
STAMP SCRIP

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I. REASON FOR THIS BOOK

STAMP SCRIP is not a panacea. My diagnosis of the depression and my remedial suggestions for it may be found in "Booms and Depressions," recently off the press.¹ That is a small enough book, but by no means as small as this one which selects a minor point for special treatment. For, at this juncture of our economic difficulties, a minor point seems to me to have become a key point. Also it has become a sensation by reason of the recent spread of the stamp scrip idea throughout this country. With the help of Mr. Hans R. L. Cahrssen I have recently answered four or five hundred inquiries about it. The letters come from literally every state in the union, and are written by persons, largely in official positions, who have a practical interest in introducing Stamp Scrip in their several towns, cities and states.

But Stamp Scrip has two basic forms, and the one which happened to establish itself in this country as a precedent, is, in my opinion, the wrong one of the two. Partly to help change the precedent, partly to help spread the idea over a wider territory, partly to provide a "manual" for those who are trying and are yet to try to work out the practical application of the idea to their respective regions, and partly to simplify the task of handling a correspondence which seems to grow by leaps and bounds - for all these purposes, I have prepared this little book.

There is one other purpose: to unleash a force on which the ultimate cure of the depression really depends. I refer to the credit currency of the land which is now so tragically bottled up and has hitherto baffled the most heroic efforts at rescue. It has simply refused to be rescued - refused with an apparently insane perversity.

Why did we, last June, start to recover and then fail so ignominiously? I venture to think it was for the lack of just such an agent as Stamp Scrip.

The movement began with the small towns for purely local purposes. Perhaps, therefore, as an unexpected sequel, the small towns are to get the glory, not precisely of rescuing the credit currency of the land, but of "priming the pump" which shall enable that currency at last to gush forth - after which Stamp Scrip, having fully performed its temporary and incidental office, can automatically retire.

I am indebted to the "New Republic" for permission to reprint a large part of Mr. Hans R. L. Cahrssen's article on "Wara."²

I am indebted to Mr. Cahrssen for the same favor, and for his assistance in assembling the elements of the book.

¹ Adelphi Company, New York, November 1932.

² Issue of August 10, 1932.

And I am indebted to my brother, Herbert Wescott Fisher, for rearranging these elements, and splicing and unifying them, in a few days of fast and furious work.

II. THE SWAP MOVEMENT IN 1933

THE MOVIES

THOSE who go often to the "movies" must have seen Marie Dressler as a bank president, or Chic Sale as a small-town grocer, each promoting a scheme of barter. If proof were needed that overproduction is not the cause of the depression, barter is the proof - or some of the proof. It shows goods not over-produced but dead-locked for want of a circulating transfer-belt called "money." Many a dealer sits down in puzzled exasperation, as he sees about him a market wanting his goods, and well stocked with other goods which he wants and with able-bodied and willing workers, but without work and therefore without buying power. Says A, "I could use some of B's goods; but I have no cash to pay for them until someone with cash walks in here!" Says B, "I could buy some of C's goods, but I've no cash to do it with till someone with cash walks in here." Says the job hunter, "I'd gladly take my wages in trade if I could work them out with A and B and C who among them sell the entire range of what my family must eat and wear and burn for fuel - but neither A nor B nor C has need of me - much less could the three of them divide me up." Then D comes on the scene, and says, "I could use that man! - if he'd really take his pay in trade; but he says he can't play a trombone and that's all I've got for him."

"Very well," cries Chic or Marie, "A's boy is looking for a trombone and that solves the whole problem, and solves it without the use of a dollar. The world's first market had nothing but goods and able bodies, but it didn't refuse to function on that account. Let's go. We'll exchange goods for goods, service for service, goods for service and service for goods."

All very well for that particular case; but it was the playwright who constructed it to suit his pattern. In the real life of the twentieth century, the handicaps to barter on a large scale are practically insurmountable. A desk maker, if he wants a ton of coal, would almost have to dump his desk in a hand-barrow and trundle it about till he met a coal dealer whose crying need happened to be a desk.

Therefore Chic or somebody organizes an Exchange Association, with a register in which are noted what can be supplied by whom and who wants what.

SWAPPING BEGINS

So much for the movies which do not always reflect real life.

Nevertheless, in the real life of this depression, and culminating apparently in 1933, precisely what I have just described has been taking place. First the farmers, finding themselves in possession of goods which they wanted to get rid of, and in sight of goods which they wanted to acquire, but also finding themselves almost

entirely without the money needed to effect the exchanges, began to effect the exchanges unconventionally - they "swapped." First they swapped goods for goods. But they needed farm-hands too; so they repaired to the near villages, sought out the unemployed and began to swap goods for service. The unemployed themselves then took up the idea, and soon a sort of self-help movement, principally under the initiative of the unemployed, was on its way to a larger and larger cross-section of the population. A few months ago it was estimated that 250 thousand people were depending in whole or in part upon barter; and today the estimate is more like a million. Before these words, written at top speed, reach the printer, even this last figure may be outdated. A short time ago there were said to be 200 barter exchanges scattered among 30 states. At this writing the estimate, as printed in the New York Times³, is more like 400; and no doubt this figure too will soon be outdated.

Finally, the Mid West Exchange (founded by President Arthur Morgan of Antioch College),⁴ and also an eastern exchange (The Emergency Exchange Association of New York City), have both become engaged in a plan to organize a nation-wide "hook-up" of exchanges, for the purpose of exchanging their regional surpluses.

PROGRESS IN THE METHODS OF SWAPPING

The most rudimentary form of barter is perhaps that of the farmers at county fairs, where most of the goods and all of the dealers are in plain sight.

Next comes the Exchange Warehouse, which you can visit alone, on isolated occasions, taking what you have and seeking what you want.

Then comes the "Swap Bulletin."

Next the "Swap-Ad" appears; for the newspapers have taken the cue, and turned their "want columns" into "swap columns." "Get Swap Minded". says the Meriden Record. And the advertiser responds (these are actual cases):

"Swap: Radio Loudspeaker for Auto Clear Vision Mirror. Telephone 2501."

"Swap: Townsend Snow Plow, hand or motor drawn; Ideal for clearing Service Station property; swap for gasoline and oil. Phone 1205."

"Swap: Seven room Shore Cottage at one of Connecticut's finest beaches, for a Farm."

³ February 26, 1933.

⁴ Also founder of the "Yellow Springs Exchange."

"Swap: Man's Overcoat, in good condition, for Slide Trombone, Piccolo, or French Horn" (and I read this one after inventing my own trombone illustration!).

But even warehouses, bulletins and the press were not sufficiently convenient. They had to be supplemented by warehouse receipts, which can pass from hand to hand.

Finally, since money, however scarce, does still exist, some of the Exchange Associations conceived the idea of printing their certificates in money-denominations. By agreement, a dollar receipt does whatever a dollar would do if you had a dollar. These certificates have even been loaned by the associations issuing them.

Perhaps the best example of such paper is to be found at Yellow Springs, Ohio, where some of the students of Antioch College use it to help pay not only their living expenses but their tuition, having earned the paper in any one of many places, just as they would earn more conventional money.

It becomes more and more evident that, if there were no money, 1933 could invent it all over again; and since Uncle Sam has developed a seeming incapacity to supply enough of it for even that amount of trade which is indispensable to keep his citizens from foraging like animals (or thieves), invention has reached the very threshold of money.

This brings me to the Stamp Scrip idea, invented in Europe and now spreading in America independently of the Swap idea. I hope the two will coalesce, and solve the "hook-up" problem, both for general reasons expressed in the foreword and also for the practical advantages listed in the appendix.

III. STAMP SCRIP DESCRIBED

STAMP SCRIP is, as hitherto used, a temporary substitute for a part of the regular currency which has deserted. It is small in amount and short in duration.

The two points about Stamp Scrip are:

First: It is like money, because it can be banked OR invested OR spent.

Second: It is unlike money, because IT CAN NOT BE HOARDED.

For the stamps, as we shall see, compel Stamp Scrip to "step lively."

A piece of typical Stamp Scrip is shaped more or less like a dollar bill; but it can not be mistaken for conventional money, because the color and the design are distinctive. Usually it bears on its face the name of an exchange or of a business men's association or of a town, according to which of these is the source of issue in the particular case. But though the appearance is distinctive, scrip bears prominently a statement of its denomination, to equalize its purchasing power (by agreement) with the purchasing power of conventional money. In fact, it is a part of the agreement that, after a year of circulation, it is to be redeemed in money.

Before turning the scrip over to examine the stamps on the reverse side, let us consider the circumstances of its issue and how it becomes injected into the circulation. A typical case is that of a municipality which issues \$1000 in scrip as a sheer addition to the circulating medium of the town. Its circulation will be entirely local, and the initial use of it will be to hire a new group of workmen on a new municipal job. Naturally the town must first get the agreement of the workmen and also that of a reasonable number of the local merchants from whom the workmen buy their family supplies - an agreement to the effect that all will accept the scrip according to its face. It is by no means necessary to get everybody's agreement. If some of the business houses accept it, the rest will be forced by competition to do the same; and if a number of people begin to accept it, the others will accept it because everybody else accepts it.

But this agreement will not readily be forthcoming without a guaranty from the town that, after a certain period of circulation (usually one year), the scrip will be redeemed in cold cash. So the town agrees to this, and sets to work to gather the \$1000 of cold cash before the expiration of the scrip. The town has a year to work in; and it works by means of what might be called a sort of "ambulatory tax" on the circulation of the scrip itself.

We now look at the reverse side of the scrip, and there we find a row of 52 spaces, all dated to indicate the successive Wednesdays of the year. Each of these spaces provides room for a small adhesive stamp somewhat resembling a postage

stamp. The stamps are sold by the city for 2 cents each; and it is a part of the plan initially agreed to by all, that no one can pass the scrip on a Wednesday unless it has, attached to it, the stamp for that day on the appropriate dated space. Neither can you pass it if it is in arrears for past Wednesdays - you have to make up the arrears; for if you try to pass it unstamped, the next recipient will laugh in your face. He does not propose to be "stuck" by the neglect of previous holders. Either you have all the stamps on up to date or he is free to refuse the scrip. Therefore, you not only have the stamps on, but, being as shrewd as the next man, you have already been as hard on your predecessor as your successor is prepared to be hard on you. There simply are no arrears.

But if the scrip is duly stamped up to date including the last Wednesday it will pass freely without any new stamp until next Wednesday.

At the end of the 52 weeks of the allotted year, when a dollar of scrip returns to the city treasury for redemption, it finds there the \$1.04 which paid for the 52 stamps now carried on the back of the certificate. In short, when the 1000 dollar issue of scrip thus comes in, it finds \$1040 there ahead of it; and the extra \$40 defray the expense of printing the stamps and of administering the plan.

Thus the scrip is self-liquidating.

Lest, however, the workmen and the trades people may not agree to the plan unless the town puts up security, the town may do this by a simple bookkeeping transaction at the bank; that is, it borrows \$1000 from the bank and leaves it in the bank on deposit, to guarantee the scrip-using public. When, at the end of the allotted year, the scrip is redeemed to the satisfaction of the bank, the loan is cancelled, and the city is out nothing. Neither has \$1000 of permanent legal tender been withdrawn from circulation in order to be replaced by the \$1000 of temporary Stamp Scrip - because the bank made it a mere bookkeeping transaction. It did not lock up the \$1000.

There are cases, however, when the legal tender money is actually bundled up and kept as a guarantee in a safety deposit box in the bank, until the year is over and the scrip redeemed. But the \$1000 of legal tender thus tied up is a slow-moving currency which everybody has been hoarding, while the \$1000 of scrip which temporarily supplants it is a fleet-footed currency which nobody can hoard.

Why not? What is the secret of this extra speed on the part of Stamp Scrip? The secret resides in each stamp due on a Wednesday. You learn to watch Wednesday coming; and, realizing that Wednesday is tax day, you buy what you want before that day, on Thursday or Friday or Saturday or Sunday or Monday or Tuesday - and so does the next recipient, unless you "stick" him late on Tuesday night. That is, you do your buying, so far as possible, in the intervals between stamping days

(Wednesdays) in order to escape the 2 cent stamp tax which you would otherwise have to pay.

Of course, if there is nothing which you ought to buy, you can invest the scrip in any enterprise, or deposit it in any bank, which is a party to the initial agreement to use the scrip.

Meanwhile the extra speed is of the utmost benefit in a depression when everyone is afraid to spend real money.

I have spoken of the stamp as constituting a sort of ambulatory tax. Please note that even the best people always dodge a tax if they honestly can. Sometimes the effort to dodge has been fatal. In France, for instance, many years ago, there was a window tax. It led people to build houses with few windows or even windowless houses, and in consequence, to die of tuberculosis. They dodged the tax and they did it without dishonesty, but nevertheless they brought on their own doom. This tax was not only painful but destructive.

In Stamp Scrip we have, for perhaps the first time in history, a tax which the taxing authority wants to see avoided - by the maximum number of people. For, by passing the tax on to the next fellow you speed the scrip, and that is the chief purpose. Moreover, the more you speed it, the more you divide the burden per capita without in the least diminishing the return to the city. Suppose, for instance, that a grocer during a certain week (of six business days) receives and pays out sixty dollars of scrip. Fifty of these dollars may have come and gone on the five business days intervening between Wednesdays. Thus he is taxed, not 2 cents per dollar of sales but perhaps $1/6$ of a cent, which amounts, to a sales-tax of one-third of one per cent on the sales put through with the help of the scrip. And most of these sales are extra. The grocer is taxed for new business which only the scrip could bring him. This tax is not only painless but helpful.

The efficiency of money is its volume multiplied by its speed. What is the speed of scrip? At the very least, the average scrip certificate will be unloaded twice a week - a speed that is four times the speed of an average dollar in normal times. In depression times, the average dollar circulates only about a third as fast as usual so that a turnover of twice a week becomes twelve times the depression average for conventional money.

This, of course, does not mean that actually 12 times the business will be done; for Stamp Scrip never becomes a large proportion of the total circulation. Moreover, a fraction of the conventional currency will withdraw from circulation in favor of the Scrip.

Thus, the stamp is more like a tax on hoarding than a sales tax. Hoard, and the tax is heavy; spend (or invest or deposit), and the tax is light.

If the stamp is thus to be likened to a tax, the scrip itself may well be likened to money. But it were more appropriate, I think, to liken the scrip to a pre-dated check, issued by the town. It has even been proposed that the scrip, in small amounts, be given away to needy folk, or to everybody, in which case, though it would be a gift to the first recipients, it would really be a loan to the public as a whole - a loan to the public by the public. In any view, the scrip goes out and comes back and is cancelled like a check, except that it passes through more hands and without endorsement.

Nor is it a case of something for nothing. It is a case of a restored transfer belt, transferring not something for nothing, but goods for goods, goods for services, services for goods.

