Mastering the crisis? Sustaining governance in the Argentine Complementary Currency Systems

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Abstract: The *Redes de Trueque (RT)* thrived during the economic crisis of 2001 – 2002 in Argentina and still stand out as the largest Complementary Currency System in the world. These local exchange networks reach a large scale during times of severe economic distress, but as large non-state initiatives, they pose a governance problem. Four types of governance systems were structured within the Argentine RT, of varying degrees of sustainability: a) loosely regulated market systems, b) hierarchies, c) associational regional networks, and d) local communities. Based on a four dimensional analytical framework, this paper discusses the rules of governance and sustainability of the governance systems in the RT. It found that some became more sustainable than others in terms of achieving combinations of scale and organisational modes.

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Introduction

During severe economic crisis, means of payment become scarce and economic agents in distress tend to seek institutional solutions to sustain the production, the exchange and the consumption of goods and services. Among other functional equivalents to state money, they may resort to direct barter, for example, but the double coincidence of needs and other constraints limit its scope to support trade. Another method is the choice of a widely-accepted commodity that could be used as means of payment, like cigarettes were used in post-war Germany and Austria (Bignon 2008,Burdett et al. 2001,Kindleberger 1984) and coffee beans and wheat in other occupied territories (Amorevole and Rizzo 2001,Ingham 1996). In the Great Depression and especially after the First World War, economic agents created complementary currency systems. Irving Fischer, for example, described the use of "stamp scrip", surrogate monies printed by local governments, private companies, and other non-governmental organisations in the South of Germany, Austria, Switzerland and the United States (Fisher 1933, 1934).

The experimentation with non-state currencies has continued to this day and Complementary Currency systems (CCS) exist as a community initiative in 56 countries[1]. CCS are groups of individuals who exchange goods and services with each other using a self-created and self-regulated means of payment, which is voluntarily accepted (Ekins and Max-Neef 1986,Lee and Wills 1997). They are designed to protect the local economy through global economic downturns and promote local economic development (Georgina M. Gomez and Helmsing 2008). In the English speaking world, the most widespread modality is the Local Exchange Trading System (Aldridge et al. 2001,North 1996,Pacione 1999). In most cases they have a marginal scale and economic impact, but the Argentine one, called *Redes de Trueque* constitutes a notable exception.

The *Redes de Trueque (RT)* thrived during the economic crisis in Argentina and still stand out as the largest CCS in the world. The first group was launched in 1995, as one of the income-generation schemes created by civil society during the structural reforms of the nineties. It quickly appealed the poor, unemployed and disenfranchised middle class, who were attracted to a scheme that entailed just producing goods at home and selling them in one of the marketplaces organised nearby. It allowed them to make a complementary income with which they could, at least partially, protect or improve their lifestyle. Its marketplaces grew in scale and number, and multiplied in every neighbourhood across the country. Its offer expanded equally rapidly to all sorts of second hand goods, until there were hardly any goods or services that could not be obtained with the various complementary currencies. Each marketplace was called *Club de Trueque* (CT) and with other *CTs* they formed networks (*redes*) that operated at the local, regional and national level. Each network used a currency and defined its own rules of conduct and standards of monetary regulation. For a while the main networks were articulated under a single umbrella organisation. The *RT* functioned as circuits of economic activity entirely organised and regulated by its members, with barely any intervention of the government or legal protection.

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[1] There are no official statistics about the number of participants after 2002. A personal estimation during fieldwork in 2004 and 2007 set it at 250.000 and 100.000 members respectively (Gomez G M, 2009 *Argentina's Parallel Currency: The economy of the poor* (Pickering & Chatto, London).

The *RT* got a definite boost with the crisis of 1998 – 2002, when they allowed an estimate of 2.5 million households to go by in about 5.000 marketplaces (Ovalles 2002). Institutional responses to the crisis stemming from civil society or the private sector, away from state intervention, generally have serious problems of governance and sustainability. The Argentine *RT* were no exception. Their organisers tried to find functional equivalents to the state as regulator of economic activity but they mostly failed. At the peak of their scale the *RT* began to crumble, barely months before the regular economy began its recovery and employment raised. So by the middle of 2002 all the *RT* networks started a sharp decline in terms of participants and by 2004 their total membership had plummeted to about 250,000 participants in 700 locations (G.M. Gomez 2009). However, some groups and networks resisted the fall better than others and while some networks have almost disappeared, others continue to operate in 2008 and a few started to grow again in 2009, opening new marketplaces.

The unequal rise and decline of the networks sharing the same context, origin and evolution begs an explanation. Why were some of them more resilient to the fall? What were their rules of governance and sustainability and how do they relate to the general rules of governance and sustainability of non-state institutional responses to the crisis? 'Sustainability' is defined here as the durability or resilience of governance systems in which the rules of action and their compliance cannot be assumed a priori because none of the actors has the means to enforce them. Institutions have to be designed, legitimacy has to be constructed, compliance has to be obtained through voluntary decision and negotiation. Similar governance problems are observed in situations in which regulation by the state is not possible, desirable or cost-effective and it is done by non-state groups, either within the private sector or civil society (Rosenau and Czempiel 1992,Streeck and Schmitter 1985). In relation to the *RT*, sustainability refers to the resilience of the various networks to the general decline of the *Trueque*. This paper will focus on the period after the decline of 2001 onwards.

The research uses data gathered in two periods of fieldwork in Buenos Aires, Rosario and Mar del Plata, three major cities in Argentina. The first period was between May and December 2004 and the second one, in November and December 2006. Data was collected through interviews with the main leaders, who provided lists of the *CTs* in their networks. A total of 44 *CTs* were visited across the three cities mentioned and combining a variety of conditions: large and small cities, wealthy and poor neighbourhoods, old and new *CTs* and so on. Eighteen *CTs* were then selected in relation to the geographical area, the relative poverty in each location, their number of participants and the *RT* network they linked to. A survey with a semi-structured questionnaire was conducted among participants in these *CTs* chosen at random while they queued to enter the marketplaces or after they have finished their buying. A total 386 responses were obtained, with samples of 15% of the participants in *CTs* with less than 50 members and 8-10% in those with more than 50 members. This extensive coverage is a novelty in the research on the Argentine *RT*.

