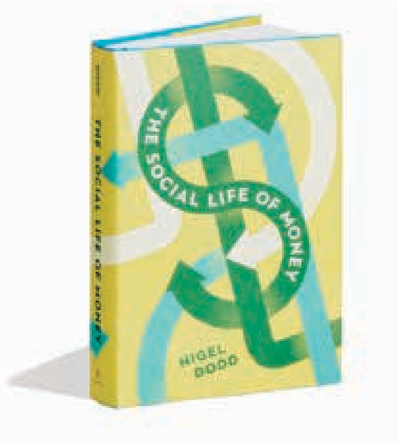
Two Cents' Worth



Nigel Dodd

The Social Life of Money

Princeton University Press, Princeton, New Jersey, 2014, 456 pp., $35.00 (cloth).

What is money? That is what Nigel Dodd, professor of sociology at the London School of Economics, leads us to explore in *The Social Life of Money*. Along the way we are presented ideas on money from the greats in literature, philosophy, sociology, and many other disciplines. This book is more modern art than science. It takes us out of our comfort zone—especially those of us schooled in economics—and unsettles us, and the question is, deliberately, unresolved.

The author leads us from insights into one aspect of money from people not typically considered monetary theorists, including Jorge Luis Borges, Jacques Derrida, Michel Foucault, Keith Hart, Friedrich Nietzsche, Jean-Jacques Rousseau, and Ferdinand de Saussure, to other, somewhat contradictory but equally insightful, notions. As you are trying to make sense of it all—and this is not a light read—Dodd proposes that these ideas all have something to offer. Money is too protean to be captured by a single idea.

Dodd does not offer a new perspective; he seeks to enlighten us with many. In that sense, his message is already a sacrilege: the myth that money is driven by cast-iron laws understood by hard-nosed practitioners is shattered. Instead, the author offers a reminder that money in general, and particularly government-issued paper money, is a social construct. We do not question the $100 printed on a bit of cotton and linen that costs 12.5 cents to produce because we trust the U.S. government will honor its liabilities, given its ability to tax its citizens and resources and its attendant military might. Even where there are plentiful resources and resourceful people, absent faith in a society, the value of money collapses—as in Venezuela today, Argentina and Brazil in 1990, and the Weimar Republic in 1923.

To say that money is a claim on society is not original, Dodd reminds us with references to Georg Simmel and others. But he is right to say it again. The traditional view still traces the origins of money to some unrecorded, primeval way to barter more efficiently. This airbrushes the plunder and bloodshed too often at the origin of society. The dawn of money has more to do with tribute from the vanquished and profits from slavery than with more efficient peaceful trade. Money does not have clean hands.

Dodd tries to probe the subject further. Social construct need not mean the state. It could be the fluid, anarchic social networks of exchanges through which people swap their labor or even the decentralized payment system called Bitcoin.

In trying to move forward, however, the author ends up giving up ground. Sometimes, for instance, it feels as if he is blaming money for the global financial crisis and other recent ills. Yet money as a social construct is a more convincing, predictive theory. The structure of society and the way power is organized within produced the incentives that drove the boom and its inevitable bust. Those incentives were cast in money, but could have been in any currency of power. The case that money has a life outside of the social construct is conceivable but is not made convincingly. Bitcoin will fail because it is not backed by the state's power of taxation and falls foul of the international anti-money-laundering rules—not because it is digital currency with no reserves.

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The real insight to be teased out of this book is that form follows structure. If we want "better" money, then tinkering around with its form will have little impact unless we change the incentives that are often built in to society's structure.

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