



Panacea or Dud: Retailers React to Scrip in the Great Depression

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In this paper, I explore the phenomenon of scrip, or alternative currency, which flourished after the stock market Crash of 1929. Cities and towns across the United States attempted to encourage consumption and alleviate unemployment by issuing their own forms of money. Scrip advocates argued that such plans would allow people to keep their dollars working within their own communities, concentrating recovery efforts. However, not all residents viewed these schemes with the same level of enthusiasm. I explore the varied business reactions to scrip proposals and argue that the study of scrip demonstrates that, despite the networks of communication and distribution that linked the nation in the 1930s, many people thought of their participation in the economy in local terms. This belief created conflicts for retailers, who hoped to encourage the patronage of local clients but needed “real” money to pay suppliers outside the community. Scrip schemes relied on merchant participation for success, and in many cases retailers readily endorsed the plans as necessary to improve business conditions. In other instances, however, these proposals floundered as businesses refused to accept scrip coupons.

The economic crisis of the 1930s encouraged business leaders and politicians across the United States to experiment with a range of initiatives to end unemployment and improve business conditions. After the stock market Crash of 1929, many Americans believed that the economic downturn was the result of underconsumption. According to that view, citizens were selfishly hoarding their money in the hope that they could simply wait out the crisis. The refusal to maintain the spending levels of the 1920s resulted in the slowing of industrial production and decreased the amount of money in circulation. President Herbert Hoover formed the Citizens Reconstruction Organization to try to alert consumers

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of the dangers of withdrawing money and not spending it.¹ Others focused on overproduction in both industry and agriculture, as sales of manufactured goods and basic export crops declined drastically. One solution to the Depression that was widely discussed and in some cases implemented was the use of scrip, or alternative currency, to facilitate consumer spending and create a mild inflation. Although economists, politicians, business leaders, and consumers could not reach a consensus on the cause of the Depression, many embraced scrip plans as the “way out” of the slump.

During the early years of the crisis, in particular, and peaking in the spring of 1933, there was discussion of scrip schemes in national periodicals, debate in Washington, and promotion with great enthusiasm by chambers of commerce, municipal governments, and consumer cooperatives. The term “scrip” encompassed a range of categories of alternative currency. Americans were already familiar with the use of clearing-house certificates, used particularly during the economic panic of 1893.² The payment of wages in scrip was still a common practice in the early part of the twentieth century, particularly in the coal industry.³ During the Great Depression new currencies proliferated, typically issued not by a single company, but by a municipality or local chamber of commerce. Communities as diverse as Detroit, Chicago, Hawarden, Iowa, and Orange County, California, created special vouchers or tokens that could be redeemed only locally. Hundreds of towns and cities across the country either considered using scrip or actually issued it and put it in circulation. Because scrip was not legal tender, the Department of Justice initially made no move to suppress its use as long as no one obliged merchants or consumers to accept it.⁴ The White House went so far as to endorse the official use of scrip, and provided some sort of reserve fund to back it.⁵

In many cases, city employees or the unemployed received scrip. In appearance, scrip usually resembled conventional paper currency, but often with a twist. It commonly featured the name of the particular city or town, the denomination of the coupon, and often some sort of local imagery that related to the main farm or industrial product of the region. Tenino, Washington, home to a lumber mill that was sitting idle, created

¹ Charles B. Robbins, Chairman, Reconstruction Organization, “Are You Hoarding Your Money?” reprinted in *Clear Lake Mirror* [Iowa], 7 April 1932, p. 1.

² Richard H. Timberlake, *Monetary Policy in the United States: An Intellectual and Institutional History* (1978; Chicago, 1993), 205.

³ Price V. Fishback, “Did Coal Miners ‘Owe Their Souls to the Company Store’? Theory and Evidence from the Early 1900s,” *Journal of Economic History* 46 (1986): 1011-29.

⁴ “National Affairs,” *Time* (9 Jan. 1933), 27.

⁵ “Scrip permitted if soundly backed,” *New York Times*, 10 Jan. 1933, p. 1.

wooden dollars out of thin cedar veneer.⁶ Raymond, Washington, issued Oyster Money: wooden money cut into the shape of an oyster shell, reflecting the community's location near the oyster-rich waters of Puget Sound.⁷ The Commercial Club of Clear Lake, Iowa, declared that it was abandoning the gold standard for the Corn Standard and featured a large ear of corn on its scrip certificates.⁸ In other instances, generic patriotic symbols with no particular connection to the local area adorned the scrip. Detroit's scrip featured neoclassical figures in flowing robes.

America's experiments with scrip reveal much about popular understanding of the economy during the interwar period. The nation had enjoyed a period of unprecedented prosperity during the 1920s and citizens of all classes had enjoyed increased access to consumer goods. Items once viewed as luxuries became necessities. Advertisers and retailers encouraged people to find fulfillment in the goods that they bought. The alternative currency initiatives of the 1930s demonstrate just how entrenched the consumer society had become; faced with rising unemployment, most Americans did not believe that a return to austerity was the answer.⁹ Instead of blaming the free-spending days of the 1920s for the crisis, many business leaders and average consumers felt that spending more, not less, was the answer. Scrip would enable cash-strapped communities to keep the wheels of industry turning. It would put money in the pocketbook of the consumer and help speed the return to normalcy.

