Local Scrip in the USA During the 1930s: Lessons for Today?

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Among the major industrial countries, the USA was hit particularly hard by the economic crisis of the 1930s. The massive declines in employment and output, along with the collapse of the banking and financial systems by 1933 provoked numerous issues of local currencies, or "scrip". Given the local and ephemeral nature of many of these issues, there is no reliable estimate of the overall volume of scrip in use, though one contemporary authority suggested that nearly one billion dollars' worth of various instrumentalities were in circulation (Willis and Chapman 1934, 15). At its height in 1933, it was estimated that the barter and self-help movement had mobilized up to one million people in some 450 different groups (Lester 1933; Weishaar and Parrish 1933, 105; although see Kerr 1939, 12-13). While not all of these groups issued circulating media, it is clear 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.[1] While the causes of the economic

[1] Contemporary surveys of the barter and self-help movement, many (but not all) of which issued scrip, include (in addition to many journalistic accounts): Weisharr and Parrish (1933), Grinstead and Wissler (1933), Mosher and Wolfe (1933),and the US Bureau of Labor Statistics (1933). Stamp scrip is described, and advocated, by Fisher and Cohrssen (1933). Municipal scrip (both stamp and otherwise) is surveyed by the American Municipal Association (1934). Slightly later accounts of the scrip movement in its various aspects are provided by Brown (1941) and Harper (1948). The standard numismatic reference for Depression-era scrip generally is Mitchell and Schafer (1984).

crisis were complex and are still open to debate, its immediate manifestation was a general shortage of money, which these scrip issues sought to alleviate.

This chapter outlines, with some detail, the basic types of scrip in use during this period. It also addresses the legality of scrip under American law. Contrary to some accounts of this period, the national government did not simply declare scrip illegal in an attempt to suppress local currencies. Next, the paper treats the theoretical justifications for scrip. Did scrip issues reflect a systematic analysis of the social and economic causes of economic collapse? Whatever its theoretical rationale, some scrip schemes operated more effectively than others. What accounts for the success (or lack thereof) of scrip? Finally, this chapter suggests some lessons—both at the level of theory and of practice—that may be drawn from the American experience for present-day experiments in local and regional currency.

The Spread of Scrip

After the collapse on Wall Street in September 1929, the first indications of a slowdown in economic output in the wider economy became noticeable by early 1930. Scrip first came into use in certain municipalities (notably Chicago), which, because of falling tax receipts, could not pay their public employees, particularly teachers. As unemployment increased, the burden of public relief, which had traditionally been shouldered by local governments, was often discharged through scrip issues, with which the unemployed were paid for unskilled labor in so-called "made work" programs. By 1932, increasing numbers of the unemployed organized into self-help groups that sought to barter labor, services, and goods through local clearing arrangements (stores, commissaries, and labor exchanges); the use of scrip was often a useful adjunct to these efforts. By mid-1932, the phenomenon of "stamp scrip" gained publicity, as a result of a successful experiment in Hawarden, Iowa and its subsequent promotion by the eminent monetary economist, Irving Fisher of Yale University. Early 1933 marked the high point of stamp scrip issues.

Increasing dysfunction in the nation's banking system led to the declaration of state-level moratoria in late 1932 to prevent "runs" on banks by anxious depositors. By March 1933, the financial contagion culminated in Roosevelt's declaration of a national bank "holiday", which effectively shut down the nation's financial system for nearly a week. In this interregnum, a surge of bank scrip—principally clearing house certificates, but also many other miscellaneous issues based upon financial assets—served as a medium of exchange that substituted for bank deposits "frozen" by the holiday, and for currency hoarded by a panicky public. Most of this scrip was rapidly retired with the re-opening of banks in mid-March 1933. In addition, a wide miscellany of scrip was issued by individual business concerns to meet payrolls and make change during the same short period.

Finally, the interacting effects of economic and financial crises forced many local governments to turn to scrip as a device for funding the budget deficits resulting from falling tax receipts. With legal authorization from state-level authorities, many communities sustained for years circulations of municipal scrip whose volume fluctuated with the corresponding degree of tax arrears. By the late 1930s, this scrip was either retired on a cash basis, or refunded into long-term debt.

These successive waves of non-national currency overlap both in terms of form and function, that is, a given type of scrip might have served more than one purpose. For example, stamp scrip was embraced by communities for multiple reasons—as a stimulant to business, as unemployment relief, as a weapon against chain stores, or as a means of municipal finance. For analytical simplicity, the great variety of scrip issued in the United States during the 1930s can be reduced to five basic categories defined by the nature of its backing, i.e. by what gave scrip its value, and thus imparted to scrip its 'currency'—its acceptability to the public.

Reputational scrip

This category comprises numerous private currency issues by corporations, organizations, and even individuals. In the American context, it has rich antecedents in the Civil War-era "shinplasters", and earlier private issues during the panics of 1857, 1833, and 1819. Even apart from such episodic financial crises, scrip issued by individual companies to meet payrolls and redeemable in the company store has shaped the economies of numerous communities based upon the extraction of resources such as coal or lumber (Timberlake 1987). The common feature of such scrip inhered in the idiosyncrasy and singularity of what made it acceptable to the public. During the 1930s, corporations with steady receivables could issue scrip good for purchases of their products and services, particularly if these were both necessary to the public and standardized for consumption. In particular, newspaper publishers issued scrip against classified advertising sold by the line, printing their currencies with the same equipment that produced their newspapers (Brown 1941, 119-121). Business organizations seeking to promote consumer buying and to keep purchasing power in their localities paid out scrip on an incentive basis that encouraged its redemption in local establishments. Frequently this sort of promotional scrip took the form of "auction currency" valid at public auctions on certain specified dates. In other instances, local organizations in many towns issued instruments styled as "anti-hoarding" and "prosperity" checks that were exchanged hand to hand, accumulating endorsements at each transaction until the checks were redeemed by their issuers (Brown 1941, 30-35). Finally, well-known members of a community—Robert R. Gibson of Warms Springs, Georgia, or B. F. Carney of Crane, Missouri—could simply circulate their own obligations on the strength of the community's trust in their characters (Mitchell and Shafter 1984, 65-6, 140).

