

BARTER-BASED TRADE – THE ENGINE OF THE ECONOMIC RECESSION

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Through this paper I would like to identify the main reasons that encourage firms to make barterers. I would also like to find out who are the more likely to do this exchange and what are the main objects or services which are the subject of barterers. This kind of exchange was present in ancient economies like the ones of the Egyptians or Indians. Even though there was no currency, an account unit was present, generally gold. I am attracted by this subject because the barter economy didn't disappear totally when the currency based trading began growing. In my opinion, a healthy economy should have a strong currency economy, but the businesses should seek partners willing to make barterers. This kind of trading makes both partners happy – they get what they want, they don't have to pay any money and they reduce their stock. If all economic agents would understand the benefits of being a barter trade practitioner than the economic growth would appreciate faster. This research is a small incentive for business owners to grow their deals even more. It's very likely that after gathering some knowledge and finding out all the benefits of barter trading more and more company owners would like to do swap goods for any kind of needed service or product. The working hypothesis is that respondents are aware and make barterers in proportion of 80%.

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1. Introduction

Since ancient times, mankind had the need to swap things, ie to do barterers. This kind of economy is present from prehistory. People's needs and preferences evolved a lot, from the need to get some meet to satisfy their hunger, offering anything else in exchange, to the need to go in a luxurious cruise by paying a large amount of money. The difference between those days and these are that we have money as a standard. In this evolution, gold, silver or copper was also a standard. The economic system has strong concepts and money or gold are, and were, a very good standard, except the time when they are missing from the market... Why are they missing? Because someone or an interest group wouldn't like them to be the subject of market transactions in order to have cheaper products, services or workforce. Due to the lack of currency, the barter is a very precious way to get goods or services during a recession, not being forced to pay money in exchange. Through this process you can satisfy your specific needs and offer your partner the goods or services that you provide. It's very difficult to find the business comrade that offers the good you need and needs the good you offer. To solve this problem a web page can be created. For example www.barterstockmarket.com is a free domain. This swap need is more and more present on social networks and people appreciate this kind of swap. For example Florida Barter's Facebook page has over 1012 members. Romania also has a group of 2640 members, most individuals, not economic agents. The Greek town of Volos has its own barter market where people share products through the TEM virtual currency. The value of the goods a person brings is stored in a local computer network allowing him to spend that value on whatever he chooses (mostly food). The network numbers over 800 members and it's still growing. Due to the high unemployment rate, people that desperately need a place to work are accepting jobs paid in TEM's. A flower producer from Volos is one of the companies that offer TEM in exchange of money. The employees are happy that they have a job and can "buy" their essentials from the barter market. This is the perfect example that shows that the weakest economies resort to barterers.

It's more likely that an absolute barter economy could not exist due to the fact that governments wouldn't collect working equipment or cows as taxes. In nowadays economy money are the main engine, but barter surely plays an important role in market transactions. It also can avoid inflation and maintain stability. For this shift to be made a cooperation and understanding system is needed, based on real needs, direct exchange of goods, services and information between partners. Free market and the awareness that each person has, being interconnected creates the system. The individuals are more likely to do barter because firms have a very difficult hierarchical order and if you, as a business partner, do not talk to the decision maker, i.e. the owner or administrator of the other company, you are wasting your time. If a barter-based economy would be created there should be a very precise exchange rate which should include all rates and the fluctuations should be very low.

2. The barter-based economy context

Profile studies show that the trend of barter adoption is more present in the whole world. From Queensland, Australia (Liesch and Birch 2000: Community-based LETS systems in Australia: Localised Barter in a Sophisticated Western Economy) to Johannesburg, South Africa (Mpinganjira and Oliver 2010: Impediments to barter trading: Analysis of practitioners and non-practitioners perceptions). In Australia the so-called LETS (Local Energy Transfer, Local Energy Trading, Local Employment Trading, Local Exchange Transfer, Local Exchange and Trading) barter systems were created in 1998 and their main aim was to utilise more fully the skills and resources within the local community and to provide a mechanism by which the community can remain viable and self-sufficient. LETS systems are based on the premise that a community's wealth lies in its goods and services, the skills of its people, rather than the amount of money available to it, and thus is not linked to traditional "employment" which is heavily dependent on money (Jordan 1990: 1).

Some authors agree that the barter-based economy could refresh the modern economy by increasing the number of trades, on the other hand other authors support the theory that the healthiest economy is the money-based one.

People begin to understand the opportunities that this kind of economy is providing. There are also some impediments in barter trading. Many factors can prevent goods and services exchanges, from a very restrictive legal system to the man's need to have real money. By doing only swaps it's very likely to run out of cash and not be able to pay your taxes and fees.

Barter is used for a long time. In 1979 the International Reciprocal Trade Association was founded to facilitate access on barter information.

All research has its limits due to the fact that you cannot interview all economic agents.

3. Research methodology

This study was made on a sample of 30 firms, based in Alba Iulia, Romania. The research universe was divided in three intervals. The allowance method was used as a sampling method. There were administered 30 questionnaires, 10 for each interval. The criterion upon which the division was made is the turnover (a. <100 000 RON; b. [100 000 RON-1 000 000]; c. >1 000 000). As a working tool a 13 questions questionnaire was used. It was pre-tested on a sample of 6 companies and administered during 16-20 April 2012. The data was analyzed with the help of SPSS.

