

Urbana dollars kept trade rolling in '33

By PHIL GLENDE
News-Gazette Staff Writer

As Franklin D. Roosevelt was closing the nation's banks 50 years ago, printers were emerging with bundles of crisp new dollars from a night-long session in an Urbana basement.

It was on March 6, 1933, that the banner in the Urbana Daily Courier proclaimed: "URBANA TO ISSUE OWN MONEY"

The state, the nation and the world were deep in the Great Depression.

Farmers in Kankakee were protesting foreclosures and scuffling with deputies armed with billy clubs and tear gas. Judges in the sixth judicial district, which included Champaign, would soon refuse to take any more of

their neighbors' property into receivership.

Roosevelt, who had taken the helm from Herbert Hoover just two days earlier, imposed a week-long moratorium on all banking March 6 in an attempt to prevent financial collapse in the face of panic-stricken customers who were emptying the vaults.

"The banks were just being drained," said Leroy Kaczor of Champaign, who is writing a book about the history of banking in Champaign County.

In Urbana, merchants feared trade would grind to a halt while assets were locked in the city's two banks and currency slipped out of town in normal transactions.

Gov. Henry Horner had beaten Roosevelt to the punch in Illinois, closing all banks on March 4 after \$350 million had been withdrawn from Chicago banks in the two weeks following the killing of the Bohemian-born mayor, Anton J. Cermak.

So, on March 5, during the day-long emergency session of the Urbana Association of Commerce, a plan to issue new currency was hashed out. It was overwhelmingly approved by the citizens who jammed into the city council chambers for a late-hour meeting.

"It was a life saver," recalls Charles Glenn of Urbana, who worked for a small grocery store at the time. "Banks closed, and no one had any money."

"Urbana," The Daily Courier exclaimed in an editorial, "recognizing the danger of having its cash frozen or taken from the community, devised a plan whereby the community would not only be able to retain its cash but to spend that cash over and over again in transactions between the citizens of Urbana in the course of their daily business."

Urbana money was unlike the scrip used in some communities to overcome

the currency shortage while banks were closed. Most scrip was a promissory note, backed only by the credit of the issuer. It was used in Springfield to pay city workers, State payroll and warrants — backed only by cash frozen in banks — arrived in town March 3, 1933, for the University of Illinois.

Urbana scrip was backed completely by the dollars exchanged for it.

It was similar to the currency-backed scrip F.K. Robeson Jr. was using in Champaign to pay department store employees.

"Urbana money must not be confused with the various kinds of scrip being offered in many places," the bank emergency committee stated in a March 7, 1933, newspaper display. "Most scrip is using credit as the basis of security — Urbana money is backed dollar for dollar with the good old United States currency of the realm."

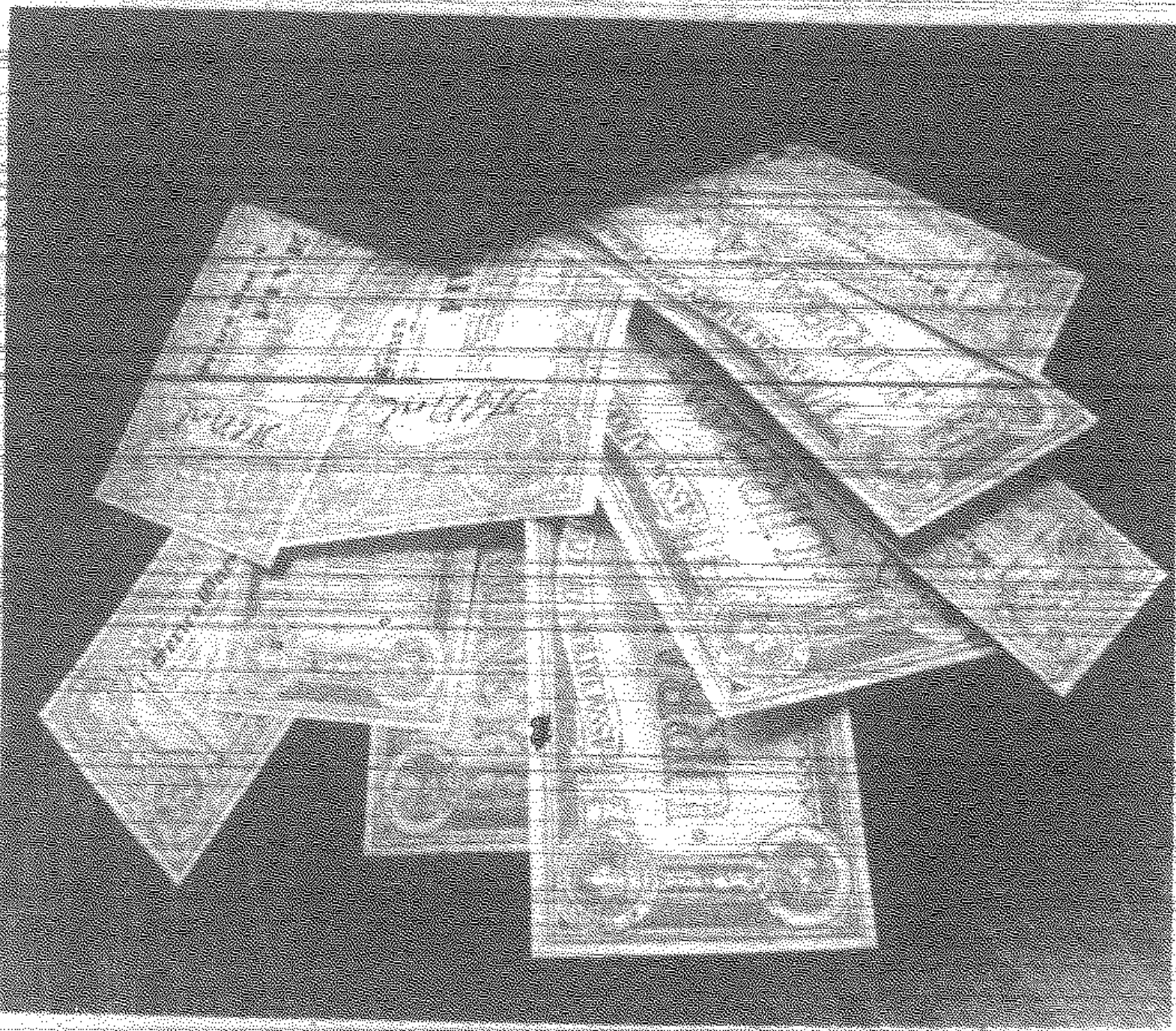
The committee decided it would issue orange registered notes with small denominations printed in blue. The worth of the bills ranged from 10 cents to \$5, with a total face value of \$10,000. The notes were to be traded March 7, 1933, for U.S. currency and were to be redeemed April 1, when the bank moratorium was expected to be lifted.