To be sure, these corporations, organizations, and individuals possessed more orthodox tangible or financial assets that could eventually redeem these circulating obligations. Indeed, in the immediate turmoil of the banking crisis of 1933, such scrip amounted to little more than small-denomination bearer checks that circulated until the banks re-opened. 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 (Mitchell and Shafer 1984, 106-8). As routine conveniences 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 (Brown 1941, 122-128). In all these cases, the more immediate basis for the scrip's acceptability lay in who the issuers were, or in what precise good or service the scrip could be redeemed.

Bank scrip, or scrip based upon a portfolio of financial assets

This sort of scrip also finds wide precedent in American financial history. Indeed, before the Civil War (1861-1865) the entire mass of circulating notes amounted to a multitude of private bank scrip—regulated by state governments (which stipulated redemption in specie), but nonetheless lacking legal tender (according to the prevailing understanding of the national constitution, only gold and silver possessed this privilege). The value of these banknotes fluctuated, in specie terms, according the reputation of the issuing bank (Norton 1996). During and after the Civil War, federal legislation introducing the legal-tender greenback and creating the national banking system imposed an increasing degree of standardization on American currency.

Given the lack of a central bank in the United States before 1913, one distinctive form of bank scrip emerging in the late 19th century was the clearinghouse certificate, an emergency currency that private banking settlement associations (clearinghouses) issued to meet the liquidity crises that accompanied periodic financial panics—1873, 1884, 1893, 1907 (Timberlake 1984). While enjoying some public sanction under the law, these certificates functioned initially as private, interbank liquidity backed up by the collective assets, mostly discounted commercial paper, of member banks. To economize on scarce currency reserves, banks issued large denomination certificates that served to facilitate their settlements; with the Panic of 1907, clearinghouses began issuing small denomination certificates in the hundreds of millions of dollars to circulate like money amongst the general public (Andrew 1908).

The establishment of the Federal Reserve System in 1913 did not remove the need for private clearinghouses, which served other purposes 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 clearinghouse certificates, either to economize on reserves or serve as money substitutes for the public (Andrews 1941, 73). Their appearance in March 1933, when some fifteen different clearinghouses issued such notes for a brief time, represented a unique response to the nationwide closure of banks (Brown 1941, 143-4). Nonetheless, clearinghouse certificates were rendered moot by the Emergency Banking Act of 1933, which eased the ability of the Federal Reserve to issue currency against approved assets (Kennedy 1973, 171-8). In effect, by this point in American financial history clearinghouse certificates were structurally obsolete, and were no longer a meaningful example of private currency.

More interesting, perhaps, were those issues backed by financial assets that were more like traditional state bank notes than clearinghouse 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, which were otherwise "frozen" by the legal closure of banks. This was done haphazardly by banks in Tennessee, Ohio, Illinois, and Missouri. On a more systematic basis, 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 (Brown 1941, 137-39, 148-9). Smaller banks were more likely to resort to scrip. In Georgia, while the Atlanta banks deferred to the Federal Reserve for supplies of new currency, smaller clearinghouse associations around the state issued their own notes to meet local payrolls (Roberds 1990).

Sometimes, the initiative for such issues came from business organizations, not banks. In the famous case of the "wooden money" of Tenino, Washington, the chamber of commerce issued scrip, printed on spruce rectangles, backed by the frozen deposits of a local bank (Preston 1933). Many local chambers of commerce put out scrip against their members' sequestered bank deposits during the worst 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 clearinghouse association simply as a pretext to issue scrip (Gatch 2004). In one simple but elegant scheme—and not unlike the scrip of New Bedford (discussed above)—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 (Mitchell and Shafer 1984, 75-76). While legal scruples prevented such scrip from being identified as a liability of specific banks, business interests did enlist the cooperation of local banks in identifying the creditworthiness of corporate applicants for scrip. In effect, banks and businesses colluded to produce notes that circumvented legal restrictions on bank currency.

Stamp Scrip

Stamp scrip represents the most memorable example of private currency in the USA during the 1930s. Between 1932 and 1934, hundreds of communities across the country issued forms of scrip that required the placing of some type of stamp as a condition of its further circulation. The obvious antecedents of such currencies were the scrip experiments in Woergl (Austria) and Schwanenkirchen (Germany) inspired by the doctrines of Silvio Gesell. While the first appearances of stamp scrip in the USA dated to early 1932, its popularity really took off in midyear with the success of Charles J. Zylstra's stamp scrip plan in Hawarden, Iowa. The Hawarden experience was subsequently given publicity by Prof. Irving Fisher, the prominent monetary economist, as an example to be promoted to other American cities. Fisher, who had become known for promoting his "compensated dollar" plan throughout the 1920s, analysed the causes of economic collapse in his book *Booms and Depressions* (1932). There, Fisher diagnosed the depression as a consequence of the interaction of falling prices with the general race to liquidate the growing burden of debts denominated in increasingly costly dollars. As prices fell, Fisher reasoned, debtors retrenched as the value of their money debts increased in real terms; yet, as a general practice, retrenchment had the perverse effect of shrinking the volume of deposit credits, which in turn pushed prices even lower, and the value of remaining debts higher. To break this vicious spiral, Fisher suggested among other things a national issue of stamp scrip, which, he claimed, "offers the most efficient method of controlling hoarding and probably the speediest way out of a depression" (142).

