

LOCAL MONEY IN THE UNITED STATES DURING THE GREAT DEPRESSION

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The Great Depression in the United States produced a great outpouring of local currencies as responses to various aspects of the economic crisis. This article describes the basic types of scrip in use, assesses their legality and theoretical justification, and ventures some generalizations as to what sorts of scrip worked best. It argues that the widespread use of local scrip was not motivated by any systematic analysis of the shortcomings of the national economy, or of its monetary system. Rather, the scrip movement represented eclectic responses to specific economic problems created by the Depression.

Among the major industrial countries, the United States was hit particularly hard by the economic crisis of the 1930s. By 1933, the massive declines in employment and output, along with the collapse of the banking and financial systems, created a widespread perception that the economy was experiencing shortages of money, provoking numerous issues of local currencies, or “scrip.” Given the large number and brief duration of many issues, there is no reliable estimate of their overall volume, though one contemporary estimate placed it at nearly one billion dollars.¹ It is clear, however, that some sort of scrip was issued by several hundred municipalities, business associations, companies, banking organizations, barter and self-help cooperatives, and production units of the unemployed.²

This article details the basic types of scrip in use during this period. It also addresses the legality of scrip under American law, and examines the theoretical justifications for scrip. Did scrip issues reflect a systematic analysis of the social and economic causes of economic collapse? Regardless of their theoretical rationales, some scrip schemes operated more effectively than others. What accounts for the success (or lack thereof) of scrip?

Types of Scrip

A given type of scrip might have served one or more functions: as a stimulant to business, relief for unemployment, a weapon against chain stores, and/or a means of municipal finance. The many types of Depression scrip issued can be reduced to five basic categories defined by what gave people the confidence to use it as a money substitute. The first category, "reputational scrip," comprises private currency issues by corporations, organizations, and even individuals, and has numerous antecedents in American financial history. The scrip issued by individual companies to meet payrolls and which was redeemable in the company store, has shaped the economies of numerous communities based upon the extraction of resources such as coal or lumber.³ Such scrip circulated because of the economic power and reputation of its issuers. During the 1930s, corporations with steady receivables could issue scrip good for purchases of their products and services. In particular, newspaper publishers put out scrip against classified advertising sold by the line, printing their currencies with the same equipment that produced their newspapers. Business groups promoting spending paid out scrip usable only in the local community. Often, this scrip was styled as "auction currency," valid at public auctions on certain dates. Elsewhere, many towns issued "anti-hoarding" and "prosperity" checks that accumulated endorsements at each transaction until the checks were redeemed by their issuers. Finally, well-known members of a community, for example Robert R. Gibson of Warms Springs, Georgia, or Edward F. Peffer of Stockton, California, could simply circulate their own obligations on the strength of the community's trust in their characters.⁴

Corporate scrip issues could be coordinated and systematic. In the industrial mill town of New Bedford, Massachusetts, twenty-four different companies met their March 1933 payrolls by issuing one-, two-, and five-dollar checks of standard appearance against accounts in three different banks. Although not accepted by national chain stores, these checks circulated throughout their communities at par. As a convenience to their regular customers, countless hotels, restaurants, and stores issued notes against the uncashable checks of their customers; substituting, in effect, the better known credit of the former for the lesser known of the latter.⁵

The second category, bank and financial scrip, also finds wide precedent in American financial history. Before the Federal Reserve era, one distinctive form of bank scrip was the clearing house certificate, an emergency currency that private banking settlement associations (clearing houses) issued to meet the liquidity crises that accompanied the financial panics of 1873, 1884, 1893, and 1907.⁶ To economize on scarce currency reserves, banks issued large denomination certificates that served to facilitate their settlements. With the panics of 1893 and 1907, clearing houses outside of the central and regional reserve cities began issuing hundreds of millions of dollars in small denomination certificates to circulate like money amongst the general public.

