Committee Secretary
Senate Finance and Public Administration Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam

I wish to submit that Funding of the Nation Building and Jobs Plan NOT be appropriated out of “Consolidated Revenue Fund but that by the government issuing as legal tender cost carry notes as proposed in the Bill introduced into the US Congress on February 17th 1933 by Senator Bankhead and Congressmen Pettengill.

Ideally today the notes would be issued in electronic form to be stored on the SIM cards of mobile phones as suggested in my letter published in *The Australian Financial Review* last Wednesday, February 4th and in my academic paper of January 10th, 2009 on “Options for Rebuilding the Economy and the Financial System” posted at http://ssrn.com/abstract=1322210

Details of the Bankhead-Pettengill Bill are presented as an Appendix of the 1933 book written by a distinguished Yale economists, Professor Irving Fisher. The book is available electronically at http://userpage.fu-berlin.de/~roehrigw/fisher/ and the Appendix is pasted in below.

The issue of cost carrying money described in 1933 as “Stamped Scrip” would avoid the government going into deficit as the issue of the stamps would make expenditures of the National Building and Jobs Plan self-financing with the possibility of making a small profit. The legal tender created would also be self-liquidating if desired within one year.

Cost carrying money would provide a basis to build a more efficient, equitable and sustainable financial system as it removes or reverses the incentive for investors to allocate their resources to financial assets instead of real physical assets that can increase productivity. It would make renewable energy much more competitive than burning carbon as explained in my academic paper: “Money, Markets and Climate Change” available at http://ssrn.com/abstract=1304083. In this way it could reduce the cost of energy and reduce the need for carbon taxing or trading. Both John Maynard Keynes and Professor Fisher supported the issue of Stamp Scrip as a way to stabilise the value of conventional currency.

The Economist Magazine on page 74 of January 24th 2009 suggested that Governments should consider the official issue of Stamp Scrip. Refer to http://www.economist.com/finance/displaystory.cfm?story_id=12998254. George Monboit had raised this possibility in *The Guardian* on January 20th, refer to http://www.guardian.co.uk/commentisfree/2009/jan/20/george-monbiot-recession-currencies/print. Earlier on January 20th, my 805 word article suggesting Stamp-Scrip as a way to fix the economy was posted on the Henry Thornton web site at http://www.henrythornton.com/article.asp?article_id=5588.

During the Great Depression, Stamp Scrip was issued privately by thousands of communities in Europe and hundreds in the US when the banking system stoped providing credit as they now have. Stamp Scrip could be given to small and intermediate sized companies in distress to replace loans that banks will not re-finance on conditions that benefits were shared with their stakeholders. The conditions could involve protecting jobs, worker entitlements and even the sharing of ownership of businesses with their employees, suppliers and customers.

I would be available to provide evidence to the Committee in person or by electronic means. Attached are two files. One contains the article from The Economist of January 24th on "Depreciating Currencies: The money-go-round" and the other my letter in the AFR headed "Depreciation-era cure for financial crisis". Pasted in below is the Appendix of the 1933 book on *Stamp Scrip* by Irving Fisher.

APPENDIX

I. THE BANKHEAD-PETTENGILL BILL

February 17, 1933

SEC. 2. The Secretary of the Treasury shall cause to be engraved and printed currency of the United States in the form of stamped money certificates. Said certificates shall be in the denomination of $1 each, and the issue shall be limited to $1,000,000,000. Said certificates shall be of a suitable size to provide space on the backs thereof for affixing postage stamps. The backs of said certificates shall be prepared in such manner as to indicate clearly the proper place for affixing each stamp contemplated herein, to the end that on the second Wednesday after the issuance of said certificates from the Treasury the first stamp shall be affixed, and thereafter on each Wednesday until a total of 52 stamps shall be affixed; and said certificates in the spaces designated for affixing said stamps shall set forth the day of the month and year when each such stamp shall be atfixed, as for example:
"On April 5, 1933, affix 2-cent stamp here."
The face of said certificates shall set forth substantially the following:
"This certificate is legal tender for $1 for payment of all debts and dues, public and private, customs, duties, and taxes: Provided, That on the date of its transfer there shall be affixed 2-cent postage stamps for all dates prior to such date of transfer, as set forth in the schedule on the back hereof. When fifty-two 2-cent postage stamps shall have been affixed this certificate shall be redeemable at any post office for $1 lawful money of the United States."
(a) The Secretary of the Treasury is authorized in his discretion to issue the certificates directed to be issued hereunder in monthly or semimonthly installments, all of like tenor and effect except that the schedule for the affixing of the stamps on the back of said certificate shall bear dates for the affixing of stamps appropriate to the date of the issue of each such installment of certificates.
(b) When such certificates appropriately stamped in full shall be presented to the Secretary of the Treasury for redemption he shall certify to the Postmaster General from time to time the amount of certificates so presented for redemption, and the Postmaster General shall thereupon pay to the Secretary of the Treasury out of the funds arising from the sale of stamps the sum of one dollar for each such certificate so redeemed, whereupon said certificates shall be destroyed.