Not all residents viewed the schemes with the same level of enthusiasm. Local merchants found themselves caught between wanting to attract customers who wished to make purchases and suppliers who would not redeem local scrip. The public's enthusiasm for issuances of scrip demonstrates that, despite the networks of communication and distribution that linked the nation in the 1930s, many people thought of their participation in the economy primarily in local terms. The premise

⁶ "Wooden Money Big Success," *Washington Post*, 1 Jan. 1933, M2; Howard H. Preston, "The Wooden Money of Tenino," *Quarterly Journal of Economics* 47 (Feb. 1933): 343-48; Arthur Dwelley, "Wooden Money: A Tenino Tradition," *Columbia: The Magazine of Northwest History* 11 (Spring 1997): 41-44.

⁷ "City Uses Cardboard Money as Bank Fails," *Washington Post*, 3 June 1932, p. 1. For images of scrip from across the nation, see the following website for collectors: <http://www.depressionscrip.com> (accessed 1 Sept. 2005).

⁸ "Scrip in Use in a Middle West Town," *New York Times*, 6 March 1933, p. 4.

⁹ The literature on consumption in the early twentieth century is sizable. For attitudes toward spending in the Depression in particular, see Gary Cross, *An All-Consuming Century: Why Commercialism Won in Modern America* (New York, 2000), 67-82. Elizabeth Cohen argues that the Depression witnessed a new recognition of the role of the consumer in the economy, in *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York, 2003), 18-31.

for scrip plans was the notion that currency could simply flow from hand to hand within a specified community, that there was a separate local economy insulated from national and international transactions. This belief at times created conflicts for retailers, who hoped to encourage the patronage of local clients but needed “real” money to pay suppliers outside the community.

Here was the crux of the distinction between a “national” and a “local” market: the residents of the community understood their participation in the economy in terms of their patronage of the department store on Main Street. That merchant, however, brought in goods from across the United States and beyond. Even if consumers wanted to direct their funds primarily into the local economy, their connection to a national market came simply by spending money in area stores. I explore the major variants in scrip in the early 1930s, and the responses of business leaders to the proliferation of such schemes.¹⁰ Implementation of a scrip plan required cooperation among many groups: merchants, consumers, political leaders, labor, and employers. Not surprisingly, the participation of retailers was critical to the success or failure of scrip plans. When retailers refused to participate, cities quickly abandoned scrip, whereas, although no scrip scheme succeeded in ending the Depression, in communities where retailers backed the plan, the public often greeted scrip with great enthusiasm and lauded it as a practical effort to ameliorate conditions.

From Barter to Scrip

The lack of money in circulation during the 1930s was a cause for concern among legislators, business leaders, and consumers. Some retailers took extra measures to extend credit to consumers or to facilitate barter to

¹⁰ There has been relatively little scholarly work on the use of scrip in America. Scrip catalogues aimed at collectors include Charles V. Kappen and Ralph A. Mitchell, *Depression Scrip of the United States: A Catalog* (San Jose, Calif., 1961). A number of works on Depression scrip appeared during the 1930s, including Wayne Weishaar and Wayne W. Parrish, *Men Without Money: The Challenge of Barter and Scrip* (New York, 1933), and Irving Fisher, *Stamp Scrip* (New York, 1933). An early economic study of scrip is Joel W. C. Harper, “Scrip and Other Forms of Local Money” (Ph.D. diss., University of Chicago, 1948). Some local histories of the Great Depression mention the use of scrip. See George Tselos, “Self-Help and Sauerkraut: The Organized Unemployed, Inc., of Minneapolis,” *Minnesota History* 45 (Winter 1977): 306-20; Dwelley, “Wooden Money: A Tenino Tradition.” A growing number of works are devoted to developing alternative currencies today. Thomas H. Greco’s *Money: Understanding and Creating Alternatives to Legal Tender* (White River Junction, Vt., 2001), contains a brief section on Depression scrip. The E. F. Schumacher Society of Massachusetts, a grassroots non-profit organization devoted to decentralism, held a conference on local currencies in June 2004. See the Society’s website: <http://www.schumachersociety.org/> (accessed 1 Sept. 2005).

compensate for paltry cash supplies. In Atlanta, Walter H. Rich announced that his family's department store would accept cotton in trade at a price of one cent above market price. Rich acknowledged that the plan was not "altogether altruistic," as he hoped to encourage farmers to make additional purchases at Rich's that they had been postponing. The store was willing to pay a premium of \$25,000 over and above the market price in order to offer local cotton growers some relief. In Rich's view, this investment would prove "as good as gold" once market conditions recovered and citizens resumed their normal buying.¹¹ In Columbus, Nebraska, a small town west of Omaha, farmers were encouraged to bring roosters to market. Local merchants paid a bonus of 4 cents a pound for each rooster and farmers were issued special scrip coupons that could be redeemed in trade.¹² The *Christian Science Monitor* reported that on a previous "Rooster Day" farmers had brought 23,410 pounds of roosters to market, and "97 out of the town's 103 retail merchants benefited in greatly increased trade at a total cost of \$377."¹³ Despite the financial outlay for premiums and the inconvenience of accepting farm produce, retailers viewed these events as sales promotions that would provide a substantial return in community goodwill and increased sales.

