start with people you know, and who know you. Sounds almost too simple, doesn’t it? Believe me, it works! Do you have friends, neighbors, relatives, business associates, customers, clients, and store owners you know? Of course you do! How many of them would be interested in bartering with you? You’ll never know until you ask.

Begin by approaching the people you are most comfortable with. You’re probably already engaging in some informal barter with some of them, without even realizing it. How about the time good ol’ Charlie borrowed your garden tools in exchange for letting you use his snow blower? Or the time sister May wanted to use your best silver, and agreed to let you “borrow” her gold necklace in exchange? That was barter. And it’s being done all of the time, by some of the best people.

Next, figure out ways to approach some total strangers -- ways that won’t give you Excedrin headache no. 192. How about putting up an index card on the bulletin board of your supermarket that says something like: “WILL TRADE” brand new slow cooker, still in carton, for boy’s ice skates, size 8. Call Sue White at 555-1112.” Use the same approach in a classified ad in your neighborhood shopper or small-town newspaper. (You may get what you want and benefit from another aspect of barter: word of mouth. Jane Smith wants your slow cooker, but doesn’t have any boy’s skates. She may try to find a pair by contracting her friends -- and another person enters the world of barter. Or she may call you and offer something else entirely for that useless appliance you’ve got.)

Hint: You are always in a better bargaining position when someone approaches you, wanting something you have. This puts you in the driver’s seat from the beginning. (Of course, this principle also works in reverse -- when you go to someone else to initiate a trade).

In her excellent book, *WHAT’LL YOU TAKE FOR IT?* [Garden Way Publishing, Charlotte, Vermont], Annie Proulx offers the following suggestions for newcomers to barter:

CHECKLIST FOR FIRST-TIME SWAPPERS

- **KNOW WHAT YOU HAVE TO BARTER.** Clean out the trunks in the attic, your warehouse, or the back room. Do you have a spare room, an empty cellar, excess inventory, a rider-mower that sits idle six days a week? Can you baby-sit, type, drive, read aloud? Do you do needlework, have firewood, garden produce, goat's milk, baby pigs? Make a list -- these are your barter assets.
- **START WITH A NEIGHBOR, RELATIVE, OR FRIEND.** Start small, also. A successful, easy, first barter experience will give you plenty of enthusiasm for more.
- **DON'T SAY YES WITHOUT A LITTLE BARGAINING.** Novice traders tend to get rattled easily and agree to lopsided trades because they are flustered. Stay cool and judicious and make a counteroffer. On the other hand, if you open negotiations with a neighbor and he or she looks surprised and stammers, "No, I can't barter," don't give up. Try again another day -- it takes a little while for most people to get used to new ideas. "Try it, you'll like it," is a good barter ice-breaking phrase.
- **BE SURE EVERYTHING IS CRYSTAL CLEAR.** Who delivers what when? A long delay in a swap delivery is very discouraging to the one who's waiting. Any materials or travel that must be paid in cash should be agreed on. Once you give your word, keep it!
- **TRY TO THINK BEYOND THE ONE-TO-ONE SWAP.** So what if you don't like the frilly organdy aprons Mrs. Fudge wants to trade you; hold onto them a while and you'll find a swapper who does want them.
- **DON'T TURN DOWN MONEY IF IT'S OFFERED.** A lot of new "barterers" reject offers of cash as though it were tainted with plague germs. Money has its uses. You can always buy something with it, and trade that.
- **KEEP YOUR EYES OPEN FOR SWAP OPPORTUNITIES.** Be alert to opportunity knocking wherever you go; you'll be surprised how many times it does.

"Hard" vs. "Soft" Barter Goods.

As you enter the world of barter, you will quickly discover that some items are much more in demand and much more valuable barter items than others. As a general rule, those items with less obvious, more subjective value, are considered "soft." And goods and services with clearly defined, immediately perceived value are "hard." Obviously, the more "hard" goods you have to barter with, the more successful you will be.

“Hard” goods would include such desirable as gold coins, new appliances, scrip for professional services -- anything that you can be confident almost anyone else would want to possess.

“Soft” goods would include used clothing, old furniture (unless it’s an antique; then it can become very “hard” very quickly), anything perishable -- in short, most things you don’t value very much won’t be on the top of any one else’s want list, either.

Also, different goods have different values in various parts of the country at various times of the year. A basket full of hothouse tomatoes might command a very fine barter price in New York City in the middle of March. While a bushel of zucchini in West Virginia in August (where Karl Hess says they grow about 50 pounds per person per month) would not get you very much.

Remember the singing salesman in “The Music Man,” who advised, you’ve got to know the territory. You’ve got to know what’s in demand, and what’s not; what’s popular and easily traded, and what could sit on the shelf (or in your car) forever.

Knowing the territory becomes even more vital as you begin to barter for “high ticket” items -- real estate, diamonds and gemstones, any kind of antiques, anything considered a “collector’s” item. Another important lesson every trader learns sooner or later is, if you can’t confirm the value of something, don’t take it. Is that necklace 18-karat gold, or cheap plating? Is that land really “prime beach-front property?” Or is it covered by swamps and alligators ten months of the year? If you don’t know, don’t accept it.

Keep Your Eyes and Ears Open.

Becoming a successful swapper -- whether it’s for two hours a month, or eight hours a day -- requires a different mind set for most people. You’ve got to think trade and you’ve got to think value.

Once you start thinking like a trader, you will be surprised how many times a really excellent opportunity to trade just falls into your lap. It may be your neighbor saying something like, “Whatever am I going to do with this roomful of furniture, now that Uncle Al’s coming to stay with us?” It might be a shopkeeper you hear lamenting, “How did I get three dozen of those dad-blamed whatchamacallits? I’ll never sell all of them.”

For a trader, opportunity is knocking all of the time. Every encounter becomes a trade possibility; every surplus someone else has becomes an exciting profit potential for you.

Once word gets around your neighborhood that you’re willing to trade your useful, valuable, necessary and desirable goods for everybody else’s junk, the world -- or at least a large part of it -- will beat a path to your door.

Food, Clothing, & Shelter.

For most people just starting into barter, it is a way to supplement and improve their lifestyles. They use barter to enjoy a better vacation than might otherwise be possible; to acquire some luxury items for their home that they cannot afford on their take-home pay; to add the "little extras" that can make life so much more enjoyable.

But it is possible to enjoy virtually all of the necessities of life -- and many of the luxuries, too -- through barter. If you doubt this, read Chapter 15, "My Life In Barter," by Karl Hess. He has not had any income, in the normal sense of the word, for over fifteen years. But he and his wife live very comfortably -- and more enjoyably than most Americans with a \$50,000 + income.

Since you're probably somewhat skeptical about using barter to get the necessities of life, I'll take a moment here to outline some of the possibilities through barter. You will find most of them explained in much greater detail in other chapters of this manual.

- **Food.**

From Maine to California, and from the Hawaiian Islands to Puerto Rico, you can find Americans using barter to put food on their tables, preserves in their cupboards, canned goods in their basement, and meat in their freezers. In rural America, trading your surplus for somebody else's is still an established way of life. If you are already part of this informal but very effective exchange system, you probably need no help from us. You already know where to get the freshest corn, the best tomatoes, the tastiest smoked hams, etc.

But if you are not part of this food-for-food swap, it's possible to become part of it. You must: (1) go where the food is; and (2) have something to trade for it. This means making contacts with the farmers and ranchers near you. Attend a weekend auction out in the country; it's an excellent way to make new friends. Read the rural papers. Ask friends who they know who would swap food for some of your barter inventory.

If you have a vegetable garden, plan to grow 20-30 percent more this year, and use that excess for your own bartering. Don't have enough yard for a garden, and the superintendent won't let you use the roof? There's a five acre garden we know of in Massachusetts, tended by a couple of dozen suburban families. The farmer who owns the land lets these modern sharecroppers use it, in exchange for ten percent of their produce.

- **Clothing.**

If you are a seamstress, how about sewing clothes for some of the neighbors in exchange for "store-boughts" for yourself? Every flea market has enough clothing to

outfit a couple of armies (some of the other offerings look like they already have). Go shopping there, but with a barter inventory instead of cash.

In California, you'll find something called a "swap box" outside of many stores and community centers. Folks donate clothing they can no longer use -- and take in exchange whatever appeals to them more. (In Massachusetts, you'll find the same idea outside many churches. They're called "Free Boxes," and they work much the same way).

Sounds like a great idea, but nothing like it's being done in your neighborhood? Great! That means you can get it started!

Every clothing store has a problem with excess inventory...usually several times a year, as the seasons and the fashions change. Instead of buying merchandise, even at a discount, ask the proprietor what he will take in trade. (This won't work with the large department stores or national chains, but in the smaller stores, where the manager is also the owner, you will find a lot more flexibility.)

- **Shelter.**

Would you like to live rent free for a while. It can be done. In fact, it is being done, all over this country, by apartment managers (who get a free place to stay, in exchange for being "on call" 24-hours a day whenever another tenant has a problem). In the big cities, they are called custodians, but the idea is the same. Some motel chains are constantly looking for mature couples to run their businesses; a free place to live and a modest salary is part of the deal.

If you have the skills (and the energy), try placing an ad in the newspaper promising that you will "FIX UP YOUR PROPERTY IN EXCHANGE FOR A PLACE TO LIVE." We know of at least one "apartment sitter" in New York City who hasn't paid rent in years; she stays in the apartments of vacationing friends, making sure the plants are watered and the pets are fed while Beth and Fred are in Europe.

This list is not meant to include every possibility that exists. In fact, the only limits on what can be achieved through barter are your own imagination and efforts. If all you hope to achieve through barter is a more pleasant vacation, see Chapter Six on "Vacation Exchanges." It might have just the answer you're looking for.

We did want to show you just some of the possibilities available to you through barter. As a part-time hobby, barter can make your life more pleasant -- and a lot more fun! It can help supply the very necessities of existence, such as food, clothing, or shelter, or the delightful luxuries.

But a word of warning: Barter can be addictive! It can become a consuming passion, even a rewarding profession. Do you have what it takes? The next chapter, on "Testing Your Barter Aptitude," can help answer that question.

CHAPTER 2

TESTING YOUR BARTER APTITUDE

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TESTING YOUR BARTER APTITUDE

Remember taking those “psychological preference” tests back in elementary school? The ones that asked you: Would you prefer to draw a flower, or catch a football? Some of the choices were easy, some not quite so simple. There were no grades given, since there were no “right” or “wrong” answers. We never learned just how they deciphered the results, or how meaningful their conclusions were, either.

The same caveats apply to the “*Barter Aptitude Test*” which follows. Does a high score guarantee that you will become a successful trader? Of course not! Does a low score mean you are stuck forever in the world of cold, cash-only commerce? Surely not.

Are Traders Born...Or Made?

Environment or heredity...aptitude or ability...talented from birth or “worked like a dog”...the debate over whether certain abilities were a gift from birth, or a carefully created skill, probably dates back to Cain and Abel, or at least to their offspring. Someone growing up in a trading environment, who has been polishing and perfecting his or her “horse trading” skills for decades, has a definite advantage over the first-time trader.

On the other hand, there are many successful, professional traders who engineered their first swap when they were well into middle age, or older. While there are some basic personality traits that all good traders seem to have in common, most of the talents needed to prosper at bartering can be learned. And they definitely are improved with practice.

Good traders are independent thinkers. They can be found leading the crowd, not following meekly at the rear. They are persuasive...but not too pushy or overbearing. Some are so talkative and gregarious you may suspect they swallowed the Blarney Stone instead of merely kissing it. Others are so quiet and taciturn that you sometimes feel as though you are pulling each word out of them, just as a dentist extracts teeth.

Good traders all have a creative imagination. When negotiations stall, and seem about to collapse, the successful trader will come up with a new twist, a “sweetener,” something that keeps the deal alive. They are always willing to try another approach, a fresh offer or a different combination.

Also, the best traders have patience and perseverance. They know the good “finds” always take time. The best deals normally require an involved process of give and take, suggest and decline. Haste definitely makes waste in barter transactions; accept too quickly, and you probably paid too much.

Finally, good traders tend to be good people. Although they want the best possible deal for themselves, they know that if the other person doesn't benefit, isn't

satisfied, and feels he or she got taken...there will be no more trades done in that quarter. Both parties to a trade must be pleased; there must be a mutual value-for-value exchange. It is simply good sense for a trader to want a good reputation among his fellow barterers. It's a very small world out there, especially in professional barter circles. And a trader without integrity becomes a fugitive from the community who is always on the run from his last deal.

In the *Barter Aptitude Test* that follows we are simply looking for traits...for preferences, not polished skills. How exact is the test? Not exact at all. It simply measures natural talents; it doesn't measure at all the more important qualifications of drive, determination, character, and will.

With all of those qualifications and hedges in mind, here is the *Barter Aptitude Test*. See how well you score.

BARTER APTITUDE TEST

Read each statement carefully. Then decide how much it pertains to you. If the statement describes you to a "T", put an X in the column marked "That's Definitely Me." If you're not sure, or if it only describes how you are sometimes, put an X in the middle column. If you don't match the description at all, make an X in the far right column, marked "Never, Not, Me."

Take your time and please, no cheating. Remember, there are no "right" answers. Just be honest, and don't read ahead to the scoring scale at the end.

You may begin now.

	Column One	Column Two	Column Three
	<i>That's Defi- nitely Me</i>	<i>Some- times, Maybe, Undeci- ded</i>	<i>Never, Not Me</i>
1. I'm adaptable. I never completely make up my mind until I've heard all the arguments.	_____	_____	_____
2. I always pay the sticker price at a used car lot.	_____	_____	_____
3. I hate cash. It makes my wallet fat and there's no room for photos.	_____	_____	_____
4. Whenever I have excess inventory, I hold a close-out sale and discount heavily.	_____	_____	_____
5. I would rather go to a crafts auction than a cricket match.	_____	_____	_____
6. All you ever find at a garage sale or flea market is junk. I wouldn't have any of it in my house.	_____	_____	_____

-
7. I'd rather "bum a ride" than take the bus. _____
 8. I'm strong willed. When I make up my mind, I stick to my guns. _____
 9. I'd rather shop at a flea market than shop at a mall. _____
 10. I give away my handicrafts, because I'd be embarrassed to ask for money. _____
 11. I'd rather go to a thrift shop than a boutique. _____
 12. I hate cash. It makes my wallet fat and there's no room for credit cards. _____
 13. I clip all the coupons from newspapers and magazines, even though I know I won't buy the products. _____
 14. I'd rather go to a movie by myself than to a noisy party. _____
 15. I am mentally and physically addicted to garage sales. I never miss one in my neighborhood...or the next town. _____
 16. I never go to the self-service lane at a gas station. I'd rather pay a few pennies more and have someone else do it. _____
 17. When asked if I will take out the garbage, I respond, "Only if you'll walk the dog." _____
 18. I'd rather leave late and take a cab than leave early and take the bus. _____
 19. I want to live better, but can't _____
-

- seem to find the necessary money. _____
20. When I clean out my attic, I always throw away all the junk. _____
21. I like to garden. _____
22. I'm a Ted Kennedy supporter, because I like wage and price controls. _____
23. I make change in the collection basket at church. _____
24. If something appears overpriced, I pay it anyway if I really want it. _____
25. I like to dicker. Sometimes I'll try to negotiate with the attendant at a toll booth. _____
26. I love cash. Green is my favorite color. _____
27. I deplore begging, but if that's what it takes to close a deal, I'm the best beggar in town. _____
28. I like auctions, but I'm afraid to bid because everyone will notice and I might end up buying something. _____
29. I'd rather have lunch with Monty Hall than Paul Volker. _____
30. My supermarket gives trading stamps, but I never save them because they're so messy. _____
31. I can't go to an auction for anything without bidding. I once almost bought two speedboats -- and I live in the Mojave Desert. _____
-

- | | | | | |
|-----|--|-------|-------|-------|
| 32. | I stay away from stores when they're having their big sales, because I hate the crowds. | _____ | _____ | _____ |
| 33. | I consider myself honest and demand it of others I do business with. | _____ | _____ | _____ |
| 34. | I throw away the prize in cracker-jacks. | _____ | _____ | _____ |
| 35. | I've always secretly wanted to be a bulk-trash collector, just to see how many treasures I could find. | _____ | _____ | _____ |
| 36. | I only bought baseball cards for the bubble gum. | _____ | _____ | _____ |
| 37. | I'm a good judge of character. | _____ | _____ | _____ |

FIGURING YOUR SCORE.

Note: For those of you who are peeking ahead, to find out how the grading works, don't bother to go back and take the test. You already have what it takes to become a barterer -- since most good traders always look for easier, shorter, faster, more convenient ways to do things. If you're not convinced, go back and give the test a try. But deduct three points from your total for pre-judging.

The grading system for the *Barter Aptitude Test* is very simple. First, disregard all the Xs in the middle column, "Sometimes, Maybe, Undecided." If you placed more than 25 Xs in this column, the test won't tell you anything about your barter aptitude anyway. Your best bet is probably to consider a career in politics.

Second, add up all the Xs you placed in Column Three for all of the even-numbered statements, giving yourself one point for each one.

Finally, add up both totals (the Xs in the first column, or odd-numbered statements, and the Xs in the third column, for even-numbered statements). This total is your **Barter Aptitude Score**.

Obviously, the highest possible score in this test would be 37. To find out what your score means, look in the barter score Box below.

BARTER SCORE BOX

- 30 - 37** Quit your present job; trade your spouse, children, and house for an office building, and start your trading career.
- 25 - 29** This is where most good traders fall. Your aptitude for barter seems to be very high; you already enjoy some trading. A very successful life in barter awaits you.
- 20 - 24** Your aptitudes fall in the “high-average” area for barter. Trading should make an excellent supplement to your present life-style, but perhaps not a full-time career.
- 15-19** You’re about average. You could learn to enjoy barter, and become fairly good at it, but you will have to push yourself to do it.
- 10 - 14** Only marginal potential as a trader. You will only swap if someone proves to you that you will benefit, and virtually coerces you into the trade. Early signs of cash addiction.
- 1 - 9** You are hopelessly addicted to cash and credit cards. You probably wouldn’t even trade seats in a movie. Suggest you sell this manual for whatever you can get.

Well, how did you make out? Are you ready to shed the shackles of economic dependence and start a new life with barter?

If you didn’t score high, don’t despair. Study this manual, start putting some of its lessons to practical use, and take this test again in six months or so. You may be surprised at how much your score improves!

CHAPTER 3

***EIGHTEEN WAYS
TO BUILD A BARTER
INVENTORY***

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EIGHTEEN WAYS TO BUILD A BARTER INVENTORY

By Frank Lyons

Building a valuable and well-balanced barter inventory is the first step to a successful trading career. And it's a lot simpler than most people think. All it takes is a little time, a little energy, and a vigilant eye for value.

Why is it important to have an inventory of barterable items? The most common statement non-traders seem to make is, "I'd love to barter for that item, but I don't have anything to offer in trade." This is usually followed by what old-time traders call the "big-city billfold reflex" -- the immediate uncontrolled reach for a wallet or credit card.

Train yourself to think value, and you'll just happen to have a copious and colorful list of goods and services to trade handy in your hip pocket. Simply suggest that you'd love to own the item in question and have many similarly valued items which you are willing to trade. You'd be surprised how irresistible such an offer can be -- especially if you've taken the time to gather a broad and interesting barter inventory. You have overcome the dreaded billfold reflex.

It is important to emphasize that value is the key word for a trader. Once you start thinking barter, you must stop thinking price. Train yourself to think, "How many smidgens can I get for my slightly used, size EE green widgets?" This kink of thinking can convert an attic full of dust-gathering "unwantables," with little cash market value, into a freshly decorated nursery or guest room.

#1. Write Everything Down.

Before you start your inventory building, get yourself a thick pad and a clipboard and plan to write absolutely everything down. Don't trust your memory. Later on, in the heat of barter negotiations, it's easy to forget you have that extra bun warmer or copier which would have made the deal work. And don't just list the name of the item, also include brief descriptions, such as the general condition or any repairs which are needed.

Before you begin taking inventory, you may want to think about how you will catalog and organize those notes into a comprehensive and transportable quick-reference list. One good technique is to make a master file on index cards. This way you can add or delete things through subsequent trading.

Another method is to maintain a small loose-leaf ring binder in which different categories can be added on different pages. Some people utilize a typewritten page. Whatever method you decide on, don't underestimate the importance of a written list.

For portability, many successful barterers carry a small spiral-bound notebook with them. In the front, they note the items they want -- either for their own use, or to help complete another trade.

#2. Your Own Skills.

Now it's time to begin accumulating items for your barter list. There are two general sources to consider:

- 1.) Items you already own and skills you possess.
- 2.) Items you can purchase at deep discounts and the skills of others.

Let's talk about your own services first.

Begin by making a list of absolutely everything you can do -- from plant-sitting, gardening, sewing, and baking, to more skilled talents like accounting, carpentry, nursing services, French or guitar lessons, etc. Don't leave any-thing out, even if you think there may be no demand for it in your community. Recently a young mother of four in a rural community, who had been a Latin major in college, was pleasantly surprised to meet a divinity student who was having difficulty mastering the ancient language -- a required course for him. In exchange for some remedial tutoring, he agreed to do the lawn and garden work and some exterior painting.

Once you've made your list, rank the skills according to the things you do best and the things you like to do. There's really not much point in trading for ten hours of housekeeping if you hate cleaning your own house. Such trades usually end up with both parties unhappy. However you should at least keep the skill on the bottom of the list, in case you need it some day to make a deal work.

#3. Your Own Hard Goods.

When you've completed your skills list, you're ready to start accumulating the hard goods of the barter world.

What do you own that you are willing to trade? There is only one way to learn the answer: Do a complete household inventory of everything you possess, which you'd be willing to trade for something better. Here are two hints to help:

1. Make this a family project. Have the kids compile the list of old toys and games and sports equipment. Send them up the attic or out to the storage shed. Tell them they will play an active part in your barter family -- and they just might get that new baseball mitt they've been coveting.

2. Allow a whole day — or better yet, a long weekend — for the inventory process. You're going to be surprised at how long it will take... and how many things you could be persuaded to part with, if the right offer came along.

Stand in your living room and ask yourself if there's anything that has begun to lose its appeal. Is there a painting that you're tired of and would like to replace with something else? Or perhaps there's an end table or a magazine rack that just doesn't seem to fit the decor anymore. Has the mantel become too crowded with all those "Souvenirs" from years of annual vacations? Wouldn't it be nice to replace that hideous vase that Aunt Betsy brought back from Hong Kong? Surely there's another Aunt Betsy out there somewhere who would love to own it. Many barterers of artwork, for instance, have limited space and like to "rotate" their collectibles just for variety.

The kitchen is also an excellent source of barterables -- e.g., an old set of dishes or flatware or that set of gas station glasses that takes up so much space in the closet. Seldom-used, single-purpose appliances make an intriguing addition to any barter inventory and can often be thrown in as "boot" -- something extra to sweeten a deal. Good examples are electric egg poachers, fondue pot, donut makers, electric hot-dog cookers, a wok, or even a garlic press.

#5. The Search Continues.

Once you have redecorated the living area of your home, it's time to launch an expedition through some of the most lucrative warehouses of barterable items -- the semi-accessible storage sheds, barns, basements, and cellars are places where items of value are stored and often long forgotten. Open every cabinet, box, trunk, or drawer. Look behind and under everything. Don't stop thinking value. Have your pad with you to list and catalog everything. Try to visualize how things will look repaired, refinished, painted, washed or dry cleaned. Remember, one man's junk is another man's treasure.

Some people report that they like to get everything out in an open area, such as a driveway, to view it in the light. But this may not always be practical. Just make sure that if you think you're prepared to trade it, it gets listed on your inventory sheet.

#6. Involve the Whole Family.

Assembling your barter inventory is a fantastic rainy-day project for the whole family. Combining it with spring or holiday cleaning is a great way to accomplish two things at once.

Get everyone involved. Mom takes the kitchen and living room, while Dad heads for the garage and tool shed. The children go through their own rooms with special emphasis on digging deeply into closet corners that haven't seen the light of day for years. Later, everyone gets together in the attic for an enjoyable afternoon of exploring and reminiscing.

#7. To Trade or Not To Trade.

It is important to point out that, just because you add something to your inventory, it doesn't mean you have to trade it. Although you may not be sure right now that you want to give it up, at some later date you may find an item that you absolutely must have. At that time you will want to have as many things as possible on your trading list.

#8. Barter Rentables.

Many a smart barterer will also add to his or her list those implements which can be "rented" on barter, such as a lawn mower, a chain saw, or typewriter. Special-use tools or equipment that people may only need for a certain project make excellent barter rentables. Post hole diggers, pipe cutters or cement mixers are good examples.

Good traders recognize that bartering for the occasional use of such items is better than paying the high cost of renting or purchasing them outright. They should be listed on your inventory in a separate "available for barter rent" section. They're another good example of offerings which round out a barter inventory and can be used as "sweeteners."

#9. Harvest Barter.

If you're one of the millions of Americans who cultivate a backyard vegetable garden, always plan to have a little surplus for your list in the summer and fall. Fresh produce is especially effective when bartering with urban traders.

#10. Don't Stop at Home.

Your own home is not the only source of inventory building. How about visiting Aunt Betsy and offering to clean her attic, garage, basement, etc., in exchange for any dusty "unwantables" she no longer has any use for? Aunt Betsy will be getting a great deal and you might find that you have enormously expanded your inventory.

#11. The Most Unusual Source.

Another unusual inventory-builder comes by way of an old friend who happens to enjoy taking a casual, early-morning drive in his car every Thursday. He will never admit it, but it's no coincidence that Thursday happens to be bulk-trash pickup day in his town. Most people believe his yarn about how he shot the magnificent (and reconditioned) moose head hanging in his den -- but I know better. Being particularly handy at refurbishing, my friend has found a most unusual, inexpensive and unlimited bonanza of barter goods.

#12. Your Business.

One final source of goods comes from an area which is really the subject of a whole separate article. Many traders also own businesses. Barter and business have gone hand in hand since the early days of America. You might consider adding items from your business inventory to your personal inventory.

Now that you've exhausted your personal sources of goods and services, don't think that is the limit to your trading opportunities. There are many other excellent and fun ways to enlarge your inventory with a minimum amount of cash. Many smart traders parlay a small amount of cash into a great deal of barterable goods.

#13. Buying in Order to Barter.

Country auctions; gallery sales; police, tax, customs and postal auctions; government-surplus sales; car, livestock and real estate auctions; yard sales; flea markets and crafts fairs -- these are all fascinating, exciting, and economical means of adding to your ever-enlarging stockpile of barter offerings. Whole weekends spent shopping at these events make fabulous family outings. They might even expose you to an entirely new pastime one enjoyed by millions of Americans today.

#14. The Auction.

The main advantage of going to an auction, to get things to be used in barter, is that since you're not buying things for yourself, you never fall in love with anything. Therefore, you will never engage in any bidding battles. If you can't get it at your low opening bid, you don't want it.

It's amazing how many valuable items go on the block that nobody happens to want on that particular day. They then get sold at very low prices. The procedure I follow is to always make the opening bid and make it as low as the auctioneer will allow. Some auctions require a second bid to put the item on the floor and that it be double the first bid. In that case, I always have someone on the other side of the room bid one dollar; I then bid two. I make no additional bids, but I always end up getting a couple of extremely valuable items for a fraction of their cash values.

There are many different types of auctions specializing in many different products. The best place to start looking is the Sunday classified section of larger newspapers. Some papers even have separate "Auction" headings. Probably the best types of auctions for someone building a barter inventory are the country and estate auctions. They tend to offer the widest variety of "around the house" and "around the farm" sort of items that you'll want to add to your list.

However, don't neglect tax, police, customs, and postal auctions. These offer a more unusual variety of potential barter goods. Often some fantastic bargains can be had,

since the material is normally sold merely for disposal, rather than for profit. Most of the items are confiscated or abandoned property and can range from earth-moving equipment to surfboards. The time and location of these auctions can usually be found by calling the agency involved. Sometimes you can get on their mailing list and receive regular announcements of sales.

#15. Ubiquitous Government Surplus.

Just about everything manufactured has, at one time or another, been purchased or is being purchased by the United States government. Uncle Sam maintains what is truly the world's largest semi-accessible storage area. From airplanes to forklifts, from office equipment to clothing -- our government has bought it and always seems to have some left over.

Private citizens can access this massive garage sale through GSA (General Service Administration) and DOD (Department of Defense) surplus or disposal centers where the material is on display. Most things are sold on a bid basis, but they do occasionally hold public auctions. Items can range from brand-new to severely damaged. Often you might have to buy a "lot" in order to get a few "good" items, but usually the price is so low on the lot that it still makes it a good deal.

For more information call each agency and request to be put on their mailing list for surplus-property buyers. You'll receive regular brochures listing everything available for sale in that period, along with the closing dates for bids.

Here are the government agencies that most often sell off surplus property:

* General Services Administration. Primarily manufactured goods. For information, write: Customer Services Bureau, Personal Property Division, GSA, at the region nearest you. These include: Atlanta, Georgia 30303; Auburn, Washington 98002; Boston, Massachusetts 02109; Denver, Colorado 80225; Kansas City, Missouri 64131; New York, New York 10778; Philadelphia, Pennsylvania 19107; San Francisco, California 95101; and, Washington, DC 20407. Ask to be on the regular mailing list. And request a copy of their pamphlet, Buying Government Surplus Property, which spells out the rules and procedures.

* Real Estate. The General Services Administration also issues a monthly catalog listing all its real estate sales in the country. For a copy, write: Properties, Consumer Information Center, Dept. J, Pueblo, CO 81009, requesting Sales of Federal Surplus Real Estate.

* Department of Defense. For information on getting on the DOD mailing lists for auctions, request How to Buy Surplus Personal Property from the Department of Defense from the Bidders Control Office, Defense Property Disposal Service, P.O. Box 1370, Battle Creek, MI 49016.

* U.S. Customs Service. There is no general mailing list for the auctions held by the various Customs Service offices. Most have only one a year, although the New York office may have as many as ten. To find out which ones have public auctions, and when, contact the Customs office nearest you.

* U.S. Postal Services. Postal auctions take place in nine cities. For information about the sales nearest you, write: U.S. Post Office, Claims and Inquiries Section, or to the Dead Parcel Office, at the following: Atlanta, Georgia 30304; Boston, Massachusetts 02109; Chicago, Illinois 60607; Fort Worth, Texas 76101; Los Angeles, California 90098; New York, New York 10001; Philadelphia, Pennsylvania 19104; St. Paul, Minnesota 55101; or San Francisco, California 94105. Be sure to include a stamped, self-addressed return envelope.

* Internal Revenue Services. The IRS auctions off goods to pay delinquent tax claims on a regular basis. For information on sales in your area, write Chief of Special Procedures, Collection Division, at whichever of the 60 IRS regional offices is nearest you.

#16. The Wide Open Spaces.

Take to the great outdoors for the next source of buying barterables -- on to the pervasive, ever-present, proliferating garage sale. They go by several different names -- yard sale, tag sales, etc. -- but they are all essentially the same thing: People selling their unwantables at considerable discount to make room for more unwantables.