Charles Zylstra, the enterprising man who first introduced Stamp Scrip to America (in a small western town) tells this story. A travelling salesman stopped at a hotel and handed the clerk a hundred dollar bill to be put in the safe, saying he would call for it in twenty-four hours. The clerk, whose name was A, owed \$100 to B and clandestinely he used this bill for the liquidation of his debt, thinking that before the expiration of 24 hours he could collect \$100 from his own debtor, whose name was Z. So this 100 dollar bill went to B, who, greatly surprised, used it to pay his own 100 dollar debt to one C, who (equally surprised) . . . and so on, and so on, all the way down to Z, who, with much pleasure, returned the bill to A, the clerk, who, in the morning, restored it to the salesman. And then did A, the clerk, stand petrified with horror to see the salesman light a cigar with it.

"Counterfeit," said the salesman, "a fake gift from a crazy friend, Abner; but he didn't put it over, did he?"

Let us now look at the collective result. At the end of the year, the town has a new street, paid for with scrip which (through the stamps) was paid for by the citizens who used the scrip - and will use the street too.

The scrip cost the citizens perhaps 1/3 of 1 per cent on mostly new business, while the street cost the city (in the sense of the city treasury) nothing at all. But, of course, the city is the citizens; so that these various statements boil down to this: The citizens have bought a new street out of a self imposed tax on mostly new business, and it was a tax less heavy and more spread out than any other tax they ever paid.

The chief objection to Stamp Scrip which I have thus far encountered is that it will not work because people will refuse it - it will not catch hold. But the man who said this, said later, "I guess I must be like the Englishman a hundred years ago, who said that the steam-locomotive couldn't work because smooth wheels could not catch on to smooth rails. While he was saying this in London, Stephenson was

successfully running his locomotive in Scotland." Very often people are saying of a certain thing, "it can't be done" at the very moment that somebody else is doing it.

Let us look now at the existing evidence that Stamp Scrip has caught on and has worked per schedule.

IV. THE FIRST EXPERIMENTS ABROAD

SILVIO GESELL

MEDICINE owes much to untrained minds, or at least to minds untrained in medicine. Even Pasteur, though a trained scientist, was not a doctor; and the laryngoscope was perfected - some say actually invented - by a great singing master, one Manuel Garcia, of Spain.

Silvio Gesell, who died recently, was a German business man and quasi-economist. He lived in Argentina and wrote some of his many papers in the Spanish language. In 1890 while in Argentina, he proposed essentially that particular substitute for money which now bids fair to sweep this country, under the name of "Stamp Scrip."

Gesell, before he died, accumulated a considerable following abroad; but it took the tortures of a depression to bring about any practical efforts to make use of his Stamp Scrip idea.⁵

In 1919 there began in Germany the so-called *Freiwirtschaft* movement which contemplated a complete currency of Stamp Scrip. In the course of this movement, one Hans Timm, a friend of Gesell's, formed an exchange for the purpose of putting the principle into operation. To his Scrip he gave the name of "Wära", (a word compounded of two others, "Ware" and "Währung," which mean respectively "Goods" and "Currency"); and to his organization he gave the name of "Wära Exchange Association." The Scrip was to be issued in denominations of 1/2, 1, 2 and 5 Wara, and to be purchasable of the association for 1/2, 1, 2, and 5 Reichsmark respectively. But the word Reichsmark nowhere appeared, and the scrip, though a private enterprise, was intended to be permanent. Only in case of some untoward emergency was it to be redeemed; and in view of that possibility, the purchase money was kept on hand as a provisional redemption fund. Naturally, the motive of a purchaser would be primarily unselfish and civic, and only secondarily selfish, in the belief that every helper of the public must share in any public betterment that might result.

A certain modest amount of Wara crept into the German circulation, and spread itself more or less over the entire land.

Though not intended to be redeemed, the scrip bore stamps, not at the rate of 2 per cent attachable weekly, but at the rate of 1 per cent attachable monthly. These stamps (sold by Herr Timm's organization) were intended to speed the circulation,

⁵ There is much in Gesell's philosophy to which, as an economist, I cannot subscribe, especially his theory of interest; but Stamp Scrip, I believe, can, in the present emergency, be made at least as useful an invention as Manuel Garcia's laryngoscope.

but the proceeds, instead of redeeming the scrip, were to be used in the propagation of the scrip idea.

SCHWANENKIRCHEN

Not till 1931 was any general notice aroused by Wara. Then the owner of a Bavarian coal mine tried an experiment with it which gradually caught the public imagination. For two years the mine had been closed; and the owner, Herr Hebecker, conceived the idea that he might open it and pay his employees with Wära. He would have to buy the Wära (besides negotiating a loan) and he would have to pay for the Wära with Reichsmarks, but the Reichsmarks were not circulating and the Wära, he believed, would circulate. Moreover, there was already a thin layer of Wära loose in Germany, and Herr Hebecker hoped to win the patronage of those who used it. In part, he was a fellow propagandist with those users, and Herr Timm issued bulletins among them.

Hebecker's employees lived in Schwanenkirchen, a village of only 500 inhabitants. For over two years this village had barely existed by means of the dole. Everybody was in debt; nor could anybody see the slightest hope of the mine being reopened; for (says Mr. Cohrssen, writing in the "New Republic")⁶ "deflation raged all through Germany, leaving bankruptcies, suicides and overcrowded jails in its wake. Herr Hebecker assembled his workers. He told them that he had succeeded in getting a loan of 40,000 Reichsmark, that he wished to resume operations but that he wanted to pay wages not in marks but in Wara. The miners agreed to the proposal when they learned that the village stores would accept Wara in exchange for goods.

"When, after two years of complete stagnation, the workers for the first time brought home their pay envelopes, no one was interested in hoarding a cent of it, all the money went to the stores to pay off debts or for the purchase of necessities. The shopkeepers, too, were happy. Although at first they had felt a little hesitant about Wara, they had no choice, as no one had any other kind of money. The shopkeepers then forced it on the wholesalers; the wholesalers forced it on the manufacturers, who in turn tried to pass it on to those who carried their notes, or they exchanged it at Herr Hebecker's mine for coal. No one who received Wara wished to hold it, the workers, storekeepers, whole salers and manufacturers all strove to get rid of it as quickly as possible, for any person who held it was obliged to pay the tax. So Wara kept on circulating, a large part of it returning to the coal mine, where it provided work, profits and better conditions for the entire community. Indeed, one could not have recognized Schwanenkirchen a few months after work had been resumed at

⁶ See "Wara" in "New Republic", August 10, 1932.

the mine. The village was on a prosperity basis, workers and merchants were free from debts and a new spirit of freedom and life pervaded the town.

"The news of the town's prosperity in the midst of depression-ridden Germany spread quickly. From all over the country reporters came to see and write about the 'Miracle of Schwanenkirchen.' Even in the United States one read about it in the financial sections of most big papers.

But no explanation was given as to the real cause of the miracle - that a non-hoardable money was being tried out and that it was working marvelously. Had Herr Hebecker used 40,000 Reichsmark instead of Wara, his efforts would have inevitably resulted in failure; the money would have circulated through only one or two hands, each person retaining as much as possible and hoarding it because of the hard times. And after a short while Herr Hebecker would have joined the defeated ranks of those thousands who had failed in their struggle with the depression.

"To complete the story about Wara it must be added that subsequently it was accepted in a few thousand stores throughout Germany, and that one or two more entire communities recuperated under the Wara treatment. A few small banks even opened Wara accounts, accepting the deposits and at once lending the Wara out to those who asked for credit. Of course these banks were under the same compulsion of circulating Wara to avoid the one per cent monthly tax, and it was obvious that the depositor was only too glad to have the par value of his deposit preserved without interest.

"The Wara movement had an important influence in Germany. It counteracted the deflationary policy of the government. Numbers of people found employment and in some places prices rose. Wara worked for those who believed in it."

But now the German Government interfered on the theory that Wara was money and therefore an illegal usurpation of a Government prerogative. The question was taken to the courts and Wara won. But the Government continued its opposition alleging that Wara might turn into harmful inflation. With war inflation still fresh in memory, the government was apparently unable to see the difference between the kind of inflation which begins at the level of the ground and aims at the sky, and the modest Wara which began at the bottom of the pit and aimed back at the threshold - without ever getting within shouting distance of it. Under a misconception, therefore, - one of the most common of monetary misconceptions, - the German government imagined that it could detect in Wara the threat of evil - evil to come out of good; and at last the government succeeded in stopping the good. It forbade Wara by means of an emergency law⁷ "As a result," (writes Mr. Cöhrssen), "Schwanenkirchen and other towns where Wära have provided the life blood of economic activity are on the dole again."

⁷ November, 1931.

As to the spread of Wära through Germany, not more than 20,000 Wära circulated at any one time. Yet it was said, during 1930-31, that 2 1/2 millions of people handled it. Accordingly, many observers believed that the amount issued was far greater than it was.

So much for Schwanenkirchen and Wara.

WOERGL

Compared with the Bavarian village of Schwanenkirchen, the Austrian town of Woergl is a large community. It has about 4300 inhabitants of whom, however, 1500, in 1931 - 32, had lost their jobs; for, in and about Woergl a number of factories had closed their doors. Taxes, therefore, were in arrears, and the town itself was almost as "down-and-out" as these 1500 of its inhabitants.

The Mayor of Woergl, (Unterguggenberger by name) organized a Local Relief Committee, not so much to give charity as to produce jobs.

But who or what was to produce the good Austrian Schillings that would pay for the jobs? This mayor with long name was not disposed to help anybody at anybody's expense. In fact, he was shrewdly and very properly resolved that the town should be one of the beneficiaries of anything that was done. In the first place, out of the new jobs, the town would get new roads and other municipal improvements and repairs long overdue. In the second place, by getting money into the pockets of the workers, it might well hope to recover from those pockets some of the back taxes. But to pay wages in order to recover a part of the wages would hardly be profitable; nor would the imposition of new taxes for the sake of wages for the sake of old taxes be a very good swap.

Herr Unterguggenberger had watched the Schwanenkirchen Wara experiment with intense interest. The solution of the Woergl situation pointed to Stamp Scrip. The town would issue it, with the consent of the workmen and of a sufficient number of the merchants and also of the local savings bank. The bank was to hold the guarantee fund (in the form as previously described of a bookkeeping transaction). There was to be no final redemption; and the stamps, at 1 per cent per month, were to be sold by the town, and the proceeds used, not for propagating the idea but for the enlargement of the town's welfare work. But though there was to be no final and complete redemption, every holder of the scrip was to have the privilege of redeeming it at the town treasury or at the local banks at any time; but for such redemption a service: charge of two per cent had to be paid. As the stamp was only 1 per cent, the disadvantages of redemption at 2 per cent were, at any given moment, greater than the probable disadvantages of going on at 1 per cent.

Redemption, therefore, was not likely to hurt the circulation of the scrip. Moreover the banks and the town were to re-issue any that was redeemed.

And so it worked out in practice.

All city employees, including the mayor, were to receive 50 per cent of their salaries in scrip, and the new emergency workmen, were to be paid 100 per cent in that form.

According to plan, on August 1, 1932, 32,000 Schillings' worth of the scrip (equivalent to about \$4500) was issued, in denominations of 1, 5 and 10 Schillings. This amount was later found to be in excess of the actual need, and instead of following an "inflationary" policy, only about 1/3 of the issue or less was kept in circulation through re-issues, the rest remained with the city. This showed great wisdom on the part of the municipal administration, as it kept the purchasing power of scrip at par with regular Schillings.

The scrip was called "Woergl Certified Compensation Bills." The monthly stamps (affixed to the face of the scrip) were named "Relief Contribution Stamps," and each unit of scrip was super-scribed, "They Alleviate Want, Give Work and Bread."⁸

What were the results?

For the following information I am indebted to a Geneva economist, Hermann Scheibler,⁹ who went to Woergl on my behalf and questioned the mayor and the bank and some of the merchants and workmen.

Soiree of the local merchants, like some of those in Schwanenkirchen, had begun by refusing to accept what they regarded as a bizarre substitute for real money; but seeing it circulate and seeing the city employees patronizing the merchants who took it and banked it, the skeptics forced by considerations of competition once more decided to "climb on the band wagon." Soon everybody accepted it without hesitation, because everybody else accepted it. The only cases

⁸ The stamps are affixed to the face of the scrip. On the reverse side the following is printed:

TO ALL

"Slowly circulating money has thrown the world into an unheard-of crisis, and millions of working people are in terrible need. From the economic viewpoint. the decline of the world has begun with horrible consequences for all. Only a clear recognition of these facts, and decisive action can stop the breakdown of the economic machine, and save mankind from another war, confusion and dissolution.

"Men live from the exchange of what they can do. Through slow money circulation this exchange has been crippled to a large extent, and thus millions of men who are willing to work have lost their right to live in our economic system. The exchange of what we can do must, therefore, be again improved and the right to live be regained for all those who have already been cast out. This purpose, the "Certified Compensation Bills of Woergl," shall serve.

"They alleviate want, give work and bread."

⁹ Head of the European branch of my Index Number Service.

of permanent refusal to receive the scrip are the post office and the railroad, both of which are government institutions with interests primarily outside of the vicinity where the scrip is supposed to circulate.

The attitude of the Austrian Government has not been hostile.

As to the rate of turnover, the mayor reports that the amount of the first wages paid has returned to the city 20 times a month.

The other facts are contained in a report which the mayor of Woergl made to the Tyrol state government, January 1, 1933

Taxes had been in arrears from 1926 to 1931 as follows (year by year):

21,000 Schillings
26,000 "
28,000 "
31,000 "
61,000 "
118,000 "

But after the scrip was issued, not only were current taxes paid (as well as other debts owing the town), but many arrears of taxes were also collected. During the first month alone,¹⁰ 4542 Schillings were thus received on the arrears. Accordingly, the city not only met its own obligations but, in the second half of 1932, executed new public works to the value of 100,000 Schillings. Seven streets aggregating 4 miles were rebuilt and asphalted; twelve roads were improved; the sewer system was extended over two more streets; trees were planted and forests improved, and permanent jobs were given to from 30 to 50 of the 1500 unemployed; but probably a powerful influence has been exerted to prevent any increase of unemployment, by keeping business active.

In these benefits, the local banks shared. Up to the date when the scrip was issued (August 1, 1932) withdrawals at the local Reifeisen Bank had exceeded deposits for an entire year; in the first and last months of the said year, the excesses of withdrawals over deposits were: August 1931, 44,362 Schillings; July 1932, 12,355 Schillings. But in August 1932, the first month of the Stamp Scrip, the balance turned the other way by 6591 Schillings, notwithstanding the fact that August is generally considered the poorest month of the year.¹¹

On January 1, 1933 Woergl (which is an Alpine town) had under construction a new ski jump and a water basin for the Fire Department. The mayor says that the scrip has fulfilled all promises, and thinks it should be adopted nationally. At all

¹⁰ August 10 - September 10, 1932.