The next section will characterise the exclusion of the poor and unemployed in the market society. The third section describes local complementary currency systems as a separate type of market space in the local economy. The fourth section presents the explanations of why the poor pay more in the regular market economy. The fifth section compares the conditions that the poor and unemployed faced while buying in the *Redes de Trueque* to those of regular markets and assesses whether the poor paid more in that LCCS. The main findings are discussed in the conclusions.

The construction of governance systems

Governance is used in different contexts and disciplines with some divergence but it always implies giving up a top-down approach and including a multiplicity of actors in either the economy or the polity (Hirst 2000). It refers to a particular kind of governing: 'sustaining co-ordination and coherence among a wide variety of actors with different purposes and objectives such as political actors and institutions, corporate interests, civil society, and transnational governments' (Pierre and Peters 2000). It is conceived as a process combining negotiation, accommodation, cooperation and alliance formation rather than coercion, command and control.

A governance system is 'the totality of institutional arrangements –including rules and rule-making agents– that regulate transactions inside and across the boundaries of an economic system' (Hollingsworth et al. 1994). That is, a cluster of mechanisms for co-ordination of economic activities, so that individual economic action may become predictable and stable. Related concepts are 'mode of regulation' coined by the French Regulation School (Boyer 1990,Jessop 1997, 2001), and 'models of social order' (Campbell et al. 1991,Streeck and Schmitter 1985). It is pre-eminently a meso-level analytical concept. A stimulating research agenda has developed around the study of economic governance systems and the viability – not so much efficiency– of these complex constitutional principles, institutions, incentive schemes and organisations (Hollingsworth and Boyer 1997,Van Waarden 1995).

How are institutions and organisations brought together in a governance system? A possible explanation stems from the principle of "reconstitutive upward causation" (Hodgson 2002, 2007) or "cumulative circular causation" (Berger and Elsner 2007), by which elements of a lower ontological level engage in a process of trial and error and create rather stable institutions that reflect what is feasible at each point in time. Bob Jessop adds that the process is not continuous but happens in phases related to the economic cycle (Jessop 1997). In periods of crisis and/or transition, actors seek to define new modes of regulation or governance systems through trial-and-error search processes that contain a considerable element of struggle and chaos. In periods of stability, the structural coherence of complex institutional forms prevails and confines economic action to the reproduction of the economic system. All in all, the evolution of institutions is pushed by factors such as political struggle, changes in social values and the search for improved efficiency, while stability is achieved when changes become consolidated in new institutions.

An early attempt to theorise on governance systems in which the state is not the central actor was made by Streeck and Schmitter, using the concept of social orders in their path-breaking book *Private Interest Government* (Streeck and Schmitter 1985: 11-15). They argued that governance systems are built around a 'central institution which embodies (and enforces) their respective and distinctive guiding principle' of coordination and conflict areas. They identified four social orders: community, market, bureaucracy and associations. They suggest that 'it might be more accurate to label them according to the principles that coordinate each: spontaneous solidarity, dispersed competition, hierarchical control and organisational concordance'. In a community, actors are interdependent, their preferences and choices are based on shared norms and jointly produce satisfaction; sustainability is tied to the satisfaction of mutual needs and keeping a collective identity. In an ideal market, actors are competitors and in principle independent. Entrepreneurs seek to maximise their profits, and by virtue of dispersed competition they share with consumers the material benefits of technical progress. There is a basic conflict of interest between sellers and buyers (supply and demand) which is reflected in prices. Sustainability is tied to the capacity of markets to clear in spite of the uncertainty and risks inherent in compliance and incomplete information. In a bureaucracy, actors are dependent upon hierarchical coordination and their choices are asymmetrically predictable according to the structure of legitimate authority. Allocation decisions are made by hierarchical centres and carried out by agents rewarded by career advancement and stability. Sustainability is tied to the effective capacity to control action via hierarchy. In an associational order, actors are contingently interdependent: the actions organised collectively can have a predictable effect on the satisfaction of others, which induces them to search for stable pacts. Collective actors are defined by a common purpose to defend and promote functionally-defined interests and mutually recognise the status of competitor organisations. Sustainability is tied to preventing fragmentation into rival communities, competing for resources and securing compliance from members.

This four-type taxonomy was based on ideal types of governance systems that are rarely present in reality. For example, a market regulated by a public or private regulator is still a market but it has elements of hierarchical control, so it is not driven by dispersed competition alone. Hollingsworth and Boyer later presented a more flexible categorisation of governance systems, based on two criteria: the action motive (what disposes individuals to behave in a certain way) and the coordination mode (how their economic actions are made compatible with each other) (Hollingsworth and Boyer 1997). This framework allows identification of several subtypes of market systems, for example, according to their mix of institutions: competitive, cartelised, state-regulated and cooperative markets embedded in long-term relations. The market as a multilateral setting for exchange is still the core of these governance systems, but non-core institutions matter, too. Self-interested behaviour is more or less typical of all markets, but coordination at a social level is also achieved through state coercion and civil society organisations. Hence, the strong dichotomy of hierarchies versus markets loses appeal, as markets are ensembles of institutions.

The categorisation of governance system proposed by Hollingsworth and Boyer (1997) offers an entry-point to analyse what factors make various governance systems sustainable. This question is critical in systems in which rules have to be created and enforced by actors without the monopoly over means of violence as the state. Referring to regulation regimes, Jessop (Jessop 1997) claims that their life expectancy (sustainability) is given by the compatibility (coherence) of their mediation mechanisms (institutions). Boyer and Hollingsworth (ibid) follow a similar path and assert that governance systems are 'viable' as long as the set of institutions that form them are coherent or "compatible" with each other. However, how is this coherence constructed and how can it be observed?