The shortage of currency would be especially acute after the inauguration of Franklin Delano Roosevelt (FDR), when a three-day "bank holiday" in March 1933 made it impossible for Americans to withdraw cash and forced many to resort to barter. People devised elaborate systems of IOUs and came up with creative ways to meet expenses. The *Literary Digest* reported that in New York more than five hundred people bought their way into the semifinals of the amateur Golden Gloves boxing tournament using hats, jigsaw puzzles, sweaters, paint, books, canned goods, and sacks of potatoes to pay the 50-cent price of a ticket.¹⁴ There were newspaper reports of parents raiding their children's piggy banks for cash, and older commemorative coins and even gold coins returned to circulation as cash reserves dwindled.¹⁵ Retailers often showed some flexibility in terms of the types of currency they were willing to accept, but they would face an even greater challenge as communities experimented with issuing their own tokens of exchange.

Scrip, it was often proposed, facilitated barter and allowed a more precise exchange of goods and services. Direct trades of one item for

¹¹ "Atlanta Store to Take Cotton in Trade at Cent Above Price," *New York Times*, 25 Sept. 1931, p. 20.

¹² "Trade Crowing Over Success of Rooster Day," *Christian Science Monitor*, 10 Jan. 1933, p. 1.

¹³ *Ibid.*

¹⁴ "Making Merry over Bank Holiday," *Literary Digest* (25 March 1933), 29.

¹⁵ "Boston Business is Moving Along with Confidence—Hoarded Money Coming Into Light and Retailers Report Good Trade," *Christian Science Monitor*, 7 March 1933, p. 1.

another were often difficult to negotiate; scrip allowed one to determine the appropriate “price” for goods in each transaction. Economist Irving Fisher proclaimed that scrip allowed barter to seem “more like modern life.” While barter seemed archaic, “With scrip you feel less primitive, hence less reactionary, hence less discouraged. And that counts.”¹⁶ Co-operative movements of the unemployed were quick to seize on the potential of scrip in communities where cash was scarce. In Minneapolis, Minnesota, a group called the Organized Unemployed ran a warehouse and store where the only circulating medium of currency was scrip.¹⁷ Reverend George Mecklenburg, director of the program, argued that scrip was crucial in bridging the gap between unemployed labor and surplus products. He recalled years later, “Our lack was not food and clothes; our lack was money. People could not buy things without money.”¹⁸

Unemployed workers received \$1.50 a day in scrip to chop wood, cultivate a plot of land growing vegetables, make preserves, or can sauerkraut. The organization ran a “white-collar” restaurant for the unemployed, where hot lunches were sold for 10 cents, and a dormitory where one could pay for a bed with 15 cents of scrip per night. The group’s store stocked an amazing array of items—not only used goods brought in for barter but wood, produce, and a host of products made by workers for the cooperative. At its height, over 1,500 people visited the facility daily.¹⁹ A *New York Times* reporter surveyed the bustle of activity in the warehouse, commenting, “A cash register jingles in the store, but it does not mean that a bill of US currency has been deposited in the drawer. Here scrip is the only money that is used.”²⁰

The local and national media praised the Organized Unemployed for helping the destitute of Minneapolis. The scrip program put over 7,000 people to work and issued over half a million dollars of currency.²¹ An estimated 18,000 local families were members of the organization. Eventually, with the issue of federal grants to help the unemployed of Minnesota, the Organized Unemployed abandoned scrip in favor of a

¹⁶ Fisher, *Stamp Scrip*, 85.

¹⁷ Tselos, “Self-Help and Sauerkraut,” 307.

¹⁸ George Mecklenburg, *Never a Dull Moment: Reflections on Sixty Years in the Protestant Ministry* (New York, 1964), 73-74.

¹⁹ Russel Kurtz, “Résumé of Study of the Organized Unemployed, Inc., of Minneapolis, Minn.” Russell Sage Foundation, Jan. 1933, United Way of Minneapolis Records, folder 153: 4, Social Welfare History Archives, University of Minnesota.

²⁰ “Jobless in Minneapolis Organized for Self-Aid,” *New York Times*, 8 Jan. 1933, p. XX6.