The establishment of the Federal Reserve System in 1913 did not remove the need for private clearing houses, which served important purposes other than providing emergency liquidity. However, the System's function as a lender of last resort did cast doubt upon the need for future issues of clearing house certificates. Their final use occurred in March 1933, when some fifteen different clearinghouses issued such notes,

although twice that number printed them, at some expense. The circulation of clearing house certificates in 1933 was quickly ended by the Emergency Banking Act of March 9, which eased the ability of the Federal Reserve to issue currency against approved assets.⁷

More interesting, perhaps, were those issues that were more like traditional state bank notes than clearing house certificates, and thus less likely to pass legal muster. Indeed, some individual banks simply issued their own notes as a way of providing depositors at least partial access to their deposits. This was done haphazardly by banks in Tennessee, Ohio, Illinois, and Missouri. Public authorities in Wisconsin sought to sustain a statewide scrip based upon a fractional proportion of deposits in closed banks, with the scrip receivable for state taxes.⁸ Smaller banks were more likely to resort to scrip than large institutions. Despite authorization from the Arizona legislature, Tucson and Phoenix banks kept their clearing house certificates in their vaults, leaving outlying banks and private issuers to fill the circulatory void.⁹ In Georgia, while the Atlanta banks deferred to the Federal Reserve in March 1933 for supplies of new currency, smaller clearing house associations around the state issued their own notes to meet local payrolls.¹⁰

Sometimes, the initiative for such issues came from business organizations rather than banks. In the famous case of the “wooden money” of Tenino, Washington, the chamber of commerce issued scrip, which was printed on spruce rectangles, and backed by the frozen deposits of a local bank.¹¹ Many local chambers of commerce put out scrip against their members’ sequestered bank deposits during the worst phases of the banking crisis. In several cities in Oklahoma, business leaders issued their own private scrip against the encumbered deposits of participating merchants. In one instance, banks formed a clearing house association simply as a pretext to issue scrip.¹² In another simple but elegant scheme, a Springfield, Illinois “Credit Clearing Committee,” staffed by local bank personnel, issued many thousands of standardized scrip notes to seventy-five participating manufacturers and merchants in proportion to the amount of deposits they pledged as collateral.¹³ While legal scruples prevented such scrip from being identified as a liability of specific banks, business interests did rely on local banks to identify the creditworthiness of corporate applicants for scrip.

The third category, stamp scrip, represents the most exotic example of private currency during this period. Between 1932 and 1934, hundreds of communities across the country issued scrip that required the placing of some type of stamp as a condition of its further circulation. While its specific American origins are uncertain, the general inspiration for such scrip clearly came from the heterodox ideas of Silvio Gesell, a German monetary theorist and reformer of the early 20th century. A member of the Proudhonist tradition of non-Marxist critics of capitalism, Gesell focused on the nature of money in a modern exchange economy characterized by widespread specialization and division of labor. Gesell noticed that, once produced, real goods sooner or later rusted or spoiled; money, however, retained its ability to command the purchase of goods. This gave the holders of money, and financial interests more generally, an extortionate power over the productive sectors of the economy. As a remedy for this injustice, Gesell advocated a government-issued money supply designed to lose incrementally in value over time. In effect, money would become perishable like the goods for which it was exchanged, ushering in what Gesell’s followers term a “market economy without capitalism.” Over the long run, Gesell

believed, this reform would lead to the abolition of interest on money, thus breaking the power of the bankers over economic life.¹⁴

While critiques of financial power have been a staple of the American radical tradition, the advent of stamp scrip in the United States did not reflect any widespread popularity or even awareness of Gesell's ideas. As a national movement, stamp scrip instead emerged in mid 1932 with the success of Charles J. Zylstra's stamp scrip plan in Hawarden, Iowa. The Hawarden experience was subsequently given publicity by the eminent monetary economist, Irving Fisher, of Yale University. For the previous twenty years, Fisher had analyzed the causes and consequences of variations in the purchasing power of money, concluding that many economic problems, and indeed the business cycle itself, resulted from instability in the value of the dollar. An inveterate reformer of great energy, Fisher had promoted his "compensated dollar" plan throughout the 1920s as a remedy for an unstable dollar. Against the backdrop of the depression, Fisher now advocated local and national issues of stamp scrip as a weapon against deflation.¹⁵

In response to his journalistic advocacy for scrip, Fisher received numerous letters from community leaders across the U.S. wishing to establish such scrip plans.¹⁶ Based upon this correspondence, Fisher, and his assistant Hans R. L. Cohnsen, a follower of Gesell's ideas, produced a small volume entitled *Stamp Scrip* to promote such schemes. For the next two years Fisher became, in the words of one commentator, "the patron saint of the stamp scrip movement" in the United States.¹⁷

