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Money for the People

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Local initiatives can lead to modest gains in sustainability, but not the large-scale transformation we need. Meeting that challenge will require, among other critical factors, substantial changes in how we create and use money. As its history demonstrates, money is a social and political construct. It is the privatization of money—and not money itself—that has fueled social exploitation and environmental destruction. Money could, by contrast, help advance a Great Transition—but only if it is reclaimed for the public. Contrary to neoliberal assertions, the state can create money free of the debt that drives destructive growth and fosters inequality. Such public money can facilitate the provision of economic security and sustainable livelihoods for all. But for such a system to work, there must be robust democratic control over monetary decision-making along with vigorous oversight of its implementation.

Why Money?

If we want to transition to a more just and sustainable society, then we need to be clear about where we are today.¹ The majority of the world's population—in both developed and developing countries—now lives in urban areas. This demographic reality is unlikely to change as people have shown no eagerness to return *en masse* to rural livelihoods. Local, face-to-face innovations in production and exchange can be important steps, prefiguring the progressive society-wide changes needed. However, they are most appropriate for relatively self-contained areas, and cannot aggregate to the systemic transformation required.

In the contemporary world, provisioning, the creation and distribution of basic goods and services, depends on money.² Most people live in market economies with moderate- to long-distance supply chains. Under market-driven capitalism, individual livelihoods and public services depend on the success of the market, and money functions both as the medium of exchange and as the driving force behind market participation. The primary aim of the capitalist market economy is not the provision of essential goods and services for the people, but the investment of money and labor in activities that provide even more money (i.e., profit) for the owners of capital. This results in a two-step economy: people work to secure an income in order to pay for the basic goods and services they need to survive. And because work is necessary for survival, and the market determines its purpose and availability, people can end up in jobs that are harmful to themselves, others, and the environment.

Money is a social and political construct.

Money has rightly gotten a lot of bad press. The love of money, or avarice, has been blamed for overconsumption and the exploitation of people and the planet. That said, it is difficult to envision how goods and services could be produced and circulated on a large scale without some mechanism to facilitate comparisons of value and the exchange of goods and services. It is not money itself that is the source of the imbalance in our relationship to one another and nature, but rather the way money is created and circulated in modern market economies.

The existence of money, importantly, does not entail the existence of a market, for some form of money has been around in almost all human societies. Money simply provides a recognized unit of value. That unit can be a price in the market, but it can also be the size of a gift or a measure of need. Equating money with coinage, as is commonly done, confuses form with function. It implies that money *embodies* value when it simply *represents* value. Money can take the form of something with use value (cattle, grain), something with social value (a special stone, shells), something with little or no value (paper, wood, base metal), or even something with no physical form (bank transfers, verbal promises). The unit of value may be either tangible (sheep, beads) or intangible (pound, dollar, euro).

Money, in other words, is a social and political construct. Using money does not intrinsically encourage human exploitation or ecological destruction. It is neoliberal

There is widespread misunderstanding of what money is.

capitalist ideology that puts monetary gain above social and ecological concerns, and it is the private, bank-issued money system that leaves us with a pernicious cycle of debt and growth. Money could encourage socially and ecologically sustainable production and consumption, but only if it ceases to be a creature of the market and is reclaimed as a social and public representation of value.

Visions of ecologically sustainable communities often look not to the state, but to the social economy, which occupies a space between the state and the market.³ Key features of the social economy such as community enterprises, cooperatives, and local markets based on local money are all beneficial, but they are insufficient for a Great Transition. Creating a just and sustainable future is a massive undertaking that will require a level of coordination that only the state can provide. We thus need to look at the potential of democratically governed economies in which money is treated as a public resource for sustainable provisioning.

However, neoliberalism, which has influenced so much of the conventional thinking about money, is adamant that the public sector must not create (“print”) money, and so public expenditure must be limited to what the market can “afford.” Money, in this view, is a limited resource that the market ensures will be used efficiently. Is public money, then, a pipe dream? No, for the financial crisis and the response to it undermined this neoliberal dogma. The financial sector mismanaged its role as a source of money so badly that the state had to step in and provide unlimited monetary backing to rescue it. The creation of money out of thin air by public authorities revealed the inherently political nature of money. But why, then, was the power to create money ceded to the private sector in the first place—and with so little public accountability? And if money can be created to serve the banks, why not to benefit people and the environment?

