Book reviews

Beat Weber · 2018

Democratizing Money? Debating Legitimacy in Monetary Reform Proposals

Cambridge: Cambridge University Press

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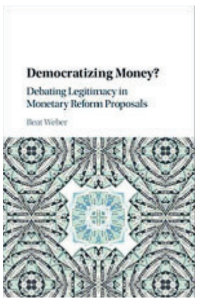

The worldwide financial crisis in 2007/2008 has triggered a vast debate on the roots of the crisis, and on the legitimacy of large-scale state interventions and government support that were deemed "necessary" to rescue the ailing financial sector. This debate not only focused on the regulatory deficits of the banking system and of the financial sector as a whole, but tended to enlarge itself into a general critique of the institutional system of monetary governance. For not a few observers, the root of the crisis seemed to lie in money "as such", and in the complexities of the existing system of money creation and governance; hence, calls for diverse kinds of monetary reforms became influential. This is the point where Beat Weber's analysis (the book is based on a PhD Dissertation defended at the University of Kassel) comes in. The author's key aim is to clarify what monetary governance can contribute to safeguarding the legitimacy of the financial system, as well as what it cannot do. Weber's answer will be sobering for monetary reform enthusiasts; basically, the author argues that the monetary system cannot be more democratic than the underlying social distribution of private property rights and political power itself. This is not a plea against reforms; however, to become effective for crisis prevention, reforms have to go beyond monetary governance and to focus directly on the institutional order and the political regulation of the private economy.

Facing a variety of simplifying theories of money, the author first insists on the need to give an accurate description of the monetary system as it exists. Weber characterizes it as a "hybrid" system, which must be hybrid and complex in order to meet the requirements of a complex, dynamic and transnational environment. Thus, there is no simple answer to the question of what gives monetary governance its "legitimacy". The book starts with an exposition of basic analytical concepts: commodity and credit concepts of money; input and output legitimacy; hierarchical, market based and community based modes of governance. The author then recapitulates how the existing system of monetary governance emerged historically from the integration of sovereign money and private credit money "under a common unit account and a common governance architecture with the central bank and commercial banks as key actors" (p. 42). Consequently not only the mechanisms to issue money, but even the nature of money itself must be characterized as "hybrid", since a plurality of heterogeneous issuers is involved, giving money its character as a "hybrid of a claim on the issuer and a pure asset" (p. 50). Beyond states, central banks, commercial banks and private customers as key actors, the international monetary regime plays a key role. The "legitimacy" of the system depends on its "input" structure as well as on its "output" effects. "Output legitimacy" includes the general currency acceptance vis à vis competing international currencies, the stability of money value, and the reliability of debt repayment. "Input legitimacy" is provided so long as central banks and commercial banks play their proper roles as creditors and debtors, serving the money users as the "stakeholders" of the system.

In the aftermath of the financial crisis, calls for monetary reforms as a means to prevent future crises became popular. In Weber's view, this reflects a thorough misunderstanding of the role of monetary governance; it means to prescribe the wrong cure against the disease. The author does not endeavor to provide a systematic analysis of the causes of the crisis. He only briefly points to the regulatory failures that have led to the spread of dubious "securitization" practices, to the rise of shadow banking, to the rising attractiveness of "financialization" – all problems that still have to be resolved and are awaiting effective policy responses. Though monetary policy was not a key factor causing the crisis, the public debate nevertheless tends to center on money and monetary reforms.

In Weber's view, this is due to a widespread ignorance of the public on money, which partially goes back to the neglect of money in mainstream neoclassic economics. The knowledge vacuum on money created by neoclassic economics was filled by "folk theories", all of them failing in diverse ways to grasp the complexity of the existing monetary system.