Unlike Gesell, Fisher's more narrow concern was with increasing the velocity of money. To that end, Fisher and Cohnsen advocated issuing stamp scrip on a 'time,' rather than 'transaction' basis: that is, scrip best circulated when it required periodic stamping to maintain its value. Faced with such regular deadlines, holders of scrip had a strong incentive to spend it before the stamping dates came due. In contrast, most American stamp scrip experiments required stamping only when a transaction took place. Moreover, the stamping features of American scrip were designed to make it 'self-liquidating,' meaning that a note circulated until it acquired its own value in stamps. In practice, this meant a note might need thirty-six or even fifty-two stamps, depending upon the denomination, before it could be redeemed. Naturally, such stamping was onerous, and the incentive to cheat by not using stamps was pervasive. American scrip proponents focused on encouraging local spending and funding unemployment relief via stamp sales. Monetary reform, Gesellian or otherwise, was not their chief concern.¹⁸

The fourth type of scrip was barter and self-help scrip. Chronic mass unemployment in the early 1930s encouraged the establishment of barter exchange and self-help cooperatives. In these arrangements, the unemployed joined together either to barter their labor with willing employers (particularly farmers in need of help at harvest time, in exchange for a share of the crop) or to produce their own goods, which they subsequently traded for other necessities or sold for cash.¹⁹ Farmer-labor arrangements were particularly common in California, where truck farms abutted urban areas.²⁰ Other labor cooperatives swapped goods and services among group members. This was common in urban areas, where economic life centered upon commerce and services, rather than agriculture or production.

0 As barter operations grew, scrip became a useful accounting and exchange device. In

one ambitious example, Benjamin Stringham's Natural Development Association (NDA) developed into nineteen production units in six western states, using "Vallars" as a unit of account and means of exchange. The Association had a stratified membership system that awarded larger exchange and employment benefits to members who had proven themselves. Selected members could accede to "qualified" status, at which point they became personally liable for the redemption (in service or in U.S. funds) of up to 1,000 Vallars worth of scrip, in case the Association ran into difficulties.²¹

In another well-documented instance, the Organized Unemployed, Inc. of Minneapolis, Minnesota issued some \$60,000 in scrip between September 1932 and June 1933 to sustain a diversified operation that began with the barter of agricultural labor, but which branched out into services and light manufactures. It specialized in the production of sauerkraut, which led its exchange medium to be known as "sauerkraut money." No radical, the group's founder, the Reverend George Mecklenburg, actually disdained state-dependent relief recipients; the slogan "Work, Not Dole!" emblazoned on the group's scrip certificates signaled its hostility to public relief and assured local business support.²²

At the heart of these operations was some sort of cooperative store or commissary where group members transacted business. These centers also formed the social cores of the groups, and contributed to their cohesiveness. Local governments, too, operated commissaries as a means of distributing in-kind relief to the unemployed. Widespread ideological resistance to outright cash grants, or "the dole," led local public officials to favor work relief payable in store orders or scrip. These arrangements could sustain thousands of unemployed for months at a time, as in Fort Wayne, Indiana, Grand Rapids, Michigan and Tulsa, Oklahoma. Though meant only for use at public commissaries, such scrip also circulated within the wider community.²³

The fifth type of scrip was tax anticipation notes. The economic crisis also crippled the financing of state and local governments. In the short term, many local governments found their funds locked away in closed banks. State and municipal finance also grappled with the longer-term problem of tax arrears. Heavy reliance upon property taxes in the context of asset deflation eroded the tax base for state and local governments. Tax delinquencies soared, foreclosures mounted, and tax protests gained traction. By 1933, over two thousand municipalities had defaulted on their debts. Only the largest and most solvent borrowers still had even limited access to capital markets.²⁴

To meet their short-term financing needs, cash-strapped counties and cities across the country paid their employees with scrip issued against prospective tax receipts and good for current taxes and other public fees. In the early 1930s, twenty-five states revised their laws to both authorize the issue of scrip, styled as tax anticipation notes, warrants, or small-denomination "baby bonds." In the larger industrial cities of Detroit, Cleveland and Toledo, millions of dollars of such scrip circulated. In smaller communities, tax anticipation scrip often focused on the problem of school financing. As the single largest public expense at the local level, schools were particularly hard hit by the decline in property values. Accordingly, distinct issues of "school scrip" reminded citizens of the purposes it served. In economically more developed states of the east and Midwest such as New Jersey, Michigan, and Ohio, legislatures authorized counties, cities, and townships to issue local scrip as a cash management tool. In some cases, such scrip circulated through

the late 1930s. In less developed southern and western states, public authorities issued their unfunded warrants that had no specific schedule for their redemption but which paid interest as long as they remained outstanding. Warrants were retired as tax revenues became available. Typically, these warrants were not denominated in round amounts, and traded at a considerable discount to their face value.²⁵

Was Scrip Legal?

