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BOOK REVIEW

BAZZANI, G. (2020) WHEN MONEY CHANGES SOCIETY: THE CASE OF SARDEX MONEY AS COMMUNITY

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This book is based on a doctoral dissertation in Social and political change, undertaken at the Universities of Torino and Firenze under the supervision of Carlo Trigilia. It explores how "money changes society" by focusing on the specific case of Sardex, which started in Sardinia since 2009 as a business-to-business mutual credit system (introducing over the years the possibility of partial wage payments in sardex), and whose rapid success was acclaimed. At the time of writing, the Sardex network included nearly 4000 member companies, with transactions amounting to an equivalent of 80 Mn euros.

The book is of high interest for those who study so-called complementary or community currencies and those who want to understand how Sardex-like systems work and what they generate. The general focus and analysis of the book is accurate and provides the reader with original research and findings that positively contribute to the literature. It is however regrettable that the general overview on money and complementary or community currencies (henceforth, CCs) lacks accuracy and spreads over some misplaced considerations – for example, the reference to barter hardly makes sense when talking of money systems (p. 2), the commonplace reference to medieval currencies does not help (cf p. 28), or stamp scrips, as Irving Fisher (1933) called them, were specific stamped notes rather than all types of scrips issued during the Great depression in the U.S. (p. 30 sq).

The book shall contribute to two distinct realms of works in social sciences, and it proposes an original connection between both. The first one is the sociological works on social mechanisms, that is, the theoretical framework chosen and developed by Bazzani, which is developed in the field of analytical sociology. It is continuously presented and discussed throughout the book, in a well-structured way, each step of the reasoning being discussed in light of the concepts brought about in the literature. This framework looks for causalities, it unpacks the "social mechanisms" by which the Sardex system generates change. It relies on micro-level analysis based on 37 interviews. The second one, though less systematically developed and mastered, is the rapidly growing literature on what is commonly called CCs, that is, community or complementary currencies. The Sardex case is a success in comparison to most CCs, and it has become one of the most studied single experiences since its inception at the end of the 2000s, probably along with the Banco Palmas, the Chiemgauer, the Bristol Pound and the Eusko. Bazzani's book is the first one on the subject in English. The book format enables an in-depth study, which is out of reach in articles.

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Bazzani analyses if and how the Sardex system generates changes in society. As summarized in the title of the book, the answer is positive. Chapter 1 introduces the book, Chapter 2 explains the conceptual and methodological framework and explains its "mechanism approach for money". Chapter 3 provides the reader with a description of the "Sardex experience". Chapter 4 analyses the "social mechanisms influenced by Sardex" and Chapter 5 concludes.

The chapter 4 is obviously the centre of the book; it is also the longest chapter, with 100 pages out of 185. The social mechanisms identified by Bazzani are structured around 3 main items: trust, cooperation and solidarity. Trust and solidarity are unpacked through 4 sub-items each: selection, signalling, reciprocity, and monitoring & sanctioning as contributors to trust; opportunities, desires, beliefs, and collective action as contributors to solidarity. Extensive verbatim is provided in this chapter 4.

In this critical reading of the book, I shall raise 3 sets of remarks: on "social mechanisms", especially trust; on the consequences of the principle of mutual credit on social mechanisms; on a deadly paradox of Sardex-like systems that raises doubt over scaling up.

TRUST

In his chapiter 4, Giacomo Bazzani unpacks the social mechanisms that make the Sardex a driver of changes, by articulating trust, cooperation, and solidarity. The discussion is well informed in conceptual terms and interviews are used extensively. However, the chapter raises doubts over the articulation of concepts and their contents. What is called "cooperation", for example, seems limited to a will to exchange with other members in kinds of re-embedded market transactions, hardly collaboration to do something together (p. 166); what is called "collective action" is mostly the individual actions that result from the awakening of entrepreneurs to their collective interest through the work of the Sardex system (p. 147).

