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SCRIP: THE ALTERNATIVE UNIT-OF-MEASURE IN COMPANY TOWNS

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The growth of industry in the United States evokes images of dynamic, vital, and aggressive men pursuing and finding a pot of gold at the end of some elusive rainbow. These men were variously described as sagacious, daring visionaries with an eye to the future, and, sometimes simultaneously, money-grubbing, opportunistic robber barons without a care for their employees. Indeed, the second description, and the resulting abuses of company employees, are the focus of this paper. The abuse of company employees was especially evident in the company towns built to house the laborers who supplied the human resources essential to the company and the stores associated with these towns. These abuses were masked, for a time, under the guise of paternalism.

Influence of Paternalism

The support of paternalism was based on the belief that workers were not able to deal with the exigencies of existence and required comprehensive care off the job as well as supervision at work (Chafee 1923). In the early nineteenth century, prior to the growth of major companies, this attitude meant that firms operated essentially as banks for employees. Thus, the firms provided or paid for goods, services, or other eventualities.

When large, industrial firms began to develop, however, they were usually located far from population and commercial centers. For instance, I.E. DuPont de Nemours & Company explosives plants in the west were located far from populated areas (Allen 1966). Although this is an obvious example, firms in other industries also found it necessary to supply the needs of employee populations. Due to the isolated locations of plants, mines, refineries, or raw materials, for example, firms built company towns and also provided all life's basic necessities to employees isolated from any other sources of commodities. The company stores helped to provide these necessities. Stores maintained by the firm were operated as either departments or subsidiaries of the "parent" company. Alternatively, some companies contracted with outsiders to operate the stores (Company 1935).

Company stores, or "pluck-me's" or "grab-all's", were operated as an active component of an entity on the basis of rational, managerial reasons (Rochester 1931). Among the various reasons for operating company stores, the most altruistic reasons were based on the idea of paternalism. However, the moneyed purposes of the entrepreneurs who ultimately ran the stores also existed. Company stores afforded an opportunity to earn additional income and to exert control over workers' lives.

Use of Scrip

In the latter half of the nineteenth century and the early twentieth century, company stores essentially used an alternative unit-of-measure called scrip. Scrip was issued by the company as

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payment to the employees and was recognized within a particular geographic community as tender, a practice introduced, fostered, controlled, and often mandated by the company. Its purpose seems to have been to keep the individual tied to the company store.

Scrip could take many forms, but it was always issued in lieu of cash. In one instance, the Sonora Exploring and Mining Company, the owner of Tubac in Southern Arizona, issued cardboard rectangles or boletas in denominations denoted by the pictures of animals (Allen 1966). The Kirby Lumber Company in Kirbyville, Texas, issued merchandise checks. These checks were pasteboard disks stamped with an amount and the name of the company. These merchandise disks would never become cash, however, unless discounted at some unrelated store for 10% to 20% of the face value of the disk (Creel 1915). In other instances metal tokens may have been used, or coupon books with detachable coupons, or various other kinds of specie (Allen 1966).

Abusive Practices

There were instances where the discounts on scrip amounted to approximately 40% of par (Johnson 1952). Unfortunately, there were times company employees found it necessary to produce cash in this way. Employees leaving the company were paid in scrip and had to exchange it for cash that could be used elsewhere. Also, cash was needed to pay for services or merchandise which were not available at the company store.

The company store would only accept the company's scrip for merchandise, which was habitually priced 5% to 20% higher than competitors'. The discount charged by other stores was partly due to the exchange service offered by these other merchants but was also because these merchants were forced, in turn, to deal with the higher priced company store. This practice sometimes resulted in two different prices, one when scrip was used and one for cash transactions (Company 1935).

In some cases, the employee only received a piece of paper called a "bob-tail check" as payment for wages. This check represented the amount earned as wages, less any expenses contracted through the company store (Rochester 1931). The result, most often, was a zero or negative balance, another means of tying the employee to the company. Due to this practice, easy credit was available to the employee and often kept him/her perpetually in debt to the company, whether out of necessity or, unlikely under the circumstances, frivolity. Complicating this situation was the actual pay period, which could range from weekly to monthly and, at its most abusive, semiannually. Often implicit in the above scenario was collusion between the company store and the payroll department. Store personnel would often have ready access to the earnings records of the employees for determining credit eligibility (Company 1935). To make matters worse, the employee was not able to seek employment elsewhere due to misfortune, gullibility, or other reasons for indebtedness to the company store. Eventually, efforts were made to rectify these abuses. These efforts were not very effective, however.

Efforts to Reform

The first attempts to counteract the abuses evident in the company town system occurred at the state level. The Pennsylvania General Assembly passed an act in 1881 which precluded the issuance of scrip that could not be redeemed at its face value, plus interest where appropriate, for cash on demand. Later, in 1891, a law

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was passed which absolutely prohibited company stores associated with mining and manufacturing firms. This law was far from effective, however, as companies simply evaded the bill by incorporating the company stores as separate entities. In 1901, another effort to halt the abuses of company stores in Pennsylvania was made. The Store Order Act of that year was an attempt to tax company stores out of existence (Johnson 1952).

Legislation was enacted in other states which was aimed at correcting what many considered a blight on the country's industrial character. By 1933, thirty-two states had passed legislation concerning company stores in an effort to control, limit, or forbid such operations. The results of such legislation were mixed at best (Johnson 1952).

In 1934, the abusive practices of the company store system received organized national attention. On March 16, 1934, a special committee was appointed by the National Recovery Administration specifically for the purpose of investigating abuses when wage payments were made in other than lawful currency. The committee determined that company scrip was discounted by merchants and stores in the same area as the company at rates ranging from 10% to 30%. Further, company stores charged from 2.1% to 10.4% more for merchandise than did competing stores (Committee 1934). Although no national legislation was passed with respect to this committee report, the national attention did appear to cause changes for the better with respect to some of the more abusive practices. Subsequent legislative and legal actions did eventually resolve the abusive practices of the company store system (Johnson 1952).

Summary

The company store system and scrip payment practices coexisted with the legal monetary system in this country as late as the mid-twentieth century. Scrip payment practices served as alternative money systems on a local geographic scale. Due to this system, large numbers of corporate employees suffered the indignities of restricted opportunity and paternalistic control. As the National Recovery Administration committee determined, paternalism as a practice was dubious in its merits and acceptability. Predictably, the abuses evidenced in company stores contributed to the demise of the company town, and the paternalistic practices of the nineteenth and early twentieth centuries.

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