¹¹ See also an article in the "New Outlook," for March 1933, by Mr. Hans R. L. Cahrssen.

events, a neighboring city of 20,000 inhabitants, was, at last reports, considering the introduction of scrip within its borders, under the advice of the mayor of Woergl and of a University Professor of economics, and the Woergl experiment has begun to attract somewhat general attention in Austria. As conclusion to this report Mayor Unterguggenberger stated: "The Stamp Scrip of Woergl will have historic significance, because it has kept its promise to provide 'work and bread.' It has, in fact fully satisfied all our expectations."

We now move to the United States.

V. THE SUDDEN SPREAD OF "SCRIP" IN THE UNITED STATES

Oh the whole the American experience with Stamp Scrip is so young that Schwanenkirchen and Woergl are still the leading cases; but some lessons may even now be learned from our own experience. Twenty or more towns are embarked on the plan in one form or another, and many more appear to be in line, including several large cities.

I shall glance over the high lights of this brief experience.

HAWARDEN, IOWA

The originator of Stamp Scrip in America was Charles Zylstra of Hawarden, Iowa. This is a town of 3000 inhabitants. Its finances were in good shape, but there were plenty of workless men and the usual number of boarders. So, in October 1932, upon petition, the town decided to issue \$300 in Stamp Scrip of \$1.00 denomination. The sum was to be used principally for a town road to be built by otherwise workless men.

The scrip is redeemable, but there is no advance redemption fund. The stamps alone are the guaranty, and they are sold by the town at 3 cents per dollar of scrip, which is redeemable whenever 36 stamps (aggregating \$1.08) have been affixed. There is no set period, however, for affixing the stamps. The agreement is merely that one stamp is to be affixed with each transfer of the scrip, so that the redemption date is indeterminate.

The plan was backed by most of the merchants and by one bank and of course by the otherwise workless men. These agreed to take \$1.00 of scrip to 60 cents of cash in their pay envelopes.

At first, the machinery creaked a little, some people refused the scrip. But now, I understand, all is working smoothly, and a new issue of \$1000 has been authorized.

But the omission from the Hawarden plan of the set dates for stamping was, I think, ill-advised. It would naturally weaken the speed motive and might even reverse it, since it costs 3 cents to transfer the scrip instead of costing 3 cents not to transfer it! Also the indeterminateness of the date affords a loophole for collusion at the time of transfer, since both parties to a given transaction may agree to omit the stamp altogether. Neither party has any motive for checking the other. And Hawarden has become the precedent, in this respect, for other American towns which are taking up the Stamp Scrip idea.

EVANSTON, ILLINOIS

In Evanston, Illinois, it was a merchants' association that inaugurated the Stamp Scrip. They inscribed it with a new word: "Eirma." This is composed of the initials of the organization name: "Evanston Independent Retail Merchants Association."

In this long title, the word "Independent" expresses the motive for the scrip; for what the merchants meant to be independent of was the shopping in Chicago instead of Evanston and at the chain stores which had invaded their territory. They thought they could, by an appeal to town loyalty, prevent the scrip from circulating among their rivals. Accordingly, after getting a sufficient number of consents, they printed \$5000 worth of "Eirma" and "sold" it to the members according to their respective requirements - for paying their employees and dealing with one another. In other words, the local members put up a guaranty fund of \$5000 which was held in escrow by a bank. Fifty stamps, at 2 cents, retired the scrip, which was to be redeemed by the "Eirma" organization.

In this instance the banks in general did not cooperate. The bankers' motive of loyalty to a municipal enterprise was lacking. Neither did the town offer to receive the scrip for tax payments. Nevertheless the town lent its moral support, as the result of a very ingenious bid which was made by the Eirma organization. It so happened that the town's own finances were in such poor shape that it had been obliged to defray some of its expenses by means of "tax anticipation warrants," later redeemable by the town in cash. So the Eirma organization agreed to buy these warrants with the cash proceeds of the stamps as fast as these should be sold.¹² Thus, when the redemption date should arrive, for the Eirma the redemption would have to be effected with the initial guarantee fund, not with the proceeds of the stamps. This would leave the tax anticipation warrants still in the Eirma treasury for distribution to the members according to their purchases of stamps. The net result, therefore, of the Eirma dollars amounted to a purchase on the instalment plan of tax-anticipation-warrants, by the members of the Eirma Association.

But in Evanston there crops out the first unfortunate result of copying the Hawarden precedent (of making the stamps affixable, not at set intervals, but with each transaction). Evanston is a larger place than Hawarden, so that it is not so easy in Evanston to detect the small disloyalties of the citizens. Accordingly the chain stores made a flank attack on the local merchants by agreeing with their patrons to receive the scrip, without stamps, provided the patrons would receive them back without stamps. Therefore, at last advices, the stamps were not selling as they should.

The Eirma organization now concedes the superiority of dated scrip, and would like to pass the whole enterprise over to the municipality.

¹² The city was to pay no interest on these warrants.

RUSSELL, KANSAS¹³

Russell, Kansas, has a population of 2000. On December 21, 1932, the municipality issued¹⁴ \$300 in scrip, exclusively in a 50-cent denomination. The stamps are 1 cent each; and in spite of the fact that they are attachable only with each transaction, a check-up seems to show an average turnover of once every three days. The plan has helped in the clearing up of debts among the local merchants; but the observers regard it as only partially successful, so far as concerns the use of the scrip in buying produce from farmers and in hiring extra labor. It is suggested that not enough care was taken in pledging the cooperation of the community beforehand.

This town (Russell) supplies some interesting figures as to the purchase of stamps:

51 per cent are bought by labor and general population
18 1/3 per cent by grocers
17 1/3 per cent by utilities (gas, water, light, telephone)
6 2/3 per cent by auto supply dealers (gas, oil, repairs)
5 2/3 per cent by dealers in clothing and housefurnishings

ROCK RAPIDS, IOWA¹⁵

The town issued \$250 of scrip in exclusively 50-cent denominations, redeemable with 54 stamps, costing 1 cent each. The purpose is to help the unemployed. People are reluctant to take the scrip from the merchants, but the turnover seems to be once every four days.

This scrip is foldable, and the stamps are attached inside.

ALBIA, IOWA¹⁶

The town issued \$401.50 in a 50-cent denomination, redeemable by 54 stamps, 1 cent each, affixed with each transaction. The entire group of business and professional men are back of the plan, and there are no difficulties. It is said that useful work has been done for the city which would have been impossible without the scrip.

¹³ Informant, Mr. E. B. Danielson, President of the Russell Chamber of Commerce.

¹⁴ December 21, 1932.

¹⁵ Informant: Mr. W. F. Gingrich, Superintendent of Municipal Public Utilities. (5) Informant: Mr. Roy Wilkinson, City Clerk.

¹⁶ Informant, Mr. O. P. Berg, City Clerk.

GRANITE FALLS, MINNESOTA¹⁷

Here there are 1800 inhabitants. The first issue of scrip was \$1000; and \$500 more are, at this writing, soon to be issued. The denominations are 25 cents, 50 cents and \$1.00, and the stamps 1 cent, 2 cents and 4 cents respectively, attachable with each transaction. In the first one and a half months (the last information), no scrip had come in for redemption. The scrip has been used to help 30 families by giving work to the men at 30 cents an hour. The work is the removing of rocks from the streets.

NEVADA, IOWA¹⁸

This town issued \$300 of the Hawarden type of scrip including the 3 cent stamp. The plan has worked well, and a second issue is, at this writing, being considered. One new feature here is that the city clerk acts as a clearing house: he takes scrip from merchants who cannot use it and passes it on to others who can.

PELLA, IOWA¹⁹

There are 3600 inhabitants. The scrip issue was by the Chamber of Commerce and was \$500, - Hawarden type. The city handled one half of the issue and the Chamber, the other half. Some unemployed received work on projects which could not otherwise have been accomplished. The scrip is said, however, not to help the unemployed more than once. Nor has it stimulated business. The business men complain, too, that they bear all the burden of stamping, and that the general public refuses to receive the scrip in change over the counter. For the sake of the unemployed this town would like to issue more, but it hesitates, largely because the circulation seems to be limited to the business men and seems to clog their tills.

MANGUM, OKLAHOMA²⁰

The town, in January 1933;, issued \$500 in a \$1.00 denomination, to bear fifty 2-cent stamps. It is used for labor on city projects at \$2.00 a day, not more than two days per week per man. The scrip has thus far proved satisfactory.

ELDORA, IOWA²¹

The town issued \$300 of the Hawarden type of scrip. It circulates slowly and as a business stimulator is not considered of "much if any value," and may be called successful only in so far as it have \$300 of immediate relief to the unemployed.

¹⁷ Informant, Mr. C. F. Wilson, Mayor.

¹⁸ Informant, Mr. Hugo Kuyper, Secretary of the Chamber of Commerce.

¹⁹ Informant, Mr. H. T. Lawrence, City Manager.

²⁰ Informant, Mr. James L. Cameron, Mayor.

²¹ Informant, Mr. J. L. Olson, Town Clerk.

JASPER, MINNESOTA

This is a village of 900 inhabitants. It issued \$150 of scrip in 25-cent, 50-cent and \$1.00 denominations. Redemption of the \$1.00 scrip takes thirty-six 3-cent stamps (\$1.08). Its purpose is to give work to the unemployed at 25 cents an hour, 6 hours per day and not more than two days per week per man.

MERCED AND ANAHEIM, CALIFORNIA

In these towns scrip was issued in the \$1.00 denomination, with 4-cent stamps affixable at each transaction. In both places the plan had to be abandoned: in Merced, for lack of enthusiasm; in Anaheim, because of a substantial loss.

LEXINGTON, NEBRASKA.²²

The town has prepared \$500 of the Hawarden, or dateless, type of scrip in a \$1.00 denomination, of which \$325 was issued (about January 15). In a month, only \$35 worth of stamps had been sold. There is, perhaps, insufficient diversity of occupation, and the scrip (after hiring labor) tends to clog in the hands of three or four merchants. "The value, after the initial transactions" seems "quite problematical."

ENID, OKLAHOMA²³

On January 16, 1933, the Merchants Association issued 1700 one-dollar "Trade Checks" with dateless stamps. After one month, the Association reports: "We regard the plan as successful thus far, as the unemployed are eager to work for this kind of money, and our business men are cooperating almost 100 per cent . . . We do find it necessary to stress the necessity for each business man to distribute the checks he receives widely by paying a few on local bills, giving his employees a few on their salary, and using them himself for personal expenditures, rather than unloading them all on one concern at once.

"We have had no trouble in getting the merchants to affix the stamps.

"We find that the checks circulate not only among the merchants, but individuals accept them, buy stamps from the merchants and pass them on; they have been used to pay insurance premiums to local agents, rents, etc.

"One of our banks subscribed \$50 toward the guaranty fund which we have behind the checks, another accepted ten of the checks in part payment for a month's rent by a tenant of an office in their building, and the other bank has expressed no opposition."

²² Informant, O. E. Zink, Secretary of the Retail Merchants Association.

²³ New York Times, Feb. 27, 1933. Knoxville operates under a city management form of Government.

KNOXVILLE, TENNESSEE²⁴

Tax anticipation warrants are themselves a sort of scrip; and the experience of Knoxville in the use of such warrants is instructive. The city, being unable to find cash for both pay roll and bond payments, began, on June 14, 1932, to use these tax warrants for the pay roll.

To circulate fast, any medium requires a receiving motive on the part of the recipient, and a transmitting motive, on the part of the user, to hurry it along. The motive to receive the Knoxville tax warrants is supplied in part by the relative scarcity of conventional money, and in part by the 6 per cent interest carried by these warrants. The motive to hurry them along seems to be supplied by the fact that the warrants cannot be deposited in banks.

Also the tax warrants are themselves usable to pay taxes (60 days after issue), and on taxes thus paid in advance, the citizen gets a 5 per cent discount, in addition to a credit for the 6 per cent interest already due on the warrant, making sometimes a saving of 11 per cent on the tax. The assistant finance director, Mr. Herbert Cox, says that "during the last two months warrants have been coming back to the city in taxes faster than the new ones are issued."

But the warrants circulate for all other purposes. A motor company even sold the city six automobiles for \$3000 in city warrants as part payment, the balance being old cars "traded in." And nearly all the local merchants and other interests receive the warrants, in whole or part-payment, for goods and accounts due, and make change, either in money or in credit on the next transaction (the credit being evidenced by the due bills of the merchants). To facilitate making change, the city is considering the issuance of 25- and 50-cent denominations.

"What about velocity? Aside from the financial embarrassments of the city government, business in general had been handicapped by the closing of two large national banks. Yet the merchants of Knoxville have noticed that the tax warrants offset these handicaps by circulating faster than money; and they testify that the extra speed has furnished a stimulus to business.

VARIANTS

Four other variants of the Stamp Scrip idea have come to my attention:

(I) A piece of unexpected but profitable comedy occurred in Tenino, Washington. A bank had failed; and the local Chamber of Commerce bought up a

²⁴ The Allgemeiner Deutscher Tauschverband in 1931 is sued such scrip and called it ... "Tauscher," in 1 Mark denomination. The evaporation was at the rate of 1 Pfennig per week.

part of the distributive shares of the depositors, paying for these not with scrip, but with redeemable wooden coins in small denominations. These coins were regarded as curiosities, and soon became eagerly sought after as souvenirs. So the Chamber was soon able to negotiate them at \$2.50 a piece! The upshot was that with \$6500 of profit, it was able to buy the building of the defunct bank and invite another banking corporation to become the tenant and restore a banking service to the town.

(II) The second variant is called the "Baby Bond" plan such as that of J. Rice Scott of Miami, Fla. The bonds are in covers resembling those of a small check book. The denominations run from \$5 to \$100. The bonds are supposed to circulate like money and be stamped with each transfer at 2 per cent of the face, until there have been fifty or more turnovers, when the bonds are redeemed by the issuing organization. There is no particular logic in calling these booklets "bonds." The idea is the same as the Hawarden idea, the only difference being the larger denominations.

(III) A third variant is a plan which makes no use of stamps at all, but in order to bring about the extra stimulus to turnover, provides that a certain percentage of the buying power of the scrip shall drop off or evaporate at stated intervals. This plan has recently been tried in both Germany²⁵ and America, but is very inconvenient. It requires a special computation for each transfer, it complicates bookkeeping and is apt to repel the next recipient with the unpleasant idea of progressive depreciation. I doubt if any bank would be bothered with such scrip. The American experiment along this line was that of the "Threefold Corporation" of New York," which has now abandoned it in favor of Stamp Scrip.