Yet, I would like to focus on trust. As presented in its dedicated section, trust has been extensively studied by social scientists. Money being a social phenomenon, it is obviously highly subject to trust issues, which fully justifies an analysis of the Sardex in terms of trust. As to this case, we should however differentiate trust in the monetary scheme from trust generated within the community of users, and then analyse how they reinforce each other. Bazzani's analysis actually weaves between both. Regarding trust in money, the stream of monetary institutionalism developed around Michel Aglietta and André Orléan provided a workable concept of trust that could have been useful in this book (Aglietta and Orléan, 1998/2020). Recent English publication of works of the "French school" of monetary institutionalism makes it more accessible (Aglietta, Ould-Ahmed and Ponsot, 2018; Alary and al., 2020). Their framework provides a comprehensive understanding of trust in money. It distinguishes three complementary forms of trust: methodical, hierarchical and ethical. While the two first ones are clearly developed in Bazzani's book, the third one is present as an unused potentiality.

A first form of trust in money relates to what Aglietta, Orléan and their co-authors call "methodical confidence", that is, the kind of horizontal confidence that emerges from the daily experience of money, which builds certainties over the simple fact that one's money will be accepted by others. This form of confidence could be considered rational or calculation-based, although it quickly becomes led by routines as far as the use of money does not meet difficulties; Bazzani employs the term "interpersonal trust" (p. 93). A second form is called "hierarchical confidence". It refers to a vertical trust in the institutions that issue, control, regulate money; namely, monetary authorities: the central bank; Bazzani talks of "institutional trust" (p. 93). Beyond those two quite well-known forms of trust, a third one is designed by Aglietta & Orléan, which they call "ethical confidence". It refers to the general adherence of people to the political project, or the ethical values, that ultimately define the monetary system. This ethical confidence is useful to understand trust in CCs, insofar as CCs are built as political projects, or projects with a political intentionality, with the polity in mind – not policies or politics.

The Sardex case, as clearly shown in the book, enters this category of political intentionality. Moreover, 6 of the 37 entrepreneurs who were interviewed joined the Sardex system because of the ethical project, and 20 expressed their use of the Sardex as motivated by ethical reasons (this reason being possibly added to business motives) (p. 122). This provides crucial evidence of the importance of this ethical form of trust for Sardex members. This leads to consider cautiously the statement of trust being partly an "encapsulated interest" for individuals (p. 98): when political intentionality comes in, the role of self-interest is made relative, if not put secondary; Bazzani himself positively identifies how members consider challenges of local development rather than their "direct economic interest" (p. 5). This point is a crucial one when analysing CCs in general, because their possible success (and maybe their shortcomings as well) seem precisely to come from their capacity to mobilise users who are politically motivated, regardless of transaction costs (at least to some extent) and other difficulties generated by the use of a complementary or community currency. However, their scaling up could be hampered when the political motive is too strong, leading to questions over the dynamic balance between users' motives during the successive stages of their existence.

MUTUAL CREDIT

Second remark, the principle of mutual credit, which is at the core of the Sardex system, could have been more thoroughly unpacked. A mutual credit system (henceforth, MCS) is a kind of clearing system, as are LETS-like and Time banks-like systems, and as would have been the Bancor in Keynes' mind. The peculiarity of an MCS is that it introduces the principle of a reciprocity that is not bilateral (between two members who meet and trust each other), but multilateral (between a member and all the others, with whom transactions will potentially develop). It does so by the systemic requirement of a twofold commitment of members. In an MCS, members are indeed required to act in a responsible way, for themselves and with the interest of the community at the horizon: they should be dynamically buyers and sellers as well. This twofold commitment should generate the common understanding of a collective interest: members need each other. Consequently, a single transaction should be understood as a specific moment in a permanent dynamic of reciprocal exchanges that build a community of mutual support. This does not preclude possible competition and rivalry between members, but this promotes community feelings. This cannot but have consequences on the capacity to build trust, cooperation and solidarity between members, that is, the three structuring social mechanisms discussed by Bazzani.