In response to his journalistic advocacy for scrip, Fisher received numerous letters from community leaders across the USA wishing to establish such scrip plans. To respond to these inquiries, Fisher, along with his assistant Hans R. L. Cohrssen, a *Freiwirtschaflter* who collaborated with Fisher for the next ten years, produced a small volume entitled *Stamp Scrip* that served as an instructional manual for would-be issuers of stamp scrip (Fisher and Cohrssen 1933). Fisher and Cohrssen sustained a voluminous correspondence with these issuers, which served as the raw material for their book. 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 (Reeve 1943, 165).

Fisher himself disagreed with the Gesellian critiques of money interest and ground rent; as a proponent of the quantity theory of money, his own more narrow concern was with the potential for scrip to increase the velocity of money. To that end, Fisher and Cohrssen advocated that scrip be issued on a ‘time’, rather than a ‘transaction’ basis: that is, stamp scrip best circulated when it was designed to lose value at a predetermined rate of time, thus requiring periodic stamping to maintain its value. In contrast, most stamp scrip experiments in the USA operated on the transaction basis, i.e. stamping was required only when a transaction took place. Significantly, Fisher’s 1932 version of stamp scrip described in *Booms and Depressions* entailed only enough time-stamping to stimulate its circulation. By 1933, however, the stamping features of American scrip were designed to make it ‘self-liquidating’, such that a note was meant to circulate until it accumulated sufficient stamps to redeem the note at its face value in US funds. In practice, this required a note to eventually bear 36 or even 52 stamps, depending upon the denomination, as the cumulative value of affixed stamps climbed towards the face value of the note. Naturally, such self-liquidating scrip was cumbersome to operate, and the incentive to cheat by not using stamps was pervasive.

Thus, the motivating conception of Gesell’s *Schwundgeld*—namely, that a demurrage charge against money would serve to drive the rate of interest towards zero—was irrelevant to these schemes. Such differences reflected the attitudes of American scrip proponents, who saw the device principally as a means of encouraging local spending and of funding unemployment relief via a transaction tax collected by the sales of stamps.

Monetary reform—Gesellian or otherwise—was not their chief concern (Harper 1948, 96-98).

Barter and self-help scrip

One grassroots response to the crisis in employment, particularly after the harsh winter of 1931, was the establishment of barter exchange and self-help cooperatives. In these arrangements, the unemployed joined together either to swap 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 (USBLS 1933, Leab 1965, Knapp 1973, 288-91). Farmer-labor arrangements were particularly common in California, given the proximity of truck farms to urban areas (Kerr 1939, 17). A second form of labor cooperative involved the swapping of goods and services among group members, much like present-day Local Exchange Trading Systems (LETS). This was common in urban areas, where economic life had centered upon commerce and services, rather than agriculture or production.

Scrip was not an inherent feature of these arrangements. The first large example of a workers' self-help organization, the Seattle Unemployed Citizens League founded in mid-1931, never made use of it. However, for many groups, as the complexity of cooperative production and exchange grew, scrip was often adopted both as an accounting device internal to the group, and as a means of exchange with external transactors. In one remarkable example, Benjamin Stringham's Natural Development Association (NDA) developed into nineteen production units that stretched over six western states, using "Vallars" as a unit of account and means of exchange (USBLS 449-

460, Weisharr and Parrish 1933, 47-60). Unlike a negotiable medium, Vallars made only one circuit from the Association to the payee, and then to their redemption for a good or service offered by the Association, at which point they were destroyed. Moreover, the Association had a stratified membership system that awarded larger exchange and employment benefits to members that had proved themselves. Selected members could accede to "qualified" status, at which point they became personally liable for the redemption (in service or in US funds) of up to 1,000 Vallars' worth of scrip, in case the Association ran into difficulties (USBLS 1933, 455).

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 harvest labor for surplus crops, but which branched out into services and light manufactures. It specialized in the production of sauerkraut, which led to its exchange medium being known as "sauerkraut money". Far from being a visionary or 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, both signaled its hostility to government programs and raised the comfort level among local business leaders for supporting the self-help movement (Tselos 1977).

Central to these operations was the establishment of some sort of cooperative store or commissary through which group members processed their transactions. 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. Given the widespread ideological resistance to outright cash grants, or “the dole”, public support for the unemployed at the state and local levels often took the form of work relief, or menial jobs performed for nominal wages—often disparaged as “leaf-raking”. These arrangements could sustain thousands of unemployed for months at a time, as in Grand Rapids, Michigan and Tulsa, Oklahoma (Harms 1991; Quinten 1963). Under these terms, scrip enabled the unemployed to purchase necessities at public commissaries. Alternately, work relief was funded with “store orders”, which allowed recipients to purchase goods at selected retail establishments—an early version of present-day American “food stamps”.

Tax Anticipation Scrip

The economic crisis not only affected employment and output, but also crippled the financing of state and local governments. In the short term, part of the problem was linked to the various bank “holidays”. Many local governments had deposited their funds in banks that had subsequently closed. Yet state and municipal finance also grappled with the more serious problem of tax arrears. By the 1930s, state and local government still relied upon the personal property (essentially, real estate) tax for two-thirds of their revenue. The 1920s had been a period of rapid growth for areas of the country where the new automobile manufacturing industry was centered; the rise of asset values in these areas masked a dangerous reliance upon a single tax revenue source. The general collapse of asset values eroded property as a revenue base, leading to increasingly delinquent tax payments and widespread foreclosures and tax protests. In response, public officials sought both economies in spending and new sources of revenues, in the form of new excise, sales, and income taxes. One additional complication was their lack of access to the nation’s financial markets. States and municipalities had relied upon these markets to provide both long-term lending for capital improvements. They also relied upon short-term financing to 'anticipate' tax receipts—to spend, within the limits of prudence, the money before it was theirs. However, widespread defaults by municipalities on their debts had effectively shut them out from the nation's capital markets. By 1933, over two thousand municipalities had defaulted on either the interest or principal of their debt. Only the largest and most solvent borrowers still had access to capital funds, and even they had to meet bankers' conditions for fiscal retrenchment (*Yale Law Journal* 1933-1934, 924-7).