²¹ “The Organized Unemployed, Inc. Minneapolis, Minnesota” typescript leaflet, n.d., George Tselos collection, box 1, Minnesota Historical Society (MHS).

system of book credits and cash.²² Ultimately, as the New Deal came into effect, the Organized Unemployed ceded control to the government, and eventually the State Emergency Relief Administration disbanded the organization.²³

Other cities also experimented with alternative currencies as a supplement to barter for the unemployed. Salt Lake City organized the Natural Development Association, which offered employment and merchandise for members. Members could use scrip to pay for health and dental care.²⁴ An estimated more than \$150,000 worth of business was conducted in the cooperative in 1932.²⁵ Most of the coupons used in barter and exchange associations were in the form of commodity scrip (where warehouse receipts backed up the medium of exchange), but in some cases “hour” scrip was used, based on hours of work as the standard. A group of Harlem business people opened the Harlem Mutual Exchange, which issued scrip to members in return for hours of skilled work.²⁶

Because these transactions took place within cooperatives’ own stores and warehouses, this type of scrip usually went unopposed by local retailers. George Mecklenburg argued that Minneapolis’s scrip issue would ultimately benefit area merchants by “stirring up the stagnant pool into which business has slumped.”²⁷ A pamphlet produced by the Organized Unemployed self-consciously rejected any suggestion that the cooperative was somehow a challenge to the capitalist system, maintaining, “We are not a protest movement. We are for labor. We are for the merchants. . . . We do not interfere with regular business because we create new business which would not have been in existence had we not organized.”²⁸

Such programs were conceived as a way to create temporarily a separate economy for the unemployed. Organizers assumed that as soon as members of the cooperative regained full employment, they would once more use their wages to shop in the conventional retail outlets of the community. Scrip simply facilitated exchange among the unemployed and was thus a supplement, not a threat, to the “regular” economy.

²² Udo Rall, Director of Division of Self-Help Cooperatives, Federal Emergency Relief Administration, “Cooperative Self-Help: Final Report of Program,” (Washington, D.C., 1937), 36. Tselos collection, Folder: “Minnesota Grants,” MHS.

²³ Tselos, “Self-Help and Sauerkraut,” 318.

²⁴ “One Million Americans Learn to Get Along Without Money,” *New York Times*, 12 March 1933, p. XX2.

²⁵ “Utah Organization Flourishes,” *New York Times* 31 Dec. 1932, p. 7.

²⁶ “Back Barter in Harlem,” *New York Times*, 10 Jan. 1933, p. 40.

²⁷ Quoted in Tselos, “Self-Help and Sauerkraut,” 314.

²⁸ “Calling in Scrip,” pamphlet from the Executive Committee of the Organized Unemployed, Minneapolis, n.d. [April 1933], Tselos Collection, box 2, MHS.

Stamp Scrip

Barter exchanges relied on scrip for transactions between members, but other proposals envisioned using scrip within the wider community to help “prime the pump.” In Hawarden, Iowa, Dutch immigrant Charles J. Zylstra read about social credit issuances in Europe and made a proposal to the City Council. In October 1932, unemployed men were paid \$300 of stamp scrip in dollar units. On the back of each certificate were 36 squares. Users of the scrip were required to buy a special 3-cent stamp and affix it to the back. After the money had circulated fully, it would be worth \$1.08 (the extra 8 cents was collected in order to cover administrative costs). All Hawarden businesses except two chain stores and gas stations owned by outside interests accepted the scrip at face value. Even the local electric and telephone companies accepted scrip. For the first time, the number of families applying for relief in Hawarden actually decreased. Hawarden residents were so enthusiastic that they pressed the City Council to issue more scrip. The success of the plan was due in part to the small size of the community, and the sense that economic transactions were taking place between neighbors and friends.

Merchants in the town, however, found themselves facing more pressure to buy stamps and use scrip than other types of businesses. They were at first happy to accept scrip for purchases, but found they could use it only to pay wages for local people and not for suppliers outside Hawarden. Still, many were willing to accept scrip because it gave them business from people who would otherwise have no purchasing power.²⁹ Jack Boukans, owner of the town’s largest independent clothing store, argued,

None of the merchants is concerned over the problem of passing the scrip. I even paid a life insurance premium to a local agent in scrip. The stamped money produces actual new business. Since the notes are in dollar denominations and no change is given, people will buy a few more things than they would ordinarily. A man who buys a 75c shirt and offers one dollar in scrip takes the other 25c in handkerchiefs or socks or something else.³⁰

Yet some observers worried that the currency would never be truly self-liquidating, as local grocers and merchants would be forced to offer the coupons at a discount to the bank in order to gain enough “real” currency to pay outside suppliers. An editorial in the *Hawarden Independent* argued that it would be against the self-interest of grocers and other retailers to keep the currency in circulation, as each time the coupon passed through the hands of merchants, they would be penalized an

²⁹ Weishaar and Parrish, *Men Without Money*, 19-33.

³⁰ *Ibid.*, 24.

additional 3 cents.³¹

Despite these misgivings, local residents quickly embraced the plan, not least because it gave the small community a certain level of state and national attention. Charles Zylstra eventually made a successful run for state representative based on his fame as the father of the Hawarden Plan. He would later introduce a bill that allowed counties across the state of Iowa to put scrip into circulation to give relief to the unemployed.³² Throughout Iowa, other communities experimented with scrip to varying degrees.³³ Years later, a resident of Mason City would refer to a road built by the unemployed during this period as “scrip road.”³⁴ The city of Des Moines issued a form of scrip that was accepted not only by retailers but also by 122 area dentists and physicians, leading the *Tribune* to note that several babies born in the city were “paid for” in stamp notes. Numerous barbershops, clothing and shoe stores, drug stores, grocers, cleaners, restaurants, and finance companies in the city also accepted scrip. A spokesperson for the Home Owned Business association argued that many grocery stores in Des Moines had been able to keep going only because of scrip.³⁵

Influential Yale economist Irving Fisher spent a week in Hawarden and later wrote a book entitled *Stamp Scrip*, which served as a handbook for communities hoping to issue scrip. Fisher was aware of earlier scrip experiments in Woerl, Austria and Schwanenkirchen, Germany, and thought that the Hawarden plan showed great potential as an incentive to consumers. With the help of his research assistant, Hans Cohrsen, he collected information about scrip movements worldwide, including the work of Silvio Gesell in Germany and the “Prosperity Dollars” of the province of Alberta in Canada. Fisher’s main criticism of the Hawarden plan was that it required purchase of a stamp for every transaction. He felt that this would be a disincentive for people to spend the currency, and would actually have the effect of slowing transactions.

