Scrip, Stores, and Cash-Strapped Cities: Retailers and Alternative Currency During the Great Depression

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The lack of money in circulation following the Wall Street crash of 1929 and subsequent economic depression of the 1930s prompted a range of politicians, business leaders, and economists to explore creative solutions to the crisis. Currency itself seemed to offer the answer: across the United States, cities, towns, and in some cases even entire states, experimented with printing their own money in an attempt to grease the slowed wheels of business. Proponents of this alternative currency, or scrip, argued that the special certificates would facilitate consumption, allow people to keep their dollars working within their own communities, and help give a jump start to the slumping economy.

Some, like economist Irving Fisher at Yale University, devised plans that penalized those who held onto money without spending it. Fisher was a proponent of "stamp scrip," which had to be spent within a certain time frame. After the stated date, the user of the scrip would be required to purchase a special stamp to affix to the back of the certificate. Consumers would thus be encouraged to spend their scrip as quickly as possible to avoid having to pay this penalty. Fisher hoped that increasing the speed at which money changed hands would help to prime the pump of the economy, speeding the return to normalcy.

Another variant of scrip in the 1930s surfaced in municipalities where tax coffers were depleted. Cities including Detroit, Chicago, Des Moines, and Atlanta issued certificates to pay teachers and other municipal employees or used scrip to offer unemployment relief. As these vouchers could be used to pay taxes back to the cities, it was hoped that local businesses would accept them from individual consumers and then turn them over to the city for taxes owed. For desperate city councils, scrip seemed an unorthodox but welcome way to deal with an emergency lack of cash on hand.

The use of scrip posed special challenges for retailers. Proponents of alternative currency envisioned a separate local economy insulated from national and international transactions. In this view, scrip would facilitate the flow of business within one community, as certificates passed from hand to hand in a closed circle. Campaigns to encourage scrip use often relied on this sense of scrip as "local money," as in the case of a plan devised in Canarsie which was described as a "Plan to Keep Money Circulating at Home."(New York Times, March 4 1933, 8).

The reality for merchants, however, was that suppliers from outside the community were reluctant to accept scrip and instead demanded "real" money for any transaction. Scrip was not legal tender, and the Department of Justice initially made no move to suppress its use as long as no one obliged merchants or consumers to accept it. Retailers were thus faced with a dilemma: they could cultivate local goodwill and hopefully give a boost to sales by accepting scrip, but they ran the risk of being left holding a stack of coupons which had no actual value.

The paper will conclude with a comparison of Chicago and Atlanta retailer response to scrip. Without retailer cooperation, these schemes were doomed to failure. In Chicago, the use of scrip to pay teacher salaries proved a contentious and unpopular move. Faced with thousands of employees going without wages, in 1931 the city of Chicago authorized the Board of Education to issue over $5 million in scrip. These certificates promised to bear 6 per cent interest upon redemption. Teachers initially were enthusiastic about any form of compensation (having gone without wages for over two months) but soon the plan ran into difficulties. The Teachers' Federation and School Janitors' Union both opposed the plan, although the by August of 1931 the Elementary Teachers' Union was tentatively advocating scrip acceptance (Chicago Daily Tribune, August 18 1931, 2). More significantly, retailers refused to accept the scrip and those that did were reluctant to give cash in change for purchases made. The high denominations of the coupons -$10, $25, $50, and $100 - made it difficult for individual teachers to spend the full value of a scrip certificate in one store. Teachers resorted to buying items for their friends at a discounted rate in exchange for cash, or purchasing items they did not need in order to receive cash in change from the few businesses that were offering it.

Chicago's State Street department stores, including Marshall Field's, refused to accept scrip at all. As one store executive explained, if a store announced that it would change policy and accept 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."(Christian Science Monitor, September 11 1931, 8) 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. Most compromised by simply carrying teachers' credit accounts for the period for which they were without pay. Teachers sought out any businesses that would accept scrip, in some cases borrowing money from loan companies at high interest rates.

In contrast, Rich's department store in Atlanta was crucial to the city's use of scrip during a cash crisis. Upon hearing of the plight of teachers without salary in December of 1930, store president Walter Rich and general manager Frank H. Neely came up with a plan to accept scrip and exchange it for cash in order to get the school employees paid in time for them to enjoy Christmas. The school board issued checks to the teachers that were dated January of 1931, and Rich's agreed to swap the checks for cash with no purchases required on the part of teachers. On a single Saturday, December 20th, the store paid out over$263,000 to 1,500 enthusiastic teachers. Rich's set up five special booths on the fifth floor of the store to handle the exchanges.

Rich's reaped the benefits of consumer goodwill for its participation in these plans. Local papers touted the increased Christmas sales generated by its boosting of the amount of money in circulation in Atlanta. The personal involvement of Walter Rich in the scrip issue, and his position as "hero" of the teachers became part of the store's folklore, repeated in store promotional material for many years. Teachers and their families were described as having a special loyalty to the store, thinking of Rich's as "more than just a commercial institution." (Mahoney 1949, 176) Rich's acceptance of the scrip at par encouraged the city to use scrip to cover temporary shortages of funds at least six more times in the following years until 1937. In total, the store paid out almost $524,000 in cash for scrip certificates (Morgan 1948).

Rich's was a large local institution with a history of adopting policies that would benefit areas consumers without necessarily helping the store's bottom line directly. It had in previous times of emergency accepted cotton from local growers at a loss in order to extend credit to farmers. Its acceptance of scrip at par set an example for other Atlanta businesses, including retailer Davison-Paxon and later soft drink manufacturer Coca-Cola, to absorb scrip from city employees for the benefit of the city as a whole. Because the certificates could be exchange for cash with relative ease, scrip did not appear to actually circulate in Atlanta for long.

Alternative currency schemes did not bring the United States out of the Depression, as boosters promised. Even communities which were thought of as successful in their use of scrip used the certificates for a limited time and generally did not enjoy any lasting boost to the local economy. Yet despite these limitations, the saga of scrip in the 1930s reveals much about popular attitudes towards the economy and the role of retailers within their communities. Retailers were essential to the success or failure of scrip plans. Large institutions like Rich's of Atlanta could give a scrip issue an aura of legitimacy, while in other communities where scrip was viewed as more suspect, widespread discounting of the certificates and outright rejection of the plans was endemic. Finally, the adoption of scrip was a sign not only of the desperate circumstances faced in hundreds of communities across the United States during the 1930s (although to be sure, it did reflect an unprecedented situation) but also of a willingness to try unorthodox measures to meet the challenges of the day.

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