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Balancing Growth and Solidarity in the Argentine Community Currency Systems (Trueque)

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Abstract:

The study analyses the trade-off faced by social and solidarity economy initiatives when they grow from small scale initiatives regulated by reciprocity and personal exchange mechanisms to larger scale projects in which social action needs to be regulated by institutions of impersonal exchange. It combines different strands of Institutional Economics perspectives to examine the experience of the *Trueque* in Argentina, a complementary currency system that grew to engage 2.5 million participants. For social and solidarity economy initiatives like the *Trueque*, this research shows that scaling up is possible within the limits defined by the interpersonal transfer of trust, the reputation of the leaders to act as a linchpin for the system, and the ability to sustain the process of institutional innovation. A necessary condition is the construction of a discourse of scaling up that would structure the initiative and the agents towards that goal.

Bio:

Georgina Gómez is a lecturer at the Institute of Social Studies of Erasmus University Rotterdam. She has published on alternative economic spaces, local development and various aspects of the Argentine Complementary Currency Systems *(Redes de Trueque),* including *Argentina's Parallel Currency: The economy of the poor* (Pickering & Chatto, London)

Introduction

The concern that social and solidarity economy (SSE) initiatives should scale up to increase their economic impact and efficiency needs closer scrutiny. On the one hand, the connection between SSE initiatives and the principles of locality, solidarity and small-scale are almost automatic. According to some authors, these principles are inseparable from the social and solidarity economy. They are its fundamental cornerstone and core belief of its participants (Peter North, 2005; Moulaert and Ailenei, 2005: 2048). On the other hand, capitalist discourse presents local, small, and not profit-maximizing economic schemes as essentially inferior in terms of efficiency, rationality, universality and productivity (Gibson-Graham, 2008). SSE networks are seen as too small scale, too local, too ephemeral and too dependent on the limited resources of members (Peter North, 2005). SSE alternatives need to scale up to be effective and have more economic impact. However, the understanding of the processes and implications of scaling-up is still modest, especially in relation to losing inclusiveness, local embeddedness, and meaning for the SSE members. This article seeks to study the processes in the context of complementary or community currency systems.

Community or Complementary Currency Systems are schemes in which groups of individuals exchange goods and services using a self-created and self-regulated currency. The means of payment is voluntarily accepted by the members of the networks, normally composed of individuals but sometimes businesses and local government agencies as well. In English-speaking countries the best known variants are the LETS and the Time Banks. Their advocates promote them as environmentally friendly initiatives to insulate the local economy from the downturns of the national and global economies, enhance social cohesion within a community, and sustain livelihoods during periods of economic distress (Pacione, 1999; Seyfang 2001; 2002). They operate in 56 countries and the largest ones have managed to attract a few thousand members, but in Argentina they grew to massive scale and scope.

The Argentine variant was called *Trueque* and was one of the income-generating schemes created within the SSE as a response to the neoliberal structural reforms of the nineties. Between 1995 and 2006 Argentina hosted the largest contemporary experience with a complementary currency system. The organisers made the conscious choice to scale up the scheme in a sort of "Keynesianism from below", as one of them termed it. Each group or network used its own currency and chose its organisational arrangements and standards of monetary regulation. The *Trueque* reached its peak in terms of membership (2.5 million members) during the worst crisis in Argentine economic history, which slashed 25% of the GDP between 1998 and 2002. Their demise, however, started right after that peak. As much as their organisers tried to find ways to regulate the economic activity of 2.5 million households, in most cases they failed and the *Trueque* declined sharply in terms of participants in the last half of 2002. Some groups and networks, however, fared the demise better than others and were active a few years longer (North, 2007; Gómez, 2010). This trajectory makes the *Trueque* an excellent case to discuss the challenges that growth in scale and scope poses for the schemes of the social and solidarity economy, in this case, centred on exchange.

This study delves into the growth of the Argentine community and complementary currency systems with several guiding research questions. What challenges and advantages appeared with the growth in scale, understood as an escalation in number of members, geographical coverage and diversity of products? How did it affect social cohesion and economic impact? The analysis builds off Douglas North's distinction between personal and impersonal exchange. Personal exchange is characteristic of small and local community schemes, which are loaded with values and shared meanings but often remain limited in their social impact and income generation effects. Impersonal exchange addresses larger economic circuits, like the regular economy of a region or country, in which economic action follows institutions. Economic historian Douglas North describes impersonal exchange as more efficient, productive, durable and capable of unleashing economic development in the long term, but warns about the increases in uncertainties and transaction costs that it entails in comparison with personal exchange. For social and solidarity economy initiatives this study shows that scaling up is possible within the limits defined by the interpersonal transfer of trust, the reputation of the leaders to act as a linchpin for the system, and keeping the process of institutional innovation active.