Along with this principle of mutual credit, the Sardex introduces the rule of time limitation of opened sardex credits to one year, and sardex debts repayment in euros after one year (p. 43-44). The time-limitation of credits is of major importance for every member, who cannot but think in terms of expense when approaching the end of that year. This rule may also explain much of the social mechanisms analysed by Bazzani, including reciprocity, the will to cooperate (actually, to develop exchanges with others), solidarity through donation, etc.

SCALING UP AND REPLICATION

Last point of this discussion, the interest and even the possibility of replication and scaling-up of the Sardex scheme. As the author writes it, "The different social mechanisms triggered by Sardex are used to analytically identify the single steps in the action chain that produces the social effects" (p. 5). Such a statement suggests the possibility of successful replication, as far as the "single steps" have been properly identified.

Reading the book eventually leads to link the success of the Sardex with the strict selection of its members, the principle of zero-interest credit (without collateral and within limits) and the brokerage services to members.

Bazzani shows that selection contributes to trust. He differentiates endogenous selection (that is, self-selection) and exogenous selection (that is, the work of brokers who aim at rationally expanding the network). The latter seems important, since "being a member of the Sardex network is perceived by entrepreneurs as a guarantee of high reliability" (p. 72). However, the author does not insist on refusals ("thousands of membership requests", according to an interviewee, p. 51, while "only rarely", as stated p. 52), and he leaves cases of deceived members who exited the system in the shadows (he nevertheless mentions a low drop-out rate of 3 to 4 % per annum, p. 4). In other kinds of CCs, such as French convertible local currencies, business selection, which is usually a crucial phase of the desired network extension, does not produce much refusals, for various reasons, among which self-selection and the role of forms of proximities between potential applicants and the already existing network (Blanc and Fare, 2016). Yet, refusing membership application could be harmful and jeopardize the future development of the scheme, by spreading feelings of unfairness.

Brokerage appears to be the crucial service that builds the success, as it socialises transaction costs, thus reducing individual ones, and thus providing small businesses with services they could not afford by themselves (p. 152). Bazzani presents impressive positive impacts of the Sardex, though without displaying how the results were obtained: "The average increase in business following Sardex membership is 23% for the number of customers and 26% for revenue: both values are net of the estimated euro-to-Sardex substitution effect" (p. 101). Brokers seem to play a crucial role in this success, that is, a non-monetary element of the Sardex system, a kind of necessary add-on to the payment system.

If we combine the challenges of selection and brokerage, it seems that replication outside Sardinia would make sense, as it already started to happen, since a dozen of fellow systems have been implemented elsewhere in Italy from 2013 onwards. However, one may have doubts over the replicability of the Sardex' success on the sole basis of the social mechanisms uncovered by Bazzani: the concept of "social mechanisms" may too easily lead to the belief that social phenomena are "mechanisms" whose smart arrangement would lead to predefined results.

Contrary to the former, replication in Sardinia seems inappropriate, because it would lead to several networks in competition, possibly undermining the long-term contribution of the Sardex to community strengthening in Sardinia. Eventually, scaling up seems impossible without downgrading the system. If, indeed, scaling up meant to cover up to all small and medium enterprises of the island (as far as they have their headquarters there), brokerage in its present form would become impossible, due to the impossibility for brokers to know and trust all businesses of Sardinia – unless human action is put second stage behind algorithms, which would mean a major downgrading of the Sardex services, with a fall into an impersonal system, or, after Bazzani's articulation of concepts, a fall from a "thick" form of trust (called community trust) to a "thin" form (p. 95-97). The reader may thus conclude that Sardex-like systems are doomed by a deadly paradox: reasons for their success provide reasons for their impossible scaling-up, because they would lose what makes them interesting and useful for their community.

This analysis suggests there would be a success window in terms of size, for potentially all kinds of CCs, between too small and too big. The determinants of such windows are yet to be analysed. It seems that Sardex reached its own success window, of which Bazzani's book provides a fine and thoughtful study.

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