Weber discusses four of these "folk theories": Bitcoin, Regional Money, Sovereign Money, and Modern Monetary Theory (MMT). None of these conceptions are deemed a convincing alternative to the existing system. All of them are following, as the author shows, a simplified version of social contract, as they tend to absolutize the role of one of the actors in the complex network of monetary governance, while neglecting the others. The Bitcoin system prioritizes the speculative interest of the individual money user, while neglecting social concerns about a stable and functioning currency. Regional Money is based on the support of local and regional communities; given the national and transnational interconnectedness of the economy, its role can only be a supplementary one, at best. Sovereign money conceptions aim to eliminate the money creation function of private banks, either by prescribing a 100 percent reserve of central bank money for banks, or by erasing privately issued means of payment altogether, replacing private money by a complete reliance on central bank money. These conceptions not only neglect, as Weber argues, the complexity of the interactions between banks, private enterprises and customers in the process of value creation, but also the dependency of sovereign money creation on international currency markets. The same applies to MMT approaches – Weber here refers largely to the writings of Hyman Minsky and Randall L. Wray – which attribute the power to create and circulate money even more exclusively to the national state.

To sum up: This is a well written, informative book, which presents a clear argument about a highly relevant and actual topic. One may object that Weber, while taking a very critical stance on alternative monetary concepts, has little to say about the deficiencies of the existing system, in particular in the field of international monetary governance. However, his point that alternative monetary concepts have to at least match the complexity level of the existing system in order to be taken seriously certainly holds true. Moreover, the book can be read as a warning of overstated expectations concerning the role of money and the options of monetary policy. Certainly the author would not deny the unstable, crisis-ridden character of capitalism. But – and this is his point – it is not money and monetary governance, where the primary sources of crises have to be sought.

David Henig and Nicolette Makovicky (eds.) 2016

Economies of Favour after Socialism

Oxford: Oxford University Press

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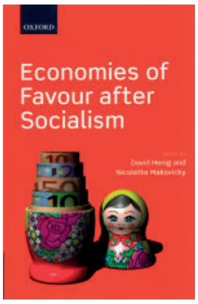

The social complexity surrounding "favors" is presented here under conditions that make them particularly intriguing – namely, in societies with a socialist past. Those interested in the topic can be sure that *Economies of Favour after Socialism* offers more than a window through which we can observe cosmologies of favors in Bosnia, ways of fulfilling obligations in South China, or modes of reciprocity among Polish artisans and merchants: it opens a window that allows us to form an anthropological appreciation of the complexity of an *act* that a large number of those concerned with the "economy" tend to see as falling outside of the economic domain. The main argument in this edited volume is that favors are *modes of acting*, components of the rhetoric of friendship and mutuality, and not simply actions "which appear to mix instrumental and affective relations, goal-oriented and gift exchanges, and 'formal' and 'informal' institutional ties," as the editors clarify in the introduction.

This extremely stimulating book, whose reflections should engage scholars interested in post-socialist societies as well as a broader audience, is the result of a conference entitled *Economies of Favour after Socialism: A Comparative Perspective,* held in January 2012 in Oxford. The theoretical discussions and the presentation of the cases follow the guidelines of that conference, which in general terms is a broad discussion of Alena Ledeneva's well-known notion of "economies of favour". The title of the book could be misleading and cause occasional readers to believe that the impressive discussion offered by the eleven contributions is only relevant for those interested in ex-socialist societies. This is simply not the case, because the "economy of favours", as Caroline Humphrey points out, is a way of conceptualizing a series of informal economic activities that merge favors with well-known practices in many other regions of the globe: gifts, bribes, patronage, clientelism, kickbacks, illicit benefits, and different forms of "compensation."

