

The Wörgl Experiment: Austria (1932-1933)

This is extracted from the work of Bernard Lietaer, former central banker and one of the foremost international experts on the design and implementation of currency systems. It is available online at <http://www.lietaer.com/2010/03/the-worgl-experiment/>



*In 1932, in the midst of the Great Depression, the small town of Wörgl in Austria successfully experimented with its own local currency (in the form of a stamp scrip). Based on the thinking of Silvio Gesell, an early 20th-century economist, and designed to stimulate the local economy, the new currency helped put the population back to work, and inspired many other communities to want to follow its example, until the experiment was abruptly terminated by Austria's Central Bank in 1933. The following is the story of the "miracle of Wörgl" as told in **The Future of Money** (pp. 153-155).*

One of the best-known applications of the stamp scrip idea was applied in the small town of *Wörgl* in Austria in 1932 and 1933. When Michael Unterguggenberger (1884-1936) was elected mayor of Wörgl, the city had 500 jobless people and another 1,000 in the immediate vicinity. Furthermore, 200 families were absolutely penniless. The mayor-with-the-long-name (as Professor Irving Fisher from Yale would call him) was familiar with [Silvio Gesell](#)'s work and decided to put it to the test.

He had a long list of projects he wanted to accomplish (re-paving the streets, making the water distribution system available for the entire town, planting trees along the streets and other needed repairs.) Many people were willing and able to do all of those things, but he had only 40,000 Austrian schillings in the bank, a pittance compared to what needed to be done.

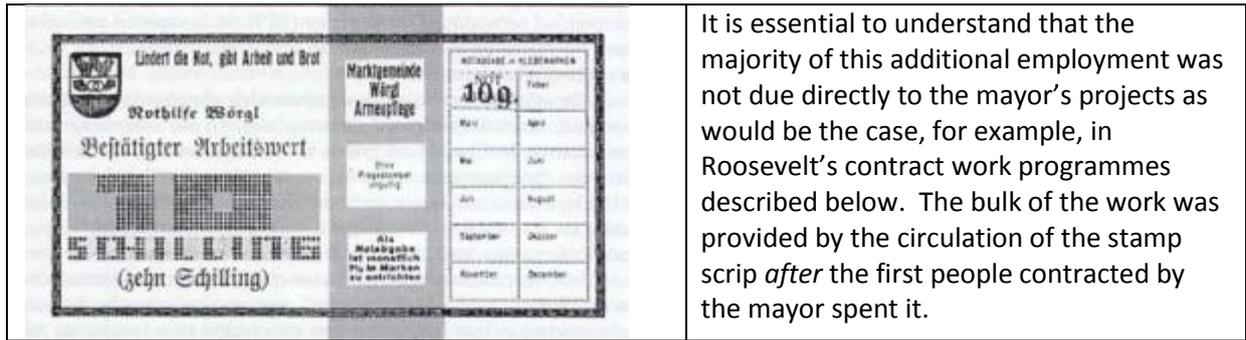


Michael Unterguggenberger

Instead of spending the 40,000 schillings on starting the first of his long list of projects, he decided to put the money on deposit with a local savings bank as a guarantee for issuing Wörgl's own 40,000 schilling's worth of stamp scrip.

He then used the stamp scrip to pay for his first project. Because a stamp needed to be applied each month (at 1% of face value), everybody who was paid with the stamp scrip made sure he or she was spending it quickly, automatically providing work for others. When people had run out of ideas of what to spend their stamp scrip on, they even decided to pay their taxes, *early*.

Wörgl was the first town in Austria which effectively managed to redress the extreme levels of unemployment. They not only re-paved the streets and rebuilt the water system and all of the other projects on Mayor Unterguggenberger's long list, they even built new houses, a ski jump and a bridge with a plaque proudly reminding us that 'This bridge was built with our own Free Money'. Six villages in the neighbourhood copied the system, one of which built the municipal swimming pool with the proceeds. Even the French Prime Minister, Édouard Dalladier, made a special visit to see first-hand the "miracle of Wörgl."



In fact, every one of the schillings in stamp scrip created between 12 and 14 times more employment than the normal schillings circulating in parallel. The anti-hoarding device proved extremely effective as a spontaneous work-generating device.

Wörgl's demonstration was so successful that it was replicated, first in the neighbouring city of Kirchbichl in January of 1933. In June of that year, Unterguggenberger addressed a meeting with representatives of 170 other towns and villages. Soon afterwards 200 townships in Austria wanted to copy it. It was at that point that the central bank panicked and decided to assert its monopoly rights. The people sued the central bank, but lost the case in November 1933. The case went to the Austrian Supreme Court, but was lost again. After that it became a criminal offence in Austria to issue "emergency currency."

... does it sound familiar? Only a central authority saviour can help people who are not allowed to help themselves locally. And as all economists will point out, when there is enough demand, supply always manifests in some way. Even if you have to import it. During the Anschluss of 1938, a large percentage of the population of Austria welcomed Adolf Hitler as their economic and political saviour. The rest is well known history.