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The New Green

The U.S. Treasury makes money the old-fashioned way, by printing it. While greenbacks have lots of positives, we think the Treasury should let others get into the business of issuing money. If people could do it themselves, the result would be an even better currency. That's right. Why not print money at home on your laser printer rather than go to the ATM? Today, we can do this with stamps; the illustration shows postage produced by stamps.com.

Security doesn't have to come from the Crane paper stock, the engraving or a metal strip inside the note. It could come from a two-dimensional bar code.

When you give your money to the merchant, the merchant would scan it to ensure that the note is valid. After the scan the merchant can then just throw your cash away. No need for Brink's trucks and security. The scan could accomplish the transfer of balance. In essence, you would have single-use money or a single-use debit card.

There are several ways in which bar-code money beats dead-president money. For starters, if you lose your wallet, you could cancel the notes and get a refund. In addition, your cash could be earning interest. When you go to print cash, money would be taken out of your bank account and cached in an escrow account. Until the money is spent, you could be credited with interest.

Just as people buy custom ringtones for their phones, you would be able to buy custom images for your cash. Indeed, you could even spend money with your picture in place of Andrew Jackson's. Citibank puts your picture on credit cards. Why not have your picture on cash?

We are already close to making this work. Most stores have scanners to read price tags. The same scanners could read your notes. You might still need old-fashioned currency to pay taxis or newsstands, so our proposal makes more sense for eliminating \$20, \$50 and \$100 bills. Telephone calling cards are essentially cash in the form of a PIN code. Here the PIN would be printed on the note. Single-use credit card numbers are essentially a way of printing your own money.

It is worth emphasizing that what we propose is not a return to the free-currency chaos of the 19th century, when banks issued notes backed sometimes by gold and sometimes by nothing but hopes. The bar-code notes would be backed by genuine U.S. Treasury dollars. When you print your note, your money is put aside until the note is cashed.

There are some downsides. Cash would no longer be quite so anonymous. That would be unpopular with cocaine dealers—and plumbers who don't like to pay taxes. Maybe that loss of anonymity isn't all bad. Or people might give discounts to customers using anonymous greenbacks.

One might argue that this is really just like creating a prepaid debit card on a piece of paper. Why not use the debit card? Essentially, this is a disposable debit card. But unlike the card, which might have access to a large account, the note is limited to its denomination.

While we are a ways away from bringing this to reality, there are a few options for making it real today. Traveler's checks are still a big business. American Express wrote nearly \$20 billion worth last year. There is no reason why people couldn't print their own traveler's checks. And our improved traveler's check could automatically be converted into any currency at that day's exchange rate.

Gift cards are another big business, \$73 billion a year. With a print-your-own system, when you give someone a gift card, the money isn't taken out of your escrow account until the recipient spends it. So you earn interest along the way. And, if the recipient ends up being one of the 5% to 10% of folks who lose cards, then you can remind him or her (as you can see that the money hasn't been spent). Or you can cancel the note and get your money back. Either way,

you don't end up making a gift to the merchant rather than your friend. Best Buy recently reported \$43 million in gains from gift cards that were never used.

Computers were supposed to make for a paperless office, but it didn't quite turn out that way. Debit cards (and Mondex) might one day make cash seem quaint. In the meantime, there is a real opportunity. There is \$770 billion in U.S. currency in circulation and plenty of opportunity for improvements.

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