After an introduction in which the editors delineate the theoretical contribution of the book and show how the chapters contribute to the overall project, the book continues with two contributions that resonate through the rest of the contributions. Alena Ledeneva again presents a theorization of the *blat*, which serves her to explore the *sistema*, the network-based system of informal governance under Putin. This fascinating chapter incorporates the final recommendation to conduct an ethnographic study of the world of informality: in her contribution, the reader can find conceptual innovation and methodological experimentation. Caroline Humphrey's contribution, meanwhile, poses the question concerning the significance and persistence of favors and proposes a differentiated perspective of these practices. Her answer is that favors always leave something open and uncertain; that is, they are ambiguous as to what we can expect from the givers of the favor. The final answer is that the favors, due to this ambiguity, facilitate lasting social relationships and feelings of self-worth in the context of certain social networks. It is also worth mentioning Chris Hann's attempt in his article to argue against exaggerating the existence of a "socialist personhood." Hann's contribution focuses on *pálinka*, the name of an alcoholic beverage that also refers to a way to understand a series of exchanges in the economy of favors and a particularly important sector within the illegal or shadow economy. However, the emphasis is on the need to avoid falling into nostalgic sentiment, to avoid exaggerating the past of strong ties under socialism and drawing stark contrasts with the extreme atomization of individuals typical of market societies.

The above contributions are a testimony to the book's depth, but they also suggest that scholars of the economy and markets have yet to fully comprehend the entirety of the world of informal practices that are part of the economy and are, as the editors clarify, constitutive of sociality. Finally, despite the unstructured organization of the book and occasional missed opportunities, I recommend *Economies of Favour after Socialism* to those interested in what happens behind the façade of the state: informality, illegality, and economic practices that go unregistered. This innovative and inspiring edited volume provides a reflection on social phenomena that are certainly to be found beyond the boundaries of ex-socialist societies. In that sense, the book should also provide a source of inspiration for scholars conducting research in other regions of the world.

Werner Reichmann · 2018

Wirtschaftsprognosen. Eine Soziologie des Wissens über die ökonomische Zukunft

Frankfurt/New York: Campus

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How do experts produce and communicate knowledge about the economic future? This question lies at the center of Werner Reichmann's comprehensive German-language book about the economic forecasts produced and promulgated by German, Austrian, and Swiss institutes for economic research. In order to unravel the mysteries and intricacies of economic forecasting, the author conducted interviews with members of economic research institutions in the abovementioned countries, analyzed the documents they produce, and studied the ways forecasters present their conclusions and inferences to the public. A central goal of Reichmann's book is to apply the analytical stance of the social studies of science to the discipline of economics. With this approach, he aims to contribute to the establishment and consolidation of a research program that he calls "*social studies of economics*." According to Reichmann (p. 19), the application of the social studies of science perspective to the discipline of economics should be appreciated as one of the book's main innovations.

Reichmann's idea is certainly an interesting one, which can be properly understood as an *incremental* innovation because it, first, applies the fairly well-known social studies of science perspective to a quite specific empirical field. Second, there is already a substantial literature on the realm of economic knowledge, which is influenced by ideas from social studies of science. One could for instance point to the contributions assembled in *Die Innenwelt der Ökonomie* edited by Jens Maeße, Hanno Pahl, and Jan Sparsam (2017) to show that Reichmann's work is inscribed in a broader stream of research that shares the interest of reconstructing the construction of knowledge by economists (Reichmann himself is a contributor to this edited volume). Additionally, Robert Evans' research on British econometrical modelers comes very close to Reichmann's perspective (as the latter points out himself).

From the social studies of science literature, Reichmann selects three established concepts, which serve as analytical keys for his study of economic forecasts. The first analytical concept is "symmetry," introduced to the social studies of science by David Bloor. The latter recommended that researchers use the same type of sociological explanation to account for "true" as well as "false" knowledge. The main idea here is that true knowledge is also a product of social processes and not the result of the successful suppression of social influences. As a second analytical key, Reichmann uses the idea of economics-in-action, which he derives from authors such as Fleck, Knorr Cetina, Latour, and Woolgar. According to this concept, science should be viewed as a phenomenon constantly in the making. As a social scientist interested in economics one should consequently investigate the processes in which economists produce knowledge and should refrain from merely looking at the results of these knowledge-creating activities. The third analytical key is the concept of social interaction. Reichmann derives this concept from Berger and Luckmann's sociology of knowledge and, at least partially, from Goffman's dramatism. He specifically departs from Goffman, however, in that he does not reduce interaction to face-to-face encounters (p. 18).

