

# Revitalizing the Barter: The Case of Sardex.Net

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**Abstract** “Creativity without boundaries” could be the best expression to describe the activity of an enterprise which was founded a few years ago in Sardinia (Italy). Its concept is a rediscovery of *barter*, the ancient practice to obtain goods from other people. The basic rules of barter rest unmodified nowadays: networked firms produce/sell goods or services and exchange them with goods and services provided by other firms in the network. Starting from the awareness that about barter firms has been written little, the goal of this article is to analyze this concept in order to show how information and communication technologies create new ways to make business. Our aim is in particular to understand, through the case study of Sardex.net, how this firm works, and how it improves thanks to the Internet the performance of the networked firms. We try moreover to find out whether and how the tourism is involved.

**Keywords** Barter · Complementary currency · Barter network · Internet · Tourism

## 1 Introduction

The word “barter” bears in mind the basic economic studies on the evolution of economies: From the prehistoric exchanges of goods to the developed well organized economies, from barter to monetary systems.

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Taking this logical path, appears obvious that “barter” should be disappeared while substituted by monetary systems. We note on the contrary that it is alive and that its role is increasing in the contemporary economy. Why? How does barter work in the so called advanced economies?

There are numerous reasons for the long life of barter. They are connected with particular economic, social, and environmental situations.

An example is in the post socialist economy in Bulgaria [1], particularly in the Rhodope Mountain Villages, where people exchanged potatoes for any other kind of goods that was necessary for the daily life. Another example is *Liwac* in Ethiopia [2]: This particular kind of barter has become an attractive business opportunity for the unemployed young people.

The previous examples are only some of the multiple faces that the phenomenon may assume nowadays. The factor of the revival of barter is the economic crisis that affects occidental economies and influences SMEs negatively. The importance of the analyzed phenomenon becomes clear if we remember that SMEs are about the 98 % of all firms in the European Union [3]. In this difficult situation, SMEs create an alternative system while rediscovering barter. By the use of new technologies they net all the interested firms.

Assumed the cited phenomenon, our question is: is barter an effective way to solve the problems of economic crises and which elements are so attractive for SMEs?

The goal of this paper is to find the possible answers to the previous question by the in-depth analysis of a firm named Sardex, located in Sardinia (Italy), founded 2 years ago, which is having a real quick development.

The next point is devoted to the analysis of the most significant scholar contributions, then we analyze the case study and after that we present some comments.

## 2 Theoretical Background

Both economists and anthropologists have discussed about barter [2]. Nowadays, as barter occurs as well in undeveloped as in developed economies, it could be interpreted with a double, or, according to some author, [2] contrasting perspective. The first-one [2] tends to interpret this institution as an ancient practice of a primitive and moneyless [4] economy. This is interpreted as the earliest step on the path toward modern and monetized economy. According to this perspective barter is today a practice which concerns only the most undeveloped countries such as in Africa. Taking into consideration another perspective, barter is adopted as the contemporary response to the monetary systems’ deficiencies, and, as such, it is a concern of the most developed economies such as USA and Europe [5]. Polanyi [6] notes that just a few economies operate without barter. It exists in several forms,

and involves both large and small scale transactions. It is often adopted in the most developed countries as a complementary form of exchange. Although some scholars highlighted the difficulty in defining barter in opposition to other forms of exchange [1, 3, 5, 7–9], there occurred several definitions. The barter practice has been defined by Appadurai [10] as the exchange of objects without reference to money and with maximum feasible reduction of social cultural political or personal transaction costs. Although having defined barter as a form of exchange with no reference to money, the author also notes that this practice can involve currency as a unit of account in the evaluation of transactions.

Anderline and Sabourian [11] defined barter as a form of non-monetary exchange in which all trades are required to balance. Taking into account what has been said so far, some authors [6] recognize common features in the barter practice. These characteristics are not intended to provide an exhaustive definition and description of barter; in fact the authors underline that this form of exchange should be situated within the social and cultural context, and on the other hand, it should be also regarded according to the way in which it relates with other forms of exchange.

