

# The Town of WOERGL - Yesterday@Today

## **Michael Unterguggenberger and the Free Economy Experiment of Woergl (1932-1933)**

During the economically desolate times of the thirties Mayor Michael Unterguggenberger created an emergency program which resulted in a regional “Economic Miracle”. He used free money in accordance with Silvio Gesell’s theory.

Reading on, you will find out about the Free-Money Experiment, which is still known today beyond the borders of our country, as well as about Unterguggenberger’s life and his political development from social democrat to free host.

- The family
- A talented musician
- Politics
- What did free economists actually want?
- Money and land reform
- The Woergl Experiment

### **The Family**

Michael Unterguggenberger was born on 15 August 1884 in the town of Hopfgarten in the Brixen Valley. It was a time of upheaval because the local trade in Tyrol, like everywhere else, had to make room for the industrial age. His father, Josef Unterguggenberger, was a labourer.. He came from a peasant family from Luggau in the Lesach Valley on the border between eastern Tyrol and Carinthia. His mother Emerentia was the daughter of the Haslau blacksmith Michael Hauser in Hopfgarten. The scythe production had provided a modest wealth for the family before technological and industrial competition put an end to it and the family became impoverished.

Michael grew up in the little weaver house on Grafenweg. When he turned 12 he had to leave school and worked consequently at the sawmill in order to provide added income for the family, which had been increased by two more siblings. But he was determined to learn a trade, saved his money and started at the age of 15 an apprenticeship at a mechanic’s workshop. His journeyman’s years of travel took him to the region of the former Austrian Monarchy, from Lake Constance to the Romanian border up to Galicia.

In 1905, at the age of 21, he obtained a job with the railroad in Woergl and became an engine driver. Three years later he married his first wife, Maria Ender, from Hopfgarten, his hometown. During WWI he was drafted as engine driver at the front-line and was wounded. His wife Maria died in 1917. She left two sons behind, Hans and Michael. An aunt raised them both. In 1922 Michael entered into a second marriage with Rosa Schnaiter from Woergl, daughter of a migrant musician family who had settled down and ran the Café Central. She bore him three children and opened a ready made clothes shop, which she managed with great business acumen.

When Michael was elected mayor in 1931 he ended his service with the railroad and went into retirement. Since childhood he had suffered from asthma and died as a result of heart failure on 19 December 1936 at the age of 52.

### **A Talented Musician**

Music was a favourite pastime in the Unterguggenberger household. Michael played several instruments harmonium, zither and German flute. He had never any musical training but taught himself. Already in his young years in 1901 he joined the workers orchestra, which was an accomplished body under the leadership of its founder Johann Thummer. We can read about this in the Festschrift dedicated to the 100th anniversary of this orchestra by Hans Bramböck (1976).

Up to WWII the workers orchestra was in competition with the townsmen's orchestra, founded in 1876. The members of both orchestras got new uniforms during the twenties: the town folks theirs on occasion of Corpus Christi Day in 1924, followed in 1925 by the uniforms of the rifle association. The workers orchestra followed a year later; the railroad corporation paid for the uniforms, where most of the musicians were employed.

Michael even composed in 1912 the "Memory Festival March" to celebrate the 10 year anniversary of the workers orchestra. His enthusiasm for the workers movement was apparent: the trio of the march contains the melody of the song of work. The score came into the hands of Peter Silberberger and as a result the march was presented in 1974 at the 90th birthday celebration for Michael Unterguggenberger, during a concert of the Saint Cecilia Society. However, some changes were necessary, because there was no room for party politics. Hence the trio was rearranged.

Michael based his own compositions strictly for use at home on the melodies of popular folk songs. He left the orchestra in the twenties due to his increased political engagement.

## **Politics**

During his journeyman's years, shortly after 1900, he got involved with politics for the first time at Liegnitz in Silesia, where he joined the metal workers union. He remained a loyal proponent of the union movement aims for the rest of his life.

In 1905 Michael had started to work for the railroad in Woergl and was called in 1912 into service for the staff representation of the Austrian state railroad. So on he succeeded in increasing the number of free union members of Woergl from 100 to 800.

He joined the Social Democratic Party and was installed in 1919 in the municipal council. When Woergl like numerous other communities started to print token money to relieve the shortage of small currency, he had already become 1st Vice Mayor. In the twenties he remained in this position during the term of office of Mayors Franz Hoerhager (1919-1931), Dr. Anton von Avanzini (1922-1928) and Josef Gollner (1928-1931). During his term the forest cemetery was established, a new swimming pool was built in the Augasse, the hospital was enlarged with new wings, and the hospital church was erected. He involved himself in the extension of the aqueduct as well as for the electrification of the town. Several roads within Woergl were newly developed (Brixentaler, Gerichts

-und Bundesstrasse) when a new bridge was added to span the Woergl creek; in the town of Bruckhausl the Zehenthofbridge was also newly built across the Brixen valley over the river Ache.