Another rather original application of the principle of "compulsory" circulation is the "Speed Money" which the zealous adherents of the German-Wära movement started, after the Government had interfered with their issuance of Stamp Scrip. A Dr. Nordwall, of Norden in Germany advertised in the local paper one day that he would give to Reichsmark to the first man to come to his office owing someone else that amount. The money was not to be given away but could only be used to cancel the debt. Inseparable from the 10-Reichsmark bill was a messenger boy on a bicycle. All that A, the lucky recipient of Dr. Nordwall's 10 RM. had to do was to send the boy to his creditor, B; but B did not get the cash either. He had to tell the boy to whom he owed money, and thus the 10 RM came to C, who sent it to D, and so on, down the line. In the late afternoon the boy had to trust his last "customer" with the bill, after he received the promise to have it handed back to him the next morning. He then got a receipt stating that he had actually left the money. With this receipt he could go to the last but one, proving that his debt was paid, getting this man's receipt for the previous customer. Thus he finally returned to the first, having cancelled, perhaps 120.-Reichsmarks of debt, getting a small commission from

²⁵ Sponsored by the "Threefold Commonwealth League," 318 W. 56 St., New York City. The scrip (1931 - 1932) was usable by members of this organization at the League Farm, Workshop, Laundry, Restaurant and Rooming and Apartment Houses.

each debtor for this debt-cancelling service. Instead of a pen penalty for hoarding, the hungry stomach of the messenger boy sped up the circulation of this money. The scheme was actually operating, and perhaps it still is, although I do not know how successfully.

PROSPECTS

From a correspondence with four or five hundred communities in every state of the Union, and from other sources of information,²⁶ I gather that there is now a definite turn toward the Woergl or dated type of Stamp Scrip.

Dothan, Alabama, a town of 16,000 inhabitants, has issued Stamp Scrip of the dated type.

St. Paul, a city of over a quarter of a million inhabitants, has decided (as soon as it can get the authority required by law from the Minnesota legislature), to issue \$100,000 of Stamp Scrip of the dated type.

Over a hundred other municipalities²⁷ including a fair proportion of large cities, are seriously considering the issue of Stamp Scrip of the dated type.

In Kansas, a bill is pending in the State Legislature which, if passed, will authorize localities to use scrip and will insure uniformity in the issues (although not of the dated type, unless an amendment can be secured).

In the state of Iowa, a bill has been passed authorizing the State itself to issue the scrip and to distribute it among cities and counties. (Here, too, the scrip will be the undated type unless the proposed law be amended.)

Seven or more other state governments are seriously considering scrip projects.

On February 17, 1933, Senator John H. Bankhead of Alabama introduced a bill into Congress for the purpose of authorizing the Federal Government to issue a dated Stamp Scrip that shall operate as legal tender during the limited period of the issue²⁸ Senator Bankhead's plan is that this emergency issue be injected into the national circulation, partly through the regular expenditures of the Federal Government, partly through the expenditures of the state governments among which certain shares of the scrip issue would be apportioned, and partly through localities among which the states would further sub-divide the issue.

²⁶ I should be grateful for any further information from the reader.

²⁷ Or influential elements within them.

²⁸ See appendix for copy of this bill.

Before considering the national aspect, which this proposal opens up, let us see further how the local application must still be achieved, whether the Federal Government shall spread the scrip or whether the full responsibility shall continue to rest on the localities.

VI. A STAMP SCRIP MANUAL FOR LOCALITIES

THE OFFICIAL SPONSOR

STAMP SCRIP can very appropriately be sponsored by private organizations, such as exchanges and chambers of commerce; but my belief is that municipal governments, generally speaking, are in the best position to execute a local plan, because a municipality has the best chance of enlisting the support of every element in the community.

CHIEF RESPONSIBILITY: A PRIVATE COMMITTEE

It is more than likely, however, that the municipality may derive its first impulse from a committee of private citizens; and if there be such a committee, it should not rest after enlisting the authorities, but travel with them.

LESSONS FROM THE RECORD

Both the committee and the town authorities should first know their scrip-lesson. Let us here assemble the points which may be gathered from the few cases now on record.

First. The end depends upon the beginning; and the beginning, in this case is a matter of

- (a) interesting enough people of enough different kinds.
- (b) educating them enough.
- (c) enthusing them enough.

Second. The Woergl type of Stamp Scrip (the dated type) is far superior to the Hawarden type, in which the stamps go as you please,

Because:

(a) The dates insure the cooperation of those who use the scrip by enlisting their self-interest. It is to the interest of the passer of a scrip-certificate to see that it passes, lest some day it costs him a dollar to pass a dollar. It is to the interest of the recipient to check up on the passer and see that the scrip has been duly stamped. Thus, both passer and recipient improve their scrip-education by daily practice, and the recipient serves the city as a scrip-watchman.

(b) The dated type moves faster; and the faster it moves, the smaller the amount of it that you have to issue and guarantee.

(c) It is more convenient to have the redemption all at one time than straggling.

Third. Redemption should be permissible at any time; but in order to prevent the privilege from being too often exercised by the more timid souls, it should (as in Woergl) be made more costly than the next transfer of the scrip. For instance, it might be provided (and stated on the face of the scrip) that to redeem the certificate prematurely one must, besides affixing the neat stamp to advance, also take a discount of 2 to 4 per cent.

Fourth. To prevent petty disputes across counters, there might be means of making change in scrip denominations of less than \$1.00 - 50 cents being perhaps the lowest. Also there might be a requirement that when a dollar denomination is passed for less than a dollar's worth of goods, the purchaser shall provide the tradesman with the next stamp in advance. Also it might be provided that where a dollar denomination is offered for less than a dollar's worth of goods, the tradesman may have the privilege (as in Knoxville) of keeping the balance, and issuing credit for it on the next purchase by the same customer.

All these provisions might be printed on the face of the Scrip; but probably it will be sufficient to have most of them merely included in a prospectus referred to in the general agreement signed by the chief elements of the population as a preliminary to the issue of the scrip. The scrip might, in turn, refer to this agreement.

SURVEY OF THE FIELD

In what ways can Scrip be Issued?

- (1) Some can be put at the disposal of the city's Welfare Department.
- (2) The city can hire otherwise jobless men with it (on worth-while projects only).
- (3) The city pay roll can use a portion.
- (4) The pay rolls of large private establishments also can do so.
- (5) If city work is to be let out to contractors, the city can offer a subsidy to the lowest bidder - that is, to the bidder who asks the lowest subsidy; no subsidy to exceed 30 per cent of the contractor's expenditures. Payment to be only on completion of the job and on proof of the expenditures. (This is the anti-depression plan of Col. Malcolm C. Rorty as it would apply to Stamp Scrip.)
- (6) Loans on balance sheet could be made to any business whose assets are sound, but not liquid enough to obtain banking accommodations.

(7) In the case of failed banks, the city could buy some portion of the depositors' frozen deposits, thus enabling currency to get into circulation in advance of the actual distribution of the bank's assets. Scrip could also be used to compensate the depositors for part of their losses.

How Much Scrip Can be Absorbed?

We have the following data:

In America, the turnover of money (credit currency - we have no figures for other money) is, in normal times, about once a fortnight. But this is a national average. It varies according to the nature of the locality, being slow in sparse settlements and fast in crowded ones.²⁹

In a depression, this turnover is reduced by 50 or 60 per cent.

Scrip turnover in Russell, Kansas (undated type), was once every three days.

Scrip turnover in Rock Rapids, Iowa (undated type) was once every four days.³⁰

Scrip turnover in Woerl (dated type) was estimated at 20 times a month; but what had been the Woerl turnover for conventional money, I am not informed.

As to the distribution of the scrip after it is in circulation, we learn from Russell (a town of 2000 inhabitants) that the sale of stamps was distributed, as follows:

Labor and general population 51 per cent

Retailers 49 per cent

How far these figures represent the relative turnovers of the corresponding classes in your own locality can probably be more or less roughly ascertained from the Census of Retail Distribution by Cities and Counties which may be available through the local Chamber of Commerce.

For some localities the claim is made that large retail establishments, like department stores, do two-thirds of the retail business. As to your own locality, local authorities will probably have some guess about these proportions.

Let us construct a case based on the above supposed data.³¹ You have surveyed the uses, and you arrive at a possible issue of \$10,000; but the figure is tentative.

²⁹ See my Purchasing Power of Money, pp. 87 and 315.

³⁰ These figures are rather unexpectedly good for the undated type - other instances seem to indicate a poor turnover.

³¹ These calculations are those of Mr. C. T. Southwick made for the Welfare Service Corp. of New York City.

You expect this \$10,000 to turnover say 20 times a month. This means \$200,000 a month or (roughly) \$7500 a day.

Of this daily \$7500, 48 per cent is handled by the retailers - that is, \$3600. The small retailer who handles but a few dollars a day may be trusted to dispose of his intake for home uses and in the purchase of supplies and the payment of wages.

So we arrive at the case of the large establishments such as department stores and chain stores. These may handle two-thirds of the \$3600 or \$2400. But many of their purchases are made out of town where the town scrip will not circulate; so they will probably have some of it left over every night, for the bank; - to be on the safe side, say the entire \$2400.

The bank, therefore, becomes important as a clearing house for the scrip of the larger retailers. Can the bank dispose of \$2400 of scrip every day?

If not, the proposed issue should be changed accordingly. But first, to facilitate the banks in reissuing the scrip, all who have pay roll demands, including the town, might be induced to re-arrange their pay roll clays through the six days available, so as to even up the daily demands on the bank.

If too much scrip has been issued there is no reason for alarm. Follow the Woergl example, and keep your excess with the issuing body - in other words re-issue only as much as can comfortably be absorbed by your community. Forcing excessive amounts into circulation would tend to lessen its purchasing power as compared with ordinary dollars. For rural districts, where the speed of circulation cannot be expected to equal that of a fairly populous town, the two per cent weekly "stamp tax" recommended in this text might well be deemed excessive. In such cases, a figure might be adopted more appropriate to such special conditions. For instance, to the Canadian Prairie States, I have recommended two per cent bi-weekly. In such case, the issue would naturally run for a considerably longer period - two years or even four.

Have At Least One Bank

To win the cooperation of the banks (one will do to start with)

(1) It should be provided that anyone making a deposit of scrip in the bank must pay for the stamp next due, or, what amounts to the same thing, be debited for that amount. This may be considered a service charge to be pocketed by the bank if the scrip is passed on by them before the next Wednesday.

(2) For premature redemption, the bank should receive, in addition to the foregoing, a penalty of 2 to 4 per cent and should reissue the scrip.

(3) The bank should be free to discriminate, in this matter, in favor of large depositors and of their own customers - that is, to charge a lower rate for a larger volume.

(4) The bank should hold the redemption fund and perhaps charge interest on it. The rate, however, should be low since the guaranty fund will involve little more than bookkeeping. Moreover, the bank should remember that it will share in the increased prosperity brought about by a well administered Stamp Scrip plan. Anything that stimulates business will stimulate business borrowing.

As to the convenience of the general population, it is to be noted that the larger the population, the greater is the sub-division of functions per capita; so that the danger of clogging up certain classes of the community with surplus scrip is reduced, not merely in proportion, but per capita. That is, a larger town can absorb not merely more scrip, but more of it per capita.

Perhaps it is better not to be too laborious over the actual figures; the main point is to begin with not too large an issue; and then prepare some agency for watching its subsequent behavior for whatever lessons may be learned.³²

After the estimates are made, you should plan to inject the scrip into the circulation at all points as nearly simultaneously as possible, so that all of it will be in circulation within one week of the first launching.

SELLING THE IDEA

The Key Men - The Public

It is all right to do a little selling of the idea as you go along; but the concentration would naturally be first on the "prospectus" and second on the selling.

The experience of Woerl shows that it is not necessary to sign up everybody. If some of the more important business houses accept the scrip, the rest will have to follow suit for reasons of competition. As some of the leading citizens accept and use the scrip, the others will follow automatically and soon everybody will accept it and pass it on, even though they did not pledge themselves to do so, because everybody else does. The first few weeks are the hardest, and therefore need careful preparation. As the Mayor of Woerl says, "some soft pressure from above" might prove helpful.

³² I wish to collect all possible data on the operation of stamp scrip and shall appreciate any information. Mr. Hans R. L. Cahrssen, I understand, intends to compile this material and publish it regularly in form of a bulletin.

Sell the key men first. and then the public. Begin on the more accessible key men and use their names for prestige as you approach the less accessible.

You cannot explain the plan without a form of scrip for demonstrations (marked "sample" so as to preclude any future attempt to pass it). Also very large forms should be prepared for store windows and other exhibition points. These specimens should be complete to the last detail, including the stamp spaces and the stamps.

A form of the prospectus and the sign-up (and of the petition to the city council if that method is to be used) should be presented. Forms for all these are given in the appendix.

With the key men, the general exposition comes first. It is vain to show the advantages of scrip before the mechanism is made abundantly clear, as in Chapter III of this hook.

SPECIAL SELLING POINTS

The City as a Community

(1) The scrip will tend to keep business at home where the scrip circulates (purely a self-interest argument).

(2) New business will be created.

(3) New buying power will reach the citizens through the scrip without being taken from them by a burdensome tax to pay for the scrip.

(4) The citizens as a community will buy themselves new public improvements and pay for these out of new business.

City Finances

(1) A new sum equal to the scrip issue will be added to the city treasury.

(2) This will bring much needed relief to the city finances.

(3) For instance, the budget may be balanced.

Taxation

(1) The stamp sales are the equivalent of a tax paid by the citizens out of new business created by that "tax."

(2) An equal amount of taxation of a burdensome kind will thereby be made unnecessary.

(3) The collection of this quasi-tax will be taken care of by the citizens themselves.

(4) Back taxes will be easier to collect out of the new business.

Local Welfare Work

(1) Some of the projects for which the scrip is to be initially spent will relieve want and unemployment.

(2) The jobs involved will not have the demoralizing effect of charity.

(3) Neither will they be useless jobs merely invented to conceal charity.

(4) The scrip, by stimulating business, will make the forms of re-employment more and more a matter of normal, private enterprise.

EDUCATING THE PUBLIC

If possible, use a professional publicity man.

There should be news items, editorials and posters.

Perhaps, in this part of the work, the local applications of Stamp Scrip should be put first (before any general exposition like Chapter III), since the public wants news. Pictures, by word and cartoon, could be represented-pictures of destitution, of run-down streets, of idle machines, and "Stamp Scrip will stop this! Why? Because . . . etc. . . . Stamp Scrip will stop this! Why? Because . . . etc., etc. . . ."

Then your exposition.

By way of further exposition, literature could be left on counters, lodge tables, hotel desks: "Stamp Scrip - Stamp Out the Depression Locally. TAKE ONE" In the same locations there might be specimens of scrip marked "SAMPLE - TAKE ONE."

DRIVES AND PRIZES

Special drives might follow, among special classes: labor drives conducted by labor men - merchant drives by merchants, and so on, including Chambers of Commerce. The organized efforts of boy scouts and girl scouts may perhaps be enlisted to advantage.

Sign-up agents could be planted near the aforesaid counters, lodge tables and hotel desks, etc.

Prizes could be offered to sign-up agents for signatures from selected lists.

Prizes could be offered for posters, slogans and school essays.

The prize slogan should be put on the scrip.