Shopping for barter goods at garage sales can be tremendously profitable if you follow a few simple rules. First, just like at auctions, remember you are not buying things for yourself but to use in future trading. So think value. Second, never pay the tag price. As a matter of fact, if you pay more than half the tag price, you will probably have paid too much. Plan to do a lot of bargaining and dickering. (The practice will come in handy as you progress through your bartering career.)

Most garage sale aficionados will tell you to start early in the day, before everything has been picked over. The barter shopper sleeps late and goes to garage sales late in the afternoon. You are looking for those special items of value that occasionally go unsold all day, simply because no one comes by who has a need for them. Also, late in the day is the time when items get heavily discounted and the seller is most open to bargaining. This often means going to a large number of sales just to get a few items, but the effort can be well worth it.

#17. Let Your Fingers Do the Walking.

Another source of inexpensive merchandise which should be mentioned is the "miscellaneous for sale" section in newspaper classifieds. Try calling all the ads one day

and make a ridiculously low offer for each item. After the party on the other end calms down, leave your number and request that he call you back if he changes his mind. I guarantee that some desperate or rushed sellers will call you back in a few days. The result can be purchases of excellent barterables for little cash.

#18. Barter Your Buddy.

Earlier I mentioned trading the skills of others, and you've probably been wondering ever since what that means. Very often other traders will offer their own skills and time in exchange for something of yours. Just because they don't have hard items to trade, or just because you don't need their services at that time, doesn't mean that you can't make the trade.

Let's say that an individual who turns out to be a TV repairman expresses considerable interest in a certain item on your inventory list. He says that he has nothing to give you in return, except his repair services. Your TV is new and in good working order, so you don't think it will need repairs for awhile. What you do is ask him to create what is called some "scrip" for you -- a kind of IOU (see Chapter Eight). The nice thing about scrip is that it is transferable and can then become an extremely valuable addition to your barter inventory.

Once you understand and master the use of scrip, you will greatly expand your barter opportunities. The possibilities are endless -- restaurants, dentists, lawn care, hotels, etc. Don't forget, by using your own skills list, you can also create scrip.

In Conclusion

The shrewdest traders I know have spent a lifetime getting that way. But if you take the time to follow the simple procedures outlined here, you'll begin to sense that infectious enthusiasm for the sport that all good barterers feel. It's seldom that someone builds a barter inventory and then never uses it. But if you don't take that first step and pull together a barter inventory, you'll be eternally banished to the cold, dull and callous world of cash.

CHAPTER 4

ITEMS YOU SHOULD NEVER BARTER

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ITEMS YOU SHOULD NEVER BARTER

By now, you may be getting barter stars in your eyes, imagining how thrilling it will be when you barter your way to the modern equivalent of Peter Minuit's deal for Manhattan Island. Barter authority Gary King tells a delightful story of how to trade a beat-up birdhouse for a diamond bracelet. Sound impossible? Not with Gary, the series of exchanges go something like this:

- * Trade birdhouse for a broken wagon. Fix wagon.
- * Trade wagon to farm family with many kids, for two bushels of tomatoes.
- * Trade tomatoes with restaurant, for \$150 in meal credits.
- * Trade meal credit for old car.
- * Trade old car for 5 acres of desert.
- * Trade desert property for \$5,000 (retail value) of costume jewelry.
- * Trade jewelry for \$4,500 in advertising scrip.
- * Trade advertising scrip for vacation in Mexico, plus \$1,000 worth of cosmetics and wigs.
- * Trade vacation, wigs, and cosmetics for diamond bracelet.

The remarkable thing about the story is that there is not a single trade in the scenario above that isn't very plausible. Dozens just like them are made every day. And that is how you trade a used birdhouse for a diamond bracelet.

So perhaps we should bring you back down to earth a little bit, before continuing this home study course, by pointing out that everyone in barter gets burned at one time or another. The newer you are to the game, the more likely you are to get stung.

Let's go back to the very first paragraph of this chapter -- Peter Minuit and the Indians. The Dutch governor of New York got a super deal, didn't he? One that ranks him right up there in the Barter Hall of Fame, as one of history's shrewdest all-time traders, right?

The truth of the matter is, Governor Minuit got taken! Turns out those Indians, who "sold" him Manhattan Island for 24 guilders in beads and bangles, did not own Manhattan Island; in fact, they had never even set foot on the place. They were mountain-dwellers who came to the seashore every summer, to fish and gather clams. When one of Peter's lieutenants asked, "Who owns that island?" The cagey Indians immediately said, "We do." And the rest, as they say, is history.

The moral of the story should be heeded by every potential trader: All that guilders is not gold. Or put another way, "Any barter deal that looks too good to be true, probably is."

To help you become a smart Indian at barter, and not a dumb Dutchman, the following rules on what you should never give or accept in barter should prove helpful. We won't guarantee that strict adherence to this list will prevent you from ever being stung; but they should help reduce the odds of a massive bite being lowered to a tiny nip.

Nine Items Not To Offer In Barter.

Earlier we said that virtually any thing you own (and even some you don't) can make good material for your barter inventory. While that's true, there are some items that are much better than others. Here are nine that, time after time, prove to be real losers among barterers:

1. **Used clothing.** Forget about trying to trade up to a new car, starting with the snow pants Johnny's outgrown. Even if they didn't have a patch on the knee, they won't be of much value to you in trading. About the best you can hope for, with used clothing, is to trade it for someone else's used clothing that does fit. (There are some obvious exceptions -- such as the mink stole that's only been worn once.)
2. **Used Furniture.** Ditto our comments on used clothing. If you don't want it, who else will? (Hint: At the very least, fix it up, polish it, repair any breaks and paint it. That will make it somewhat more appealing.)
3. **Personalized items.** Whether towels or handbags, glasses or jewelry, not too many people will place a great value on something that says "Holiday Inn" or "JMV". (Unless their name is Holiday, of course, or their initials are JMV. Don't count on it.)
4. **Broken appliances.** If it isn't working, and it's not worth getting fixed, who will want it? Many appliances are so cheap to replace, and so costly to fix, that it actually makes more sense to junk them when they no longer work. You know that -- and so will anyone you want to trade with.
5. **Major appliances or vehicles "not in working condition."** In fact, be leery of old cars, trucks, etc. even if they are in working condition. Who knows how long that will be true? I am personally convinced that there is no such thing as a car, a stereo, a refrigerator, or any mechanical contrivance that needs "just a little work." A car you got for \$200 in goods, that needs \$600 in work, to be worth \$500, is not a good deal.
6. **Zucchini or Government Pamphlets.** What do these two things have in common? They are both available for free -- the first by driving into the country in the summer, the second by writing to Pueblo, Colorado. This also applies to so-called "discount" coupons for film development, free samples, etc.
7. **Kewpie dolls** or other carnival give-aways. Nobody really wants a used, 10-cent plastic back-scratcher, a fuzz-covered toy dog, or a four-week-old candied apple.

8. Alleged objects d'art. Don't try to palm off that ugly oil painting you got for \$10 at a sidewalk sale as "a \$500 masterpiece by a rising young artist" -- or your son's project from his seventh grade shop class as a "remarkably subtle sculpture that expresses the frustration of our age."

9. "Almost" antiques. If you know that old couch is a piece of junk, someone else will, too. Give it to Goodwill or the Salvation Army, instead.

Every rule has its exceptions, of course. It's just possible that the "old car, needs repairs" could turn out to be a '55 Thunderbird worth several thousand dollars. But as a general rule, items that fit the nine categories listed above will not be very valuable additions to your barter inventory. At best, you will probably end up just trading junk for junk. (Yes, Gary, we remember your beat-up birdhouse story).

Ten Items Not To Accept In Trade.

Now we get into even murkier waters, as we consider items you should not accept in trade. In all of the categories below, assume that a P.S. has been added in bold, capital letters that reads: "Unless you are an authority in that field, and can make an expert appraisal of the real value of the goods."

In the world of barter, like all of the world of commerce, there are folks who have gotten stung. Sometimes it was out of naiveté and ignorance; other times they let their own greed blind them to possible pitfalls. Any experienced trader can tell you stories for hours of the person who accepted \$100,000 worth of diamonds, only to find they had a real value of under \$10,000; the 100-year-old, solid gold heirloom, that turned out to be Five & Dime junk; and so on.

In any swaps involving the following, be extra especially careful; think twice; check twice -- and then check again.

1. Diamonds and other gemstones. Avoid anything that does not come with a professional appraisal like the plague. And be very careful even with an appraisal; goods have been known to be switched; appraisals have been known to be high; and, markets have been known to crash. If you know a jeweler who is a certified gemologist, ask him for a written offer on the merchandise. Chances are you won't be able to sell it for a lot more than that price -- no matter what the other trader tells you.

2. Jewelry. The same comments we made about diamonds apply here. The value of used jewelry is almost impossible to determine. Unless you simply want to own it, because you like it, we advise leaving it alone.

3. Land. There are two problems with land that can cripple the amateur trader: First, establishing anything close to its real, marketable-for-dollars value. And second, getting

clear ownership, even if it is a good value. If you're determined to go ahead, get expert counsel; it will be worth every penny you pay.

4. Antiques. This is a field where even experts disagree. (That's what makes their auctions so interesting). Unless you are one, don't try to out-barter an expert.
5. Art and other collectibles. If beauty is in the eyes of the beholder, price is in the wallets of whomever will pay. Many experts on collectibles subscribe to something called "The Last Fool Theory." That is, the value of the good is whatever the "last fool" will say. Make sure that's not you.
6. Rare coins. A very popular form of collectibles, among traders, collectors, and dealers. but unless you are sophisticated enough to spot the differences between an MS-60 "Peace" Dollar and an MS-64, be careful.
7. Machinery of any kind, without verifying the exact condition. Even scrupulously honest traders can make a mistake; how were they to know the transmission just fell off, or the brake shoes are down to the rivets? Have we mentioned caveat emptor before?
8. Scrip. As we point out in Chapter Eight, scrip can be one of the barterer's best friends and most useful tools. Without it, barter as it exists today would be impossible. But...before accepting someone else's scrip for anything, be sure to find out (1) where can it be used, and (2) how long is it good for? \$1,000 worth of free meals and hotel rooms in Whitefish, Montana won't do you much good if you're living in Taos, New Mexico. The same thing applies, only more so, with restaurant credits good for \$500 that expire tomorrow.
9. Perishable goods of any sort. The exception here is "unless you know you can swap them for something better, immediately." Even then, their value should be greatly discounted.
10. Trade credits in an unknown club or exchange. If you are ever asked to accept trade credits in one of the hundreds of clubs and organizations that exist in America, be sure to verify all the details. What goods are available? What is the fee for using them, if any? Is there a time-dated expiration? Any other conditions of use? Double-check, and check again.

As we said at the beginning of this chapter, for every rule there is at least one exception. In the world of barter, there are probably one thousand exceptions. Hundreds of very successful, beneficial trades are probably being made right as you read this, using one (or more) of the nineteen items on our lists. So our final comment in this section is, "If you know exactly what you're doing, go ahead. If you only think you know what you're doing, better think again."

CHAPTER 5

PROFIT FROM A BARTER GARAGE SALE

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PROFIT FROM A BARTER GARAGE SALE

By Frank Lyons

"Tag Sale," "Yard Sale," "Garage Sale," "Lawn Sale" -- these are all names for a new national pastime: attempting to convert dusty unwantedables into badly needed cash. But as anyone knows who has ever dragged half a house-full of secondhand potpourri into their driveway, there is seldom much cash to be made. Once you realize, however, that cash need not be your sole objective, then a barter garage sale becomes the ultimate in curb-side marketing. All the reasons for holding garage sales are even better reasons for holding barter garage sales. Why do people hold garage sales? First of all, garage sale sponsors want extra cash. It's not really the cash itself that they're after, but rather the means to make a few specific purchases. Cash is just the vehicle. As you'll see, with barter, cash is bypassed.

Secondly, garage sales are held as a means of "spring cleaning" -- of getting rid of excess household items, furniture, appliances, or souvenirs which accumulate over the years. However, as every businessman knows, barter has always been more viable than cash sales as a means of moving excess inventory.

Thirdly, people hold garage sales because they are fun. There is a social aspect to the event that means meeting new friends and seeing old ones. But if it's socializing you want, cash transactions between neighbors only inhibit congeniality. Cash is cold commerce, while barter is social commerce.

By and large, cash garage sales don't work as well as most people expect, when they are motivated by a desire (or need) for cash. An interesting mind set occurs when an individual lugs large amounts of excess odds and ends from their sedentary resting place in the house out into the open air. If he is strongly motivated by the "spring cleaning syndrome," he has mentally disposed of the goods simply by putting them outside -- very much like putting something out for bulk-trash pickup. Once it leaves the house the owner subconsciously has no intention of ever bringing it back in. This leaves the seller psychologically wide open to deep discounting. Later in the day he begins to tell himself, "Oh well, I will probably just throw it away anyhow." The result: the seller accepts in to twenty percent of the real market value of the goods being sold.

This doesn't happen at a barter garage sale. Since no cash is involved, sellers can't sell ten cents on the dollar. They must trade value for value, and unless they are offered an item of similar perceived value, the deal is not made.

A second garage sale dynamic takes place in the mind of the potential buyer. Most purchases are what marketing experts call "discretionary." That means that the buyer comes to the sale without the intention of buying anything specific. Purchases are made on impulse and with "surplus disposable funds" -- something garage sale shoppers seldom

seem to have in abundance. (That's often why they are shopping at garage sales.) Further, there is no strong compulsion to buy it. The result is a buyer who says, "I'll only buy it if I can have it for _____," an amount which is usually a fraction of the true value. Once again, remove cash from the transaction and you remove this problem.

What all this adds up to is that people who hold garage sale, end up receiving in cash only a fraction of the value of their property.

Here's how barter solves that problem: At a barter garage sales the sellers decide in advance what specific goods they are seeking. The pre-sales advertising always contains not only what they are offering in trade (i.e., for sale) but also what they would like in return. Therefore, barter garage sale buyers come prepared to trade. They leave their cash at home.

A barter garage sale sponsor walks away from a sale with the "actual" goods or services he originally desired, instead of a small percentage of the cash needed to purchase those goods or services. Cash has merely been bypassed. When you trade value for value, you don't worry about cash.

It all sounds very simple, doesn't it? Well, it's not! Barter garage sales do work and work well, but only after the sponsor spends the time and effort doing the right preparation.

Hidden Barter Treasures.

The best planning for a barter garage sale begins several weeks before the event. The first step is to take inventory, just as you would for a cash sale. Spend a day rummaging through the entire house (inside and out) -- the attic, closets, storage sheds, the garage -- anywhere something of value might be stored and may be forgotten. Divide your list into two parts: Those items you definitely want to dispose of (trade) and those things you would trade if an exceptional offer came along. It will be important to have this list because you'll need it later for your advertising. Plan to spend some time shortly before the sale doing any polishing, washing, refurbishing, ironing, (even painting) that will enhance the appearance in your inventory.

Next, start contacting your neighbors, friends, and relatives to see if they would like to participate. The more merchandise you have at a barter garage sale, the more trading activity will take place. Trading will simulate more trading. Invite anyone interested to set up a table. It will probably be best to assign them each a section of the yard or driveway. Sometimes when barter garage sales get too big, it becomes necessary to locate a larger area such as a church parking lot or public park. (Of course, always make sure you have secured the necessary permission.)

Another note on preparation for your sale: Many municipalities require police permits for garage sales. They normally only cost about two dollars. But make sure you

have one if it's required. It would be a shame to have your whole sale stopped because of such an oversight. (Unfortunately, you probably will not be able to barter for this permit.)

Later on, once you have established an on-going successful sale, you may be able to charge for table space, very much as flea markets do. Needless to say, be prepared to barter for the table space fee.

Once you have enlisted the participation of neighbors, relatives, and friends, you will have to get them to take inventory and submit lists of their tradables, plus the items they are seeking.

Public Relations.

One of the biggest problems you will encounter when staging a barter garage sale is a general lack of understanding by the public as to how such a sale works. Although most people think they know what barter is, they will be confused by the concept of a barter garage sale. The best way to counter this will be through your own public relations mini-campaign. Good public relations also goes hand in hand with the advertising you will later have to do.

Start by writing a brief press release. Don't worry if you've never written one before. Just describe all the benefits of barter in your own words and announce that you will be sponsoring the community's "very first barter garage sale." Keep it to one page, double spaced. Then mail copies to all the local newspapers, TV and radio stations, and other special interest groups like the Chamber of Commerce. Remember, you are doing something extremely unique and truly newsworthy. A little bit of effort on your part here (it really doesn't take very much) will pay enormous dividends.

You'll be amazed at how fascinated people have become with the subject of barter. It has developed into an extremely hot media item. You will surely get some newspaper coverage and may even be asked to appear on a talk show or be interviewed by a newspaper. If this happens, don't panic. Just relax, be yourself, and make sure to mention the time and place of your sale as often possible. You will also want to discuss how the sales works and encourage people to contact you for information on items they should bring to trade.

Try to create a lively, country-fair atmosphere around your sale. Keep talking about how much fun barter is and how it represents a return to a purer, simpler way of life. Your listeners won't be able to resist such an event. Some may even come just to see the new local celebrity -- you! So don't be afraid of the public relations part. It will be very important to your overall success.

Once you've launched your public relations campaign (read: free advertising), it is time to start thinking about paid advertising. Normally you won't have to spend a lot of cash, but don't try to cut too many corners, either. A little money well spent on a couple

of well-placed ads can make or break a barter garage sale. The best place to run the ad is precisely where everyone looks for garage sale advertising -- in the classified section of the local newspaper. Some papers even have separate garage sale sections.

The content of the ad is very important. Consider a headline like **LEAVE YOUR CASH AT HOME** or **NO CASH NEEDED** or **SHOP WITHOUT CASH**. Something like this will be needed to tease people into reading your classified ad and to warn them that they will be bartering instead of buying. Next, state that you are holding your community's first **BARTER GARAGE SALE** and give the time and place.

Buzz Words to Use.

The second section of the ad is going to describe all your haves and wants. Take all the lists you have compiled and condense them. If there are four toasters, three blenders, three mixers, and two electric can openers, you might want to say "numerous assorted kitchen appliances." However, don't condense it too much. You do want the list to look as diverse and valuable as possible. Highlight any particularly desirable items, such as "color TV -- practically new." Look through other classified sections and pull out strong buzz words like "excellent condition," "beautiful," "extra large," "one of a kind," "rare," and make copious use of these phrases.

Next, list the things that you and your neighbors are seeking in trade. Try not to be too specific, as this will inhibit trading. For example, a listing like "Want: Atkins 2.5 HP outboard engine, model #10-35P" would be too narrow, and it is less likely that someone reading the ad will be able to respond. Try "Want: trolling engine" or even, "Want: Fishing boat," and see what comes in. Remember, with barter you will have to be somewhat flexible.

One hint to consider when purchasing your ad: As you can see, you will be using quite a few words. Most newspapers charge by the word for classifieds and by the column inch (one inch tall and a column wide) for what they call "display ads." You might be better off purchasing a two-or three-inch display ad, rather than a regular classified ad. When you buy on a "by-the-inch" basis, there is no limit to the number of words that go into the inch. Also, having a larger ad will draw more attention. Have them put a fancy border around it -- there's usually no charge. And you can still have the display ad run in the garage sale classified section. At any rate, check it out both ways to see which method is best you.

It will also be a good idea to include your phone number in the ad. This will enable you to explain to the more interested individuals how the sale will work and to get a better idea as to whether or not they have the types of items you are looking for.

After you have composed your newspaper ad, there is another way you can use it as a source of excellent free advertising. Make the ad into a flyer. Usually you can find

someone with access to a photocopy machine who will run off a few dozen. If not, there are various quick-print centers which can sometimes do it for as little as a nickel a copy.

The kind of people that frequent garage sales are also the kind of people that attend flea markets and read bulletin boards. Take full advantage of those excellent publicity opportunities. Place your flyer everywhere you can -- on church or civic center bulletin boards, in shopping centers and convenience stores. See if some of the merchants you regularly patronize will let you post flyers. Distribute them around the local flea markets. Give one to each table -- especially to tables which have the type of merchandise you want. This kind of promotion can be enormously effective and doesn't cost anything. And always remember that you are promoting something especially unique -- not just an ordinary, everyday garage sale.

Countdown to Your Sale.

For timing purposes, your press releases should be mailed at least three weeks prior to the sale, so that any coverage you get takes place approximately one week prior. If you do it too early, people will forget.

Paid ads should run for two consecutive weeks preceding the sale. One hint here: If you have gotten your neighbors and friends sufficiently enthusiastic about the event, you should be able to talk them to talk contributing toward the cost of the advertising. After all, they're going to benefit from it also.

Your flyers should be distributed one to two weeks ahead.

The week prior to the sale is the time to prepare extra catalysts which will make the sale more interesting. The first step is a simple set of "How to Barter at a Barter Garage Sale" instructions that will be handed out at the sale. We've already mentioned that people will not fully understand how to barter, and this handout will help alleviate some of the confusion. Keep it brief and to the point, and it will go a long way toward stimulating trading.

HOW TO BARTER AT A BARTER GARAGE SALE

1. **MAKE A LIST** of all the things you have to trade. Scrap paper is available at the Information Table. If you don't have an item with you now, try to arrange to make the exchange at a later date.
2. **LOOK AROUND** at all the tables to see what's available before you start trading.
3. **DON'T BE BASHFUL**. Ask questions. Make lots of offers.
4. **TRIANGULATE**. This is a term barterers use which means taking an item in trade that you don't want in order to trade it later for an item you do want.

5. **TRADE YOUR SKILLS**. You don't necessarily need goods to trade at a Barter Garage Sale. Try offering your services in exchange for an item. Forms (Scrip) are available at the Information Table. Examples of services could be lawn cutting, baby-sitting, carpentry, etc.
6. **USE THE BARTER BOARD** which is next to the Information Table. You may list larger items like boats or cars, or also list your skills. Make sure you leave a message and number so you may be contacted.
7. **ASK FOR _____** if you have any questions about barter.

HAVE FUN!

The next thing you should have prepared in advance is scrip forms. Scrip is a barter IOU. It is a promise to pay goods or services at a later date and can be made transferable. Many people will come to the sale without things to trade, but this does not mean that they can't trade. They can use the scrip. Also, many people may not have goods to trade but will want to offer services. This is another case where the scrip comes in handy.

BARTER SCRIP

I, _____, on this day, _____ do hereby agree to perform

The following service:

Type of Service

Amount of Service

Time Period in which Service is to be Performed:

Other Agreements

In exchange for:

Party Receiving
Service:

Party Receiving
Service:

Name

Name

Address

Address

Phone

Phone

Signature

Signature

This Document (is) (is not) transferable.

Let's say a dentist is interested in trading for your lawn mower, and you're looking for a ten-speed bike in exchange. The dentist has no such bike, but he does have his time to trade. (Perhaps his practice is new so he has lots of free time). He offers you \$200 worth of dental work for the mower. Your son is overdue for a checkup, but that won't cost \$200. This is the nice thing about scrip -- it is divisible as well as transferable. Ask the dentist to issue the scrip in \$50 units. You save one unit for the checkup and a possible cavity filling, then add the other \$150 worth to your barter inventory, which you later trade for a bike. Everybody comes out a winner! The dentist pays for the mower with his spare time (and may even have found two new patients); you get your bike (plus a bonus of some dental work); and the bike owner gets some badly needed dental restoration work. And no one had to sell their valuable goods or services for ten cents on the dollar.

You can begin to see what an important trading catalyst scrip becomes at a barter garage sale. So make sure you have plenty of blank forms available. (Don't forget that you can create your own scrip for any services you are capable of performing. The services need not necessarily be professional ones -- try offering baby-sitting, car pooling, pet-sitting, lawn mowing, etc.)

The Big Day Arrives!

Your preparations are almost complete -- the public relations, the advertising, all your forms have been printed and you're confident of a large turnout as the big day arrives. Needless to say, you'll want to get an early start since you still have a few last minute details to attend to. If you have scheduled the sale to begin at 10:00 a.m., then you should plan to have everything ready and in place at 9:00 a.m. to accommodate early traders. Ask your participants to show up no later than 8:00 a.m. to set up their tables.

Prior to the sale you should acquire sufficient quantities of poster board or other fairly large sheets of paper to write on for each table. Blackboards work very well but are cumbersome. These boards will allow each party at a trading table to keep a posted, running inventory of individual haves and wants. The board should be positioned where it can easily be read by prospective barterers.

The board is divided into two columns -- Have and Want. You and your fellow traders start out in the morning by listing on the left (Have) side everything in your inventory. Then during the day, as you acquire new items to be used as "intermediate" trading goods, they are added to the left-hand column. The lawn mower you no longer have would be crossed off. Some old-time traders use the "everything is for sale" approach. Even though they acquire some very desirable goods in trade, they always list them as available for future trades -- just in case an exceptional offer comes along.

“Wants” -- and “Maybe’s”.

The right-hand column of the trading board is for listing your wants -- the things you are seeking in trade. The advantage of having a written list out in front of your table is that you won't have to stop and recite the list to everyone who comes by. As mentioned above, try to stay flexible. Some traders will add to the bottom of the right hand column a statement like: “If I didn't list something you have, make me an offer anyway!”

You will also be adding and deleting items from the right side as well. This brings up a useful technique for barter garage sales. Let's say you spot on table #4 an almost-new bowling ball polisher that you've always wanted. Table #4 knows how badly you want it, and she says that she will only take an antique duck decoy in trade. You add antique duck decoy to your “want” column -- not because you want the decoy, but because if someone brings you one, it can be traded for the polisher.

It is even possible to add something to your “have” column that you don't own. For instance, a shopper admires your umbrella stand, which you brought back during the war. He offers you a complete collection of Herman's Hermits albums, but you decline because you never did like Herman. However, you take the name and phone number of the man with the records. You then add the records to your “have” column, because you know that if someone wants them, you can quickly get them by trading the umbrella stand.

On and on the trading goes, until your barter board is completely covered with scratch-outs and additions. As you can see, the possibilities are endless. But with a little shrewd trading you should finish up the day with the majority of your haves traded away and a large, valuable collection of goods and services in your possession that somewhat resembles your original “wants” list.

Another worthwhile device which will help to facilitate trading and also attract spectators to your sale is a large central barter board. It can be an old piece of plywood or paneling on which people tack descriptions of more expensive offerings, such as cars or boats. Services offered for trade can also be posted by those who don't have tables. It can also be used for any announcements and as a place to dispense sample scrip or “How to Barter...” flyers. Periodically throughout the day, check the board yourself because people reluctant to make any specific offers at your table may make some exceptionally good offers on the board. You will want to be the first to see them.

Some additional notes on barter garage sales: Don't be afraid to dicker. The art of negotiating and the art of barter are almost synonymous. Always consider the use of “boot” if the values of two items being traded don't appear equal. (“Boot” is a term barterers use to mean something extra thrown into a deal, to sweeten it or to make the deal even.)

Always think in terms of “value,” and never in terms of how much something costs. This is important, because something having a great value to you may have little value to the other trader. An expensive riding saddle will have much less value to a man who has just sold his horse than to another who is contemplating purchasing one. Always keep such things in mind when negotiating.

The Last Big Question.

Now the sale is well under way. Your yard is packed with traders, and you sit back and reflect on what a successful sale you’re having. You revel in the satisfaction of knowing that you’re just a little smarter than all the other garage sale sponsors in your community. You’re getting most, if not all, of the things you need. You’re making some new friends. You’re helping some of your neighbors with their participation. And you’re having fun. But there’s one bothersome, unanswered question nagging in the back of your mind. What do you do if someone walks up to you, lavishly admires an item on your table, claims that they absolutely must have it, and offers you 110 percent of its market value in cash?

You do what every other self-respecting, old-fashioned, bartering horse trader throughout history would do -- you take it!

But that is what’s so nice about a barter garage sale -- you actually have a choice!

If, as you finish reading this, you’re sitting in your third-floor apartment in some downtown city, without a front yard within three miles, don’t despair!

* Option #1: How about a big-city sidewalk barter sale? Most of the suggestions in this chapter will work for you. And you just might come up with some brand-new wrinkles that will make your barter sale a huge hit.

* Option #2: Take a drive in the country to find a good location you can barter for. A farmer’s field -- an open lot -- part of a park -- or whatever.

* Option #3: Got a country cousin nearby -- or a fellow worker who commutes to the suburb. Form a partnership and joint-venture your garage barter sale.

Remember, successful barter requires imagination. Don’t let a minor hurdle -- like no yard for a yard sale, or no barter goods to barter -- slow you down!

EDITOR’S NOTE:

Frank Lyons doesn’t just write about barter; he puts his ideas to practical use. Neighbors in his Southern New Jersey town are still talking about the barter garage sale he organized last year where he put all these theories into practice -- and asking when the next one will be held.

CHAPTER 6

VACATION EXCHANGES THROUGH BARTER

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VACATION EXCHANGES THROUGH BARTER

There you are, sitting in a lovely suburban home, with all the amenities you had dreamed of possessing -- the community swimming pool, lighted tennis courts, a tree-shaded back lawn, even a gas grill. Many folks would be delighted to vacation in such surroundings.

What you really want to do this summer, however, is enjoy the hustle and bustle of New York City for a couple of weeks. Take in a Broadway show or two; tour Rockefeller Center and see the Rockets; go window shopping; see if you can spot some actors at the Stage Delicatessen.

There is no way on earth you can afford such an extravagant vacation this year, however, so you tell your family that, sadly, they will have to settle for dreaming about it for another few years. But wait...why dream? Barter can be the ideal solution to your dilemma. How many couples in New York City would trade their three-bedroom apartment with you, to enjoy a couple of weeks (or longer) in your home?

Thanks to barter vacation exchanges, thousands of families are enjoying vacations that would otherwise simply not be possible. With a little effort, and some careful advance planning, they are able to go where they want, when they want, stay as long as they want, all for a tiny fraction of normal cost.

There are some problems and pitfalls with vacation swaps, to be sure. But after studying this chapter, you will be able to avoid the vast majority of them.

Home for Home Swaps.

One of the most common barter vacation exchanges is simply a home-for-home swap. Let's say that New York City leaves you absolutely cold, even in the middle of the summer. What you really want is to visit the giant redwoods of northern California, see the Monterey Peninsula, ride a cable car in San Francisco, and swim in the Pacific Ocean.

Step One is to decide where you want to go, and for how long. Don't begin planning now for a vacation in two weeks, by the way. Setting up a workable vacation exchange can take several months, so be sure to allow plenty of time.

Step Two is to advertise. There are several formal vacation exchange organizations that you could work with; we'll tell you about them in a moment. But you may be able to accomplish everything you want on your own. Prepare a small classified advertisement, and run it in the newspapers that are circulated in the area you want to visit. (Two publications at your local library, Standard Rate and Data and Literary Market Place, will give you the names and addresses of the appropriate newspapers.)

Your ad could read something like this:

LET'S TRADE VACATIONS!

Three bedroom home in suburban Kansas City, with community swimming pool, lighted tennis courts, half-acre backyard and gas grill. Super for relaxing and having fun. Will trade for two weeks in comparable home or apartment in Bay Area. Write John R., Box 1234, Prairie Village, Kansas 80905.

Once you hear from prospective exchange partners, you want to give them as much information as possible about your home -- and get as much as possible from them. A "Home Exchanging Checklist" similar to the following is a good idea, to get all the pertinent data in writing. It will help you to think of important details to include about your home, and questions to ask prospective exchange partners.