Myths about Money

One of the most significant obstacles to reclaiming money for the public good is the widespread misunderstanding of what money is. The conventional history of money rests on a series of myths that obscure its social and political origins. The first myth is that money and the market share a common origin, with modern money-based economies emerging from non-money barter. There is no historical evidence of widespread barter-based economies, and money, as the next section will explain, has a far more complex social and political history. The second myth is that money originated as precious metal coinage. While money has at times been made of such metal, it has also taken far less valuable forms whose use long predated the invention of coinage. Seeing money as made of something valuable (gold, silver) suggests that money is desirable in itself, an embodiment of value. Recognizing that money is valueless in itself (base metal, wood, paper) helps one to see it as a token representing a social relationship—what it really is.

Assumptions about the historical importance of precious metal coinage gave rise to

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a third myth: that banking activity emerged from the management of precious metal deposits that eventually came to be represented by paper money and accounting records. In reality, banking activity originated long before precious metal coinage, with accounting records as a central feature. This historical misapprehension, in turn, helped create a fourth myth: that banks today merely link savers (depositors) and borrowers. As has been increasingly recognized by the Federal Reserve, the Bank of England, and the International Monetary Fund, and has long been argued by monetary theorists, banks, in fact, create new money when they make loans, crediting deposits of previously nonexistent money to the accounts of those who receive them. Public monetary authorities retain a monopoly on the production of cash (notes and coin), but the money that banks create is also part of the national money supply and circulates through the economy as such.

These widespread myths all rest on a misreading of the history of money. So what is the real history?

A Brief History of Money

The earliest forms of money were used almost entirely in social contexts, e.g., payments and fines for injustice or injury, dowries, and gifts to build social solidarity or avoid conflict. As centralized states emerged, money appeared in new forms such as tribute payments, state expenditures, and taxation. In the earliest states, the use of money was recorded in hieroglyphs or represented in token form as clay tablets. Autocratic rulers with administrative centers in palaces or temples determined the form and available supply of money. All of this occurred thousands of years before the appearance of coinage around 600 BCE.

Far from being a product of markets, coinage was created and controlled by rulers and played a central role in the growth of the Greek and Roman empires. Coinages were associated with particular centers of power because the creation of money confers the benefits of first use, such as seigniorage (the difference between the face value of a coin and its cost of production). The power to create and circulate money is likewise linked to the sovereign power to tax. Rather than relying on the traditional receipt of tribute, a ruler could pay for goods and services with money that could later be reclaimed through taxation.

Commodity markets gradually emerged alongside city-states and empires. While merchants used the money created and controlled by the governments, they also developed their own as a means of dealing with value, debts, and payment. This new commercial money took the form of verbal or written promises or physical representations such as tally sticks (a promise to pay etched into a stick which was then split down the middle, the two parties each taking half). Central to this commercial money, whatever form it took, was debt: one person's obligation to pay back another.

The emergence of the capitalist epoch, with its paper promises and modern

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banking, saw the gradual privatization of the sovereign's power to create money. Constant conflict, resistance to increases in taxation, and shortages of precious metals weakened the grip of rulers. Control of money fell into the hands of the newly emerging economic elite, and rulers became increasingly dependent on borrowing. Over time, states built up large national debts to their banking sector, creating the financial dependency we see today.

A crucial step in this privatization process was when commercial money became the public currency. The Bank of England, for example, was originally formed in 1694 to make loans to the state. As time passed, its notes, backed by a nebulous "promise to pay," were designated as currency. Eventually, all banks stopped issuing money in their own names, instead issuing it as public currency (e.g., pounds sterling). This step resulted in two major changes. First, the public became the backstop for the banks that were creating money in its name. Second, whereas the sovereign could create money free of debt, the banks could not. Money created and lent by banks must be repaid with interest. This critical difference drives growth because new debt is created to repay old debt. And if this debt-based system falters, so, too, does the money supply.

Today, our reliance on debt has become socially, ecologically, and economically unsustainable. It is socially unsustainable because creating money as debt exacerbates inequality. Money flows to those most able to pay back loans with interest—a dynamic that enriches the rich and traps the poor in long-term debt relationships. It is ecologically unsustainable because creating money through debt drives economic expansion. If loans are to be repaid with interest, there must be growth of some form. This does not necessarily cause ecological damage (it could just bid up the price of existing assets), but there is certainly no basis for degrowth or even a steady state economy. It is economically unsustainable because basing the money supply on debt will eventually lead to crisis when governments, businesses, and citizens cannot or simply will not take on any more debt.