A few issues, which are directly or indirectly related to non-state actors' setting of rules, stand out as critical to the durability of these governance systems. The first dimension is the acceptance or legitimacy of rules as basic institutions regulating the governance systems (Van Kersbergen and Van Waarden 2004). The concept of legitimacy is further categorised as input and output legitimacy (Scharpf 1999,Thomassen and Schmitt 1999). By input legitimacy, the authors mean the process by which rules have come about and account for provisions to modify them in the future. It represents an ex-ante analysis; input legitimacy is created along the process of rule definition. It may involve shared values and idealism. On the other hand, output legitimacy represents an ex-post generation of legitimacy based on the 'success' of the governance systems: the capacity to deliver results, solve problems and resolve conflicts.

The second dimension sees actual behaviour. Policing functions are problematic because the ex-ante acceptance of rules does not mean ex-post compliance. The latter is an actual event, the real behaviour of agents, while the former is a disposition to act. Actual compliance is achieved by monitoring and enforcing rules even against resistance from agents (Ronit and Schneider 1999).

Thirdly, the benefits delivered by governance systems are evaluated in relation to the costs for the actors involved. The capacity to deliver results, solve problems and resolve conflicts within the economy means achieving 'resource synergy' (Jessop 1998) or building the ability to coordinate material interdependencies among internal and external agents, which is especially critical when resources are scarce (Cashore 2002). On the other side of the ledger, there are the costs of running the system, generally referred to as transaction costs. In a system where the state is not available as a low-cost rule-maker, these are mainly of two types. First, the costs associated with uncertainties, risks and information asymmetries (Williamson 1975). Second, there are the costs of sustaining collective action, setting rules, making decisions, and redefining objectives when necessary; these are organisational costs.

To sum up, in principle there are four factors that make governance systems sustainable and which serve as analytical framework to study governance in complementary currencies systems like the *Redes de Trueque*.

> Input legitimacy: to what extent does the process of rule definition help to win acceptance? The focus is on the process of rule-setting for non-state currency systems and the replication of nodes, besides factors like idealism and common values.
>
> Enforcement: to what extent do institutional mechanisms of monitoring and enforcement operate? The focus is on ways to obtain effective compliance of rules, even against some resistance.
>
> Benefits (in relation to output legitimacy): to what extent is resource synergy achieved to deliver results, solve problems and resolve conflicts? The focus is on management of scarce resources and activities in common to support the income-generation efforts of households.
>
> Transaction and organisational costs (in relation to output legitimacy): to what extent are risks and uncertainties minimised? The focus is on the uncertainty of trading with means of payment accepted voluntarily –the *créditos*– with the risk of loss of value. To what extent are the costs of sustaining self-organisation minimised? The attention is on the costs of decision-making in each governance system.

The bubble of the Trueque

The *Redes de Trueque* were governance systems built bottom-up, sustained by civil society organisations that created institutions in a process of trial and error. They structured several rules and organisations, including their complementary currencies, in an effort to make exchange less uncertain and risky at a larger scale than the community and local level. It entailed underlying issues of governance throughout the process, in relation to the legitimacy, representativeness and accountability of the leaders. Why would people abide by the rules defined by and for the *RT*? Some of the *RT* leaders referred to principles like solidarity and ideology, but these could neither be assumed nor checked.

By 2000, with over two million members, it became evident that each network had to find institutional solutions that go beyond the community and local level. All the networks shared similar challenges and many of the thousands of nodes with thousands of members across Argentina the situation looked like sheer anarchy. Squeezed by the economic crisis in 2000-02, the structural poor kept pouring into the nodes with barely anything to offer and desperate to meet their basic needs. The *Trueque* was not really a solution to poverty, as Leoni found when she studied nodes dominated by the structural poor (Leoni 2003). The author described it as the 'dictatorship of homogeneity'. The services most frequently offered were cleaning and gardening, for which there was no demand. Services such as electrical and plumbing work were in demand, but those skills were also of little help because none of the parties had pesos to buy wires or spare parts. So when the majority of the participants were structural poor, the offer of basic necessities like food was insufficient for all who wanted them.

An underlying class conflict then appeared in most nodes. The scheme was made popular by the unemployed and disenfranchised middle class, for whom the *Trueque* was a good way of getting some value for goods made as hobbies (paintings, knits, hand-made dolls) or accumulated in better times (fur coats, toys, small furniture). Many had a small amount of working capital to buy inputs in pesos, which they either resold or processed into products for sale in the nodes. Others just resold food products bought in supermarkets with pesos, which violated the principle of prosumption but was tolerated because there was dire need of them in the nodes. In contrast, the structural poor joined the *Trueque* later, pushed by the crisis. They had no accumulated assets, no income in pesos and no working capital. What they could sell in the nodes was their own labour and second-hand goods such as clothes, shoes and toys that came from charities and donations. When they could get ingredients in the *Trueque*, they were also able to produce food like bread, for example. Such ingredients were mainly provided by disenfranchised middle class participants who consumed the bread. In short, a critical balance had to be kept in the nodes between the disenfranchised middle class and structural poor in order to enable both groups to benefit. This was by no means guaranteed.

Large-scale *CT* were the site of many abuses, among them by the coordinators who were supposed to organise them, as was also found by North (North 2007). Excess demand for basic food products inputs gave rise to inflation. When prices were too high, coordinators advised members to refrain from buying. However, people needed the products desperately and the nodes became fertile ground for speculation and exploitation of those who had no pesos by those who did. That often meant exploiting the structural poor, who had less choice. In addition, excessive issuance of complementary currency rekindled inflation. The *créditos* were used to pay for all sorts of expenses: wages to the *Trueque* employees, gifts to friends and local politicians, self-awarded wages of coordinators, cleaning and maintenance of the market venues, and refurbishment of buildings. The final blow was large-scale forgery of the *créditos* in the second quarter of 2002. The risk of forgery had existed to some extent almost from the beginning of the *RT*. As the network expanded and many goods and services could be obtained with complementary currency, it became profitable to print forged vouchers. It will perhaps never be known who was responsible for the forgery and the suspects range from normal criminal gangs to political brokers. Participants recall:

> You could see people selling packs of forged vouchers near the entrance of almost every large node. You could even buy them in the nearby kiosks. We wondered many times who has the capacity to do that. Printing costs money and these criminals must be making money. For me, the politicians were behind it because they didn't like the *Trueque*.