HOME EXCHANGE CHECKLIST

Owner's Name _____

Mailing address _____

Address of exchange (home) _____

Telephone (home) _____ (office) _____

[Check all boxes that apply; comment where appropriate]

BASICS:

FEATURES:

House _____ Acreage _____

Condominium _____ Back yard _____

Apartment/Flat _____ Landscaping _____

Vacation Home _____ Air conditioning _____

Motor Home _____ Animals _____

Houseboat _____ Barbecue _____

Mobile Home _____ Central Heating _____

1 Level _____ Clothes Washer _____

Split level _____ Clothes Dryer _____

2 or more levels _____	Deck/Balcony/Porch _____
Urban _____	Family Room _____
Suburban _____	Den _____
Rural _____	Dishwasher _____
Secluded _____	Freezer _____
Resort Area _____	Garage _____
Waterfront _____	Fireplace _____
Square footage _____	Swimming Pool _____
Number of rooms _____	Television _____
No. of bedrooms _____	Stereo _____
No. of bathrooms _____	VCR _____
No. of persons home can Accommodate easily _____	Other _____
Nearest large city _____	_____
Distance to city _____	_____
Weather/climate _____	_____

ALSO INCLUDED:

AREA ATTRACTIONS:

Bicycles _____	Beach _____
Car/Car Exchange _____	College _____
Boat _____	Forest/Woods _____
Camper _____	Mountains _____
Motor Home _____	Museum _____
Baby-sitters Avail. _____	Lake _____
Food Staples _____	River _____
Domestic Help _____	Ocean _____
Facilities for Handicapped _____	Shopping _____
_____	Park/Playground _____
Use of Second Home _____	Restaurants _____
Infant Care _____	Sporting Event _____
Gardener _____	Theaters _____
Exchange plant care _____	Tourist Attractions _____
Exchange pet care _____	Amusement Park _____
_____	Transportation _____

ACTIVITIES AVAILABLE:

RESTRICTIONS:

Boating/Sailing _____	
Fishing _____	
Golfing _____	Car Necessary _____
Hiking/Walking _____	No Children _____
Hunting _____	No Pets _____
Horseback riding _____	Non-Smokers Only _____
Scuba Diving _____	Guests Limited to _____

Skiing _____	Families Only _____
Surfing _____	Must Care For _____
Tennis _____	Other _____
Racquetball _____	_____
Water Skiing _____	_____
Gymnasium _____	_____

Attach a photograph of your home (front and back views, if possible), and any information about your area that prospective exchange partners would enjoy seeing. (Hint: Check with your local Chamber of Commerce or the Convention and Visitor's Bureau of your city, if it has one, for pamphlets and brochures about the area.)

When describing the advantages of your area to a potential exchange partner, include areas even an hour or two away. If a 90-minute drive gets you into the mountains, a famous national park or sight-seeing area, the ocean, etc., be sure to mention it. What do you like best about your area? Where do you go? What do you do? Make a list of the features (both nearby and a driving distance away) that make your area desirable. This is part of your "inventory" when it comes to finding an exchange partner.

Step Three is to select your exchange partner, assuming you have several likely prospects to choose from. This can be the trickiest part of the deal; the last thing you want is to return from a nearly-perfect vacation and find that your home is a shambles, the neighbors have sworn out a warrant for your arrest the minute you set foot in the county, and a team from the Army Biological Warfare Research Division has impounded your refrigerator.

One answer to this problem is to meet with your prospective exchange partner, if at all possible. "We recommend that when you are arranging your exchange, you leave enough lead time so you become friends rather than strangers with your exchange landlord," suggests David Ostroff of the Vacation Exchange Club. "That's your best guarantee. You get to know the family in an interpersonal kind of way, so that they are constrained not to pull out at the last moment or do anything else to harm the relationship."

Step Four is to get all aspects of the exchange agreement down in writing. This does not have to be an elaborate, 12-page contract executed by your lawyer. In fact, most vacation exchange partners don't sign formal contracts. The interstate (and sometimes international) aspect of most vacation exchanges makes legal enforcement of a contract difficult if not impossible. Who wants to hire a lawyer 1500 miles away and sue?

A simple letter between you and your exchange partners covering all pertinent aspects of your swap, is probably sufficient -- especially if you've taken the time to get to know the folks who will be living in your home (and you in theirs) in advance. Here are some of the most important points to cover in such a letter of agreement:

The exact dates of the exchange. Misunderstandings and problems with regard to dates have probably caused more problems and cancellations with vacation exchanges than anything else.

Exactly who will be staying in the respective homes. Needless to say, you would be more than a little upset to learn that the lovely couple you loaned your home to winded up entertaining 42 players, coaches, trainers, and hangers-on from the Australian Rugby Team in your home while you were gone. (Your partners may have the same concerns about you!)

So be sure to specify in advance how many house guests are permitted.

Housecleaning and yard care. If you expect your guests to assume your landscaping, watering, and house-cleaning chores, be prepared to do the same thing for them. A better solution for both partners might be for each to hire cleaning and gardening services before they leave. This frees you and your guests from such domestic responsibilities, and places them instead on professionals who can be expected to perform up to your standards (and who will be there when you return).

Telephone charges and other utilities. A number of different arrangements are possible, but probably the easiest for all concerned is for each homeowner to assume responsibility for the normal utility charges while your guest are there. This mean each would pay the gas, electric, water, and base telephone bills on their respective homes. (Any long-distance telephone charges would be the responsibility of the calling party, of course. In some cases, exchange partners agree to put a certain amount of money in an escrow account to cover such expenses.)

Pets. It is usually unreasonable to expect your temporary tenants to care for your pets -- or for you to care for theirs. On the other hand, both of you may be more comfortable with an agreement that precludes allowing pets in the home while the owners are gone. In such a case, see if you can get some neighbors to care for your pets while you are gone (in exchange for some barter goods or services, of course).

Automobiles, boats, campers, etc. The exchange of a car, along with a home, can be an added convenience for many vacation exchange partners. If you have a boat, camper, or other major equipment you are letting your partners use in your absence, be sure everything is spelled out in our agreement. Also, be sure to check with your insurance company regarding coverage and protection, if you let them use your vehicle.

Agree on one "off-limits" area in each home. You will want to remove personal items, such as clothes, family heirlooms, etc., both for your own protection and also to allow your guests ample space to store their clothes, etc. If your guest family has small children (and even if they don't), heart-breaking accidents can be avoided by locking up fragile items. Specify which area of your home is "off-limits" and lock the door.

Finally, realize that a vacation exchange is an adventure. To quote David Ostroff of the Vacation Exchange Club again, "We have to be frank about the fact that there are hazards to vacation exchanges. There's no surefire way to protect yourself. You have to depend upon good faith to a large extent."

Once you are ready to complete your vacation exchange agreement, get all the details down in writing. Here is a sample agreement letter you may want to use:

Dear George and Mary:

We are greatly looking forward to the proposed vacation exchange of our residences this summer. This letter will serve as our agreement on the various details discussed below and hopefully will avoid unnecessary confusion.

1. Residences, terms and members of exchange parties. The mutual exchange of residences will commence on July 1, 1983, and will end on August 1, 1983. The Smiths will exchange their residence at 753 Buena Vista Court, Prairie Village, Kansas, for the Jones' home at 1234 Montecito Drive, Sunnyvale, CA.

Members of each party are as follows: Smith party -- Robert Smith (46), his wife Emma (42), their daughter Vicki (19) and their son Kyle (14). Members of the Jones' party include George Jones (49), his wife Mary (43), and their sons Peter (18), Frank (15), and Harry (11). The Jones will be joined for one week by George Jones' mother, Roberta Jones (71).

2. Housecleaning. The owners of each residence will provide for weekly cleaning and gardening services for their respective residences at their own expense. In addition, the residences will be cleaned on the day of departure. Such services will not require the presence or supervision of the guest.

3. Repairs. Any necessary emergency repair of cars, household appliances, and equipment, due to normal wear and tear, will be paid by the owner. If it is necessary for the guest to make such payment, reimbursement by owner will be made within ten days of owner's return. In a case of repair expenses in excess of \$100, the guest will make a reasonable effort to contact owner for approval in advance.

4. Automobiles. Each residence will include the use of an automobile, which is insured by the owner for all locally-required liability and collision insurance. The driver of the car will be responsible for the first \$100 in damage to the car for any and each accident, regardless of who is at fault. The owner will be responsible for any damage over \$100. Owners will pay for all repairs and upkeep of cars. Users will pay for gasoline and oil. No driver shall be less than 24 years of age or fail to possess a valid driver's license.

5. Utilities. Owners will pay all electricity, natural gas, water, sewer, and other utility bills except in the case that bills incurred during the exchange period are more than ten percent in excess of owner's normal usage.

6. Telephone. Owners will pay the basic service portion of the telephone bill. Guests will pay for all toll charges they place from the residence. Payment will be made within ten days of receipt of the respective bills.

7. Restricted Areas. In the Jones residence, the attic will be locked and will not be entered except in case of emergency. In the Smith residence, _____ will be restricted and not entered by the Jones' except in case of emergency.

8. Miscellaneous. The Smiths will provide for daily delivery of the Kansas City Star to their residence. The Jones will provide for daily delivery of the San Francisco Examiner to their residence.

If you have any questions or want to delete from, add to, or change any part of the foregoing, please let us know as soon as you can. Otherwise, we will assume that these arrangements meet with your approval.

Again, we are very excited about spending a month in the San Francisco area, and know you will enjoy the pleasures of a Mid-Western summer!

Sincerely,

Robert and Emma Smith

Step Five is to take care of those final preparations, and get ready to enjoy the best summer vacation you've ever had. If you can, schedule overlapping arrival and departure dates, so you'll have an opportunity to meet with the folks you've been communicating with. Here are some other hints to make the exchange as successful as possible.

Tell the neighbors who will be coming, and when, to ensure a hospitable welcome.

Tape operating instructions to appliances, etc.

Post important telephone numbers in a handy location -- police, fire, doctor, dentist, plumber, neighbors, etc. next to the kitchen phone.

Make sure there is plenty of closet and storage space ready for your guests.

Leave information on special features of your community (summer concerts, museum, theaters, etc.)

And finally, make certain your home is clean and orderly, with all fixtures and appliances in good working order.

There are many little amenities that can be added to a home vacation exchange to help make it not only an economical alternative to a paid vacation, but a genuine pleasure as well. The use of theater or sports tickets, an appointment with your favorite beauty salon, passes to your favorite park, suggestions on "don't miss" attractions are just a few possibilities.

Formal Exchange Clubs.

One short-cut to finding an exchange partner for your vacation has been well-traveled by other traders before you. It is the use of an established vacation exchange club.

Procedures vary from organization to organization. In general, there is a fee to join, and/or to get a listing in their national directory. Most of the clubs serve strictly as brokers, letting you deal directly with potential exchange partners. Most will suggest procedures to follow and certain basic rules, but allow you to mix and amend as you will.

Upgrade with Triangulation.

Having read this far, you may be about ready to abandon any hope on arranging a satisfactory vacation exchange, because you don't feel that your home/apartment/condo or whatever is good enough to attract the type of swap that you want.

If all you have to offer is a cabin in the woods with cold running water (the stream 100 yards away), unlimited fuel (if you chop your own trees), rugged adventure (it's two miles from the nearest road, straight up), you may be right. Don't overlook the possibility, however, that your mountain air will have great appeal to some city dweller, who hasn't seen nature in the raw since the last time he fed the squirrels in the park.

But let's say you're right; you are not going to get a month's free stay in the Malibu beach house you want, in exchange for your own home. Who said all you had to trade was your home?

Here is a chance to let your imagination run wild, and consider all of the other things you have -- or can add -- to your barter inventory. Remember, the essence of effective barter is a value-for-value exchange, not necessarily an item-for-item exchange. Once you find the vacation home of your dreams, thanks to your own advertising or the use of a vacation exchange club, find out what they will take in trade. What if you add your collection of 1940's jazz records to the swap? A painting that has real value, but just doesn't appeal to you anymore? That fancy camera, stereo, VCR, or whatever, that you don't use much anyway?

Another way to achieve the same result is through triangulation (see Chapter 18). That is, by bringing a third party into the trade. He may have just the thing to cinch that vacation home for you -- while he's been after you for months to swap for your boat-and-trailer, pickup truck, desert property, or whatever. You didn't make the trade, because you had no need for whatever he was offering. But now, it's just the thing that your potential landlords in San Francisco have been seeking for years. Bingo! You've got a three-way swap going, or triangulation. And you still end up with that dream vacation you wanted, without spending the fortune you didn't have for it.

Use Someone Else's Property.

One of the recent rages in vacation exchanges came about through "time-sharing" condominiums in resort areas. Developers who saw their sales (and profits) plummet in the mid-1970's came up with the idea of selling weeks of ownership in their properties. Instead of purchasing the property outright, and having the use of it for 52 weeks a year,

they offered prospective buyers the chance to buy just one or two or three-weeks ownership.

Such time-sharing produced more than its share of problems and disappointments (furnishings in an apartment owned by 26 or 30 different families tend to be both bland and quickly abused, for example). But one of the great "sweeteners" used to close many time-sharing deals was using your two-week ownership to swap for a similar property somewhere else in the country -- or in the world, for that matter. Resorts International and several other groups began arranging thousands of such swaps a year.

"But I don't own two weeks in a resort condo," you object. Well, do you know anyone who does? What about Uncle Ted and Aunt Matilda? They've got that condo down in Florida they only use four months out of the year. What could you give them, to get them to let your swap one of those vacant months for your dream vacation?

Maybe the company that's employed you for the past several years has a cabin in the mountains, a yacht, or something else you could use for barter. How could you get the use of it for a couple of weeks or a month, so you can trade your "time" there -- which you really don't want -- for the time you do want somewhere else?

If you give it a little thought, you'll realize that the possibilities and permutations of a vacation exchange are virtually limitless. The key requirement is having some-thing of equal (perceived) value to trade. So start making a list of all the possibilities you can think of. Here are a few more options you might want to consider.

Look In Your Own Neighborhood.

It isn't necessary to look half-way around the country to find the ingredients for a memorable vacation swap. The answer might be as close as your neighbor's driveway.

Perhaps your dream vacation would be spending a couple of weeks or a month, driving around your native state in a mobile home or RV camper. How many folks right in your town own a vehicle that would be perfect for what you've planned? It's probably a lot more than you might guess.

Mobile homes, houseboats, recreational vehicles, second homes at the ocean, cabins in the mountains -- all of these vacation retreats have one thing in common: the owners don't use them most of the time? Would they consider letting you use them, if the "deal" is right? Sure, they would.

The two requirements for such a swap are:

1. Locating the property you want to use; and,
2. Offering something acceptable in exchange for it.

Again, the swap does not have to be home-for-home, or vacation-for-vacation. In fact, under these trades, it almost never is. How about that Civil War sword your neighbor has been coveting for months? You never felt right about selling it (or maybe he just never offered the right price). But would you give it to him, in exchange for using his houseboat, mobile home, beach-front villa, or whatever?

One word of caution: If you are trading for someone else's vacation property, you will almost always have to work around his own vacation schedule and wants. Don't insist on getting the beaches over the July 4th weekend, if that is the time your neighbors always let their grandchildren have it.

Finally, Try Working For It.

Let's say, for the sake of discussion, you don't have anything you own or can borrow to use for a vacation exchange. Does this mean it's hopeless to try and get out of the city for a month or two?

Not at all. If you have nothing else in the world to use for an exchange, there is one thing everyone reading this can use for an exchange, there is one thing everyone reading this study course can offer: Time. You can swap work for that recreational vehicle, mountain cabin, or whatever. Is this the year your neighbor thought he'd have to pay \$1,200 to have his house scraped and painted? You could have a very pleasant (and profitable) surprise for him.

Nor do the possibilities stop there. If you are willing to work during your vacation, the possibilities -- again -- become virtually endless. Does your company own property, factories, offices, etc. in some other part of the country? Could you work there for the summer months?

Perhaps nothing would please your family more than spending the summer in Cheyenne, Wyoming. But you don't know a soul there, or anyone who has any property there. You can't work out any kind of swap for a mobile home or other suitable vehicle. What can you do?

Swap work for a place to stay. Perhaps it isn't what you had in mind when you began reading this chapter, but would you be willing to work 40 hours a week or so, in exchange for free room and board for your family this summer? If so, all you need to do now is find someone in Cheyenne (or wherever you want to do) who will make the exchange.


A visit to your local library will give you the names and addresses of the newspapers serving the area you've selected. Next, prepare a different kind of classified ad, to run in the "Help Wanted" section.

Yours would say something like this:



FREE HELP!

Hard worker, 26 years old, with basic knowledge of plumbing and subcontracting, looking for summer residence for family of four, in exchange for my labor. Interested parties contact: John J., 1234 Main St., Anywhere, USA, or call (555) 623-4890.



If you have definite mechanical skills to offer (mechanic, repairman, electrician, etc.) so much the better. But even if you don't, you have time. And you just might find that rancher in Wyoming who needs help for the summer, and has a bunkhouse all ready for you and your family to move into.

In Conclusion.

There are as many different possibilities for a barter vacation as there are traders in America. As we've pointed out elsewhere in this home study course, virtually everyone in this country has been a barterer at one time or another -- and could be again. That's a lot of possibilities!

So get the family together, put on your thinking caps, pull out a piece of paper and pencil, and make a list of all the vacation barter exchanges that would be suitable for you. What do you want, where do you want to go, and what are you willing to trade for it?

Once you've started thinking barter, you'll find that you've substantially increased the possibilities, opened up a whole new world of prospects -- and added a lot of fun and excitement to the process!

CHAPTER 7

***WRITING A WINNING
BARTER AD***

WRITING A WINNING BARTER AD

Soon after you enter into your new life in barter, whether it's for just a couple of hours a week or becomes a full-time vocation, you very quickly realize that you must reach new people to attract new business. You face the same problem every other new businessman (or woman) faces--finding new customers.

In many cases, the solution for you will be the very same one other business people quickly adopt: Advertising. Barter advertising, however, is unlike any other kind of advertising you may have seen or even written yourself. (To illustrate, try to find "barter" in the Yellow Pages section of your telephone book. Look under "Barter," "Trade," "Exchanges," "Swap," or any other heading you can think of. Chances are you won't find a single listing anywhere in the Yellow Pages. Yet you know that goods, services, and products are being traded every day in your community. Strange, isn't it?)

Let's Get Organized.

The first step in writing a winning barter ad -- whether it's for the classified section of your newspaper, an index card on the bulletin board of your church, or an advertisement in one of the specialized barter publications -- is deciding (1) what you have to swap, and (2) what you want to get for it. As a general rule, you will get the most response to your ad if you are as specific as possible under describing what you have, and as general as possible under describing what you want.

Step Two is to ask yourself two questions: Who will be interested in acquiring what I have? And, who will have what I want? (Hint: Remember, the same person may not fill both requirements, so it's more important to concentrate on (1). If you find someone who really wants what you have to barter, let him find what you want in exchange.)

In many cases, the nature of the goods or services you have to swap will determine the answer to "who will be interested in what I have?" If you are swapping baby-sitting services, the answer will be other mothers in your neighborhood. If it's an expensive rod-and-reel set you have to exchange, ads under "sporting goods" makes more sense. While if it is a very specialized item (antiques, vehicles, etc.), there will be more likely markets for those items as well.

Go Where Your Customers Are.

Having done a little repertory homework, you are now ready to begin preparing your barter ad. First, determine where it is going to run or be seen. Here are just some of the possibilities to consider:

- * Handwritten card on supermarket or church bulletin board.

- * Flyer distributed in neighborhood or left on counters or area stores.
- * Classified ad in neighborhood shopper, local newspaper, etc.
- * "Want Advertiser" of similar publication, if one exists in your area.
- * Specialized publication for that particular product. (Rare books, stamps, antique guns, automobiles -- all of these and more have their own publications. If you're uncertain about which ones might be appropriate for your ad, ask the reference librarian at your local library for some research help.)
- * Barter publications.

With the exception of the last category, ads in the other publications will usually be reaching people who are not used to bartering as a regular way of doing business. This is a crucial point to keep in mind, because often times you will find yourself making two sales at once: the first is to convince them to barter at all; the second is to persuade them to barter with you for what you want.

Writing Your Ad.

Since most of your barter advertising will be aimed at people who are not in "the barter business," you do not want to frighten them off at the start. Try to think up a headline and copy that will appeal to them; offer them something they want; then tell them what you want. Here are some hints to help:

- * Try to write a short, catchy headline. If it doesn't cost too much, run it in bold face capital letters, centered above the rest of your ad.
- * Keep your headlines short: 3 to 5 words at the most.
- * Make your copy as specific as possible. Describe (in as few words as possible) what it is you have and what it is you want.
- * Where appropriate, mention the value or cost of the merchandise you have to swap. "\$10,000 worth of airline tickets; will swap for \$7,500 worth of TV advertising" will get more attention than simply saying "will swap airline tickets for TV advertising."
- * Finally, tell prospective swappers how, where, and when they can reach you. If you're only available after 6 P.M. at the telephone number you give, be sure to say so.

Few things worth reading were ever written in the first draft. This means that you should write and rewrite your ad several times, to be sure you've gotten it right. If possible, set it aside for a day or two, then look at it again. You may see something you missed the first time around. Have a friend or neighbor review your ad; make sure it is clear to them.

With that in mind, let's look at some sample ads, and see which ones will work better for you.

NEED BABY-SITTER

Will swap baby-sitting services. I'll watch yours if you'll watch mine. Call Sue Jones at 555-1212.

That's not a bad ad, and would probably produce some response for you. However, a lot of responses would probably be inappropriate, either because of area (they live too far away or time) they're not available when you need them. Also, the headline doesn't tell them what their benefit is. See if you don't think something along these lines might not work better.

FREE BABY-SITTER!

I'll watch your children afternoons if you'll watch mine mornings, 3 days a week, in Oak Brook area. Call Sue Jones after _____ at 555-1212.

You've used a few more words, which will cost you a little bit more if you're running a paid classified ad. But look at what you've gained: every telephone call you receive should be a likely candidate for your baby-sitting barter proposal.

This same principle holds true when you have products or goods to barter.


PLUMBING WORK DONE FREE

Professional plumber in Denton area will trade services for building supplies or contract work. Call John James at 222-1515 evenings.


FRESH CORN TO GIVE AWAY

We grew more corn than we can use. Delicious

ears, fresh as dew. Will swap for lawn mower, kitchen appliances, boy's bike, or most anything you've got. See Bartons, 342 Bumblebee Road, Northfield.




Keep in mind that a barter ad is not a "For Sale" ad. This will probably confuse some of your prospective customers, especially those who are only used to paying cash for their purchases. It may require some patient explanations before they understand that you are not "selling" something; you are offering to exchange something. Nor is it always necessary to begin your barter ad with the item you are proposing to swap.




NEED TRACTOR

Will trade used car, above-ground swimming pool, or other goods. Call Bob Bedford days at 999-7878.




And sometimes you might want to try an ad where you describe what you have available to trade, without specifying what you'll take in exchange. (These can produce some of the most interesting responses of all!)



TAKE MY SWIMMING POOL!

Above-ground pool, 8' X 15', 5' deep. Complete with redwood area, filters, pump, all accessories. Sears best model last year, worth \$2,250. Will swap for goods of equal value. Call Fred Ford at 222-5353 (days) or 345-7890 nights).



If you are a collector of some specialty item (from baseball cards to rare coins, guns, or stamps), you will want to be as specific as possible describing what you have to trade, and what you want in exchange. These ads work best in the specialized publications for that particular collectible or hobby -- but don't overlook the possibility of finding a whole new supply (and a brand-new trading partner) in some of the more generalized publications.

◆

80-YEAR-OLD BASEBALL CARDS

Have two Elmo Slugger cards, printed by Acme Baseball Card Company in 1903, in mint condition. Will trade for players on 1911 Muddle Swampers, or XXX, YYY, ZZZ cards. Call Bob J. (777)234-5678.

◆

Value of Trade Items.

When asked about the value or cost of the item(s) you have to trade, what should you say? For some reason, many people think that the value of an item for barter should be set higher than if it were to be sold for cash. Nonsense!

The trade value of an item is what it could be sold for on the open market, nothing more and nothing less. You would not like to drive 50 miles, to examine that \$3,000 used tractor, only to find out that it is a 40-year piece of junk that couldn't be sold for more than \$500. Don't be guilty of the same exaggeration.

Remember, barter depends on a value-for-value exchange. If you constantly overprice the value of the goods you seek to swap, word will get around. Either everyone else will be artificially inflating the value of the goods they offer you, or (even more likely) they will stop trying to trade with you.

In Conclusion.

Here are some of the more common questions and answers about barter advertising:

Question: Why should I do some barter advertising?

Answer: To expand your trade possibilities -- to find goods and customers you might otherwise never learn about -- to dispose of goods you have. In short, to become a more successful barterer.

Question: Where should I advertise?

Answer: That depends on what you have to offer, and what you want to return. In some cases, a card on your supermarket bulletin board, or a flyer distributed in the neighborhood, may be all the "advertising" you need to do. If your product will be of greatest interest to farmers in the next county, advertise in the farm journal or local newspaper for the next county!

Question: What should I say in my advertising?

Answer: That depends, of course, on what you have to offer, and what you want in return. In some cases, a card on your supermarket bulletin board, or a flyer distributed in the neighborhood, may be all the "advertising" you need to do. If your product will be of greatest interest to farmers in the next county, advertise in the farm journal or local newspaper for the next county!

Question: What should I say in my advertising?

Answer: That depends, of course, on what you have, and what you are seeking. Try to offer an immediate benefit to the reader of your ad. What does he want that you've got? Tell him -- as concisely, as specifically, and as appealingly as possible.

Question: Should I mention price in my ad?

Answer: Usually not -- unless it helps to establish the value of what you are seeking to trade. If it is a "soft" or low-priced object, let the customer determine the value himself. On the other hand, with some "hard" or high-ticket items (land, gemstones, major appliances or vehicles, for example it is usually essential to mention their cash value.)

Question: What if somebody doesn't want to swap?

Answer: Try to sell them on the benefits of barter: It doesn't cost them any money, it's a value-for-value exchange, it's interesting, it's fun, etc. Most of the people you will be reaching in your barter advertising have probably not traded anything since childhood, at least not on a formal basis. As we said earlier, you may well find that you have two sales to make: First, on barter in general; second, on the specific trade you have in mind.

Question: What if they offer me cash?

Answer: If you consider it a fair price, take it. After all, cash does have its uses in our economy. If you can't think of anything else to do with it, take it to a flea market or garage sale -- and buy more goods for your barter inventory!

CHAPTER 8

***CREATING YOUR OWN
PAPER MONEY***

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CREATING YOUR OWN PAPER MONEY

By Dave London

I'm about to show you how to create money, and not end up in jail. This is not a "teaser" to get you to read this chapter. There are no hooks, catches, or fine print. I'll really show you how not just to make but to create money that is real and has unquestioned value.

You will perform this small miracle, not through alchemy or counterfeiting, but by starting your own monetary system. Your "private" money will be scrip, issued by you and backed by goods or services that you control.

Before I explain what "scrip" is, let me begin by telling you what money is (in case you didn't know). Webster's defines money as follows:

Money: noun: Something generally accepted. As a medium of exchange, a measure of value, or a means of payment.

It's interesting how definitions change with time. Not too long ago, money was also expected to be a "store of value." To some, the difference between a "measure" of value and a "store" of value may seem small. To me, it indicates that when money no longer fits the definition -- when it no longer represents a stored value of gold or silver, and could no longer be redeemed for those precious metals -- the definition had to be changed.

Currency, on the other hand, is much easier to describe. It need only serve as a medium of exchange. Although generally thought of in terms of coins and paper, currency can be just about anything -- goods or services, as well as paper. While value is an important factor, negotiability is the key.

Now for another definition from Webster's:

Scrip: noun: 1: any of various documents used as evidence that the holder or bearer is entitled to receive something; 2: paper currency or a token issued or temporary use.

Obviously, scrip is a currency. But as far as I'm concerned, it's also money -- a private money, yes, but money just the same. In fact, it generally contains something you don't see on public money anymore: a promise to pay. Scrip is nothing more than an IOU -- a promise to render specified goods or services to the bearer at some future date.

Actually, scrip should be no stranger to you. If you've ever collected trading stamps, received or given a gift certificate, or clipped discount coupons from newspapers

or magazines, you've used scrip. The only difference is that it probably never occurred to you that you could also issue scrip.

How Scrip Works.

To explain how scrip can be used in barter, let's use a specific example. Assume you own a furniture store. You do a respectable business, but it's not as good as it could be. Your inventory is larger than it should be. You're not moving merchandise fast enough. You'd like to increase your business, but you really can't afford to cut prices much. Nor do you have the cash flow to increase your advertising.

Scrip can be the answer to all of your problems. It enables you to lower your overhead, by trading scrip for things you would normally have to pay for with cash. That could include everything from office supplies to janitorial services to medical and dental services. It could cover the repairs to your roof you've been putting off. You might even consider issuing scrip in lieu of cash Christmas bonuses. You can even use scrip to pay for the increased advertising campaign you didn't think you could afford.

Scrip has some hidden advantages, too. It is transferable, so it makes three-way (or more) exchanges not only possible but practical. It is something you can add to transactions to balance equities.

Most scrip is printed in specified denominations and with an expiration date. This makes possible a phenomenon known as "breakage." Breakage, is, simply, that portion of scrip that is never used. It is not all uncommon for twenty percent to thirty percent of issued scrip never to be redeemed at all.

We first encountered the use of scrip in Chapter Five, "Profit From A Barter Garage Sale." The same approach can be used for your furniture store (or any other products or services you can think of):

Barter Scrip.

The XYZ Furniture company on this day (date), does hereby agree to permit bearer to redeem this scrip for \$(amount), retail price, of merchandise in the store.

This scrip is 100% transferable, but must be redeemed by (date).

Issued by : _____
(store name & address)

For: _____

Other terms or specifications often printed on scrip include: all appropriate taxes and tips must be paid in cash; no change will be given if less than the face amount is used;

and, reservations or appointments must be scheduled a certain number of days or weeks in advance.

If you are a merchant, you can specify the type of merchandise that may be taken (or not taken) in scrip. Take care, however, not to make the terms so restrictive as to inhibit trade.

What If Time Is Your Inventory?

Time is money. There's a lot of truth in that overworked expression. Your time, particularly if you are either a skilled craftsman (carpenter, plumber, welder, electrician, etc.) or professional (doctor, dentist, attorney, accountant, etc.), is most definitely a store of value for you. Those talents and skills are, figuratively and literally, money in the bank.

Your time is perhaps the most perishable commodity you own. When it's gone, it's gone. There are no ways to recapture lost or wasted time.

Skilled craftsmen get paid by the hour. When they're working, they earn money; when they're not, they don't. Ask the average plumber or carpenter, and he'll tell you that he works at most about seventy percent of the time he could. They may claim that they'd rather go fishing or play golf every Friday. But the truth is that the business just isn't there. They lose thirty percent of their time, and along with it, thirty percent of their potential income.

Professionals, particularly those just starting out, are in the same boat. They generally don't like to admit it but they, too, get paid by the hour. And like skilled craftsmen, they find it impossible to maximize their potential earnings by getting paid for one hundred percent of their working time.