The construction of the civic school was a real concern of his and in 1927/28 it was opened and ready to accept pupils, teachers and administrators. When he accepted the office of mayor in 1931 the severe economic depression was already on the horizon. It resulted in his enforcement of the Free Economy Experiment. After the revolt in February 1934, which led to prohibition of all left oriented parties, he resigned from office.

## **The Goal of the Free Economists**

The goal of the movement was a crisis-free economy and more social justice: the working class should harvest the fruit of its labour.

The free economists blamed the misery of the times on the capitalist economic system and the ancient Roman agrarian law, they condemned speculation and interest on loans. Work and prosperity for all was their foremost aim; it should be obtained by peaceful methods, namely with a money and agrarian reform.

Sine money played a central role in the economic system, Gesell's theory took off from there. Money stoppage results in merchandise stoppage, unemployment and from there in impoverishment and social unrest. While all merchandise eventually loses its value due to perishing, becoming unfashionable or due to storage expenses, money can be hoarded without risk. It is therefore superior to economic values. Money had to be subjected to a shrinkage, whereby Gesell was thinking of a 5 to 6 % annual "money tax". Saving accounts at the banks were not to be affected. This shrinkage was supposed to enforce circulation.

### **Monetary and Agrarian Reform**

The free economists demanded the substitute of the gold standard by money, which is subjected to circulation enforcement (free economy currency) with a stable purchasing power (neither inflation nor deflation), which circulates in relation to the range of goods and performance (fixed exchange standard).

A privately owned national bank was to be substituted by a state currency office, directing the money amounts and circulation rate in order to prevent stagnation. Part of the monetary reform was to be the removal of the interest economy.

The agrarian reform anticipated a "socialization" of land, without enforcement, by offering the public the right of an advance sale of land and natural resources. The former owners received the right of prior lease.

Free trade and annulment of compulsory passes were demanded, as well as the creation of a free economy currency block, in whose member states one fifth of the circulating amount of money was going to be substituted by a valid currency for all member states.

Silvio Gesell's economic theory had a numerous following. The adherents organized themselves in state units, originating in Switzerland, and spreading from there to Germany, Austria, Czechoslovakia, Yugoslavia, Estonia, etc. Several units printed their own, periodically appearing newspapers.

Slogans of the movements were: "The road to freedom leads over the grave of interest", "Inflation and deflation are highway robbery by the rich", "Capital interest and basic retirement payments present profoundest slavery of the working class", "Income only from labour, not from possession". They distinguished themselves from the communists essentially by approving property and a market economy.

## **The Woergl Experiment**

The great depression

Emergency Aid Program

Work Coupon

Building Program

The State Was Opposed From The Very Beginning

Worldwide Echo

## **The Great Depression**

The Great Depression, which started in 1929, and the change from the use of coal in railroad trains to electrification, caused problems in the Woergl economy at the beginning of the thirties. The heating plant was closed in 1930 and hundreds of railway workers were forced to move to other areas. In 1931 the largest business in the community, the cellulose factory, was also closed and several hundred of workers lost their jobs. The core of the community was faced with 400 jobless people, among them 200 without any tax benefits. The unemployed now depended on charity. In the larger region there were 1500 jobless people their number increasing every day.

The community was no longer able to meet its obligations, e.g. road repair. It could no longer pay the interest of a debt of S 1.3 millions. The only source of income was back taxes of the population, which, however, could not be collected in these dismal times. More and more workers families depended on their meagre savings. A growing number of people tax benefits had to apply for aid.

The entire economic situation was shaped by deflation: the merchandise went down in value, money increased its value and was hoarded. If purchases were not really necessary they were postponed - the logical result : falling prices.

Consequently money was lacking in the economic circulation. The amount of money still based on gold reserves, began to shrink. It was now in short supply. This was the background for Michaels emergency aid program, which was unanimously accepted by the municipal council on 8 July 1932, in spite of diverse party memberships and unbridgeable differences of ideologies.