Orthodox economics cements the growth imperative. By treating money as the embodiment of value generated in the market economy, it ties money creation to commercial profitability and economic growth. Economists and policymakers often portray government spending as akin to that of a household. Public sector expenditures, they argue, depend upon commercial "wealth creation" in the same way that a household's spending is dependent on the earnings of the breadwinner.⁴ The more productive the economy, the more taxable income is available for public purposes. As a result, for those concerned with meeting public needs, growth is good, no matter the long-term cost.

The orthodox view of the economy ignores many other important sources of value—unpaid domestic labor, community, conviviality, and ecological resilience. There is an obvious desire to simply protect these areas from commodification, but doing

that alone would leave the rest of the system intact. Instead, we need to reshape the monetary system to prioritize what really matters and devalue the current preoccupations of market capitalism.

We should start by treating money as an active force, rather than a passive one. In conventional economics, money flows through the economy reflecting expenditure and investment choices. But the crucial question of how money enters or leaves the economy is left out. History shows that there are two agents—states and banks—that can create new money. The use of this money, in turn, creates new forms of wealth. Historically, rulers raised armies and built forts and palaces. Banks created credit for trade and production. In modern states such as Britain, new money has provided consumer credit, particularly mortgages, turning houses into financial assets rather than just places to live. In contrast, money created to foster provisioning based on concepts of sufficiency and social justice would aim to create “wellth,” that is, well-being for all.

Reclaiming Money for the People

The social and public heritage of money needs to be reclaimed and its governance democratized.

The social and public heritage of money needs to be reclaimed and its governance democratized. Money can represent social and public value, not just commercial and private value. And rather than being only a mechanism for profit-driven exchange, money can be a tool for the provision of goods and services people actually use and for guaranteeing everyone a right to livelihood, for example, through a basic income.

While the commercial use of money drives growth, the public and social allocation of money would provide people with what they need directly, thereby supporting a one-step rather than two-step economy. The development of a one-step economy is essential to a Great Transition to a just and sustainable society. By relieving people of the need to undertake unsustainable and unnecessary work in order to obtain money, it would reduce ecological strain and economic inequality. And by freeing people from a dependence on the market, it would create more time for the avocational, personal, social, and convivial activities that make life worth living.

Neoliberal economics denies that all of this is possible. Indeed, politicians routinely claim that there is “not enough money” for our basic social needs. But despite the claims and strictures of neoliberal ideology, states can and do “print money.” First, it is produced *ex nihilo* by central banks to provide cash and support for the money-creating activities of the banking sector. Second, money is created and circulated as the government spends, in the same way that banks create money as they lend. States spend money and then offset their expenditures against tax revenue and other income received. States, however, do not fill their tax accounts *before* they spend: the balance between public expenditure and public income only becomes clear *after* the expenditures have occurred. The political choice at that point is what to do with any “deficit,” that is, the surplus of expenditure over income. The extra money created by state expenditures could be left to flow around the economy,

A shift from profits to provisioning would put the main focus of the economy where it belongs.

producing in effect a perennial “overdraft” at the national bank. Or the deficit could be shifted to the financial sector through “government borrowing,” thereby increasing the national debt (as happens in most capitalist economies).

All modern currencies are “fiat money,” created out of nothing, their value sustained by public trust and state authority. So why are states and their citizens shackled in debt? Why can’t the people simply create the money they need free of debt? Why can’t that money be circulated in a not-for-profit social or public sector? Why base the principles that govern our economic system on the butcher, the baker, the candlestick maker, and the hidden hand of the market rather than the doctor, the teacher, the care worker, the artist, and the not-so-hidden hand of a solidarity economy?²⁵ As these questions make clear, freeing ourselves of misconceptions about money opens the door to new possibilities for driving a transition to a just and sustainable economy.