By issuing scrip, you can avoid losing that time and money. You can maximize your profits without advertising or cutting rates.

To show how it works, let's bring our dentist and furniture dealer together.

The Dentist and The Furniture Dealer.

This young dentist just starting his practice needs \$3,000 in office furniture. Because he hasn't got the cash and doesn't want to overextend his credit, he is willing to exchange dental services of comparable value. Finding a willing partner to the exchange (our furniture dealer), he is immediately able to furnish his office, by giving the dealer \$3,000 worth of his services.

The furniture dealer at the time of the exchange can only use \$500 of dental services for his family, however, that takes care of all the X-rays, fillings, and cleanings he

needs. Therefore, he needs something to show that the dentist still owes him \$2,500 worth of future dental care.

The dentist does this by issuing him scrip -- literally, a paper IOU or promise to pay. They both agree that the scrip is collectible within the next two years at the dentist's then-going rate. Also, that the furniture dealer can transfer the scrip to anyone he chooses. These agreements are stipulated in the scrip. So the dentist gets his furniture, the dealer has received \$500 worth of dental services he did not have to pay cash for, and he has \$2,500 in scrip, which promises services any time within the following two years.

How To Spend Scrip.

After you learn how to create "money," the next step is learning how to spend it. Since scrip is money, you spend it exactly the same way. The key is to find people who recognize the inherent value of the scrip and who will accept it instead of cash.

To understand why someone might be willing to do that -- might even prefer scrip to cash -- you must switch positions for a moment and think of yourself as the recipient, rather than the issuer, of the scrip. Let's return to our dentist and furniture dealer for a moment.

Again, assume that you own the furniture store and a dentist has just offered to "buy" \$3,000 worth of furniture, but he wants to pay you in scrip rather than cash. Before you ask him to leave your store, consider the offer carefully. First, since the dentist can't (or won't) pay cash, you've just lost \$3,000 worth of new business if you turn him down. Second, it can be a chance to move excess inventory without discounting. You might even get the dentist to agree that you specify which furniture he may take. And finally, when you trade with scrip at retail-to-retail value, it's like getting a fifty percent discount off your dental bills (the mark-up on your furniture).

All in all, it's beginning to look like a pretty good deal for you, except for one thing: You know that you can't use \$3,000 worth of dental services in the reasonable future.

That is why the scrip must be transferable. You can use it to trade for other goods or services. And if you really are tight-fisted, and want to at least cover your out-of-pocket costs, you can always try to negotiate a part-cash/part-scrip arrangement.

That is how you get non-traders introduced to the idea of scrip. It takes a little brass and sometimes people will turn you down. But it won't cost you anything to try.

Trading scrip with fellow barterers is much easier. Many of them have probably already "bought" and "sold" scrip already, so it won't be a new idea to them.

Two Pitfalls To Avoid.

Starting your own monetary system is surprisingly easy, but there are two pitfalls you should avoid. One is inflation. If you're not careful, you can devalue or even discredit your own currency, by printing too much of it or by making it too difficult to redeem.

Remember also when issuing scrip that it is backed by your time or your inventory. There are limited quantities of both. While you can follow the example of airlines or restaurants and overbook by fifteen to twenty percent, knowing that at least that much of it will never be used (the "breakage" we talked about earlier), some discretion is required. Don't make any promises you aren't prepared to keep.

CHAPTER 9

***BARTERING FOR
PROFESSIONAL
SERVICES***

Dave London is a free-lance writer and barter authority based in California. He is the author of *HOW TO BARTER* and was the editor of the *COMSTOCK TRADING POST*, where this article first appeared.

BARTERING FOR PROFESSIONAL SERVICES

When he was a country lawyer in Springfield, Illinois, Abraham Lincoln sometimes showed such diverse payments in his fee book as "fine produce," "groceries," "hotel room" and on at least one occasion, a U.S. Army pistol. Honest Abe, like most merchants, doctors, and lawyers of his time, frequently bartered goods and produce in exchange for his professional services.

Doctors, lawyers, dentists, and other "learner" professionals have frequently bartered their services for the produce, livestock, handicrafts, and reciprocal services of their clients, especially in rural areas and during times of economic depression. The country doctor was paid for the delivery of a farmer's baby with a smoked ham; the lawyer got his horse shod for drawing up the blacksmith's will; and the dentist got a summer's worth of fresh vegetables for making a set of false teeth.

Today, many professionals continue to use barter to augment their "cash" business. But just as the world in which they practice has changed, so have the reasons why they barter and the methods that they use.

Singing for Surgery.

Dr. Rosily Souser is a plastic surgeon who uses barter in her practice. "There was a music graduate who I knew would not have much insurance for his emergency surgery," she relates. "I asked him what he did and he said he was a music major and a singer. We asked him to sing and I liked his voice. I said if he would come sing for some friends and me, I wouldn't bill him. We set up a concert with classical music in my home, and he came and performed."

Dr. Souser adds this thought: "There are a number of patients who cannot pay the difference between the insurance coverage and the doctor's bill. Certainly they could be encouraged to barter any way they saw fit to cover the balance of their bill."

The widespread use of "third-party payees," such as Blue Cross/Blue Shield and other medical insurance companies, has had a tremendous impact on the medical profession, and has led to an almost total decline in bartering by general practitioners and other physicians, except in the most rural parts of the country. "We don't have GP's (General Practitioners) listed on our exchange as such," explains Art Goehring of the Columbus (Ohio) Trade Exchange. "We have people that can take care of your eyes, your feet, your allergies, and dentistry. We just really haven't found a big demand for general practitioners."

Another factor that limits the use of barter with doctors, at least in trade exchanges, is the delicacy and confidentiality of the doctor/patient relationship, Goehring adds. "There's a lot of personal preference involved in selecting a doctor. Patients must

have a lot of confidence in anyone who deals with 'my overall body.' But patients don't have any problem selecting people to deal only with their eyes or only with their teeth. We've had physicians listed, but we just couldn't do anything with them."

Dr. Edward Hertzfield, a Delaware dentist who is also a member of a trade exchange, points out another reason few physicians are engaged in barter anymore: "GPs don't have too much to trade." Unless you're sick all of the time, there really isn't too much call to use a physician. Generally speaking, though, most of your population always has cavities, needs a crown, needs periodontal work."

This helps explain why dentists, in contrast to physicians, are probably the most active barterers in the medical profession. There is always a need for regular dental care.

Seek Out Newly Established Professionals.

As a general rule, it is the doctor, lawyer, dentist, or other professional who is just starting out in business who is most receptive to bartering his services for your goods or services. The reasons for this are easy to understand. After spending seven or eight years in college or more, and then incurring expenses that can exceed \$100,000 (for a fully equipped dentist's office), the newly established dentist does not have a lot of cash or customers available the day he opens his doors for business. The same applies, in varying degrees, to other professionals. And unlike plumbers, carpenters, and electricians, many of them are prohibited by their profession from mailing flyers, advertising in the local newspapers, or using other direct ways to solicit business.

Professional associations such as the American Bar Association and its local subsidiaries, the American Medical Association and its affiliates, and various other professional associations, have long-established rules for the "professional guidance" of their members. Surprisingly, very few have had anything to say on the subject of barter, however. A recent article in the ABA JOURNAL did point out that, "Historically, many lawyers have accepted goods or services from clients in lieu of cash payments." The Journal reported that, "The Illinois State Bar Association issued an opinion stating that bartering is 'neither illegal or unethical.' The Illinois Association did express some reservations about members joining formal barter exchanges."

If you do encounter objections to barter from a doctor or lawyer you approach, it is more likely to be because of image and status concerns. John Parks, vice president of the Butcher Trade Exchange in Philadelphia, points out: "Many of your attorneys would probably not like to let people know that they are bartering, especially in the larger firms, because they don't want the other firms to know that they have available time. It's almost like they feel they are reducing their status."

Two Requirements for Bartering with Professionals.

Unless you live in part of rural America where barter continues much as it existed 100 years ago, bartering for professional services in today's economy requires two important ingredients:

First, you must solicit the trade. Be prepared to ask that prospective lawyer, dentist, doctor, or what have you, if he will barter for his services. And be prepared to be turned down more than once before a satisfactory exchange is made.

Second, you must have goods or services that professionals want, before a trade can be made. Two categories that are highly desirable are: (1) equipment, office supplies, decorating, etc. which otherwise they must purchase with cash; and (2), luxury items, such as expensive tools, jewelry, boats, etc. which they otherwise couldn't afford.

Peg Long, a free-lance writer and barter enthusiast, has summarized years of experience in bartering with professionals in the following eight suggestions, which she calls, "If You Need a Will, There's A Way."

1. Bartering with professionals, like doctors and lawyers, is basically the same as bartering for any other type of services. You must initially determine what you have to offer in exchange. The list may include your own services, surplus produce, hand-crafted items, collectibles, or almost anything that has some intrinsic value or is of use at any particular time to the professional.
2. As a general rule, lawyers and medical professionals just getting established in individual practices will be more interested in barter than those associates with larger, more established group practices or larger firms. They will be able to make more independent decisions, without having to explain to "central bookkeeping." They also are looking to expand their practice and get it on its feet. If you barter, and are part of a formal or informal network that barter, be sure to explain the potential pull the "swapping habit" will have in building the professional's client base.
3. Some professional services are more easily bartered than others, and so those professionals will be more receptive to the concept of trading. Dentistry, optometry, in general any specific medical care, tend to be more defined, more contained and thus more easily traded. In the legal profession, boilerplate documents such as simple wills and real estate transfers can be assigned to a law clerk for drafting and not interfere with the cash-producing aspects of a practice. Make sure the professional sees barter as a plus rather than a minus to his or her business operation.
4. Offer to take on slack time (particularly slow days of the week, early in the morning, late at night) that the professional would like to fill. Convince them that you can help equalize their time and fill in the gaps in their practice.

5. With medical professionals, consider bartering for the difference between what your medical insurance may cover and the actual bill -- the "deductible" amount or the amount beyond the fee schedule your insurance company uses. This is sometimes called the "out-of-pocket" expense, but you can prove this wrong.
6. Be prepared to pay cash for the initial consultation, if need be. This is the get-acquainted time, when barter can be discussed. More important, it is the time when the scope and value of the needed treatment or counsel will be determined.
7. If the value of the trade is deductible on income tax returns (such as medical expenses) or if it is the professional's standard procedure to have you sign a fee or retainer agreement, make sure that the terms and value of the exchange are clearly defined and included in any such arrangement.
8. If the first professional you consult with is not interested in barter, request a referral to someone who might be, or who might be in a position that would be more conducive to bartering for their professional services.

Don't Get Discouraged.

If the first few professionals you approach reject your suggestions to barter out of hand, don't get discouraged. There are many doctors, lawyers, dentists, etc. who will barter, and are glad to do so. In her excellent book, *WHAT'LL YOU TAKE FOR IT? BACK TO BARTER* (Garden Way Publishing, Charlotte, Vermont, \$6.95) Annie Proulx says that, "Most professionals are eager swappers and good traders. There are so many accounts of dentists and doctors bartering their services for office repainting jobs that it's possible no medical professional in the entire country has paid cash for a paint job."

Ms. Proulx illustrates her point with this creative example: "A young couple in a small town in upstate Vermont swapped with a pediatrician -- a year's medical care for their numerous children in return for a zany and imaginative paint job of stripes, pointing fingers, ridiculous signs, painted ants following the leader, and dozens of eye-catching visual puzzles in lively colors. Both sides were delighted with their good deal." Her book includes many other examples of bartering with professionals, including doctors, dentists, lawyers, obstetricians, veterinarians, and midwives.

Barter Works -- even with the "learned" professionals. It may take time to find the right person to trade with, and the best items of the trade. But with pleasant persistence, you should find yourself with the treatment you want at the price you want to pay -- no money.

CHAPTER 10

***BARTER AND PRICE
CONTROLS***

BARTER AND PRICE CONTROLS

by Dr. Gary North

Editor's note: As this is being written, in mid-1983, the United States does not have formal wage-and-price controls. However, a "conservative" President did impose them a decade ago (when inflation was under 5 percent), and Dr. Gary North believes price controls will be imposed again -- perhaps sooner than anyone thinks.

Barter not only is possible under price controls, it soon becomes crucial. Your business and your very livelihood may depend on your learning the lessons Dr. North explains in this chapter.

During October, 1945, Newsweek magazine began an on-the-scene survey of cigarette barter in the principal European cities. Reporting from their assigned bases, the magazine's correspondents recorded that in Vienna one United States cigarette was the standard tip for a writer and that twelve packages would buy a new Leica camera. Other Newsweek correspondents chronicled that in Rome two United States cigarettes constituted a satisfactory tip.

...In shambled Berlin, thousands of "barter boards" had been raised, and on them thousands of Berliners were listing articles they had for barter. Usually the offers were tested in United States cigarettes, coffee, chocolate, or sugar instead of currency. Typical offers were one diesel engine manual for a package of cigarettes. A substantial part of Berlin sidewalk barter was in single cigarettes...the single package was an excellent spending unit since it was readily divisible into twenty individual cigarettes. Furthermore, neither ingenious law evaders nor local politicians could duplicate or counterfeit a package of Camels or Lucky's. Also, an unbroken package could be held in reserve for many weeks, without ruinous loss of value and, even more importantly, a cigarette once smoked is out of circulation for good.

Charles Morrow Wilson
Let's Try Barter

Wilson's book is subtitled, "The Answer to Inflation (and the Tax Collector)." It is significant that the book, long out of print, has been reprinted in paperback by its original publisher, the Devin-Adair Company. The editors have sensed the renewed interest in barter that is rapidly growing across the country. They are trying to cash in on barter.

“Cash in” on Barter.

There is a paradox here. Why should anyone want to “cash in” on barter? If barter is the wave of the future, why should people be willing to take paper money in exchange for information on barter? The answer is simple enough: barter is always supplemental to paper money transactions, except under conditions of economic collapse. Barter is an alternative to the standard markets. Money still talks on these money markets, but barter certainly whispers. And when people are trying to escape the clutches of the tax collector, a whisper is just about right.

Today, taxes are primarily direct in nature. Once price controls are slapped on, and price inflation becomes repressed inflation, the tax becomes insidiously indirect. The government confiscates people’s capital by means of fiat money and priority purchasing slips -- always possessed by high government officials, their beneficiaries, and the people who are willing to take the risks associated with black market activity.

If people are entering the barter markets today, it is not because they are concerned about survival. They are looking for something new, something off the beaten path. They are trying to profit from their own sharp trading in markets that are narrow and less determinate, since participants have less knowledge about other bargainers.

To have a broad market, you need a money economy. That’s the problem with price controls: They drastically narrow the markets, thereby reducing information. Sharp bargainers obviously benefit from this narrowing of the market. Those who have been trading on these narrow markets, sharpening their skills, getting the “feel” of face-to-face bargaining, have an inside track on those who are entering the markets late, possibly out of desperation. Price controls cannot benefit those who have little familiarity with the unconventional alternative (“black”) markets. But for the few who are quite familiar with these markets, price controls can be bonanza. If you think I’m wrong, try buying a new Leica camera today for a dozen packages of cigarettes. (One reason why Leicas were so cheap was that we made it illegal for Germans to own a camera).

Barter and the IRS.

Karl Hess, the ex-liberal, ex-conservative, ex-libertarian, ex-urban homesteader who once was Barry Goldwater’s speech writer, now lives in rural West Virginia. He is absolutely penniless. He gets by nonetheless. The IRS has a lien against his property for nonpayment of income taxes. In response, Hess has earned his living by bartering for a decade. He earns no money by design. He trades his sculptures for whatever he can get. He gets by. The IRS gets nothing.

Admittedly, the IRS has claims on all income, however, received. It has a legal right to get its cut from Hess profits from bartering. But do you know how much it would cost the IRS to collect anything from him? A lot more than it could collect. How can you evaluate the value of the things he buys? How do you collect from him? Take food off of

his table? That would force him on welfare. Income derived in cash is more difficult to trace than income from a check. Income from barter is even more difficult to trace. There is little to be gained from following Hess all day long in order to get \$5 in taxes out of him. What will the IRS do, go into the hog butchering business? Will it become the marketing agent for Hess' sculpture?

The IRS can afford to ignore a man like Hess. There aren't many of them, and it's the middle-class family that supports the bulk of the government's programs. The middle class is almost completely dependent on checks, bank accounts, salaries that are subject to withholding taxes, and so forth. So long as the middle class doesn't turn to barter -- and it couldn't and survive in middle-class comfort -- the IRS can afford to ignore tax evasion through barter.

Besides, the IRS system rests on voluntary compliance. There is no way that the IRS can collect taxes on transactions that the majority of citizens do not think should be subject to the tax and therefore reported to tax authorities. For example, a middle-class wife may belong to a baby-sitting co-op: you sit with my kids and I'll sit with yours. Legally, both families must report the total value of the services received on their income tax reports. Do you think they will? Do they know that they should? If they did know, do you think they would comply with the law? Neither does the IRS.

So long as only a small fraction of people's transactions are based on barter, there is no reason to worry about them in the offices of the IRS. The problem for the tax collectors comes when the inflation tax evaders start buying goods, thereby forcing up prices. This produces the government's response, price controls. Price controls lead to the tax-avoiding response of increased barter and black market activity, then the tax agencies face a crisis. What a shame.

Barter Under Price Controls.

Yet it was not so long ago that millions of dollars a day were being transacted on the barter markets. Specifically, it was in 1973-74. Monetary inflation had led to price inflation. Nixon slapped on controls by pure fiat order on August 15, 1971, and the printing press kept rolling. Shortages developed in late 1973 and throughout 1973. Then the Arabs put on their oil embargo, and the supply of oil, already in short supply, started to dry up at the legal prices. But there were other prices.

In late 1973, the newly created magazine, Saturday Review/World, was in a real jam. It couldn't locate paper. There was a major paper shortage during this period, and all magazines were scrambling for supplies. The editor was offered the following deal: locate propane gas (used in the ink-drying process), and a paper company would supply 50 percent of the needed paper. The editor got the propane, and he got his paper not long thereafter. (He prudently declined to tell the reporter where he had located the propane.) By early 1974, according to a survey of 300 corporations made by the trade publication, Purchasing World, almost half of them were conducting part of their business by bartering

for needed supplies. R.E. Rance, purchasing vice president for Sun Chemical Co. of New York, frankly admitted that if it was not for barter, "we wouldn't be surviving." The reliance on barter was especially marked in the field of petrochemicals, given its heavy reliance upon oil. Benzene which had sold for 18 cents a gallon in mid-1972, had skyrocketed to \$2.50 a gallon on the world markets by early 1974. Price controls on benzene made it difficult to buy in the legal markets, so firms bartered. (Wall Street Journal, Feb. 13, 1974.)

In discussing the period with men in the petrochemical industry, I learned what I had already guessed: the primary source of bartered goods was network of existing personal contacts within the industry. This is not to say that there were no newcomers acting as middlemen. There were, and stories of self-made millionaires who made their money simply by picking up a phone and persistently calling around are stories that are probably based on fact. But the fact remains that an industry will usually generate its own sources internally.

Making a bundle of money takes work, foresight, accurate planning, and probably a whole host of intangibles that are simply not available to most people. But the fact that not many can make a fortune does not mean that no one can. In fact, it means just the opposite. There are services to be performed, and if wealthy industries are willing to pay the freight, someone can make a pile of money. And should the day come that money is little more than hunting license, then he who can supply the service or goods can demand payment in other goods or services.

Strategy for the big Payoff.

The strategy I recommend is aimed at the period which follows wild speculation on the legal, open markets. The markets I'm talking about may or may not be legal, but they will be crucial for the economy. No matter what the law books say, officials will have to look the other way if they don't want to destroy all production. Legal or not, alternative markets will exist.

There are laws -- economic laws -- that govern these markets. They must be respected. They are the first steps in making large profits in a controlled economy. Here are the most crucial ones:

***Face-to-face contacts.** Men operating on black or gray markets bear a heavy risk, namely, the risk of detection by the authorities. One way to lower this risk is to deal with those who are familiar, people who can be trusted to remain silent. This means old cronies, those who want continuing supplies, those who are related to you, those who share some other common bond. In a controlled economy, it is as much who you know as what you know.

In fact, the what that you know may be the who. Contrary to popular opinion, in a free market economy, what you know is far more important because markets to

information are far more open. Competitive bidding -- monetary bidding -- can offset not having "connections." But a price control economy makes competitive market bidding illegal. This subsidizes the type of economic system: Personal loyalty and personal contacts count for more than bargaining ability on an open competitive market. If you like the Middle Ages, you'll love price controls.

*Low profit margin goods disappear first. The secret of success in a controlled market is predicting what goods and services are going to be removed from the legal market next. These are the ones that should receive your almost full and undivided attention as a consumer, and at least considerable attention as a middleman. When controls are imposed, those goods that are mass produced, and therefore price competitive, are the most vulnerable to panic runs and production bottlenecks. The necessities disappear, and the limited production, high profit per sale items remain on the legal markets longer. The real luxuries may remain available until the very end.

Therefore, your secret of success is a new way of looking at the economic world: Those items that are most available in a free market economy -- most familiar, most taken for granted -- are the ones that must never be taken for granted. It will take months of painful learning on the part of the average American consumer to grasp this fact. The faster you learn this simple, yet inevitably ignored law of price controls, the safer your family will be once controls are imposed.

*Closed markets subsidize those who have already entered them. The genius of the free market is its ability to transfer massive quantities of accurate information to those who need it and are willing to pay for it. But the world of price controls tends to favor monopolists. Those who learned the ropes beforehand can more easily keep out newcomers. Rationing and even government-assigned labor pools make it more difficult for people to learn the old trade secrets, let alone the new secrets.

*Conclusion: You should take steps immediately to begin to master the supply and demand facts of the present industry you intend to specialize in, but you must assimilate this information in terms of a vision of the future which few men share: the end of a world in which money not only talks but shouts. It is far cheaper now to enter a particular knowledge market, for people are not yet suspicious (and that day is coming as surely as controls are coming), the greatest of all barriers to entry (private barriers, anyway) is erected: fear, coupled with jealousy. Today, the information is relatively cheap, monetarily speaking. Within 18 months after price controls, or 24 at the outside, this kind of information will become far more expensive and unobtainable for most people.

Preparing for Price Controls.

What is your own industry or service? What does it need? What did it need back in 1974? What did it need during the Korean War and World War II? Who can tell you? Search him out and chat. Let him reminisce. Take notes. You already have information at your disposal. If you can start with an existing body of knowledge, you can save time and trouble. But even if your own field is not where you think you can contribute much, there are still great possibilities. Realize beforehand, however, that cracking open a new nut is a lot more difficult than sticking with an already cracked one. In any case, here is a strategy for a beginner.

Oversubscribe to several trade publications in the field, especially those aimed at purchasing agents. If you don't know which ones these are, ask a purchasing agent. You have selected a particular manufacturing or service industry as your specialty, so you might as well get used to asking questions. Find out which publications are the guide books for the present experts and start learning what they know. Find out who advertises, what products cost, which are produced by several different firms (price competitive). This is a crucial step: know the publications.

Find out which items are absolutely crucial to the survival of the industry. For best results, in terms of your profits, look for durable goods that appear in the used goods markets. It's easier to track down used equipment, if you're a beginner, than it is to track down a hundred thousand barrels of oil or several thousand tons of coal.

Start locating suppliers, especially small, independent suppliers, of these key goods. These will be the people most likely to deal with a newcomer once things get tight, if the newcomer is at least a familiar face. Look for those who supply used equipment, or those who might have a used unit in a warehouse unused. Find out now. Keep a record in a central file of which equipment is available from what small supplier. If these people have their own trade newsletter, subscribe. Some of them have computerized information services. One example is the junk yards that specialize in auto parts. Get very friendly with these guys.

Create spare time, to visit suppliers, purchasing agents, and others who can help you gain information in the field. They can tell you about books that are helpful. Start collecting a library of these books. If necessary, read them at the library and then order the ones that seem most useful. Your time must be spent now on gathering information of how things work now. Remember, it's your job to figure out how things will work in the future.

Buy the repair manuals, if you're dealing with equipment, or get a photocopy. This kind of literature must be in your library in advance. Even if you can't understand them, someone will. But his abilities to repair goods that are crucial to

production will be limited if he does not have access to official repair manuals. Those who have them in advance will be able to exploit (that is, use profitably) that inside knowledge when printing becomes difficult and manuals are scarce. A manual for a discontinued product will be extremely useful. Be sure to take care of them. If you know where an item is, and you think it will be needed in the future, try to get the owner to locate the manual for you and Xerox it.

Rule: in a shortage economy, there is no such thing as junk. There are only unexploited profit opportunities.

Start jotting down questions, once you have devoted enough time to master some of the literature in your selected field. If you can locate a library with older issues, check back and see if the 1941-46 issues are still around, as well as the 1950-53 issues. Read about the shortages and how they were solved. Remember: no one else is looking at these magazines. It's all forgotten. It's all history. Old trade journals are a gold mine of useful information for the future. Find out who the librarian is and go have a friendly chat. You appreciate librarians. No one else does. Once you have questions, start going to those who may have answers.

Sources of information: retired old geezers. These guys are really ignored data banks, if you find them before the data banks are short-circuited by time and neglect. There is probably an association of retired men in your selected field. Visit a meeting. Ask about the good old days. Let them spin yarns about beating the bureaucrats in 1943. Assuming you ever get into the middleman business, maybe some of them can get you introductions that you need, or tell you where supplies might be located. If you're an old retired geezer, what are you doing sitting around watching daytime TV and talking about the good old days with a bunch of old geezers? Go out and make yourself a rich old geezer. Then you won't be an old geezer anymore. You will be a distinguished though eccentric, statesman of the industry. Never forget who it was who fired you when you turned 65. You may be able to quote Bobby Fisher, who was asked at age 14 what he enjoyed most about chess: "I love to see 'em squirm."

Trade Associations hold annual meetings, and these are important sources of information and contacts. Once you know enough to start asking the right questions, you should attend one of these meetings, even if it's only a regional one. In fact, especially if it's a regional one. Have a card to hand out; "Joe Entrepreneur, Budget Broker." Get the other guy's card. You can always call him, using his name, when you want an introduction to a purchasing agent or other executive. Names are important. They push open closed doors.

Be a good listener. Every man likes to talk about his business to somebody. Very few people are, and especially newcomers. There will come a time when people may hesitate to tell the truth about how business operates, but now they are eager to share stories. Don't be embarrassed to ask about details, as long as you've

gained his trust. If he's a purchasing agent, he ought to be happy to help you get a start in helping him to get supplies. The more suppliers he has competing against each other, the easier his job is.

The local university or trade school can provide you with gobs of background information. Unemployed students in chemistry -- advanced ones especially -- can be used to scout around for supplies or materials once controls make their presence felt. Professors may have suggestions and even personal contacts within the industry. They may be able to help. Nobody pays any attention to them so why not drop one a note if you want information on marketing? If the school isn't in your area, find out which one is the best in the field, and order a catalog from the school (free of charge). Then look up the name of the man in purchasing, marketing, or whatever, and drop a letter with your question. Limit your letters however, to two or three a year. Don't be a pest or a red-hot. These people can give you piles of bibliography on your topic. Your taxes support them, so put them to work for you.

If you're a sales person, get acquainted with purchasing agents in your firm and with the repairmen. The repairmen will make or break the company eventually. Pump them for information. Salesmen are only glorified order-takers under conditions of shortage, and rational firms lower their commissions on each sale. It takes no talent to sell under such conditions. You must develop new talents. If you stick with sales, try to find someone who will pay you and your company off, at least in part, with goods and services, not simply money. This kind of salesman is valuable.

Start trying out your skills slowly, tentatively, and in great humility. This may well take a year. So what? We've all got to start somewhere. Once controls go on, time runs out much faster. Then you will have to hustle. But until then, there is time to learn. Offer to search out some missing product at a price that is lower than the purchasing agent thinks he can get. There is always something that someone needs in some department foreman. But if you can start making a few sales purchases, you'll gain confidence in yourselves, and you will have done both the buyer and seller a big favor. Don't expect to get rich on these early sales. You don't need to get rich if you can get experience. What you need is self-confidence. This, more than any other factor, is the key barrier to entry. Everyone says to himself, "I couldn't do that; I don't know where to begin." Indeed, he doesn't and now you do.

Getting rich isn't easy. It doesn't take money. It takes will, determination, and a lot of careful, patient labor. It takes a vision of the future that is either frightening enough (if you're a consumer) or beckoning enough (if you're an entrepreneur) to move you into positive action. These problems will be overcome. They always have been; they always will be. The question to ask yourself is this: can I be the one who overcomes these problems? If you are, then profits lie ahead.

CHAPTER 11

BARTER AND SURVIVAL

BARTER AND SURVIVAL

Thus far, in *Confessions Of A Barter Baron*, we have discussed ways that the use of barter, even on a part-time, now-and-then basis, can improve your life and your lifestyle. The rewards (and the fun) can greatly exceed your expenditure of time and effort to become relatively proficient at barter.

There could come a time, however, when barter is far more than a simple way to an enjoyable hobby. It is possible that the barter skills you develop now could someday become essential for the survival of yourself and your family.

Disasters can occur at any time. Without wanting to depress you unduly, here are just some of the things that could drastically affect your ability to provide food, clothing, and shelter for your family:

1) Loss of a job. In these days of inflation, recession, technological developments, and foreign competition, it is becoming more and more obvious that no one's job is absolutely secure anymore. Highly skilled pilots with Braniff Airlines, mechanics with the auto makers, farmers, merchants, barbers and bakers have all found themselves without a job on a moment's notice.

2) Prolonged illness or incapacity to work. Again, no one plans on it happening to them. But it does, to thousands of persons, every week.

3) Natural disasters. Floods, fires, earthquakes, snowstorms, and all sorts of other "freaks of nature" seem to be occurring more and more often. Even volcanoes that were dormant for hundreds of years are becoming active once again. If the shop where you work and the supermarket where you shop disappear overnight, what would you do?

4) Man-made disasters. Several books have become best-sellers in recent years, by trying to top the one before them in predicting the collapse of government, the breakdown of organized society, the total repudiation of our currency, and so on. While on the other side of the spectrum are those folks who insist that a nuclear Armageddon is just around the corner. All of it, or none of it, is possible. But it would not take anything so extreme to make it very difficult for you to provide for your family. Something as "simple" as a nationwide truckers' strike would mean no food in any grocery store near you in about three days.

There are many other gloom-and-doom scenarios we could add to this list. But I think the point has been made: events could occur, over which you have absolutely no control, that would make it impossible for you to purchase the food, clothing, and shelter you and your family require.

Use Barter To Protect Against Disaster.

If normal commerce is impossible, for any reason, what do other people do? Instinctively, they turn to barter. They begin immediately to exchange the goods and services they have for those they need. In such a scenario, who prospers best? The answer is obvious: the person who has prepared for it!

You can use barter to prepare a "fall-out shelter" that will provide the necessities of life, in the face of almost any disaster that might befall you. The two most important things you will need to have are (1) skills, and (2) goods. (And let me point out here that, if you have a well-planned inventory of needed goods, the only skill you'll need will be how to barter knowledgeably.)