Whatever the origin, members soon found out that it was easier to buy a pack of forged *créditos* than to produce goods to obtain them. Coordinators across nodes were mostly unable to stop the inflows of forged vouchers, so they spread from one *CT* to another and then from one region to another. The sharp inflation that resulted can be seen in the price of a litre of cooking oil in a PAR network node, which rose from one *crédito* in December 2001 to 3,500 *créditos* in December 2002. In October 2002, the *PAR* leaders estimated that ninety per cent of circulating coupons were counterfeit.[i] They then implemented a plan that ended in disaster. They collected all the *créditos* in circulation to weed out the fake ones. The real ones were partially replaced with a new voucher, on the basis of a progressive discount rate. The maximum given to any member, whatever amount they had before, was 60,000 *créditos*. The strategy caused heavy losses to participants who had lots of accumulated vouchers –against strong advice that vouchers were not a reserve of value–. It was also too burdensome for coordinators, many of whom got fed up, split from the network or closed their *CT*. It seriously damaged the credibility of the system as a whole and was the death sentence of the *PAR*-led *Red Global de Trueque*.

Two additional factors contributed to the collapse. First, in May 2002 the government decided to implement a welfare policy giving 150 pesos to each unemployed head of household with children at school. Thus, for the first time in a decade, a welfare system offered an option, and precisely when the *Trueque* had lost its appeal. The government grant did not immediately cause a steep fall in the number of members but reduced membership over the medium term. Some beneficiaries, though, used the welfare money to buy food products to resell in the *CT* or buy more packs of forged *créditos*. The second factor was the recovery of the regular economy after 2003, when many of the *Trueque* members could gradually return to regular employment.

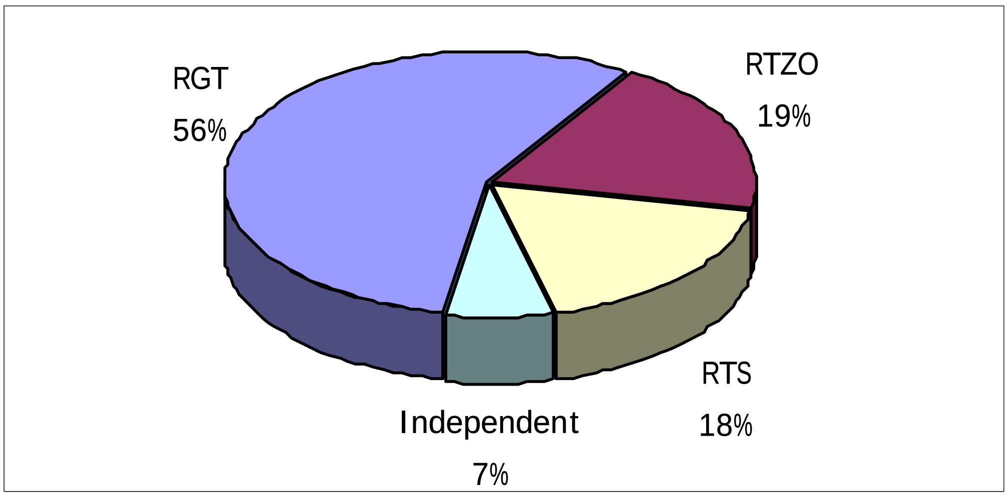
Membership fell and the closure of nodes accelerated towards the end of 2002. Of the 5,000 nodes in April 2002, half were closed by December[ii] and only 1,000 were still open by July 2003; around 300, barely ten per cent of the number in its heyday, were operating in December 2005.[iii] The *Trueque* in general became a corrupt and miserable ugly duckling nobody wanted to be involved with. A coordinator in the city of Mar del Plata tells:

> The sequence was as follows. In the beginning, you met your neighbour in the street and she asked you where you were going. 'To the node', you'd answer. And 'what is that?' she'd ask. Later she'd ask which one you attended and what that one was like. In the end she'd stare at you and would ask whether 'that' still existed.

An uneven fall

To some extent, the collapse of the *Trueque* could have been foreseen. But the differences in the fates of the networks are considerably less obvious. They were all affected by similar problems, but did not suffer the shrinkage to the same extent. Some sub-networks disappeared or declined sharply. At the time of the fieldwork for this study in late 2004, a total of 700 nodes were estimated to be operating. Follow-up fieldwork at the end of 2006 found about half of them still surviving. Others reached their nadir in 2004 and recovered after 2006. What is the reason for these differences? This study argues that the explanation lies in the governance systems that they had structured by 2002.

Figure 1: Number of participants by sub-network, beginning of 2002



Note: Estimation by the author based on interviews with the leaders of the various Trueque groups. Percentages are calculated on 2.5 Million participants

Four groups emerged out of the break up of the *RT* around the turn of 2001. An estimation of their size is given in Figure 1. A simplified description of their governance systems follows.

The largest of the *RT* network was the *Red Global de Trueque (RGT)*, led by the group that initiated the *Trueque* and extended across the entire country. It was the main one to be affected by the counterfeit *créditos,* the one to receive the most media and public exposure, and the first to fall apart. This caused a knock-on effect on other networks, too, because the majority of participants were unclear about the differences between networks beyond using a different currency. From the start it set a high priority on expanding the number of *CT*s using their complementary currency and designed a system of "social franchise" to facilitate this expansion. Though this method, any individual or group interested in opening a *CT* could contact the *RGT*, get the necessary information brochures and know-how, and buy the desired amount of complementary currency vouchers for a few pesos. After that, there was hardly any subsequent control or communication between the *RGT* leaders and the nodes, so the *RGT* relied on spontaneous coordination. The nodes retained all decision-making powers except for the central institutions such as printing of *créditos* and dealing with third parties, which were concentrated in the leaders' hands. Coordination at the level of *CT* and across nodes was atomistic and spontaneous and its markets operated mainly through price mechanisms. There was no discrete control structure across the network, only basic ground rules that operated as voluntary guidelines.