Since the Civil War, the federal government had increasingly restricted issues of private or non-national currencies. Nonetheless, despite its unorthodox nature, most scrip of the 1930s was not unambiguously illegal. Indeed, the more extensive issues of this period were authorized by state legislatures, and tolerated by federal authorities. Reputational scrip circulated too briefly to attract legal controversy. Despite their ambiguity under national banking laws, clearing house certificates had gained official approval over the course of multiple financial crises.²⁶ During the national bank holiday of March 1933, Treasury Secretary William Woodin gave his belated consent to clearing houses certificates, though he opposed New York's plan to issue statewide scrip. Federal Reserve officials were understandably hostile to scrip remedies, arguing that they encouraged inflationist thinking.²⁷

During the 1930s, municipal issuers of scrip sought advice about its legality. One authority nicely expressed the ambiguity: "It is important, accordingly, that a state law authorizing the issuance of scrip, should not contain any wording which might indicate a legislative intention to provide a currency." To meet muster, scrip had to be styled as fulfilling an obligation to specific payees (employers, vendors), rather than serve as a general circulating medium, even if its very currency was what made it acceptable as an obligation. Most (but not all) municipal scrip accordingly bore a rate of interest, though seldom was scrip held long enough for the interest to come due. Other features that stressed the non-monetary quality of scrip included a redemption date, and some statement of what sort of security (e.g. delinquent taxes) backed the scrip. Municipalities were even advised that their emissions should not overtly resemble U.S. currency.²⁸

As long as private notes did not claim to be legal tender, nor promise redemption in money, they were permitted under federal law.²⁹ However, the scrip of barter exchanges and self-help cooperatives did encounter some obstacles from state authorities. Since the late 19th century, as an aspect of labor and workplace regulation, some two-thirds of the states had mandated the payment of wages in legal tender, rather than company scrip.³⁰ This limited private scrip issues during the 1930s. For example, in California, a state legal tender wage law forced barter and self-help groups off scrip and onto book-credit arrangements.³¹ Scrip and store orders used by cities and counties to manage the delivery of relief through various 'made-work' schemes were legally not problematic, especially if they were labeled non-negotiable, to be spent only at a public commissary or selected private grocers. Generally, the professional social work community disapproved of scrip-based relief as retrograde, corrupting, and humiliating for the recipient.³²

Given their generally tiny scale, stamp scrip experiments were spared scrutiny as to their legality. One national plan for stamp scrip, pushed by Fisher, did appear briefly in Congress (the Bankhead-Pettengill Bill) but was received skeptically there.³³ Several state legislatures authorized county governments to emit larger issues of stamp scrip. The scrip of Multnomah County, Oregon encountered legal difficulties only when its supporters sought from the city of Portland a redemption fund guaranteed by municipal bonds. The Supreme Court of Oregon rejected this plan on the grounds that, since the scrip was not an obligation of the city in the first place, it was illegal for Portland to pledge its public credit for the redemption of a private debt.³⁴

Obstacles to the use of scrip arose more from policy than legal decisions. While not directly concerned with the various emergency scrip issues of the 1930s, the federal government did seek to regulate the traditional use of industrial scrip prevalent in coal-mining communities as part of its attempt to raise wages and prices. With the creation of the National Recovery Administration (NRA) in 1933 and the promulgation of various NRA "Codes," the government sought to impose conditions on how scrip could be earned and spent.³⁵ Merchant opposition to the Codes led to further federal scrutiny of industrial scrip, and its potential for circumventing NRA wage provisions. Although the NRA was struck down by the Supreme Court in 1935, the Fair Labor Standards Act of 1938 effectively undercut the advantages of scrip with a decisiveness that state laws could not, and the issue of coal and lumber scrip thereafter went into rapid decline.³⁶