Instead, he advocated plans similar to those used in Europe, which had a stated date for the affixing of stamps (usually every week or two weeks). In this type of scheme, transactions could take place freely using scrip until the stated date, at which point the current holder of the certificate would purchase a stamp. The advantage of dated scrip was that it

³¹ Editorial, *Hawarden Independent*, 4 Aug. 1932, p. 4.

³² “Senate Passes Zylstra Bill,” *Hawarden Independent*, 2 March 1933, p. 1.

³³ Examples include Mason City, Clear Lake, West Liberty, Rock Rapids, Albia, Pella, Nevada, and Eldora. See “Iowa Towns Use Barter and Scrip,” *Washington Evening Star*, 9 Dec. 1932, B-8. Harper, “Scrip and Other Forms of Local Money,” 167.

³⁴ G. G. Weida, Mason City, interview by Paul Kelso, 29 Nov. 1978, Iowa Labor History Oral Project, Iowa Federation of Labor, AFL-CIO. State Historical Society of Iowa, Iowa City, Iowa.

³⁵ “Use of Scrip Is Defended,” *Des Moines Tribune*, 24 April 1933.

punished consumers who held on to the money without spending it. In effect, the user would forfeit a negative rate of interest for retaining rather than circulating currency. The only way to avoid paying for a new stamp would be to spend the currency before the stated period elapsed. When the back of the certificate was full of the proper stamps, the local bank or chamber of commerce would redeem it again. The desire to avoid paying for stamps would thus speed the currency through as many hands as possible. In a letter to the mayor of his own city of New Haven, Connecticut, Fisher argued that a stamp scrip plan with stated deadlines for adding new stamps would provide a tremendous boost to the city's economy. He remarked,

The advantage of creating temporarily new purchasing power is magnified several times by the more rapid turnover of the scrip. The plan is virtually a stamp tax on hoarding. Other sorts of emergency currency, such as clearing house certificates, are slower to circulate, have little or no specific reserve behind them, and are not self-liquidating.³⁶

Fisher downplayed worries about the cost of purchasing stamps, viewing it as a tax spread out over the entire period in which scrip would be in circulation (he advocated a set expiration of the entire scrip program after four years).

Fisher acknowledged that for such plans to succeed, the cooperation of local financial and business leaders was essential. He encouraged merchants to view this not as a tax but as a positive investment, arguing "It will be good advertising for a bank or a department store to be the first to come forward and offer to help the city and its business by accepting the scrip."³⁷ A redemption fund, in the form of a loan arranged by the city for an amount equal to the certificates in circulation, would "avoid the remotest danger of a 'run' " on the bank. Fisher envisioned that cities could pay all salaries and other obligations (like payments to contractors) using scrip, which employees would then spend, not only at area establishments, but also to pay city tax bills, utilities, and other expenses. Fisher dismissed the argument that merchants might refuse to participate in a scrip plan because of the expense of buying stamps. In most cases, he argued, certificates would pass out of merchants' hands in the form of rent or salaries. In any case, the fact that "merchants are going to the wall for want of customers" might prove an incentive for retailers to accept scrip and to advertise their participation widely.³⁸

Fisher's enthusiasm for scrip helped to increase public awareness across the nation. Fisher was widely recognized beyond academic circles as an expert on a range of economic issues. He had served as president of

³⁶ "More About Scrip," *Hawarden Independent*, 27 Oct. 1932, p. 6.

³⁷ *Ibid.*

³⁸ Fisher, *Stamp Scrip*, 111.

the American Economic Association, written numerous books, not only about economics but also on topics such as prohibition and the League of Nations. Fisher was an advisor to both Hoover and FDR, and his Index Number Institute provided price indices for leading newspapers. Fisher became so enamored of the stamp scrip idea that he proposed a national plan as a form of relief. Fisher envisioned the distribution of “prosperity certificates” in allotments of \$150 to each unemployed person at post offices across the country. These would be made legal tender and would help to put money in the hands of consumers without interfering with the monetary value of actual U.S. currency.³⁹ The certificates’ nationwide circulation would overcome many of the obstacles faced by small local merchants who objected to using scrip when they could spend it only within a limited area. In theory, national scrip would allow merchants to use scrip to pay manufacturers and distributors anywhere in the United States.