The second largest network was the *Red de Trueque Solidario (RTS)*, which operated mainly as an umbrella association of regional and local networks. A watch-dog of the principles of reciprocity and solidarity, it advocated for an alternative economic system based on self-reliance and face-to-face relations at the local level. As a matter of principle, it was a staunch enemy of the *RGT* and its "social franchise". Each one had its own complementary currency system, identified with common logo. So it was arranged as an associational model, with multiple centres converging into a negotiation and decision-making body for coordination. When the *Trueque* declined, the sub-networks that formed the *RTS* continued independently and the *RTS* disappeared as umbrella organisation. Self-interest as a behavioural principle was contained by the bonds of trust and reciprocity the *RTS* advertised in each node and peer control was promoted.

The third largest network was the *Red de Trueque Zona Oeste* (ZO), organised and managed by former entrepreneur Fernando Sampayo. It was also a regional sub-network covering the densely populated and impoverished western suburbs of Buenos Aires. Although it suffered the decline of the *Trueque*, it fell the least of all the networks in the *RT*. It had a similar system to the "social franchise" to expand its number of *CTs*, but there was a relatively tight control structure over its franchisee nodes. Members contributed a small amount to a collective fund in pesos to finance the costs of the *ZO* and the development of social enterprises that supplied food into the nodes. The plan of building a supply chain of social enterprises to supply the nodes was never fully accomplished and was interrupted by the decline of the *Trueque*. The *CTs* worked as markets coordinated by price-mechanisms but the supply of some food products was centrally organised, planned and delivered. The *ZO* was a lose hierarchy in which there was one main centre for decision-making, rule-setting and enforcement for the network: its leader, Fernando Sampayo.

There was also an undetermined number of *CTs* that have always been or became independent from the networks after the decline. They traded using their own-made vouchers and had no contact with others. They typically operated as closed groups such as schools, churches or small villages. They roughly correspond to the model of communities or clubs, closely reliant on relations of reciprocity and obligation to abide by the rules, typical of small communities. There were no specific organisational structures for coordination. For example, *Comunidades Solidarias* was started by a group of parents in a community school for mentally handicapped children. It was close to the Catholic Church and market meetings were preceded by prayers. Another group, the *Grupo Poriahju*, was organized by teachers who, inspired by Paulo Freire, started a self-help group in a slum with a library, a civic centre and a cooperative for scavenging and recycling waste. By the end of the nineties they launched a *CT* because they saw its potential for generating an income for the poor. All decisions were taken collectively by a committee of elected members. A different example was that of *Feria Rouchon,* located in a slum that suffers flooding during rain. It was initiated by a coordinator as part of the *RTS*, who later resigned and was not replaced. The members kept meeting spontaneously and 200 to 300 people participated in the market every day, trading with the left-over vouchers of the *RTS* currently in bad shape. The products on sale included food products given by the government and not consumed by the recipients, overproduction or scrap weeded out of rubbish, food from charities, fresh fruits and vegetables from the local government community garden programme, and prepared foods from those who have access to pesos. There are no designated leaders; decisions such as the schedule are made by consensus by those who are present at the time.

Sustainability in the Trueque

This section analyses the governance systems of the *Trueque* in relation to the factors that make governance systems sustainable, which were highlighted in section three. The first one is input legitimacy (agreement of the actors with the rules or willingness to abide by them). In the *RT*, the main institutions to assess it are the management of the currency systems, the mechanisms to replicate *CT*, the handling of pesos, and the negotiation with other actors such as local governments. The second factor that supports the sustainability of governance systems are the institutional mechanisms of rule compliance and enforcement, even against resistance by some agents. In the RT, it meant having the means and capacities to monitor the behaviour of coordinators and participants and impose compliance. The third factor supporting sustainability is the benefits for agents based on achieving resource synergy, which in turn, raises output legitimacy. In the period analysed, basic food products were the critical resource across all networks in the *RT*, through which to achieve synergy and secure its sustainability. The fourth factor supporting sustainability of governance systems has to do with the costs of running the system, which translate into output legitimacy. The costs studied here are transaction and organisational costs of managing a non-state currency system and keeping the *CTs* articulated as a network (e.g. holding meetings, homogenising behaviour and prices).

The benchmark network of the *Trueque* was the *Red Global de Trueque* (*RGT*), representing an atomised market governance system. The acceptance of the rules in the *RGT* was weak. The rules were set by the central leaders, but the willingness of members to comply with them was not really checked; it was just assumed that they agreed by virtue of their membership. In fact, during the fieldwork the author established that most participants (as much as 90% in some *CTs*) had not read any rules or did not know they existed. The coordinators of the nodes were asked to report on their activities, but in practice none of those interviewed did and the reports were never requested. They only contacted the *RGT* leaders when they needed more *créditos,* for which they paid in pesos and was often solved by mail. So, the rules were poorly communicated and there was no provision to change them in ways that would generate legitimacy later.

In the *RGT* rule compliance was also assumed to happen by virtue of membership, rather than checked or promoted. It was expected that the coordinators would supervise and enforce rules of appropriate behaviour but, given the massive scale of the nodes, this was impossible. Moreover, some coordinators took advantage of the chaos and it became common practice to charge members high amounts of pesos to enter the markets or, aggravating the scarcity of products, in exchange for *créditos* with which to trade without offering products on sale. Members paid them out of desperation and the *RGT* leaders were overwhelmed with 5,000 daily applications to be able to control these abuses. The *RGT* leaders did not have the infrastructure, the means or the capacity to monitor what was happening in the *CTs* and much less so, the institutions to promote or impose compliance. In fact, they did not see it as their responsibility because 'the coordinators are accountable to the participants and not to us. Nobody is better qualified to monitor and insist that rules are enforced', one of the leaders argued.

In relation to creating resource synergies, in the *RGT* hardly any specific actions were taken to obtain more basic food products. The central leaders used part of the funds in pesos, that they collected in exchange for the *créditos,* to buy food from wholesalers and sell them in a few nodes located closest to their office. With those exceptions, the actions to increase the supply of food products were left to the nodes to take. Some nodes established an entrance fee, using the pesos for pool-purchasing of basic foods, but these responses met a minimal fraction of the needs of the participants.

