

*Erick B. Hansch was a colleague of Robert Swann and Ralph Borsodi at the International Independence Institute. One of the projects of the Institute was the launch of a currency called "The Constant" in Exeter, New Hampshire in 1972. Borsodi, an economist, was in his 90's at the time and decided to issue the currency as a one year experiment to prove it could be done, rather than just writing another book.*

*The Institute was also the vehicle for launching the community land trust movement in this country. Erick Hansch was one of the authors with Bob Swann of The Community Land Trust: a Guide to a New System of Land Tenure in America published in 1972.*

*In 1974 the Institute hosted E. F. Schumacher's historic trip to this country. Swann and Schumacher formed a close alliance as a result.*

*Erick Hansch, Ralph Borsodi, and E. F. Schumacher all died the same week in September of 1977. Bob Swann continued working with the ideas of his friends mentors and in 1980 founded the E.F. Schumacher Society ([www.smallisbeautiful.org](http://www.smallisbeautiful.org)) in Great Barrington, Massachusetts which has been a leader in study and application of local currencies and community land trusts.*

*Erick Hansch had a gift for languages. In addition to English he spoke Chinese, German, and Spanish. He traveled to Basel, Switzerland to study the WIR currency program that had been in operation since the 1930s. His unfinished typed report is in the archives of the E. F. Schumacher Library. Thanks to the good work of volunteers, it has been entered into electronic format and we are pleased to share it with you here. We have left his notes for the unfinished Part 3 because they indicate the direction of his further research.*

## Initial Results of WIR Research in Switzerland, Fall 1971 by Erick Hansch

### Part 1

In August, 1971, during a stay of several weeks in Switzerland, I had lengthy interviews with managing personnel of the WIR-Cooperative, both in the Zuerich and Basel offices, the latter being the headquarters of the Wirtschaftsring (meaning: Economic Ring, using the first three letters as acronym; also, the German word 'wir' means 'we').

WIR is a cooperative association of small to medium size, independent (grass roots) Swiss businesses for the purpose of mobilizing their own credit potentialities, i.e., without using commercial banks as

intermediaries, to facilitate business transactions within their own circle. This arrangement prevents, or at least inhibits, the outflow of capital and profits to the large chain stores, department stores, stock corporations, etc. WIR credit can be described as supplementary, low-cost credit, but has had also – the fully intended – result of increasing the business volume of their members. As a self-help measure, it appears to have been successful in large measure in protecting the small, independent businessman against the constantly increasing pressure from large, financially strong competitors.

The WIR Cooperative has been in existence and uninterrupted operation since 1934, when a small band of independent small to medium size businessmen, mostly from the northern German speaking region of Switzerland, joined together to form this 'internal credit' organization. They were beset by severe problems resulting from the then prevailing depression and shortage of credit, as well as the strong competition of the larger businesses and corporations, all fighting for the dwindling markets.

Leadership was assumed by Professor Dr. Werner Zimmermann, who had initiated in 1931 a venture of modest home construction supported by mutual financial help among a small circle of trusted friends. In spite of some hardships this venture had turned out quite well, and Dr. Zimmermann turned his thoughts toward the wider implications of self-help among the struggling businessmen.

The early history of the WIR-efforts had also some depressing, even tragic in a sense, experiences. So, when Werner Zimmermann and Paul Enz, another of the co-founders of WIR, went together on a second trip to Denmark and Norway, where they had contacted earlier a group trying to organize cashless barter trade, with the support of department stores, politicians and leading personalities, they found the offices of this organization closed by the authorities under pressure from opposing interests.

The Swiss circle of their friends were now all the more determined to go ahead with their plans. Their motto was: 'Free exchange of goods and services, without exploitation of our fellowmen, and without government coercion.'

In their minds, high interest charges were one of the more apprehensive aspects of exploitation, and they sought to avoid it. As Werner Zimmermann puts it: "The attempt at the practical realization of

this motto can take one of two directions: some will talk and write about these aims and demand their implementation. This is politics. Parties and newspapers get into the act with a high amount of decibels. But the practical results and benefits for people and humankind are mostly very meager. Some others will say to themselves: 'Why not start doing something myself which I find is the right thing to do. And I happen to think it best for all concerned to make honest trades, and to do this with like-minded people. In this way, we will be of mutual help.'"

