

# The Banking Crisis: What can Businesses do Now?

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Whatever governments do for the banks, credit will be a lot harder to obtain for businesses, for many years to come. The trickiest aspect of the current situation is the simultaneous, global nature, of the banking crisis. The world economy will predictably veer towards a simultaneous recession, which in turn will worsen the banks' balance sheets, motivating them to further reduce credits, and so on, down a vicious spiral towards either a decade-long recession, or even a possible depression. Please, get ready now for a rough ride for an uncomfortably long time. What all this means in practice is that we have now entered the period of an unprecedented convergence of the four planetary megatrends - financial instability, climate change, unemployment and an aging society - that was described in my 2001 book, *The Future of Money* <sup>1</sup>.

There actually exists a very successful precedent on what business can and should do in such an environment. In 1934, sixteen business people gathered in Zurich to create a **mutual credit system** among themselves, with a currency unit called the WIR, equivalent in value to the Swiss Franc. Instead of borrowing money from the banks to pay each other, businesses give credit directly to each other in that business-to-business (B2B) currency, and those credits are used to buy from other businesses in the system, or partially pay staff. The system still is operational today: last year's volume of business in the WIR currency was about \$2 billion per year and involves 60,000 members, a quarter of all Swiss companies. A remarkable quantitative study<sup>2</sup> proves that this system is actually the secret for the proverbial robustness of the Swiss economy. WIR expands automatically when there is a recession in Switzerland, and proportionally shrinks back again when there is an economic boom. More information on the current status of the WIR is available on the web.<sup>3</sup>

We propose that businesses take the initiative of creating such B2B systems at whatever scale makes sense to them. The big advantage, compared to what happened in Switzerland in 1934, is today's availability of very cost-effective information technologies that make it possible to implement this approach much more rapidly than in the 1930s.

## Abridged Bio of the Author

Bernard Lietaer has been active in the domain of money systems for a period of 30 years in an unusual variety of functions. While at the Central Bank in Belgium he co-designed and implemented the convergence mechanism (ECU) to the single European currency system. During that period, he also served as President of Belgium's Electronic Payment System. His consulting experience in monetary issues on four continents ranges from multinational corporations to developing countries. More information on the author and some technical papers that provide the theoretical and practical backing for this proposal are available on [www.lietaer.com](http://www.lietaer.com).

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<sup>1</sup> Lietaer, Bernard: *The Future of Money: Creating new Wealth, Work and a Wiser World* (London: Random House/Century, 2001).

<sup>2</sup> Stodder, James: "Reciprocal Exchange Networks: Implications for Macroeconomic Stability". Albuquerque, New Mexico: Paper presented at the International Electronic and Electrical Engineering (IEEE) Engineering Management Society (EMS) August 2000,

<sup>3</sup> [www.WIR.ch](http://www.WIR.ch) and [http://en.wikipedia.org/wiki/WIR\\_Bank](http://en.wikipedia.org/wiki/WIR_Bank)

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A 6 page summary of the "The Banking Crisis: What can Businesses do Now. A Business2Business currency proposal can be found at: [www.hawkgroup.info/Bernard\\_Lietaer\\_B2B\\_currency\\_6.pdf](http://www.hawkgroup.info/Bernard_Lietaer_B2B_currency_6.pdf)

The complete 30 page White Paper on all the "Options for Managing Systemic Banking Crises", and their economic consequences can be found at: [www.hawkgroup.info/Bernard\\_Lietaer\\_White\\_Paper\\_on\\_Systemic\\_Banking\\_Crises\\_30.pdf](http://www.hawkgroup.info/Bernard_Lietaer_White_Paper_on_Systemic_Banking_Crises_30.pdf)