Seignorage in Denmark and the UK: a Comparative Analysis

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Centre for Philosophy and Political Economy, University of Leicester

Seignorage is the profit earned through the privilege of making money. It is constituted by the difference between the actual cost of producing money and the price at which money is introduced into the economy. This paper is a comparative analysis of seignorage in Denmark and the UK. According to the letter of the law, the state has the legal monopoly to create money and yet the evolution of electronic payment systems as well as shifts in the central bank monetary policy means that the vast majority of money in circulation is constituted by commercial bank credit. In effect, the creation of money in both countries has been de facto privatized. The purpose of the analysis is to estimate the value of this privilege, which has been transferred to private banking corporations.

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