What sort of goods should you have in your "barter survival inventory"? Here are some of the criteria you should consider:

High demand in normal times. What do you need and use every day? What do your neighbors need and use, that would not be available should disaster strike? Start making a list, and you'll find it includes such staples as sugar and salt (both items were so popular for barter in colonial times that they became virtually a currency), soap and toothpaste and razor blades, breakfast cereals, bandages...the list goes on and on.

Value that is easily recognized. Most consumer goods have an established price range with which most consumers are familiar. A box of razor blades or a tube of toothpaste has a recognized price today. That price will become the basis for the value in barter -- although it's very possible, if shortages have developed, the value may be many times the price of luxury goods people find they can do without.

Long shelf life and safe storage. Anything that can spoil, rot, or otherwise deteriorate fairly quickly should not be included in your "barter survival inventory." Canned fruits and vegetables stay good only a few months, or a year or two, at most. While properly stored wheat will last virtually indefinitely.

Ease of exchange. It is easier to trade up -- that is, to use a number of smaller items to barter for a large item -- than it is to trade down. A hundred pound box of nails and a couple of hammers can be divided with much more ease than a chain saw, say, or a lawn mower. While a gallon jar of aspirin would look strange on the shelf of your medicine cabinet, a dozen or two pills from it would be excellent material for smaller trades.

Difficulty of home manufacturing. Finally, in considering those items to add to your "barter survival inventory," look for items that cannot be quickly or easily made at home. Food can be grown and prepared at home, for example. But will the mason jars, lids, and rings necessary for storage be readily available? Knives, axes, and saws are not

home-manufactured goods, yet in times of disaster they quickly become essentials. In effect, almost any tools make excellent items to add to your inventory.

Space For Your Barter Survival Inventory.

It might seem at first glance that a large amount of storage space is necessary to develop any kind of barter survival inventory, but this is not true. An unused clothes closet in a typical home or apartment can hold a wealth of trade goods, if care and planning are used in their selection. Bullets, buttons, zippers, needles, thread, pencils, pens, notebooks, aspirin, scissors, soap, sugar, salt, and spices -- all are small, easily stored, have long shelf lives, and would be much in demand if they were not available at the neighborhood 7-11 or Safeway supermarket.

The definitive book on stockpiling is The Alpha Strategy by John A. Pugsley [Common Sense Press, 711 West 17th St., Suite G-4, Costa Mesa, CA 92627]. Although written primarily to explain why intelligent stockpiling is the surest defense against inflation, the book is also a must reading for anyone considering building a barter survival inventory. The Alpha Strategy lists the estimated shelf life of hundreds of goods, ranging from food to health and beauty products, and clothing and cleaning items.

The author also prepared a chart showing the value per cubic foot of some of the items that are worth stockpiling. The range, as you can see, is considerable:

Item	Value per Cubic Foot
Viva paper towel	\$ 4.10
Purina dog chow	6.10
Northern toilet tissue	6.20
Kleenex	10.50
Comet cleanser	12.20
Joy dishwashing liquid	15.30
Wheat	17.20
Cascade dishwasher detergent	27.60
Tires (HR-70/15 steel radials)	28.10
G.E. light bulbs	30.50
Camay bath soap	61.00
Smirnoff Vodka	112.70
Aluminum foil (12"x100' roll)	123.00
Gillette Trac II razor blades	845.00

Unless you have a two-car garage you aren't using, that can be converted to the "warehouse" for your barter survival inventory, clearly you are much better off letting someone else stockpile the paper towels and toilet paper, while you concentrate on acquiring the razor blades and their equivalents.

If you are able to acquire more items for your inventory than will fit in a closet, keep in mind that the two deadly enemies of most storage items are heat and light. You will want to store your goods in a dark space where the temperature, preferably, never goes above 70 or 72 degrees. In pioneer days, almost every home built a "root cellar" even before they built a bedroom for precisely this reason.

Items for Your Barter Survival Inventory.

The most comprehensive list of items you should consider having in your barter survival inventory that we have seen appears in Survival Home Manual by Joel M. Skousen [Survival Homes, 4270 Westcliff Dr. Hood River, OR 97031]. Skousen's listing was also reproduced by Dr. Gary North in his excellent book, Successful Investing In An Age of Envy [Remnant Review, P.O. Box 24081, Ft. Worth, TX 76112]. To give you some idea of Joel Skousen's thoroughness on the subject, here is his suggested list of "household products to be stockpiled." (His book includes fourteen other "stockpile" categories):

Hand Soap	Liquid Detergent
All Purpose Cleaner	Cleanser
Laundry Detergent	Disinfectant
Rubbing Alcohol	Bleach
Oven Cleaner	Toothpaste
Baking Soda	Toothbrushes
Dental Floss	Razor Blades
Toilet Paper	Paper Towels
Seeds	Paraffin Wax
Cheesecloth	Aluminum Foil
Waterproofing for Cloth	Silicone Leather Seal
Neats foot oil	Absorbent Cotton Rags
Writing Paper	Pens
Pencils	Inks
Erasers	Drafting Equipment
Manual Pencil Sharpener	Typewriter Ribbons
Glue	Steel Wool
Brooms	Scrub Brushes
Mops	Shoelaces
Belts	Bags
Appliance Repair Parts	Cords
Lights	Switches
Tubes	String
Cord	Rope
Household Oil	Insect Repellent
Fire Extinguishers	Matches
Tape (various)	Cloth
Thread	Needles

Yarn	Patterns
Bobbins	Zippers
Buttons	Snaps
Hooks, Eyes	Sewing Awl
Tailor's Chalk	Hand Loom
Wool Cards	Spinning Wheel
Dyes	Batting

Perhaps The Most Important Item Of All.

As Joel Skousen points out, there are hundreds, if not thousands, of items that you would probably like to have in your survival inventory. It is obviously impossible to build a barter inventory of all of them. While for your own personal use, should disaster strike, you will need only a few of most of the items.

There is one category, however, where there is probably no such thing as "too much." And that is food. Most of the food items purchased every few days at your neighborhood supermarket are perishables; even with refrigeration, many of them will keep for only a few days or a week or two. Even frozen foods have a definite "shelf" life, usually of six months to a year. The same thing is true of canned goods and bottled preserves.

But technology first discovered through our space program now makes it possible to store many foods virtually forever. Using vacuum-packed, freeze-dried techniques, meats, fruits, and vegetables can be kept in storage for decades, and yet be fresh and palatable just by adding water and cooking.

Having such a store of food available could make the difference between your family eating well, and barely eating at all, should disaster befall you or your community. As the Boy Scouts have taught for generations, it's smart to "Be Prepared." And having a supply of food on hand that will retain its flavor and nourishment value is one of the best ways we know of to be prepared.

CHAPTER 12

BARTER AND TAXES

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BARTER AND TAXES

Three of the most common myths about barter and taxes are:

1. All barter is taxable;
2. No barter is taxable;
3. The taxation of barter transactions is so complex no one can understand it.

Misunderstandings about any (or all) of the above misconceptions can be harmful to your financial health. While this chapter does not profess to be the definitive and final word about barter and taxes, there are some fairly clear rules and regulations promulgated by the Internal Revenue Service you should know about, as you embark on a barter avocation.

Let's take the last myth first. The fact is that barter transactions are no more complex than any other taxable transactions. Unfortunately, that isn't saying much, since they aren't any simpler, either.

According to the IRS, if a transaction is taxable, it doesn't matter what form the payment takes -- it can be cash, check, money order, wheat, wampum, or services. Barter transactions differ only in that there may be some question as to the valuation of the compensation received. Aside from that, barter transactions are treated as any other transaction.

As a general rule, if a barter transaction involves the exchange of inventory or services, it will generally be viewed by the IRS as ordinary income. If it involves the exchange of non-like-kind capital assets, the IRS will usually insist that a capital gain has occurred. Both ordinary income and capital gain realized through barter should be reported in the same way that cash transactions are reported. (Or course, many of the latter aren't reported, either -- something which greatly upsets the IRS and the sedaholic politicians in Washington.)

Is Barter Taxable?

In response to the first and second myths, the Internal Revenue Code is rather specific. (see, for example, IRC of 1954, Sec. 1.61-2 (d) (1) and (2).) Any compensation paid in a medium other than cash, regardless of whether paid to an individual or an organization, is includable as income and is to be taxed at the "fair market value" of the goods or services received (see IRS ruling 79-24).

For example, if you work for a farmer as a laborer and he pays you in bushels of wheat, you have ordinary income based on the "fair market value" of the wheat. If you are a plumber and fix the leaky pipes of an accountant, in exchange for the preparation of

your tax return, the IRS will insist that both you and the accountant have incurred income based on the "fair market value" of the labor you both performed.

The second broad area of income is capital gains. If you trade property which has appreciated in value for other property which has a "fair market value" greater than the original cost of your property, you have incurred a capital gain equal to that difference, which is taxable at the capital gains rate. For example, if you trade a cottage (for which you paid \$50,000) for shares in a gold mine valued at \$75,000, you have a \$25,000 gain.

So far, it may sound like all barter and exchanges are taxable -- that every time you exchange services or goods it is either ordinary income or capital gain. The IRS would certainly like you to think so, and act accordingly. But before you worry about reporting the four hours of baby-sitting you did for your neighbor last week, in exchange for two fresh-baked apple pies, let's examine some "trades" that need not be reported at all.

Gifts.

The first type of "trade" that is exempt from taxes is technically not even a barter transaction -- it's an exchange of gifts. Christmas and birthdays are typically times when friends and relatives exchange gifts, but it can be done at any time. If you allow me to fish or hunt on your property, and to show my appreciation for your graciousness I mow your lawn, we have made a reciprocal gift.

Neither of us realizes ordinary income, as long as we can demonstrate what the IRS calls "donative intent," and as long as the gifts are relatively small. (If they exceed \$10,000 in one year, or \$30,000 in a lifetime, they can be subject to the Gift Tax.)

Reciprocal giving sounds so easy, there must be a catch, right? There is. The gifts must be genuine (that is, there must be "donative intent"), and not disguised income. The IRS would view with a jaundiced eye an everyday series of such reciprocal favors. There is no reason not to use this method frequently, however -- especially if you are giving property or services other than those rendered in your normal trade or business to people who are your friends.

Exchanging Property For Service.

The exchange of property for services is usually taxable to the person receiving the property and non-taxable to the person giving up the property. For example, if you work for a clothing shop and your employer pays you with designer jeans for working overtime on Saturday, you are supposed to report the value of the jeans as income (but how many persons do you think actually do?), while the owner need not report. The value is generally defined as the price agreed upon by a willing buyer and a willing seller, neither being under compulsion to act. But not everything in barter has an easily-established value. If you agree to mow my lawn, and to accept an old rocking chair in payment, what "value" should we assign? The chair's cost? Replacement cost? Yard sale price? The

fact is that almost any reasonable, mutually-agreed upon price which we can support will qualify as fair market value.

The above is true, even with items that do have established market prices. In most markets there are at least three price levels -- manufacturer's cost, wholesale, and retail. Again, as long as we are consistent, we can probably choose the level at which we desire to trade goods for services. The lower the price, the less income (and tax to be recognized by the person rendering the service.)

The Internal Revenue Code provides support for the above interpretation, in Section 1.61-2 (d)(1): "If the services were rendered at a stipulated price, such price will be presumed to be the fair market value of the compensation received in the absence of evidence to the contrary." Assuming you can document the agreed-upon price, the burden would be on the IRS to provide evidence to prove a different price.

There is one twist in all of this to be wary of. Section 1.61-2 (d) (2) of the Code says that the difference between the fair market value of something, and the agreed-upon price, can be considered as additional compensation. Accordingly, if in exchange for your services, you are offered the opportunity to receive property at less than the fair market value, it would be unwise to turn around and immediately sell the property you received at its "market" value. The IRS could insist that the difference in price was in fact added income for you.

Services For Services.

The same section of the Internal Revenue Code cited above also says that, if services are paid in exchange for other services, the fair market value of such other services must be included in income as compensation. And again, "If the services are rendered at a stipulated price, such price will be presumed to be the fair market value of the compensation received...."

After discussing the valuation of property for services, it should be obvious that the valuation of services can be handled in a similar manner. That is a rate of exchange can be worked out among the barter parties so that a minimal income is recognized by either party, as long as the rate is "reasonable." It was Supreme Court Justice Learned Hand who expressed a principle that is recognized (albeit somewhat reluctantly) by the IRS and tax courts everywhere:

"Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury; there is not even a patriotic duty to increase one's taxes.

"Over and over again courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and

poor alike, and all do right: for nobody owes a public duty to pay any more than the law demands.

“Taxes are an enforceable exaction, and not a voluntary contribution.”

Judge Learned Hand
Halvering V. Gregory

There is a tax principle, primarily applicable to businessmen engaged in barter, that should alleviate much concern about the taxability of barter exchanges. The concept basically states that, whenever you trade your services for another's services, as long as the services rendered are used in your trade or business, the net effect on your taxes is zero.

For example, say you are an attorney and your office needs painting. You find a painter who needs assistance collecting his accounts receivable. The painter agrees to paint your office, in exchange for your help collecting his accounts. Each of you would report ordinary income from the transaction -- the “fair market value” of the services rendered.

However, the painting is a deductible maintenance expense for you and the legal fees are deductible collection expenses for the painter. Both of you can report corresponding deductions that exactly offset the increased income you should report. Neither of you would owe any additional taxes as a result of this transaction.

Change the above example from a business-to-business exchange, however, and the tax consequences also change. Suppose the lawyer does collection work for the painter, in exchange for having his personal residence painted. For the painter, nothing has changed; his deduction still offsets his income. However, the painting of the lawyer's residence is a nondeductible personal expense. Therefore, he has no deduction to offset his income.

Changing the example once more, suppose the painter paints the lawyer's home, in exchange for the lawyer preparing a personal will for the painter. In this case, both are receiving personal benefits for their labors, and neither has a business deduction to offset the reportable income.

Property For Property Exchanges.

This is what most people consider the “normal” type of barter. Most barter among friends and neighbors, at trade shows and swap meets, are property-for-property exchanges. Are they taxable? the answer depends on the kind (and the value) of the property being traded.

When personal property is traded for personal property, generally no tax will result -- because the property's "fair market value" will be less than its cost. For example, if you swap your used lawn mower -- which cost \$150 new and is now worth \$50 -- for a used TV worth \$50, there is not tax liability. In this case, there would be no tax even if the items sold for cash, since they would be sold for less than their cost.

Also, "like-kind" exchanges, where similar items of roughly equal value (a home-for-home vacation swap, for example) are being exchanged, also incur no tax liability. Exchanges of appreciated personal property (that Civil War sword that cost you \$25, and is now worth \$500) are generally considered taxable by the IRS.

In Conclusion.

Are barter transactions taxable? The answer is "yes, no, maybe, and sometimes." Barter can constitute a taxable transaction, but not all barter necessarily means an increased tax liability. The key is knowing how to structure the exchange. For most users of **CONFESSIONS OF A BARTER BARON**, your barter transactions should not be taxable or even reportable. And even in those transactions that are clearly taxable, there is nothing wrong in negotiating a reasonable, cash-conserving exchange of value-for-value that minimizes the tax consequences.

PART II: CHAPTER 13

***THE SULTAN OF SWAP
AND OTHER BIG-
LEAGUE BARTERERS***

THE SULTAN OF SWAP AND OTHER BIG-LEAGUE BARTERERS

William B. Tanner of Memphis, Tennessee, who likes to be called "the Sultan of Swap," should be a happy man. Last year, he negotiated the sale of the William B. Tanner Co., one of the largest bartering firms in the country, for a cash price of \$39.5 million, with escalators built into the deal that could see him getting something in the neighborhood of \$70 million.

That's a very rich neighborhood. How did it happen? By barter. Not the rake-your-leaves-in-exchange-for-a baby-sitting-barter many of us are familiar with, but barter on a national and international scale -- barter for \$100,000 worth of advertising time on TV, or \$250,000 worth of appliances.

Twenty-five years ago, Bill Tanner was a salesman for a company called Pep Records, Inc. in Memphis. The firm was owned by John Pepper, who also owned a proprietary drug company. Pep Records produced commercials and jingles for radio stations, in exchange for advertising time. Tanner expanded on the concept, and soon Pepper Sound Studios, Inc. (the new name) was producing a wide range of commercials, in exchange for broadcast time, which was then bartered for other goods, services, products, and more advertising time.

The firm went through several names and two or three owners between 1963 and 1972, when it emerged as the William B. Tanner Co. In 1973, Tanner bartered an undeveloped plot of land that he owned for a seven-story office building in Memphis (with title in his name, not the company's) which became the corporate headquarters. Ten years later, Bill Tanner was negotiating over \$100 million worth of barter transactions a year.

"The Sultan of Swap" has bartered \$69,000 worth of radio commercials for the Stutz Blackhawk he drives. He barterers for the clothes he wears, the racquetball court and one-twelfth mile track he had built at company headquarters, caterers for his parties, limousines for clients, and almost anything else you can think of.

Tanner prefers to call his company a "media placement agency," rather than a "barter house." Whatever the name, the vast majority of his business comes from bartering goods and services) including musical jingles and commercials his company produces for unused advertising time on radio, television, cable, and in magazines. That advertising is then traded for an incredible variety of other products and services (hotel reservations, airline travel, tickets on cruise ships, frozen fish sticks, etc.). And 'round and 'round the swaps go -- until Bill Tanner has generated an annual profit estimated at over \$3.5 million.

Here is how Fortune magazine, in its issue dated July 26, 1983, described a typical Tanner deal:

Tanner began by offering a radio station the use of an American Express card, with \$7,000 worth of credit on it, in exchange for \$20,000 worth of advertising time. Thus, he obtained the commercial time for a 65 percent discount, or 35 cents on the dollar.

The Sultan of Swap then traded that advertising time with the manufacturer of electric crockery cookers who had a surplus supply. The pots retailed for \$40, but Tanner got them for \$16 each worth of advertising time. Thus, he paid the equivalent of \$5.60 for each pot, while the manufacturer got advertising time he wanted, in exchange for merchandise he couldn't easily sell.

Next, Tanner traded the crock pots with other radio stations for more advertising time -- \$40 worth of commercial time for each pot.

Finally, to complete this cycle, Tanner sold the advertising time to other clients at a discount of 65 percent, or \$26 cash. That \$7,000 worth of American Express card credit had been converted to 1250 crock pots, which got him \$50,000 worth of advertising time, which yielded \$26,667 in cash income for his company. And every party to each exchange was delighted with the deal he got!

That is barter in the big leagues. And that is why a communications conglomerate was willing to pay Bill Tanner nearly \$40 million for his company. Yes, indeed, barter can pay -- and pay big. And Bill Tanner is not even the biggest boy on this particular block.

The Barter Baron.

Moreton Binn was feeling very pleased with himself. The President of Atwood Richards, Inc. of New York City had just completed the type of swap that has helped make him a legendary barterer -- and has enabled his company to engage in trades that total over \$250 million a year. Earlier in the week, he had "purchased" a ship-load of bat guano (for the uninitiated, bat manure, or guano, is highly prized as a fertilizer). A few days later, he had unloaded all of the bat droppings and possessed \$250,000 worth of skis. The skis would be traded for Caribbean cruises, hotel space, TV advertising time, and a host of other products...which would in turn be bartered for other things his customers want or he can use.

Your barter inventory may consist of a used TV, a load of bricks, children's toys, and some appliances. The Barter Baron's "laundry list" -- those items that are immediately available, which he will swap at retail for your goods at wholesale -- typically includes: Tomato sauce, Convair 880 airplanes, hair dryers, weed killers; advertising time

on radio, television, and cable TV; hedge trimmers, hotel accommodations worldwide, stereos, CB radios, pool tables, cruises, frozen pizzas, newspaper and magazine advertising space, bird cages, wallpaper, men's and women's clothing, sewing machines, calculators, computers, and fire alarm systems. Tomorrow, new items will be added and some of his present merchandise will be gone.

Binn describes a typical trade as casually as though he is saying how he brushes his teeth in the morning:

“We traded some imitation mayonnaise to an ocean cruise company for cruise credits, which we traded to a printer in exchange for printing credits.

“We used those credits to print brochures for a digital clock, and took a supply of clock radios in exchange. We traded them to a hotel chain for room and board credits, and then traded those credits to TV stations, which used them for sales meetings. We took advertising from them, which we gave back to the mayonnaise company to pay them off.”

Nor are such exchanges limited to the United States. Cash-starved Third World countries, with very little gold or U.S. currency in the bank, but which have customers who are very reluctant to accept zlotys or rupees or pesos in payment, have found international barter to be their salvation. Thus, Ghana receives \$15 million worth of trucks, in exchange for an equal value amount of aluminum. And on and on it goes.

The world of professional barter is fast-paced, fascinating, fun, and -- for the right person with the right talents -- it can be, as we have seen, extremely profitable. In Part II of CONFESSIONS OF A BARTER BARON, you'll learn more about the world of professional barter. Who knows? You just might advance from a neighborhood swap sale to becoming the next Moreton Binn or Bill Tanner.

But first, let's meet a man with no such worldly ambitions... a person who lives fully, completely, and with greater satisfaction than he's ever known before, through the simple use of barter.

CHAPTER 14

KARL HESS: A LIFE IN BARTER

KARL HESS: A LIFE IN BARTER

Karl Hess has traveled from airports to hotels in chauffeured limousines, with police sirens leading the way. He has been a Presidential speech writer and political activist (moving from conservative to radical leftist to staunch libertarian).

His income at one time approached six figures a year. Now it is measured in dollars and cents. He exists almost entirely by barter. And he says he is happier, more content, and more fulfilled than ever before in his life.

The following interview with this "philosopher of freedom" was conducted in June 1983 exclusively for this publication..

There are many people whose livelihood comes from barter -- million-dollar merchants like the Sultan of Swap and the Barter Baron. In this chapter, you will meet a man whose life revolves around barter...Karl Hess.

Q. Karl, how did you go from a fashionable Washington apartment, an income approaching six figures, and all the mechanized luxuries, to swappin' truck repairs for a load of gravel?

A. Just lucky, I guess. It all started when I became a tax resister. As a result, every penny I earned was confiscated by the IRS, and still is. So I am really out of the money economy pretty much by order of the U.S. government. It's one of the very few constructive things they've ever done for me.

Q. The IRS has said that if you earn a dollar, they are going to take a dollar?

A. They claim 100 percent of everything I earn. I'm not familiar with any other case quite like mine, but in my case -- it's 100 percent. At one point, when I went back into the job market, for a research institute, they marched in every payday and took my entire check. That happened three paydays in a row. I explained that I owed \$1,500 a month in alimony, and they were making it a little difficult for me to pay, but they said that wasn't their concern. And I understand completely. The well-being of the citizens of the United States is not the concern of the Internal Revenue Service.

Q. How did your tax protest start? What did you do?

A. I filed returns and refused to pay any money.

Q. That's clean enough. I heard that you also sent the IRS copies of the Constitution and the Declaration of Independence.

A. Just the Declaration of Independence, which I regard as much more important. The Declaration of Independence is so clear as to what a person should do if the government exceeds its authority that I think it's safe to say that the Federal Government has vastly exceeded the "reasonable powers" that were given to it in the Constitution.

Q. A lot of tax resisters seem to be motivated more by greed -- the desire to keep and spend their money -- than any principled commitment to limited government.

A. Could be. I think that's a perfectly honorable attitude, too. In my case it's costing me a tremendous amount of money. The IRS has confiscated all of the royalties from my books, they've made it so I can't have a regular job or earn any money. Although I can't get any kind of accounting from them, I believe that they're way ahead of the game.

While it's been costly to me in terms of money, it's been very beneficial in every other way. It has forced me on my own. I'm very self-reliant now. I work often in the areas of manual crafts and trades, so I've gotten to know a life that I never knew before. It's been very satisfying. I'm much healthier than I've ever been before in my life, and certainly I'm more in love.

Q. When the IRS seized your paycheck every week, what did you do?

A. Since they forced me out of the employment arena, I found something else to do. I don't think it's particularly American to sit down and starve to death. I really feel very much like my ancestors in this country did -- you had to be able to fend for yourself.

Q. How did you do that?

A. First, by becoming a welder. That was the first important step -- having a skill so I could do work for other people. Sometimes it was in return for a little money, but more often in goods, so I could build up my supplies.

Q. Do you live entirely by barter now?

A. Not entirely. I do make a little cash money during the year. I believe it's below the reportable level, although I must confess that my records are a little bit sloppy.

I lead a very simple life. I barter a lot and get a little tiny bit of money. A little cash is necessary in this economy.

Q. For things like postage stamps?

A. Postage stamps are impossible to barter for. No postal employee would dare consider bartering with me for stamps -- or with you, either. Although now that I

think of it, I did get a roll of stamps from somebody once, in exchange for some work I did.

Q. You mentioned that your life has changed, and changed for the better. I take it you mean in spiritual ways?

A. I'm really not much of a spiritual thinker. I do know that I feel better. I'm with people I like better. I feel happier, I laugh a lot. I giggle constantly. I really feel very, very good.

Q. How do you provide for the necessities of life -- food, clothing, and shelter?

A. My wife and I grow a tremendous amount of our own food. I shop for clothing at second-hand shops, and I don't suppose I've spent \$50 on clothing in the last two or three years. And I'm very well dressed. That is, my blue jeans don't have any holes in them. That's about all I have. When I have to "gusie" up, I'll borrow a suit.

Q. And for shelter?

A. We live in a house I helped build. Somebody else owns it, but we get to live here in exchange for building it. It's a very good situation

Q. Do you find yourself missing some of the luxuries you used to enjoy, like going to a symphony?

A. Oh, no. There are plenty of good records available. The library is full of them. As a matter of fact, a friend brought over a box of records last night. A friend gave me a record player and a cassette player. And we have ingeniously arranged our radio antenna, here in the hills of West Virginia, so we receive the classical music station in Washington, DC.

Q. You and Teresa live in what is officially defined as "poverty"?

A. That's correct.

Q. Do you ever feel that you are poverty-stricken?

A. Never! As Mike Todd once said, "I've often been broke, but I've never been poor."

Q. So you actually enjoy your present life?

A. Lord, yes. We have friends who come out to visit us, and they say they wish they could live like we do. They say they couldn't do it because they're too busy

piling up money. Of course a sensible person could pile up money and live anywhere he wanted. But very few people are sensible about money. Most people let it take charge of them. A very wise friend of mine refers to money as a "green tool." And I think that's true. Money is precisely as important and as useful as an adjustable monkey wrench, but no more so.

Q. But you can understand those people who are driven by their desire to achieve and to accumulate; you've worked with so many of them.

A. I not only appreciate their position, I would never, in any way, attack it or criticize it. It would be like criticizing my own past. That's something that people do. What I'm doing is something that other people do. I would not, in my most rabid moments, insist that everybody should live like I do. Although I do think that, over time, more people will choose to lead simpler, more creative lives. Isn't it odd that odd that the two do go together? Beethoven must have led a very simple life, but it was a very creative one.

Q. Unlike the man Oscar Wilde described, who knew the price of everything but the value of nothing, you're doing the reverse?

Q. That's absolutely true. One of the gifts I received for my birthday was a \$15 electronic watch that even has a calculator built into it. It's an absolute marvel. So I took off the watch I've been wearing since I was rich and famous, an Oyster Rolex. Now that I've got this \$15 miracle, I'm going to use that Rolex as a barter item. I hope to be able to trade it for a band saw. The price of the two items is really disparate, but the value...I think I would be getting the better of the deal. The value of the band saw to me is very high, while the value of the Rolex is very low.

Q. Speaking of value, how do you establish the value of something in barter, whether it's your skill, your time, or your goods?

A. Through negotiations which satisfy both parties. For work, it usually works out time-to-time. I think most people who barter have a very good sense of the value of time. It's the most crucial thing you have. Barterers say time is money and mean it very literally.

A barterer would say, "If I'm going to do 10 hours of yard work for you, Mr. Brain Surgeon, then you've got to do 10 hours of brain surgery for me. And don't pull any of this business about, 'What I do is so much more important.' That's simply not pertinent. Ten hours work is ten hours out of my life." I feel that way. If I barter with an attorney, for whom I've done welding or metal sculpture, it's as a flat-out exchange.

Q. Barter requires not only an appreciation of value, but it also requires, doesn't it, a certain trust and faith in your partner in barter?

A. I'm tempted to say no, because you have immediate experience. If you're betrayed once, you simply need not repeat that mistake. The worst you can be burned by someone is once. And in any situation, I would rather have information than regulation. So I'd say no, you don't need it.

But I think that most people have it, because most people you barter with, at least in an area like this, are friends and neighbors. And it would be very much to their disadvantage to betray a friendship.

Q. Barter in many ways harkens back to the old-time values, doesn't it?

A. I don't know if they're old-time values. They are certainly the enduring values. If honesty is old-time, then we're in very serious trouble. I often revert to common law when in doubt, and I think if you look at the common law you'll find these enduring values like honesty being foremost among them. The other value I think is enduring, and not old-fashioned at all, is the golden rule. I personally believe it is the most perceptive ethical guide that has ever been pronounced. It's interesting that it occurs in all religions. People who live close to their neighbors, who have to depend on those neighbors, are well-advised to live by the golden rule.

Q. Do you find those virtues -- the things they teach, and the things they bring -- do you find them growing in this country now?

A. I have the sneaky sort of feeling that they've never left. The reason I'm unsure about answering the question is that I know so very little. I find I know so little, more so each day. When I was rich and famous, and knew everything, I could answer such questions. I had no real information, you understand, I just knew things.

Now that I'm in an entirely different world, things are a lot different. People are generally much kinder and more cooperative, than I ever thought they would be. I find love more fulfilling than I imagined it would be. So I don't know about things anymore. I think this is such an amazing, wonderful, magnificent country, especially as you get away from the major population centers.

In the great cities you have people acting in crazy fashion, no question about it. In Washington, for instance, people don't act like anyone I know now. But out away from the great population centers, in small towns and rural America, the people are fine and the values are fine.

Q. So you've abandoned the life of political crusader for the simple life you've chosen?

A. Which may be the most impressive crusade of all. If you can't do it yourself, why should you expect anyone else to do it? I'm really very tired of meetings where people who are half-crazy themselves try to tell the rest of the world how to live.

Q. You said a moment ago how much hope you have for the real America and real Americans. How about our political system and the way we produce our rulers? Do you see any improvements there?

A. No, I think it's just going to get worse and worse. And I think the consequence of it will be what we're seeing today. There are two levels of American society. There is the official level, that people are taking less and less seriously, and there is the grass roots level, which is beginning to just go off on its own. Making do, tending to business, and not even bothering to vote for President.

Q. Getting back to barter for a moment, let's talk about that hard-working, middle-class family. They can't earn more money to buy the things they need and want. Can barter be effective in improving their lifestyle?

A. The first and most important thing is to examine the very notion of lifestyle. If the way they live is purely style, I don't think barter will help them much. If they just want things, because they are fashionable, or to impress the neighbors, or something like that, I don't think barter will be much advantage.

Now if instead they want to live a certain way; they want to do things together; they want to preserve their home and family...then barter can be absolutely crucial. The professional person can barter with the skilled craftsman, and in the process learn how to do it himself. That is one of the wonderful things about barter. Most people who are willing to barter are not obsessed with secrecy. If you want to watch and learn, they are often delighted to teach you.

Just to get into barter because you don't have enough money, but you still want to throw big cocktail parties, you want a car that's fourteen times more powerful than you need, things like that -- what difference does it make whether you barter or not? You're still stuck with other people's values and other people's prices. I don't think barter will help such people out of that rut.