To accommodate these short-term needs, cash-strapped counties and cities across the country resorted to issuing their own tax anticipation scrip, i.e. local currency backed by prospective tax receipts. In the early 1930s, twenty-five states revised their laws to both authorize the issue of scrip and to give currency to such obligations—styled as tax anticipation notes, warrants, or "baby bonds"—in receipt for taxes and other payments due to public authorities (*Yale Law Journal* 1933-1934, 950-953) In effect, these governments issued debt by paying out interest-bearing, small-denomination notes to employees and other creditors in lieu of legal tender. In larger, established, industrial cities such as Detroit, Cleveland and Toledo, these issues amounted to tens of millions of dollars. Such scrip gained acceptance because it was both backed by future tax receipts and could be used to settle current tax obligations. 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 passed laws authorizing counties, cities, and townships to issue local scrip as a cash management tool. In some cases, such scrip functioned as a flexible adjunct to the national money supply through the late 1930s. In less developed southern and western states, public authorities issued their unfunded liabilities in the form of warrants, or drafts upon municipal accounts, that had no specific schedule for their redemption but which paid a set rate of interest as long as they remained outstanding. Warrants were paid in sequence as funds accrued from whatever tax revenue became available. Typically, these warrants were not denominated in round amounts, and traded at a considerable discount to their face value (American Municipal Association 1934).

The Legality of Scrip

Despite the unorthodox nature of most American scrip during the 1930s, it was not unambiguously illegal; indeed, the more extensive issues of this period were authorized by state legislatures, and permitted (if not actually welcomed), by federal authorities. Prof. Lewis Solomon (1996) has provided an excellent survey of the case law involving private money, and from his account a few observations can be drawn. Before 1935, legal national currency was issued by three sources: By the Treasury, principally in the form of "greenbacks" and gold and silver certificates; by the Federal Reserve System in the form of its notes; and by banks chartered and regulated by the national government. Punitive taxes were also placed upon note issues by state-chartered banks that were not subject to federal regulation (the so-called "death tax", upheld in *Veazie Bank v. Fenno*, 75 U.S. 533 [1869], that suppressed pre-Civil War banknotes). Finally, under federal law it was illegal to issue any currency-like obligation in denominations smaller than one dollar.

It was proscribed by the constitution and illegal under federal law for state governments and private parties to issue notes or coins, intended for circulation so as to fulfill the typical functions of money, that were denominated in US dollars and its fractions. Moreover, in the name of fighting counterfeiting, the federal government has often gone to almost paranoid lengths to suppress images—commercial, artistic, or otherwise—that bore a similitude to money (Weschsler 1999). Finally, beginning in the late 19th century most states had made it illegal to make anything but federal money a legal tender for payments. Such laws targeting "truck" practices reflected efforts to regulate employment conditions and wage relations, rather than monetary policy, and were eventually upheld by state and federal courts (Hall 1989, 242-3; Forbath 1991, 37).

When disputes about the monetary quality of negotiable instruments did arise, courts scrutinized the intent of the issuer, as evidenced in the wording of statutes or the very text printed upon the circulating notes themselves. If the presumed intent were to create a medium of exchange to perform the functions of money, then it risked suppression. However, courts permitted an instrument if it could be construed as evidence of debt (*Poindexter v. Greenhow*, 114 U.S. 270 [1885]). If it stipulated redemption in goods and services (e.g. fifty cents 'in merchandise'), and not in money, then it was likewise permitted (*United States v. Van Aachen*, 96 U.S. 366 [1877]; *Hollister v. Zion's Co-operative Mercantile Institution*,111 U.S. 62 [1884]).

Small-denomination clearinghouse certificates and other bank scrip issued in 1933, like those of 1907, were probably subject to the federal "death tax" upon notes issued by unapproved banks, although the national government never pressed this point. At the height of the banking crisis in March 1933, Treasury Secretary William Woodin did give clearinghouses permission to issue certificates, and many millions of dollars' worth were printed. Most however remained unused in bank vaults, as the Federal Reserve used its new powers under the Emergency Banking Act, passed March 9th, to create sufficient federal reserve bank notes to meet anticipated public demands for cash. Fed officials were understandably hostile to any other remedy, arguing that "the scrip idea would give encouragement to those in Congress and elsewhere who think a lack of currency is our trouble and who want currency inflation." In particular, the prospect of the New York Clearinghouse Association—the premier banking organization of the country—issuing scrip was too much for Washington, especially as the New York state legislature had also authorized the creation of an Emergency Certificate Corporation to issue a statewide scrip. Secretary Woodin forbade New York to undertake this, on the grounds that the emergency banking legislation represented a solution to the problem. (Kennedy 1973, 172-3, quote 173).

During the 1930s, issuers of scrip on a large scale such as municipalities were counseled about the legal niceties of their issues. (Mott 1933, 6) nicely expresses 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". Key to these scruples was the need to demonstrate that scrip was intended to fulfill an obligation to specific payees (employers, vendors), rather than serve as a general circulating medium—even if its currency lent itself to those very purposes. Most (but not all) municipal scrip accordingly bore a rate of interest, even though in practice scrip was usually paid in before interest came due. Other features that stressed the non-monetary quality of scrip included a due date for redemption, and some statement of what sort of security (e.g. delinquent taxes) lay behind the scrip. Municipalities were even advised to take care that their emissions did not overly resemble legal tender currency (Mott 1933, American Municipal Association 1934).