While the NRA Codes took aim at industrial scrip, other New Deal-era policies had the effect of undermining the viability of barter and self-help groups, and their use of local currencies. The Federal Emergency Relief Administration (FERA), established in June 1933, was the first major national arrangement for funding unemployment relief. In addition to funding work relief, FERA also contained a Division of Self-Help Cooperatives that provided barter and self-help groups small subsidies in the form of working capital. In return, the groups agreed to minimum wage provisions, and to keep their production off the cash market. Instead, self-help production was to be consumed either by members, or bartered with other groups; the only cash sales could be to state and federal relief agencies for their own in-kind relief activities. By limiting these groups' access to cash exchange, federal regulations undercut the backing their scrip would have otherwise enjoyed. Ironically, federal regulations meant to support self-help activities actually contributed to their economic marginalization.³⁷

In sum, most forms of American scrip were legal enough to avoid outright suppression. The federal government understandably did not want to encourage challenges to its control over money and credit; however, there was no concerted federal effort to suppress scrip currencies. Instead, government economic policies of a non-monetary character reduced the incentive to use scrip.

Did Any Economic or Social Theory Lie Behind the Use of Scrip?

Although the crisis of the 1930s produced a flood of monetary reform proposals, there was little systematic attention to the theoretical possibilities of private or local currencies.³⁸ Most local scrip monetized haphazardly the resources of individuals, firms, and banks, demonstrating more ingenuity than theoretical innovation.

Stamp scrip had been conceived by Silvio Gesell as part of his critique of money and interest. Working within an intellectual framework different from Gesell's, Irving Fisher adopted and promoted the idea merely to increase the velocity of money, and not to transform the monetary system. In contrast, the vast majority of stamp scrip experiments in the US reflected instead the diverse desires of local business interests to stimulate trade, fight chain stores, and provide relief without raising taxes.³⁹ For his part, Fisher saw potential in the local stamp scrip movement only insofar as it became national, and could thus have a meaningful impact upon money velocity and hoarding. Otherwise, his advocacy of stamp scrip was greeted with skepticism and even some ridicule by his Yale colleagues and the wider economics profession. Gesell's original analysis was given even less consideration by American economists.⁴⁰

The barter and self-help movement elicited ideological opposition from both the political left and right. Some barter exchanges and self-help cooperatives did operate within mutualist intellectual traditions. For example, Benjamin Stringham saw his NDA in Bellamyite fashion as a harbinger of "Natural Government," whereby the speculative wastefulness and chicanery made possible by money would be eliminated by a national system of personal credit accounts. Under the economic stress of the 1930s, it took no particular theoretical acumen to argue that, "in the absence of bank and government money, people who want to work should be permitted to monetize their production."⁴¹

For the most part, barter and self-help groups across the United States subscribed to no particular program or ideological commitment. Some outfits, like the Organized Unemployed of Minneapolis, were founded on traditional charity principles that rejected state support. Organizations of the unemployed, as well as labor unions, mistrusted scrip, led them to oppose municipal scrip-relief schemes, as in Ann Arbor, Grand Rapids, Fort Wayne, and Tulsa.⁴² More militant groups treated the self-help movement as an opportunity to radicalize the unemployed. Likewise progressives viewed barter and scrip activities condescendingly as only an initial stage in the larger process of working-class consciousness-raising and organization.⁴³ Above all, the position of scrip in American economic folklore—particularly that issued by coal companies in company towns, redeemable only the company store—made workers especially sensitive to the exploitative possibilities of local currency.

Finally, tax anticipation scrip, despite being issued by the many millions across the country, hardly registered as a monetary phenomenon. As soon as conditions permitted, municipalities retired their scrip against current tax receipts or refunded them into long-term obligations. Once on a cash basis, scrip as a cash management tool was no longer needed, and soon forgotten.

In sum, during the 1930s, despite considerable intellectual and institutional innovation at the national level, little theoretical attention focused on local currency as such. Local monetary experiments expressed the practical exigencies of economic distress. The "localism" *per se* of local currencies was seldom valued in its own right.

Was Scrip Successful?

4 Scrip was, or was not, successful relative to why and when it was used. Some scrip arrangements proved more enduring and flexible than others, and a few useful

generalizations can be made. Most obviously, any type of scrip lost its acceptability if too much were issued, or if its backing or basis for redemption became invalid. A typical sign of trouble for scrip was the emergence in the market of a discount relative to standard money.