The middle-class person who wants to become more self-reliant, to become secure against inflation, to be able to move away from a glittering existence toward a more sturdy existence, that person will be very benefited by barter.

One of the most important things is that they will learn to conduct themselves honestly and openly with other people of diverse skills and positions. They will understand that it's all right to look the other person in the eye and say, "I want that. I have this to trade. If you value it, we can reach a deal." And if they don't, you don't feel rejected, you don't go away pouting, you try to figure out a way to make the deal better.

Q. Karl, you mentioned that everyone has the same amount of time. How can the novice make his (or her) barter time more valuable?

A. Many people have certain skills already. Those should certainly be considered barter items. But even if you have a professional skill, I think it would be wise to develop other skills...manual skills. For reasons I'm not altogether clear about, there are fewer and fewer people who are capable of repairing things. So repair skills are very useful. Small engine repairs. Diesel engine repairs. (If you're a good diesel mechanic, you can go anywhere in the country and live very well.) People need those skills.

I've bartered with lawyers, doctors, dentists, typesetters, every kind of trade and craft I can think of. They all had skills and I had things I could do for them. So I think if people have a skill, they should use it in barter.

Anybody can develop skills, and I think that's a very wise thing to do. Develop a manual skill on the side. In my case, it's become much more than on the side.

One other thing to understand is that your muscles are also barterable. I'm sure many people would be amazed at how much they can barter for cleaning a basement, because a lot of people hate to do it. We have some friends who found you could strike some very good deals for mowing people's lawns.

Q. In talking about lifestyles, you mentioned quantity of goods versus quality of life. What does that phrase mean?

A. It gets back again to the notion of lifestyle. For many people, their lives are defined by the goods they have -- how many cars, the size of their house, the number of possessions.

I've come to realize that that is a delusion. A petty person can have the biggest car on the block and still be a small, petty person. Good things don't make you good.

I think the quantity of what you have is very trivial, compared to the quality of your life.

Q. When you're sitting around your fireplace, tugging on your beard, leaning back in your chair, and reflecting on those qualities that make your life so meaningful, what are they?

A. First and foremost, being in love. I'm sure there are other ways to be happy, but I can't imagine what they are. Being in love to me is the most important single activity in a person's life, besides which everything else becomes secondary.

There are, however, other things. Not as important, but contributory. Work would be next. Doing good work. And by "good work," I mean simply that you choose a task and do it well, whether it's repairing an engine, writing a poem, raking a lawn, or

teaching someone to read -- I do a lot of that now -- helping a child. All of these are good works. That comes next.

After that, laughter and friends. I used to think that saving the world was an important element, but I found that I had no wits for doing it, so I discarded that project.

Q. The world may not want to be saved...

A. I think I would be less than happy about a world that wanted to be saved -- by me, anyway.

Q. So that is your simple formula: Be in love and do good work?

A. Yes. But why call it simple? Do you think falling in love is simple?

Q. No, I didn't mean easy. I wasn't....

A. A good love, a good life, good work -- they can all be incredibly complex. By simplifying, I don't mean uncomplicating. If you're a sculptor, you start with a big stone. You simplify the stone by removing the extraneous parts. Take away the unnecessary areas.

You simplify your life by taking away the unnecessary stuff. Most people know when their lives aren't going well. But they think they can't do anything about it. You're mortgaged up to the hilt, they're about to repossess the car, you're going to lose your job, the kids hate you and they're all on dope, you haven't spoken to your wife in years...that's living?

Get the family together and say, "We could recapture something we once had, but we have to just walk away from all of this." Give the house to charity; let 'em foreclose. Walk out. Pack up what you can take and start over again. You can do that. You can afford to do that. It's an extreme example, but my point is that you can afford to do anything to save your life.

Q. You know, Karl, in your own mischievous, happy, and productive way, you may be as much of a revolutionary now as you were fifteen years ago.

A. I like to think much more so. At least for me, and that's where it's all got to start.

CHAPTER 15

BARTER

MARKETPLACES

BARTER MARKETPLACES

The gleam in your eye, the scrawled note in every pocket, and the stacks of merchandise in your garage are a dead giveaway -- you've joined the ranks of barter enthusiasts. What started as a casual hobby has somehow turned into a passion. And now you're wondering if it's possible to turn this great and glorious game into a full-time profession.

The answer is an emphatic yes. It is impossible to produce anything more than a rough estimate of the number of people in this country for whom barter has become a full-time profession, but the number is in the thousands. While the number of businessmen and "learned professionals" (doctors, lawyers, accountants, etc.) who barter at least part of the time is probably measured in the millions.

In the vast sea that barter represents, can you find (or develop) a little inlet all your own, and turn it into a challenging and rewarding career? Of course you can -- if you have the drive and determination, the patience and persistence, and most important of all, the negotiating skills to make it happen.

There are five major barter "marketplaces" in the United States today. As a general rule, each has its own set of rules and players. Most operate, either formally or informally, as a "closed shop." And while it's not terribly difficult to become a member of one of them, it is almost impossible to act as a trader in more than one category at one time. They are:

1. Reciprocal trade brokers;
2. Real estate exchangers;
3. Media brokers and media organizers;
4. Trade clubs and organizations; and
5. Exchange marketing sessions.

Should you decide that the barter life is for you, use the information and suggestions that follow as outlines for your own interests and abilities; select the field that appeals to you the most; and then -- start bartering your way to fame and fortune!

Reciprocal Trade Brokers.

The reciprocal trade broker belongs to a breed all its own. In Hollywood, they would be called "the ten-percenters" -- the people who put deals together...whose stock-in-trade is contacts and ideas, not a warehouse full of merchandise. They are the matchmaker between a "wanter" and a "haver." And for arranging the marriage, they are very well rewarded.

There are probably several hundred full-time reciprocal brokers in the United States. These businessmen (and women) succeed because they understand the three basic principles of business exchanges:

1. The value of a given commodity can range greatly, no matter what its established retail price. For example, carpeting that retails for \$85 a square yard may be worth only \$40 or so to the wholesaler, and only \$20 or so to the manufacturer. And even the retailer who paid \$40-50 per square yard for it might be willing to "dump" it at a fraction of that amount, if it's been sitting in his warehouse for a year or two. The reciprocal trade broker never thinks, "What is that carpet worth?" Rather, he asks himself, "What can I get for it? And what will the owner take for it?"

2. The reciprocal trade broker knows that a businessman who barters for goods and services he needs, using excess merchandise he cannot sell easily, makes a profit three ways: (a) he disposes of goods or services that weren't selling, (b) he acquires what he does need, without paying cash for it, and (c) he can spend his time where it counts in his business, not racing around trying to bandage leaks in his cash flow.

3. It's easier for most businesses to increase bottom-line profits through barter than through increased sales.

If you understand these three principles, and can convince another businessman of their validity to him, you are on your way to becoming a reciprocal trade broker.

A reciprocal trade broker uses these three principles, plus an astute knowledge of bartering, to create profitable trades for his clients and customers. Most reciprocal trade brokers work with radio stations, TV stations, magazine and newspaper publishers, hotels, restaurants, and retailers.

He puts together trades for his clients, by "selling" their perishable products (TV time that otherwise would not be sold, hotel rooms that otherwise would not be used, merchandise that is gathering dust on the shelves). He makes his profit by charging a commission -- typically, 10-20 percent on both sides of the trade.

For example, the reciprocal trade broker (we'll call him Mr. RTB) has a client carpet dealer D, who wants \$10,000 worth of radio advertising time for his store. He doesn't have the cash (or doesn't want to spend it), but he does have plenty of carpet. Meanwhile, radio station owner R needs more advertisers; he has not been able to sell all of the commercial time he is allowed to run. Before Mr. RTB entered the picture, here is what each party had:

Reciprocal trade broker	Nothing
Carpet dealer D	\$10,000 worth of carpet, but no advertising time

Radio Station owner R

\$20,000 worth of unused commercial
time

The deal Mr. RTB proposes is a very simple, two-way exchange. The radio station assigns him \$20,000 worth of commercial time on his station; in exchange, he gets \$10,000 worth of carpeting for his studio, to sell at a discount, or to trade for something else.

The carpet dealer trades his \$10,000 worth of carpeting (which cost him about \$4,000) in exchange for \$10,000 worth of radio advertising. In addition, he must pay Mr. RTB a cash fee of 15 percent, or \$1,500. His "cost" is \$5,500 for that \$10,000 in advertising -- or a discount of 45 percent. But he has used \$4,000 in carpeting, which wasn't selling anyway, so his only out-of-pocket expenses are the fee to Mr. RTB.

For putting together the deal, Mr. RTB now has: (1) the \$1,500 cash fee from the carpet dealer, and (b) the other \$10,000 in radio advertising time he got from station owner R. If he sells it at a discount of 70 percent, he will receive \$3,000 in cash for it -- thus netting him \$4,500 on the deal. (He is more likely to use it in barter, however, getting other merchandise, goods, or services for it on a one-to-one exchange -- thus building up his own barter inventory.)

The two businessmen are both delighted with the deal, because they do in fact show a profit on it. And so is Mr. RTB, of course -- who is already off to a meeting with three other possible candidates for his services.

Entering the reciprocal trade broker business can be as easy as saying "I am one." Getting professional training and experience is another matter entirely. Reciprocal trade brokers are seldom listed in the Yellow Pages of your telephone book, don't seek publicity, and seldom want to add an "apprentice" to their staff anyway. One suggested approach is to contact the media outlets in your area (radio, TV, newspapers) and see if they are dealing now with a reciprocal trade broker.

The Seminar Center Division of C.G.P. Trading Company does offer seminar programs for prospective traders. For more information on courses, costs, and so on, contact them at: P.O. Box 8745, St. Petersburg, FL 33542.

Real Estate Exchangers.

There are an estimated 30,000 or more real estate agents, brokers, and investors who belong to some 200 real estate exchange groups across the country. Most of this activity is concentrated in the Sun Belt states, from Florida across to Texas, Arizona, and California. For the most part, this area of trade activity is limited to licensed real estate agents and brokers.

Real estate exchange groups break down into four categories: local, regional, statewide, and national. Membership can be as small as a dozen or so (in a local group) to several thousand in a national one. The individual groups usually have monthly or quarterly meetings and marketing sessions.

A marketing session typically consists of a series of presentations of the properties available for exchange, followed by a round-table discussion by agents or brokers who have clients who may be interested in exchanging for one of the properties.

Each presentation lasts about fifteen minutes. During this time a floor moderator guides the presenting real estate exchanger in brief discussions about (a) the property being offered, (b) the people who own it and what their motivations are for attempting exchange, and (c) any problems with either the property or the people who own it. Why is it being offered for exchange, rather than the more normal, "buy, sell, and pay taxes" approach?

Real estate exchanging exists today for two primary reasons: (1) Many properties have real value, but no ready cash market for them; and (2) thanks to a quirk in the income tax law (Section 1031 of the IRS Code), most real estate can be exchanged for other real estate (a 'like-kind' exchange) without either party incurring an immediate tax liability. This area can be complicated, however, and before trying to do this yourself, be sure to consult with a competent accountant, CPA, and/or attorney who is experienced in this field.

Commissions paid to real estate exchangers typically are higher than the standard real estate commissions -- usually averaging around 10 percent from each side of a transaction.

How does one become a real estate exchanger? First, it will be almost essential to become a licensed real estate agent or broker in your area, if you are not one already. Check with any real estate company about the requirements, cost, time, etc. To locate other exchangers, you can:

1. Write to your local board of Realtors and ask if there is a local real estate exchange group meeting in your area; also ask if they have a list of agents and/or brokers who specialize in this field.
2. Look through the Yellow Pages listings under real estate, seeking ads that say "We Handle 1031 Tax Deferred Exchanges" or "Buy, Sell, Swap Specialists," or similar clues.
3. Look in your local newspapers under "real estate for exchange," if they have such a column, or for the words "swap," "exchange," or something similar in the various ads.

Media Brokers and Media Exchangers.

As you saw in the chapter on "The Sultan of Swap," bartering for unused media time is big, big business -- some estimates place it at over \$500 million a year. Unsold commercial time on a radio or TV station, or unused advertising space in a newspaper or magazine, is one of the most perishable commodities on earth. Once that time or issue has passed, it's gone forever. There is no way to use a 60-second spot on yesterday's program, or in last Tuesday's newspaper.

Many radio and TV station owners try to create the impression that every available minute of commercial time is completely sold, and sold for cash. How much time is actually bartered, and for what discount from the going rates, is one of the most closely guarded secrets in the industry. No one likes to admit that they have thousands of dollars worth of a valuable commodity -- advertising time or space -- that they can't sell through normal channels.

It is estimated that over half of the 750 major television stations in the country, some eighty percent of the nation's radio stations, and a majority of publications barter for at least some of their advertising time. There are over 100 media brokers and firms engaged in "selling" this unused advertising time (or space) on a full-time basis, with some of the biggest, like Atwood Richards, negotiating swaps with an annual value of over \$250 million.

Since most radio and television stations don't want to publicize the amount of barter they do, and since most media brokers are equally publicity-shy, breaking into this particular segment of the barter industry can be very difficult.

There may already be a media broker doing business in your area. To find out, look under "advertising agencies" in the Yellow Pages section of your telephone book. Call a few of them and ask, "I have a business that sells _____. I am looking for an advertising agency that can buy TV and radio time for my business, and let me pay for it, not in cash, but in my product. Does your agency handle barter or trade-out commercials?" If you get a "no," ask if they know anyone else in your market who does arrange such transactions.

Most successful media brokers have built up inventories, or time banks, worth hundred of thousands and even millions of dollars. They will deal with manufacturers, dealers, hotels, airlines, and so on, in huge figures (\$25,000 would be considered "small potatoes" by most large media brokers). Without this kind of wherewithal behind you, it can be extremely difficult for "the new kid on the block" to even get his foot in the door.

Unless you have access to a substantial inventory of goods and services, for which you could serve as the "barter agent" in dealing with broadcasters and publishers, or unless you can work with one of the already-established media brokers, we would suggest considering some other field to embark on your full-time barter career. But if you do have

the contacts, connections, drive, and determination, brokering and bartering unused media time can be extremely lucrative -- as multi-multi-millionaire William B. Tanner would be happy to admit.

Trade Clubs and Organizations.

Organized barter for small business owners became a phenomenal "growth industry" in the 1960's and 1970's, as hundreds of trade clubs and organizations sprung up, literally overnight. Trade clubs operate by creating their own currency, called trade credits. Most clubs charge a fee for joining (usually in the \$100-\$500 range), and also assess a commission (often payable in cash to the club) for every trade between club members.

Trade credits are usually not exchangeable between various trade clubs. Although trade club owners would like everyone to believe that trade credits are equal in value to currency -- one credit equals one dollar -- such is often not the case. As some clubs expanded aggressively, too many trade credits were issued; the resulting inflation destroyed many groups, while other saw their "credits" being sold for ten cents on the dollar, or less.

Those trade clubs that have survived and prospered during the past two turbulent decades are almost always looking for talented newcomers to join the industry, as traders, salesmen, executives, and in at least some cases, as franchise owners.

Exchange Marketing Sessions.

For information on how these sessions work, see Chapter 19, "A Personal Property Exchange Session." Such exchange sessions are still very common for real estate exchangers -- although attendance and participation are usually limited to licensed agents and brokers who are already members.

Unfortunately, as we mention in Chapter 19, other personal property exchange sessions are not as common in the 1990s as they were in the 1970s and earlier. A well-run, ethical and honest exchange session can be both delightful and profitable for participants, so we hope they will soon enjoy a reemergence in the world of barter.

In the meantime, if you would like to become professionally involved in sponsoring or hosting such exchange sessions, about the only advice we can give you now is -- go out and do it! And, good luck.

CHAPTER 16

BECOMING A HORSE TRADER

OR, THE FINE ART OF NEGOTIATION

BECOMING A HORSE TRADER OR, THE FINE ART OF NEGOTIATION

Ernie Snyder, of Boardwalk Mazda/Subaru in Berkeley Township, New Jersey, knows the value of barter to the automobile business. "After all, barter is what the car business is all about," he explains. "You trade your old car for a new one, with cash thrown in to make the deal work. It's really value-for-value -- there aren't really prices on cars, just value. If I get equal value in return for what I give you, then we make the deal."¹

And deal he does. One week, the sign in front of his showroom read: "WE TRADE ANYTHING -- GOLD, SILVER, DIAMONDS -- FOR NEW CARS." A few weeks later, a new sign was up: "WE TRADE MOTHERS-IN-LAW FOR NEW CARS." The next week, that eye-catching message was gone; in its place was the following: "PLEASE, NO MORE MOTHERS-IN-LAW".²

In the world of barter, Ernie Snyder is what is known as a "horse trader." The phrase no longer means that he literally trades horses (although we wouldn't be surprised to learn that he swapped a filly or two for a new car); it means a trader who uses barter for his living -- who barters for profit.

R. E. Gould, the legendary Yankee storekeeper who preserved some marvelous tales of the creative swapping of his Down-East neighbors in his book, Yankee Drummer (the name doesn't mean someone who plays in a band; "drummer" in the good old days was a peddler), tells about a friend who was indeed a horse trader. After spending a day at the county fair, he was able to report:

"Had a good day. I've traded horses eleven times and now I have a better horse than I started with, \$14 in cash, a grindstone, a setting hen, and a bushel of beans."

Now, that is horse trading!

What does it take to become a horse trader -- to use barter for profit? You'll hear arguments that good traders are born, not made. In the days of yore, there may have been some truth to that assertion. But today's most successful barterers are men (and women) who have learned their craft, who have worked at it long and hard to develop the acumen (and the success) they enjoy today.

Profitable barter takes practice. You can learn all about the "secrets" behind successful bartering, but until you actually go out and apply them, it's impossible to

^{1 2} Portions from The Trader's Journal published by FJL Publishing Company, Inc. Copyright 1982, FLJ Publishing Company, Inc. All rights reserved. Reprinted by permission.

become a successful horse trader. This is indeed a field where one trade is worth a thousand words.

Nevertheless, there are some basic principles you should know about bartering for profit, and we'll share them with you in this chapter. You'll also meet some more horse traders, and get an inkling of what has made them so successful. But a word of caution: Don't expect to become a polished, proficient horse trader just by reading this chapter -- or memorizing this entire manual, for that matter. Bartering is like riding a bicycle -- you have to get up on it, and wobble around for a while, before you really become good at it. And like bike riding, once you do become good at it, you'll never forget the basic techniques.

Be Willing To Trade Anything For Anything.

If you've already done some bartering, for your own family's needs and comforts, you've got to unlearn one lesson: Horse traders do not limit their bartering to things they need, or have an immediate use for. Good horse traders will swap anything for anything -- just as long as they believe they are "trading up." They are neither "wanters" or "havers", as most barterers are. They will trade anything they have -- or anything they can get -- for something you have...if they believe that whatever you have will improve their bartering position down the road.

In his classic book on trading, Let's Try Barter (recently brought back in print by the Devin-Adair Company, Old Greenwich, Connecticut), Charles Morrow Wilson introduces the legendary barterer, "Dickerin' Jack" Redshaw, who became known, decades ago, as the King of Swap. Wilson describes how Redshaw bartered his way into marriage, then into a very profitable and enjoyable career:

"Poverty forced Jack Redshaw to quit high school in his second year. But he carried his school books out to the hog farm where he found a job as hired boy and continued studying -- and, of course, swappin'. At twenty-two, he was still 'pore' but happily betrothed and possessed of a Presidential Greeting that indicated he was among the fortunate ones chosen to Make the World Safe for Democracy. Since there was no lawful way to swap off the draft notice, Redshaw and his fiancée decided to be married immediately, even though the groom-to-be didn't have a dollar to his name.

"In view of the situation, Jack took back Esther's engagement ring and traded it for a wedding band and ten dollars cash. He paid two dollars of the ten for the license and two more to the preacher, dividing the remaining six dollars with his bride. On the train that carried him to the army camp, Jack traded his toilet kit and three dollars for a stickpin, then traded his stickpin for a watch, then traded the watch for another toilet kit and twenty dollars in cash. He sent the twenty dollars home to his bride and settled

down to soldiering and what he terms clean barter, 'meaning an absolute minimum of money.'

"After the Armistice, Jack Redshaw returned to his Mid-Western home and settled down to workin' a job some of the time, but bartering all of the time. He bought a dozen bamboo pens for three dollars, bartered the pens for shotgun shells, the shotgun shells for a meal ticket at a local restaurant, and on through a series of trades in which the items were an antique music box, a Ming vase, an Arabian charm box, a pickle barrel, and a bear rug. He swapped a completely equipped merry-go-round for ten thousand genuine corncob pipes (almost as good as cash in the Corn Belt in those days). By his fiftieth year, as Wilson tells the story, "Jack was swapping such diverse objects as Chinese junks for Liberian-registry oil tankers, Bolivian streetcars for Orinoco River houseboats, practically none of which Redshaw ever saw or expected to see."

"By this time, Redshaw's jewelry collection alone was estimated to be worth one million dollars -- and that was back in the days when a million dollars was really worth something. The King of Swap didn't need to trade anymore; he did it because he loved it."

"Dickerin' Jack" always had his eyes and ears open for a good deal -- even if he saw no practical use for the object currently being offered him. Wilson describes the outcome of one such trade:

"A college professor who inherited a bank vault, which he neither wanted nor was able to sell, owned a farm, and he had two young daughters, each pining away to own her own gentle saddle horse. It just happened that Jack Redshaw knew a local farmer who was being eaten out of barn and home by two gentle saddle horses. The farmer would have given them away gladly, and he was delighted when Trader Jack offered him a couple of easy chairs in swap. Jack promptly traded the gentle horses for the unsalable vault, and two years later he swapped the vault to a local banker for a one-carat diamond ring, 'two shotguns and \$300 in loathsome cash.'

There is a horse trader in action -- even willing to wait two years and accept "loathsome cash," if that's what it takes to complete a deal!

Lesson #1 in becoming a horse trader is never, ever turn down a deal, if you think you can ever use those new items to acquire more than you would get with your old items. To a horse trader, anything he has in possession -- or can easily get into his possession -- makes a possible trade.

Listen, Look, and Stop.

Now for some actual techniques to use in becoming a horse trader. First, don't be in a hurry. Listen to the other person for a while. Let him describe all of the marvelous virtues of what he has -- let him do the selling. Look at what he's offering with a careful eye, and never, ever seem terribly eager to acquire it yourself. Stop yourself before agreeing to any trade, and ask yourself: How can I make this deal better for me? What else does he have that he might be willing to add to the trade? What do I have that I can use as a "sweetener"?

If you've ever been shopping at a curbside stand or open-air market in a foreign country, you know that the first offer is never the best offer; the sales person might come down in price (or up in goods) half-a-dozen times before making the sale. Barter works the same way; the first offer is almost never the best offer -- or the final offer -- for a horse trader. Wait a while; don't appear very eager or even interested; let the other person try to talk you into the exchange.

Use "Sweeteners" To Improve The Deal.

A "sweetener" is anything else, added to the basic trade, to make it more attractive. It can work both ways: You might offer to add that antique clock you've been saving, to persuade your trading partner to exchange for the goods you really want. Or, you might insist that he add those two rocking chairs to the goods he's already offering, before you will say "yes."

As long as the negotiations continue, you are on your way to a deal. So don't worry if it takes an hour or two -- or even a day or two -- to come to a final agreement. Barter negotiations, for the confirmed horse trader, are the most interesting and exciting part of the business. A swap that takes four hours to complete is always better than one that took four minutes.

A good horse trader will have a list of available "sweeteners" always at hand -- either written down, or memorized. Those little "something extras" can turn many meager swaps into great opportunities...and profit.

Don't Be Adverse To Cherry Picking, Either.

Cherry picking is the opposite of sweeteners. With this technique, you are specifically excluding something the other person has from the trade. "I might be able to use that dining room table and chairs, but I just don't see any use for that old picture. Tell ya' what -- you keep the picture, and I'll keep this butter churn, and we'll swap everything else, even-stephen."

(Of course, that old picture might have an antique frame on it worth more than three sets of tables and chairs. A horse trader quickly develops an eye for hidden treasures -- or he ends up back on the assembly line.)

Cherry-pickin' and sweeteners are an established part of the barterer's techniques. They make negotiations more interesting, more fun, and -- if you do it right -- much more profitable. It can be difficult for the novice to master these tools of the trade, so force yourself to experiment with them. Even if you like the trade, exactly as it has been offered, don't accept it. Massage it for a while, using sweeteners and/or cherry-picking, and see what happens.

Always Be Prepared to Walk Away From A Deal.

Good horse traders never get emotionally involved in their own negotiations. They never have "their heart set" on driving home with that music box, collection of tools, or whatever is being offered in trade.

If a deal doesn't appeal to you, and the other party won't add a used thumb-tack to it, say "No thanks." A horse trader knows that the number of possible deals is truly infinite; if this one isn't good enough, a better one will come along later. Never let your "hot buttons" get pushed by the other trader -- but always be alert for ways to push his!

Trade Up Every Time, or Don't Trade.

If you expect to tell your grandchildren some day how you traded a beat-up birdhouse for a diamond bracelet, you've got to master the technique of trading up. This means that whatever you get has more value than that you gave up. And this leads to the most difficult and subtle aspect of all horse trading -- knowing the value of goods and services, not to yourself, but to others you will be trading with.

In barter, it is always true that "one man's junk is another man's gem." In the story of Jack Redshaw reprinted above, the teacher's vault and the farmer's horses were useless to them -- but of great value to someone else. As a horse trader, you want to take someone's "don't wants" and turn them into someone else's "must haves."

Two techniques that will help you master the art of trading up are:

1. Trade soft for hard; and
2. Trade perishable for permanent.

"Soft" goods in barter are those items with mostly subjective value -- items that are very difficult to put a definite price-tag on. Used furniture, objects d'art, unappraised gemstones, "almost" antiques are all things used in barter whose real value is often in doubt. "Hard" goods, on the other hand, are items that will have real, obvious value

anywhere and at any time. A gold coin such as a Krugrand is one of the hardest of the hard goods; its value can be determined by checking the price of gold in any newspaper.

“Soft” goods are also those trade items that are perishable -- anything from a basket-full of fresh fruit to tickets on a Caribbean cruise. As a general rule, horse traders will swap items that lose value over time for items that gain value.

Leveraged Ratios.

If you are offered “soft” goods for trade, don’t reject the deal out of hand. If the other person has \$10,000 worth of radio advertising spots that expire in six weeks, and you know someone who needs them now to announce a big sale, offer to take those soon-to-be-worthless advertising credits on a three-for-one or even four-for-one basis. This is called a “leveraged” trade. In other words, offer \$2,500 worth of your “hard” merchandise for that \$10,000 worth of “soft” goods.

Once you have those advertising credits in hand, you can go to your businessman friend and offer him “the deal of a lifetime” -- \$10,000 worth of radio advertising now, for only \$7,500 worth of merchandise from his store that you can accept or assign any time over the next year.

The merchant should be delighted to trade \$7,500 worth of merchandise, which is just sitting in his store, for advertising that he would otherwise have to pay cash for. While you can either use your credits at his store for 1-to-1 barter trading -- even “cash out” at a discount, say 60 percent, and end up with \$4,500 in cash for the \$2,500 worth of goods you had at the start.

That is how leveraged trading, with the addition of going from “soft” to “hard” goods, makes you a horse trader.

Multiple Swaps and Vehicles.

There will be times, no matter how good a horse trader you become, when a deal is going to get away from you, simply because you don’t have the goods or services that the other party wants. Say that the last thing on earth your merchant’s friends wants is advertising time on radio. But he does express great interest in trading \$7,500 worth of his stock for something else -- a trailer, carpeting for his store, whatever.

Don’t say good-bye -- tell him you’ll be back shortly! And then, go out and look for a third party to enter the trade, who can complete the barter circle. Know someone with too much carpeting, but not enough business? Maybe he’ll trade his excess carpets for your radio advertising time; you then use the carpeting to trade for the store merchandise you wanted all along. Jack Redshaw and other great horse traders quickly learned that their most successful barter exchanges were not one-to-one trades; they involved three, four, five, or six or more other parties!

The same principle holds true using “vehicles.” A vehicle is anything you swap for, that you use to swap for something else. In the example above, the carpeting was your “vehicle” to get what you really wanted -- the store merchandise.

A vehicle can be anything that helps you complete a three-way, four-way, or even more involved swap. “Hard” goods, such as gold coins, diamonds, and so on, are very good “vehicles,” because they have a value that will be recognized at once everywhere. A mobile home is traded for Krugerands, which in turn are traded for the log cabin in the mountains that you really wanted. You could not have made the trade direct -- mobile home for mountain home -- but the Krugerands were the “vehicle” that turned an impossible deal into one that was completed.

In her delightful book, “WHAT’LL YOU TAKE FOR IT? BACK TO BARTER,” Annie Proulx describes some of the old-time Connecticut horse traders “who could paint a black horse white and swap it back to the same farmer he’d stolen it from.” These are the same folks, she says, “who palmed off wooden hams and nutmegs on more credulous folks, or bartered hollow watch cases with click beetles inside to trusting bumpkins.”

Let us emphasize that these are not the folks who prosper and profit in barter today. You can make a very good living, and have a very enjoyable life, as a horse trader -- so long as you remember that both parties to each transaction must be pleased with the deal. No “shifty-eyed, fast-talking, swift-footed dissemblers” (to quote Annie Proulx again) need apply for a position as horse trader in today’s world of barter, thank you very much. The person who is sorry he ever dealt with you is the person who will never deal with you again -- and nor will anyone else who hears his sad story of being taken.

With that thought in mind, there are nine rules from “The Horse Trader’s Handbook” by Annie Proulx. When she wrote some of them, I suspect her tongue was planted firmly in her cheek. But there are enough kernels of truth in her listing to make it worth reprinting here:

THE HORSE TRADER’S HANDBOOK

1. Know the current market values of everything. Keep some up-to-date catalogs in the back room -- Sear’s mail order catalog, a farm supply catalog, an antique price guide, and an automotive parts price guide are indispensable. When a prospect brings in Granny’s butter churn to swap, just make an excuse to duck out for a minute, run to your catalog library, and see what butter churns are bringing on the antique market.

2. Know the wants of the community. If you remember that the Hellespontos got a Jersey cow a month ago, then you can guess they’re about ready to kill for a butter churn. You might be able to swap this one for one of those registered Collie pups they’ve got.

3. Trade for anything that comes along. You can never tell when you might need a square of shingles, a pair of boots, a mushroom guide, or four thousand meerschaum pipes to clinch a deal.

4. Only swap UP. If you can't make a profit, let the deal go. Someone else will come along.

5. Size up your barter prospect. Talk for a while -- get an idea of the other person's character, weaknesses, swapping expertise, and greed. Notice the pipe he's smoking -- maybe he'd like four thousand meerschaums.

6. Make the swap sound complex. Dazzle the other fellow with details and numbers so he can hardly follow you. Make it sound like he's getting the best of a big deal -- shake your head ruefully and tsk-tsk that he's too smart for you, while practicing Rule 4.

7. Get him to name a value first. This puts him on the defensive and sticks him with a stated value while you are free to register incredulity, to laugh, story tell, and counter-offer at will.