A few data will give a brief run-down of the organizational start of WIR and the rapid spread of the idea<sup>1</sup>:

- Founding of the WIR Cooperative on October 16, 1934, in Zuerich. The first group of cooperators consisted of 16 persons with a total paid-in cooperative capital of SFr. 42,000 (average per person SFr.2625.- Ed.).
- Already on November 1, the first issue of the WIR-News (WIR-Nachrichten) came out. Initiation fee was set at Fr.5.-. and the required minimum amount of a share of Fr. 25.- could immediately be used for credit transactions with other members.
- In 1935, local WIR-groups were set up in Basel, Bern, Zuerich, Winterthur, Biel and Derendingen. That year also saw the first edition of the Classified Directory. During the 1<sup>st</sup> and 2<sup>nd</sup> of August, 1936, the first WIR-convention was held at the Vierwaldstaetter See.
- 1939 to 1942 was a period of reorganization. As personal comments by WIR-personnel indicated, it was a critical time for the organization, and an appeal was made to the members to subscribe additional capital for the emergency. The prospects were dim, but additional capital was signed for about Fr.250,000, mostly from loyal members, and the organization pulled through.
- There were 900 participants in 1945; transactions in WIR credit were Fr. 717,000. The number of participants stayed below 1000 until 1949 when it began to climb rapidly. The stagnation during the preceding years had to do with the shortage of goods during the war.
- In 1958, there were between 11,000 and 12,000 participants, and transactions in WIR credit had climbed to Fr.53 million. (Estimating conservatively 40% WIR in all transactions as an average rate, the total turn-over in goods and services involving WIR would be over Fr.130 million, Ed.)

---

<sup>1</sup> The statistical material is from the WIR-Pionier (WIR Pioneer), 25<sup>th</sup> anniversary edition in 1959. The WIR-Pioneir is the official monthly publication sent to every member and participant.

- There were over 18,000 participants in 1970, and WIR credit transactions run to over Fr. 180 million. Figuring about 50% WIR participation (as indicated by the president of the executive committee, Mr. F. Hubschmid, in the Business Report for that year), the total value of goods and services involved can be assumed at over Fr.360 million.

The present structure of the WIR Cooperative is such that of about 18,000 participants (in 1970) in the credit operation, only a comparatively small number (761) are active members of the cooperative with paid-in shares (Fr.802,000) and voting rights in the general assembly. From the available material it is not clear whether this division into co-op members and participants had been in existence from the start, although there are indications that this was the case.

The form and amount of dues and their collection, as well as of the booking charges, were changed from time to time. At present, there is a one-time charge of 1% (the lowest for the entire period of existence) of all credit entries made to a WIR credit account. These charges are billed quarterly and are payable in cash, while the yearly dues of Fr.12.- are being deducted in WIR from the account balances. There is no initiation fee.

Participants receive without additional charge the classified directory listing participating firms by articles, with geographical subdivision in each article. The directory also lists the percentages which the participants have obligated themselves to accept in WIR during the current year; this rate may be changed from year to year. Participants also receive free a copy of the monthly magazine WIR-Pioneir (WIR Pioneer), which beside articles of general interest to businessmen, carries a large amount of ads by participants. These ads in some cases list WIR-percentages higher than those in the directory as specials for certain months to attract business during an otherwise stagnant period.

Also free of extra charge are the pads of booking order forms which participants receive as needed. These are similar to bank checks. Their different function will be explained later.

Some of the participants in the WIR-credit system do not want to be listed in the directory, but are encouraged to do so, and quite a few do so later on.

New WIR are being created by any participant applying for additional credit over the amount already in his WIR credit account. Reasons for such applications may be the planned acquisition of more costly articles like furniture or large electrical appliances, also cars, or even houses.

A Credit Approval Committee must pass on these applications, and sufficient security must be available as collateral. The present management is of the opinion, based on past experience, that an optimum ratio of WIR-credit outstanding to total WIR turn-over should not vary substantially from a proportion of 1:3. There is at present a limitation put on paid-in capital of Fr.250.- per co-op member. Share capital now receives 12% interest p.a.