AFTER STARTING

If the town is rich enough, have the scrip printed by a bank-note company to make forgery difficult. Have a sufficient supply of bills and stamps on hand for replacements. Put up on walls greatly enlarged replicas of the scrip in actual use, with a brief, large-print instruction sheet. (A form of instruction sheet will be found in the appendix.) Leave instruction sheets, including a cut of the scrip, on counters, lodge tables and hotel desks, marked "Take One."

Urge each person to use his scrip in as many different ways as possible and, in passing it on, to divide it among as many different people as possible, in as many different lines as possible - this, to avoid clogging.

Don't relax too soon after the scrip is in operation. Take note of all criticisms and if the critic is wrong, vouchsafe further instruction - if right, try to profit by the lesson. If he stumps you, I would like to know the difficulty.

In the next chapter, I suggest answers to some of the objections commonly brought out by the first propounding of Stamp Scrip. They are theoretical objections. Objections based on real experience with Stamp Scrip are largely based on experience with the undated form, or based on an illmanaged, or half-hearted, or insufficiently prepared plan of Stamp Scrip. Yet the most troublesome objections, thus far, are the initial theoretical ones, based on total inexperience. The only complete answer is, of course, a clear and connected exposition to start with, and this I have tried to supply in the foregoing chapters. Nevertheless, specific answers are desirable, too.

Answers must be softly delivered, if what you want is to win your man; and if, in the next chapter, I have supplied some answers that read like retorts, it is for the sake of a bird's-eye brevity, and for your convenience, in the course of good-natured discussions with open-minded prospects.

VII. TO ANSWER YOUR CRITICS

CRITIC: Not being legal tender, Stamp Scrip will not circulate.

ANSWER: This is an academic remark, for Stamp Scrip does circulate already.

CRITIC: Very well, it is an attack on the gold standard.

ANSWER: How? The scrip is redeemable in any form of legal tender. It is not even permanent - it is a temporary, emergency issue, small in amount and short in duration.

CRITIC: Banks will not take it on deposit because they can't afford thereafter to go on affixing stamps.

ANSWER: It is an entire misconception to suppose that a so-called deposit stays in the bank. Banks pay out money as fast as they take it in. If we relieve them of the next stamp and add a service charge, that is enough. Experience shows that banks profit not only from the service charge but from increased business.

CRITIC: If the bank isn't hurt, the user is. Any money costing the user a stamp and a service charge at the bank is a cheat.

ANSWER: What you call a cheat is a tax (or a quasi-tax) on new business - and the stamp made the business; without the stamp we wouldn't have the business.

CRITIC: The Stamp Tax is a sales tax in sheep's clothing. We all hate sales taxes.

ANSWER: Call it any name you like; it comes out of new business and it gave us that business - without it we wouldn't have that business.

CRITIC: Two per cent a week is too high.

ANSWER: Not if it comes out of new business. Besides, it's two per cent divided among many transactions.

CRITIC: Scrip can't be saved - therefore it will encourage reckless spending.

ANSWER: You are mistaken. You can spend it or invest it or put it in the bank. The point is: You must do one of these things. You just can't hoard it, that's all.

CRITIC: But we can't afford to supplant real money.

ANSWER: Scrip supplements rather than supplants. It is an emergency supply to relieve scarcity till other money condescends to rejoin the service.

CRITIC: By Gresham's law "bad money always drives out good money." If scrip displaces real money, that proves it is bad money.

ANSWER: No! When Gresham's law is so stated it is misstated, except as applying to a period of inflation. When, the money supposedly in circulation doesn't circulate any money which drives it out and really circulates in its place is not "bad money" but "good money."

VIII. BEYOND THE CITY HORIZON

THE country as a whole is suffering not only from a reduced volume of business but also from a reduced price level on which that volume is transacted. Stamp Scrip has already proved that, in any or all localities, it can increase the volume of business; but, if confined to localities, it cannot raise the price level; for if prices try to go up in a locality, buyers will promptly forsake that locality. An increased volume of business at the same low price level is, of course, good as far as it goes; but the lowered price level is really the crux of the depression; and it cannot be budged till the new buying (through the new means of buying) is nation-wide.

There should, therefore, be a nation-wide application of Stamp Scrip - still in quantities as small, proportionately to the size of the nation, as it is in the localities now using it; and still to function only as an emergency supply-substituting for other circulation which has deserted-withdrawing when the deserter returns to the service.

Those private barter exchanges which are considering a hook-up of such exchanges all over the country could effect their purpose far more easily by the use of a uniform method of Stamp Scrip, than by any scheme of miscellaneous bartering agencies and methods.(1) I go further into this question in an appendix especially designed for the consideration of those who are now sponsoring the barter movement.

I hope, too, that the states and the United States will embrace the scrip movement and thereby reduce it to uniformity. These larger governmental units can also, through their own "personal" use of the scrip, get some of the more limited advantages which first interested the small localities. For (just like the towns), the states and the United States have public works; they have payrolls; they have budgets; they have tax problems; - and the national tax problem is one of the obstacles to recovery, depleting the buying power of the consumer in order to balance the budget.

But it is chiefly in order to jet the scrip spread over a maximum territory in the minimum time that the states and the nation should intervene; so that not merely local volumes of trade may grow, but the country's price level rise. Otherwise, we must wait for this movement to spread by the slow process of town-to-town contagion. I, for one, intend to do all I can to foster that contagion; but each state might well monopolize Stamp Scrip and offer some of it to each town in the state as a bonus with each apportionment of Uncle Sam's largesse under the Reconstruction Finance Corporation - provided the town will get the necessary local pledges and also attend to putting the scrip into the local circulation and to selling the stamps locally.

Or better still, Uncle Sum himself should offer to help each state to help its towns in accordance with Senator Bankhead's and Congressman Pettengill's excellent plan.(2) The great goal now is an elevation of the price level.

CRITIC: Now you're talking inflation.

ANSWER: Not inflation but reflation.

CRITIC: What is reflation?

Reflation may be defined as that degree of controlled inflation which is needed to compensate for recent, fast, and big deflation. Reflation is not inflation starting from the threshold and aiming at the sky - it is inflation starting at the bottom of the pit and aiming back at the threshold. It is a corrective process, like the turns of the steering wheel that keep you on the road. Most of the historic cases of inflation, however, have not been corrective - they have started at the threshold and aimed at the sky. They have been "get-rich-quick" devices and have made depressions instead of curing them. Nobody has pitched into such inflations more hotly than the present writer. (3) Nevertheless, it is pitiful how people are enslaved by words that have solve bad associations. If you call anything any kind of "flation," some people will see "get-rich-quick" written all over it, because they don't stop to think that a thing may be good or bad according to where it starts - and aims.

But I would like to review briefly the series of remedies applied up to now to overcome the depression, so as to see just where Stamp Scrip comes into the scheme of things.

Mr. Hoover's relief program was very promisingly based both on debt scaling and monetary reflation; and the reflation was (as it should be) the chief item.

IX. PRIMING THE PUMP

MY GRANDMOTHERS PUMP

AT my grandmother's country house, fifty and more years ago, you quenched your thirst at the spout of an oldfashioned wooden pump. To compel this huge creature to pour out its crystal treasure was no easy task for a small boy. It always involved a preliminary period of exercising the lofty handle, and sometimes quite without results, until an older person pointed out a bucket which stood near with a small side-supply of water. It was kept on hand for just such emergencies. Then the small boy would run to the side-supply scoop up a dipperful, climb upon any convenient object and empty the clipper into the open top of the pump. When he returned to his exertions they were no longer in vain. One scoop of side-supply had connected the big subterranean supply with the means of jerking it out of hiding. The strategy was called "priming the pump." This done, there was no further use for the side-supply.

Such is the office of Stamp Scrip - to prime the pump, which has thus far been unable to connect the great supply of credit currency with the thirsty world. The small scoop of water is the customer walking with his stamp scrip. To affect not merely local production but the country's pricelevel however, Stamp Scrip must be applied all over the country. Then it will retire automatically - a result already provided for in its terms - it will retire by not being renewed.

SENATOR BANKHEAD TRIES TO CATCH UP WITH SWEDEN

Reflation and stabilization are worked on the same principles - chiefly credit control; but reflation is a more radical application. Sweden did not try to reflate, but her stabilization has kept her price level steady since September 1931, while America's price level, since that same date, has kept foundering worse and worse. Yet many of us (ignorant, I fear, of Sweden's case) are still denouncing all reflationary principles as too radical. Evidently we need some reflationary force more radical than Sweden applied. But not without safeguards.

Even Sweden has a safeguard. Indeed, the safeguard is an integral part of the whole reflation-stabilization method. The safeguard consists of the average price of all commodities, the index number of prices. This index number and the level to which we want to raise and maintain our American price level are duly provided for in Senator Bankhead's proposed legislation. His goal for the price level is four-fifths of the price level of 1926. This, in the Senator's opinion, will give to both debtors and creditors a practical average of justice, and will restore the rank and file of business debtors to a degree of activity. At that precise point (four-fifths of the price level of 1926) Stamp Scrip is to retire. Thus, instead of threatening us with uncontrolled inflation, Stamp Scrip would improve the control by enabling it to operate faster.

There are also some of us who believe Stamp Scrip to be more than a temporary auxiliary currency for the present emergency, believing that (if its volume and stamp intervals were regulated according to varying conditions) it would be the best regulator of monetary speed, which is the most baffling factor in stabilizing the price level.

I close this little volume with a report of some of the goodnatured and open-minded give-and-take which occurred between Senator Bankhead and his colleagues when he introduced his and Congressman Pettengill's proposed stamp scrip legislation.³³ I quote here:

"MR. BANKHEAD. Mr. President, the Bible says, 'The love of money is the root of all evil.' I think that statement may safely be paraphrased at this time by saying that a lack of money is the cause of most of our present troubles. We hear at all times nowadays discussion of the money question. We know the very great and difficult problems that are confronting our country, growing out of our situation with reference to money. Bank credits since 1929 have contracted in the neighborhood of \$13,000,000,000, and are daily growing smaller and smaller. Nearly every day information comes to us about the condition of banks in the various sections of the country. It is not my purpose, Mr. President, to make any statement here that will tend in any way to aggravate the situation or to increase the state of alarm that so widely exists throughout the country, but we do know, without going into detail, the money condition in this country.

"We have now a theoretical circulation of as much as or more money outstanding from the Treasury than we had in 1929; but Mr. President, we are confronted with the unfortunate situation that \$300,000,000 of that circulation, as estimated by the Federal Reserve Board, is in foreign countries; that \$100,000,000 of it has been lost; and that more than \$2,000,000,000, in my opinion, is being hoarded; so that we are really without a sufficient circulating medium in actual use.

"So far as the hoarded money is concerned, it might as well be idle in the vaults of the Treasury and not be outstanding We shall either have to take some positive, affirmative action on that subject, or decide that we will go through the painful, distressing, heart-breaking process of complete liquidation in this country.

"If we are going to liquidate, why not let liquidation go on now and take its regular course? If we are going to let the farmers lose their farms, if we are going to let the town people lose their homes, if we are going to let bank after bank continue to fail, if liquidation is to be the ultimate result, why not abolish the Reconstruction Finance Corporation? Why not quit pouring money into various institutions like pouring water into a rat hole? Why further involve the credit of the nation and

³³ Senator Bankhead's proposed legislation will be found in the Appendix, also Congressman Pettengill's speech in the House of Representatives.

further burden the taxpayers of this country if it is merely to be used as a braking process to let the liquidation take place slower and slower?

"Mr. President, if there is to be liquidation, I want to point out to the gentlemen who are coming here and telling us to balance the Budget and to save the old standard - and I favor both if it is possible to do so - that if liquidation goes to its ultimate end, not only will the farmers and the small business men in this country be liquidated, but inevitably the cities, the States, the counties, and the Government itself will be liquidated; and the time will come when it will be impossible to collect enough taxes from the taxpayers of this country, after having lost their property, to pay the interest or the sinking fund upon the bonds of our cities, counties, States, and the United States.

"That is exactly what we are heading for, unless, through some intervention, through some plan or measure which might be devised by Congress or by some international action, there comes about a restoration of business, an increase in commodity prices, a renewal of the employment of those now upon the unemployed list

"Mr. SHIPSTEAD. The Senator, of course, is aware of the fact that what he is now saying is blasphemy to the worshippers of the golden calf.

"MR. BANKEAD. Yes, I think the Senator realizes that, from the way I have talked.

"It is not my purpose, however, to assail the gold standard. I hope it may be maintained. I hope that consistently with humanity it may be maintained; but, Mr. President, I am more concerned in saving our social fabric. I am more concerned in saving our representative form of government. I am more concerned in preserving respect for the law and obedience to the law. I am more concerned in avoiding resistance by force to our Government than I am in maintaining a standard which, since it first was used, has acted like a drunken man. It has staggered, it has stumbled, it has fallen from time to time, and has proven itself to be, instead of a measure of value, nothing but a . . . [measure] of weight. But . . . the gold standard is not involved here

"Mr. President, I have heard the statement made frequently that the trouble is not the lack of a sufficient circulating currency It is said that the trouble is a lack of velocity in circulation of the currency, and that is true. Nobody doubts that there is a paralysis in the matter of circulation. The velocity has almost disappeared. It is contended that that lack of velocity in the circulation of money is the main trouble. Then I point out to those interested in the subject that, if that is the sore spot in our present currency system, here is a plan which would absolutely remove and eliminate that objection and that difficulty.

"I am proposing the issuance of money which, when it gets into circulation, amounting to a billion dollars, will turn over two or three times every week, and pass from hand to hand in the purchase of goods, in the payment of debts, in the pay of taxes, in the payment of pay rolls, in the payment for public works It may turn over five or more times a week

"MR. REYNOLDS,. . . How are we to compel John Jones to accept, as Payment of a \$500 debt, that which I have purchased for only \$10?

"MR. BANKHEAD. The Senator will not have gotten it for \$10.

"MR. REYNOLDS. I paid 2 cents for each of the stamps.

"MR. BANKHEAD. But the Senator paid to get the money, besides the stamps.

"MR. REYNOLDS. What, in addition?

"MR. BANKHEAD. How did the Senator get the money?

"MR. REYNOLDS. As I understand it, under the Senator's measure I secure these money certificates at the post office.

"MR. BANKHEAD. No. That is where the Senator is in error

"MR. REYNOLDS. I should like to have the Senator advise me.

"MR. BANKHEAD. The plan contemplates the use of half of this money and its distribution, for emergency unemployment relief, for giving employment in any form of public works that are available, in the purchase of goods, food, clothing, and other necessary supplies. In other words, half of it is to go out in distribution through exactly the same channels, for exactly the same purposes, through exactly the same agencies, as provided in the Costigan-La Follette bill for the distribution of the \$500,000,000 provided in that measure.

"The other half is to be made available to the governors of the respective States on the basis of population, the allotment of a State to be turned over to the governor upon his application for use by him, either by allotment to counties or municipalities for public works construction, such as roads, sewerage, and matters of that kind, or for distribution otherwise as provided in the Costigan-La Follette bill, the object all the way through being, of course, that the money is to be used as far as possible to give employment, so that it can be earned as payment for services rendered.

