

Origins of the Trade System, the Dynamics and Present Applications

By **Ezio Valentini, CEO of the American Trade System (ATS) and the International Real Estate Equity Xchange (IREEX)**

The Origins

Trade Systems were originally organized in Scandinavia and England in the 19th century. Lorenzo Snow, an American serving a mission for the Mormon Church in England in the 1850s learned about the trade systems and decided to gain as much knowledge as possible because he felt the information could be of value to the colonization efforts of his church in the Western U.S.

Upon his return to Utah he shared what he learned with Brigham Young and was asked to take 50 families 60 miles north of Salt Lake City and form a community based on a trade system concept with the objective of self-sufficiency.

The community was named Brigham City and its members took up farming and ranching and many businesses were formed, however, the efforts were hampered by the lack of a monetary medium of exchange, i.e. currency.

Utah kept itself separate from the U.S. and therefore was not part of the national economy and, therefore, there was no currency, as a medium of exchange, available. Brigham City people were forced to barter with each other. A farmer would exchange potatoes for shoes made by a shoemaker, etc. It worked to some extent but the method was not efficient enough for the economy to grow.

Brigham Young and Lorenzo Snow solved this problem by developing a private monetary system that issued and managed its own form of money for use by the community's members.

Mormon Money

The system allowed members of the community to bring their product to a warehouse called the **Bishop's Storehouse** where the bishop placed a fair value on the product and exchanged it for a Dollar-denominated currency, commonly referred to as **Mormon Money**, which could be used to buy goods from the storehouse.

The bishop was instructed to operate the storehouse in accordance with **sound fiscal policies** meaning that, at any given time, the aggregate value of the product in the storehouse was equal or greater than the aggregate amount of Mormon Money in circulation.

The operation evolved into a **credit system** that allowed members that had established the ability to generate a certain level of production over time, to pledge a portion of the future production to secure a loan in Mormon Money from the co-operative. The

availability of credit provided great stimulus to the growing economy and soon there were 200 trade systems in Utah and surrounding states, which transformed the area from poverty to lasting prosperity.

The trade systems remained active until the event of the trans-continental railroad, when Utah became integrated into the U.S. economy and the U.S. Dollar replaced Mormon Money. Mormon Money was considered an **alternative currency** because it acted as a replacement for the national currency.

The Great Depression

Triggered by the 1929 Wall Street crash, the world entered the Great Depression that lasted until World War II. No country was spared and things were difficult everywhere including Switzerland.

In an effort to combat the economic downturn in their country two Swiss nationals, Werner Zimmermann and Paul Enz, began an effort to create a co-operative designed to help Swiss businesses survive the difficult times. In 1934, using the Mormon model, they formed the WIR Cooperative and called their private money the WIR Franc.

The WIR Cooperative

The primary difference between the Utah trade systems and the Swiss version was that in Switzerland there was money in circulation, however, it was so scarce and credit was so difficult to obtain that business came to a virtual halt. The WIR Franc is considered a **complementary currency** because it is designed to work in conjunction with the national currency and not as an alternative.

WIR helped bring the country out of the Depression and continued to grow and today, there are 62,000 business members with a 2 billion WIR Francs turnover that results in 6 billion (U.S.) in annual transactions. In the 1980s, two important events changed the WIR operation:

1. WIR applied and received a **banking charter** from the Swiss authorities and began providing banking services in addition to trade system services.
2. WIR began catering to the **real estate industry** and today counts, as members, over 500 real estate companies authorized to bring services to the Swiss real estate marketplace.

The Dynamics of the Trade System

The Utah and Swiss trade systems, as well as ours, employ similar methods to solve a serious problem in the business and real estate sector: a scarcity of cash and unavailability of credit. The operations consist of **mutual credit systems** with the trade system extending credit in the private currency using, as collateral, assets typically not acceptable to banks and traditional lenders. The trade system provides the only practical method to monetize certain assets with limited marketability, such as land, product inventory, future production capability, etc.

The extension of credit begins with as a secured line of credit, which becomes a loan when the members finds a use for the trade credit and activates the account. Loans are not placed on an amortization schedule and are repaid with trade credit and accrue interest while the funds are being used.

Businesses retire the loans by selling their goods and services to other members of the trade system on a part-cash, part-trade credit basis. Real estate loans are retired with trade credit earned from the sale of real property on a part-cash, part-trade credit basis.

The ability to close transactions using two forms of currencies greatly facilitates the buying and selling of properties because it significantly improves the terms of the deals.

The American Trade System (ATS)

ATS is modeled after the Swiss operation and takes advantage of many current technological advances.

Similarly to the Swiss operation, ATS, issues and manages its own private complementary credit, the ATS Trade Credit, which, like its predecessors, is 100% asset-backed. ATS provides services to the, **construction, manufacturing, hospitality, professional services, retail, advertising and real estate sectors.**

ATS has an exclusive agreement with the International Real Estate Equity Xchange (IREEX) authorizing IREEX to bring ATS's services to the American real estate marketplace.

For more information view www.americantradesystem.com or contact Ezio Valentini (775) 852-6280 or email ezio@americantradesystem.com