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The Production of Money: How to break the power of the bankers. AnnPettifor. Verso Books £8.99 (978-1-78663-134-3)

While government spending and financial aid policies might have differed from country to country during the pandemic, they all have on thing in common: states showed their financial capabilities and at least temporary broke with the tenet of austerity. But where did all this money come from, if normally the public is constantly told money being a scarce resource and states being obliged to manage their balance sheets carefully and to reduce public debt levels?

In this book, published in 2017, when austerity was still hailed as the only way to go, Ann Pettifor makes an conclusive effort to unravel the myths encompassing the way how money works in modern capitalist economies. Or rather, how it could or should work and what is wrong about the current financial regime. Known for her year longstanding activism against unsustainable indebtedness of peripheral countries and for virtually predicting the GFC in 2006 Pettifor once again attempts to enlighten the public discourse about a steadily misunderstood topic.

Since the book approaches the topic under scrutiny deploying a rather essayistic and erratic style, with a series of central motives appearing in basically every chapter, Pettifor's reasoning can be restructured best along the following implicit guiding questions: 1st) What is money and what are the mechanisms of it's creation? 2nd) What were the main consequences of the shift to the neoliberal regime of finance and whose interests are served under it's sustained governance? And 3rd) What needs to be done in order to restore public control of the financial system and how should the power of credit creation be used for a transition towards a more just and sustainable world?

Throughout the book, Pettifor draws on Keynesian thought answering these questions, thereby concomitantly attacking neoclassical orthodoxy. Take money creation and the basics of banking, for example. Not only dismantles Pettifor the common perception of banks as being mere intermediaries between savers and lenders and the consequent notion of a ‚natural' interest rate. She also reveals the deceptive simplicity of neoclassical theory which doesn't have a theory of money at all, hence conceptualizing the economy as a barter economy with money representing just another commodity that just facilitates trade. In contrast, Pettifor shows how Keynesian analysis is monetary from the very beginning. Here, money and the interest rates are necessarily social constructs rather than ‚natural', with the

former coming into existence solely through credit and debt relations. Thus, money is necessarily endogenous to the economic process and created through a “bottom-up process” (28)☐.

Pettifor then uses this basic Keynesian concept in order to highlight the interwoven processes of economic agents, private money creation by commercial banks, the role of reserves, the regulative abilities (or non-abilities) by the central bank and the policy leeway of nation states. What becomes clear here is the deeply ambiguous role of credit money: on the one hand, Pettifor stresses the importance of access to credit for economic activity through investment; on the other hand, she highlights the sheer amount of power that comes with credit money creation – and how this power was appropriated and abused by a wealthy minority of “robber barons” (39). Instead of making use of the credit system’s possibility to get rid of the rentier class, Pettifor shows how credit creation itself was captured by vested interests and became a new instrument of rent extraction, meaning effortless income for the rich and ever rising debt burdens for the poor.

At the heart of this process are the deregulation policies of the neoliberal era, which began in the early 1970s. Instead of the tight credit policies of the previous Keynesian era (1930s – 1970s), which included credit rationing and a political control of interest rates through public debt instruments on the national level and capital controls on the international level, neoliberalism was marked by a retreat of the state, leaving the regulation of credit creation and the financial system to the free interplay of ‚market forces’. As a result, private banks made use of their monopolistic position by demanding high interest rates while at the same time being deliberately generous with lending. While this ensured continuously high profits for the financial sector, it rendered the whole system ever more fragile. Absurdly, during the regularly following financial crisis it turned out that the originators of this fragility themselves had to fear the least. Well aware of their systemic necessity, they got bailed out by the taxpayers again and again, while politics was constantly haphazard.

Therefore, Pettifor discusses several popular demands for financial reform on the rear pages. While showing sympathy to the overall direction of these attempts, she nonetheless agrees neither with the idea of ‚Sovereign Money’, nor with the numerous concepts of how to make use of the printing press in the public interest, nowadays a much debated topic under the MMT label. In contrast, Pettifor seems to be a rather conservative Keynesian here, basically calling for many of the above mentioned instruments already applied in the often praised Keynesian era, namely tight credit policies, interest rate control and strict capital controls.

Pettifor's book certainly does it's jobs in convincing the readership of the anti-austeritarian main message, which is postulated over and over again from the very beginning: "If the banking system is properly regulated by public authorities, and operated in the interests of the economy as a whole, there need never be a shortage of finance for sound productive activity" (7). Concomitantly, it is enriched with numerous political, historical as well as theoretical anecdotes rendering it an very approachable and introductory read. However, Pettifor could have done a better job in structuring her book, since the themes appearing, criticisms raised and conclusions drawn are a bit too randomly combined throughout the 160 pages. While this might be owed to Pettifor's main aim of politicizing her readership on the topic, it comes at cost of analytical clarity and stringency which might bother the already informed reader.

Lastly, the strong focus on credit creation and financial (de)regulation deliberately excludes any other explanatory moments of economic analysis. While this monothematic focus serves the compactness of the reading, it leaves space for deeper engagement with economic reasoning at many points. However, if one always wondered why our societies seem to be governed rather by financial markets than by the public will, Pettifor's book is definitely worth the read.