"Therefore if my friend the Senator from North Carolina had 500 of these bills, it would have been necessary for him to have acquired them, as he is not upon the unemployment list - and I know he is employed (dealing with office hunters from

his home). If he were on the unemployed list, he would not have as many as 500 dollar bills, and whatever number he did have, he would get them in a legitimate way, and not primarily as a gift. But when they pass on out through this unemployment relief program, when they get into the hands either of the merchants who sell supplies to the unemployed, or when they get into the hands of laborers who do work upon public-works programs which are contemplated here, into whosoever hands they get, they will then go to the stores in the purchase of goods, they will go from the merchant to the jobber, from the jobber to the wholesaler, from the wholesaler to the manufacturer, and the manufacturer will buy raw materials

"The plan is intended solely to operate to check in some way the constant decline of prices and contraction of credit, to serve, if you please, as a temporary self-liquidating plan, and not as a permanent plan in our currency system. If it has any benefit, if it furnishes a medium of circulation for the purchase of the necessities of life and for the payment of debts, then I submit it is reasonable to assume that a new confidence will be established. If prices are stopped in their constant decline and perhaps started upward, people will main begin to buy with the money that they have, because we all know they postpone purchases so long as it looks like prices may continue to decline

"MR. VANDENBERG. I have studied most sympathetically the entire proposition for some time and I have come to the conclusion that it is thoroughly practical, for instance, within a municipal unit on the basis of municipal offices and dealing with municipal pay rolls, and so forth

"MR. REYNOLDS. Let us assume . . . that with . . . 500 certificates in my hand, 26 stamps being affixed to each one, I am not indebted to a single soul on earth; what am I going to do with those certificates?

"MR. BANKHEAD. I will say, in the first place, that if the Senator is so fortunate as that, he could well afford to lose them, but he would be in a lonesome company. [Laughter] However, the Senator could buy something with them.

"MR. REYNOLDS. But suppose I am not desirous of making any purchases?

"MR. BANKHEAD Well, does not the Senator eat?

"MR. REYNOLDS. Very seldom. [Laughter]

"MR. BANKHEAD. Well, if the Senator is that kind of an animal, I cannot place him. [Laughter]

"MR. REYNOLDS. Mr. President, I am interested in the Senator's proposal, and I am directing these inquiries to him because I want to be fully advised in regard to the matter. I think the suggestion has a great deal of merit, to be perfectly frank -

"MR. BANKHEAD. In that spirit I will be glad to answer any question which the Senator may submit

"MR. REYNOLDS. I grant that the certificates would have served a very meritorious cause by reason of the fact that there would have been paid an indebtedness of \$500 twenty-six different times. That is true, is it not?

"MR. BANKHEAD. Yes; and I am glad the Senator brought out that point

"MR. REYNOLDS. I wish to say that I think in the Senator's plan there is a great deal of merit, and I want to repeat that I am directing these inquiries to him because I am initially interested in his plan."

In the course of the foregoing discussion, Senator Bankhead made some kind allusions (here omitted) to the author of the present little book. I should like, therefore, to take the liberty of answering one of the difficulties which were raised by the Senator's colleagues: At any time before the expiration of the scrip, the holder who can think of nothing to buy with it is entirely free to seek the investment market or the bank. There are hundreds of ways for continuing the circulation of the stamp currency.

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 affixed, 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 similar 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 space 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 certificates.

(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.³⁴

³⁴ The above extracts are from the amendments offered by Senator Bankhead to the Costigan-LaFollette unemployment relief bill (S.5125) considered but not passed by the last (72nd) congress. Afterwards these amendments with some changes and additions were made into a separate bill (S. 5674 which was identical with Congressman Pettengill's bill H. R. 14757). Still later, in the present (73rd) congress, Senator Bankhead reintroduced this bill as S. 242. As finally drawn the bill aims to use the stamp feature not only for emergency relief but also for stabilization purposes. Congressman Pettengill's speech on his bill is referred to in the appendix.

II. STAMP SCRIP AND BARTER EXCHANGES

The general advantages of scrip are explained in the text. Here I consider its advantages for achieving the proposed country-wide hook-up of barter exchanges.

I. Getting Organized

Instead of the rather intricate job of organizing a complete set of systems within the country-wide system, the Exchange's work will concentrate on issuing Stamp Scrip,

and doing the necessary publicity work to get it accepted, which simply means getting it started. Once started, it will keep going without much further attention. Local and mutual exchanges will receive all literature and material for a "campaign" and will act as sub-agents in grant loans or making payments to its members in Stamp Scrip.

II. Getting Spread

Being redeemable in legal tender, the scrip will more readily enlist outsiders not specifically enrolled in the exchange. It automatically enforces the steady and active cooperation of all, and particularly of the unemployed who receive it as relief. They must circulate it, and in many cases will do pioneer work to get it accepted. Thus, because the needs of the individuals are so varied, the scrip will spread over a great area, and this will automatically eliminate the necessity of setting up special rosters of trades and professions.

This self-perpetuating action of the dated type is quite different from that of ordinary scrip money which would tend to circulate only within smaller circles.

III. Getting Financed

Each store accepting and circulating Stamp Scrip would automatically become a contributing member of the "exchange". It would help to circulate the scrip and would contribute to the expense of the hook-up by affixing stamps. Financing and operating new manufacturing units is also done more quickly and more easily with Stamp Scrip, as its use provides for a market. All stores and jobbers accepting scrip will purchase their goods from the factories where they can use it for payments.

One of the main advantages is that the initial capital need, be only a very small sum and most of it does not even have to be paid out, but can remain in a bank on deposit against any premature redemption requests. And as payments for stamps come in, this initial capital might successively be paid back to the lenders who helped start the hook-up.

IV. Simpler Accounting

There will be no need for special accounting between "outsiders" and "insiders" of the exchange. Whoever uses Stamp Scrip becomes thereby an "insider." It also thus makes unnecessary the recording of member-needs and member services available. The balance among these will be established almost automatically, as in ordinary trade in normal times.

V. Middleman Not Restored

The benefits of using a "system within the system" in eliminating the profit taker are not lost. (Fair wages, material and costs of distribution will, of course, have to be paid for in any case.)

VI. More Like Modern Life

Barter is primitive. With scrip you feel less primitive, hence less reactionary, hence less discouraged. And that counts.

III. SUGGESTED FORMS

Prospectus

Adopted from form used by Mr. H. C. Parmelee, Fort Smith, Ark.

The Stamp Scrip Plan

Stamp Scrip is originated and put into practise for the purpose of providing unemployment relief, and to stimulate trade. As a new, painless tax paid from new, additional profits it affords a means of relief from other forms of taxing for unemployment relief purposes, and distributes such tax payments over a wider area.

The Stamp Scrip plan is put in effect as a number of people-grocery stores, dry-goods stores, clothing stores, butcher shops, hardware stores, mechanics, garages, bakeries, doctors, lawyers, dentists, beauty parlors, real-estate owners, farmers, plumbers, laborers, lumber-yards, etc. - mutually agree that they will accept this substitute for legal tender in all the trades they are able to make among themselves.

Stamp Scrip will resemble an ordinary bank bill. It will have the denomination stamped on its face. On the back of the bill, however, will appear 52 small squares.

Each square will have a date on the inside. These dates will be for some particular day of the week (say Wednesday) for 52 weeks of the year.

Suppose you were to receive one of these new dollars on Thursday. By reason of the agreement already made, you could spend this dollar for anything you needed with any of the dozens of people previously mentioned. It would pass for a full dollar on every day up until the following Wednesday, which is, let us say, February 8th.

On that day you must purchase from the central office, or elsewhere where offered for sale, a special stamp put out by the central office. For this stamp you must pay 2 cents in legal tender. If you do not this, the next man need not accept your scrip dollar for more than 98 cents.

Whoever holds the scrip dollar on Wednesday must put on of these special 2-cent stamps. When it has circulated for the 52 weeks of the year, the central office has collected \$1.04 in legal tender money.

This money has been kept in a special fund. Now the man who receives the dollar with 51 stamps on it may place a 2-cent stamp in the last square, take it to the central office and receive a legal tender dollar in place of it.

Thus it is self-redeeming because as it travels from week to week, it accumulates each week 2-cents which, multiplied by the weeks of the year, will provide 100 cents in legal tender money to take it up - with 4 cents left over.

This 2% tax is not a 2% sales tax. The stamp needs to be put on but once a week. During the week the dollar may enable 10 or 20 transactions to take place. The tax for that week would be only 2 cents divided by the number of times it changed hands.

You cannot hold the Stamp Scrip bill, unless you pay 2 cents each week. The 2-cent stamp is a 2% tax on hoarding. It will be the tendency to get rid of the dollar and let the other fellow put on the tax.

This will help to speed business up. It makes things move very briskly. In ordinary times legal tender money turns over once or every two weeks. In depressions it turns over much more slowly. Hoarded money doesn't turn over at all. Self redeeming scrip money would doubtless turn over several times each week.

Stamp Scrip may be put into circulation in several different ways:

1. The City may issue it in payment of wages, salaries or materials. It may be used in these ways in lieu of taxes. The citizens by agreeing to accept it, virtually buy it from the city and pay their taxes in small installments at the rate of 2 cents on the dollar each week. The City of Evanston, Ill. is using it in this way. The City of Hawarden, Ia., first introduced it in this manner. Many other cities are so using it.

2. The Stamp Scrip may also be loaned to merchants. They agree to pay their loans at a later date in scrip, without interest. They may use it to pay wages, local bills, etc.

3. Stamp Scrip may also be safely loaned to others, preferably for purposes that would put unemployed people to work and thus place needed purchasing power in their hands.

A building owner might borrow some of the scrip and hire idle carpenters, plumbers, painters and masons to repair a building.

A farmer might borrow some of it with which to have a truck repaired at the garage so that he might haul his crops to the market.

The loans could be safely made to reputable persons, known to pay their debts, without the security required by a bank.

Its effect upon ordinary money is to bring more legal tender money back into circulation. A great deal of legal tender money is being hoarded because people are afraid they can't get more of it. When something that performs all the functions of money begins to get plentiful, people lose their fear and put their legal tender dollars to work.

It also tends to unlock bank credit. The Stamp Scrip is injected into the consuming end of the economic circle. It begins to get action at once. Demand is created. Goods are taken off of shelves - begin to get used up.

Then there is a genuine need for production to start again. The merchant and manufacturer now find the banks bulging with credit, and the banks are eager to loan them credit.

The credit made available by the banks and the Federal Reserve, etc. must start from the producing end. This is a long way from the consumer. The consumer can't get hold of any kind of credit the banks and Federal Reserve control.

The Stamp Scrip plan permits this consumer to get credit - money - which he can get in no other way. Production can't start again until consumption begins to make way for new goods.

FORM OF PETITION

In Hawarden the following petition was circulated among the merchants and presented to the city officials:

"TO THE HONORABLE MAYOR AND CITY COUNCIL OF

Realizing that unemployment seriously affects the community and desirous of trying ways and means of relieving hardships and stagnant conditions, we the undersigned hereby petition the city council to promote local employment plans and use as a mode of payment for same, selfredeeming coupons good only locally, the user to affix a three cent redemption stamp to each, at the time of cashing same for merchandise or services.(2)

WE ALSO AGREE TO USE AND ACCEPT THESE COUPONS IN OUR OWN TRANSACTIONS."

FORM OF PLEDGE

Each of us agrees that for one year from 19..., we will, in our business, receive at face value the "Stamp Scrip" as explained in the "Prospectus A" of and to be issued by and will comply with the rules as set forth in the Stamp Scrip prospectus which includes a replica of the scrip

SAMPLE SLOGANS

"Two Pennies a Week will Provide Dollars a Week for the Unemployed."

"Stamp Your Scrip to Stamp out the Depression."

DIRECTIONS

"HOW TO USE UNEMPLOYMENT RELIEF SCRIP

"This scrip may be used for purchases, payments and other transactions provided it is 'stamped' to date.

Every Wednesday is Stamping Day. A stamp amounting to 2% of the face value of the scrip (1 cent for a 50 cent bill - 2 cent for a \$1 bill, 10 cent for a \$5 bill) has to be pasted on the back of each bill in the space on which the date of that Wednesday is printed.

These stamps may be purchased from the City of or from all stores and other business places which display the sign 'Scrip Accepted - Stamps Sold.'

"Accept scrip like ordinary money, and induce others to accept it. It has been issued to relieve unemployment and suffering among the citizens of

"Use your scrip in as many different ways as possible, and, in passing it on, divide it among as many different people as possible, and in as many different lines as possible.

"Your cooperation in accepting this scrip gives work, food and clothing, and helps to bring back better times."

STAMP YOUR SCRIP TO STAMP OUT THE DEPRESSION

Sample of a poster to be exhibited in the windows of the cooperating store:

UNEMPLOYMENT RELIEF

SCRIP ACCEPTED HERE

-Stamps Sold -

Every Wednesday is Stamping Day

Stamp out the Depression

Further Acknowledgements

I have gotten letters from a great number of people saying that they have independently formulated similar plans. While it is possible that in my overwhelming correspondence on the subject one or the other of these plans have escaped the proper attention, I want to mention the following:

A. H. ARMINGTON
R. S. ASPINWALL
CLYDE BACKUS
EARL S. BARKER
ISIDOR BERMAN
SHERMAN BROWN
COLIN H. BURNELL
RALPH E. COURTNEY
WALTER T. DAY
FRED J. ELLIOTT
DR. HUGO R. FACK
E. S. HAMMOND
L. C. HARDIE
JOSEPH HERBACH
CLAUDE C. HOBSON
O. O. HOBSON
PETER N. JANS
MURRAY KAY
JAMES A. LUKE
WILLIAM ADDIS OSBORNE
CROCKETT OWEN
PAUL WILLER PETERSEN
CLAUDE PRETTYMAN
FREMONT RIDER
J. RICE SCOTT
EUGENE STEBBINS
P. R. STRINGER
CHARLES ZYLSTRA

IV. STAMP SCRIP ADAPTED TO AN EMERGENCY SITUATION IN READING, PENNSYLVANIA

By Hans R. L. Cahrssen

The Chamber of Commerce to issue a certain amount of dated stamp scrip to the city, school board, county, factories and the merchants. For the amount issued to the city, county and school board, the Chamber of Commerce would receive anticipation tax warrants as collateral. Scrip issued to manufactures or others for payrolls must be bought with cash or checks. The scrip is to be issued in denominations of 50 cent and \$1.00, to be stamped three or four weeks after issuing. Perhaps the first stamping will be Wednesday, April 5. The reason for having the scrip circulate without stamping in the beginning is (a) to issue any needed amount as a substitute for money which might not be available at this moment and (b) to get general acceptance of the scrip and gain time to fully prepare the public for the stamping feature through a publicity campaign.

The proceeds from this issue is to be used primarily for poor relief so as to help the unemployment situation, as a relief not only to the poor but the city, county, school board and the taxpayers as well.