Three periods of fieldwork were done to gather data at the level of organisers, intermediate coordinators and the members of the *Trueque* networks. The first period was from January to April 2003, the second from May to December 2004 and the third from November to December 2006. The initiators of the *Trueque* were interviewed extensively and repeatedly in order to reconstruct the evolution of the scheme based on oral history. Another round of interviews was conducted with leaders at the regional and local networks and a survey with a semi-structured questionnaire was distributed to participating households and it resulted in 386 responses. The next sections discuss the literature on scaling up of SSE and the transition from personal into impersonal exchange. These will be followed by an analysis of how scaling up took place in the *Trueque* and the challenges that appeared until the network broke up. The paper concludes with some reflections on the implications of scaling up for SSE initiatives and the three necessary conditions that could sustain it.

SSE as institutional innovation

Advancing social economy initiatives is about creating new values and institutions, as proposed by Frank Moulaert and others (Moulaert and Nussbaumer, 2005; Moulaert and Ailenei, 2005).The authors show that when established mechanisms of economic growth and distribution falter, ingenuous social forces may develop new social and economic spaces with original mechanisms of solidarity and redistribution to satisfy material and immaterial needs. The authors analyse the social economy as *social innovation* because it generates institutional innovation, that addresses new forms of social relations and governance, and innovations "in the sense of the social economy", that transform the mechanisms for the satisfaction needs by bringing back social justice to local communities and expressing solidarity and reciprocity. Shared moralities of solidarity and reciprocity embed economic relations at the local level and can constrain self-interest, allow actors to bypass the limits of pure rationality, and modify the interactions typical of anonymous markets (Granovetter 1985, 1992). For instance, it is the case of economic activity embedded in social relations of family, religion, and ethnicity (Beckert, 2003).

Most economic activity is embedded in ties of various qualities and some degree of trust among actors is essential even in atomised market exchange relations to let the parties believe in the fulfilment of transactions (Etzioni, 1988; Zelizer, 1988). Luhmann (1996) defines trust as a set of expectations about others' actions that could result in a negative response if not fulfilled. It thus affects decisions to act in a certain manner, reducing exchange risk and uncertainty and diminishing the likelihood of having to enforce contracts. Among the benefits of trust are that agents exchange fine-grained information, solve problems together and can generally arrange the coordination of their economic actions in a more effective way than on the basis of the information contained in prices (Helper, 1990; Larson, 1992).

Going back to the conceptualisation of the SSE proposed by Moulaert and Nussbaumer (2005), its first aspect was institutional innovation. Institutions are socially embedded systems of rules, in which rules are tendencies to behave in certain ways (Hodgson, 2006). They have the logical format of "do Y in situation X". Society indicates one specific action Y is the acceptable one while nature makes various actions Y possible in circumstances X. Agents may reject to act in that way and do it differently by virtue of their agency, but that does not mean that the inclination does not exist and if the action effectively taken is different to the action Y specified in the rule, it will be seen as a deviation to what others expect. Institutional innovation in relation to the SSE hence represents a process by which institutions are changed bottom-up and include collective action, negotiation and contestation at the local level (Gomez, 2009). The action Y that is acceptable in circumstances X changes by the reciprocal agreements of a specific community.

The process of institutional change that binds a community is sometimes portrayed as the result of communities of cooperation. Moulaert and Nussbaumer (2005) consider that institutional innovation kindles cultural emancipation, social cohesion, interpersonal and intergroup communication and collaboration and decision-making mechanisms. However, Hollingsworth and Boyer (1997) contend that institutional innovation is political as much as a social process in which agents pursue divergent interests. They argue that institutions are either points of compromise between actors with divergent interests or frozen points of power asymmetries in which powerful groups are able to cement their strength. SSE initiatives, with their shared morality of solidarity and reciprocity, connect to the local institutions and may reproduce the same power struggles and asymmetries present in the community.

Scaling up SSE

SSE initiatives represent new ways of producing and distributing value in the local economy. They rely on trust and solidarity and, in turn, they foster trust and solidarity. This description automatically restricts them to a small scale, which also means that resources are limited and their economic impact is necessarily modest, which is contested by Gibson-Graham (2008). Complementary and community currency systems are small economic systems within a diverse economies framework. This study focuses on the exchange aspects of SSE initiatives, more than those of direct production.

Economies develop with specialisation, division of labour and diversification of new products, as has been known to economists since the times of Adam Smith and his elaboration of this in *The Wealth of Nations* (1776). Specialisation and division of labour have made possible improved productivity arising from technological change, better resource allocation and specialised production. However, specialization and division of labour are not costless, as has been acknowledged rather recently, and lead to higher risks and uncertainties generically known as "transaction costs" (Williamson, 1985). Transaction costs are defined at the micro level as costs other than price incurred in trading goods and services (Swedberg, 1990), or, from a more macro view, as the costs of running the economic system (Arrow, 1969). Williamson argues that with a well-working interface in the market, transfers occur smoothly, but otherwise, there are frictions between the parties, misunderstandings, delays, breakdowns and other malfunctions or 'market failures' that add to uncertainty and increase the total cost of exchange. Provisions need to be made to mediate the exchange of goods and services in order to allow for the benefits of division of labour and economic growth (Williamson, 1981).

