Review Essay

Money Changes Everything: How Finance Made Civilization Possible. *By William N. Goetzmann*. Princeton: Princeton University Press, 2016. x + 584 pp. Photographs, illustrations, figures, bibliography, notes, index. Cloth, $35.00. ISBN: 978-0-691-14378-1.

The Information Nexus: Global Capitalism from the Renaissance to the Present. *By Steven G. Marks*. Cambridge, U.K.: Cambridge University Press, 2016. xii + 250 pp. Index. Cloth, $74.99; paper, $27.99. ISBN: cloth, 978-1-107-10868-4; paper, 978-1-107-51963-3.

Reviewed by Peter Eisenstadt

Louis Armstrong was once asked to define "swing." His response was—probably apocryphally—"if you have to ask, you'll never know." But when it comes to defining and understanding capitalism, "you'll know it when you see it" answers do not suffice. Defining precisely what we mean by capitalism has never been easy. Capitalism is a "keyword," to use Raymond Williams's term, a touchstone in our cultural and political debates. For Williams, keywords have "a history and complexity of meanings; conscious changes, or consciously different uses; of innovation, obsolescence, specialization, extension, overlap, transfer" (Raymond Williams, *Keywords: A Vocabulary of Culture and Society* [1976]). And there is good reason to think that, over the past generation, as capitalism has globalized, both surged and failed, and largely displaced its former rivals to the left, socialism and communism, the problems of precisely saying what we mean when speak of capitalism has only become more difficult.

The question of defining what capitalism is cannot be separated from the question of capitalism's past and its prospective future. Two recent books tackle these big, broad questions, trying to look at capitalism as a comprehensive economic and social reality, and hazard guesses on its future direction. William Goetzmann's *Money Changes Everything: How Finance Made Civilization Possible* is an example of what, inelegantly, has come to be called "big history," casting its scope across continents and civilizations, integrating recorded history with anthropology. Capitalism, for Goetzmann, has always been with us, or at least has been with us since shortly after our Paleolithic ancestors traded their hunting

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and gathering for settled agricultural urban settlements. As early as 3000 BCE the peoples of the ancient Near East had "developed the fundamental tools of finance," and developed "something like capitalism" (pp. 29, 55).

Goetzmann reaches this conclusion by analyzing the contents of Assyrian and Babylonian cuneiform tablets, which, as many scholars have long realized, primarily recorded commercial transactions. Goetzmann throughout the volume is concerned with identifying precursors of contemporary business practices, such as evidence of compound interest in Sumerian tablets circa 2400 BCE, the equivalent of limited liability corporations in late Republican Rome, or a precursor of the auctioning of pollution rights in Song dynasty China (pp. 35, 119, 186). Although capitalism has often been with us, it just as often has not, being something discontinuous and episodic. For Goetzmann, capitalism is a tender flower, a "fragile thing, heavily dependent on the right environmental and political conditions to flourish. Capitalism is not teleological. It can stop just as well as start" (p. 304).

I should note that Goetzmann's basic category of analysis is not capitalism, but, as his title indicates "finance." Not surprising given that he is one of our leading scholars and historians on financial markets and coeditor with K. Geert Rouwenhorst of *The Origins of Value: The Financial Innovations that Created Modern Capital Markets* (2005). He states that his "fundamental premise is that civilizations demand sophisticated tools for managing the economics of time and risk," and that these sophisticated tools are what we have come to call finance (p. 2). A somewhat more controversial proposition is the "culture vs. finance" conflict in which finance acts as an agent of change and disruption and culture operates as the bulwark for "traditional social, economic, and political institutions" that often has "lashed back at finance" primarily, Goetzmann argues, out of fear of disrupting the existing order, trying to mitigate the "inherently risky" nature of financial innovation (p. 8). But finance can defend and strengthen the existing social order as well as challenge it, and depending on the culture, the supporters and detractors of finance can be found on both sides of the barricades of the status quo.

Money Changes Everything is organized as a series of extended case studies, demonstrating the author's proposition. Goetzmann's erudition is impressive and polymathic, and there is much to learn from reading his traversal of financial history. After the ancient Near East, Athens, and Republican Rome, he turns his attention to ancient China; then to Europe, starting with the Crusades, Renaissance Italy and France; then to financial advances in early modern Europe and in the United States; and finally to the expansion of the American-European model of finance to the rest of the world over the past century. There are

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many insights to be garnered throughout: such as his account of the importance of the Templars, how the large Chinese bureaucracy functioned without government bonds or borrowing, a milling concern in Toulouse, dating back to the fourteenth century, that was a model for the modern corporation, dating back to the fourteenth century, and many more.

But this reader felt that the sum of its parts did not add up to an intellectually satisfying whole. Goetzmann acknowledges that the arrangement of the book is somewhat "idiosyncratic" and that it is (p. 3). The book devotes fifty pages to ancient Sumer and Mesopotamia, but has nothing to say at all about ancient Israel. It covers China extensively but skips over Indian and Islamic civilizations entirely, and one would think that the inventors of the zero and place value notation deserve some treatment in a book in which the evolution of quantification plays such an important role. The treatment of particular civilizations is idiosyncratic as well. He writes extensively about the most ancient period of Chinese history (ca. 1000 BCE), and then, with only a few brief stops, jumps to an extensive account of the Song dynasty (900–1200 CE.) The effect of this saltatory narrative is that it becomes very difficult to get a sense of any civilization or society as a whole, or the transitions between them. The book has a "presentist" feel, and the financial innovations Goetzmann discusses too often seem ripped from their relevant historical context. Further, using "finance" as a stand-in for capitalism unduly limits his broader argument, for surely capitalism is not merely a way of doing business but is a way of organizing both our private and public lives.