Both stamping and dating the money would overcome certain pitfalls that Fisher believed had bedeviled other scrip plans. He testified before the Committee on Ways and Means in May 1933 that the scrip issuance would not be a tax burden for the nation, as each certificate would be self-liquidating. Once there were enough stamps affixed on a certificate to retire it, the government would have collected sufficient revenue to fully redeem the money and cover administrative costs.⁴⁰ Fisher prepared a bill authorizing the Secretary of the Treasury to issue scrip. Although supported by Senator William Bankhead of Alabama, the bill never came to a vote.⁴¹

Municipal Scrip

A third major variant of scrip was a certificate given in lieu of payment of wages to municipal employees. In those cases, scrip acted as a bearer’s bond, a paper substitute for cash redeemable with interest at a future date. This type of scrip would become especially popular with municipalities that owed city employees wages but faced all-but-depleted tax coffers. In cities like Atlanta, Detroit, and Chicago, municipal authorities had to choose between paying local teachers in scrip and not paying them at all. The hope was that payments made to city employees in scrip would encourage them to pay their tax bills to the community. In 1933, the city authorized the Chicago Board of Education to issue over \$5 million in scrip in an attempt to pay off some of the back wages that it owed to employees. These certificates promised to pay 6 percent interest upon

³⁹ “‘Stamp Scrip’ as a Slump Cure,” *Literary Digest* (11 March 1933), 8.

⁴⁰ National Industrial Recovery Administration, “Hearings before the Committee on Ways and Means,” House of Representatives, 73d Congress, 1st sess., 18-20 May 1933, p. 168.

⁴¹ Harper, “Scrip and Other Forms of Local Money,” 92.

redemption. At first, the teachers were happy to have any new currency after receiving no pay at all for the previous two months.

Soon, however, the plan began to run into difficulties. The Teachers' Union and Janitors' Union opposed the plan and urged members not to settle for anything but actual cash. Many retailers refused to accept the scrip and those that did often would not give change for purchases made. The coupon denominations (\$10, \$25, \$50, and \$100) made it difficult for individuals to spend the full value of a scrip certificate in one store. Reports abounded of teachers who purchased shoes for themselves and a number of friends at the one shoe store accepting scrip in exchange for cash reimbursement. The electric company had to issue a formal statement forbidding teachers from using scrip to pay their neighbors' utility bills after a number of teachers used scrip to pay for not only their own but their entire block's bills.

However, given the alternative of not paying the teachers at all, scrip proved a valuable tool for cities unable to pay the wages of public employees. This type of large-scale issue was not unique to Chicago. The state of Wisconsin put \$10 million in circulation, and Detroit issued \$28 million of scrip, all of which was redeemed at maturity.⁴² In Atlanta, almost four thousand employees received their November 1932 salaries in scrip. Local business leaders crowed that scrip had turned loose "a flood of money for Christmas purchases," as two large department stores and one major grocery chain announced that they would redeem it at partial cash money, and "most of the larger business firms of the city indicated that they would accept it at face value."⁴³

Retailers and Scrip

Response to scrip was not uniform among retailers. In some communities, merchants were the organizers of alternative currency plans. Many viewed scrip as a way to ensure that patrons targeted their dollars, spending only within the local community. Campaigns emphasizing "home spending" were well established during the 1920s. Independent merchants, worried about the encroachment of chain stores and mail-order firms and the increased ability of their customers to travel by car or rail to shop in larger centers, often employed a language of localism to encourage patrons to spend.⁴⁴ As the crisis of the Depression deepened, these arguments took on a new urgency. In 1931, a group of boosters in Clear Lake, Iowa, took out a series of newspaper ads to trumpet the advantages of spending

⁴² *Christian Science Monitor*, 18 March 1933; *Christian Science Monitor*, 13 March 1934, p. 1.

⁴³ "Scrip Pay," *Washington Post*, 21 Dec. 1932, p. 1.

⁴⁴ For an extended discussion of these sales strategies in Buffalo and Rochester, N.Y., see Sarah Elvins, *Sales and Celebrations: Retailing and Regional Identity in Western New York State, 1920-1940* (Athens, Ohio, 2004).

money locally. Readers were exhorted, “Divide Your Dollars With Your Neighbors—Buy at Home.”⁴⁵ Money spent at local merchants would allow them in turn to pay wages to local residents and support other businesses within the area. No mention was made of the fact that local merchants sold goods produced not only beyond the borders of Clear Lake or Iowa, but indeed from around the world.

It was not much of a leap for merchants to move from encouraging “home buying” to devising currency for spending only within the community. Local merchants in Canarsie deposited money in the area branch of the Brooklyn Trust Company to back an issue of certificates that had to be spent at least thirty-six times in the area before they could be redeemed in cash. The originator of the plan argued that in this way, “community money would be spent for local labor and products.”⁴⁶ In Evanston, Illinois, independent merchants felt that scrip could be a tool in their battle against chain stores. Where chains might not be willing to accept the coupons, Evanston-based merchants advertised that the EIRMA money (named for the Evanston Independent Retail Merchants’ Association) would stimulate business and keep it at home.⁴⁷ Sponsors argued that the cost of purchasing stamps to affix on the scrip would not be prohibitive for merchants, many of whom were already accustomed to giving a 2 percent discount to consumers for cash purchases. The Merchants’ Association sold scrip to members and planned to use revenue generated from the sale of stamps to purchase tax anticipation warrants.⁴⁸ Chicago newspaperman and anti-chain crusader William Caslow devised a plan to sell scrip to independent retailers, and at one point almost five hundred merchants accepted his “Caslow Recovery Certificates.”⁴⁹ Caslow brought Irving Fisher’s assistant, Hans Cohnsen, to Chicago to talk about the potential of stamp scrip to retailers and wholesalers.⁵⁰