Despite these legal restrictions, there remained ample scope to issue circulating liabilities of various sorts that functioned as non-national currencies. Indeed, despite insinuations that the national government somehow suppressed local currencies to protect its money monopoly, there were no major legal challenges to the circulation of scrip during the 1930s. Notes that did not claim to represent legal tender, and that did not promise payment in money, were permitted under federal law. Short-term reputational scrip described above was often of too brief a duration to attract attention. However, the scrip of barter exchanges and self-help cooperatives did encounter some obstacles. For example, in California, state law mandating the payment of wages in legal tender forced barter and self-help groups off scrip and onto book-credit arrangements (Kerr and Taylor 1935, 191; Cahn and Bary, 1936, 262-5; Kerr 1939, ch. 20). Another ruling in Michigan pushed in the opposite direction. There, the state Supreme Court held that a scrip-paid employee of the city of Grand Rapids did not qualify for workmen's compensation, as his job was part of a charity effort and did not represent a labor contract between the recipient and the city (*Vaivida v. City of Grand Rapids*, 264 Mich. 204). Scrip used by cities and counties to manage the delivery of relief through various 'made-work' schemes was legally unproblematic, especially if it were labeled non-negotiable, and could be spent only at a public commissary or selected private grocers. Such arrangements did meet the disapproval of the professional social work community, which regarded scrip-based relief as retrograde, corrupting, and humiliating for the recipient (Colcord et al. 1932, 245-6; Colcord 1936, 30-35). In particular, the well-publicized scrip arrangement in Grand Rapids was abandoned by its own founders as expensive and inefficient when compared to outright cash relief (Amberg 1932).

Stamp scrip was a comparatively exotic phenomenon, yet the small scale of most issues did not produce legal challenges from state or federal authorities. One national plan for stamp scrip did appear briefly in Congress (the Bankhead-Pettengill Bill) but it did not receive serious consideration. Moreover, county governments and even state legislatures authorized large 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 (*Barde v. Funk*, 144 Ore. 233). Finally, tax-anticipation notes issued by local governments fell within the law because, despite their practical function as a circulating medium, they promised the payment of interest and redemption on a regular schedule and thus represented a floating liability of the municipality, and not money by legal definition.

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 passage of the

National Recovery Act (NRA) in 1933 and the promulgation of various NRA “Codes”, the government sought to impose conditions on how scrip could be earned and spent. The Retail Code (Art IX, Sec. 4) proposed a ban on non-negotiable scrip, with negotiable scrip acceptable so long as it could be redeemed in cash within one month of issue; furthermore, the code would have forbidden wage deduction or assignment arrangements between companies and favored retailers. The Bituminous Coal Code (Art. V) would have mandated semimonthly wage payments in U.S. currency, and banned compulsory trading at company stores (Mayers 1934, Johnson 1966). Merchant opposition to the provisions of the Retail Code led to the commissioning of a study of scrip by the NRA, and to a delay in the implementation of the Code until the entire edifice of wage and price controls was struck down by the Supreme Court in 1935. Yet that study of the use of industrial scrip did highlight its incompatibility with federal regulation of wage rates. As the NRA report noted, “through the use of scrip and other credit devices, in conjunction with prices established in the company store, it is possible for the operator to substantially invalidate wage provisions and agreements included in the codes” (Fowler, Bloomfield and Dutton 1936, 74). 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 (Jamieson 1944).

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 providing for matching grants nationwide to stimulate state programs of work relief, FERA also contained a small Division of Self-Help Cooperatives that sought to encourage, on an experimental basis, self-help activities through small subsidies in the form of working capital. As a condition of accepting these subsidies, self-help and barter exchange groups agreed to minimum wage provisions, and to the limitation that no goods produced by the groups would sell on 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 (FERA 1933, 9-10). 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 further marginalization within the larger economy (Jones and Schneider 1984).

In sum, most forms of American scrip were legal enough to avoid outright suppression. The federal government understandably did not want to encourage monetary experimentation that might threaten its control over money and credit; however, it did not systematically suppress local currencies as threats to its own monetary monopoly. It was more the case that government economic policies of a non-monetary character reduced the incentive to use scrip as an adjunct to local economic empowerment.

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 (see Meyer 1940, Reeve 1943), there was little systematic attention to the theoretical possibilities of private or local currencies. In each type of scrip described above, the plan or motivation for it tended to arise from practical necessities.

Reputational scrip—the issues of single companies, organizations, and individuals—offered little scope for theoretical innovation. Such scrip merely monetized the credit of issuers of good reputation so as to compensate for the dysfunction in the existing system of payments.

Similarly, scrip based upon recognized financial assets merely represented *ad hoc* extensions of existing banking practices: what bank clearinghouses and other associations did when issuing scrip against their assets was what the Federal Reserve System did do (or ought to have been doing) in order to increase liquidity.

Stamp scrip had been conceived of by Silvio Gesell as part of his critique of interest. Irving Fisher adopted and promoted the idea for his own purposes. Yet the vast majority of stamp scrip experiments in the USA were theoretically uninformed. Instead, they reflected the desire of local business interests to stimulate trade, fight chain stores, and ameliorate unemployment without raising taxes. To the extent that Gesell was referenced at all, it was usually within the context of the new Keynesian paradigm of aggregate demand management. Two widely circulated plans of the early 1930s, did envision national scrip issued with an anti-hoarding tax feature (Graham 1933, 17; Cheadle et al. 1934, 105-119). In this context, some version of *Schwundgeld* as a velocity stimulant was considered to combat hoarding tendencies among the public; otherwise, Gesell's analysis was downplayed or ignored by American economists (Stover 1937, 208-242; Wernette 1940, 129-34; Chase 1943, 52-3, 136-41). One exception to this neglect was Gesell's American interpreter, Dudley Dillard (1935, 1942). Curiously, the most well thought out demurrage plan of this period, Arthur Dahlberg's *When Capital Goes on Strike* (1938), disavowed any familiarity with *Freiwirtschaftslehre*, even though its treatment of interest closely resembles Gesell's. While not intellectually well-informed, mention must be made of California's lively but unsuccessful "Ham and Eggs" pension initiatives of the late 1930s, which sought to link self-liquidating scrip to the provision of old-age pensions (Hanne 1998).