According to Humphrey and Hugh-Jones [5] barter implies a reciprocal interest that each side has in the good of the other. Moreover, it depends on the interest and satisfaction that both sides gain from the transaction. The same authors also note the necessity, that the exchanged goods and services have a direct consumption value for both participants. In addition: (1) It involves the demand of goods and services that are different in kind; (2) participants are free and equal and they can interrupt the deal at any time; (3) participants don't have future obligations following the fulfillment of the exchange; (4) the two parts of the transaction occur simultaneously or separated in time [1, 3, 5, 8, 9].

Among these definitions, merges the importance of two aspects in particular: The relevance of the information, social relations and reciprocity. These aspects that have characterized barter formerly are still important for today's barter firms.

Humphrey and Hugh-Jones [5] emphasize the importance of social relations involved in barter exchanges. As we highlighted before, once the barter exchange has occurred, participants don't have future obligations and therefore there is no need for additional transaction to satisfy the wants of the actors following the fulfillment of the exchange. The purpose of each exchange in barter is to reach a double *coincidence of wants* [12]. In order to achieve such an objective, different information is needed about the item to be exchanged such as: Where is to be traded, when and by whom. Information is therefore a critical issue when barter is concerned. To this end, information and communication technologies have strongly contributed to the restoration and diffusion of this institution. According to Appadurai [10], barter in its earliest stage occurred mostly in face to face situation, but even now, although technologies have speed up the exchange of information, direct and personal contact and communication are still important.

From the analyses of old-new cases of firms that have adopted in various forms the barter practice it could be observed that the principles that have guided their

proliferation are the need in the exchange system of reciprocity and inclusiveness. To this end, it seems emblematic the example of the *Red Global de Trueque*, an initiative which was established in Argentina in 1989 and by December 2001, after the economic collapse it was widespread in the whole Country [13]. One of the peculiar aspects of this network is that the enrolled firms are called *prosumidores* (prosumers), which means that an individual or a firm is a subject that produces as well as consumes. In this way the multi-reciprocal exchange is personified in a single individual [13]. The reciprocity is underlined in the statute of the principles of the Red Global de Trueque (RGD) when it affirms: *Our aim is to mutual help* [13: 220] and also: *We believe it is possible to replace sterile competition, profit and speculation by reciprocity between people* [13: 220].

Also the principle of inclusiveness is one of the purposes of the most recent firms which operate as barter networks. The people here are encouraged to think what they could bring in the network; in this way the lack of money is not a problem for being a part of it, as people are asked to bring the products or services which they are able to produce, and to exchange it with other services or goods within the network. According to one of the founders of RGT, the contribution of these elements (reciprocity and inclusiveness), permitted the firm *To offer the world a system* [13: 219].

As far as reciprocity and inclusiveness are concerned among the most successful examples of local community currencies could be taken into consideration *Wir Bank* in Switzerland and *Ithaca HOURS* currency in New York State.

*Wir Bank* is an independent complementary currency which includes both small-medium firms as well as small retailers. *Wir* has a double meaning: It is the abbreviation of *Wirtschaftsring* (Wirtschaft means economic, and Ring means circle, ring) as well as the German word for “we”. It was born as a response to the Great Depression of 1930s and financial instability and currency shortage with the aim to remind participants that the economic circle is also a community [14]. According to its cooperative statute *Wir*' purpose is: *To encourage participating members to put their buying power at each other's disposal and keep it circulating within their ranks, thereby providing members with additional sales volume* [14]. In 1934 *Wir Bank* started with 16 members, currently it includes more than 60,000 members becoming the fourth Swiss bank [14].

*HOURS* is the oldest and largest local community currency steel operating in United States; as well as *Wir Bank* it has its origins in the Great Depression of the 1930s but was launched in 1991. It now accounts more than 4,000 firms enrolled in its Network [13].