The analytical decisions Reichmann took with these three key concepts place him quite firmly in a general cultural and micro-sociological perspective. While the concepts stem from specific contributions in the field of social studies of science, they generally sensitize the user to the constructed, processual, and interaction-based character of the social world. Given this general perspective, Reichmann chooses Glaser and Strauss' grounded theory as method of analysis.

Reichmann's analysis is grounded in interview data he collected, published economic forecasts, and audio-visual data from press conferences. Considering the author's long-lasting preoccupation with the field of economic forecasting, it comes as no surprise that the book is very rich in instructive empirical observations and theoretical interpretations. A key theme that emerges in the course of Reichmann's discussion is the way economic forecasts represent the economy. He also pays close attention to the social processes through which economic forecasters produce knowledge about the future. Another central line of argument relates to the way economic forecasters communicate about the economic future. These key themes are complemented by an interest in the relationship of economic forecasters to non-scientific social environments, such as media audiences, the state, and markets. The abovementioned themes are intertwined throughout the book. Usually, however, each chapter emphasizes one of them. In order to depict the book's content in a convenient way, I will regroup the chapters according to the emphasis they put on one of the abovementioned themes.

In the first chapter, Reichmann offers an insightful account of how economic forecasts need to follow a *"relevant trace"* (Latour) in order to represent the realm of the economy. The main theme here is how economic forecasts relate to the "world out there" and translate things into words (p. 49). Reichmann argues that the "relevant trace" allows economists to translate the complex and opaque empirical reality of economic activities into a more or less clear-cut symbolical representation of the economic world. From the constructionist standpoint Reichmann assumes, the argument that economic forecasts do not refer directly to the "world out there" but to a contingent symbolical representation is certainly not very controversial. He does an excellent job of comparing their "relevant trace" with other disciplines such as soil science, archaeology, and quantitative social research, however. By comparing different "relevant traces" he shows the contingent way in which different disciplines represent their subjects of research. Chapter 9 complements the interest in how economic forecasts refer to the reality of the economy by discussing whether it is possible for economic prognostications to be clearly wrong (or clearly correct). Reichmann shows that they can never be false (or true) in a non-ambiguous way because there are different reference frames in which to judge their adequacy. The question whether forecasts predict a future present correctly is not that important anyway because their social function lies mainly in informing and defining present situations, as

Reichmann convincingly points out in Chapter 4.

In the second chapter, another central theme of the book comes to the fore. Here, Reichmann focuses on the *social production* of economic prognostications. He shows how economists rely on the "*epistemic participation*" of actors from the field of the economy itself. In contrast to other scientific endeavors, the subject matter itself is expected and allowed to partake in the production of knowledge, not only by contributing data but also by offering interpretations of (future) economic reality. Later, in Chapter 5, he extends this point and shows in a detailed analysis that state actors are also involved in the social production of economic forecasts. This central participation of non-academic actors in the production of knowledge is an interesting observation, which can probably be explained by the applied nature of the research that produces economic forecasts. One would probably find similar forms of epistemic participation in other strands of applied research, for example in the fields of social work or policy advice.