Transactions among WIR participants are quite simple. To join as a participant, a businessman need only declare his intention to accept WIR booking orders as partial or total payment in any transaction with other participants. The percentages of WIR are listed in the classified directory, as mentioned, and pricewise WIR-participants are not treated differently from other customers. Each participant has a set of booking order forms, similar to the conventional bank checks, with the imprint of name, address and account number. In making purchases from another participating member, the buyer will give to the seller such a booking order after having written in the amount for whatever the seller has obligated himself to accept. From a cursory inspection of the directory, many participants are willing to accept 100% in WIR. (A rough estimate revealed also that there are at least 2000 different articles listed in the directory, from excavators to electrical appliances to laundries to voice teachers.)

In contrast to regular bank checks, WIR booking orders are not transferable by endorsement, the main reason being that this would lead to avoidance of the 1% booking charge. The income from this charge is used to defray WIR-office administrative overhead expense.

Upon application of a businessman to participate, a WIR-field representative will make a preliminary investigation as to reputation, character, business acumen, etc. The WIR Co-op is subscribing to a credit bureau and obtains information on the applicant, which, with the field report, is submitted to an Admissions Committee of three members. When accepted, the new participant can accept WIR booking orders in payment, and send them in to the WIR head-office in Basel for credit to his WIR account. He can then dispose of this credit similarly by making purchases

from other participating members, either for his business, or for private use and consumption.

Beside the head-office in Basel, there are four regional offices, each with one or two field representatives. But only the head-office in Basel functions as bookkeeping central. The regional offices are only the contact points for participating members and new applicants. There are at present a total of 35 employees including business management.

According to indications by the business manager, Mr. E. Stutz, present bookkeeping machines (4) are heavily loaded, and the installations of more advanced types and a computer are contemplated. With an average of 50 transactions per year per participant, total booking entries (debit and credit) approach 2,000,000 annually.

A move to larger quarters had also been planned, but a temporary freeze by the Swiss government put on the construction of new office buildings (because of a glut on the market) has delayed the execution.

There is also a budget for a promotional campaign to get new participants. The curve showing membership growth has been flattening out somewhat since 1969.

This is the first report on WIR. The various problems and questions encountered in the operations will be dealt with in a subsequent paper.

After reviewing the situation with which we first became acquainted in the summer of 1969, we are more than ever convinced that not only is the WIR-system an entirely sound one, but fulfills a great need for the protection and furtherance of small businesses in the credit field, on the basis of the self-help concept.

With all the good I can see in the WIR-system, there is one reservation I personally have about the way it operates at present, and that is that availability of credit is not selective in terms of directly stimulating and facilitating new production.

Initial Results of WIR Research in Switzerland, February 21, 1972  
by Erick Hansch

Part 2

In the first part of the report on WIR it was stated that "WIR is a cooperative, non-profit association of independent small to medium size Swiss businessmen organized for the purpose of mobilizing their own credit potentialities for at least part of their credit needs, and doing so without recourse to commercial banks as intermediaries, in order to facilitate business transactions within their own circle." It should perhaps be added: "...and to keep the additional business in its own circle of small merchants."

The method used to mobilize this supplemental credit is unique, WIR being the only organization so far that has developed a practical way to do this, with 36 years of experience behind it.

At first, in the early 30's, the originating concept was no more than a matter of mutual trust among a comparatively small number of local, independent businessmen. They thought they could transact business among themselves with a system of chits similar to IOU's that would cover at least part of the price of any transaction, the balance being settled in the conventional way, i.e., by cash or check on a checking account with commercial bank. These IOU's could then circulate among them in place of currency. This concept, however, was quickly formalized and institutionalized. An IOU does not have any collateral backing, but is accepted purely on personal trust. It was soon found that in order to bring about wider acceptance of these chits, and also to comply with existing banking laws – also to avoid financial losses – collateral was essential.

One would probably think in this connection of conventional credit unions. However, the underlying concept of the WIR system is different. A credit union requires the actual deposits by their members in cash, and its operation is similar to that of savings and loan institutions. In either case, operational expenses will be defrayed out of the difference between the interest charged to borrowers and that allowed to investors.

In the WIR system, no actual deposits are made by the participants, and therefore no "loans" in the usual sense are made. (The difference between 'participants' in the WIR credit system, and members of the WIR Cooperative has been set out in the first part of this report.) If a participant applies for WIR credit, he must be able to put up collateral in the form of bank or postal savings books, bonds, securities, life insurance policies, mortgages, etc. These papers are left in the hands of the WIR office for safekeeping and in escrow. The WIR participant can continue to draw

interest on his investment or savings and keep his insurance protection in force.

