

60 Years of the WIR Economic Circle Cooperative

Origins and Ideology of the Wirtschaftsring*

Translation, by Frederika Almstedt, of an article which appeared in *WIR Magazin*,
September 1994.

*Based on the following references:

E. Simon, Entstehung und Entwicklung des Schweizerischen Wirtschaftsringes (Formation and Development of the Swiss Business Circle).

P. Enz, Wie und warum der WIR entstand (Why and how the WIR was formed).

Dr. M. Lautner, Der "WIR"-Verrechnungsverkehr (The WIR clearing business).

Origins

The WIR economic circle cooperative was founded October 1934 in Zurich, motivated mainly by the bad economic situation of the time. The idea was to actively combat the crisis with the help of a "ring exchange system" modeled after a Scandinavian and Baltic organization.

The founders of the WIR economic circle cooperative Werner Zimmermann and Paul Enz were not only supporters of the free money theory of Silvio Gesell, but versatile, far-sighted reformers who were far ahead of their time in some areas. They fought for modern nutrition, physical exercise and conservation.

As early as 1933, Werner Zimmermann published among other things a paper titled "The Liberation of Woman" where he demanded "monetary compensation for the work of mothers." In 1937, he published a work about new land rights "We Create Free Land!" And later, in 1972, he published "Nuclear Energy - Blessing or Curse?" Already in 1935 he gave speeches on "Dying forest and river - living water." Paul Enz worked in the management of a natural food store in Zurich. And in 1931 he founded a settlement and horticulture cooperative whose mission was the "care and promotion of the physical and ethical recovery of the whole nation" and also the "protection of the wage-earning woman and mother (pensions for mothers)". Today, the general public is dealing with all of these issues.

The motives for founding the WIR economic circle cooperative can be found in the adverse economic situation of the time. But the idea to overcome a crisis with the help of a ring exchange system did not originate with Paul Enz and Werner Zimmermann. An exchange and clearing organization, existing at the time in the Scandinavian and Baltic states, served as the model. During two trips north, Paul Enz and Werner Zimmermann experienced and studied how this organization tried to actively cope with the economic problems. They then applied their experiences and findings to the situation in Switzerland:

In October 1934, they and 15 other cooperators founded the WIR economic circle cooperative in Zurich. But let's hear from the founders themselves: "What do we want? - satisfying work, fair earnings and secured prosperity! This is what all working people strive for economically, and what they could and should all have ..." (WIR- Nachrichten [WIR News], Nr.1, November 1934) These demands have not in the least lost their relevance.

"WIR is the first syllable of the word "Wirtschaftsring" (business circle). WIR (German for "we"), unlike "Ich" (German for "I"), means community. This contains the Swiss ideal: to hold together and, together as a community, protect the interests of the individual." (From a speech by Werner Zimmermann, Fall Conference 1954).

At the beginning, the WIR economic circle was in no way limited to the commercial middle class (Mittelstand). There were farmers, civil servants and white-collar workers who became participants in WIR. They paid cash into the account, and after having been credited a bonus of 5 % could go shopping with WIR. But it was mainly the interest free WIR-credit for extra buying power that served to stimulate the slow turnover of goods. Following free money theory the clearing credits were kept interest-free, thus stifling any tendency to hoard WIR credits. Soon many communities had information offices where volunteers worked for the WIR ideal. Many local groups were founded, one of the first on January 30, 1935 in Zurich.

The WIR organization grew at an amazing rate. By early 1935, it listed more than 1000 account holders actively exchanging goods and services.

Years of testing and proof

Naturally, severe set-backs did not fail to occur. Valuable insights had to be gained through painful experiences. Next to the successes were failures. WIR was faced with numerous challenges. Massive hostility by the press degenerated into a true witch hunt, in which the imminent end of WIR was prophesied. But notwithstanding all trials and tribulations, countless idealists were willing to stand by WIR and its ideology, even if that meant personal sacrifice. They constantly sought to improve the organization and tried many new things. Not everything was feasible, but over the years some things have proven valuable. The WIR industrial fairs, for example, have been important and valued events up to this day. The first such fair took place November 1935 in Basel.