From the old-new cases that has been presented, it is possible to affirm that the restoration of barter in present days could be explained as a reaction to the deficiency of the monetary system such as currency shortage and hyperinflation which has suggested the idea that money is exploitative and uncreative [5] but also as a complementary tool in order to revitalize marginal and excluded communities.

### 3 Methodology

In order to explore these issues, we opted for a case-study approach [15] because this methodology can be used to gain a better understanding of changing business practices in their social context [16]. With the aim to get a depth understanding of the firm, we conducted a semi-structured personal interview to Gabriele Littera, the marketing responsible of Sardex. In addition we collected some member's point of view with the purpose to acquire the motivations leading firms to join Sardex.

## 4 Sardex.Net

### 4.1 *Origins and Operations*

Sardex is a commercial credit circuit which makes use of a complementary currency named Sardex (SRD) as a unit of account for exchanges. One Sardex have a value of one euro. It was born in 2009, when, after the analysis of the global financial and economic crisis and its impact to the local economy (an emblematic information is the unemployment rate of 13.5 % in 2011, against an average rate of 8.7 % in the rest of Italy [8]), four young (average age 30 years and residing in a rural area) developed a project with the aim to give a practical answer to this problem.

Before starting, the group explored other similar circuits without money, acquiring best practices from Europe and elsewhere.

The activity of the firm began on January 2010, when it achieved the first adhesions. By December 2010 the circuit Sardex.net was accounted over 200 firms and working professionals in Sardinia. In 2011 the enrolled firms reached the number of 400, and 650 by May 2012, with an increasing number of participants over 100 %, and a drop-out rate near to 5 % (among the lowest in the World) [17]. Transactions within the network, have increased exponentially achieving a record percentage on May 2012 of over 400 %: the annual average number of transaction was 357 in 2010, 425 in 2011, reaching the 800 transactions by the first quarter of 2012 [17]. The circuit involves firms from a broad variety of class of product and services ranging from grocery to advertising services. The compartment of firms directly involved on the tourism (including hotels, bed and breakfast, farm houses, residences, restaurants, catering and others) counts near 6 % of the total. To this end, Gabriele Littera says:

Our circuit offers opportunities for firms operating in the tourism industry while giving them the possibility to purchase the needed services during the low season (for instance maintenance costs) with Sardex credits. In such a way they save cash which can be used to pay the other suppliers; in return they pay these services by providing rooms within the network.

Precisely the network operates in the following way: the firm which is interested in joining the circuit decides about the percentage of offered goods or services, that it makes available within the network; the firm is encouraged to take this decision based on an evaluation of the annual unsold stock. As an example, a hotel has a yearly turnover of one million Euros. This hotel declares to have an annual unsold stock (unsold hotel rooms) to the tune of 50,000 Euros. It means that the hotel can decide to make available within the network, product and services for an equivalent of 50,000 Euros (which means 50,000 Sardex). Next step for the enrolling firm is to make a spending review in order to evaluate which, among the cost items, it can spend on Sardex. The total credit at its disposal, is equal to the amount that it has decided to make available within the network. Hence, supposing that from the analysis emerges that the hotel previously cited, faces costs for advertising or maintenance, it can decide to purchase these services with the available Sardex credits. In return, according to a reciprocity mechanism, other firms will purchase hotel rooms until a total amount of 50,000 Euros. The output of the transaction is a loss or a gain in terms of Sardex credits. For instance, the hotel which spends 1,000 Euros purchasing brochures, will have, at the end of the deal a net situation of 49,000 SRD (50,000–1,000 SRD). On the other hand, the counter-party of the deal will have a gain equal to 1,000 credits in terms of Sardex. What is the convenience for joining such a network? An example will show why to purchase in credits within the network for a higher price than the one applied by a supplier outside the network will be more convenient. Let's suppose that the hotel has to buy a printer. It has two options: (1) Buying the printer from a supplier outside the network for Euros 800; (2) buying the printer within the network for 860 Sardex (860 Euros). Let's presume that the markup that the firm applies on its products is equal to 30 %. By choosing the first option the firm will have an expense in euro equal to 800. Instead, by choosing the second one, the firm will have an actual cost equal to 860 Euros (860 SRD) minus the markup applied to sales (30 %) for a total actual cost of 602 Euros [17].