Transaction costs derive from trading with a non-state currency. The *RGT* promoted the use of a single currency across the entire *RT* to reduce the transaction costs for participants of having to use different currencies in the various networks. They never succeeded on this, but they had by far the largest network and their currency circulated across the country. While this helped participants to move across regions and networks with the same currency, it also made forgery more attractive. It was observed in the fieldwork that participants viewed their complementary currency as a money parallel to that of the state, somewhat losing track of the risks it entailed. Some even stored the currency vouchers as a reserve of value. So, while the system reduced transaction costs in the short term, it increased them in the long run. A similar description applies to organisational costs. In the short term, the effort in time and resources of setting up a *CT* within the *RGT* was minimal. One or two persons instituting themselves as coordinators were normally enough to do it in less than a week. The *RGT* gave them *créditos* and brochures in exchange for pesos, so the network was quickly and easily expanded at a minimal cost for both parts. However, no long-term relations of mutual accountability were established in the process and the *RGT* leaders by themselves lacked the capacity to manage a network of thousands of nodes across the country or to respond to problems like forgery, conflicts and other threats. So in the long run, the organisational costs of this lose structure were high.

In conclusion, the weak viability of the *RGT* as a regulated market was particularly problematic. It was the largest network of the *RT* and the one by whose performance the general public judged the *Trueque*. It offered a mechanism in which people had to make little effort to participate or start a new node (just find a venue, get the *créditos* and start trading) but this did not contribute to promoting mutual trust. Rules were defined top-down, but the *PAR* leaders were unable to enforce them; they assumed that coordinators and participants would act 'responsibly' under peer pressure. The assumption of legitimacy without effective control capacities was a formula for disaster, which eventually happened.

The second governance system in the Trueque was the hierarchical one, centred on the figure of a social entrepreneur. The *Red de Trueque Zona Oeste* (ZO) was the main example. It used a similar system of rule-setting as the *RGT* but implemented it differently. Its leader, Fernando Sampayo, defined the rules for the *ZO* and exercised strong leadership, which others accepted because of his skills. 'He knows how to do it,' was repeatedly heard about him in several of the *CT* visited. From its early days the *ZO* invested in computerised databases and hired as many workers for data entry as were needed to keep up-to-date membership records. No new member received fifty new *créditos* before being registered individually. This bureaucratic structure was financed through a small membership fee. The autonomy of the nodes was limited to decide practical matters such as schedules. Sampayo personally negotiated with other organisations or local governments on matters affecting the

ZO, as its main centre. The process of rule-setting included only close collaborators, a practice which apparently went unquestioned. Input legitimacy was far from participative but it seemed to have work thanks to the leader's skilfulness and reputation.

In relation to supervision and enforcement of rules, the nodes of the *ZO* were kept more or less in check. Sampayo could not control over 400 coordinators but he showed up unannounced in *CTs* at random and started trading incognito. If he found the rules of the franchise being violated, coordinators were asked to explain the lapse. Participants were also allowed to file complaints in his office or with his closes collaborators. At the level of the nodes, the *ZO* advised coordinators to have a team of assistants to supervise and enforce the rules, expelling trespassers if necessary. A few cases were found in which this had actually occurred. All in all, enforcement of rules in the *ZO* was fair and closer to the hierarchical rules of a franchise thanin the *RGT*.

The hierarchical style of the *ZO* proved quite effective in achieving resource synergies, and in this respect the *ZO* is different from all the other networks in the *RT*. It structured a supply system of products negotiating deals with firms in exchange for services such as transportation, cleaning or a share of the final production, provided by participants. The *ZO* also established collective factories and vegetable gardens with participants' labour. For instance, it organised a flour commodity chain: a mill would pay municipal tax arrears in flour, which the municipality would exchange with the *ZO* for maintenance of public spaces or bread for schools, which would be baked by *ZO* participants in collective *ZO* bakeries. Flour was also sold in the nodes. For transportation, a team of *ZO* mechanics cannibalised several broken-down municipal trucks and assembled five trucks out of the parts. These were used to transport goods from one *CT* to another and the local governments received the use of ten hours of transportation a week as payment. With similar arrangements, Sampayo obtained wood for furniture, land to plant fruits and vegetables, and warehouses to store goods. The *ZO* centrally planned the use of resources and hence created effective synergies.

The transaction costs of using a complementary currency and a 'social franchise' were managed somewhat different from the *RGT*. The *ZO* voucher was also forged, but Sampayo's quick reaction replaced the counterfeit ones relatively soon after they had become a threat and that enabled the *ZO* to withstand the decline of the *Trueque* better. However, while decision-making in the *ZO* was fast and costless, maintaining the system was not. The costs of the control infrastructure were high and had to be paid. For this, the *ZO* had a collective fund financed through individual contributions in pesos. The transaction costs were thus effectively managed, which explains the resilience of the *ZO* when the *Trueque* declined.

To sum up, the *ZO* created legitimacy based on following a leader, had a fair enforcement of rules, excellent resource synergies and manageable transaction costs. It structured a hierarchy centred on the leadership of Sampayo, whose reputation and skills were known. All in all, these arrangements constructed a sustainable governance system, but they are rather inconsistent with a scheme promoting participation and self-reliance of communities at a smaller scale. The *ZO* relied on bureaucratic structures to manage information and control the network, which were sustainable only as long as participants contribute to supporting them and on a large scale, for example on the regional level. In turn, it depended critically on a central crafted leader to keep the management going.

The third type of governance system in the Trueque was the associative model. The *Red de Trueque Solidario (RTS)* was the main example. The *RTS* not only included the wealthiest, but also the most ideologically minded and best-educated participants. Unlike the *RTS* and the *ZO*, the legitimacy of central institutions resulted from the participatory process of rule definition. Rules resulted from lengthy discussions to build consensus, after which they were transmitted downwards to the nodes. Nodes were autonomous and local, but exchanging goods with others was allowed; it was seen as necessary to increase scale and scope. Each *CT* could use its own or its region's currency, provided that statements on its issuance and distribution were controlled collectively in the network's monthly meetings. Negotiations with local governments were left to the regional sub-networks and nodes. As a result of the process of rule definition itself, the input legitimacy was apparently high.

