

A Tax Cut for Cleaning? Italians Take Up Bartering in Stagnant Economy

Faced with a long period of economic uncertainty with rising unemployment and falling bank lending, Italians have found novel ways to cope

By Donato Paolo Mancini

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In the Tuscan town of Massarosa, Alessia Signorini pulls weeds in a local park for tax discounts. Riccardo Porta barter the bread he bakes in Sardinia for meat. Rome restaurant owner Fiorentina Ceres buys and sells goods with a currency that doesn't touch a bank.

Amid a long stretch of economic stagnation, some Italians are finding novel ways to cope, embracing corporate barter, alternative currencies and even deals to lower taxes by performing civic duties.

Alternative means of trade have been employed throughout history, especially during economic downturns, as a way to boost local spending and help companies that aren't able to access bank lending. Switzerland's WIR alternative currency has been trading since 1934. And some U.S. businesses turned to corporate barter during the Great Recession.

But few developed nations in recent memory have embraced such measures to the extent of Italy—or been able to test them over such a prolonged period.

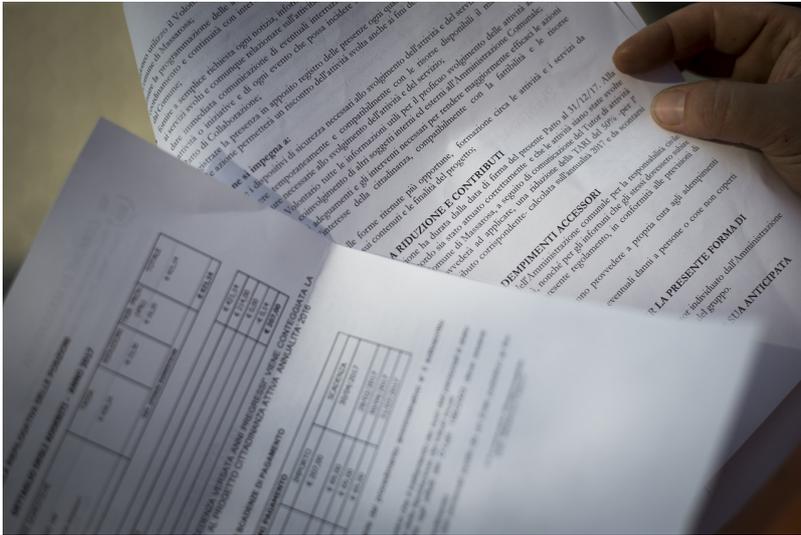
The country's economy shrank by almost 5% over the past decade, even as the wider developed world grew by 22%, according to the World Bank. Its unemployment rate sits at 11.1%, compared with a 7.7% average across the European Union.

While it's difficult to measure how much of the economy these alternatives account for, some measures show that in areas of Italy their trade is worth hundreds of millions of euros.

In Massarosa, a town of around 22,000 north of Pisa, municipal officials offer residents a 50% discount on their garbage collection tax—which can amount to a reduction of up to €450 (\$538) a year—in exchange for community service such as cleaning roads or gardening public spaces.

Three years ago, Ms. Signorini offered to help with street cleaning before becoming the local “weed wacker.”

“Our cities are penniless,” said Ms. Signorini, who recently lost her job as an accountant.



Ms. Signorini's paperwork outlining her barter deal with the town of Massarosa. 'With the discount we get, we—a single-income family—can pay another bill [more comfortably],' she said. PHOTO: CLAUDIA GORI FOR THE WALL STREET JOURNAL

Picking weeds wasn't something she ever envisaged doing, but "with the discount we get, we—a single-income family—can pay another bill [more comfortably]," she said.

This so-called administrative barter began in 2014 after the national government passed a law allowing citizens to receive a markdown on their local tax rate if they perform a civic duty. A court ruled last year, however, that this couldn't be done for debt accrued in the past. Massarosa currently has some 200 people taking part, said Mayor Franco Mungai, many of them either young and unemployed or pensioners "with a lot of free time." The city calls it an "active citizenship" program.

Businesspeople, meanwhile, are turning to corporate barter and parallel currency systems. Mr. Porta, the co-owner of a baked goods company in Gonnosfanadiga, Sardinia, barter with meat producers by using a local alternative currency called Sardex. He receives credits for his bread that he then redeems at local cured meat factories.

Barter credits essentially act like a currency, gaining value through their purchasing power. By swapping items they consider to be of equal value, companies are able to buy goods without using or having to borrow money—something that has become increasingly important for small-business owners as bank lending in Italy has fallen.

Barter was worth €1.8 billion in the region of Lombardy alone in 2014, according to latest figures available from the Chamber of Commerce of Monza and Brianza.

Italy currently has at least 11 alternative currencies, which moved the equivalent of about €90 million last year, according to figures compiled by Sardex, Sardinia's parallel currency system.

Ms. Ceres, the Rome restaurant owner, turned to one last year after struggling to get credit from banks. The local parallel currency Tibex, named after the city's river Tiber, allows her to barter goods and services, freeing up cash for other uses. "It has been a lifesaver," she says.

Some businesses in Rome and Naples also use SCEC, a free voucher system that lets customers buy goods at a discount at select outlets, which in turn buy marked-down goods from participating suppliers.

The success of these alternative means of trade remains debatable, experts say. If uptake is low, it can be hard to find a counterpart to accept the credit or currency. In the end, economists say, the systems can only spread as far as members of the local business community are willing to trust each other's debts.

“It can stimulate a sense of belonging and solidarity,” said Giorgio di Giorgio, a professor in monetary theory at LUISS, a university in Rome. “But its success very much depends on how widespread [the currency] is.”

Both former Prime Minister Silvio Berlusconi, who is running in next year's national election, and the antiestablishment 5 Star Movement have come out in favor of parallel currencies, which are generally considered vote-getters.

Many Italians expect alternative currencies to have a lasting legacy, even as the economy begins to improve. Growth was 0.4 percentage points in the second quarter, its best performance since 2010, according to the Organization for Economic Cooperation and Development.

Mr. Porta joined Sardex when it started trading in 2009—even using it to buy his car. Sardex is now among Italy's biggest alternative currencies, with about 4,000 people using it regularly, according to its latest figures.

“It is true that Sardex helped during this [downturn],” Mr. Porta said. “But I don't think that if and when the recession is over, Sardex will stop being used.”



Ms. Signorini on the job in Massarosa. PHOTO: CLAUDIA GORI FOR THE WALL STREET JOURNAL