Throughout this paper and other reports to follow, the term "WIR", besides designating the credit organization itself, is often used, in conformity with observed practice in the relevant literature and in conversation with WIR personnel, to denote the purchasing medium which is employed among participants of the WIR system. For the unit of this purchasing medium, the Swiss franc is also used, and with collateral in Swiss francs to back it, it can generally be considered as being of par value with the Swiss franc. A certain qualification of this statement will become apparent in the further discussion of the WIR operation.

To recapitulate briefly the transactions:

The present operation of the WIR credit organization is such that any businessman wanting to join as participant, will declare his intention and willingness to accept a certain percentage of WIR in the form of WIR booking orders from other WIR participants in any regular business transaction. In calculating the WIR part, no difficulty arises since the WIR purchasing medium is also designated in Swiss francs, as was already mentioned.

To make the transaction between WIR-buyer and WIR-seller clearer, an example may be given:

WIR participant A wants to buy a suit from a men's clothing store whose owner B is also a WIR participant. A found the store by consulting the WIR classified directory, which also gives the percentage acceptance of WIR for this store, as stipulated by the owner. The suit which A chose, is priced at Sfr. 400. Since the directory listed the WIR acceptance as 40% for this store, A will give B a WIR booking order for 40%, or Sfr. 160, and pay the balance of Sfr. 240 in cash or regular bank check. B sends this booking order to the WIR head office in Basel, where his WIR-account is credited with Sfr. 160; besides, a charge is entered for 1% of Sfr. 160, or Sfr. 1.60. This latter item will appear on B's quarterly bill from the WIR office, and has to be settled in cash (or check on a commercial bank).

B can now use his credit of Sfr. 160 on his WIR credit account to make similar payments to other WIR participants (merchants, tradesmen, etc.). In other words, these WIR amounts (not the WIR booking orders!) keep circulating among WIR participants. At each new transaction a new booking order is to be made out.

The percentages of WIR acceptance shown in the WIR directory are minimum rates. Larger percentages can be accepted, of course, and this is often advertised for certain months (slack periods, vacation times, Christmas specials, etc.) in the WIR-Pionier, the official monthly WIR publication sent to every participant.

It will now be endeavored to answer the question in greater detail: How does WIR credit come into existence, and how does it continue to do so?

A WIR participant (merchant, tradesman, etc.) may want to purchase a certain object of relatively high cost: furniture, a piano, some inventory for his business, a car, maybe even a house. He does not have enough credit in his WIR account to make the transaction. He can apply for additional credit if he can offer collateral, or in the case of a house, give a second mortgage to WIR. Second mortgages are a source of WIR credit of considerable magnitude. Banks and other financing institutions are usually not interested in second mortgages. First mortgages will generally take care of only about 60% of the total value, and there is often an inconvenient gap between a prospective builder's own resources and the first mortgage. This gap can be filled with a certain ease by the issue of WIR credit, at only 1% interest per annum. Also, repayment of up to 90% of this WIR credit on the second mortgage can be made in WIR, the balance in cash (Swiss francs). Amortization of the second mortgage is required by WIR to be made within ten years.

Obviously, this second mortgage business is not in competition with commercial banks or savings and loan institutions. On the other hand, a number of first mortgages become possible only by virtue of having this low-cost, convenient WIR second mortgage available, thus making additional business possible for the banks and other financial institutions.

The WIR management tries to keep a fairly stable, approximate ratio of 1:3 between the total amount of WIR credit granted and outstanding, and the total turn-over in WIR credit during a year. Experience seems to have validated this ratio as being the best suited to maintain an optimum flow of WIR among participants. An inspection of the WIR financial statements for the years 1967 to 1970 bears this out.

Concerning the participation of employees of WIR participants in WIR transactions, Swiss law prescribes the payment of wages in legal tender. However, special agreements between employers and employees

could arrange for employees to "buy" some WIR or change part of their wages into WIR. It is here surmised what may be going on in actual practice in this respect. It could happen that the employer has more WIR than he can use in his business or in personal consumption, and he might offer WIR to his employees at a discount. The rationale for being able to offer a discount on WIR is that the additional part of the business due to WIR did not require the usual advertising and other sales promotion expense, nor a high interest rate on credit.