Reputational and bank scrip functioned well, if only because it was issued for brief periods. Stamp scrip experiments were successful as long as they remained on a small scale, and there was substantial community support for their use. Scrip issues above a few hundred dollars per town were difficult to keep in general circulation, as the stamping requirement tended to channel scrip into the (relatively few) hands that would still receive it. As Fisher's correspondents attested, business opposition could impede or sabotage such plans. Some two dozen stamp scrip experiments in Oklahoma were confined almost entirely to the smaller towns, and in no case did the proceeds of stamp sales ever cover the redemption costs of the scrip.⁴⁴

As 1933 wore on, the prevailing opinion grew that such scrip issues were not to be repeated. Officials in larger cities declined to sponsor stamp scrip, including, no doubt to Irving Fisher's chagrin, his own city of New Haven. Public officials regarded the scheme as a particularly cumbersome form of sales tax via stamp purchases. Despite Fisher's and Cohrssen's advocacy of time versus transaction stamping, barely a handful of scrip plans incorporated the time feature.⁴⁵

To promote the use of stamp scrip, its sponsors often advertised its safety with the fact that an equivalent amount of U.S. funds had been deposited in escrow to guarantee its redemption. Stamp scrip use was also widely encouraged by making it acceptable for certain utility bills or other public fees. The initial rationale for stamping scrip per transaction was to build up the fund that would redeem it. Yet with redemption guaranteed by the issuers, stamping became but a burdensome redundancy that inhibited its circulation. As a consequence, stamp scrip required the active intervention of its sponsors to break up such concentrations of scrip and return it to a wider circulation. As stamp scrip issues grew larger—Caslow's Recovery Certificates in Chicago, the county scrip of Iowa, and the Multnomah County scrip of Oregon—the problems of maintaining circulation mounted. These three experiences are emblematic of the problems stamp scrip faced.

Winfield H. Caslow's Chicago operation was in some ways the most fantastic of all the American stamp scrip issues. A charismatic organizer and opponent of chain stores, Caslow raised a veritable army of employees (called "scrippers") whose job was, first, to recruit merchants into accepting the scrip, and second, to promote its use by spending their own scrip salaries. While Caslow's scheme lasted into early 1935, it succumbed both to over-issue and to Caslow's temptation to spend stamp revenues on other things than scrip redemption. Iowa's county stamp scrip came into being when Charles Zylstra, elected to the state legislature on the strength of his association with Hawarden scrip, successfully sponsored a law creating the wider plan. In Polk County in particular, some \$125,000 in scrip notes were issued. Yet on this larger scale, stamp scrip faltered; many merchants refused to accept it. Under the law, the county treasurer was obliged to redeem scrip, even if only partially stamped, when presented to him by banks. The county would then pay the scrip out for portions of employee wages and for relief work. These wages would find their way back to the banks via the merchants, and the cycle repeated. In this situation, stamping became unenforceable, and the entire issue was later retired against a bond issue.⁴⁶

In Multnomah County, stamp scrip was a disaster. Of one million dollars authorized, only \$52,000 was actually put into circulation. Lack of cooperation from larger businesses doomed the venture. Not only was the county enjoined by a state court from issuing debt to retire the issue, but federal officials also refused to allow national relief funding to be used to sustain the plan. The county ultimately liquidated its scrip at pennies on the dollar.⁴⁷

As with stamp scrip, barter and self-help scrip worked as long as enough goods and services remained on offer to redeem the scrip. Generally, even the most elaborate safeguards failed to prevent such scrip from trading at a discount, especially since no barter group was self-sufficient. Occasionally, efforts were undertaken to keep scrip at par by clearing arrangements that redistributed concentrations of scrip or widened the opportunities for its use. For example, before the state of California suppressed barter scrip, the Southern California Cooperative League had formed a clearing house to stabilize the value of various scrip issues in the Los Angeles area. Discounts on scrip tended to undermine its further use, as in the case of the NDA, where members reverted to direct barter to avoid using the depreciating Vallars. Another notable failure was the Emergency Exchange Association of New York City. Promoted with fanfare by Princeton University economists, the Association's urban members were too remote from opportunities to barter labor for agricultural surpluses. Without a food supply, the Association's activities stalled at the level of swapping, and its scrip achieved little currency. Even elaborate and diversified operations like Minneapolis' Organized Unemployed experienced substantial discounting of its scrip against cash, prompting speculators to buy scrip at reduced rates and then deplete the group's commissary of desirable goods. Worse, the group's scrip circulation collapsed when FERA regulations imposed minimum wage and marketing restrictions upon its output.⁴⁸

