

## **Paper for Conference on Complementary Currency Systems, The Hague, 19 – 23 June 2013**

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### **Title**

Building systems trust while accounting for ambivalent trust: exploring community exchange and reputation currencies

### **Abstract**

Of the many challenges that living in contemporary society poses, this paper focuses on that of our increased reliance on exchange, particularly in cases of ambivalent trust. Exchange, specifically the concept of community exchange, is identified as the basis for both provisioning at the individual level and large-scale cooperation to ensure provisioning for all, that is to ensure that basic needs are met for everyone. The focus is on building systems trust in community exchange, as a hybrid currency system combining reciprocal exchange and negotiated exchange, and also the means by which rules and norms can be negotiated to govern exchange and human behaviour in general. This paper uses the case study of a recently commenced community currency project in North-West Tasmania, Australia, called CENTs – Community Exchange North-West Tasmania, to analyse these dynamics. Each stage of CENTs aims to build trust, the initial stage caters for certain levels of ambivalent trust, with the final planned stage of a reputation currency assuming higher levels of confidence in strong reciprocity, more systems trust and less ambivalent trust. At the same time, the intention is to analyse the extent to which CENTs can negotiate, monitor and enforce informal rules at the local level, while also crucially negotiating with the state with regard to formal rules to ensure CENTs is inclusive of often excluded groups. Although in the early stages of development, to date CENTs is showing potential to work towards these aims, albeit on a necessarily incremental basis.

### **Introduction**

The co-evolution of social and ecological systems has involved dramatic changes to our environment and significant levels and varieties of unintended consequences (Ison, Roling et al. 2007). This paper focuses on one particular unintended consequence, that of decreased levels of systems trust (also often called generalized trust), contributed to by ambivalent trust. Levels of trust are significant given for example, our increased levels of interdependence, particularly with unfamiliar others. The norm of contractual exchange (in essence the use of money) has the capacity to deal with ambivalent trust, however contractual exchange involves high levels of transaction, monitoring and enforcement costs (Rodríguez-Pose and Storper 2006). This has implications for another serious unintended consequence of co-evolution, being that increases in local and global population levels and average per capita use of resources are challenging the limits of the earth's carrying capacity (Daily and Ehrlich 1992). Reducing reliance on contractual exchange is one approach to reducing resource use which this paper explores. The approach proposed to achieve such reductions is via influencing the norms governing exchange in a community context.

This paper therefore seeks to address two questions. Firstly what norm can be identified as one of the more important ‘sustainability norms’, that is, the norm that can be initially identified as likely to be most instrumental in maintaining functional socio-ecological systems? Secondly, in what ways can community exchange help promote this norm and other ‘sustainability’ norms? The two main hypotheses this paper proposes to address these research questions are that firstly systems trust in reciprocity can be identified as the initial norm with (arguably) the ability to have the greatest impact on sustainability. Secondly, that community exchange systems (based on reciprocal exchange reinforced by contractual exchange) can strongly influence this norm and others identified as important for sustainability. The theories which inform this paper are derived from the main elements of three frameworks in particular, feminist ecological economics (and ecological economics in general), institutional economics and socio-ecological theory. Social exchange theory is drawn on in the first instance to provide the basis of the underlying framework. The main methodology involved discourse and content analysis (such as of documents relating to the case study), and ethnographic, participant observation based on the case study. The case study involved analysing a new project in North-West Tasmania, Australia called CENTs – Community Exchange North-West Tasmania.

This paper will proceed as follows. The concept of sustainability will be briefly discussed in terms of the imperative of decreasing resource intensity and the subsequent identification of systems that show potential for decreased resource intensity. Trust will then be examined for its significance as a sustainability norm, particularly systems trust, and the rationale given for the concept of ambivalent trust. The significance of norms in general and norms of community exchange in particular will then be discussed in relation to their influence on human behaviour, assumed as a crucial element in both the need to reduce resource intensity and maintain functional social systems. Community currencies in general and the case study of Community Exchange North-West Tasmania (CENTs) will then be discussed – the latter in terms of outlining a succession of stages towards trialling a reputation currency as a mechanism to scale up community currencies beyond the small group level, and of building systems trust.

### **A framing of sustainability: the significance of resource intensity**

This paper is based on an assumption that human survival and thriving depends on how well our ecosystems and our social systems function to ensure human needs are met. Ecosystem functioning pertains to a range of factors, such as preservation of species diversity, minimisation of pollution and so on. This paper focuses on the use of natural resources, given that it appears that we are or will soon reach the limits of some of the natural resources we can feasibly access to support certain standards of living (Jackson 2004). Ecological economics has contributed greatly to the understanding of the finiteness of the earth’s resources and the subsequent need to reduce resource intensity, in particular, use of material resources and non-renewable energy (Soderbaum 2007).