Control of the money supply and, more generally, the monetary system confers a tremendous amount of power. Can we entrust the state with it? Neoliberals warn of the dangers of state intervention in a market-based system. Proponents of social and local economies likewise harbor suspicions of the state, particularly its distant and opaque bureaucratic apparatuses. But without an expanded role for the state, many people will continue to fall through the gaps in the market and voluntary sectors. However, since many states have proven to be inefficient, corrupt, and autocratic, a public money system would be acceptable only if it were more robustly democratic. We cannot assume that public authorities will use money wisely unless they are subject to democratically determined mandates and effective public scrutiny. Exclusive control of the money supply must not simply be put in the hands of the government in power or the state apparatus and left unchecked. Public management of the creation and allocation of money must be transparent and accountable.

Democratizing Money

A shift from profits to provisioning would put the main focus of the economy where it belongs: on the sustainable meeting of needs. That goal would be met through a combination of a basic income (that is, a monetary allocation to each individual as matter of right) and a budget for collective expenditures on public services and infrastructure. The democratic process would entail the development of party platforms followed by participatory budgeting, in the process described below.

At national and regional levels, political parties would propose an overall allocation of funds among the social, public, and commercial sectors—as well as levels for the basic income—as part of their election platforms. Actual allocations would be those of the parties in power. Money to fund these democratically determined allocations would be provided through grants or loans administered by banks, using funds provided by the central bank and operating under social, public, or cooperative

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structures. In this process, the utilitarian purpose of banks—holding deposits, conducting transactions, and balancing accounts—would be preserved, but they would no longer be able to create money or engage in speculative finance. Where the private sector requires loans for sustainable and socially just investment, this would be accommodated by either an allocation of public money via these banks for lending or a transfer of existing money from private investors.

Public expenditure would be through direct spending of money created free of debt. Citizen and user-producer forums would identify specific public expenditure needs, providing input into local, regional, and national budgets. Given the complexity of the process, these budgets and the corresponding allocations would be set for at least a five-year period, with a modest margin for interim adjustments. Adoption of a participatory and transparent approach to decision-making would militate against domination by any particular group or body. The setting of long-term budgets would ensure that governments could not substantially amend proposed money creation or expenditure levels during the run-up to elections.

Because such a system would result in a massive increase in public expenditure, a phase-in would be prudent. Even with that, the additional money flowing into the market sector could increase the threat of inflation in the short term. But reconceptualizing the role of taxation offers a way to address the problem of inflation. In the conventional view, the state is dependent on tax revenue extracted from the “wealth-creating” private sector. Public expenditure is a burden on the hard-working taxpayer—who is almost never portrayed as a beneficiary of public services. If money is created exclusively by the commercial sector, the conventional view is in many respects correct. The public sector is dependent on the money raised by taxation, and absent borrowing, taxation must precede public expenditure. On the other hand, if money is created and circulated initially by the public sector, then there is no need to “raise” money through taxation. Rather than preceding public expenditure, taxation would follow it, retrieving publicly created money from circulation in amounts sufficient to keep inflation in check. If the public sector is much larger than the private sector, taxes might have to be quite high.

While levels of budgets and basic incomes can be determined through an open, democratic process, the assessment of the impact of public expenditure on the commercial sector would require technical expertise. This situation is no different from what we see today: experts in monetary policy try to anticipate and then propose actions to address inflationary pressure, usually by adjusting key interest rates. As is the case today, estimating the impact of public expenditures would be a hit-or-miss process, but a necessary one nonetheless. A committee of experts would make an assessment of the amount of public money the commercial sector could absorb without too great a rate of inflation and, correspondingly, the overall level of taxation required. The expert assessment would have no role in determining how much public expenditure there would be or how the required taxes would

be applied. That is where the public would come in, debating questions of what amount to spend and whom, what, and how much to tax.

The model of public money and taxation just described reflects how money flowed before the commercial domination of the monetary system. Sovereign rulers issued money in various forms to pay for goods and services and then retrieved the money through taxation. Today, the people should be the sovereign. Under a system of public money, the people would make payments to themselves for goods and services provided for their benefit, then return that money to themselves via taxation. The process could be accomplished entirely without money, but that would be an administrative nightmare.⁶

Effectively exercising the public's right to create and spend its money would require a wide range of democratic decision-making. Questions about the level of taxes, redistribution of income and wealth, whether to tax resource use or land, which expenditures should be taxed, etc., would need to be democratically determined. However, given the basic income and extensive public services included in the proposal, there would be much less need for the accumulation of wealth or for investment programs such as pensions, which are major drivers of growth. This, in turn, would justify even greater taxes on existing wealth. Moreover, since there would be less need for investment opportunities, public money could be created and used to purchase natural resources and utilities currently in private hands, bringing them back under public control.