In other cases, retailers hailed the issue of scrip to pay municipal employees as a boon to city business. After the failure of two local banks, the city of Knoxville, Tennessee, issued over \$1.2 million in city warrants to employees. More than half of these certificates were turned back to the city in anticipation of future taxes (taxpayers were credited with 6 percent interest) but the newspaper reported that landlords, coal dealers, grocers, and department stores were accepting them at par. One local auto dealer sold the city six cars, taking a combination of \$3,000 in city warrants and

⁴⁵ *Clear Lake Mirror*, 23 July 1931, p. 3.

⁴⁶ “Merchants Sponsor Plan to Keep Money Circulating at Home,” *New York Times*, 4 March 1933, p. 27.

⁴⁷ Harper, “Scrip and Other Forms of Local Money,” 64.

⁴⁸ “City in Illinois Adopts Scrip to Raise Fund,” *Christian Science Monitor*, 29 Dec. 1932, p. 1.

⁴⁹ Harper, “Scrip and Other Forms of Local Money,” 67-77; Greco, *Money*, 58-59.

⁵⁰ Advertisement, 22 March 1933, Irving Fisher Papers, reel 1, vol. 28, New York Public Library Manuscripts and Archives Division (NYPL).

trade-in vehicles as payment.⁵¹ Because people could not simply deposit the warrants in a checking account, merchants argued, they circulated faster than cash.

In Detroit, the payment of over \$2 million in back wages to city employees in scrip brought about an upturn in sales at local department stores. Stores announced that they would accept the scrip at par until the point they had accumulated enough to pay their local taxes to the city.⁵² A local observer noted in early May 1933, "One down-town department store's reported volume Friday was by far the biggest in four years and that 400 people have been added to its sales force. Another store's sales Friday were the biggest in two or three years."⁵³

Scrip plan proponents recognized that the success of such schemes required cooperation from a range of retailers. Often when a community announced its intention to issue scrip to city employees, organizers would go to great lengths to list all participating businesses in order to give the plan a sense of legitimacy. Upon Tucson's proclamation to use scrip, over thirty prominent merchants and business people signed an agreement to honor the currency.⁵⁴ Mason City, Iowa, put men to work re-grading a mile of road into the town and paid them \$8 in scrip per shift. A pamphlet outlining how scrip would circulate through the city included a list of participating businesses, featuring 27 accountants and attorneys, 8 auto dealers, 16 barbers and beauty parlors, 16 department stores and men's clothing stores, 4 five & ten cent stores (including two branches of S. S. Kresge and one of F. W. Woolworth), 54 grocers (including branches of the A&P), 8 laundries, two theatres, 4 funeral homes, the N.W. Bell Telephone Co., and the People's Gas & Electric Co.⁵⁵ Retailers were reminded, "The success of this project depends on YOUR CO-OPERATION." By cheerfully accepting the certificates and passing them on quickly, businesses could ensure that no one group would risk being stuck with an inordinate amount of scrip.⁵⁶

Opposition to scrip plans from retailers could quickly prove insurmountable. In Chicago, teachers paid in scrip found it difficult to find outlets willing to accept it. For major expenses like rent and some utility bills, scrip was useless. In addition, many large retailers, including the State Street department stores such as Marshall Field's, refused to accept it. Some smaller jewelers, shoe stores, and sporting goods stores accepted scrip, but this was not a practical way to expend one's entire

⁵¹ "Knoxville's Scrip Proves Trade Spur," *New York Times*, 27 Feb. 1933, p. 3.

⁵² "Department Stores of Detroit Enjoy Good Sales Volume," *Christian Science Monitor*, 4 May 1933, p. 9.

⁵³ Ibid.

⁵⁴ *Los Angeles Times*, 5 March 1933, p. 6.

⁵⁵ "Mason City's Scrip Issue Will Start Circulating Saturday May 8, 1933" [pamphlet], Irving Fisher Collection, reel 1 vol. 28, NYPL.

⁵⁶ Ibid.

salary. The *Christian Science Monitor* reported:

If school-teachers could eat gold watches and chains, or pay their rent in fishing tackle and baseball bats, they might face their wiggling pupils in a little more cheerful mood this fall. But to find a market for their scrip, which is the only type of payment any of them have received since last April, is a problem.⁵⁷

One store executive explained that if department stores suddenly changed their policy and accepted scrip, “it would mean a tremendous rush of buyers taking out merchandise and leaving the stores with paper which they would be obliged to turn into cash for their own creditors.”⁵⁸ The stores did not make such a decision lightly: many acknowledged that in better economic times, teachers wielded significant purchasing power and department stores could not afford to alienate them permanently. Most State Street stores simply carried the teachers’ credit accounts for the period during which they were without pay.

