

Depression Stamp Scrip

Kenneth Pruess

Lincoln Stamp Club

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There have been times in our history when emergency money, not backed by the federal government, was issued. The idea of using stamps for making change dates from the 1860s. These encased postage stamps are listed in Scotts US specialized catalog. Although privately issued, they were freely circulated because at that time the stamp could be exchanged at the post office.

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I am interested in the scrip issued during the great depression which began in 1930 following the stock market crash. Many banks were failing. They were not getting new deposits, people were defaulting on their loans. And there resulted a rush by persons with accounts to withdraw their money. The banks simply ran out of money. On Nov. 1, 1932 Nevada declared a bank holiday after 20 of the 32 banks in Nevada were already closed. This was followed by Louisiana on Feb 9, 1933, Michigan on Feb. 14, Maryland Feb. 25, Ohio and Indiana Feb. 27, and 9 more states by March 1.

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Before March 6, 1933 about 400 communities were already using scrip. Many forms of emergency money came into use. Here is a strange form made of shells. These are great rarities. People actually circulated and spent these! As you can imagine, they would have been inconvenient and did not hold up well.

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Roosevelt was inaugurated on March 4 and on March 6 he declared a National bank holiday. By that time almost all banks were either closed or limiting withdrawals. There were about 5000 bank failures 1930-32. After being audited, those that were found solvent were allowed to reopen. Many banks were insolvent and never did reopen. Those that did reopen had mostly \$50 and larger bills which had little use by the public. No one could make change for them,

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Here is a neat item from 1933 which used a 3-cent US stamp for making change. This was mounted between 2 thin pieces of wood. This was an experimental issue and was probably never widely circulated. It sold on eBay for \$4,050. The only bank in Tenino Washington closed and many forms of wooden scrip were actually issued and used.

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This program deals primarily with forms of scrip to which stamps had to be added in order to spend it.. This idea was begun in Germany and is termed the WARA type scrip. Although the idea was created much earlier, the first true success originated in a small German town in 1930. Yes, this great depression was almost world-wide. One person obtained a loan and issued this scrip to employees of a mine which was reopened. Stamps had to be added each month to pay interest on the money. Thus it was spent as rapidly as possible. The story can be found on the web. In English, it is a chapter in the book "Depression Scrip" by Irving Fisher.

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Zylstra started a type of scrip in Hawarden, Iowa . When filled with stamps it could be redeemed for the original value. He was elected to the Iowa legislature and got a law passed Feb. 25, 1933 authorizing stamp scrip. Unfortunately the scrip that Hawarden issued required a stamp only once a month so there was no hurry to spend it. By the time it matured it was well worn or no one would take it anymore since real dollars were again available later in 1933.

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However other cities and counties used a weekly stamp which encouraged people to get rid of it as fast as possible so they wouldn't have the add extra stamps in order to spend it. I have 2 examples of this type of scrip, both of which appear successful because they are filled with stamps. This Michigan South Haven has lost one stamp, but the blank space shows the date on which that stamp had been affixed. This required a stamp every week so the scrip was designed to be in use for only 1 year.

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This Mason City, Iowa was also that type. It was financially backed by dollars to twice the amount of scrip issued which was \$10,000. Each week a stamp had to be affixed. This started out slow since most people did not like it. But then they paid the school teachers 10% of their salary with this scrip which shamed the population into accepting and using it. So eventually they raised the money to help the unemployed. Prior to redemption, any missing stamps were added without charge.

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Okmulgee, OK seemed successful since this is completely filled with stamps. This is one of the more common ones since a large horde of cancelled scrip came on the market about 30 years ago. It is generally referred to as self-liquidating scrip since the cost of the stamps restored the value. Usually slightly over \$1 in stamps was required for each \$1 value, the extra being used to pay the printing costs for the scrip and stamps. Although many people were unemployed, printers were busy around the clock producing this stuff.

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Carmel-by-the-Sea, California also appears to have been successful. Most of this scrip is quite large in size to provide room for the stamps. Thus circulated pieces are often folded and well worn. All of this type of scrip is termed self-liquidating stamp scrip.

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When filled with stamps, it could then be redeemed for US dollars. Thus the issuer got their dollar back and the consumer had money that could be spent. The only catch was the cost of the stamps. This in effect imposed a sales tax on the user which persons buying the same thing with US bills or coins did not have to pay. However this did put money into circulation. Santa Clara, California issued a booklet. This would seem an inconvenient format to carry.

Slide 13- Here is the inside of this booklet with spaces for more stamps. Details had to be recorded for each transaction, another inconvenience. The money raised by the stamps was almost always intended for good purposes. Mostly this was the pay the unemployed to work on civic projects

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Pilot Rock, Oregon issued scrip backed by wheat. Wheat was selling for 30c per bushel. Growers did not have the money to get their irrigation systems started. So they issued 50c and \$1 scrip backed by their future crop, the balance between value of wheat and face value of scrip to be made up for by use of stamps. This was actually a success because wheat gained in value to fully cover redemption of the scrip so even pieces like this one with only 1 stamp were redeemed for full value.

Slide 15. Although Julesburg, Colorado reported that their plan was not successful I have an example which was completely filled with stamps. They issued both 50 cent and \$1 scrip. But note there were no individual spaces for stamps. And some persons used the 1-1/2 cent stamps intended for use on the 50-cent scrip. However honesty seems to have prevailed and this example appears fully paid.

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Golden, Colorado also appeared successful. This required 50 2-cent stamps for completion. Redeemers were tolerant of items which lost stamps during circulation. This is the item pictured in the book by Neal & Schafer which was then lacking one stamp. Now it is missing two.

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Sterling, Colorado issued \$5000 of scrip. My example has only a few canceled stamps plus an uncanceled block. Sponsored by the Lions Club, they were eventually redeemed but at a financial loss. Their scrip is unusual in that it would have needed only 99 cents in stamps. In most cases it required at least the amount of the scrip, and usually a few cents more to cover printing costs.

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Polk County, Iowa also does not seem to be a success story. Many cities had to issue bonds to cover the redemption. Some was never redeemed and the last holder was simply out their money.

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Multnomah County, Oregon issued 25, 50c and \$1 scrip. About \$53,000 total was issued. Little if any were filled with stamps. And they had only \$5,030 in the redemption fund from sale of stamps. Holders of about \$29,000 were eventually paid at 17 cents on the dollar. Holders of the balance didn't get anything. These sometimes appear on eBay and what was once worthless may now sell for \$20.

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The most common of all scrip is this issued by the Fostoria, Ohio Industrial Corporation. Yet almost nothing is known about it. Almost all known copies have 3 stamps and are cancelled with perforated initials. It would appear that the stamps were used only to cover the cost of printing. At first one might think that they had money in what was believed to be a solvent bank but could not get it to pay employees. In those days payrolls were almost always met with cash. But as it turns out, they had no employees as this was a group primarily engaged in attracting businesses to Fostoria.

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Finally I will end with a notorious example of a privately issued scrip. Here was a real rip-off. Caslow was a newspaper publisher and he conned many merchants into accepting his scrip. In turn he paid his workers with this scrip who probably promptly spent it. But no one else wanted it. Although issued in huge amounts, it is rare to find one with more than the first stamp. And he refused to accept his own scrip for newspaper subscriptions or ads. It is not surprising that he soon went out of business from enriching his own pockets rather than using the money raised for public good.

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There is an excellent book by Neal and Shafer on the subject. There is also a web site. But there is much research yet to be done on this depression scrip. And previously unknown issues are still being discovered.