

A Brief Review of
“Debt or Democracy – Public Money for Sustainability and Social Justice”
- **By Mary Mellor (2016)**



Do you know how most money is created today? Answer: It emerges “out of thin air”, by a keystroke on a computer, whenever a bank makes a loan. Most of that new money goes to the 1% who use it for financial speculation, or expensive houses or other luxuries, or for business investment for the more affluent. Except for tax proceeds, the public can’t spend any money unless it is borrowed from private financial markets (think Treasury bonds). Yet the public must spend trillions to cover the losses of too-big-to-fail banks because all their bad loans consist of public currency.

Mary Mellor, a recently retired activist professor out of the UK, says that we need to take back our currency in two ways. **First**, only the government should be able to create new money, with private banks drawing on government loans guided by democratic policy. **Second**, the government should be able to spend money into existence, without incurring debt but with taxes and fees designed to return a portion of that money to the government so as to prevent inflation or deflation.

As to Mellor’s first proposal, government loans would then be combined with investor money to make the kinds of bank loans that are common today, except that democratic policy would likely channel the government money toward sustainable development and away from speculation or luxuries.

As to Mellor’s second proposal, the government would set up “an independent monetary authority to assess the overall amount of money to be retrieved” by taxes or fees. Some new money would be kept in circulation to accommodate economic growth, or more would be returned than spent in a degrowth scenario. She calls for a guaranteed minimum income for all as the top budget priority, noting that the monetary authority would have no control over the budget except for the amount of deficit or surplus. A unit of currency would be like a share, or equity stake by a citizen, but in the nation, instead of in a corporation.

Arguments over banks and money, public versus private, go back to the Revolutionary War in the US, and all through the 19th century (think greenbacks versus gold standard). Yet today’s neoliberal consensus on the private creation of money continues to produce financial disaster and escalating inequality. Other authors, like Ellen Brown (“Web of Debt”), are also issuing provocative challenges to our out-of-control money system. Mary Mellor’s book is a good starting point to prepare us for real financial reform when the next crisis hits.

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