However, discounting WIR is frowned upon by the WIR organization, especially when it is publicized by ads soliciting such conversions, because this fact has been used eagerly by opponents of the WIR system to discredit WIR in the eyes of the public, the argument being that WIR bring with them a certain loss of purchasing power.

The figures for 1970 show the following picture: 18,000 participants transacted a total WIR credit turn-over of about Sfr. 180 million. With an average of roughly 50% acceptance in WIR, the total business involving WIR comes to Sfr. 360 million, or an average of about Sfr. 20,000 per participant. While it may be true that not all of this business must be considered additional – since some of it might have been done anyway – a large part was done simply because of availability of WIR from previous transactions. Also the share of WIR business with some participants may have been less than Sfr. 20,000, in other cases it will have been more, perhaps significantly more to make a big difference with a small merchant or tradesman. And only in a few cases will it have detracted from profitability – so for instance when a participant had been tempted to take in more WIR than he could foresee to use.

In case of closing out of a WIR credit account by a participant, the WIR cooperative is not legally bound (by Swiss law) to liquidate the credit balance in cash. It may, of course, be drawn down by credit attrition.

The WIR central office in Basel offers a mailing service to WIR participants, either to cover the entire list of around 18,000, or a partial list selected geographically. The cost can be paid in WIR, the postage must be paid in cash. Of course, the material and envelopes, or folded cards, etc., are supplied by the advertiser.

A subsequent report will deal with some of the problems and difficulties experienced in the WIR system.

### Notes Part 3 of WIR report:

- Limits to utilization of WIR by choice of items and services available
- WIR directory (classified) published yearly and sent free to participants
- Directory lists great variety of articles and services (give examples)
- Most entries in directory give two rates of WIR acceptance: labor and sale (Verkauf). The meaning is obviously the sale of merchandise.
- Stipulation that amounts over Sfr. 1000 in WIR in any one transaction require individual agreements
- Hotel rates are different according to season
- The amount of WIR utilizable in the case of second mortgages may in some instances be limited by the extent to which contractors and suppliers of building etc. materials are willing to accept WIR. Also there may be a waiting period involved if WIR management feels that the prudent limit of credit extension has been reached for the time being.
- WIR booking orders (b.o.'s) are in some respects like checks, in others not
- Main difference is that they cannot be passed on to creditors by endorsement. Reason: avoidance of credit charge. Subterfuge: omission of name of recipient on b.o.; will be filled in by last recipient before mailing b.o. to head office.
- WIR head office checks b.o.'s made out in different inks, handwritings, or perhaps being incomplete, etc. Checks back with participant who sent it in. If it is found that one of the pre-signers was not a participant, efforts are made to have him sign up with WIR.
- Examples of listings in directory:

Chimney sweep (226)	architects (10)
Transporting corpses (276)	electrical appliances (143)
Wool blankets (540)	bakeries (37)
Attorneys (3)	contact lenses (249)
Matchbook advertising (550)	cosmetics (250)
Cultured pearls (550)	
Office machines (97)	

(from WIR directory 1970/71)

WIR – Cooperative, Basel, Switzerland

- Are the legal steps spelled out including liquidating collateral?
- What happens when a participant wants to make a deposit or withdrawal from his savings account, for which he has deposited his savings book with WIR in escrow?
- Is a procedure set up for arbitration in case of dispute?
- What criteria are used for admitting participants?
- For what reasons can a participant be expelled from WIR?
- Are certain transactions excluded – perhaps the purchase of land? Downpayment?
- What is the WIR organizational structure?
- Who belongs to the executive committee? When are meetings held of that committee, when meetings of the general membership?
- What control have bank inspectors over the transactions of the organization?
- When did the provision become law that made WIR booking orders irrevocable?
- What part of the total outstanding credit is covered by mortgages (2<sup>nd</sup> mortgages)?
- Where is the cut-off line between small and large businesses?
- What part of WIR credit is used for consumption, what part for production?
- Are computers being used?
- How to raise the start-up costs?
- How is surplus being used?
- What is the meaning of a participant's collateral in legal terms? Can it be liquidated? How will the proceeds be allocated?
- Would WIR be interested in introducing an innovative system such as the "constant"?
- What are the restrictions on businesses of the same kind in any one town?

This report may be circulated acknowledging the source as:

E. F. Schumacher Society  
 140 Jug End Road  
 Great Barrington, MA 01230 USA  
<http://www.smallisbeautiful.org>