The two systems that are considered as the two basic options to coordinate human endeavour at least in countries where neoliberalism dominates, are community-based systems and market-state based systems (see for example Beder 2006 for reference to collusion between the market and the state). These can be seen as different potential forms of governance, and/or different ways of ensuring provisioning (defined as the meeting of basic human needs) and have differing implications for sustainability. This paper identifies networked communities (in terms of communities connected to broader systems) as likely to be less resource intensive and more effective generally than the market-state as a basis of motivation for human individual and collective action. There is not the space in this paper to more fully explore the underlying social psychological and evolutionary basis for this claim, however work relating to cognitive dissonance (Heylighen 1992), and reactance (Brehm 1989)

indicate that the market-state is an expensive means of coordinating human action requiring substantial resources to coordinate transactions, and for monitoring and enforcement of societal rules (Bowles and Gintis 1986), partly because money is also a very expensive institution as a medium of exchange. It is assumed that any system that works in concert with our innate norms and takes account of learned norms (as discussed further in this paper) is likely to require fewer resources than systems that work against our innate norms, such as reliance on the market-state. Likewise, although not explored in this paper, is the assumption that systems are likely to be more resource intensive according to the extent to which they work against ecological processes rather than with them. As Boyer and Peterson (2012) claim, innate norms which are the basis of community-based systems are more easily learned than non-innate norms, therefore require fewer resources. Likewise Poppo and Zenger (2002) point to the expenses involved in contracts versus relational norms such as trust, supported by Glaeser (2002) and Rodriguez and Storper (2006). Part of the significance of networked community provisioning is that it is based on trust. Trust is needed regardless of the dominant mode of action, however it is argued that community initiatives rely most on trust, and have the most capacity to build systems trust (Adler 2001), deemed as necessary for sustainability.

### **From ambivalent to systems trust**

A common definition of trust is “to have a firm belief in” (LaTrobe University 1976: 1120). What is generally implied, for example in the substantial amount of social capital literature, is trust in goodwill (Adler 2001). In other words confidence in reciprocity, that one will not be treated as an means for someone else’s ends, that one will not be exploited, in the literal sense of not being used for profit or personal gain (LaTrobe University 1976: 362), and therefore the belief that others are willing and able to act in our own best interest. This interpersonal form of trust is the basis for trust in broader systems, that is, systems trust, or what is also called institutional-based, societal, generalized or abstract trust (Bachmann 2001; Covey 2006; Wollebæk, Lundåsen et al. 2012), which in turn is then needed to ensure large-scale cooperation. Systems trust is defined as a diffuse level of confidence that people in general will act during exchange interactions in the interests of the individual, and that norms as institutions also support both the interests of the individual and the collective.

Four points are highlighted with regards to both trust in general and systems trust in particular. Firstly Adler (2001) contends there is a “real trend to trust”, in other words that there is increasing awareness of the importance of trust, and a gradual emergence of a new form of modern trust, which he tentatively calls ‘reflective trust’; the main feature of which is a reliance on dialogue. The second point relates to ambivalent trust, where ambivalence is defined as ‘having opposite and conflicting feelings about something’ (LaTrobe University 1976: 30). It is contended that an unintended consequence of genetic-cultural evolution, in particular increased interdependence, has generated a conflict whereby we still have an innate need for self-determination, but this need is often thwarted by a number of processes including diffusion of responsibility. The result is that while we have a need to contribute, we are not actually ultimately compelled to contribute and/or there are fewer and fewer opportunities to contribute (for example due to rising structural unemployment), to our own provisioning, to the provisioning of others and to society in general. To the extent ambivalent contribution exists there is also likely to be levels of ambivalent trust, that is, although reciprocity is an innate norm and hence we tend to believe that at least those we have contact with are likely to be cooperate via reciprocation, evidence that there is also a norm of opportunism leads to a level of ambivalent trust. We want to trust that others will do the right thing by us and for our systems in general, but we also know that in some cases it is naïve or ‘blind trust’ to believe that everyone will behave in that way. Hence the need for external sanctioning, provided for example, by an enabling market-state.

The third point is as Wollebæk et al (2012) state, generalized or systems trust is in the first instance influenced by socialisation; we gain interpersonal trust (as the main basis of systems trust) through repeated interaction during the socialisation process. This adds weight to the argument for increased focus on provisioning including social reproduction. Lastly the concept of transitive trust is useful in alluding to how reputation can become the basis of systems trust. This concept can be traced to the literature on trust and reputation systems via information technology (that is, online service provision), whereby “trust can be calculated through opinions gained from a network of interconnected contacts” (Lawrence 2009: 326). If A trusts B, and B trusts C, then A trusts C; it is not necessary for A to know C directly.