In the *RTS*, the autonomy of the clubs was jealously guarded and seen as a sufficient condition to guarantee rule compliance. On a similar vein as the *RGT* leaders, a regional leader of the *RTS* assured the author: 'The *Trueque* belongs to the people and it is up to them to keep it under control. That is how it works: local, democratic, and transparent'. In practice, peer control was not obvious and supervision relied mostly on the coordinators, who complained that rule enforcement relied excessively on them. Some coordinators took their supervision roles seriously but others were more flexible and a few of the *CTs* visited looked as chaotic as the ones of the *RGT*. So, the enforcement of rules in the *RTS* was variable and idiosyncratic. In some nodes, it worked better than in others.

In terms of resource synergies, the official position in the *RTS* was that coordinators should arrange with members the actions necessary to increase supply of food products. Some *CTs* asked for a contribution in pesos so they could buy from wholesalers, later giving purchasing priority to those that manufactured foods for the *CT* with those ingredients, but again the results varied. Where coordinators took up the task of pooling purchases, it worked fairly well. In other cases, it came to nothing. Some also tried to trade basic food products with local governments, as the *ZO* did, or connect to their rural hinterlands, with varied degrees of success. The achievement of resource synergies in the *RTS* thus depended on specific coordinators and their strategies, but was overall relatively low.

Transaction costs around the variety of regional and local currencies used in the *RTS* were the original basis for check-and-balance mechanisms in which all nodes inspected the currencies of the others. This required monthly meetings that made the means of payment reliable and their printing transparent. However, cross-checks entailed organisational costs that eventually proved burdensome in terms of time and money. The decision-making process became lengthy and rather inflexible, but with the benefit of making the currency systems reliable, transparent and participative.

To wrap up, the strongest network in ideological terms was the *RTS*, with its associational model. It was more sustainable than the *RGT* because it had high input legitimacy based on a participatory rule-setting process, fair enforcement and low transaction costs. However, it had minimal mechanisms to achieve resource synergies and organisational costs were mounting. It was particularly weak in its heavy reliance on the goodwill and commitment of coordinators, whose capacities were not sufficiently developed. Besides, the mechanisms for decision-making and checks-and-balances were sometimes distracted by political intrigues. While ideological affinity acted as the glue that kept it together during its construction, it blocked the capacity to respond quickly to its change in fortunes and the demise of the

Trueque gave them no slack. The *RTS* eventually died, mired in negotiation and discussion, as the external circumstances of the demise of the *Trueque* conspired against its survival.

The fourth governance system in the *Trueque* was the community or club model. It was represented by a large and undetermined number of local and independent nodes across the country. They were based on small closed communities, in which joining the *CT* amounted to agreement with the rules. The organisers often made an effort to make the definition of rules participatory and democratic, as it was usually a population in which members knew and trusted each other from before. Divergent opinions and interests were probably accommodated, but whether the interests of the majority eventually prevailed should be assessed case by case. All in all, acceptance of common rules was high and linked to the process through which these nodes were created and their integration to their communities.

In relation to rule enforcement, in the independent *CT*, rules were easier to enforce because of their smaller scale and pre-existent ties among members. Coordinators and members alike were part of a community beyond the node, to which they still belonged. So the rules of personal exchange applied and peer pressure kept members in check. Rule compliance was variable among groups but generally high. This was especially clear in poor neighbourhoods, where shared poverty kept participants in line: "Sure, we all need to make the most of the *Trueque*, but when the market is done we need to go home together. And anyway, we are all poor, what can we squeeze out of each other?", a participant said.

Due to their small scale, local nodes had scarce resources for achievement of synergies. Less products were exchanged and their overall economic benefit on participants lives was weaker than in the large-scale nodes of the other networks. They tried to increase their resource synergies and they sometimes obtained donations from their local governments. Pooling purchases was also tried, as were raffles. In *Comunidades Solidarias*, for example, members ran a grocery shop in the school and opened every afternoon to sell goods bought with a common pool of funds, for pesos and *créditos*. Local and independent nodes were well organised and ruled by reciprocity but they were not really popular among participants in the *Trueque*. Their reduced size led participants to prefer the large-scale nodes of the networks, where most necessities were on offer in spite of the chaos. The relatively low economic benefits to participants, except where local governments support them, are the main weakness of local nodes.

In the local nodes, transaction costs of using non-state means of payment were not really a problem. The use of currency vouchers was mostly seen as an easier way to trade than just bartering or reciprocity networks, so the transaction costs were generally low. In fact, most participants understood the complementary currency as a system of mutual credit. 'You can only remember a certain amount of persons that owe you things or to whom you owe things. When there are vouchers to give each other, it is much easier to exchange', a participant in *Feria Rouchon* explained. Making decisions was relatively easy and costless, given the reduced scale of the groups and the fact that most members had known each other from before.

In short, the governance system of the local and independent nodes seems more sustainable than the other three and is how community currency systems around the world are typically organised. It appears high in rule legitimacy, high in enforcement and low in transaction and organisational costs. This was attributed to its reduced scale, at which the rules of personal exchange regulate a system. Its Achilles heel lay in the lack of resources with which to achieve synergies and create a significant income. This keeps them small and the gains of resource synergies are also small, though perhaps significant in terms of poverty alleviation. Some local nodes were able to ease shortages by involving local governments and donors to support the scheme. In that case, they were the most sustainable option to combine the participation in a social network with income generation.

A comparison of the four types of governance systems that emerged in the second half of 2001 is compiled in Table 1 below. In the first three rows, the higher the rating, the more sustainable the system. In the last two rows, the low ratings indicate higher sustainability. At the risk of oversimplifying, the table shows that all the networks had some weaknesses in terms of the sustainability of their governance systems.