At the small scale of SSE initiatives, the benefits of specialisation and division of labour are minimal, but transaction costs are a minimal problem as well. Transactions in the SSE are embedded in a social setting of trust and common values that simplifies and reduces these problems. Individuals in small groups can transfer goods between each other with ‘simple personal exchanges’; that is, they engage in repeated dealings with each other and have a great deal of personal knowledge about each other’s attributes, characteristics and features as well as of each other’s products. Norms of behaviour are seldom written down because trust is the crucial element in facilitating transactions. Formal contracting does not exist and formal specific rules are rare and largely unnecessary. However, if they seek to scale up, the risks and uncertainties of opportunism, free-ridding, and the transaction costs start to appear. Douglas North (1989, 1990) refers to the scaling up as a transition from ‘personal’ to ‘impersonal’ exchange conditions. In a world of impersonal exchange, transaction costs are high among strangers because there are potential gains in cheating, shirking and opportunism. Measuring the attributes of what is being traded and enforcing terms of exchange becomes problematic and, even if viable, it is costly. However, production costs in such societies are lower because specialisation and division of labour are not limited to the extent and needs of the small group as agents engaged in personal exchange relationships. North (1989, 1990) sees development as a consequence of successfully achieving the institutional innovation that supports the transition from “personal exchange” to “impersonal exchange” and reduces uncertainty and complexity and allows economies to grow.

In the case of scaling up small networks, like SSE initiatives, Uzzi (1996) elaborates that trust in newcomers is extended by trusted third-party referral and previous personal relations. In a word-of-mouth system, expectations based on trust are transferred to newly introduced actors and immediately equips the new economic exchange with resources from pre-existing embedded ties. In this way, transactions are less uncertain, not as a result of what the newcomers have done but because of the social relations existing before they joined the network. Perhaps missing is the notion that negative social relations such as hatred, distrust and rivalry may also be transferred, as elaborated by Boyer and Hollingsworth (1997: 450). In subsequent scaling up, trust is allocated to impersonal, long-lasting and impartial institutional structures.

Scaling up in the *Trueque*

The first Argentine Complementary Currency System was established in a suburb in Buenos Aires in May 1995, after some time of trial and error with different mechanisms of exchange. It was called *Club de Trueque* (CT) and was initiated with 30 members as a spin–off project of an environmentalist NGO (Gómez, 2009). It expanded quite rapidly and its three leaders rapidly saw that the *CT* had tremendous potential because many people in the country had surplus goods, skills and production capacity to exchange with others. The scaling up process of the Trueque was initially gradual and then it gained momentum. Immediately after the first *Club de Trueque* became a working reality, participants started spreading the news about the scheme to relatives, friends and neighbours. That is, the initial growth in the number of members relied entirely on word of mouth and thus was still embedded in personal exchange.

As membership grew, people travelled considerable distances to participate in the *CT*. The organisers decided distant participants would be better off if they had one nearer their homes and embedded in their localities. One of the organisers, Carlos De Sanzo explained:

> It made a lot more sense to motivate people to organise a *CT* in their locality than to let them travel two hours to come here. All they needed was a group of willing neighbours and a bit of know-how, which we could gladly give.

The replication of the *CT* in other locations became an ambition of the initiators as soon as they saw the system was working. According De Sanzo, the initial success and potential of the scheme to alleviate the economic problems of the disenfranchised middle-class neighbours made them 'want to spread it everywhere'. In the hope of finding partner groups, the initiators re-established old contacts with socialist and environmentalist activists, offering workshops on the scheme in Buenos Aires city. The goal was to 'infect others with our enthusiasm', says Horacio Covas, another initiator. Their discourse clearly differs from the typical discourse of SSE and its emphasis on locality and small scale trust relations (Peter North, 2005). The desire to expand impregnated the *Trueque* with a morality that favoured growth and wider economic impact and structured agents that worked towards the scaling up of the scheme.

That goal was achieved at the beginning of 1996, when a second group was formed in the city and a third in a northern suburb. The three groups decided to stay interconnected in order to allow participants of one jurisdiction to trade in another but this created new problems. When there was a single CT, exchanges were mediated with a system of cards. The organisers would write the value of the products that participants brought to the market and the value of what they took with them. At the end of the day they would register the transactions and calculate each participant's balance. With three articulated *CT*s, this would take endless hours and set limits to how much they could expand. One of the leaders then proposed printing vouchers for fixed amounts to be used in the *CT*s. The others liked the idea because of its practicality and because it allowed participants to move across the various *CTs.* So each local market printed its own currency (vouchers called *créditos*) as means of payment, although all of them were accepted in all the others in an articulated network. Innominate currencies for either buyer or seller were the first step out of the scale of personal exchange.

The printing of vouchers to circulate as fiat currency among the participants of the various clubs unleashed the potential of the initiative as an income generation option. However, when participants started coming from three different networks and exchanged products with three different currencies, the complexity of their trade also increased and with them, the problems typical of scaling up and impersonal exchange started to appear. While all the groups shared a common past of political militancy as source of solidarity or common morality, in reality, the