The importance of trust can be indicated by the view that there are two fundamental social processes influencing social interaction; on the one hand, “the insatiable desires of human beings to improve their material welfare; and on the other, the exploitation of the services of foreigners (i.e. those outside the social group) to achieve this end” (Gumplowicz in Jackson 2002: 292). The existence of the latter tends to decrease trust, and therefore increases the costs of our systems as we use large amounts of resources to compensate for a lack of trust (Nock 1993) and ambivalent levels of trust.

Trust is identified by Adler (2001) as the coordinating mechanism of communities which is more effective (for example by lowering costs, in particular transaction costs) than the market-state with their coordinating mechanisms of price and authority (Rodríguez-Pose and Storper 2006). Coordinating mechanisms in essence refer here to the means by which people are motivated to cooperate firstly for self-provision and secondly to contribute to the conditions of the provisioning of others.

It can be seen therefore that any collective action does require this type of general trust. The importance of face to face relationships which are the essence of the concept of communities used for this paper is that this is necessary for interpersonal trust to develop, when people have regular contact with each other (Bachmann 2001) and are able to verify for themselves the goodwill or otherwise of the members of their community. However over time we increasingly have come to rely on impersonal exchange which by definition does not involve regular face to face relationships, yet trust is still required if efficient systems are to be maintained. Therefore trust in reciprocity is identified as the most important initial norm for sustainability: the paper will now address the second research question relating to how community exchange can strongly influence norms in general, and systems trust in reciprocity in particular. The significance of norms for human behaviour with now be discussed, and their relation to formal and informal rules and institutions.

## **Norms, institutions and rules**

Society is assumed as governed by a combination of legal (formal) rules and norm-based (informal) rules. The latter, referred to here as norms, are proposed as forming the basis of sustainability, but are inadequate without legal rules. Rules generally are defined as “a principle or code of behaviour” (LaTrobe University 1976: 896) with principle referring to “a basic truth, law or policy (LaTrobe University 1976: 810)”. Rules can be seen to have three main sources: those that arise through natural selection, which can be called innate norms or what Boyer and Peterson (2012) call ‘intuitive institutions’ (such as reciprocity); those that are influenced by interest groups, particularly involving ‘power over’, and those that emerge from broader processes of social learning. Innate norms, due to their strength can be seen to provide the greatest ultimate influence on human behaviour.

One of the definitions of institution is “something, such as a law or pattern of behaviour which has become a recognised and accepted part of a culture” (LaTrobe University 1976: 536). This paper takes this meaning of institution as synonymous with the meaning of norms, but uses the term norm

instead of institution, as institutions have connotations as being, for example highly path dependent and difficult to change; use of the term ‘norms’ instead of ‘institutions’ may engender an increased belief in our ability to change behaviours by changing norms. More specifically this paper adopts McAdam’s (1997: 339) definition of norms as “informal social regularities that individuals feel obligated to follow because of an internalized sense of duty, because of a fear of external ... sanctions, or both” (also see Parisi and Wangenheim 2006). McAdams also explicates a useful esteem theory of norms, based on his contention that norms arise because people seek the esteem of others. This is backed up by evolutionary theory where esteem by others was conducive to human survival, hence would have been naturally selected. Sanctioning via the withdrawing of esteem provides a relatively costless mechanism to punish norm violators (McAdams 1997).

The internalized sense of duty mentioned by McAdams in reference to innate norms can be broadened to refer to the internal rewards (pleasurable feelings) we gain when we engage in certain behaviours and the internal punishments (unpleasurable feelings such as guilt or shame) we experience when we engage in behaviours we know are not generally accepted (Kolm 2008). Internal and external sanctioning can be seen as the crux of norms and rules – they operate to ensure we behave in a way that reconciles our self-interest with other interest. Innate norms are distinguished in this paper from learned norms, in that innate norms are genetically ‘hard-wired’, while learned norms originate via cultural mechanisms, in particular by social (largely unconscious) learning, including imitation. The norm of strong reciprocity, as one focus of this paper includes both positive and negative reciprocity, which refer in turn to internal and external sanctioning. In short, both innate and learned norms are proposed as the ‘invisible hand’ that governs human behaviour and hence our social systems.