"Urbana money is selling like hotcakes," W.C. Noel, chairman of the bank emergency committee, said March 8, 1933.

A second issue of 2,500 one-dollar certificates was required by March 11, and it was widely circulated in the city until April 3, shortly after Busey State Bank and the First National Bank of Urbana reopened.

Here's how it worked: merchants and citizens who had cash available were asked to trade the currency for Urbana money and were asked to accept the city money in lieu of currency payments.

"It was just a substitute



News-Gazette Staff Photo

MONEY USED IN URBANA DURING 1933 BANK CRISIS ... money printed as emergency measure

for money," recalled James Barracks of rural Urbana. The operator of a service station in 1933, "Everybody kept going along just the same."

Businessmen could use the money to pay wages and other expenses of operation. They could also redeem the Urbana money for the currency traded in on it, which was being held in a safe deposit box.

The idea was to provide cash to continue business in the city during the bank moratorium, when bank customers' deposits were not available to them. Association members knew that currency in the city would soon leave the town in the normal conduct of business affairs, and they worried that without a new source of cash from the banks, commerce would wane.

They also figured that Urbana money would not be accepted outside the city, so they could keep it at home to be traded among citizens and businesses.

"It's selfish, but simple and sound," said H.I. Green, a member of the nine-member emergency committee.

T. Burke Webber, president of the association, Lloyd Morey, comptroller of the University of Illinois, and George M. Bennett, a pharmacist, were bonded and appointed trustees to exchange currency for Urbana dollars.

Printers worked through the night and on March 7, 1933, the Urbana dollars were delivered to the two banks for exchange. The telephone lines were humming with inquiries.

It was not the first time Urbana tried its hand at a remedy for the banking crisis. In fact, Kaczor thinks Roosevelt borrowed his banking bail-out plan from Urbana.

In 1932, Mayor Reginald C. Harmon closed the banks from Jan. 19-23 to

stop runs that threatened the stability of the institutions. It worked.

So did Urbana money, according to news accounts.

The chairman of the retail trade division of the association, John M. Carrico, surveyed Urbana stores and found the money in general circulation by March 11.

"Business in Urbana is much better than it would have been without Urbana money," Carrico told the Courier.

Glenn and Barracks agreed that Urbana money helped keep business going during that month. "The Urbana money was the only thing they had," Glenn said last week.

But Norma Luker of Urbana, a bakery operator at the time, said Urbana money drove business to Champaign. She doubts the scrip accomplished what the merchants had expected.

Kaczor said limits on the use of Urbana money caused some problems. For example, he said, a coal hauler from Danville who was paid in Urbana money

could not spend the money at home in Danville.

"The business people thought it was a pretty good thing," Kaczor said, "but much of the general population did not like it. That money was only good in Urbana."

It was on March 11 that the Federal Reserve Bank of the United States began pushing out new currency as part of the bank revival actions approved by the Congress a few days earlier.

Banks across the nation were gradually reopening. In Champaign, the banks opened their doors March 14.

In Urbana, however, it was March 31 before the banks reopened.

A few days later, the emergency committee began clearing tills and wallets of Urbana dollars, swapping them back for hard currency. Much of the more than \$6,000 worth of outstanding Urbana money was redeemed on April 1, 1933.

"We just took it as a matter of fact," said Barracks. "Everybody kept going along just the same. Everyone worked together."