(c) Prior to the issuance of the first installment of certificates hereunder the Secretary of the Treasury is directed, by posters to be hung in post offices and other public places, and by advertising in newspapers and magazines, to advise the public of the contemplated issue of these certificates, with appropriate directions to the public with reference to the affixing of stamps, the legal tender quality of the certificates, their redemption feature, and all such similiar information. There is hereby appropriated for the use of the Secretary of the Treasury to defray the cost of such advertising the sum of $100,000.

(d) When such certificates shall have been issued by the Secretary of the Treasury the person holding the same on and after 12:01 o'clock antemeridian of the first Wednesday set forth in the schedule on the back of said certificates, shall affix in the spice therein provided a 2-cent postage stamp of the United States. Prior to such time said certificates in the hands of all holders shall be legal tender for the payment of all debts for the sum of $1. After affixing the first stamp said certificate shall be legal tender as aforesaid for the payment of all debts until the following Wednesday when another 2-cent postage stamp of the United States shall be affixed by the person holding the same prior to 12:01 o'clock antemeridian of such Wednesday, and thereafter for 50 consecutive additional Wednesdays like postage stamps shall be affixed by the holders. At all times when there shall be affixed all such postage stamps as are required to be affixed on the back of such certificates prior to the date of transfer, such certificates shall be legal tender as aforesaid for the sum of $1. When fifty-two 2-cent stamps shall have been affixed on the back thereof the holder may present the same to any post office in the United States for redemption, and the same shall be redeemed by such post office in any present lawful money of the United States. All post offices in the United States are hereby charged with the duty of making such redemption and of forwarding such certificates for cancellation to the Secretary of the Treasury.

(e) With respect to such certificates as shall become unfit, through use, for further circulation, the Secretary of the Treasury and the Postmaster General are authorized and directed to provide for the exchange of such worn-out certificates for new certificates, and to make all regulations required for that purpose.

(f) It is declared to be against the public policy of the United States to provide in any contract executed subsequent to the date of this act that the certificates to be issued under this act, or any like issue, shall not be received in the discharge of such contract, and all such provisions in such contracts are hereby declared null and void.

(g) Said certificates, when accepted by the Government, shall be promptly reissued by any department or agency of the Government receiving the same.

(h) In transactions of less than $1 such certificates are not legal tender unless stamped by the person tendering the same for one additional week after tender.

(i) Banks of deposit receiving such certificates as deposits may charge 2 cents for each certificate so deposited as a service charge.

(j) The Secretary of the Treasury and the Postmaster General are authorized to promulgate regulations for carrying out the provisions of this act.

(k) If and when the wholesale commodity price level of all commodities, included by the Bureau of Labor Statistics in computing index numbers of wholesale prices, shall equal 80 per cent of the average index number for the year 1926, then anything to the contrary herein notwithstanding, the Secretary of the Treasury is directed to discontinue the issuance of certificates hereunder, and such certificates as are then outstanding shall be retired as the same are presented for redemption or replacement of worn-out certifcates.

(l) Five hundred million dollars of the amount made available under section 2 of this act shall be apportioned among the States on the basis of population according to the fifteenth decennial census. This amount is made available as herein provided in addition to the amount made available to the States under section 4 (a) of this act. The amount so apportioned to the States shall be delivered to the governor of the State applying for the apportionment made to his State, upon application being made therefor by the governor. The amount apportioned to a State shall be administered within the State under rules and regulations adopted by the governor thereof and through such agencies as he may establish. The amount apportioned to a State may be by the governor thereof apportioned to the counties, and/or to the municipalities of said State, and may be used in construction work or for emergency relief as defined in section II of this act.(1)