The difference assumed here between rules and norms is that both informal and formal rules tend to be more explicit and subject to external sanctioning; but in reality there is substantial crossover between rules and norms. This paper assumes that rules generate norms and norms generate rules, just as for Rousseau, rules make actors and actors make rules (in Bowles and Gintis 1986).

Norms do involve habitual, unconscious behaviours which are difficult to change, however recent research on plasticity of the brain does indicate a human ability to change deeply ingrained behaviours (Tomer 2012). Innate norms such as strong reciprocity, self-interest and wariness of strangers (which translates to reciprocation wariness) have all evolved to solve problems in the past. Over time there have been many significant changes in our socio-ecological environment, including the numbers of people that we exchange with and the extent of division of labour and therefore levels of interdependencies. For much of our history we only exchanged largely with those we had face to face relationships with, and division of labour was limited. Our natural wariness of strangers has evolved into a wariness of reciprocal exchange beyond small groups. This thesis maintains that since we have an innate motivation for reciprocal exchange, and we have the capacity to change norms that govern exchange processes, we can re-establish norms of reciprocal exchange to those we are unfamiliar with.

However, as Hart (2007) notes, since a collective based solely on ‘altruism’, or internal sanctioning is unrealistic, this paper proposes a hybrid system which seeks to account for both our innate norms and our learned norms from which trust ambivalence derives. This paper contends that the combination of innate and learned norms can form the basis of a community approach to governance and provisioning which is likely to be more effective, efficient, and of lower resource intensity than the market-state, in other words has greater potential to assist with sustainability. The norm of reciprocal exchange has been identified as an important norm; the significance of exchange in general and reciprocal and negotiated exchange in particular will be discussed in the next section.

## Reciprocal and negotiated exchange

An exchange relation can be defined as “the sequence of material and affective flows between parties” (Bell 1991: 254). It can thus be seen as the giving and return of experiences, not necessarily positive, but always acting as a mechanism of social learning, while either reinforcing existing norms or building new norms. More commonly, exchange is defined as (somewhat) equal giving and receiving (Coetzee 2010) - specifically the former occurs as a result of the latter<sup>1</sup>. Our innate norm of exchange occurs alongside an innate norm of fairness, that we seek, sometimes consciously and sometimes not, to ensure that the giving and receiving are roughly equitable. The concept of reciprocity differs from exchange in that reciprocity has less of a concern about equality, specifically timely equivalence, while exchange has an increased concern for timely equivalence. It is contended that as impersonal exchange has become increasingly important, and as diffusion of responsibility as a result of sociality has increased, that the norm of contribution and of giving as a result of receiving has become diluted (leading to ambivalence). Our institutions have largely failed to overcome “the ‘temptation’ to accept the benefits of the common good without contributing” (Worden 2010).

The proposal is therefore to retain negotiation and elements of contractual exchange, with their increased emphasis on timely equivalence, despite the increased costs involved. It is contended that systems trust, in the sense of confidence that community exchange can attain a legitimate status based partly on its grounding in innate norms of exchange and fairness and its capacity for internalisation, relies on both reciprocal exchange and negotiated exchange.

The main significance regarding exchange is that strong reciprocal exchange has proven over millennia that it operates effectively at the small group level and does show potential to be scaled up to the broader level by the use of reputation. It is unrealistic however to rely on only reciprocal exchange in the short term; limited cognition (Nock 1993) and opportunism norms (ambivalence) indicate that negotiated and contractual exchange still have a role in increasing confidence in currencies other than money.

Reciprocal exchange refers to the giving of benefits for benefits received (Lawler, Thye et al. 2008), without concern about timely equivalence and therefore no formal accounting mechanisms are used. Reciprocal exchange typically occurs in families and small groups where no record is kept of who does what for who; in families kin altruism is the invisible hand which ensures basic needs are met. Merely returning a favour however is not sufficient for ongoing cooperation; rather negative sanctions are required as well to ensure those who do not reciprocate are punished for example by the use of shame (Bicchieri and Muldoon 2012). As Bennett and others imply (Brandt 1995; Bennett 1998), the capacity of families to continue their role in socialisation (to continue the process of internalisation of norms via positive and negative sanctioning) is being compromised by social changes such as changing gender roles. This adds to the need for wider sanctioning than can be provided for by the family to reinforce internal sanctioning.

Negotiated exchange refers to using communication such as deliberation to reach agreement on the nature of the exchange, such as the perceived level of equality of the exchange. Contractual exchange refers to reciprocity backed up by legal sanctions with the expectation of timely equivalence dependent on rigorous accounting mechanisms. Monetary exchange is an obvious case of contractual exchange with severe consequences for sustainability. It is not however necessarily the explicit use of contractual exchange that is the problem with money as a tool for exchange, rather that money is scarcity and debt based and interest bearing as mentioned previously. The concept of communities will now be discussed to help analyse their capacity for decreasing reliance on money as a medium of exchange.