1939 and 1940 were to be the first years of testing and proof. The management was carried by the idealism of spreading WIR, and it wanted to alleviate and counter every dropping off of turnover by giving interest free WIR-credits. Therefore, the standards applied in granting credits were often far too lenient. The security of credits given might have been sufficient for trading among friends, but they could not withstand realistic examination. Following the legal standards, the auditing office of the time had to assess many of these credits as endangered, and it had to ask for corresponding reserves. This in turn led to a considerable deficit balance and brought on severe financial distress for the cooperative. (By that time the cooperative had already been put under Swiss banking law.) The founders' idealism and their strong beliefs had been needed to bring WIR into life and carried it through its first years. But in the end, they too were forced to experience the hardships of the economic reality. In order to avoid bankruptcy, the WIR needed new personnel with more business skills.

The WIR for its participants

To everybody's surprise immediate action was taken to reorganize the cooperative. The founding members of the cooperative renounced 95% of their previous investments of 42,000 francs and under the following motto opened the cooperative: The WIR for its participants. A new interim governing board was elected. And after only four weeks of the campaign for subscriptions, a hopeful amount of new cooperative capital had been raised. In addition, rigorous cost cutting measures were introduced to consolidate the financial situation as quickly as possible. Intense action was taken to bring in old credits. As we now know, this was done with some success. It proves to be much easier to pay off a WIR credit through additional performance and turnover, than to pay off any other credits. This advantage still holds true today! The first subscription brought close to 120,000 francs, 80% of which were deducted for the liquidation of dubious debtor accounts and for setting up a reserve account. 20% were declared capital of the cooperative. It should be noted here, in advance, that all subscribers of the year 1954 were refunded the entire deducted amount. A second subscription in 1940 amounted to 20,000 francs. That means WIR participants raised 140,450 francs, mostly in amounts of 50 to 100 francs. And this was done during an economically and politically extremely critical time: the outbreak of World War II in September 1939. Today, after many decades, we still have high regards for the spirit of sacrifice of those first WIR participants and for their standing by their beliefs.

The newly constituted WIR went into the war years and the difficult test of surviving its hardship and drastic restrictions with a seven person board of directors and a solid financial base. During this time, the organization shrank to a small number of unshakable members that countered the increasing cutback of goods with various measures. They organized stock exchanges for goods, trade shows, they detailed the range of goods for sale, reduced entrance fees, gave shopping subscriptions for smaller amounts etc. All of these measures were able to maintain a certain level of WIR turnover, notwithstanding the impediments of the war years 1939-1945.

The postwar years brought a new upturn for WIR. There was a strong demand for the advantageous WIR credits. In order to meet the minimum resource requirements, the cooperative's capital had to be increased. This triggered (quote) "serious change" at the general meeting in 1952. By a slim majority a motion was accepted to pay interest on the cooperative's capital as an incentive for retaining and attracting capital subscriptions. Those coop-members, especially, who had leanings toward free economic ideas saw this as turning away from the original ideals. In the same general meeting it was decided to henceforth hold a yearly fall conference that would be used not to transact business, but to share experiences, and as a forum for informal discussion. These fall conferences have also become a highly valued tradition.

Fighting the discount trade

During the fifties and sixties the organization experienced a meteoric upward trend. Unfortunately, the WIR-circles were not spared the negative side-effects of boom mentality and self-interest. The trading of WIR credits at a discount, especially, became a question of viability for the WIR clearing system. Fortunately, both the board of directors and the management had the courage to take effective measures against the excesses. They faced the resistance of business circles profiting from the discount trade, some of which were old members of the cooperative. Board and management had the courage to accept a decrease in turnover, and to put qualitative thinking above quantitative thinking. The measures were sanctioned by a memorable extraordinary general assembly in the fall of 1973.

"It is precisely the limitation to the commercial middle class that fulfilled the purpose of retaining purchasing power and promotion of the middle class."

