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## **The future of money: from financial crisis to public resource / Mary Mellor [review]**

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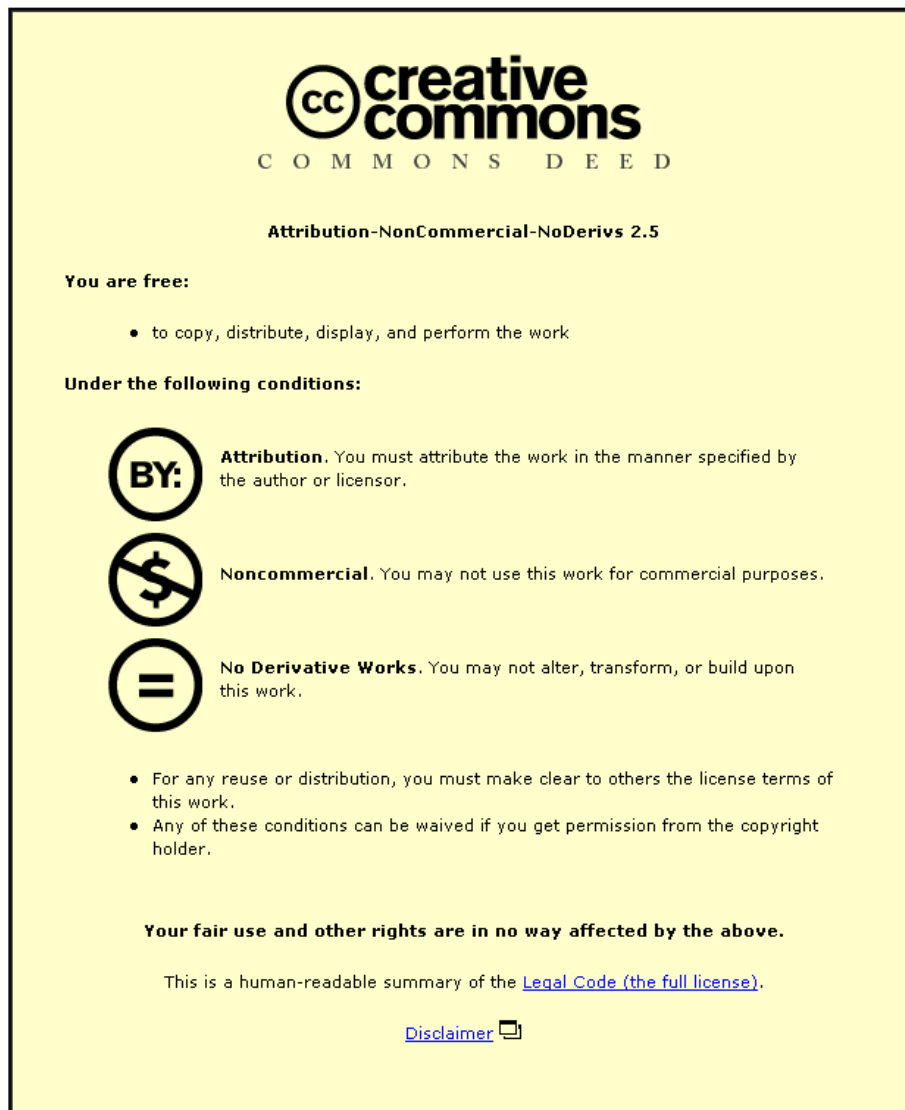
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Mary Mellor, *The Future of Money. From Financial Crisis to Public Resource* London/ New York (Pluto Press) 2010, ISBN: 978 0 7453 2994 9 (Pb) viii + 197pp

This is a quite excellent book, elegantly and cogently written, accessible to a broad audience of academic and non-academic readers and driven by a passionate intelligence which diagnoses ruthlessly and prescribes persuasively. It is, firstly, a book which is quite clearly not just about money but about the evolution of a global political economy which was not simply captured by finance capitalism but in which 'monetary accumulation' (in Altvater's sense) became the primary driver of economic activity in the major economies of the world and, as such, generated the worst economic crisis for at least eighty years; since the crisis is by no means played out, it is distinctly possible that the 'credit crunch' could yet turn out to be the greatest crisis in the history of capitalism.

Mary Mellor's point of departure is that of a heterodox economist with a strong disciplinary leaning towards Marxist, eco-socialist and feminist thinking; above all, her analysis demands that the reader and, by implication, political and economic elites consider the ecological and social effects of economic systems in order to assess their sustainability and their fairness. The core argument of the book, she writes, is therefore 'that the money system needs to be reclaimed from the profit-driven market economy and socially administered for the benefit of society as a whole as a public resource' (p.3). Mellor sketches the outlines of the kind of society she regards as sustainable and just in the final chapter. Before that, however, she presents a series of tightly argued and very well supported chapters from the theory of money to the financial crisis of 2007-08.

The analysis of the economic history of money is typically critical of mainstream economics; she rejects the notion money's 'neutrality' and its organic emergence 'from a "natural" market system' (22). Drawing on Ingham, she contends that money 'is socially and politically created by a combination of public, private and social actions' (28) where the social relationship of 'trust' plays a central role. The 'elastic' creation of money through credit is essential for an understanding of finance capitalism and something that has not been covered adequately by Marxist theorists, as well as mainstream schools of thought. Mellor makes good this deficiency.

The second chapter on the 'privatisation of money' develops the idea of banks 'break(ing) free of the limitation of matching loans to deposits' in conjunction with an analysis of the role of the state/ central bank. The private banks' ability to create money out of nowhere ('fresh air money') through issuing credit and refinancing that credit through one form of 'securitisation' or another, has always had the potential to render central banks powerless or at least solely reactive to market events, but this potential came fully into its own after the deregulation of the early 1980s. The removal of exchange controls and the proliferation of computerised communications

technology facilitated the wholesale internationalisation of financial flows and a staggering acceleration of financial transactions, the effects of which are charted by Mellor in close detail. The fundamental de-coupling of banking and other financial services from the world's real economy of production, service provision, distribution and consumption is evidenced in countless examples of fictional securitisation of credit, where it is simply impossible to match financial 'assets' to real economic output because global financial assets grew far faster than global output; for example, while global output grew by 30 percent between 1985 and 1995, the US securitisation market grew by 233 percent. Global output in 2007 stood at around \$60 trillion, where the alternative banking world of investment banks, hedge funds and money market funds 'had amassed \$10-\$12 trillion by early 2007 and produced \$500 trillion of complex derivatives'.

The complicity of advanced states in both facilitating this process through deregulation and encouraging it through both participation by sovereign funds and weak supervision, is further developed in chapter three where Mellor outlines the way in which governments popularised financial liberalisation through the promotion of a 'people's capitalism'. On top of the integration of small savers into equity markets through the privatisation of public assets and the conversion of public into private pension schemes, the 'people's capitalism' was marked most significantly by the massive expansion of credit – notably credit cards – in the US and UK in particular and by the encouragement of house ownership through mortgage debt and the illusion of asset appreciation. Equity release schemes for mortgage holders and, above all, the issue of sub-prime mortgages have been the most irresponsible features of this 'democratisation of debt'. Mellor paints a frightening picture of social elites – including social democratic politicians – fostering the pernicious illusion of the self-sustaining world of debt and asset appreciation.