## Community – the generator of norms

The definition of community that Gintis (2002: 421) proposes is used here, being “a group of people who interact directly, frequently and in multi-faceted ways”. Since a fundamental assumption of this paper is that internal sanctioning (supported by socialisation) is vital in the first instance for the adoption of norms, place-based communities where a large amount of the interaction is face to face is most conducive to reinforcing internal sanctioning such as via the family or other small face-to-face groups.

This framing of community used for this paper brings together a number of other concepts – such as localism (Curtis 2003; Stoker 2008), voluntarism or intrinsic motivation (DeCaro and Stokes 2008), decentralisation (M’Gonigle 1999), social capital (Bowles 1999; Gintis 2002), non-monetised exchange (Altman 2005) and of networks (Ison, Roling et al. 2007). For instance Gintis (2002) regards the essential elements of social capital – such as trust and reciprocity - as comprising the basis of community governance. And Ison et al (2007) point to networks as based on social learning as the basis of a third alternative to the market and state as governance mechanisms. All these concepts point to human interaction outside the market and the state spheres, and in one sense could ultimately be related to the motivation that Arvanitakis (2009: 453) ascribes to why we seek community, being “the desire to share hope, trust and a sense of safety”. Likewise Sofer (2008) notes that feelings of community are increased when community members trust that others in the community will help them in times of need, indicating the importance of safety and security as important motivations to seek community involvement.

From a sustainability point of view, geographical or face-to-face communities have many advantages. One particular advantage is that face to face interaction can be seen as the foundation of inter-personal trust. Therefore just as Hinrichs and Kremer (2002) note that people’s specific economic and social relations with others in the community shape their experience of community, experiences with community also shape systems trust.

Communities accord with ‘intuitive institutions’ of privileging those close to us – this can be the least resource intensive way of provisioning, for example caring for the elderly in the community rather than nursing homes. It is in geographical or place based communities that we inevitably engage in exchange and social interaction, and that social learning occurs. And as Lehtonen (2004) implies, participation, dialogue and deliberation are easier in community settings than non face-to-face situations. The literature on deliberative democracy (Pelletier, Kraak et al. 1999), participative democracy (Eriksson 2012), and agonistic democracy (Crowder 2006) all point to the many advantages and, in a sense, of the imperative of deliberation. As Holland (in Spash 2008) notes, deliberation can lead to participants to modify their values and beliefs particularly in negotiating conflict, and a “collective conscience” can emerge (and continually evolves) via discourse and reflection (Pelletier, Kraak et al. 1999: 103).

The limitations of communities include a tendency to be exclusive (Schragger 2001), with networks then identified as being able to assist communities in being more open and inclusive. Finally and a basic theme of this thesis is that it is within community settings that there is the flexibility and motivation to develop and spread specific norms. In sum, communities therefore have a ‘unique capability’ (Pillora and McKinlay 2011). The potential of community currencies to develop and spread specific norms will now be discussed.

## Community currencies – building social capital and decreasing reliance on money

A number of inter-related benefits of community currencies can be identified supporting the rationale for experimentation with the basic concept. The first one identified here is the potential for improvement in our monetary systems of facilitating exchange, firstly in terms of the attempt by communities to take back their capacity to control mediums of exchange which have been co-opted by the market-state duopoly, but also as a less resource intensive method of mediating exchange. The second stems from the recognition that money is kept artificially scarce (Greco 2001), and the

resulting detrimental effect of a lack of money to mediate the fulfilling of basic needs. Authors such as Seyfang (2001) have highlighted the connection between weak economies and economic collapse and the popularity of community exchange systems. Argentina and Thailand are two examples of countries that have experimented with community exchanges, the emergence of which were stimulated by economic crises (Seyfang 2001). At one level therefore, community exchange can address the problem of the lack of money in communities, and to recognise the vital work towards social reproduction which is generally under-valued in our current systems (Seyfang 2001). Both these advantages have potential for the more fundamental imperative of maintaining functional socio-ecological systems. In short, it is hypothesised that enabling environments can encourage our innate propensity to privilege the meeting of basic material and non-material needs. The use of money as a medium of exchange is proposed as an integral feature of disabling environments, along with the reliance on command and control by the state.