Chapter 3 introduces another central interest of the book. Here, Reichmann investigates how economic forecasters *communicate* their prognostications to relevant audiences. Making the economy visible and conferring trust on economic forecasts emerge as key themes of the analysis. Concerning the first theme, Reichmann argues that the visual representation of the economy through *"dominant graphs"* ("*dominantes Schaubild*") is a central way of disseminating knowledge about the economy and its future. Building on Knorr Cetina's work, Reichmann argues that the "dominant graphs" should be conceived of as "*scopic media*," which confer visibility on an otherwise inaccessible realm of human action (p. 129). In Reichmann's account, these "dominant graphs" inform actors' behaviors and are therefore involved in the production of societal reality. In Chapter 7, the author picks up on the interest in the communication of economic forecasts by analyzing press conferences, in which experts present economic forecasts to a wider audience. Reichmann is mainly interested in the impression management of economic forecasters, whom he conceptualizes as "*ambassadors of the economic future*." According to Reichmann's analysis, the socially attributable aim of the self-representation of those ambassadors consists mainly in gaining and reproducing societal trust for the abstract expert system of economic forecasting.

Another key theme of Reichmann's analysis is the relationship of economic forecasters with their social environment. While Reichmann analyses their self-representation in front of a media audience in Chapter 7, he investigates forecasters' interrelations with states and with markets in Chapters 5 and 8, respectively. In Chapter 5, Reichmann describes the relationship between the state and economic forecasters as *permanent, consolidated, and successful* ("*dauerhaft, gefestigt und erfolgreich*"). As he points out, this relationship is a way for the state to secure a certain control over the production of knowledge pertaining to the future of the economy. According to Reichmann's interpretation, the fairly strong relationship between the state and economic forecasters is partly founded in a shared grammar: Both communicate about the economy in the language of numbers. In Chapter 8, Reichmann investigates how economic forecasts interact with markets. Building on Beckert, he argues that economic forecasts help to reduce uncertainty for market participants and that they help to solve coordination problems in markets.

Reichmann's book is a valuable contribution to the sociological study of economics in that it offers deep insights into a specific field of economists' work. The main analytical move to investigate this field through key concepts from the social studies of science literature is in itself very convincing. As the author himself points out, however, it would have been desirable to conduct ethnographic fieldwork in institutes of economic research in order to study economics-in-action adequately (p. 42). Because the production of economic forecasts is a politically charged process, it is understandable that those institutes have not granted him ethnographic access (at least so far). For this reason, Reichmann had to make do with the insights into the process of the production of economic forecasts he could glean from interviews with economic forecasters. Considering the book's claim that two of its contributions involve the study of *economics-in-action* and *social interaction*, it is hard to overlook this lack of ethnographic observation. Interviews are arguably not the optimal means for accomplishing the author's purposes because they probably reveal more about economic forecasters' accounts of their actions than about their actual activities. Ethnographic access to sites where economic forecasts are being produced would certainly expand the possibilities of the social studies of economics the author proposes.

In the introduction of the book, Reichmann explains that his main ambition is to apply key notions derived from social science studies to knowledge production in the field of economic forecasts. Consequently, as a reader one could think that he is mainly interested in economic forecasts as one type of economic knowledge among others. If one looks at the subtitle of the book, however, one could assume instead that Reichmann wants to contribute specifically to the sociological study of the future. If this were the case, economic forecasts would serve not just as an exchangeable example from the realm of economics, which made it possible to demonstrate the fruitfulness of the social studies of economics approach. Instead, economic forecasts would be conceived of primarily as a type of knowledge that deals with the general problem of an unknowable future. Of certain passages, a reader could ask therefore, whether they should understand this book primarily as a study of *economic knowledge* or as a study that analyses the problem of the production and dissemination of *knowledge about the future*. Now, of course these two foci do not exclude each other in any way. The book might, however, have gained additional argumentative power if these two foci had been addressed and accentuated more clearly. Readers who pick up the book because they are interested in the social construction of the future might not get as much out of it as they had hoped after skimming through its pages. Especially the analyses related to the communication of economic forecasts do not use the full analytical potential of the sociology of the future, at least in my opinion. This is somewhat astonishing if one considers that Reichmann refers repeatedly to seminal contributions to this emerging field. That said, it is certainly an inspiring book for sociologists interested in the application of social studies of science perspectives to the field of economics or readers interested in economic forecasting in German-speaking countries.