I. *What kind of company do you lead?*

a) *Limited*

b) *Corporation*

c) _____

II. *How many employees do you have?*

III. *The year you've set up your company?*

IV. *What is your main activity?*

V. *Your turnover is between(RON/year):*

- a) *<100 000*
- b) *[100 000; 1 000 000]*
- c) *>1 000 000*

VI. *You have available cash:*

- a) *Very few*
- b) *Few*
- c) *Much*
- d) *Very much*

VII. *Did you ever barter?*

- a) *Yes*
- b) *No(if this is your answer, please pass to question XII)*

VIII. *Where you pleased of the counter benefit?*

IX. *What kind of goods or services were the object of the barter?*

X. *Which was the highest barter value(RON/year)?*

XI. *Are you willing to barter again?*

- a) *Yes*
- b) *No*

XII. *Which do you think the barter benefits are?*

XIII. *Do you agree with money elimination?*

- a) *Yes*
- b) *No*

4. Results

The results of the study are very interesting. My initial belief is true and I can say that the objectives of this study were met. 24 of my respondents said that they have made one or more barter. The most firms are limited companies. Among the 6 who said they didn't barter are a hairdressing saloon, a meat factory, a real estate company, a souvenir shop, a water distribution company and a bank. For the bank, it's quite difficult to make a swap because it offers mostly money that are not the object of a barter. If they could offer their financial services in exchange of goods or services without added operations charges for the partners that have an account opened at their branch.

All corporations have their turnover over 100 000 RON/year and 4 of them have turnovers over 1 000 000 RON/year. There are 6 limited companies that also have turnover over 1 000 000 RON/year. The most economic agents that didn't barter at all(3) are the ones that have a turnover higher than 1 000 000 RON/year. Firms that have a bigger turnover are the ones that were set up earlier. There are no companies started after 2006 that have this turnover.

The activity domain of the interviewed respondents are vast: from commerce(4) or advertising(2) to hairdresser, IT, quarrying, pavements, consulting or souvenirs. The ones that have big turnover are the firms where the main activity is agriculture, banking, gas, porcelain, advertising, sanitation or water distribution.

The biggest barter value was the one of a construction company that swaps new built houses at the periphery with central located apartments. The value is around 400 000 RON/year. Another big barter value is for a firm that produces pavements and made a swap with a construction materials company for raw materials in exchange of paving its yard. The smallest barter value was for a lake owner who offered fish to a cleaning firm to beautify the lake. The value was around 500 RON. Another small value was for a commercial operator that offered products that he traded for a cash register for 700 RON.

Only a firm from a total of 24 that made a barter said that it was not pleased of the counter benefit. It is a grocery store set up in 2008 that offered vegetables for tools. The reason that it's now willing to barter again is that the tools were bad quality. The value was around 600 RON.

There are 2 economic agents that were pleased of the counter benefit but they are not willing to barter again. Both agents have their activity based on commerce and one of them bartered a health insurance for its employees.

The benefits of barter are seen different by my respondents: from advantage over competition answers of press and advertising firms to customer loyalty seen by the quarrying firm or the accounting services one. The most answers were that it helps you increase sales(7) and it reduces costs(6). 2 of the respondents said that this kind of swap is a win-to-win situation. Only 1 economic agent thought that the barter has no benefits.

From the total of 30, 29 affirmed that they don't agree with money elimination. The only economic agent that said that it would be no problem for him to work only by barter was an advertising firm with low turnover. I can say that the answer is quite natural because he said that one of barter's benefits is expanding the distribution channel.

Start-up businesses are the most that didn't make a swap. 3 of them were set up after 2006. The old firms are likely to understand the benefits of this kind of exchange.

The number of employees is not conclusive when it comes to barter. There are 2 firms that have 1 and 2 employees that didn't barter at all, as well as 2 that have over 140 employees.

5. Conclusions and further concerns

In conclusion, an analysis at a relatively small scale was made to overview the main reasons that encourage economic agents to swap goods and services. For the future, it would be very interesting to do a regional or national research and compare the data with the one obtained in this study.

The results reinforce my initial belief that most businesses are willing to swap goods and services due the lack of money on the market. Exchanging things you produce makes it easier for you to obtain the things you need "at a fair price". It is a win-to-win situation where the addition value paid for the product you need is balanced with the addition value for the product you offer. You can say that you gain something with 20-30% less. Barter should be a very fair trade, therefore the added value of assets that make the exchange object should be the same.

Nowadays due the financial crisis, small firms are even more desperate to swap goods or services. If they don't find out a need for the products they make, at an economic agent from which they need a good or service, they try to find out another company that needs their good and fulfill the need of the second partner in order to make a 3 way barter.

This habit was present in man's life from the beginning of time by trading food, tools or goods; it couldn't disappear suddenly because it has many benefits. It is still present at a reduced scale due governments interest in collecting fees and taxes. There is another important player that wouldn't like this system: banks. They are the most powerful and influential players on the market. All important decisions are taken by bankers. The more money they produce, the more power they have. If a barter-based economy would appear, than they would disappear, and who would like this...

A barter-based transaction it's generally considered a fair one and partners tend to do business again and even befriend. I think that it's because it removes the idea of man's quest for money. It is observed that the main subject of swaps are services. Those are the ones that are not at the base of the need's pyramid, they are harder to sell and people tend to empty their pockets harder. So if you would really like your business to thrive you must adapt to market conditions and give barter a chance. I guess this is the engine that gets us out of the recession because it's based on fair trade!

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