Community capacity building is a further benefit mentioned here, particularly for progressing towards community provisioning and increasing self-sufficiency. The success of community currency initiatives is of course strongly correlated to the percentage of needs that can be met within the community; Colley (2011) estimates that perhaps at most 5% of needs currently tend to be met within community currency systems, therefore 95% of needs have to be paid with the national currency, indicating the huge potential for communities to increase capacity by increasing the percentage of needs met within the community (while recognising there is a limit to the amount of needs that can be met within the community). In turn one important strategy for increasing the percentage of needs that can be met within community currency projects is inter-trading, that is, trading between initiatives that operate as separate groups. As will be discussed, the Community Exchange system that CENTS uses to manage trading is part of a worldwide network; a major feature of this system is the facilitation of trading with other groups, facilitated by “currency exchange rates” that are worked out automatically by the software.

## Reputation currencies – building systems trust

Inter-trading brings the issue to the fore of trust in potential trading partners, and the importance of reputation in facilitating that trust. Gothill (2011) refers to the significance of reputation in the following quote (couch surfing involves those with some spare room in their house offering short term accommodation for travellers, mostly for people they have never met before); in the following quote:

“Apart from scalability, currencies in the broader sense change market dynamics. If one individual is able to receive guests into their homes through Couch Surfer, even without a realistic expectation of reciprocation from the guest, it is partly from generosity, of course. However, the currency amplifies this motivation, since it gives the host a reward for their gift. This reward is increased reputation in the Couch Surfing community. Reputation is of course intrinsically valuable in its own right: we tend to value the experience of being seen as trustworthy, helpful or otherwise generous. In addition, reputation is something which the host can leverage to become a guest themselves. A history of generosity on Couch Surfer helps the individual to receive gifts of accommodation back, from other people.

Currencies which measure social capital in such systems of exchange are in fact abundance-based: they can be created by anyone, according to need and an agreed set of rules. That is: anybody who wants to gain a reputation currency to leverage in the future can do so, simply by providing value in a recognised system of exchange. The abundance mentality is assured by the fact that our ability to earn such currencies depends only on our capacity to create value for others” (p 1).

Josang et al (2007) define reputation as what is generally said or believed about a person’s character or standing. There is an emerging body of work emanating from the field of information technology on trust and reputation systems, in response to the problem of trust in the huge increase of electronic exchange (Miller, Resnick et al. 2002). Since the issue being addressed in this paper is the loss of confidence in the capacity for reciprocity with unfamiliar others and with some familiar others, then communication of a person’s ability to cooperate, whether that communication is from familiar or unfamiliar others becomes important to building systems trust. Eisenegger (2009) delineates between social reputation, which he defines as one’s ability to “adhere to social norms and values in a



responsible way”, functional reputation (level of competence) and expressive reputation (includes emotional intelligence), but all three can be seen as important in building systems trust. As Graeber (2012) states, reputation currencies tend to be a hybrid between the gift economy which tends to operate at the family level, and the pure market economy, in other words they involve patterns of exchange which can facilitate increased trust in reciprocity, but which guard against ambivalence. While there is still much work to be done to outline a practical proposal for a reputation currency, one option could consist of the establishment of affinity groups who would meet regularly, part of which would be to update the reputation records of all in the group, according to such criteria as number of trades, the quality of the trades, quality of communication and general level of adherence to norms decided on by the group. It is the discussion and deliberation involved in calculating scores/ratings that are perhaps as useful as the ratings themselves. The case study will now be analysed for its potential to implement a reputation currency.

### **Community Exchange North-West Tasmania (CENTs)**

The Community Exchange North-West Tasmania (CENTs) initiative began in 2011 with a grant from Skills Tasmania, the state government body responsible for the administration of vocational education and training in Tasmania. Skills Tasmania was interested in the potential of community exchange (specifically using time banking) to increase the employability skills of people who registered as unemployed and therefore receiving a state pension. The project planning of CENTs to date can be seen to involve four main stages: the governance stage, the building stage, the feedback stage and the reputational currency stage, with the latter two being the most experimental and largely untried elsewhere. The project is currently in the building phase, but also has some governance issues still to be addressed.

While there are many aspects of this project so far that could be discussed, three points are the focus for this paper. The first is the need felt in the initial stages of setting rules to cater for ambivalence of contributions and ambivalent trust. Both to overcome this and to promote inter-trading, the second aspect is the planning of a reputational currency. The third is engagement with the state, including the intention to engage those receiving state pensions in the project.

The governance phase firstly involved deciding on the structure of the system to be used (partly because of the large number of different systems available), and negotiating with government departments about the ruling of the status of CENTs “earnings”; both of these took much longer than expected. As mentioned, the electronic management system that was chosen was a global network system originally set up in South Africa, called “The Community Exchange System (CES)”. As Coetzee (2010) notes, it has experienced rapid growth, such as from 123 exchanges in 17 countries in 2009 to 218 exchanges in 28 countries in 2010.