The public would debate what amount to spend and whom, what, and how much to tax.

Another important focus of democratic participation would be the enhancement of public spending oversight. All organizations that received a direct or indirect allocation of public money would need to have clear mechanisms for democratic accountability and transparency in place. Interested citizens along with workers and user groups would monitor their expenditures and business practices on a regular basis. Such monitoring would minimize the possibility for abuses, such as overleveraging of the financial sector and corruption in the public sector, which have plagued the current system.

Conclusion: Debt-Free Public Money for Sufficiency Provisioning

A public money system would enable a one-step economy in which individuals no longer have to undertake socially or ecologically harmful work in order to secure an income. Participation in the market would no longer be essential, as money would reflect an entitlement to livelihood, not just the market value assigned to work. Paid work would continue, but it would focus on democratically determined priorities. Caring for each other and for the planet and building a just society, not financial speculation and resource extraction, would be recognized as the real sources of wealth. New metrics would track and guide progress, with a shift from Gross Domestic Product to a notion of Gross Domestic Provisioning that measures overall "wellth," that is, well-being.

Let the power of public money now be used to provision the people.

In a transition toward an economy that prioritizes provisioning over profit, we must be attuned to the interplay between meeting our own needs and protecting the environment. For example, substantially reducing energy use would have profound effects on domestic work, as the latter would be much harder without labor-saving (but energy-using) devices. Birth control has helped reduce environmental strain by keeping population growth in check. But slower population growth, or even decline, has also led to aging populations with relatively fewer people available for both productive and care work. A major focus of a future provisioning system will, therefore, need to be care for the elderly. Although today this responsibility tends to fall upon the shoulders of women as unpaid or underpaid work, it can become a major source of meaningful work and societal wealth.

Reorganizing the economy around publicly created money is not utopian. It simply requires recognizing and reorienting what has existed in the past and what we, in fact, fall back upon today. In the wake of the financial crisis of 2007/8, the power of public money was made clear when governments used it to rescue the banks and other large businesses, such as auto manufacturers and insurance companies. Let it now be used to provision the people.

Endnotes

1. This essay is based on my book *Debt or Democracy: Public Money for Sustainability and Social Justice* (London: Pluto, 2015).
2. This essay adopts the feminist notion of “provisioning,” which embraces currently uncosted areas of human need and the resilience of nature. For more on this concept, see Marilyn Power, “Social Provisioning as a Starting Point for Feminist Economics,” *Feminist Economics* 10, no. 3 (2004).
3. For more information on the social economy, see “Social Economy,” Organisation for Economic Cooperation and Development, 2017, <http://www.oecd.org/cfe/leed/social-economy.htm>.
4. I refer to this concept and the related myths that the government must “live within its means” as “handbag economics,” as discussed in *Debt or Democracy*.
5. For more on the solidarity economy, see Peter Utting, “What is Social and Solidarity Economy and Why Does It Matter?” From *Poverty to Power* (blog), April 29, 2013, <https://oxfamblogs.org/fp2p/beyond-the-fringe-realizing-the-potential-of-social-and-solidarity-economy/>.
6. The case of the babysitting circle demonstrates the usefulness of money. Every participant does the same task (babysitting) and the group is small (a dozen or so families), but the system is much easier to administer with tokens than with an array of bilateral personal arrangements.

About the Author



Mary Mellor is Professor Emerita at Northumbria University in the UK, where she taught social theory and was founding Chair of the University's Sustainable Cities Research Institute. Throughout her academic career, Mellor has been concerned with the need for social change. Her initial research area was the social economy, with a focus on cooperatives. In the 1980s, her exploration of the ecofeminist movement resulted in two books, *Breaking the Boundaries* and *Feminism and Ecology*. In the 1990s, she developed her current area of interest, alternative economics, combining environmental, socialist, and feminist ideas. This led to a fundamental rethinking of how current economies function, particularly with regard to the role of money, manifest in the books *The Politics of Money* (co-authored), *The Future of Money*, and *Debt or Democracy*. She is currently working on a new book on the history of money.

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