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Aaron Sahr, *Keystroke Capitalism: How Banks Create Money for the Few* (translated by Sharon Howe), London: Verso, 2022. ISBN: 9781839761195 (paper); ISBN: 9781839761218 (ebook)

Ever since the accident in 2008 that has gone down in history as the credit crisis, much ink has been spilled on the crimes and misdemeanours of banks. We now know that banks' buffers—equity in economic parlance—are thin on paper and probably non-existant when accounting for accounting. It has become apparent that banks are too big to fail, yet too powerful to chop up. It is clear that banks mis-sell to the poor and facilitate tax evasion for the rich. And nobody is surprised any more to read about the permanently revolving door in (central) banks, which, among other things, helped ensure in 2010-2015 that the Troika-money going to Greece, Ireland, Portugal, Cyprus, and Spain was earmarked to go straight to the banks' consortium. It's all common knowledge now. This is not to suggest that anything has been resolved—far from it. It is to say that it takes courage to write yet another book about yet another case of bankers' misconduct. Aaron Sahr is courageous indeed, even factoring in that the book *Keystroke-Kapitalismus* was first published in German in 2017.

Sahr proposes that the problem is not so much that banks beg, borrow, and steal money, although they do. The problem is that they can *create* money. And they do, earning money at a keystroke, as money is produced at zero marginal costs, while being "sold" as loans, with fees and interest rates as its price. Sahr proposes that the private creation of money goes a long way in explaining the "trinity of private wealth, record debt and rising inequality" (p.7) that Piketty (2014) showed to characterise our day and age. These are more than just trends. They are guaranteed outcomes of the central political-economic mechanism that privatised seigniorage is. This point is not entirely new, as the extensive reference list already indicates. It is, however, true that money creation is by and large downplayed, ignored, or misunderstood in political-economic literature on *Spätkapitalismus* (last capitalism), leaving it to the blogosphere to decipher how money is actually created since Nixon announced in

August 1971 that the USA, and by extension the Western world, went off gold. No longer did money represent a (already watered down) claim on gold.

Nowadays deposits represent a claim on notes and coins. As these are of course not intrinsically valuable, the monetary system is built on trust; all money is fiat money. We accept money because others accept it (and because tax is levied in monetary form). As central banks create coins and notes, as well as their digital version (so-called central bank money), central banks seem to exclusively have the money creation prerogative. Commercial banks seemingly only lend once they get their hands on money, either because we deposit our money at the bank or because banks borrow from central banks in special accounts only they can draw from. In this reading, a central bank creates money, while commercial banks allocate it. Not so, the book explains. Banks do not (have to) wait for money to somehow arrive before they can lend. Banks do not finance loans; they originate them. They extend credit with a keystroke and without any asset backing it up. Extended credit is, however, real money for bank customers, who can use the money as deemed fit. This "works" if the borrower does not touch his or her credit. It also works if (s)he wires it to another account of the same bank. It might become problematic if (s)he wires it to another bank, although this transaction might cancel out against similar ones going the other way. And it is potentially problematic if the customer withdraws money at the ATM. Key is that the resulting demand for central bank money is "in practice invariably met" (p.66). Consequently, central bank money "should be regarded not as the prerequisite, but as the result of private money creation" (ibid.). Money is full stop produced by commercial banks in the form of circulatable liabilities (i.e. debt); central banks do not regulate this practice, they accommodate it.

Privatised money creation is not only considered crucial for understanding the business model of banks and the modern monetary system. Credit-money is proposed to be "the fuel that drives the capitalist engine" (p.112). The majority is indebted by design, in fact "without people willing to get into debt there would be no circulatable liabilities [i.e. money]" (p.92). The Great Indebting of states and households since the 1970s "channel[s] interest and principal payments from the borrowing majority to the lending minority" (p.6). And the top

1% furthermore profits via inflation of debt-financed assets. That need not be surprising as price increases of houses are unlimited given the "hyperelastic" supply of debt.

Sahr's short (132-page) expose informs and convinces. The connection between debt, inequality, and wealth is particularly clarifying. He does not, however, take an empirical step this reader would have liked to see. He does not document the crucial notion that demand for central bank money is *always* met. It is true that since the credit crisis there is full allotment in the ECB's main refinancing operation, with central bank money available for every bank with sufficient collateral. This, however, did not always cover all demand, as Irish and Greek banks for example ran out of collateral in 2010-2015. These banks were still supported in another programme (Emergency Liquidity Assistance), but only after the ECB forced the Irish and Greek states to "reform" (their social security and labour market, that is, not the banking sector). Sahr does not discuss the politics of the monetary triangle of member states, commercial banks, and the ECB. Central banks do have the potential to rein in debt-money creation, and to shut down banks. And at least the ECB uses this power to strong-arm states. Sahr does not discuss this, instead presenting the leniency of central banks as permanent and unconditional.

Sahr proposes then that "the keystroke" is a third appropriative mechanism next to state intervention and private ownership of the means of production. In Marxist terms, capital does not need to be invested productively to expand. You only need to exploit the printing press by indebting others. This might lead to a credit crisis someday when debtors cannot repay—but then there is always the state to help you out at the expense of those same debtors. The state then was fully complicit in the incident that could alternatively have been coined the money crisis, as Sahr makes clear.

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