Again and again the cooperative had to rethink its ideology and mission. It had to adapt its principles to the changing economic situation. It faced criticism, often ideological in nature, that exaggerated real and assumed shortcomings, despite its actual contributions to the commercial middle class. For example, the limited usability of WIR-"money" was being denounced, even though this limitation to the commercial middle class fulfilled the purpose of retaining purchasing power. It is also mistaken criticism to interpret the only partial acceptance of WIR as a disadvantage, since this wrongly assumes the goal to be the complete acceptance of WIR (=100% of the total amount of the bill). The WIR-clearing system can never be seen as an end in itself. It is always exclusively a means for the promotion of economic solidarity. Partial WIR-clearance does not only fulfil the goals of WIR, but it also leads to further retention of purchasing power (= cash part of total amount of bill) in favor of the commercial middle class.

Free economic thinking

The article of intent of the original statutes of 1934 envisioned "to jointly procure and develop possibilities for work through a ring exchange system and mutual help (...) promotion of local industries and trades, and mutual support in all business ventures."

In the beginning, "every person or company authorized to act" could become a WIR-participant. Since the clearing activity was not geared towards a special target group, it could have, theoretically, spread without restrictions. With the cash free clearing system the founding members had surely hoped to freely convey free economic thinking to the self-employed as well as to wage earners. But already by the early fifties, practically only the self-employed were participating. Apparently, for wage earners the advantages no longer provided a significant incentive to participate in the WIR-clearing. Also, they were lacking a common basis of interest. On the contrary, during the boom years, employees were being courted and spoiled by employers. Their need for protection and support of like-minded people dwindled. On the other hand, for the commercial middle class and the middle class entrepreneur, for retail stores and trade businesses, all under pressure from mass distributors, the WIR offered, and continues to offer, effective competitive advantages.

In 1955 the term "middle class" was first introduced into the statutes: "(...) On principle, only middle class businesses (of small and medium size) will be accepted. Excluded are large department stores (...) as well as other large companies endangering the interests of the middle class."

Feeling of Solidarity

The feeling of solidarity, saying that one should only buy from people belonging to the same social class was not (is not?) strongly embedded in trade and industry of the middle class. This is where the WIR-clearing system became and becomes active as a practical incentive to encourage the middle class entrepreneurs to be considerate of one another, and to act in economic solidarity. In 1958, the article of intent was changed to be even more explicitly geared toward the commercial middle class. Since 1973 the article of intent has practically remained unchanged: "The WIR-cooperative is a self-help organization of trade-, industry- and service businesses of the middle class. It's goal is to advance the participants, and through the WIR system to make their purchasing power usable to each other and to keep it in their own ranks, in order to create additional turnover for the participants (...)"

No restricted entry

This formulation clearly excludes restricted entry by putting the interests of the entire commercial middle class above the interests of the individual. Restricted entry was a tendency in the early fifties aimed at preventing over representation of individual trades. Even though the article of purpose has remained unchanged since 1973, the development of WIR-clearing has not remained static. The existence of a bank building and six impressive WIR-owned regional offices, as well as the following comparison of data speak for themselves:

	1973	1993
Number of Participants	20,402	76,618
Turnover - Swiss francs	196 million	2.521 billion
Balance -Swiss francs	83 million	1.028 billion

"The rehabilitation of 1939/1940 and the introduction of measures against discount-trading with WIR-credits in 1973 left a lasting mark on the history of the business circle"

Conclusion

There are two events that left the most lasting mark on the WIR economic circle cooperative: The rehabilitation of 1939/1940 and the introduction of measures against discount-trading with WIR-credits in 1973. What did these two events prove?

The rehabilitation proved that ideology only leads to lasting success and continuance when it is coupled with realistic entrepreneurial thinking. The measures against discount trading proved that only with the support of unambiguous rules can misuse of ideology be prevented.

Also in the future the WIR will be well equipped to face economic challenges. It will always have to carefully watch over its ideology. Hopefully, it will always be able to keep sound business and ideology in the ideal balance.

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URL: <http://www.ex.ac.uk/~RDavies/arian/wir.html>