With regards to taxation, as is the experience elsewhere (Seyfang 2001), state pensions are not affected by involvement in CENTs, and credits only need to be counted as income for taxation purposes if they relate to a person’s occupation<sup>ii</sup>. This, along with the issue of the time banking model whereby everyone’s time is valued equally, highlights broader questions relevant to the growth of CENTs. The issue of equality of valuation of time is one crucial aspect of CENTs, in terms of the difficulty of attracting people who can earn a much higher wage differential in the ‘normal’ economy for which there is not the space to discuss in this paper. What is noted is the limit to the growth of CENTs to the extent to which the currency cannot be currently used for a large number of goods and services, in particular government payments. In one sense a case may be made that if some people do need to pay tax on their CENTs earnings, there should be a reciprocal benefit, such as being able to pay for government services using CENTs. This is one concept it is hoped CENTs can explore in the future.

Another aspect relates to whether there is scope for a further blurring of the public/private distinction such that work done in the CENTs project can be performed by those claiming state pensions, even when the work performed is of a private nature. Pension recipients of course can engage in CENTs on a completely separate basis to their receiving a state pension. However there does appear to be a major barrier as Williams (1996) notes, whereby one needs a level of self-confidence in ones skills to engage in community currency projects, which may be a problem for those who have not been able to find employment, where, for example, self-esteem may be an issue (Hoare and Machin 2009). An element of compulsion (along with encouragement) in this case may assist with engaging job seekers

in community currency projects via Job Services Agencies. These are agencies that are contracted in Australia to ‘manage’ jobseekers, assisting them with finding employment, and ensuring they confirm to the requirements of ‘mutual obligation’, which as Breunig et al. (2002) state has led to increasing demands of job seekers to engage in ‘meaningful activity’. However opportunities to provide meaningful activity in the public sphere are limited, what is much less limited are opportunities in the private sphere. CENTs members have a large variety of ‘Wants’ that are currently unmet, many of them requiring practical skills which can be learnt ‘on the job’ – increasingly recognised as a more effective way of learning for those disengaged from formal education.

One current barrier however to pursue formal involvement of job seekers with a project like CENTs is the prohibition of any arrangements which may be perceived as taxpayers money being used for private benefit. As we become increasingly interdependent however, the separation between public and private benefits tends to blur (Lynch 2007), and transparency for example may be a more pertinent principle. The building phase of the CENTs project aims to progress negotiation with the state over these structural issues which are currently creating a situation of an increasing number of job seekers having barriers to engaging in ‘meaningful activities’. As Taylor (2003: 2) notes, “if a currency system can be seen to do things beyond itself, i.e. training, or environmental or socially just projects, outside of simply providing ‘individual to individual’ trading, then the government is more likely to negotiate ... [the rules]”.

Setting rules in CENTs was the other aspect of governance which is still currently evolving. One early experience with the project was of two traders who had to be de-registered following the discovery of indiscretions as members of another community currency group, and signs that the indiscretions may be repeated in CENTs. This contributed to the nature of the current rules, regulations and recommendations– for example:

“In the spirit of CES/LETS, it is recommended that both parties have a written or verbal agreement before entering into a transaction and have a clear understanding of the units per hour, monetary requirements and specific instructions for the job which is fair and just to both members. This should be exchanged in an email prior to effecting trade so as there is documented evidence as to what has been agreed” (CENTs 2013).

Another rule specifies limits on the debits and credits that can be accrued, and states that:

“The accounts of members exceeding this limit without approval will be “locked”. This will allow the members in debit to earn units but not to spend until they have reduced their debit balance” (CENTs 2013).

Both these quotes illustrate the extent to which it has been necessary to actively attempt to reduce instances of abuse of trust and ambivalent contributions in order to build trust in the overall system.

Building the project was the next phase. Given the relatively low numbers of the target population (approximately 110,000 people live in the North-West region of Tasmania), and the generally conservative nature of its culture, the growth in the ‘membership’ in a fairly short space of time has been very encouraging (from 4 in December 2012 to 63 in May 2013).

The third phase of the project (tentatively planned to occur between 2014 and 2015) will focus on establishing a norm of giving feedback (mainly from the receivers of a good or service to the providers, but it could involve other types such as 360 degree feedback) and using feedback to increase social learning. Feedback is an important concept in socio-ecological systems which in one sense can be described as an influence or message that communicates information about the results of a process or activity back to the source of that process (Capra in Sundkvist, Milestad et al. 2005). For the original target group of CENTs as those seeking employment, some of whom have never had any employment since leaving school, performing work via CENTs and then having ‘written’ feedback can be seen as tantamount to a job reference, and therefore may assist in gaining employment in the ‘normal’ economy.