8. Keep 'em off balance. Dress "pore," play the character, talk like one. If you keep them entertained, you may distract them from hard bargaining.

9. Sweeten the pot. If the prospect has brought kids along, give them each a lollipop and a grin. Now the parents feel obligated to you, and you haven't even started to dicker.

Faithfully apply every one of these rules, all of the time, in every instance, and you may not become another "King of Swap." In fact, your wife may throw you (and your entire barter inventory) out on your ear!

But the suggestions here can help make you a better barterer. And enough profitable barter will make you a confirmed, successful, and profitable horse trader!

CHAPTER 17

CONFESSIONS OF A BARTER PROFITEER

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CONFESSIONS OF A BARTER PROFITEER

by Jay Abraham

I am probably one of the most diversified entrepreneurial sorts you'll ever meet in your life. In any typical month, I'm aggressively engaged in retail business activities, publishing, silver, gold, numismatics, precious gems, and real estate transactions -- to name just a few.

While the bulk of my dealings are basic cash-purchase or debt-financed transactions, the most exciting (and certainly the most extraordinarily profitable) dealings and ventures I've ever engaged in have involved the creative utilization of barter.

I'm not talking about just your basic one-for-one, product-for-product transactions, but some ingenious derivations encompassing goods for services, highly-margined triangulated activities -- even the liquidation of a business. And I've made millions of dollars for my associates, hundreds of thousands for myself, just by engineering the dynamics of the trades.

This all probably sounds very esoteric -- like it's extremely sophisticated stuff -- but, really the contrary is true. Virtually any person with a sound understanding of real and perceived value, can master the art of becoming a barter profiteer in a matter of hours.

So utterly astounding are the rewards you can reap that you'll only believe me if I tell you about some of my own dealings, first hand.

The Advantages of Barter.

First, let's begin by reviewing quickly just why barter is so appealing. By engaging in barter activities to acquire goods and services you want or need, you can:

- * Enjoy up to 80 percent cash savings on all your purchases.
- * Acquire needed items with money you've already spent.
- * Finance major purchases interest free for up to two years -- and get the purchaser to carry the paper at a discount.
- * Make middleman profits up to 100 percent without investing a dime of your own money -- or committing yourself to any liability.

And that's just the beginning!

If this sounds like some hyped-up promotion for a make-a-million-dollars-in-your-own-business deal, it is not.

It's merely a glimpse beneath the surface at the incredible profit opportunities available to the astute practitioner of sophisticated barter.

I'll dispense with the basic commentary on how fundamental barter is done. I'll defer that education to the other contributors in this publication, and, instead, I'll take you directly beneath the surface into the most fascinating and lucrative avenues of barter transactions. And hopefully, I'll be able to teach you ingenious devices you can put to use tomorrow. Devices to pick up huge chunks of money (or equivalent value) month-in and month-out from now on.

Determine Your Barter Leverage Position.

Let's start off by determining what your barter leverage pivot position will be. You must either have goods or services you possess or control, or you must function as a middleman hub.

Let's take the first example for illustration. Suppose you own a company that manufactures or sells a product -- any product. As long as there is an established market for your product, somewhere in this country (or the rest of the world), you've probably got the basis for building a profitable barter opportunity for yourself.

Let's start with a consumer-oriented product. Perhaps you own a mill that makes carpet, or a plant that manufactures furniture and accessories. Now, the items you create in your factories costs you a fraction of the price they ultimately sell for in the retail market, right?

Next, take a few minutes and make up a list of all the goods or services you need or want for both your business and your home. You may need new office equipment; personal computers, dictation equipment, etc. Or possibly you need new heating and air conditioning units for your office or home. Of course, your needs may vary greatly -- you may need new equipment in the factory -- new vehicles, etc.

Once you've determined exactly what it is that you require or crave, you're ready to begin bartering -- and profiting greatly.

Start With the Most Obvious Prospects.

You start out by going to the most direct and logical prospects first, and proposing a direct exchange of your goods or services for theirs.

Say you're trying to get a house-full of furniture and your business is air conditioning sales and service. The first thing you'd do is go through the phone book and call every retailer of the kind of furniture you seek, introduce yourself and your business, then come right to the point.

Tell the owner of the furniture store (always strive to speak principal to principal), that you need nearly \$8,000 worth of furniture to redecorate your home (if that is approximately the amount you need). And tell him you'd like to trade an equal dollar amount of air conditioning and/or heating equipment and service for that amount of furniture; would he be interested?

Be sure to stress the fact that you seek to trade for retail value and not necessarily the discounted price that the furniture dealer may be selling the furniture for.

Dealing on a retail or suggested retail price basis is an excellent way to effect most trades. Why? The reason is very simple, really: markup. Most retailers have a minimum of 100 percent, and often times up to 300 percent, if they sell an item for full suggested retail value.

Unfortunately for them, our ultra-competitive society usually prohibits ever achieving such lavish profit margins and the furniture store owner must content himself by earning a still-respectable 35, 40 or 50 percent markup.

But when you come to him offering to trade \$8,000 worth of air conditioning or heating equipment or services for an equal dollar value of retail furniture -- at full list price -- the dealer immediately sees the opportunity of making that 300 percent mark-up on the transaction.

Whether he presently needs the heating or air conditioning items or services now really doesn't matter -- so long as he is persuaded that he will be able to use these services in the near future.

Offer Unlimited Time/Date Use.

Herein lies a very important secret to effecting fabulous exchange transactions. Whenever you require something right now, and the person or company you are trying to trade with doesn't need or want to avail themselves of your firm's goods or services right away, don't let the deal slip away from you.

Rather, offer the prospective trader this creative option: Tell him he can have an unlimited time-date in which to use said goods or services from you -- and that he may assign the credit you are offering him to anyone else he may designate.

Why do this? Because by evidencing to the prospective trader that he can wait and use your credit anytime he wishes in the future -- or freely trade or assign your credit over to anyone else he wishes -- you create more rational, valid, persuasive reasons the man should enter into the exchange with you.

If he knows he uses approximately \$2,000 worth of heating and air conditioning services a year, if he understands he can "buy" said services from you at 35 cents on the

dollar; and if he realizes he can pay for these essential air conditioning or heating services with dollars he's already tied up in slow-moving furniture -- he's coming out smelling like a rose.

An astute business man would jump at that chance. Any man who would normally take the two percent early payment discount on an invoice should jump at the chance to pick up a 66 percent discount just for entering into such a trade with you.

All these points could be subtly pointed out to the man by you, in the event that he still suffers from trade resistance. If the man is receptive to the prospect of trading, concedes he will need the services you are offering sometime in the near future, but claims his money is all tied up in inventory he needs to sell, don't be afraid to lead him to an appealing solution you can both profit from.

Suggest two things. Perhaps he has a friend or business acquaintance he knows who can use \$8,000 worth heating or air conditioning services right away. A friend who would be willing to buy the credit you are offering to trade to him -- for, say, a 40 or 50 percent discount.

If the furniture owner's mind is working while you're talking, he'll quickly see that he can trade you \$8,000 worth of furniture that's not moving, and which cost him only \$2,300 or so, for \$8,000 worth of heating and air conditioning services he can sell immediately to a friend for \$4,000 or more in cash.

It doesn't take a shrewd mathematician to realize that this would yield our hypothetical trading prospect a nearly 100 percent profit -- plus provide him with much-needed cash.

The creative possibilities of such an approach are virtually limitless.

Take Your Goods Now.

One important point should always be remembered when trying to effect any one-to-one type of trade, and when you are the one desiring to acquire the respective goods or services right away.

Always stipulate in your trade proposal that the credit you will issue will be non-time dated (at the minimum, allow at least three years to use), plus, the credit may also be assignable. Why do this? For two very good reasons:

The first is for him, to make the deal more appealing and easier to save and use later, or to turn over immediately for cash.

The other reason is for you and it's a beauty. The longer a person waits to use a specific dollar credit, the less that credit is worth in terms of real borrowing power.

It should be apparent that \$8,000 worth of services or merchandise today is worth a heck of a lot more than that \$8,000 will be worth two, three, or five years from today. The longer a person waits to use the credit you issue, the less it ends up costing you to fulfill your obligation. What all this boils down to is very simple: By always offering unlimited time expirations on any dollar-credit you trade for -- you end up doing the following for yourself:

1. You acquire needed goods or services at savings to you of 50-65 percent.
2. You end up financing your purchase acquisition of these goods for many years, interest free, on an usually appealing balloon-type note.
3. The longer the recipient of your trade credit waits to use it, the greater the added discount on your purchase you achieve. It's not uncommon to achieve another 15 to 25 percent savings due to eroding purchasing power of the dollar.

Let's establish some very important ground rules you should always follow in the role of trade initiator:

A. Always seek to get your goods up front right now, for if the tables get turned, you'll be on the receiving side of all the discounted value we described above -- and you'll end up in the role of financier.

B. Always insist on assignability rights for any item or service you ever receive a credit for.

C. Never try to trade at anything less than retail value or higher, as far as your goods or services are concerned. Remember, the higher the retail valuation you place on the goods or services you trade, the greater the buying advantage you are achieving.

Go Wild With Possibilities.

Let's explore some unique profiteering opportunities inherent in this trading area. Let's say for illustration's sake that you are the manager of a very swank restaurant -- the kind that charges 100 dollars or more for a gourmet dinner for two.

You can let your mind go wild thinking of all the various hard goods or executive or personal services that are very, very desirable on the open market. Then, just start going through the Yellow Pages, calling all the proprietors of every business dispensing these services or products. Offer to trade each one of them x dollars in restaurant credit for an equal dollar credit in their goods or services.

Tell them they can use their credit with your restaurant forever, or until it's used up -- but stipulate that you want to acquire your proceeds of the trade within the next few weeks. And stipulate assignability on both sides of the exchange.

Then, immediately after consummating the trade, place small classified ads in your local newspaper offering to sell the recently acquired trade credits for 25 to 40 percent off.

Let's examine quickly what you've just accomplished.

- * First, you've just bought x thousands of dollars worth of intrinsic value for food and beverages which at most cost you approximately one-fourth that amount.
- * Second, by issuing a non-expiring credit, you've assured yourself that the credit won't be frivolously used soon, but rather will be judiciously preserved by the recipient for many months -- possibly years -- thereby creating the equivalent of interest-free balloon note financing for you to pay for your trade acquisitions.
- * Finally, by immediately turning around and liquidating the trade credit you received for 60 percent of face value in today's dollars, you end up making an immediate 200 percent or more on your money.

If I really wanted to boggle your mind, I'd show you what the creative use of that money, and of subsequent monies additional barter transactions similar to this could achieve, but why bother? You get my point.

Become a Middleman.

Finally, let's discuss an even more fascinating opportunity that's seemingly hidden to most people, but which virtually any of you can readily capitalize on for incredible profit.

You've heard of infinite leveraging. Well, here's how to do it with barter. The trick is to use OPM (other people's money).

In essence, you learn to control other people's goods or services without ever having to own or invest in anything; yet you end up profiting more sometimes than the actual bartering parties.

Here is how it's done:

First, you approach a number of people in varied businesses or professions and ask them if they'd be willing to trade their goods or services for good or services they either want or need. Usually seven out of ten will respond favorably.

Tell them you'll put the deal together for them for either a 30 percent of face value commission payable in credits, or for a 15 percent cash commission. Nine out of ten will opt for 30 percent in credits.

Next, get a written agreement where they assign to you a finite credit amount that they will trade for any equal dollars' worth of acceptable merchandise, and stipulating the aforementioned commission arrangement.

Once you've contacted a couple of dozen businesses, you're ready to trade. And, you've got an inventory list of merchandise and services that reads like a Christmas wish list.

Now, approach various outside businessmen, representing that you control a specified dollar credit of such and such an item, which you'd like to trade for an equal dollar volume of their items. Tell them that if they're interested in making such a trade, you'll try to facilitate it for a commission or fee equal to 30 percent of the face value in credits, or 15 percent in cash.

Without going through all the rest of the steps, it's pretty easy to see that you can end up making 60 percent on the entire transaction without investing a cent! Nor would you have any contingent liability to provide any goods or services. You'd merely pick up your goods and services and walk away to the next deal.

Always remember to pick up your credits immediately, and always stipulate that said credits are totally assignable to whomever you may designate.

There are far more creative and complex variations you could opt to experiment with.

One such possibility entails trading one item for another at an unequal retail dollar equivalent. This is where you'd have one item that's more appealing than another, and you'd persuade the less desirable product owner to exchange with your client on a 2-to-1 retail-to-retail multiple.

Then, depending upon the deal you originally cut with your client, you could end up picking up the full coverage credits above one-to-one -- plus the added commission. At the very worst, you'd double your commission from one side.

Picking up \$900 in commissions, on what started out essentially to be a \$1,000 face transaction --without putting up the first investment or equity dollar -- is pretty astonishing, you'll have to admit. But nevertheless, it's perfectly attainable day in and day out.

These are just a few of the creative barter techniques and profiteering tactics I have used to enrich my clients...and myself.

Any one of them could make you a lot of money. Mastering them all could conceivably make you rich.

CHAPTER 18

TRIANGULATION -- THE HIDDEN KEY

TO EVEN GREATER BARTER RICHES

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TRIANGULATION -- THE HIDDEN KEY TO EVEN GREATER BARTER RICHES

by Jay Abraham

Perhaps the single most valuable technique for the "creative" barterer to master is the fine art of triangulation. By becoming proficient at triangulation, the astute practitioner can make up to fifty percent more barter deals and achieve net profits that may exceed two hundred percent of the traditional yields that basic trade deals produce.

Just exactly what is triangulation, you ask? It is the use of three separate transactions (or more) to achieve your ultimate barter objective. And while it may seem complex in theory, it is really very simple in practice. Like many other barter nuances, once reduced to its lowest form, triangulation is actually incredibly simple.

Triangulation becomes invaluable -- and essential -- whenever you cannot achieve your primary barter objective through the conventional two-party trade situation. In other words, whenever you cannot convince a barter prospect to accept your goods or services directly for his goods or services, triangulation becomes the device to save the deal.

The Restaurateur And The Auto.

To illustrate the amazing flexibility that triangulation can provide you, let's use a hypothetical case to illustrate my points.

Suppose you own a classy and prestigious restaurant that sells food and beverages that have an average gross mark-up of five hundred percent over your out-of-pocket costs. And you'd like to trade food and beverage credits for a new car.

Sounds like a simple enough objective, doesn't it? Until you approach the local car dealer, who has absolutely no need whatsoever for \$10,000 worth of your food and beverage credits. In fact, from a personal-profit-appeal basis, the car dealer may laugh you right out of his showroom.

Then what do you do? Well, if you're at all persistent, you probably approach two other car dealers, both of whom will probably also turn you down. So stop for a moment and analyze the car dealer's real profit pulse -- in short, what goods or services appeal to that car dealer from a profit-or-loss perspective? What variable goods or services can make or save the dealer more money?

Probably the biggest factor that will come to mind is advertising. Most dealers spend between \$5,000 and \$10,000 a month just on various forms of radio, TV, and newspaper advertising.

So, how can you use advertising to help achieve your goal of trading credits at your restaurant for a new automobile? Why through triangulation, of course!

Set Up A Three-Way Trade.

Approach all of the prominent radio and television stations in your market, plus the local newspapers. Offer to provide them with restaurant credits they can use to "wine and dine" their better customers, in exchange for advertising credits they'll give to you -- but which you have the right to assign.

And because we all know that most car dealers don't begin to operate on the same kind of margin spreads that restaurants do, you recognize that in order to make the "triangulated trade" concept complete, you must acquire at least twice as much advertising credit to offer the dealer.

So you trade \$20,000 worth of restaurant credits, to be used as the station sees fit -- with no expiration date for at least two or three years -- with the proviso that you can use and assign your newly acquired credits just as quickly as you wish.

As long as your restaurant is desirable and has a solid reputation for quality and tenure, chances are very good that the station will go for that trade.

Then, with \$20,000 worth of assignable credit in hand, you re-approach that original car dealer. But now you have a much different barter proposition. In essence, you offer to trade him advertising credit he can definitely use to promote his dealership, in exchange for the designated auto -- but at the nominal dollar rate of 1.75-to-1 in his favor!

What this means to the dealer is that, for an auto with a retail sticker price of \$10,000, you will trade him \$17,500 worth of advertising credits. (Why not the full \$20,000? I'll get to that in a moment.) Now all of a sudden you're offering the car dealer something he can definitely use -- at a better discount than he can probably buy for himself. Chances are, if he's a creative businessman, he'll very probably accept your new deal.

And why shouldn't he? You're giving him the opportunity to acquire \$17,500 worth of advertising credit -- something he would use anyway, and would probably have to pay real cash for under normal circumstances -- and you're allowing him to acquire that advertising for a \$10,000-priced automobile that probably cost him no more than \$7,500 max.

In short, you're offering a car dealer who normally makes less than ten percent on an all-cash new car sale the opportunity to increase his profit to an eye-popping 233 percent! Pretty astounding, don't you agree?

Finding The "Hidden" Profits.

But now let's go back to your side of the transaction for a moment, to evaluate the "hidden" profits you achieve as well. First of all, you traded \$20,000 worth of restaurant credits (that at most cost you one-fifth that amount, or \$4,000) for a \$10,000 car, right?

Which means that you bought your car for an incredible 40 percent of retail -- or an unprecedented savings of 60 percent off the sticker price!

That in itself is pretty terrific, but it's only the beginning of how you benefited. Since chances are good you won't have to provide all the restaurant food and beverage credits for at least a year, and very probably two or three years. In essence that means that the radio station, television station, or newspaper you provided the restaurant trade winds up "financing" your \$4,000 purchase price for up to three years -- at no interest to you!

If it's beginning to sound utterly unbelievable to you, wait. It doesn't stop there. Because...

Since your prices are bound to go up at least two or three times over the next few years, by the time the station is starting to use the second half of their credits at your restaurant, the purchasing power has been discounted by ten or twenty percent, or more.

That means that the longer the station or publisher waits to use up their credits at your restaurant, the less it will end up costing you. By putting a three-year expiration date (or no expiration date at all) on the restaurant credits you provide, you can actually end up discounting your already drastically discounted purchase price of the automobile by another 25 percent -- or another \$1,000. So now that brand-new \$10,000 automobile has cost you as little as \$3,000 in "hard" dollars -- and that's being financed, interest-free, for three years.

Get The Gas And Insurance Free, Too.

But wait one final moment. Remember that we started originally by trading a \$20,000 restaurant credit to a radio station, TV station, or publication for an equal dollar credit in advertising that we could assign -- but we only used \$17,500 of that \$20,000 credit. What happens to the remaining \$2,500 in advertising credits we still have?

We have a number of very exciting possibilities available to us. We could go to any number of advertisers and sell them the advertising credit at 65 cents on the dollar (a 35 percent savings over what they could buy it for direct), and receive \$1,625 in cash.

That would be enough money to pay all the costs of licensing and taxes on that new car, pay the entire year's insurance premium, and put a full tank of unleaded gas in the car -- and still have a few hundred dollars left over!

I used the examples of restaurant credits for advertising, then advertising for autos, only as an illustration. In truth, almost any conceivable combination of goods-for-services, services-for-goods, or any other variable can be used in triangulation to achieve your objective.

A very important point to remember, always, is to identify the real personal profit hot button of the person who ultimately controls the goods or services you are trying to acquire. And always strive to provide him with those items that satisfy those needs -- the one that pushes the right hot button.

Some Possible Variations.

A parenthetical note to remember: controlling the goods can many times be just as satisfying as owning the goods. In the case of the car dealer, if he won't trade outright for the actual "ownership" of the new car, ask him about trading for the use of the car for two years. Or, how about a new demonstrator every two or three months for two years? Or...well, I think you're beginning to get the idea.

And one final thought: What if you have neither the restaurant credits or a new car to offer in trade? You could become the broker for such a series of triangulated transactions -- receiving a ten or twenty-percent commission from each of the parties for your efforts! That is how triangulation can work for you.

CHAPTER 19

A PERSONAL PROPERTY EXCHANGE SESSION

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A PERSONAL PROPERTY EXCHANGE SESSION

By Gary King & Frank Lyons

Twenty-five traders, all with odd assortments of personal property to exchange, gather outside the hotel conference room door at 9:00 a.m. Some are old friends who have attended many barter auctions together in the past. They talk and exchange one of their most valuable commodities -- gossip about other traders and memorable deals made and lost. Most members of the group, however, are new to the proceedings and acutely self-conscious of their novice standing.

How in the world, they wonder, are twenty-five people with such variety of services and personal property -- gems, furniture, cars, advertising time, bubble gum, real estate in Mexico, restaurant scrip, frozen food, vitamins, even pet screws -- ever going to locate others interested in making deals? Would it simply be a free-for-all, with people milling around the room shouting out their "haves" and "wants"?

Visions of the Chicago Commodities Exchange floor come to the mind of one first-timer, and he expresses his fears to the woman standing next to him in the hallway. She smiles and replies that she had worried about the same mass confusion before her first personal property exchange session.

Finally, the doors open and the crowd surges into the room. Inside, at the front, is a large pad of white paper on a stand -- the kind commonly used by sales persons or company executives, when making presentations to large groups of people. This is the Board, the key to barter auctions.

Since its first use many years ago, the Board has developed into many different variations and goes by a variety of names: "Personal Property Exchange Board," "Barter Board," "Zander Board" (named after Herman Zander, a real estate exchanger who developed the concept), "Modified Zander Board," "Cowboy Auction," and many others. It is most often simply called the "Board."

The Board is an intriguing method of facilitating a large number of diverse trades quickly and in an organized manner. Just how the Board works appears complex at first, but is actually ingenious and surprisingly simple.

Starting the Bidding.

A barter auction is conducted similarly to a regular auction, with two important exceptions:

1. Instead of an auctioneer who drives up competitive bidding, there are one or two moderators whose job is to keep track of the proceedings, ensure the rules of the session are followed, and guide the bidding toward the good of the entire group.

2. Instead of bidding with cash, individuals bid with personal property.

As the participants enter the exchange sessions, they begin to investigate what sorts of property are being offered or sought. Some traders have brought samples and place them on the desks in front of their seats. Most have simply typed descriptions and post them on a wall inside the room, describing their haves and wants.

Also, as the traders enter the room, one of the moderators hands each of them a "yellow sheet" entitled "Items for the Top of the Board" -- that is, the offer that will initiate the first bidding. This form asks for the trader's name, description of property and other information regarding value, delivery capabilities, and so forth. Some of the traders choose not to complete the yellow sheets, since they do not wish their property to be "on top," but prefer to hold their items for subsequent bidding.

The moderator selects the item(s) for the top of the Board, using the following criteria:

1. No real estate will be placed on top. Real Estate items can be bid on the Board, but they are never placed on top. This is to differentiate a personal property exchange session from a real estate exchange session, a highly professional and specific type of barter auction.

2. No "currency" items are placed on the top. A currency item is defined as an item having no verifiable or specific value. The value assigned is arbitrarily determined by the owner. An example would be a painting by an as-yet-undiscovered artistic "genius."

3. Items are chosen that, in the moderator's opinion, will create the maximum amount of interest.

The moderator makes his selection of the item for the top -- a group of musical instruments offered by a trader named Frank. The session is about to begin and most of the participants take their seats, although the milling about never stops completely.

The moderator enters the name and value of each items in the group of musical instruments across the top of the Board with a black felt-tipped marker. He then draws a line under them and enters Frank's name at the upper right-hand corner.

Frank is asked to stand and describe to the others the various instruments and to answer any questions. After all questions have been answered, the moderator then opens up the top of the Board.

The Bidding Begins.

Anyone interested in acquiring Frank's musical instruments raises his or her hand and waits to be recognized by the moderator. In bidding on the Board, the following rules are in effect:

1. All items bid must be either owned by the person bidding them, or the individual must have the power of attorney that authorizes him to trade the merchandise.
2. All bids must have a value of at least eighty-five percent of the value of the item being bid on.
3. There is no limit on the amount of over-bidding, and over-bids are encouraged. An over-bid occurs when the item being bid exceeds the value of the item being bid for. Thus, great interest is generated in items placed in bid lower down the Board, as will become evident.
4. Individuals making a bid must be prepared to substantiate the value that they place on the objects.
5. An item cannot be bid on the Board more than once, unless the individual bidding them has more than enough of that item to cover all bids.
6. If a bid is accepted, the person making the bid must complete the trade. There is no backing out after the trading begins.
7. The moderator has the option to accept or reject any bid based on the above criteria and in the greater interest of the entire Board.

The moderator recognizes and accepts Bill's bid of a lot in Mississippi for Frank's instruments. He draws a line down from the top line, writes "\$1,200 Lot In Mississippi" and draws a box around it. Bill's name is written above the box.

After the moderator feels he has a variety of bids for the items on the top, he opens up the entire Board.

Traders now can bid on items listed on the second level, and on subsequent levels. For instance, Irv has no interest in Frank's musical instruments, but is interested in George's used piano. He offers his inventory of bubble gum and \$700 in Krugers. Jerry would like to trade his pet screws for Irv's coins and bubble gum. As with the top of the Board, competitive bids can be entered for any item, as occurs when both Amos and Bob bid their items for Greg's rifle, tapes, and cooking utensils.

From Top To Bottom.

When the bidding is over, the actual trading begins. Frank, the person at the top of the Board, can either reject all bids or select any bid on the Board. He can select, in exchange for his musical instruments, Sam's costume jewelry, or Jerry's pet screws, or Mike's unappraised diamonds. He can even ask a bidder to add something extra to the items bid.

Frank actually chooses a bid at the very bottom of the Board -- Zeke's \$500 in appraised diamonds and a lot in Alaska worth \$700. There are six other traders between Frank and Zeke, and all will now acquire the property immediately above their bids, the property they did in fact bid on.

The moderator draws a circle around this eight-legged trade, to indicate the transfers. The Board isn't done yet; Frank moves to the bottom of the Board, and Sue moves into Frank's position on the top. She can either keep the musical instruments, or she can trade for any other items still on the Board.

During the previous bidding, Sue had noticed -- and was very interested in -- Wayne's bid, and she decides to trade her newly acquired musical instruments for his bid for shoes, a water purifier, and modeling scrip. The moderator draws a circle around this second trade, completing the seven-part leg. George now owns the top of the Board. He is not interested in any other items listed and decides to keep the musical instruments.

The Board is still not dead, as there are still additional outstanding bids. Traders on the second level can now consider whether or not they are interested in any items placed in bid in the leg below their offering. Two, Bill and Sam, decide they will trade for the items bid immediately below theirs. Mary, however, declines.

Like a game of musical chairs, the Board continues to move. Irv, who now owns the used piano, decides to move through the piano to Stan's emeralds, topaz, and rubies. Jesse decides to keep the piano. Wayne decides to move also, accepting JoAnn's silverware and used books. Amos, who now has Greg's position, completes the Board by taking Mike's unappraised emeralds.

All of this would be difficult, if not impossible, to keep track of without the graphic use of the Board. In the end, 30 trades occurred with \$32,845 in goods and services.

Is that it for the day? Not at all. The moderator tears the now-exhausted Board from the pad and posts it on the wall behind him. Several traders cluster around it tracing the transactions. Most take advantage of the opportunity to stretch their legs after the two-hour session.

“What happens now?” The new Board initiate asks the same woman he had talked with earlier, as they meet in the coffee shop.

“Why, we take our newly acquired property, go back in, and start all over again!” she replies.

Advanced Barter Board Strategies.

After achieving a basic understanding and ease with the workings of the Barter Board, you are now ready for some of the more advanced strategies and techniques you may witness or use during a personal property exchange session.

1. During the pre-bidding time, it's best to try and find out all you can about the other traders' property, without giving away much information about your own. This gives you the advantage of knowing more than the other traders, and allows you to hold especially attractive (or unattractive) bids in reserve, to be played at your own discretion.

2. “Sweeteners” are powerful tools to use toward the end of the bidding. This involves adding to your bid an additional item that you know will whet the interest of the person on the top. Sweeteners can be anything that he has some particular desire or need for. Cash is commonly used as a sweetener, since traders can sometimes have thousands of dollars in trade inventories but no cash. Gold jewelry, guns, and collectibles also have wide appeal among traders.

3. “First-position” bids can be used to entice the person at the top of the Board to take your bid first or trade down your leg first. First-position bids are ones that are contingent on being first chosen, and cease to exist if not. First-position bids can force a vacillating trader into deciding in your favor, or it can free you after the first trade to move to another position on the Board, a desirable move if you spot some hidden treasure in another leg.

First-position bids are usually designated on the Board by writing the bid in a different colored pen, such as orange or red.

4. “Bid-backs” are when a bidder demands that something else be added to the offer. If, for example, the offer is a thousand Ping Pong balls (worth \$100), you might bid \$200 in silverware, but demand that the offerer double the amount of Ping Pong balls. This technique is especially useful if you know the offerer has something particularly valuable or attractive hidden in his garage or briefcase. Bid-backs are shown as smaller boxes drawn off to the side of the offerer's main box.

5. “Insurance” bids are used to make sure a trade is made. It involves placing a bid of exactly the same type property below a bid as is positioned above the bid. For example, you see someone bid a Krugrand for ten Kewpie dolls. You happen to also have ten Kewpie dolls, and you place them in bid on the Krugrand. That way, if the

person at the top of the Board doesn't choose your leg, you have an excellent chance of working a one-to-one trade with the owner of the Krugerand.

6. Successful traders are always watching the others' reactions to the bidding, noting their hot buttons in order to formulate future trades on the later Boards. No items acquired in trade need to be those taken home, and often traders will consciously bid, massage, and sweeten for items they have no real interest in -- except to trade again. By combining something that is really desired by another trader (or a hard item such as a Krugerand) with a lot of soft items or junk, successful traders can significantly improve their position by converting an inventory of soft items into hard ones.

7. Being at the top of the Board has the obvious merits of having first choice of accepting, rejecting, or massaging any bid on the Board. Generally it means you have a much wider choice.

However, being down on one of the legs gives you an opportunity to better observe what is happening in the room and use your analyses of the other traders to put together a trade that is more advantageous to you. Watching the Board develop also is part of the fun of barter sessions. If you're at the top, you are essentially out of the active bidding, unless you have other items to trade. Experienced traders generally prefer not to be at the top of the Board; however, most will be at the top once in a while -- just to say they have.

How To Prepare For A Personal Property Exchange Session.

1. Prepare an up-to-date inventory list of your tradables, divided into three categories:

- "A Group" -- Your hardest and best trade items;
- "B Group" -- Standard trade items;
- "C Group" -- Junk.

You will then be prepared to react quickly and astutely as the bidding progresses.

2. Place each trade item into a separate container (envelopes work nicely) along with all pertinent data on the object, such as photos and appraisals.

3. Prepare a list of wants that includes those items that you need, those that you would like to have, and those that you would accept in trade. This should help other traders locate you and keep you from impulse trading.

4. Prepare a second, abbreviated list of your haves and wants that you can post at the auction.

How To Conduct Yourself During A Personal Property Exchange Session.