As a social movement, barter self-help elicited opposition from both the political left and right (Singleton 2000, 169). Some barter exchanges and self-help cooperatives (such as those in northern California, the Natural Development Association of Utah, the Yellow Springs, Ohio exchange sponsored by Arthur Morgan, and the Dayton, Ohio Production Units associated with Ralph Borsodi) did operate within mutualist, *Owenite* or *Proudhonist* traditions that had antecedents in the labor exchange and Bellamyite movements of the 1830s and 1890s. Benjamin Stringham saw his NDA 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 (Stringham 1932, 83-5). As president of Antioch College in Yellow Springs, Morgan infused the curriculum with his decentralist values, which stressed community economic development, including local administration of credit resources (Leighton 1933; Morgan 1942, 191-2). Morgan's tenure as chairman of the Tennessee Valley Authority was complicated by his association with plans for a regional currency for the Appalachian region (Salstron 1994). While not specifically interested at the time in monetary reform, Ralph Borsodi regarded the Dayton experiment as a test of his ideas of cooperative living on a small scale (Borsodi 1934). Economists at Princeton University promoted the formation of self-help organizations throughout New York City as a coherent and complementary adjunct to the money economy. Other scrip plans with national ambitions circulated in book form (Reeve 1943).

Under the extreme economic circumstances 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" (Baker 1933, 108). For the most part, barter and self-help groups across the USA subscribed to no particular program or ideological commitment. As soon as the possibilities for employment in the money economy re-emerged, workers left, leaving the old and feeble behind. Such adverse selection also affected the dynamic of labor barter: goods and services in demand migrated to the monetary economy, leaving those behind to exchange low value or low skill products. Some outfits, like the Organized Unemployed of Minneapolis, were founded on traditional charity principles that rejected state support. Worker groups of a more assertive or radical character were hostile to scrip since any sort of local currency represented a loss of their economic freedom. Socialists and Marxists, of course, dismissed local currencies and monetary reform as distractions from the real problem. At their most charitable, progressives who favored a systematic reordering of capitalist relations viewed barter and scrip activities condescendingly as only an initial stage in the larger process of working-class consciousness raising and organization (Taylor and Kerr 1934, Gambs 1934). 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, issued by the many millions across the country, hardly registered as a monetary phenomenon. Rather, these issues were accepted as regrettably necessary given the dismal fiscal and credit situation nationwide. Municipal officials concerned themselves not with theory, but with determining a set of best practices regarding scrip. 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 was soon forgotten.

If creativity in denomination is a sign of theoretical innovation, then it must be pointed out that virtually all American scrip issues of the 1930s employed dollars and cents in characterizing their values. Seldom did scrip issuers attempt to create a unit of account that was not expressed in terms of standard money. In addition to NDA "Vallars", the Leesville, Louisiana "Industrial Exchange Association" issued "points" and "credit units", as did the Tacoma, Washington "New Commonwealth Association". Waterloo, Iowa's unemployed denominated their units in "Hours", as did barter exchanges in Washington, D.C., Richmond, Virginia, and Kitchener, Ontario (Leighton, 1933; Mitchell and Shafer 1984, 56, 100, 258, 271, 292).

In sum, during the 1930s, money did matter in the USA, at both a theoretical and practical level. At the national level, major innovations occurred in the institutions of monetary policy. Moreover, the emergence of an American version of Keynesian economic policy presupposed a rejection of the gold standard and a commitment to ‘managed money’ on a purely fiduciary basis. Yet little of this concern focused on local currency as such. Most monetary experiments of a local character expressed the practical exigencies of economic distress. Characteristically, schemes that did have some promise locally (labor cooperatives, stamp scrip) were simply recast as regional and even national experiments, with little success and much failure. The ‘localism’ *per se* of local currencies was seldom valued in its own right.

Was scrip successful?

The answer to this question depends in part on how one defines success. In a minimal sense, any scrip that made possible transactions that otherwise would not have taken place cannot be deemed a failure. Moreover, scrip was, or was not, successful relative to the purpose and time-frame appropriate to a given type of scrip. At the same time, 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 scrip functioned well, if only because it was issued for brief periods, typically to compensate for the lack of access to bank deposits during the bank holidays of early 1933. Newspaper publishers were frequent issuers of such scrip, since they had the printing presses, and a ready market for classified advertising that could be paid for with their own scrip. Industrial corporations met their payrolls using scrip that was little more than small denomination company checks, issued to bearer. Assuming the company did not go bankrupt, such scrip circulated on the strength of public confidence in the company to eventually redeem its scrip in legal tender. However, in one unusual case, scrip issues of San Jose's "California Market" collapsed under legal scrutiny when its principals issued notes in values as high as $1,000 to purchase personal luxuries (Mitchell and Shafer 1984, 47).

