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Review of *Money and Calculation: Economic and Sociological Perspectives*

Geoffrey K. Ingham

Abstract

There has been a considerable revival of academic interest in questions about the fundamental nature of money and its role in modern capitalist economies during the past decade. This has been evident mainly in the social sciences outside the mainstream of academic economics, but even here there has been some attempt to resolve the paradox that formal economic theory—particularly equilibrium theory—has been unable to explain money's existence and to assign it an essential role in its models. These questions have become increasingly important and unavoidable in the face of the enormous expansion of evermore complex calculations of risk and value in financial and money markets. This collection of essays is the result of a workshop held at Bocconi University in May 2008 to explore these issues from a diversity of perspectives—phenomenology, economics, sociology and some contributions that defy such conventional classification.

KEYWORDS: money, economic theory, economic sociology of money

JEL Classification Codes: E40, M41, A12, A32

Massimo Amato, Luigi Doria and Luca Fantacci (Eds.), *Money and Calculation: Economic and Sociological Perspectives*, Bocconi University Press/Palgrave Macmillan, 2010.

Review by Geoffrey K. Ingham, University of Cambridge

There has been a considerable revival of academic interest in questions about the fundamental nature of money and its role in modern capitalist economies during the past decade. This has been evident mainly in the social sciences outside the mainstream of academic economics, but even here there has been some attempt to resolve the paradox that formal economic theory – particularly equilibrium theory – has been unable to explain money's existence and to assign it an essential role in its models. These questions have become increasingly important and unavoidable in the face of the enormous expansion of evermore complex calculations of risk and value in financial and money markets. This collection of essays is the result of a workshop held at Bocconi University in May 2008 to explore these issues from a diversity of perspectives – phenomenology, economics, sociology and some contributions that defy such conventional classification. The result is fascinating and stimulating, but this eclecticism makes it impossible to assess the volume as a coherent whole and my assessment will take the form of comments on the individual contributions.

The first two chapters are concerned with the apparent inability of mainstream economics to offer an adequate explanation of money's existence. Jean Cartelier assesses Kocherlakota's attempt to remedy this defect by arguing that money is a memory (or book-keeping technology) that enables decentralized market exchange ('Money is the Scribe of a Market Economy'). Aside from any other consideration, Cartelier rightly concludes that this and similar arguments remain hampered by the implicit conception of money as a 'thing' or commodity rather than an abstract unit of account. Of course, this repeats Keynes's pellucid formulation in *A Treatise on Money*. A similar approach is pursued in Biondi's attempt to make economic theory 'better fit the economic and monetary system we live in' ('Money without Value, Accounting without Measure'). He offers an 'institutional economic' understanding of money and accounting in which money is interpreted as 'a socio-economic medium without intrinsic content' whose accounting function is 'inscribed into the set of relationships that constitutes every economic organization which is accounted for on a monetary basis'.

Amato meanders in a scholarly manner through linguistics, history, philosophy and economics in search of an answer to his question: what language does money speak today? He concludes with the observation that money speaks the language of calculation. The use of the language/money analogy has a long

history, but it is not clear whether Amato is arguing more than this. Is money in itself being accorded an agency? Elsewhere, Cartelier has warned against the hypostasis of money. The description of this contribution as ‘Preliminary Notes’ is apt. In contrast, Fantacci tackles a much more specific empirical question by means of a careful exegesis and elaboration of Keynes’s analysis of money, liquidity and the rate of interest (‘What Kind of Calculation is Implied in the Money Rate of Interest?’). The analysis is cogent and informative, but it retains the limitations of Keynes’s essentially economic methodology based on individual psychological motives. Rates of interest and liquidity presuppose the existence of markets that involve questions of power and control which cannot be explained for example by reference to liquidity preference.

By advocating a return to the ‘materiality of money’ Bryan and Rafferty (‘Time and Place: Foundations of Commodity Money’) question the absolute rejection of older commodity theories. This ‘materiality’ is now to be found in global financial derivatives – the ‘new commodity money’ (107). The ‘moneyness’ of derivatives is accorded by their liquidity – that is, ‘their ease of conversion to cash’ (109). But surely this loses all grasp of the concept of ‘moneyness’. What distinguishes ‘cash’ from all these commodities that can become money if markets exist to grant them liquidity? This conceptual confusion is further evident in the concluding assertion that ‘oil, gold, dollars and euros are all different units of measurement’ (116). Surely this is only true if the commodity in question is fixed in what Mirowski has referred to as the ‘working fiction of an invariant standard’ by the authoritative linking of a commodity with a money of account (one barrel of crude = \$10) or two commodities (one barrel of crude = 10 bushels of wheat). To say that financial derivatives provide a ‘web of anchors’ would seem to be contrary to the actual state of affairs (117).

Doria (‘Calculating Life and Money as Resources’) attempts to ‘interrogate the meaning of the demand of calculation in contemporary society’ through a dialogue with phenomenological thought’ (143). It is undoubtedly true on one level, that ‘calculation, precisely in its totalizing and undeterminable form ... properly belongs to the history of humanity’ (143). But where is this history? If uncovered it would surely show once again that calculation was not simply a matter of meaning but also of the exercise of power and control. Maurer (‘Repressed Futures: Financial Derivatives’ Theological Unconscious’) argues that derivatives involve a separation of god from number. In his *Against the Gods: The Remarkable Story of Risk* Peter Bernstein pursued the same theme by a careful historical account of what how this came about from the seventeenth century onwards. How would these earlier generations of mathematicians respond to Maurer’s ‘equivocation ... over whether derivatives are subjects or objects’ and his ‘worry over whether they index anything at all’ (167)?

The final two contributions – Kalthoff and Vormbusch (‘Representing the Modelling: The Case of Portfolio Mangement’) and Preda (‘Brief Encounters: Calculation and the Interaction Order of Anonymous Electronic Markets’) are more firmly anchored in the effort to understand financial agents’ actual practices. Both pieces are implicitly Goffmanesque in their approach and present valuable empirical work to show in some detail what agents do to construct a calculable universe.