## **Emergency Aid Program**

On 5 July 1932 Mayor Michael Unterguggenberger introduced his program during a crucial meeting of the Public Welfare Committee:

“Slow money circulation is the main reason for the current economic crisis. Money as a means of exchange slips from the hands of the working population. It ends up in the interest canals and in the hands of a small minority who is not interested in introducing it to the market, but much rather retains it as means for speculation. Since money is an indispensable wheel in the production machine, the accumulation of large sums in the hands of a few is an enormous danger for an uninterrupted production. Each money stoppage results in the stoppage of merchandise and therewith unemployment. Uncertainty on the money market leads to anxiety of those who are holding the money; he/she therefore no longer spends it and distrusts investments. The circulation slows down, the entire turnover of merchandise and output shrinks as the living space of the population within the economic system dwindles. Should this continue like in the present state, there will be not enough bread to feed a nation. Peace and prosperity will be destroyed. Entire populations and states will face ruin. Since we cannot save the world from our vantage point, at least we want to propose some solutions. In the Woerl region the lazy and slow money circulation of the National Bank must be substituted by a currency medium, complying better with its destination as barter medium than ordinary money. Work certificates will be issued in three face values and put into circulation. The community is going to do it, and the private sector has to be won over to purchase the work certificates at face value and use them to make as many payments as possible. In order to increase the economic life in our community we must also prepare a plan to carry out and pay public works.”

## **The Value Coupon**

These coupons with a value of S 1, S 5 and S 10 were functioning according to the principle of free money: fast circulation was secured through a monthly depreciation of 1 % of the face value by means of affixing stamps.

In July 1932 the community distributed for the first time S 1600 in the form of value coupons among the workers. They desperately needed them for consumption, the business owners paid their tax debts to the community and the circulation was completed within a short period of time, the barter medium back to the community money-chest. During the 13 months of the experiment, coupons poured into the community money chest twice a week. One-shilling dwindling money paid an average of S 104 taxes annually.

The coupons were valid within the town, but were also accepted as means of payment in the outlying areas during the run of the experiment. At any given time they could be exchanged at the Raiffeisenbank for cash, because the community had deposited shillings there at the cash value of the coupons. However, for each transaction 2 % were deducted for the “provision of work contribution”.

Crucial for the economically invigorating effect of the experiment was not the amount of money spent, but rather the quick circulation of the coupons. An additional income came from the bank, which was providing loans from the community deposits at a rate of 6 % to wholesalers. The community cashed the interest, the bank dispensed with the consideration.

### **The Building Program**

The first building project was started on 11 July 1932. It enclosed the canalisation of Jahnstrasse and Brixentaler Strasse, roadside construction on both parts of the Bahnhofstrasse and Schachtnerstrasse, and asphaltting these streets with the exception of the Brixentaler Strasse and Schachtnerstrasse. The work was completed on 29 October 1932 at a cost of S 31222.42.

The second building project included the asphaltting of the Brixentaler Strasse and Schachtnerstrasse, the shaping of the Premstrasse as well as the production of pipes and border stones at the warehouse. Cost: S 43385.61. The Premstrasse and entrance to the intermediate school was asphalted, various road and street constructions outside Woergl were carried out, the municipal building and the elementary school were canalised, streets and roads within the town repaired for around S 9000. 500 work shifts were needed for the construction of a new skijump; the community set up a soup kitchen, laundry facility and blockhouse. The reconstruction of the Bahnhofstrasse and street lighting were also undertaken by the emergency aid drive. Salaries amounted to S 12197.13 and were paid in value coupons, as Hans Burgstaller describes in his brochure “The Rescue of Austria-The Woergl Example”.

The emergency aid constructions in 1933 were created as infrastructure facilities for tourism, and the Muellner-Bridge at the entrance of the Woergl ravine was newly constructed. A new road between the ski-jump to the Eissteingipfel (2 km) was laid out and a 3489 m long Jaegersteig-sledding road with 595 stairs. The road to the Lechner Waterfalls was partially reconstructed and detonations and bridge constructions were needed to create

a 1,2 km long path in the inaccessible Auchbachklamm. 120 benches were set up along these roads.

This type of construction provided work for an average of 50 to 60 jobless men in addition to 30 to 40 men in the supply business. While the jobless rate increased continuously in Austria during this time, it decreased in Woergl by one fourth of it.

In the long run the investment plans for the future did not succeed. This had to be blamed on the 1000-Mark shutting, enforced by the NS-regime in Germany, to which the budding tourism in Austria almost succumbed.

### **Opposition of The State Government**

The Austrian National Bank AG was the indicator. This profitable private enterprise controlled the state currency exchange. Hans Burgstaller asked in his brochure of May 1933, "The Rescue of Austria – the Woergl Example": "What does the National Bank fear about the non-profit emergency aid action of the Woergl community?"