Bank scrip functioned well, particularly in the form of clearing house certificates, which circulated for only a couple of weeks in any case. The adequacy of reserves and the care of issue were taken for granted. Other types of scrip based upon financial assets, such as that in Oklahoma City, worked when local elites assumed prominent roles in issuing and guaranteeing the scrip. The experience in Wisconsin was more problematic, given that bank scrip was issued not merely to provide emergency liquidity, but to liquefy bank deposits that remained frozen in banks of doubtful solvency. Given the longer term problem represented by distressed banks, the issue of scrip against uncertain assets caused controversy.

Stamp scrip experiments were successful as long as they remained on a small scale, and there was substantial community support for, and involvement in, their use. The early example of Hawarden, touted as a model for the rest of the country, also illustrated the typical hurdles many other communities would later face. 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. Two departures from Gesell's notion of *Schwundgeld*—the use of transaction, rather than time-based scrip, and the insistence upon self-liquidating scrip—placed enormous burdens upon American experiments in stamp scrip. As 1933 wore on, the prevailing opinion grew that such scrip issues were not to be repeated. Municipal stamp scrip, i.e. scrip issued as a legal obligation of the town or city, was regarded as a particularly cumbersome form of sales tax via stamp purchases (Chatters 1933, Ludwig 1934, American Municipal Association 1934). Fisher and Cohrssen had advocated for stamping based on time, rather than transaction, which would have served both Fisher's concerns with velocity, and a Gesellian agenda to create a demurrage currency. Nonetheless, barely a handful of scrip plans incorporated the time feature. The issues of Mason City, and Rock Rapids, Iowa combined both time and transaction features. (Warner 2004). Caslow's Recovery Certificates (see below) switched from a transaction to a time feature in their later issues. Two other, more obscure, examples—Lakewood, Ohio's "Depreciating Negotiable Notes" and Salt Lake City, Utah's "Trade Stimulus Certificates" were demurrage currencies that advertised on their faces schedules of depreciation. Scrip issues in Bergenfield, New Jersey and the Washington state towns of Brewster and Chelan represented tentative examples of Townsend Plan-style notes (Mitchell and Shafer 1984, 153, 199, 255, 260-1).

To encourage the use of stamp scrip, its sponsors often advertised its safety with the fact that an equivalent amount of US funds had been deposited in escrow to guarantee its redemption. For example, Evanston, Illinois' "EIRMA Money" was backed by funds procured by the direct sale of scrip for cash. Yet this security worked against the very purpose of the scrip in two senses. First, holding funds in escrow merely subtracted from communities' circulating media in the amount of the scrip issued; the net gain as a monetary stimulus was zero. Second, the stamping feature of such scrip became otiose, once a redemption fund existed. In Evanston, stamps sales actually funded the purchase of city warrants; in return, the city cooperated with the plan by paying a portion of its employees in the scrip (Harper 1948, 63-67).

Stamp scrip use was widely facilitated 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. 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. Clearing arrangements to manage the circulation of stamp scrip occurred in Mason City, Iowa, and Evanston, Illinois. 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 tireless and apparently charismatic organizer whose initial motivation was to fight 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—far longer than any other American stamp scrip plan—it succumbed both to overissue—nearly half a million dollars' worth at the maximum—and to Caslow's temptation to spend stamp revenues on other things instead of holding them for the redemption of his scrip (Harper 1948, 67-77). Iowa's county stamp scrip came into being when 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. Under the law, the county treasurer was obliged to redeem scrip, even if only partially stamped, when presented to him by banks, which received them from merchants. 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 (Harper 1948, 45-6). In Multnomah County, the end was even more ignominious. Of a $1 million authorized issue, 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 (American Municipal Association 1934; Harper 1948, 46-7).

As with stamp scrip, barter and self-help scrip worked as long as the issues were not excessive, and a sufficient reserve of goods and serves 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 single organization could possibly provide its members with all the necessities of life. Occasionally, efforts were undertaken to keep scrip at par by clearing arrangements that redistributed concentrations of scrip or widened the opportunities for its use. Before the state of California suppressed its scrip issues, the Southern California Cooperative League had formed a clearing house to stabilize the value of various scrip issues in the Los Angeles area (Mosher and Wolfe 1933, 10).

Sometimes, the problem lay not with the scrip itself, but with the viability of the group that issued it. For example, one 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 (USBLS 1933, 486-93; Mosher and Wolfe 1933, 20). Even the most elaborate and diversified operations like Minneapolis' Organized Unemployed experienced substantial discounting of its scrip on the open market, which provided opportunities for speculators to buy scrip at the reduced rates and then deplete the group's commissary of desirable goods. Worse, Mecklenburg's group encountered debilitating problems when FERA regulations imposed minimum wage and marketing restrictions upon its output (Tselos 1977, 316-9).

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. Whether established as labor exchanges (as in California) or as production units (Minneapolis and Dayton), 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 from the chronic readiness of group members to leave, when work for conventional money became available. Even well-run enterprises like the NDA entered rapid decline when employment for money—either in the private economy, or through government support programs—became available to their members. As a consequence, the membership of barter and self-help groups grew to consist disproportionately of people who because of age or infirmity could not find work in the larger economy. A further burden emerged in cases where state and national authorities enforced legal restrictions on the use of such scrip in payment for labor.

Tax anticipation scrip, when sanctioned by the relevant authorities, worked well. Here too, discounts against standard money did emerge when issues of scrip were excessive relative to the ability of local businesses to absorb scrip. After initial resistance from merchants, Detroit's massive scrip issues circulated at a minimal discount, aided in part by the establishment of exchange bureaus that funneled scrip to those with substantial tax payments due. In addition, a $1 million fund raised by a "Committee of Industrialists" was used to stabilize the dollar value of scrip. A municipal ordinance prohibiting the discounting of scrip made little difference (Harper 1948, 61-62). In Atlanta, discounts on the city's large scrip issues of 1932-33 were minimized by the willingness of one local department store to accept scrip at par from its grateful customers (Roberds 1990). Chicago's Board of Education warrants of 1931, issued amid turmoil with Cook County over property valuations, traded at considerable discounts. It did not help the situation that the scrip was issued in amounts up to a practically un-negotiable $500 (Mitchell and Shafer 1984, 69).