Table 1. Sustainability of governance systems in the Trueque, 2002

	RGT	ZO	RTS	LOCAL
Input legitimacy	Low	Fair	High	High
Rule enforcement	Low	Fair	Fair	High
Resource synergies	Low	High	Low	Low
Transaction costs	High	Low	Low	Low
Organisational costs	High	Fair	High	Low

Notes: RGT = Red Global de Trueque; ZO = Red de Trueque Zona Oeste; RTS = Red de Trueque Solidario.

Conclusion

The *Redes de Trueque* were a grassroots institutional response to the crisis of 2001-2002 in Argentina. The capacities of the state collapsed together with the economic activity and these were followed by a sharp loss of confidence that the current institutions could coordinate the economic life of Argentines. The *RT* had grown for half a decade and by 2001 it resembled a parallel state, containing one third of the economically active population. However, the volume of trade, number of *CTs* and amount of participants demanded a system of governance that was beyond the logic of small groups and local communities, typical of civil society initiatives. These non-state arrangements are hard to sustain in institutionally weak environments. An economic system of that scale requires a functional equivalent of the state but this was virtually impossible; there is no functional equivalent of the state because a state accepts no substitutes, by definition.

The *RT* leaders then tried to organise their governance systems bottom-up. That is, define the institutions to coordinate and regulate economic action within their large scale networks. To various extents, all the *RT* networks had insufficiently developed supply chains, which led to scarcity, inflation and eventually chaos among thousands of members trying to satisfy their basic needs. The *Trueque* declined, further depressed by the recovery of the regular economy from the worst crisis in its history. However, some networks were more successful than others in structuring sustainable governance systems and did not lose as many nodes, coordinators and participants. This divergence begs an explanation.

First of all, there was the loosely regulated market system of the *RGT*, the benchmark network of the *RT*. A few institutions were centralised and the rest was left up to the local level of the *CTs*. It used a 'social franchise' system to replicate nodes that was in fact a strange aberration: franchises are based on hierarchical control capacities, which the *RGT* leaders did not have. Controlling hundreds of nodes, with over a million participants across the country and several dozens of franchise managers, was impracticable. The only similarity between the 'social franchise' of the *RGT* and any private franchise was the name. The viability of the *RGT* loosely regulated market system was minimal, with weak acceptance of rules, weak enforcement and weak resource synergies. In the long run, the transaction and organisational costs proved too high and, unsurprisingly, the governance system of the *RGT* was the first to fall apart. In doing so, it also dragged the rest of the *Trueque* down. The experience of the *RGT* reminds of the weakness of self-organised economic systems in which there are no authority to enforce rules, no restrictions embedding the self-interested action of the agents and no basic institutions to coordinate economic activity at a social level.

Secondly, there was the associational model of the *RTS*. While it could solve some deficiencies of the *Trueque*, it was eventually overwhelmed by the large number of participants entering the nodes. In the relatively quiet period of growth, its coordinators carefully enforced the rules, promoted commitment, enhanced participation, and responded to members' needs. During its best period, the *RTS* created the most democratic governance system in the *Trueque*, although some considered it too politicised. However, in the turbulent period that followed, the associational model was ineffective in structuring a response and incapable of sticking to dialogue. The *RTS* eventually fell apart but its associational model survived in the regional networks that comprised it. At that intermediate level, associational governance got the best of both growth in scale and scope and the legitimacy of participatory rule-setting. The disintegration of the *RTS* casts doubts on the maximum scale to which associational models can operate and the speed to which they can adapt. Since their legitimacy is based on dialogue and the negotiation of divergent interests, their adaptability could be a problem.

Thirdly, there was the hierarchical governance system, of which the *ZO* was an example. The *ZO* proved to be better equipped to resist the challenges posed by the multiplication of membership and expanded its bureaucratic structures accordingly. Moreover, it made the most of its scale by developing supply chains, emulating a planned social economy. In this way it could ease scarcity and enter the sphere of enterprise production, achieving resource synergies that had been unheard of before in the world of community currency systems. The conclusion that hierarchies are effective and sustainable at large scales is not new (Meyer 1990,Mitchell 1991) and Giovanni Sartori claims that hierarchies can integrate the activities of very large groups of people as long as planning and communication are effective (Sartori 1991). These two conditions were met in the *ZO* through the skills and hierarchical style of its leader and the resource synergies it created. All in all, a hierarchy seems the most sustainable governance system for large-scale operations such as the *ZO* had in Argentina. But it still has two limitations. First, leaders like Sampayo are relatively uncommon; a less-able one could have driven the *ZO* to disaster. And second, it creates the problem of succession if the community currency system is to survive its first generation of members.

Finally, local independent nodes show great heterogeneity but relatively little is known about them. The participants were typically members of closed communities (schools, churches, neighbourhoods and slums) and the node was appended onto these, like most community currency systems worldwide. Their main problem was the lack of a pool of resources with which to create synergies. Independent *CT* that could resolve this problem through support of local governments and donors survived the demise of the *Trueque* remarkably well. In the extreme case of *Feria Rouchon* there is now even no need for a coordinator; the members are all poor, excluded from the regular economy, and need each other. They get minimal support from the city government and the Church. *Feria Rouchon* represents an ideal case of a self-organised market, what Hayek called a 'spontaneous private ordering', although a slum populated by structural poor participants is probably not where Hayek would have expected to find it (Hayek 1946). The fundamental condition that allows this market to work without the regulation of any authority is an undisputed mutual recognition of poverty and the engrained acceptance of prior basic institutions, like private property and market principles. All in all, when assisted by local governments or donors, local nodes present a strongly sustainable model.

In conclusion, non-state governance systems need to respect a certain match between organisational mode and scale. On a national, large scale, there seems to be no sustainable governance system for a CCS. After all, that is what the state is, not just the actor that has monopoly over means of violence but also the bureaucracy that spreads all over a territory to regulate the economy with an acceptable level of legitimacy. The analysis showed that a hierarchy worked best at a large scale (a region) but it needed a skilful leader at the top capable of building infrastructure. On an intermediate scale, an associational governance system was sustainable as long as the commonalities were clear enough to continue negotiation and avoid tearing the network apart through internal politics. On a small scale, independent local groups appeared to be a sustainable option but they need to increase their resource base from other sources. When that was achieved, they constituted the leading case for CCS.

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