Scrip used in municipal relief efforts invariably traded at a discount to standard cash because it was only to be used at approved stores and commissaries; as with traditional industrial scrip, recipients wishing to spend it elsewhere converted it to cash only at a loss. It was also considered expensive and inefficient compared to outright cash relief. Under pressure from both labor groups and the social work community, scrip-based relief faded after 1933 with the growing federalization of unemployment relief.⁴⁹

Whether aggravated by federal policies or not, a chronic exchange problem emerged at the interface between local scrip-based economies and the wider money economy, centering upon common but vital commodities that could only be purchased with money, such as gasoline for transportation. The very localism of self-help posed an intractable dilemma: the smaller the operation, the less diversified and self-sufficient it could be; the larger an operation became, the more difficult it became to manage.⁵⁰ The scrip of such groups tended to depreciate if their commissaries lacked the inventory for which scrip could be spent. In addition, the quantity and quality of the labor power backing the scrip suffered when the more capable group members left to find conventional work. As a consequence, memberships grew to consist disproportionately of the old and sick. A further burden emerged in cases where state and national authorities enforced legal restrictions on the use of such scrip in payment for labor.

6 Tax anticipation scrip worked comparatively well. Here too, discounts against standard money did emerge when issues of scrip were excessive relative to the ability of local

businesses to absorb it. After initial resistance from merchants, Detroit's massive scrip issues circulated at a minimal discount, aided in part by exchange bureaus that funneled scrip to those with substantial tax payments due. In addition, a one million dollar fund raised by a "Committee of Industrialists" further stabilized the dollar value of scrip. A municipal ordinance prohibiting the discounting of scrip made little difference.⁵¹ In Atlanta, discounts on the city's large scrip issues of 1932 and 1933 were minimized by the willingness of one local department store to accept scrip at par from its grateful customers. When Paterson, New Jersey banks refused to cash or accept city scrip on deposit, the city's scrip fell to a discount, borne largely by city workers. Issued amid turmoil with Cook County over property valuations, Chicago's Board of Education warrants of 1931 traded at considerable discounts. Janitors' and teachers' unions resisted payment in scrip; big department stores turned it down, and utilities balked at accepting too much. It did not help that the scrip was issued in denominations up to a practically non-negotiable five hundred dollars.⁵²

While tax anticipation scrip could not be spent far outside the community, it was valid for tax and other payments to the local authorities, which bolstered its value. Speculators and other concerns with large tax obligations readily bought this scrip at a discount. As with other forms of scrip, the problem lay at the boundaries between local and national circulation. The potential for a discount against standard money was a constant possibility. Managed carefully, though, tax anticipation scrip's legally limited use to settle certain public obligations imparted to its circulation a stability and durability that was not characteristic of other forms of scrip.

At a minimum, these various scrip experiences of the 1930s affirmed that local money was indeed possible in a modern economy on a wide scale. Most issues were practical responses to challenging times. Those that worked best were either on the smallest scale (such as the earlier stamp scrip schemes) or enjoyed a stimulus to circulation because of their acceptability for municipal fees and payments (as with tax anticipation scrip). Despite their success, these currency experiences generated little policy debate about a possible permanent role for multiple currencies in 1930s America. In particular, the idea that a discount on scrip might actually be a good thing—that it might represent a floating exchange rate between local and national economies, buffering the former against the vicissitudes of the latter—rarely found expression.⁵³ Scrip experiments in the United States never supported any systematic critique of the monetary system or proposals for monetary reform. Economic stresses of the 1930s called forth scrip almost as a reflex; when these conditions disappeared, so did scrip.

NOTES

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2. Richard A. Lester, "A Million Men Return to Barter!" *National Municipal Review* 22 (March, 1933): 125-128. Two early comprehensive surveys of scrip are: Vernon L. Brown, "Scrip and Other Forms of Emergency Currency Issued in the United States

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 4. Vernon L. Brown, "Scrip and Other Forms of Emergency Currency," 30-35, 119-121; Mitchell and Shafer, 65-66; Jesse Patrick, "Pefferbills," *The Numismatist* 102 (March 1989): 408-414.
 5. Mitchell and Shafer, 106-108; Brown, 110-111, 122-128.
 6. James G. Cannon, *Clearing Houses* (New York: D. Appleton and Co., 1900), 79-126; Richard H. Timberlake Jr., "The Central Banking Role of Clearinghouse Associations," *Journal of Money, Credit and Banking* 16 (1984): 1-15.
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