While tax anticipation scrip could not be spent far outside the community, it was valid for tax and other payments to the local authorities. The more uses to which scrip as a means of payment could be put, the smaller the discount would be, relative to a given supply of scrip. As with other forms of scrip, the problem lay at the boundaries between local and national circulation: scrip was not useful to transactors who had monetary obligations beyond the local sphere; thus, the potential for a discount against standard money was a constant possibility. In theory, then, it was easy to postulate that a certain equilibrium circulation existed which could keep the value of scrip at par within a given area, allowing local governments to fund their budget deficits with an instrument that was useful for those with tax obligations. The acceptability of such scrip by the wider public as a currency substitute was an indirect yet obviously recognized consequence of the more restricted arteries of circulation established by the legal status of scrip. To be sure, tax anticipation scrip could not by law enjoy legal tender privilege. Yet, its 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.

Finally, it was inevitable that, among the hundreds of different currencies created, some were targeted by forgers. City warrants of Knoxville, Tennessee were counterfeited, as were those of Superior, Wisconsin. In the latter case, two brothers, Edward and Albert Lurye, were prosecuted for the crime. In an unsuccessful appeal to the Supreme Court of Wisconsin, the brothers argued that their convictions should be overturned on the grounds that, as the city scrip was issued illegally, it could not have been a crime to counterfeit it! (Mitchell and Shafer 1984, 243; *Lurye v. The State*, 221 Wis. 68 [1936])

What lessons exist for the present?

At a minimum, the scrip experience of the 1930s reaffirms that local money is possible on a wide scale. What precise lessons this experience offers to present-day practice, in the USA or elsewhere, is more difficult to say. Legal and economic conditions vary widely from place to place, and over time. At the level of theory, the eclectic character of most scrip experiments in the USA neither validated nor disconfirmed any systematic critique of the monetary system, or proposals for monetary reform. Indeed, the more programmatic or ideologically-minded grassroots groups of the time tended to avoid scrip as a trap of false consciousness, redolent of the public commissary and the hated company store. The acute nature of the economic collapse of the 1930s called forth widespread monetary experimentation almost as a reflex; in contrast, the manifold economic, social, and ecological problems of the present day are structural, i.e. chronic in character. The construction of modern local currency systems are perforce more theoretically self-conscious and deliberate. Yet the experiences of the 1930s do yield some practical insights on what might be called local currency best practices. The following observations suggest a few such lessons of the past for the present:

1) *Money wants to grow.* Instead of exploiting what economists would term the 'network externalities' of money—namely, that the acceptability of money increases, the more widely money is used—most local currency schemes have been self-limiting, in the sense that excessive efforts have been devoted to creating the social preconditions for local currency's acceptability, rather than harnessing the expansive potential of money for local purposes. Many local currency experiments of the 1930s encountered the same problems. Of course, local currency should be implemented with realism and intelligence. Yet too much effort has been devoted to cultivating the community commitment to use local currencies—what might be termed the 'potluck syndrome'—rather than exploiting the potential of local currencies to alter their users' behavior. In the USA, barely 20% of the local currency experiments undertaken since the early

1990s are still operating (Collom 2005). This is not an auspicious result. To be more formulaic: instead of communities creating their own local monies, local monies (properly construed) can create their own communities.

2) *Local currencies need to come to terms with the reality of exchange rates*. In the 1930s, the emergence of a discount vis-à-vis standard money was typically seen as evidence that scrip was failing. Yet exchange rates also provide useful information about the relationship between local economies and external markets. This is a commonplace of monetary economics. Yet no modern local currency in the USA has established an ongoing price relationship with standard money, apart from purely notional identities (e.g, one Ithaca Hour = $10). Instead, discount rates are embedded in queuing practices such as limits on when local currency can be used, or on what it can be spent. If local currencies in whatever form are to be successful adjuncts to the dominant money economy, they must have more than a nominal relationship with standard money.

3) *Local currencies should appeal to the self-interest, and not the altruism, of their users*. The 1930s showed that when people needed money, they made it themselves. Yet they also abandoned local money when the standard monetary economy revived. Modern local currency will succeed only if it makes possible economic exchanges, and provides social benefits, that would otherwise not have existed, or which are underprovided by the money economy. The fate of barter and self-help scrip during the 1930s illustrates this point well. Otherwise, scrip without a purpose will remain a curiosity and an affectation.

4) *Money is always linked with political power*. The most successful local currencies in the USA during the 1930s were those that leveraged the power and influence of local governments to facilitate their circulation. Money is fundamentally a social institution, but its forms and uses are affected by the state. In particular, the self-interest of citizens directs them to use a means of exchange that satisfies their obligations with political authorities. In the 1930s, this was particularly true of tax-anticipation scrip.
5) Finally, *local currencies must establish some relationship with the prevailing credit system*. Hand-to-hand currency is the tangible basis of a much larger matrix of financial liquidity, regulated for better or for worse (or if at all) by central banks. For local alternatives to standard money to establish durable roots, they must articulate with the credit system in self-sustaining ways. In the 1930s, this occurred in a limited fashion with bank, stamp, and tax anticipation scrips. However, all of these currencies were designed for limited duration. For local currencies to endure, they must create socio-economic niches that give rise to financial assets and liabilities denominated and redeemable in local currencies. This need not give rise to hedge funds speculating in local currency futures. At a minimum, though, it does suggest the need to move beyond such primeval acts as licking and sticking stamps onto dirty pieces of paper currency.

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