The battle started on 22 July 1932 , just a few days after the resolution of the emergency aid action . The National Bank was upset by newspaper reports and asked the Tyrol Government to do something about the resolution, in which it saw a violation of their bank note privilege. Woergl denied this, and Michael Unterguggenberger with a delegation pro Experiment, among them the president of the Chamber of Commerce, Peter Westen, visited Minister Rintelen in Vienna and were received in a positive way. The local government of Kufstein - at the beginning also in favour of the program -was forced by the State government to prohibit the distribution of value coupons.

The municipal council appealed to the local government in Kufstein. One cannot talk about violation of the bank note privilege, since the coupons were limited to a circle of people voluntarily involved with the emergency aid. The appeal was turned down on 22 February 1933. On 7 March the municipal council decided to appeal to the Administrative Court of Justice, supported by legal aid and in the meantime continued its program. In spite of the prohibition, which was even strengthened by the local government in Kufstein : the Administrative Court of Justice complaint did not allow for a postponing effect! Michael Unterguggenberger travelled three times to Vienna to defend the Woergl

Self-help initiative. Finally not even an intervention with the Chancellor's office was successful – on 15 September 1933 the value coupons had to be withdrawn. The administrative Court of Justice confirmed the final decision on 18 November 1933.



## **A Worldwide Echo**

The economically invigorating effect of the Woergl Emergency Aid Action was no longer obscure. On 12 January 1933 the neighbouring town of Kirchbichl decided to introduce value coupons. As a result the public swimming pool was built. Kitzbuehel also introduced the dwindling money, in Brixen and Westendorf the decision was pending on the outcome of the court proceeding.

“Consent and enthusiasm was the response to Pastor Schlechter’s (of Westendorf) explanations”, writes Hans Burgstaller in 1933. “Even if it seemed ridiculous that the small Tyrol stood up to the power of Napoleon, the spark from Tyrol was sufficient to start a major fire in the rest of Europe, thereby destroying an invincible power. We’re no longer dealing with Napoleon today, but the power we’re out to destroy is mightier than Napoleon, it’s the international high finance.”

Numerous communities in Austria demanded the introduction of free money. Newspapers everywhere printed articles, which caused great international interest. Economists and politicians came personally to see the results. Among them the finance theoretician from the United States of America, Prof. Irving Fischer, who appreciated Gesell’s concept as an “ingenious idea” and wanted to use it to fight the Depression in America. Many American towns and communities produced Woergl -style token money. However, the shrinkage was exaggerated -at a rate of 2 % per week the money was not accepted.

The Ex-Minister President of France Edouard Daladier spent the summer of 1934 in Woergl and was enthusiastic: “This money really brought results ... . The people have explained to me that they prefer this kind of money over a gold craze and obsolete ideas.”

The great Paris journal “Illustration” published a report in September 1933 about the Woergl Experiment, more articles in other journals followed. In the same year the French, opened-minded by being familiar with the Theses of Proudhons, established a roof association for exchange societies. They established themselves all over the country. In 1935 the Ministry of the Interior put an end to it.

## **Ezra Pound in Woergl**

The American poet, Ezra Pound, put the Woergl Experiment in the centre of his poetic economics criticism, namely as a bright spot in history, contrary to capitalism and soviet economics. He brought it to paper in his famous “Cantos” of 1945 in the death cell of a military camp and in the “gorilla cage” after weeks of horrible imprisonment. Pound visited

Woergl twice, in 1935 and 1936, to familiarize him with the environment. In Cantos LXXIV he, who belongs to the most representative poets in world literature, wrote the following:

*„... the State does not need to borrow, nor need the veterans an assurance from the government to borrow money from private sources with outrageous interest rates.*

*Here lies the problem indeed. The State does not have to borrow, as proved by the Mayor of Woergl, who supplied milk and whose wife traded with shirts and leather trousers, and in whose bookcase we can find the Life of Henry Ford and an edition of Dante's Divine Comedy and poems by Heine.*

*A nice little town in Tyrol, located in a wide basin of a valley near Innsbruck. And as a bill of token money of this small town Woergl near Innsbruck was handed across the counter and the bankers noticed this transaction, the money clique of Europe freaked out.*

*“Nobody” – said the Mayors wife – in this village could write an article.” They knew that it was money but pretended it wasn't, just to stay out of trouble with the law.“*

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and Talks with Lia Rigler, daughter of Michael Unterguggenberger.

#### **Thinking ahead - read more about it:**

“Schwundgeld” – Michael Unterguggenberger und das Wörgler Währungsexperiment 1932/33. Autor: Dr. Wolfgang Broer, 2007 and 2nd edition 2013, StudienVerlag, [www.studienverlag.at](http://www.studienverlag.at)