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Book Reviews

if the inflection points in patterns of restructuring follow from changes in the behavior of the relevant social intermediaries, one must recognize also that these actors and institutions mediate not only between speculative teams and buyers of stock, but also between these groups and a “real” economy in which high costs and low sales do, at least occasionally, force drastic action (ask GM). The argument would, for example, make it seem largely a matter of accounting rules that the height of internal restructuring among industrial corporations immediately followed a nadir of demand, particularly for durable goods (1990–92).

Still, Krier is certainly right that growth in transactional finance led to some horrible and stupid internal restructurings undertaken in part, if not entirely, to move stock markets with little care for what happened on the ground. Yet, though true that speculative considerations often undermine productive ones, it is the interaction between the two that counts, for without this it becomes hard to understand fully exactly how and why the ritualistic “aggressively good management practices” and variable accounting standards that drive Krier’s story come and go. In this sense, this U.S.-centered book is a useful account of turbulent years, but is perhaps best read with an eye also toward comparative institutionalist literatures in political economy concerned with struggles between shareholder and stakeholder visions and varieties of capitalism.

The Nature of Money. By Geoffrey Ingham. Malden, Mass.: Polity Press, 2004. Pp.viii+254. \$29.95.

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For centuries money has puzzled economists, social scientists, and historians alike. Though money surrounds us every day and actors are competent in using it, it seems to escape scientific understanding. Why is it that we are willing to accept seemingly worthless pieces of paper in return for valuable goods? Looked at closely, money exchange seems so mysterious that analysts of money quite frequently even assign religious qualities to it.

That the puzzle of money is still unresolved is the starting point of Geoffrey Ingham’s book. The title *The Nature of Money* indicates that the book is not about the social consequences and cultural significance of money but about understanding its functioning in the economy. For Ingham, this means answering three related questions: What is money? How is it produced? Why is it valuable?

In the first part of the book Ingham discusses different approaches from economics and sociology to the issue of money. He refutes what has become the mainstream consensus on money in economics: namely, to see money only as a facilitator of exchange that has—at least in the long run—no

independent influence on the economy. For orthodox economists money emerges from the exchange process itself as an efficient tool which helps overcome the limitations of bartering. One commodity takes the role of the *numéraire* in which the values of all other commodities can be expressed. To Ingham this position is flawed because it does not recognize the influence of money on economic outcomes and its emergence from political and social struggles of interest.

To prove these points, Ingham first contrasts the orthodox theory of money with heterodox approaches within economics, including those of the German Historical School, Schumpeter, and Keynes. In addition he discusses in a very short chapter the sociological contributions of Marx, Simmel, and Weber. Though Ingham does not follow any one specific nonorthodox theory and is indeed quite critical of many of them, his understanding of money draws substantially on Knapp's state theory of money from the 1920s and Max Weber's remark that money is the result of social struggle.

Answers to the three questions are stated first in a concise chapter at the end of part 1 entitled "Fundamentals of a Theory of Money." Here Ingham argues that the main property of money is not its quality as a medium of exchange but its function as a measure of abstract value and a means of storing and transporting this abstract value. This is called "money of account." A second property of money is that it is created by credit-debt relations. The holder of money has a claim on goods; but money is at the same time a credit for the user with which he can discharge any debt from transactions within the monetary space in which the money is legal tender. The credit aspect of money means that it is constituted by social relations.

The author then asks about the conditions under which money of account can come into existence. Here Ingham argues, based on Knapp's theory, that money can only be produced through an authority that takes over the burden of trust from personal relationships. The state is the typical issuer of money. It promises to accept the money in the settlement of its own debt, especially for the payment of taxes. Through this promise money is created as credit based on government obligation. To make this promise credible, the issuer of money needs authority and ultimately the power of coercion. Hence money does not emerge from private exchanges, as claimed by orthodox theories of money, but from political power. The value of money depends on the confidence the state can create with regard to its ability to extract parts of the national product through taxation in order to repay its debt by serving its bonds. In this sense the creation and value of money are "the enacted outcome of social and political conflicts between the main interests in the economy" (p. 81), that is, between the state, its creditors (Keynes's *rentiers*), and the taxpayers.

The second part of the book has two objectives. The first is to provide a summary of the historical emergence of money from its earliest forms to today's new types of money. Second, by discussing monetary crises in

Japan and Argentina, and the transformations of monetary institutions in the 20th century, Ingham demonstrates his hypothesis that money and the value of it emerge out of conflictual social relations.

The historical account gives an excellent brief summary of the development of money since it first appeared in the Mesopotamian empire and provides support for the author's theoretical concepts. Ingham shows that money did not emerge in the form of a valuable commodity like gold or silver, but rather as money of account in the form of clay tokens to account for debt payments. That gold and silver were later used for coinage may have to do with their roles as symbols of sovereign and priestly power and prestige. In the subsequent chapter Ingham describes how credit money in modern capitalism emerged from changes in the social relations of monetary production in medieval and early modern Europe. First, bills of exchange used in trading networks became detached from any particular commodity, and later they became disconnected from particular individuals named in creditor-debtor relations. Eventually this process of depersonalization of debt led to the emergence of bank money that made large-scale financing possible. But it was only by unifying the different monies circulating within an economic space into one state-issued and guaranteed currency that a sovereign monetary space could emerge.

The importance of the role of the state and its capacity to extract taxes for the development of a stable monetary regime becomes most obvious from situations of monetary crisis. Ingham's analysis of Argentina's recurrent failure over the last five decades to develop a stable currency is an excellent illustration of this at the end of the book.

The Nature of Money is a theoretically rigorous and well-informed book in economic sociology. The reader not familiar with the theoretical debates on money and its historical development will find a concise and very well argued introduction to the lines of debate on the issue. For the reader familiar with the subject, the presentation of the theoretical and historical material becomes remarkable through the lens of Ingham's basic thesis of seeing money in the context of economic and political conflict. With its emphasis on the development of capitalism, *The Nature of Money* helps to position findings from mesolevel studies of institutional development in economic sociology within the broader economic and political context of a theory of capitalism. This applies to the debates on the performativity of economics, changes in the organizational form of corporations, and the role of trust in the economy. Making money a core field of study is crucial to the advancement of the sociology of economic life.