1. **Take notes!** While a Barter Board makes the transactions simpler to follow, your own notes will prove invaluable in case of a discrepancy and by providing other information not shown on the Board.
2. Record all transactions that you make, whom you traded with, what you traded, and what you traded for.
3. Note the items being traded that turn other traders on -- those items that push their "hot buttons." If you can obtain those items, you have an increased chance of making good trades in your favor.
4. Study the other traders carefully, analyzing their personalities. Successful trading is like playing poker. If you can figure out what's really going on in the other player's mind, use it to your advantage.
5. Triple check all deals that look too good.
6. Collect all items owed you immediately, or else collect a signed and dated note or IOU. Similarly, deliver all items owed by you or else deliver a signed and dated IOU or note.
7. Trade -- Enjoy -- And Prosper!

Gary King is a free-lance writer and barter enthusiast who has conducted barter auctions on the West Coast. Frank Lyons is the Publisher of Traders' Journal (now called Self-Reliant), where this article first appeared

[Editor's note: Although Barter Boards, or Cowboy Auctions, were very popular in the 1970s, unfortunately they are not being held as frequently now. We know of no organized on-going group that sponsors them to which we can refer you. If you learn of one in your area, by all means, attend. They are fascinating to behold -- and as much fun to participate in for the novice as your first roller-coaster ride! Perhaps you, the reader of this Home Study Course, can arrange a Barter Board auction in your area, with some fellow barter enthusiasts.]

CHAPTER 20

***BARTER AND BIG
BUSINESS***

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BARTER AND BIG BUSINESS

By Peg Long

Media Bartering.

Media barter in its most basic form is the purchasing of broadcast time (TV and radio commercials) and display space (advertisements in magazines and newspapers, billboards, bus panels, etc.) in exchange for anything other than cash. While broadcasters and publishers (like other businessmen) generally prefer cash payments, time and space are highly perishable, and thus ripe for barter possibilities.

For example, a radio station cannot just shut down broadcasting for thirty seconds because it has not sold a certain "spot" of advertising in its program. Instead, the announcer will either talk through the time, play music, run a public-service announcement, or otherwise use it in a non-revenue-producing manner. If the station can make a barter deal with a local business, running commercials in exchange for some good or service, it benefits over losing the spot altogether.

Broadcasters and publishers have need of many sorts of goods and services that local and national advertisers can trade. Luxury consumer items are particularly attractive for use as prizes in promotion contests. In highly competitive urban markets, promotional contests between competitive daily newspapers and among broadcast outlets can take on the escalatory fervor of gas wars, with prizes and lottery winnings contributed by advertisers who hope to benefit from the resulting increase in audience.

Media businesses are also in need of merchandise and services to use as incentives for their own staffs. A morning newspaper may conduct a contest among its home delivery staff, awarding the highest increase in new subscriptions with a new motorbike, video games, a stereo set, or a trip to Disney World.

Airlines seats and hotel space, two other highly perishable commodities, and ones constantly needed by traveling editorial and media sales staffs are often traded for advertising. Moreover, it's likely that no news department for any radio or TV station has paid all cash for company cars, action news vans, mobile broadcast units, or even traffic helicopters, in years.

Solving Inventory Problems.

From manufacturers' and retailers' viewpoints, media barter can solve inventory and marketing problems with the least embarrassment and loss. In 1975, for instance, Chrysler was stagnating in a pool of prior-year models. So it struck a deal whereby it bartered a thousand cars to broadcast stations for time credits that could be used over the next five years. Chrysler was able to move inventory and make room for newer models.

Media time, which the company would otherwise have had to purchase for cash, was made available to advertise the new models. Most important, the company did not have to suffer a write-off in its already troubled financial reports, by selling cars at heavy discounts.

There are only a handful of large barter houses that trade goods and services for huge blocks of media time and space. Because of the size of the trades, involving for example hundreds of thousands of dollars in goods, and because media rates are always open to negotiation, stations will heavily discount their rates for these huge barter houses. The barter house can afford to offer the time to their other barter clients at significantly below-market value, but not as low as what the barter house initially invested. Thus, for astute traders, time and space become excellent trade inventories, made all the more attractive because there are no storage costs.

To The Third And Fourth Generation.

For the giants of media bartering, such as Atwood Richards and the William B. Tanner Co. (see Chapter 14), profits multiply through the shrewd manipulation of second, third, and fourth generation trades. It works like this: a company barter with a video game manufacturer for \$320 each. In return for the games, the manufacturer gets radio time equivalent to the games' wholesale value -- time the barter house acquired from broadcasters at only 50 percent of the going rate.

The barter house decides to sell 2,000 of the games through a discount outlet at \$160 each, realizing a profit of 45.5 percent on the 2,000 games.

The other 1,000 games are traded to TV stations for \$320 worth of time each (a barter house like Tanner's trades on a 1-to-1 retail ratio for bartered goods, 2-to-1 if Tanner buys goods for or provides cash to the broadcast company). The barter house collects a standard 15 percent ad agency commission of the full value of the bartered time.

The barter house actually sells the time to other customers for 65 percent of the normal price, or \$208, realizing a 133-percent profit on the other 1,000 games.

The bartering of time for merchandise or other services, and vice versa, could go on through numerous other trades before the barter company finally cashes out, with each step realizing significant increases in value.

Program Syndication.

Up until four or five years ago, advertising agencies were reluctant to deal with barter houses. Partially this was due to fears of increased competition in the media buying business, but it also had to do with the real failure of some barter houses to deliver time or space as promised. The barter houses were inexperienced with the validating processes (affidavits, post-buy analysis) used to ensure spots ran and that they ran when scheduled.

In the last few years, however, ad agencies have not only started dealing with barter houses (competition having driven most of the inept and corrupt barter concerns out of business), but have themselves entered the barter industry through the means of barter syndication.

Besides promotional premiums, sales incentives, and operating services and equipment, one thing all broadcast outlets require is programming. Most stations cannot afford to originate hours of quality local programming. They must turn to the networks or to independent producers and syndicators, where they either buy -- or, more commonly, barter -- for the programs.

The practice started in TV in the early 1950s. Faced with the threat of competition, major motion picture studios withheld their films from the upstart TV industry. A shrewd trader named Matty Fox, who happened to hold rights to about 600 independently produced movies, recognized that although the struggling TV stations were cash-poor, they did have one abundant commodity to trade -- their unsold advertising time.

By trading rights to his catalog of movies for advertising time, within a short time Fox's company, Motion Pictures for Television, possessed a "bank" of time on local TV stations across the country. This time would then be offered to advertisers either for cash or some other goods that would be added to Fox's expanding barter inventory.

Today, most of the reruns we view on TV are bartered. A good deal of the new, non-network programming is also offered on a barter syndication basis, such as Saturday morning cartoons, weekend sports shows, nature documentaries, late night rock specials, and the irrepressible "Lawrence Welk Show" and "Hee Haw." The mushrooming growth of cable TV has only added to the prospects of bartering programs for commercial time.

Broadcasting reports that nearly all of the top 100 advertisers now use some form of barter TV advertising -- versus only 60 in 1981 and 10 in 1976. Obviously, barter and big business are now getting along very well.

The U. S. Network.

Radio, which typically doesn't have "reruns," has seen a phenomenal recent growth of independent syndications and networks -- many of them bartering their programs for advertising time. One such organization is The United Stations, founded by TV impresario Dick Clark and two other veteran broadcasting executives. The United Stations currently produces two syndicated programs for radio -- a weekly country music countdown, and a rock 'n' roll show. The programs are delivered to stations free, with blank time provided for local advertising. The national advertising has already been sold by Clark's organization, and those commercials are included on the records.

“We syndicate programs as a network, and sell them as a network,” says United Station’s President Nick Verbitsky. “Programs are given to the stations for free, and we get half of the time to sell. They get half of the time to sell.” Verbitsky thinks barter syndication is more acceptable to stations now because, “the quality of programming being offered today is considerably better than it was three or four years ago.” It’s more sophisticated, because there are more people doing it. “One thing competition will do for you is it will improve your product a whole lot.”

Where will all of this lead? Clearly, as consumers we will benefit -- with more choices on local TV, cable, syndication, and radio. As the markets increase, so will barter opportunities for everyone -- from Chez Frank giving away “dinner for two if you guess the next Golden Oldie” to an automobile manufacturer with 10,000 unsold vehicles on his lots. It was obvious before that both barter and big business are here to stay. Now that they have gotten married, the future looks even brighter for both.

CHAPTER 21

BEWARE THE BARTER BATS!

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BEWARE THE BARTER BATS!

By Frank Lyons

When you strip away the tears, the gnashing teeth and the complicated details, one underlying motive seems to be at the bottom of all barter stings.

When a Pennsylvania man trades his homestead for worthless gems; when a California woman trades her heirloom jewelry for worthless trade dollars; when a manufacturing executive trades his distressed inventory for equally distressed media time, they all seem to be driven by the same motive: Greed. Each failed to ask the "right" questions because he (or she) didn't want the deal to die! To each individual, the deal sounded too good to be true; each thought he was getting the better of someone else.

Although stings and shady deals litter the world of cash as well, barter may be more prone to the machinations of flimflam men. In the cash economy, a specific value is placed on the goods or services bought, and then when the money is paid, there is no doubt as to the authenticity of the currency. With barter, on the other hand, goods and services are paid for with other goods and services, and values become more nebulous. The neophyte barterer can easily fall prey to a smooth, fast-talking trader when that overpowering element of greed is present. The "greedy" pigeons are the easiest targets for barter bats.

Barter has matured into a flourishing industry in recent years. As the use of barter as a viable twentieth-century financial alternative has gained acceptance, a whole new breed of entrepreneur has emerged. And like his historic ancestors -- horse traders, trappers, new world merchants, etc. -- he is aware of the enormous complexity and subtle nuances of man's earliest form of commerce. He is intimately sensitive to the frailties and weaknesses of his trading partner. He knows how to barter to his best advantage.

Techniques of the Unscrupulous.

The less scrupulous traders sometimes use this knowledge to take unfair advantage of the unwary. Two of their more popular techniques are "leveraged ratio tradings" and "cranking."

Leveraged trading means that a trader will require greater value in soft goods (e.g., media time) in exchange for hard goods (e.g., TVs or gold). For example, for \$1,000 worth of color TVs, he will not accept less than \$3,000 in radio spots. There is nothing wrong with this in principle; but in practice many eager barterers find that instead of a true value-for-value exchange, they are in fact receiving a small fraction of the "value" they have bartered away.

“Cranking” is far more suspect -- but sometimes far more difficult to recognize at the time. Cranking means changing the description of an item in order to increase its (perceived) value. An old pop bottle may become a “rare period vase,” or a broken TV may be “assorted solid-state electrical spare components” under cranking. Such tricks account for a large part of barter’s disreputable image a few years back.

In the absence of state and federal criteria regarding the establishment of barter clubs, individuals are free to do pretty much as they please when engaging in barter activities. Provided they comply with FTC franchise regulations and the provision of the Internal Revenue Code, it is unlikely they will be bothered by anyone concerned with the exact way they conduct their barter transactions.

In addition to the larger barter clubs, there are other types of barter entrepreneurs. Independent trade brokers act as consultants or agents for businesses, usually on a project basis. Some may maintain their own inventory of goods to be used facilitating new barter deals. Media brokers are independents who deal primarily in TV or radio time and print advertising.

Amongst all of the above, there exists a certain unusual type of barter profiteer. He owes his allegiance to no one but himself, and he is not guided by the standards of any organization. He appears in many different trader forms and may be impossible to spot -- that is, until it is too late. His guise may be as a friendly, helpful participant at a barter fair, or as a high-pressure media salesman in a three-piece suit. But whatever his stripes, he is conspicuous only by a single distinguishing trait -- his ability to deceive.

The Stinger Gets Stung.

Mrs. Fishbine (not her real name) attended a California barter auction for the first time. Her intention was to acquire something of value for her heirloom 18k and 22k jewelry, worth \$20,000, which had taken her a lifetime to accumulate. In the hectic environment of the auction, Mrs. Fishbine was offered \$20,000 worth of a certain barter credit. Although she was looking for land or rare coins, the gentleman with the credits assured her that she could easily trade the credits for anything she wanted -- dollar for dollar.

That didn’t turn out to be the case. When Mrs. Fishbine tried to use her barter credits, she discovered they were completely worthless. The organization that had issued them was long gone out of business -- drowned in a sea of inflated barter credits.

Mrs. Fishbine screamed that she had been had. At which time, the gentleman who had traded the credits for her “heirloom” jewelry stepped forward and said, so had he! Fishbine’s jewelry, on appraisal, turned out to be gold-plated, not 18k or 22k. Far from being “almost priceless antiques,” they were a variety of costume jewelry, worth maybe a few thousand dollars. Both got “taken” -- because they were trying to “take” someone else!

Caveat Emptor.

The last ten years have seen the rise of barter as a realistic, workable alternative to the economic difficulties facing both business and the private citizen. Although the oldest form of commerce, barter is quite new to most people today. And like any sailor sailing in uncharted, unprotected seas, the modern neophyte trader must constantly be on the lookout for pirates. All unique, innovative ideas seem to attract their special breed of profiteers. Twentieth-century barter is no different.

The extermination of the barter bats will come with education and understanding. Anyone desiring to reap the many benefits of barter in a modern economy must also learn of its limitations. Barter is not a panacea. It is not a cure-all. Barter works when cash doesn't, but as long as cash still works, you must learn when and how to apply this deceptively complex tactic to your financial activities.

Those who do master the fine art of honest, principled barter will surely emerge the winners, as this chaotic and unpredictable century draws to a close.

CHAPTER 22

TRADE CLUBS AND BARTER EXCHANGES

TRADE CLUBS AND BARTER EXCHANGES

If one-on-one barter is good, so the theory goes, then community-wide barter will be even better...and nationwide barter will be best. In the past two decades, thousands of groups, clubs, exchanges, and organizations have been formed in an effort to make barter a group activity.

Most of the exchanges that were formed to promote community-wide barter on a consumer level are now merely footnotes in the history of that area (or worse -- they are small paragraphs in the annals of bankruptcy court.)

There are many reasons for the checkered history of formal barter organizations. The major problem with consumer barter groups seems to be that it is almost impossible to make barter pay, when it is organized and promoted as a community-service sort of project.

(Note: We are not talking now about business-to-business barter, which is an entirely separate subject that will be treated later in this chapter. Formal business barter groups, despite some ups and downs, are doing very well right now, and the future looks very bright for them.)

There are many fine community-service types of organizations across the country, promoting barter among members and using barter to make services and goods available to folks who otherwise would do without them. Most of these groups are strictly a "labor of love" for the founders and participants. No one expects to make any money for their time and efforts; and usually, nobody does. If any of the managers and operators tried to calculate how much time they had invested in the project, versus any payments they had received, they would probably discover that they are working far, far below the minimum wage.

Running any type of organization requires two precious ingredients: time and money. Even in an all-volunteer local barter club, there are going to be some expenses: postage stamps, printing bills, telephone, office supplies, etc. When the club outgrows someone's kitchen or family room, office space and more clerical help are often required. When you add to this the time involved for manager, helpers, meeting hosts, newsletters, communications, you can see that the commitment can be substantial.

Why Barter Clubs Often Fail.

The rock that most volunteer barter groups stumble over is simply this: How are those services and expenses going to be paid? Where does the necessary money come from? And, what is the motivation for anyone to continue to "donate" countless hours every month, to keep it all running smoothly? Even the most dedicated volunteer can "run

out of steam" after a few months, if all they deal with, day in and day out, are needs and problems and complaints.

The business of barter works best when it is run like a business. But that means membership fees, commissions, and other costs paid for by the participating members. It may even mean that the owners and operators are making a (shudder!) profit on their efforts -- a concept that is simply anathema to most community-based, volunteer service groups.

On an individual and family level, barter seems to work best when it is informal and strictly personal, one-on-one between you and your partner for that particular trade. There are no club records to maintain, no fees to pay, no careful balancing of credits and debits. There is little paperwork to maintain, and, finally, there are no meetings to attend.

If it is beginning to sound as though we are trying to discourage you from starting a community-based, volunteer barter club? The truth is, we are. Launching and running such an enterprise may not be quite as demanding and difficult as we have portrayed it here; but it is difficult and demanding -- not to mention aggravating and time-consuming.

Help On Forming A Barter Club.

Having said all of that, the idea may still excite and intrigue you. You might wonder, "Why can't we form a club, so Mary can contribute her sewing skills, John can do yard work, Bob can do minor repairs, and Beth can grow vegetables -- and all of us can exchange with each other?"

The answer is, you can. It is being done very successfully, by groups and clubs across the country. Before you rush into print with barter forms and meeting invitations, however, we strongly recommend that you study the whole project much more carefully. Two excellent publications are available that contain a lot of practical experience and advice, and we suggest that you order both of them:

1. "Begin A Neighborhood Barter Club" is the title of a superb article on the subject by Valerie Brohigan. She lived and worked with a local barter club as part of her research. The article appeared in the June/July 1982 issue of The Trader's Journal, probably the most useful magazine in the country of individual barter. (The Trader's Journal recently changed its name to Self Reliant, and has broadened its editorial scope. But it still contains more columns, classified ads, and feature articles on barter than any other publication we've seen.)

2. The Skills Bank is a non-profit organization formed in Ashland, Oregon several years ago. The brainchild of a former Peace Corps volunteer, it has been enormously successful in making a wide variety of goods and services available to others in the community, on a barter basis. The folks at the Skills Bank have produced a small pamphlet summarizing their experiences and offering invaluable advice to others who

would like to do the same thing. There is no cost for the pamphlet; but since the Skills Bank is a non-profit operation, a small donation would be appreciated.

Commercial Barter Organizations.

When Mike Ames and a friend decided to go into the barter business eleven years ago, they started out in Mike's one-bedroom apartment with \$500 in cash they were able to scrape together. Today, the company that they founded does \$6 million worth of barter annually, serving 2,000 business members in the Los Angeles area. It's called Trade American Card Corporation. Mike Ames serves as president, and, it's recognized as one of the best-run and most successful independent barter organizations in the country.

Mike describes the potential of business-to-business barter as "just fantastic -- going straight up." But he is not nearly as optimistic about organized barter on a consumer-to-consumer basis. "How can you finance it?" he asks. "You've got to have the trading; you've got to have the dues and the membership fees. My personal opinion is that consumer barter, on an organized basis, will never fly."

Business for Trade American Card, however, is flying high. Mike says the company would prosper if it never signed up another new member. The firm has a "mix" of about 70 percent product, 30 percent services among its membership. "It used to be closer to 50/50," Mike says, "but we had to close some categories in the service area. When it comes to doctors, lawyers, accountants, and chiropractors, we don't want to take in more than we can use."

It costs \$300 to join Trade American Card, then \$100 a year thereafter -- about average in the world of business barter. The fee is 8 percent on all purchases, payable in cash. "The successful clubs in this business are the cash clubs," Mike insists. "We're in a cash-flow business; the members are in the barter business."

Are there any areas, I asked Mike, where he hasn't been able to sell a business on the advantages of barter? He mentioned two: gasoline stations and telephone companies. "Just about anything else a member wants or needs or can use, we can get for him," Mike says. But Ma Bell and the oil companies have (thus far) resisted all blandishments to barter; you still can't get a long-distance call or a tank-full of gas by trading your widgets for them.

Any secrets of success to share with others? "Our market-place has been good to us," Mike told me, "because there are 10 million people within 100 miles of where I sit." "With that much potential volume, it's hard to fail if you do it even halfway right!"

Trade American Card has done it more than "halfway" right -- so much so, in fact, that Mike Ames now conducts a formal "school" for other would-be barter professionals. An interested prospective trader spends up to two weeks with Mike, learning all aspects of

the barter business -- sales, marketing, legal, accounting, taxation, data processing. He walks out "ready to go into business".

Starting A Barter Business.

If you're convinced that barter is "your thing," and you're ready to turn it into a full-time, responsible, respected, and profitable profession, there are several directions in which you can go. First, turn back and review the material in Chapter 15, on "Barter Marketplaces," to see which area of barter appeals to you the most.

Perhaps you already know the answer: You want to run your own barter business, working with merchants and professionals in your city to promote trade between them. Now, you have two more choices.

1. You can purchase a franchise from one of the existing national barter organizations, and operate under their umbrella; or,
2. You can form your own barter company, and start from scratch.

If you have the funds necessary (not to mention the skills, experience, and time), "buying into" an already established barter network is certainly the easier of the two. For information on the major barter organizations operating in the United States, see the final section of this chapter.

There is a price -- a pretty hefty one, in fact -- for buying a franchise. You're getting a name, at least part of an already existing market, experience, and professional help. While it may require a bit more than \$500, a telephone, and an empty apartment, it is still possible to form your own barter company, recruit members, promote trades, and grow into a successful barter operation.

If you have the ability, enthusiasm, drive, and determination, forming your own barter exchange may be just the challenge -- and the career -- you've been looking for. Here is how the American Entrepreneurs Association describes what it takes:

"If you're a salesperson at heart, confident in your negotiating skills and fond of day-to-day challenges, you could join the ranks of barter entrepreneurs who make as much as \$500,000 a year. A small-scale out-of-the-home operation can net a sharp organizer \$50,000 before taxes.

"The mega-clubs with thousands of members often have sophisticated computer systems, plastic credit cards, and other devices. But you don't need all this hardware when starting out. Modest front-end capital can turn the trick, provided overheads are kept low and you can substitute drive for dollars. One operator we found started with just \$1,000 and a tiny home office -- and took in \$40,000 during the first six months.

“Bartering goods or services without cash has all the ingredients of a glamour business where you can literally make a fortune. But it needs clever promotion and sharp sales ability. You have to do some heavy selling to get new members into the club, and hustle to keep existing members happy and involved.

“But if you like meeting people, explaining ideas, keeping careful records, and if you have a good ‘business head,’ you should do well in a business that has reached \$15 billion in ‘terms of total market volume.’”

The American Entrepreneurs Association estimates start-up costs for a medium-sized barter club at between \$15,000 and \$25,000. If you’re willing to cut every reasonable corner, and leave almost nothing in reserve, it can probably be done for around \$10,000. And, as we’ve seen, Mike Ames did it for 5 percent of that amount!

According to the AEA, you should be able to gross \$20,000 to \$35,000 a month, once you’re off and running. Some of the established barter exchanges do more trades than that in a day; others don’t do that much in eight weeks. Of that amount, the AEA says that more than 30 percent could be gross profit -- or \$7,500 or \$15,000.

Those profit figures are probably somewhat optimistic, especially for a fledgling operation. But there is no question at all that a barter exchange can be hugely profitable; such operations have made more than one person in America a millionaire today.

We do not want to make it sound easier than it is, however. The vast majority of independent barter clubs do not survive to celebrate their fifth birthday. Even many “successful” national operations have disappeared in recent years (Mutual Credit, Comstock Trading Post, and International Trade Exchange are three that come to mind). In some cases, failure has meant leaving many businesses with thousands of dollars in worthless, useless trade credits. And of course, each failure has made it more difficult for the next organizer who comes along.

Danger in Barter Exchanges.

Bryon Sellers, an experienced barterer, wrote an article for the Comstock Journal a few years ago called, “In Trading, A Club Can Kill You.” He didn’t mean it literally, of course, but financially. And it is true -- many thousands of small businesses (and some not-so-small) have lost millions of dollars in the collapse of various barter enterprises.

In his article, Byron listed five ways that barter clubs can be dangerous to the financial health of a business; unfortunately, some of the symptoms can’t be detected until the disease is virtually fatal:

1. A trade club member-merchant can get too much barter business. If most of your goods (or available time) has been quickly gobbled up by fellow traders, you're left with a large pile of trade credits -- but no way to pay the utilities or rent, or write checks to your regular suppliers.

2. Credits can become difficult to spend. This problem is being alleviated somewhat by the nationwide computer hook-ups most large barter clubs have today. If the merchandise you want isn't available locally, they may be able to locate it for you somewhere else in the country. But remember: Saving \$80 on a set of tires is not a bargain, if the freight to get them to you costs \$75, and it takes four weeks for them to arrive!

3. If you accumulate too many trade credits, it may be impossible to cash them out for anything near their claimed value. According to the Internal Revenue Service, a trade credit is worth one dollar. Period. But that ruling is clearly ridiculous; some trade credits have an actual cash value of nothing. When trade credits are swapped for cash, even the larger and more successful clubs discount them substantially. (See the following sections on Business Exchange, which offers 60 cents of the dollar for their trade credits; and National Barter Corp., which will buy back their credits for a real price of 76 cents on the dollar. And these two are considered above average in the industry for their buy-back protection.) If you're trying to "cash out" a large number of trade credits, you may find that the real market value, in dollars, is 20 to 40 percent of their nominal value, or less.

4. There is a temptation for club management to inflate its own currency, by issuing too many unbacked trade credits. If there are 500,000 trade credits "in the system," and a new member is allowed a "draw" of 10,000 credits for joining, the system has been inflated by 2 percent. It doesn't take very long, if the management is stupid or greedy, for all trade credits within the system to drop substantially in value.

5. Finally, Bryon warns, don't overlook the cost of the fees collected by the club management as a cost of doing barter business. If you must pay 8 or 10 percent as a service fee or commission, on everything you "buy" through barter, you'll quickly realize that your gross income has been trimmed by 8 or 10 percent. Sometimes, that's enough to completely erase any real profit you make on the deal.

Despite these concepts, over 100,000 businesses in the United States are now members of some barter exchange while the majority of companies in the Fortune 500 report they use barter in some of their national or international trade. (Remember when PepsiCo traded the rights to manufacture Pepsi Cola in the Soviet Union, for U. S. rights to Stolichnaya vodka?) Barter can be good business...and good for business...in two important ways:

1. By bringing in new customers; and
2. By trading inventory for needed goods or service -- thus saving cash for other things.

If you own a business today with barterable goods or services (and almost anything can be bartered), you should definitely investigate the barter opportunities in your area, to see if one of the national organizations might be right for you. Here is some information on the six largest commercial barter organizations in the country:

Business Exchange, Inc.

Business Exchange (known as BX in the industry) is the grand-daddy of business barter organizations. Founded in 1960, it now has offices in over eighty cities (see the listing in part III), serving more than 15,000 business-members. BX describes itself as "the oldest and the largest barter network for businesses in the nation."

Like most barter exchanges, BX issues plastic ID cards to each member and operates through a sophisticated computerized network. Business Exchange members use "Barter-Checks" to facilitate trades among members; BX says that it is "the only check that draws on your inventory, not on your bank balance."

BX is the brainchild of M. J. "Mac" McConnell, who still serves as Chairman of the Board. He is widely respected in the industry for legitimizing barter for the small and medium-sized business. As one admirer put it, "Mac took barter from the back room to the board room." BX "went public", and its stock is traded on the national over-the-counter market (NASDAQ-BXBX).

Business Exchange offers new members a guarantee that they will more than earn their membership fees in barter, or the company will buy back unused trade credits at the end of their first year at sixty cents on the dollar. This assures new members that they will at least receive their wholesale costs back. Staff members at BX headquarters say that only a small number of members ever "sell" their trade credits back.

Barter Systems International.

In the world of business-to-business barter, Barter Systems International was like Avis: It was number two, but it tried harder. Now, it says that its 70-plus offices and 30,000-plus members account for some 60 percent of all commercial barter in the United States. Barter Systems, like Business Exchange, operates through a computerized network, trading over \$200 million worth of goods in 1982.

In addition to the local BSI membership card, which tracks trade credits and debits (called Trade Dollars), Barter Systems recently adopted an international card, called the Trade Network International Card Program, or TNI, which enables BSI members to have guaranteed access to all approved Barter Systems exchanges in the network.

CHOOSE A TRADE CLUB AS YOU WOULD CHOOSE A MATE

Gather as much information as you can before signing on the dotted line with any trade organization. The following checklist will help:

1. Facilities. How adequate are they? What hours are they manned? Are there sufficient phone lines? Are the records computerized?
2. Assets and Liabilities. Do they own property -- their own building, for instance? How much in debt are they? Talk to their bank.
3. Trade Volume. This reflects the general level of activity and size of the trades they can handle. As a general rule, the trade volume should be at least ten times the volume that you intend to trade.
4. Showroom. Carefully inspect the variety and value of the items on display. Are they things you might want? If you intend to place items in the showroom, ask about special fees and sales tax.
5. Owner Reputation. Ask around. Talk to others he has done business with. Investigate his background.
6. Age of Club. If the club is less than two years old, carefully investigate the previous business experience of its operators.
7. Fees. How is the fee schedule structured? What are the initiation fees, annual dues, and commissions? Carefully calculate your cost of bartering.
8. Statements. Ask how your records will be kept and how often you will receive a statement.
9. Trade Credits. Ask what their unit of trade is worth, compared to a dollar. Has this ever been verified by an independent audit? Ask other members their opinion of its worth.
10. Contacting Other Traders. Ask how this is done, whether by broker or directory. If there is a directory, ask to see it, and ask how often it is published or updated. Is there an additional charge for advertising in it?
11. Membership. How large and diversified is the membership? Decide what you will want in trade and make sure it's available.

In addition to the above checklist, we would add two other suggestions that can be invaluable, especially if you are thinking of joining (or becoming a franchise) of one of the "big six" barter firms discussed above:

1. Meet with the officers and staffs of the offices near you. Are they pleasant to deal with? Efficient? Helpful? Knowledgeable? If you are not comfortable with them now, your relationship will probably not improve with age.

2. Talk to members of the exchange in your community. Are they satisfied? How long have they been members? How much of their gross business is conducted in barter through that exchange? Does the individual member end up doing 90 percent or more of the work on each trade, or does the club have Trade Directors who really do help facilitate trades? Ask the members what they consider to be the best aspect of the exchange -- and the worst. (Also ask them how many people drop out of the exchange each year. An annual turnover of more than fifty percent should be a cause of grave concern.)

Make The Club Work For You.

Once you have joined a local barter exchange, don't expect results and rewards to pour in automatically. Unlike manna, good trades don't drop from the sky. They have to be found, nourished, developed, promoted. Remember, no one will be more concerned about the success of your business than you are. Don't be talked into a trade that you think is bad for you -- and don't expect someone else to arrange all of your trades.

As a businessman, remember that the barter buck (like the other bucks) stops with you.

Good luck! And, Happy Trading!

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6500 Midnight Pass Rd.
Suite 404
Sarasota, FL 33581

The "national newspaper on the barter industry;" emphasis on reciprocal trade arrangements.

Barter News
P. O. Box 3024
Mission Viejo, CA 92690

Excellent newsletter on "grass-roots" barter; practical applications for individuals and small businesses.

In Business
P. O. Box 323
Emmaus, PA 18049

Emphasis more on small businesses -- esp. those in crafts, trades and "transformational economy" -- than on barter. But valuable to all small businesses, esp. those on a shoe-string budget.

Mother Earth News
P. O. Box 70
Hendersonville, NC 28791

Popular magazine on self-sufficiency and alternative economies; "Successful Swaps" has been a regular feature since 1976; contributors receive free subscription.

Self-Reliant
P. O. Box 8
Manahawkin, NJ 08050

This bi-monthly magazine is probably the most useful publication in the country for the individual and families engaged in barter. (Formerly The Traders' Journal.) Column, classified ads, and feature articles on barter. Much of the material in *Confessions of a Barter Baron* is reprinted from this magazine.

Trade World News

*P. O. Box 1147
Hollywood, FL 33022*

Publication for business-to-business barter; emphasis on trade clubs and exchanges.

*Yankee
Dublin, NH 03444*

An authentic taste of "old" New England. "The Original Yankee Swappers Column" has been a feature since November 1935. Offerings are published free of charge.