The Chamber of Commerce will set up a clearing house service which operates in two ways.

1. Central Clearing House

The Central Clearing House is to take scrip off the hands of local retailers and wholesalers who cannot use it for out-of-town purchases. It passes this scrip on to local manufacturers who pay for it with out-of-town checks or cash which is then given to the local retailers. In the same way, any surplus of scrip is taken off the hands of the banks.

2. Branch Clearing House³⁵

The Reading banks will accept scrip on deposit by merchants and others and pass it on automatically to their customers, rather to those of their customers who have agreed to draw a certain amount of scrip for payrolls. Any surplus the banks will not be able to dispose of immediately goes to the Central Clearing House. For outright redemption in cash asked at the banks by persons who have no regular accounts, the banks are entitled to charge a redemption fee of 4%. Scrip deposits will be carried by the banks on special scrip accounts. After all scrip has been retired from circulation, these accounts will be changed into regular accounts and

³⁵ On account of the emergency directions issued by the Secretary of the Treasury, prohibiting banks to handle scrip, banks were unable to cooperate to that extent. This has been met in Reading by setting up "Scrip Headquarters." See explanation on the following pages.

the bank shall be entitled to charge a special fee for the service rendered. In case the banks should be in no position to cooperate with the scrip transactions they may permit the Chamber of Commerce to establish "scrip windows" in their offices from which the Clearing House Service could be operated. The scrip bills will contain the following information on the front side:

"READING, PENNA. STAMP SCRIP NOTE"

Issued by the Reading Chamber of Commerce to circulate at face value in trade and may be accepted for taxes until further notice by the City of Reading, County of Berks and Reading School District.

Redeemable at face value when fully stamped on back with 52 special "Reading Unemployment Stamps" upon presentation not later than May 5th, 1934.

Stamps for sale at all stores displaying signs.

On the reverse side there will be 52 spaces in which the dates of the 52 consecutive Wednesdays of one year are printed beginning with Wednesday, April 5. On a one-dollar bill, a "2" is printed in each space and on the fifty-cent bill, a "1" is printed. The bills are to be a little larger than the present one-dollar bills.

OPERATING THE PLAN

To begin with there might be a rather large issue in order to satisfy immediate payroll demands. The city, county and school board will soon receive large amounts of this first issue for taxes in arrears, etc. Part of this they will use again for payrolls. Any excess they may receive would be returned to the Clearing House which in turn would give back the same amount of collateral.

Another large portion will go to local retailers who will deposit it at their banks. Through the banks it comes in part to the Central Clearing House, that part goes to the Clearing House which could not immediately be exchanged by the banks into cash received from local manufacturers for payrolls. This excess over the amount which can comfortably be kept in constant circulation within the community will be exchanged by the Clearing House for the (perhaps temporarily frozen) collateral received at the beginning.

Thus any amount which was originally issued in excess of local requirements will be retired automatically.

After "stamping" has started we may expect that the scrip will move at greatly increased velocity as everyone will want to avoid the stamp tax. Besides stimulating business this will also reduce the volume of outstanding scrip considerably. The amount of stamp scrip which can be carried through a period of one year depends entirely upon the cooperation of the community, on the part of

labor to accept it in payrolls, the merchants to accept it for goods and the Clearing House Service to prevent anyone from getting overloaded. It is desirable that public sentiment be aroused in order to carry through a large issue and thus get the greatest possible benefit for the relief of unemployment. It depends, of course, how the national currency situation will develop within the next few weeks or months to determine whether stamp scrip is merely an addition to ordinary currency for stimulation of trade and poor relief, or whether it will constitute the major part of the local circulating medium.

PLEDGES

In order to work the plan successfully pledges should be solicited from the following. (Of course, it will not be necessary to have everyone signed up. It is sufficient to have the leading men in each field; the rest will follow without much thinking or will be forced to follow for reasons of competition.)

1. Labor is to accept scrip in wages. Percentage according to conditions, but not less than 20%.
2. Retail merchants are to accept it at face value in payment for goods.
3. Manufacturers are to pay it to labor to the extent to which the laborer is willing to accept but not less than 20%, and to take it off ,the Clearing House hands regularly.
4. City, County and School Board are to accept it for taxes and use it in payrolls not less than 20%. Municipal employees are to accept it in salaries and wages not less than 20%.
5. Banks are to accept it on deposits as outlined above and are to aid in the Clearing House Service.

PLEDGE FOR LABOR CROUP

"We, the undersigned, agree and pledge the members of

to accept part or whole of our wages in Reading Stamp Scrip. We understand that by accepting a minimum of 20% of our wages in stamp scrip (and this might be up to 100% at times) for the period of one year, we help ourselves and our fellow workers towards more work and better conditions. We urge upon our fellow workers the following of our example."

PLEDGE FOR MERCHANTS, PROFESSIONAL MEN AND CONTRACTORS

"We, the undersigned, agree to accept in trade for goods and services rendered or work done 'Reading Stamp Scrip' at face value. We also pledge full support to make this issue of stamp scrip a success by displaying educational signs, distributing literature, and displaying signs 'Reading Stamp Scrip Accepted Here.'"

For Stores Only

"We also agree to sell Reading Unemployment Relief Stamps which we shall buy from the Reading Chamber of Commerce for cash paid in advance."

PLEDGE FOR MANUFACTURERS

"We, the undersigned, pledge ourselves to buy from the Chamber of Commerce or from our banks for cash, part or whole of our weekly payrolls (to the extent to which labor is willing to accept it) 'Reading Stamp Scrip.'"

"We understand that Stamp Scrip will stimulate local trade, reduce the burden of taxation and bring relief to the poor."

COMMITTEE ON MEDIUM OF EXCHANGE FOR BERKS COUNTY³⁶

Merchants' Bureau
Retail Grocers
Mayor of the City of Reading
Chairman, Board of County Commissioners
The School Board
Chairman of the Relief Board
Manufacturers and Building & Loan Assn.
Contractors & Builders Exchange
Utilities Executive (Electricity)
Utilities Executive (Gas)
Utilities Executive (Telephone)
Railroad representative
Transportation Executive (Street Railway)
Attorney-at-Law
Federal Trades Council
Labor representative
Farmers' representative
Chain Store Executive
Wholesalers
Berks County Medical Society
Reading Industrial Loan & Thrift Co.
Insurance Interests

³⁶ Called upon to approve of the plan as presented by the Chamber of Commerce authorizing the President of the Chamber of Commerce to appoint an Operating Committee to put plan into effect if needed.

Welfare Federation
Manufacturers' Division of the Chamber of Commerce
Chairman, Board of Poor Directors
Milk Interests
Gasoline & Oil Interests
Hotel Interests
Automobile Dealers
Berks County Bankers Assn.
Reading Clearing House
The Penna. Trust Co. - The Berks County Trust Co.
The Reading Trust Co.
The Farmers National Bank & Trust Co.
Council of Civic Clubs

At this writing the actual operating of Stamp Scrip in Reading has not yet been started. All preparations have been made. One of the local banks, the Berks County Trust Company whose president, Mr. J. Turner Moore, is Chairman of the Operating Committee, has turned over to the Committee an empty bank building which is planned to be "Scrip-Headquarters." The Operating Committee will also appoint the employees of "Scrip-Headquarters." The following is a circular suggested to be printed and distributed in large quantities to the citizens of Reading.

READING-BERKS COUNTY STAMP SCRIP

Why? When President Roosevelt declared a national bank holiday and closed all banks, Reading-Berks County, like the rest of the country, was left without a medium of exchange. This bank holiday is not yet determined, and even if it were, business conditions as well as the unemployment situation in Reading and Berks County must be helped. Therefore, the issuance of a supplementary local medium of exchange of "Stamp Scrip" has been effected.

By What Authority? Under pressure from local business men, manufacturers, and banks, the directors of the Reading Chamber of Commerce authorized its officers to prepare for and effect the issue "Stamp Scrip" as outlined in a plan especially adapted for this community by Mr. Hans R. L. Cohrssen. The plan had been approved by a group of representative citizens who met on Sunday night, March 5th. This action was dictated by the need of the community:

Manufacturers were anxious to pay their workers in scrip as they learned they could not obtain cash;

Merchants were anxious to see trade continue in spite of a shortage of cash; Labor simply could not afford to work and go without pay at the end of the week.

Thus, necessity was the prime factor in the plan to issue Stamp Scrip.

Who Will Operate the Plan? The President of the Chamber of Commerce has appointed an Operating Committee consisting of 10 bankers and 2 business men to operate the Stamp Scrip plan. This assures the utmost efficiency and competence, as the same men will handle the scrip who ordinarily take care of money in this community. They know best how to transact the various phases of the plan which are all essentially of a banking nature; they are best acquainted with the financial needs of this community, so as to give the best advice that can be had in any case.

This is the list of the members of the Operating Committee:

MR. MYRON H. CLARK Vice-Pres., Reading Iron Co.
MR. A. H. SMITH, Topton Berks County Bankers Assn.
MR. D. C. KERSTETTER, Hamburg Berks County Bankers Assn.
MR. L. M. RUTH, Wernersville Berks County Bankers Assn.
MR. S. C. HOUCK, Boyertown Berks County Bankers Assn.
MR. GEO. D. SNYDER Secretary Reading Clearing House & Berks Cty. Bankers Assn.
MR. HENRY B. HAGY Pres. Penna. Trust Co.
MR. J. TURNER MOORE Pres. Berks County Trust Co.
MR. GEORGE R. HOWELL Pres. Reading Trust Co.
MR. CHARLES T. CUBELLIS Assistant to the Pres. Farmers National Bank & Trust Co.
MR. HANS GRAMM
MR. WALTER G. WADE Pres. Peoples Trust Co.

This Operating Committee has set up a Scrip Clearing Service to perform the usual functions of a clearing house.

Who Can Get Scrip, and How? Any one who desires to get scrip may fill out an application at Scrip-Headquarters 308 Penn Street, for his needs. The Operating Committee will pass on this application before allowing the issuance of any scrip. The Operating Committee has determined to give scrip under the following conditions:

(1) To depositors holding savings accounts in any Reading or Berks County Bank or Trust Company up to one-half the amount of the deposit, conditioned upon surrender of the pass book, and the earmarking by the bank holding the deposit of double the amount of savings

(2) To holders of check-accounts up to 50% of their balance upon presentation of an assignment on which is certified that the double amount has been earmarked against the withdrawal of scrip

(3) To manufacturers and other payers of wages upon transfer of negotiable collateral to be passed upon by the Operating Committee

(4) To the City of Reading, the County of Berks, and the Reading School District upon depositing anticipation tax warrants with the Operating Committee and subject to such other conditions and security as may be determined by the Operating Committee

(5) To all citizens upon delivery of other security, at the discretion of the Operating Committee.

How Does Scrip Look? Reading-Berks County Stamp Scrip comes in denominations of 50¢, \$1 \$5 and \$10. The 50 cent bill is yellow, the \$1 bill is green, the \$5 bill is rose and the \$10 bill is blue. It is printed on especially secured safety paper. When holding the bills against the light you will detect the watermarks. Protect yourself by looking at the watermarks before accepting any doubtful looking bills, or if you are still in doubt you may come to Scrip-Headquarters for verification. The reverse side of a bill is divided into 52 spaces in which the dates of the 52 Wednesdays of a year are printed.

How to Use. When you receive Stamp Scrip in your payroll or in payment of a bill you may accept it without any hesitation. Each scrip bill is fully backed by ample collateral - it represents the same value as your ordinary money bills. (You have seen above by what collateral it is backed.) Take your scrip to your merchant, grocer, department store to buy whatever you need. Almost every business in Reading has agreed to accept Stamp Scrip in trade. The City of Reading, the County of Berks, and the Reading School District have also agreed to accept it in payment of taxes due them. Look at the signs: "Reading-Berks County Stamp Scrip Accepted Here." If you do not want to spend your scrip, but want to save it, you may open a Scrip Savings Account at Scrip-Headquarters. Ask for further information there.

How About the Stamps? Until Wednesday, April 5th you will not have to think of the stamps. Beginning on that date a special "Reading Unemployment Relief Stamp" amounting to 2% of the face value of the bills has to be affixed on each Wednesday by the holder of a bill into the space dated for that particular Wednesday. Stamps may be purchased at all stores displaying sign. After a bill has been fully stamped it will be redeemed at face value at Scrip-Headquarters. When depositing Stamp Scrip in a Scrip Savings Account or with the Scrip Clearing Service it must be stamped with the next stamp due.

Why Stamps? There are a number of important reasons for the stamping of the scrip:

First, as we have seen, stamping self-liquidates the scrip; it makes the scrip pay for itself. This means also that each stamp on a scrip bill is security added to the collateral which has already been placed behind the scrip.

Second, there will be a profit from the operation of the Stamp Scrip plan which will be given over to unemployment relief after the costs of operating the plan have been paid, and all outstanding scrip has been redeemed.

And third, the stamping puts speed behind the circulation of the scrip. As each one wants to avoid the affixing of stamps, he passes his bills on very quickly, and so does everybody else. In other words, stamping makes the scrip more effective as a medium of exchange; it stimulates business; it wipes out debts.

Another advantage of the quick circulation of the Stamp Scrip is that only a small quantity is needed to transact as much business and do as much good as a many times larger issue of slowly circulating medium. It goes without saying that the smaller your scrip issue is, the easier it is to handle and to redeem; it is a smaller responsibility for the Operating Committee and for the community.

Other plans have been made for publicity, such as explanations and addresses by members of the Operating Committee over the local radio station. A Speaker Committee has been formed and the training of a number of men to, explain the plan is contemplated. The teachers in particular are to be instructed in explaining the plan to their classes.

Some of the policies of the Operating Committee have not yet been decided on; for instance, whether it would be possible for the Committee to issue its own negotiable papers to the merchants who deposit scrip with the Scrip Clearing Service. The manufacturers' negotiable papers received for scrip would then be sent out directly for clearing by the Scrip Clearing Service. This would simplify scrip clearing, as it would permit the Scrip Clearing House to give the merchants negotiable papers reading for the same amount of dollars as they have deposited in scrip.

Another point is "Premature Cash Redemption," or exchange of scrip into dollars at any time. The redemption fee has not yet been decided on.

V. CONGRESSMAN PETTENGILL'S SPEECH

Without taking part at this time in the present debate about "inflation," it is admitted by everyone that perhaps the most fundamental thing to be accomplished is to cause a recovery of values. Various expedients have been used to accomplish that objective - open market operations, change in discount rates, the Reconstruction Finance Corporation, the Glass-Steagall bill, the Glass-Borah national bank note amendment to the home loan bank bills, all sorts of domestic moratoriums, and the distressed debtors bill. The reservoirs of credit have been filled, but they remain stagnant. Meantime values continue downward. The commodity price index of the Bureau of Labor Statistics has just touched a new low. The decline of commodity values has affected all other values, both on the farms and in the city. It is causing foreclosures and tax sales to spread like a prairie fire.

