

contracts in  
trade and  
transition

—  
the resurgence of barter



dalia marin and monika schnitzer

# contracts in trade and transition

## the resurgence of barter

Difficulties in contract enforcement impede international transactions in the world economy and domestic transactions in transition economies. In **Contracts in Trade and Transition** Dalia Marin and Monika Schnitzer explain how barter as an economic institution can facilitate contract enforcement across national borders in international trade and within borders in transition countries.

The authors show that international countertrade—tying an export to an import—emerged in the 1980s in response to the international debt crisis when Western creditors refused to finance imports to developing countries and Eastern Europe. Barter—the exchange of goods without the use of money—reemerged in transition economies in the 1990s in response to a domestic

debt crisis when banks in transition countries were reluctant to provide finance to firms. Countertrade and barter introduce a deal-specific form of collateral that addresses the lack of creditworthiness of countries and firms.

Drawing on contract theory, the authors argue that parties might want to pay in goods rather than cash or link an export with an import as in countertrade to solve incentive problems that otherwise would prevent any trade from taking place. The incentive problems they discuss are the technology transfer problem to developing countries and the “lack of trust” problem in the former Soviet Union.

Dalia Marin and Monika Schnitzer are Professors of Economics at the University of Munich.



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jacket design by jean wilcox



"Barter contracts are more prevalent in international trade than one would expect, and they play a prominent role in transition economies. Dalia Marin and Monika Schnitzer use sophisticated theory to shed light on this phenomenon and test their theoretical predictions with rich data sets. This is a first-rate monograph."

Elhanan Helpman, Department of Economics,  
Harvard University

"Dalia Marin and Monika Schnitzer have produced the first serious theory of barter in emerging market economies. Using the methodology and techniques of modern contract theory, they show how barter trade can mitigate contractual enforcement problems in relationships involving moral hazard in technology trade and debt repayments. They also provide an illuminating analysis of barter in transition economies where firms are both highly credit-constrained and operating in a

noncompetitive environment with a small number of suppliers and customers. This book will become a classical reference in the fields of transition, international trade, and international finance, and also for all students and researchers interested in economic development and institutions."

Phillipe Aghion, Department of Economics,  
Harvard University

"Barter is the oldest form of economic exchange, but in the modern world it has largely been superseded by monetary and credit transactions. Nevertheless, Dalia Marin and Monika Schnitzer make a compelling and intriguing case that, if planned with care, barter can play a valuable role in both international trade and transitional economies."

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