The local nature of scrip, which seemed so attractive to independent merchants hoping to compete with chains based outside the community, became a hindrance when wholesalers needed cash payment from retailers. In Albion, Michigan, merchants doomed a one-month trial of stamped scrip to failure. They argued that “they could not use the scrip to pay for their purchases from wholesalers on the outside,” a problem that might be eliminated if a national program of stamped currency was adopted.⁵⁹ Merchants also pointed out that while they were expected to accept scrip without hesitation, many consumers for their part refused to accept it in change during transactions, causing scrip to flood into retailers’ hands.

The Significance of Scrip

For a brief period during the early 1930s, scrip became something of a national obsession. Humorist Will Rogers quipped that the public seemed excited about scrip: “We are all for it. . . . The psychology of the stuff not being actual money is going to make everybody want to buy something.”⁶⁰ Scrip entered into the cultural lexicon: in Detroit, a horse named “Scrip Money” was a regular fixture at the local races.⁶¹ Although adopted with fervor, none of these initiatives actually succeeded in bringing America out of the Depression. Eventually, the federal government slowed the momentum of the alternative currency movement. Fearing a dilution of

⁵⁷ *Christian Science Monitor*, 11 Sept. 1931, p. 8.

⁵⁸ *Ibid.*

⁵⁹ “Local Scrip Fails in Michigan Town,” *Christian Science Monitor*, 10 May 1933, p. 1.

⁶⁰ “Mr. Rogers Hails the Advent of a Substitute Money,” *New York Times*, 7 March 1933, p. 17.

⁶¹ “Detroit Entries,” *New York Times*, 30 Aug. 1937, p. 17.

federal power and control over currency, in March 1933 FDR forbade further adoption of alternative currencies, although he allowed existing schemes to remain in place.

As the Depression wore on, enthusiasm for scrip waned. The American Bankers Association declared that despite the excitement over scrip's potential, the movement had little lasting effect on inflation or unemployment. In the short term, it was possible to measure a rapid turnover of scrip (by people trying to get rid of it as fast as possible): ". . . unless the scrip can be used to replenish stocks the system soon exhausts itself. Replenishment of stocks in a country such as the United States necessitates nation-wide acceptance of scrip, stamped, and dated money or whatever scheme may be followed."⁶² Even within Hawarden, the so-called hotbed of stamp scrip, enthusiasm for such plans was in decline by May 1933. A report that Madison, South Dakota had abandoned its scrip plan was reported with the acknowledgement, "Stamp money had a strong imaginative appeal and interest in the scheme went 'up like a rocket' but experience appears to be demonstrating that it has proven pretty much of a 'dud'."⁶³

Despite the movement's eventual failure, the story of scrip reveals much about popular understanding of the economy during the initial years of the Great Depression. Scrip reflected the belief, common even during implementation of New Deal relief programs, that the marshaling of local resources could combat the national economic crisis. Although the Depression was a national—and international—problem, backers of alternative currencies believed that they would be able to improve conditions within one particular community. The historiography of the Depression has emphasized the role of FDR and Washington in meeting the crisis. If business leaders are discussed at all, the tendency is to cast them in the role of either opponents of regulation or cheerleaders of federal policy. Although the 1930s are often characterized as the era in which federal regulation of the economy became entrenched, the story of scrip demonstrates that in some instances this development was in response to actions on the local level, rather than the result of an overarching plan conceived in Washington.

Because cities and small towns formed the base for so many scrip initiatives, this story is also fundamental to the urban history of the period. Alternative currency schemes reveal the continued optimism of many Americans in the future of their communities: at a time when their resources were being pushed to the breaking point, citizens rallied behind scrip proposals because they believed that their particular region or municipality would be able to make a difference and improve conditions. There has been a revival of scrip's appeal in the twenty-first century.

⁶² "Barter and Scrip," *American Bankers Association Journal* (March 1933), 68.

⁶³ "Madison Abandons Scrip," *Hawarden Independent*, 11 May 1933, p. 1.

Today, the use of alternative currency is still touted as a way to improve local economic conditions. In the age of globalization, local money advocates promote alternative exchange systems as a way to empower citizens and defuse the power of multinational corporations.⁶⁴ Issuances of scrip have also become the fastest-growing fundraising tool for American schools and churches and other non-profit organizations.⁶⁵ Understanding both the successes and failures of the scrip movement during the Great Depression thus remains relevant today.

⁶⁴ Current successful ventures including the Ithaca “NY HOURS” program, the Tucson, Ariz., Traders credit system, and the Valley Trade Connection of Greenfield Mass., encourage people to spend money within their own communities and facilitate the exchange of goods and services. See Greco, *Money*, 76-124. The E. F. Schumacher society has compiled a list of local currency programs: http://www.schumachersociety.org/local_currencies/currency_groups.html (accessed 1 Sept. 2005).

⁶⁵ These organizations buy large amounts of scrip from grocery stores and other retailers, purchasing with cash up front and receiving a substantial discount from participating businesses. Scrip is re-sold to community members at full face value, and the discount amount is kept as revenue.