It is manifest that all expedients thus far used have not stopped the decline, and disaster knocks at the door of all.

On a falling market no one will buy except from hand to mouth. Therefore, available credit is not used. Merchants and manufacturers can not safely borrow against an avalanche of melting values. Nor can banks safely loan. As Professor Fisher says:

"Business does not wish to borrow until it is sure of buyers. In a depression the buyers wait for business to inspire confidence, and business can not inspire confidence until it gets back on a normal borrowing basis. If only buying could be started first, business borrowing would follow."

It is submitted that this bill attacks the problem at its foundation. It brings buyers into the market. It encourages the payment of debt. It penalizes buyers for not using available purchasing power.

The bill is essentially a tax on hoarding. Everyone into whose hands one of these certificates comes will get rid of it as quickly as possible, will try to pass it on before the following Wednesday, as he will be taxed 2 per cent if he does not.

It is apparent that an issue of \$1,000,000,000 would circulate at least once a week, thereby doing \$52,000,000,000 of money work in a year. It is likely, however, that it will circulate much more often than once a week, perhaps from three to five times, thus doing from \$156,000,000,000 to \$260,000,000,000 worth of money work in 12 months' time.

The possibilities in stopping the further decline of values, and starting them upward, by introducing this enormous and compulsory buying power into a stagnant market are worthy of very serious consideration. It might be all that is

necessary to "prime the pump." As soon as these buyers come into the market place, confidence should return and values immediately start to rise. If that should be the result, then other money, now hoarded by the hundreds of millions of dollars, would also come into the market. People would say, "Now is the time to buy." They would feel that if they did not their dollars will buy less a few weeks later. With these new certificates and the hoarded money coming into the market merchants and manufacturers could again borrow with confidence and the banks could loan with confidence. This would melt the frozen reservoirs of bank credit and let them again flow in the channels of trade. As soon as that happens the "stamped money certificates" would then be taken out of circulation as provided in section 12. Or if recovery should then halt, new issues of this nonhoardable currency could be poured into the market places.

It is possible that this relatively simple mechanism would be all that is necessary to start values upward. In the early days of railroading it is said that when the locomotive stopped with the driving shaft at the "dead center" of the wheel that the fireman would get out with a crowbar and lift the wheel an inch or two and thus start the train with a crowbar.

REFLATION WITH A BRAKE

Section 12 of the bill provides that if and when the wholesale-commodity price level of the Bureau of Labor Statistics reaches a certain level the nonhoardable currency is to be retired from circulation. The "brake" might be stated in the alternative as suggested to me by a distinguished economist from Wisconsin, (1) restoration of the price level as set forth in section 12, or (2) full employment of labor, or (3) international agreement on a uniform gold standard, discretion being given to the President or the Federal Reserve Board to apply the "brake" when either, or a combination of these standards, is arrived at. In fact, he suggests that more than \$1,000,000,000 be authorized to be issued with provisions for reissue until recovery has been reached in conformity with the standards adopted. I agree with this. There is no use going into this halfheartedly. The plan is to start buying, start values upward, and reemploy idle men. We should pour enough of this nonhoardable currency into the market places until that objective is attained.

NO SCARE FROM INFLATION

The proposal increases the volume of circulating medium, but, more important, it increases its velocity which students of the money question recognize to be as important, if not more important than volume. An increase in the volume of money if it, too, goes into hoarding or drives other money into hoarding, might not affect the price level. At the same time, due to the fact that the issue is absolutely selfliquidating, providing funds for its own redemption in 12 months - through the sale of the required postage stamps - and due further to the "brakes" to be provided against a rising price level, the confidence of the public should not be disturbed by

reason of the increased volume and velocity of the proposed issue. It is submitted that this is a middle-of-the-road measure that both the friends and foes of "inflation" could agree on.

NO STRAIN ON GOLD RESERVES

As the issue is not redeemable in gold or other lawful money of the United States until the Government has collected \$1.04 - through the sale of fifty-two 2-cent stamps - for each \$1 issued, it is manifest that the proposal does not place any strain on existing gold reserves. For that reason, it should not have any disturbing effect on the ability of the Government to sell its bonds. In fact, if it causes prices to move upward, farmers, merchants, and manufacturers would begin to liquidate their commodities at a profit, begin to make money, resume the payment of income taxes, and improve rather than harm the credit of the Nation and its ability to "balance the Budget." It is manifest also that as goods are bought replacement goods must be provided, and thus labor be reemployed.

GRESHAM'S LAW

Would it drive "good money" into hiding? It is submitted that the exact opposite would occur. This for the reason that this issue is full legal tender, is self-liquidating, would be redeemable in gold when fully stamped, and would buy as much and no more and no less than any other dollar. It is of course true that if I had \$2, one a Federal reserve or Treasury note and the other one of the "stamped" dollars, and had a debt of \$1 to pay, I would pay it with the latter in order that it would not be in my hands on the Wednesday following, when another 2-cent stamp is due to be affixed. But having passed it on, I would then use the Federal reserve or Treasury note in the next transaction; and if the expectations of the sponsor of this proposal should be realized in a rising price level, all dollars of lawful money now in hoarding would begin to circulate and not "go into hiding," under the Gresham formula.

The proposal really comes down to this: The Government would lend \$1,000,000,000 - or any other amount - of its credit and money power - its legal tender - to the people of the Nation for a period of one year, to be paid back in installments of 2 cents a week for 52 weeks. It is therefore no strain on the Federal Treasury.

METHOD OF PUTTING IN CIRCULATION

Sections 13, 14, and 15 of the tentative draft provide that the money shall be apportioned to the States to be used in the payment of State or municipal public works now or hereafter in process of construction. This would in itself immediately employ labor and provide jobs. It would permit the States and municipalities to continue and expand necessary public works without cost to them, as they would

give no note to the Federal Government for the money used. It would, therefore, release other of their tax moneys for other uses, and impose no tax burden on their citizens except as they would buy from week to week the necessary postage stamps to keep the certificates a legal tender for the payment of debts and the purchase of goods.

Other ways of putting it in circulation may be suggested - unemployment relief through the Reconstruction Finance Corporation, or in the payment in part of the wages of Federal, State, or municipal employees, or disbursement to veterans.

IS IT SUBJECT TO OBJECTION AS A SALES TAX ?

At first blush the proposal might seem to be a species of sales tax. On analysis, however, this objection disappears to almost the vanishing point. To begin with, it could not even indirectly operate as a tax on sales except on Wednesdays, and then only 2 cents on the dollar. But all other sales between Wednesdays would be free from any burden whatever. Week-end buying, for example, would be entirely free. If, therefore, the certificates were to circulate four times a week, the 2-cent tax would average only one half of 1 per cent on total transactions performed by these certificates weekly. But, still more important, all other transactions made with other mediums of exchange - bank checks, Treasury notes, silver certificates, and so forth - would be free from any tax burden whatever. On the total volume of business done in the course of a week the 2-cent burden on transactions covered by these certificates would be an almost infinitesimal fraction of 1 per cent on total volume. It does not seem possible therefore that merchants would or could mark up their commodities to cover the 2-cent tax that they would have to pay on Wednesdays on account of receiving these certificates on Tuesdays before they have an opportunity to pass them on to another holder.

WOULD MERCHANTS ACCEPT THEM IN CASH TRANSACTIONS ?

For all debts owing merchants they would be obliged to accept them the same as any other creditor for the reason that the certificates are legal tender. There is, of course, no way to make a merchant accept them for cash transactions, if he refuses to do so. A merchant can refuse to accept gold if he chooses to in cash transactions. But in these days when merchants are going to the wall for want of customers it does not seem likely that they are going to close their doors to any buyer who walks into their stores with cash in his hands. To begin with, all transactions with these certificates between Wednesdays impose no burden on the merchant, as has been pointed out. A stamped certificate which he receives on Thursday, for example, he will pass on without tax before the following Wednesday in pay rolls, in payment of rent, or for merchandise to his jobber, and so forth. Of course, all credit transactions of the merchants would be payable by these certificates, as they would then be legal tender for a debt. In many cash transactions the stamped certificate would represent only a fraction of the total cash involved, the rest being

paid in existing currency. In the present starvation of retail trade it is more likely than not that merchants would advertise that the certificates would be accepted by them in all cash transactions as well as in the payment of book accounts.

PROTECTION TO BANKS

In the payment of debts owing banks they would be subject to tax like other creditors. But section 10 provides that with respect to deposits by customers banks are not required to accept these certificates unless the depositor pays a service charge of 2 cents. This would prevent the dumping of the certificates in banks on Tuesdays by their depositors. Deposits would be made in other forms of money. The certificates would remain in the channels of trade, which is what the proposal intends. And, as stated before, the surplus of \$40,000,000 on a billion-dollar issue which the Government receives by collecting \$1.04 on every dollar might warrant including in the bill the repeal of the existing tax on bank checks - thus further freeing banking transactions and the return of deposit money to banking institutions.

PATRIOTIC APPEAL

Section 4 provides that the Secretary of the Treasury is to advertise the issue by posters in post offices and public buildings, as well as by advertising in newspapers and magazines. We are at war. We can build up a war psychology. When we recall how effective was the campaign in 1917-18 for the sale of war-savings stamps, confidence can be placed in the effectiveness of a patriotic appeal at this time with respect to this issue. "This dollar fed a hungry man"; "This dollar gave an American a job," "'Stamp' out the depression," and so forth, is a sample of the appeal that could be made.

OTHER DETAILS

It is considered important that for the convenience of a hundred million people in daily transactions, the regular 2-cent postage stamps be used, rather than a special smallsize stamp. Postage stamps are in use everywhere. Any other kind of stamp would subject the public to tremendous inconvenience. This, of course, would require a larger certificate than currency now in use; but it should be pointed out that 18 postage stamps can be affixed on the back of the small-size currency now in use. A certificate therefore of the same length as the currency now in use but folded once, like a voucher check, would accommodate the 52 stamps. Also, for the convenience of the public, it is suggested that the entire issue be in one denomination, preferably \$1, so only one denomination of postage stamps need to be used and kept on hand.

IN CONCLUSION

It is submitted, finally, that this proposal conforms to the "adequate but sound currency" formula used by the President elect in his inaugural address. Currency now in use is sound but it is not adequate either in volume or velocity to equalize hoarding and frozen deposits. A copy of the bill is appended. Suggestions and criticisms are invited.

VI. A BILL IN THE PENNSYLVANIA LEGISLATURE

Authorizing the issuance of scrip certificates for relief purposes by political subdivisions of this Commonwealth; providing for the printing and issuance of scrip and stamps by the Commonwealth, for the creation of a scrip redemption fund in the State Treasury and for the redemption of scrip therefrom; imposing duties on the State Emergency Relief Board and the State Treasurer; appropriating the moneys in the scrip redemption fund; imposing penalties for counterfeiting and otherwise tampering with scrip certificates or stamps; and making an appropriation.

SECTION 1. Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same, That, when used in this act the following words and phrases shall have the meanings respectively ascribed to them in this section, except where the context clearly indicates a different meaning:

"Municipality" shall mean any city, borough, county, township, incorporated town, poor district or school district of this Commonwealth.

"Emergency relief stamp" shall mean adhesive stamps in the denomination of two cents each, issued by the Commonwealth to be affixed to scrip certificates authorized by this act.

"Board" shall mean the State Emergency Relief Board of the Commonwealth.

SECTION 2. Subject to the conditions hereinafter prescribed, any municipality may issue negotiable scrip certificates to be distributed in place of cash to persons entitled to direct unemployment relief and to pay for labor and materials utilized on work relief projects.

SECTION 3. When any municipality shall desire to issue scrip certificates under this act, it shall make application for permission to do so to the Board in such form as the Board shall require. If the Board shall be convinced that a proper case has been shown therefor, it shall authorize the municipality to issue scrip certificates in such amounts and at such times as the Board may deem proper.

SECTION 4. All scrip certificates shall be printed and distributed to the respective municipalities by the Commonwealth in the denomination of one dollar each, and in such form as the Board may determine. Each certificate shall contain fifty-two (52) spaces for attachment of adhesive stamps hereinafter provided for, each such space to bear a date one week later than the preceding space.

SECTION 5. Scrip certificates shall be negotiable. They shall be redeemable at any time after the last date appearing in the stamp spaces thereon, upon

presentation to the State Treasurer with fifty-two (52) emergency relief stamps affixed to each certificate.

SECTION 6. The holder of any scrip certificate before or upon transferring it, shall affix an emergency relief stamp to each unfilled stamp space thereon which bears a date prior to the date of transfer.

SECTION 7. Emergency relief stamps in such form as the Board may determine, shall be provided and sold by the State Treasurer, and he shall make provision for the sale of the stamps in municipalities which have been authorized to issue scrip certificates, and elsewhere.

SECTION 8. The State Treasurer shall have authority to appoint agents for the sale of emergency relief stamps and may deliver stamps to such agents for sale, but no stamps shall be delivered to any such agent other than a State bank or a trust company, until the agent shall have furnished bond satisfactory to the State Treasurer in an amount equal to the face value of the stamps to be delivered, or shall have deposited with the State Treasurer securities of the same kind and in the same amount as is now required by law to be furnished by depositories of State funds.

SECTION 9. Agents for the sale of emergency relief stamps shall keep all moneys received from such sales separate and apart from all other moneys and shall deposit them in State banks or trust companies only, in separate accounts in the name of the Commonwealth. All agents shall remit the proceeds of stamp sales in each month within five days after the end of the month to the State Treasurer, after deducting two per centum of the gross amount of sales, which shall be retained by the agents as their compensation.

SECTION 10. All moneys paid into the State Treasury as proceeds of the sale of emergency relief stamps shall constitute a special fund to be known as the "Scrip Redemption Fund," and all moneys which shall be credited to said fund or as much thereof as shall be necessary, are hereby expressly appropriated to the State Treasurer for the redemption of scrip certificates issued under this act, and for the payment into the General Fund of the cost of preparing and distributing scrip certificates and emergency relief stamps, provided that not more than two per centum of the face value of stamps sold may be used for payment of such cost.

SECTION 11. All municipalities are hereby authorized to accept scrip certificates issued under this act, when properly stamped, in payment of taxes and any other debts due to the municipality.

SECTION 12. Any person who shall counterfeit, raise, or alter, or who shall conspire with others to counterfeit, raise or alter any scrip certificate authorized by this act or any emergency relief stamp, or who shall utter or transfer any such

certificate or stamp with knowledge or notice that it is counterfeit or has been raised or altered, shall be guilty of a misdemeanor, and upon conviction thereof shall be sentenced to pay a fine of not less than \$100 and not exceeding \$1,000 and to undergo imprisonment for not more than 2 years, in the discretion of the court.

SECTION 13. The sum of dollars, or as much thereof as may be necessary, is hereby appropriated to the State Treasurer for the printing and distribution of scrip certificates and stamps issued under the authority of this act.

SECTION 14. All acts and parts of acts inconsistent herewith are hereby repealed.

SECTION 15. This act shall become effective immediately upon its final enactment.