In order to allow transactions, Sardex provides the enrolled firms with both on-line and off-line tools. Each member owns a card depicting the account number. Moreover, before starting the deal, customers can choose the suppliers among the enrolled firms by consulting the list of the subscribed firms for each class of products in the Sardex magazine or on the web site. In order to complete the deal, customers have two possibilities: (1) To contact a broker or (2) login into the Sardex portal and proceed by inserting the card number and the expiring date in order to forward the payment. The Sardex web-platform has a double function: to set the credit and debit position for each firm and to contain the profile of each member with the account of transaction and the net situation. The Sardex web site also provides a platform for the e-commerce transactions; however Gabriele Littera says that there are only few firms which have adopted it, so far. From what has been said we may observe that web technologies provide both a tool that allows transactions, as well as a powerful showcase for promotion and advertising purposes: Firms can learn about the desired products or services through descriptions and images as well as by evaluating feedbacks left by other customers.

## 4.2 Participant Views

The true soul, the heart of the network are its enrolled firms, their fidelity and the way they embrace our values such as the reciprocity and inclusiveness that permitted our circuit to grow up; the true added value that the circuit can give to the island economy is to be found in its enrolled firms

says Gabriele Littera. From the analysis of these views we may deduce that the main motivations for join the network are both the increasing of sales and the number of customers as well as establish relationship with other firms in order to create a network.

It's a dynamic and motivating system, which allows the economy to work, and reveals needs that otherwise wouldn't have emerged; an added value for the island economy, one more reason for being Sardinian! [17: 14].

This statement highlights the importance of being part of a motivating and dynamic exchange network in a context of economic recession. Being part of the network raises needs for services and products as a consequence of the increasing spending power as well as the possibility to have a variety of firms available for the exchange of goods and services. Moreover, it points out that being part of the circuit gives one more reason in order to identify the own firm with the local economy and to make it working. Another member says: "For Sardinian firms Sardex is an important opportunity for the diffusion of knowledge and for bridging relations aimed to collaboration" [17: 15]. Hence, within the network for firms, collaboration is more relevant than competition. According to another enrolled firm, Sardex: *Increasing the variety of the enrolled firms, increases also the efficacy of the network*. Thanks to the variety of the networked firms Sardex is becoming more and more a new marketplace for product and services coming from different market compartments. Therefore by joining Sardex firms have the availability of a broad range of product and services, and this constitutes the premise for building a new complementary market.

## 5 Conclusions

It follows from the above that we are in face of a revival of barter. Using the Net allows to fulfill better the necessities of firms in the Third Millennium.

Moreover, from the analysis of the literature emerges that barter is multifaceted. It assumes different organization depending on the field where it is used. This means that barter can be considered as a tool able to solve specific problems of well-identified areas with a specific culture that are able to accept some changes of the economic life but on line with the cultural identity. This may be one of the reasons of the Sardex' success that works in a region where the regional and culture identity is strong and where the involving of people is not easy to realize

(Sardinia). Sardex knows very well these problems and interacts effectively with the firms of its network. Taking the basic role of the environment into consideration in all its expressions (cultural, economics, naturalistic, etc.), future research may assume the aim to highlight which relationship exists (if exists) with the binding attention that is necessary devote to sustainability. Is barter able to reduce the goods transportation giving a good answer to the Km 0 perspective? And, is barter able to increase the “consume of proximity” giving a strong support to the activities of SMEs and, indirectly, to the economic development of some specific areas? This contribute constitutes the first step of a study which aims to analyze and compare similar firms in Europe and elsewhere.

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