Two ways that feedback can specifically enable systems trust are highlighted here. The first way is to reinforce internal sanctioning and assist in overcoming ambivalent contributions. It is assumed that

there are two main elements to the evaluation of the quality of how well someone has performed a task for someone else; one's own evaluation and the evaluation of the buyer. Feedback either confirms or disconfirms our own evaluation, and can be a valuable learning tool particularly to the extent our own evaluation differs from the buyers. Overcoming ambivalent contributions is a further rationale for promoting feedback – feedback does not have to be restricted to a trade eventuating, it can also be useful when attempts are made to trade, but the seller is not forthcoming in supplying a particular good or service. Of course the reasons for the latter can vary widely and unfounded presumptions of ambivalence on the part of the potential seller can be very damaging. Reflexivity is therefore important to guard against this occurring (and is another important norm). The second way is that feedback acts to increase communication in general and therefore can act for example as a stimulus for deliberation. In conveying expectations about the quality of goods or services provided, there is the opportunity for the modification of values and beliefs. These are just two examples of the ways that feedback can increase systems trust.

The fourth phase, which is currently envisaged as beginning in 2016, involves working towards a reputation currency, which would also involve the use of affinity groups. An affinity group is a group of people who in the first instance engage in learning and discussion together, and in the process offer mutual support (Seyfang, Haxeltine et al. 2010). Partly by knowing each other's strengths and weaknesses, the group can reinforce internal sanctioning to promote particular norms or behaviours. Greco (2009) uses the term "co-responsibility", where each member of the group shares the risk of other members in their group being opportunistic and ambivalent contributors. As Greco (2009) notes, keeping these groups small enables high levels of trust and 'democratic self-regulation'. Secondly systems trust depends on these groups interacting with other affinity groups to enable inter-trading and increased confidence in strong reciprocity.

An immediate reaction about the suggestion of affinity groups may be that social engineering such as this implies would never be palatable to a large amount of the population, who value individualism and privacy, and have low levels of confidence in the feasibility of 'forcing' people to interact with others, who may be neighbours but nonetheless may not have a prior close relationship. However many workplaces today have that very same dynamic – they are comprised of people who do not choose each other as workmates. For up to 40 hours a week and sometimes more, people cooperate (more or less) with others towards particular goals (which furthermore individual workers commonly have no say in). The human species has therefore proven we are more or less capable of coordinating our actions in these situations.

CENTs is already working towards creating sub-groups based on geographical areas, each sub-group could then have a number of affinity groups. The main aim of the sub-groups is to have a coordinator for each group, that can help facilitate trade and build interpersonal and hence systems trust. The issue however for inter-trading with for example groups in other states of Australia is of trust where there is in even further instances of social distance, hence the significance of reputation.

## **Further work and conclusion**

This brief analysis has only focussed on a limited sub-set of elements which point to the potential of community exchange in general and CENTs in particular to change norms, build systems trust and aid progression towards sustainability and/or goals identified by the community. Other aspects of CENTs that will be the focus of future work will be the extent to which CENTs appears to function to reconceptualise participants from a primary role as consumers in our current political economy, to producers and providers of value. As well as increasing community capacity generally this may assist with increasing self-esteem of disadvantaged groups, which were the initial target group of the project. A second important feature of CENTs is the ability for inter-trading, as briefly mentioned, via which communities can in effect link with each other. Linking vertically as well such as with local government is another important area to be investigated. Other points by which CENTs can challenge existing norms relate to reducing production and consumption (François 2102), transparency, associative economics (Powell 2002) and the equality of time (the time banking model of community currency) on which CENTs is based. Finally, the capacity of a reputation currency to operationalize a guaranteed basic income is another radical potential feature of the community exchange model. As Greco (2009) implies, the fundamental requirement in any currency system is to assure reciprocity,

whereby participants must contribute as much value to the community as they take out. Restoring this is a basic norm, while complementing this with other norms likely to work towards sustainability is the ultimate aim of the CENTs project, via a number of incremental stages.

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<sup>i</sup> However note that Bell points out the impossibility of ascribing value in exchange, implying that satisfaction with the exchange can substitute for the desire equality as such.

<sup>ii</sup> Although Williams (1996) notes that in the UK no 'income' has to be counted for taxation purposes when the time-banking model is used.