But this is perhaps unfair to Goetzmann's purpose, which was less to provide a detailed historical account of specific cultures than to make an argument about the nature of finance, of how a given society did or did not surmount its specific economic problems. "The central argument of this book" Goetzmann writes, "is that financial innovations emerged to solve economic problems of time and geography, but they inevitably engendered new problems" (p. 220). Like Arnold Toynbee's once popular twelve volume *A Study of History,* (1934–1961), there is a sense of history as cyclical in *Money Changes Everything*, with each financial civilization facing its unique challenges and providing its unique responses. Old problems constantly reappear in new guises, and what appear to be radical innovations are often just rediscoveries of older financial strategies.

But one consequence of Goetzmann's argument is that technological innovation itself, while providing new challenges, does not really advance financial thinking. Rather, it forces financial innovators to come up with ever new answers to the question of how to reallocate

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economic value, risk, and capital over time. Steven G. Marks, in *The Information Nexus: Global Capitalism from the Renaissance to the Present*, takes another approach, placing technological innovation at the core of his argument. Advances in transportation and communication technology as the heart of capitalism, both created the "information nexus," and Marks argues that "accelerating information acquisition," starting in the Renaissance, is the "quintessence of capitalism" (p. 56).

If Marks's chronological and geographic scope is more limited than that of Goetzmann, he shares with him an ambition to provide a historical and conceptual framework for understanding the nature of capitalism as a whole. The book opens with the finest history of the word "capitalism" I have ever read. The earliest instances of the word "capitalism" Marks found were in New York City and Maysville, Kentucky newspapers (from 1816 and 1817, respectively), but the term did not catch on until the French socialist Louis Blanc made use of the term in 1850; thereafter it spread, fairly slowly, in left-wing circles (pp. 1–20). (Karl Marx certainly used "Kapital" extensively but "kapitalismus" only sparingly and only late in life.) The term capitalism was popularized by communists, socialists, anarchists, and others who thought it proper to give a name to the passing and soon to be superseded economic system, an example of what lexicographers call a retronym, or perhaps an expected retronym. The term passed from the left to radical anti-Semites (with some overlap between the two groups) and others who wanted to overthrow, or at least overhaul, the existing economic order. Capitalism only lost its left-wing taint in the 1920s and 1930s; thereafter, capitalism came into wide use "by way of comparison with the dreaded Soviet Frankenstein economy," as the rest of the world then tended to conflate "capitalism" with "Americanization" (p. 40). These contrasts, Marks argues, have inhibited a more nuanced understanding of the nature of capitalism.

A chapter entitled "The Myths of Capitalism" begins to lay out the author's argument: Both Marx and Max Weber, in their work on the idea of capitalism, tried to explain the divergence between advanced western societies and those elsewhere in the world. They posited a jump in mentality, business practice, and means of production in early modern Europe, sharply differentiating it from what came before and what happened elsewhere. But much like Goetzmann, Marks thinks that this sweeping dichotomization unfairly discounts the complexity of premodern business practices. And, like Goetzmann, using similar sources (for example, from Chinese, Athenian, and Roman history), Marks argues that much of what is usually seen as the defining quality of modern capitalism has earlier precedents, pointing to the prevalence of protections for private property, profit-seeking, commercialization, commodification, understanding the nature of capital, division of

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labor, wage labor, and mass production in earlier civilizations. Like Goetzmann, Marks's argument perhaps necessarily lingers on those societies in which these economic practices were most in evidence, as opposed to the many in which they were not. Nonetheless, the author's argument is generally convincing.

However, Marks argues there was one real and utterly consequential "take off" in western Europe: "the dense information nexus that was first built in Italy, Holland, and England," is the "essence of capitalism" and that "the only characteristic that is exclusive to capitalism is the enhanced ability to marshal information" (p. 78). Marks, drawing on myriad sources, provides an excellent account of the various sources of this early modern European information: the development of regular mail service, double-entry bookkeeping, the superior circulation of news, and the birth of newspapers. I am not sufficiently knowledgeable to offer an informed critique of his account of the growing "information deficit" in Ming and Qing China (which, as in most of these accounts of the western take off, are the stand-ins for the rest of the world), but Marks's argument seems eminently plausible.

In subsequent chapters Marks details how information helped launch and grease the "financial revolution," first in seventeenth century Amsterdam and then in England after the Glorious Revolution. These developments helped spur the Enlightenment and its attendant consequences in Western Europe through the explosion of printed material in eighteenth century Western Europe, the development of a consumer culture, and the improvement of transportation—as Marks points out, "until the invention of the telegraph, communications began—or ended—with transportation" (p. 104). But the Netherlands and England were able to take better advantage of these societal changes with governments that were strong enough to foster economic growth, but Marks argues not so strong as to hinder the development of capitalism as happened in ancient regime France.

The next two chapters are largely concerned with the growth of capitalism in the United States and how information technology shaped the "salient contours of capitalism in our time: internationally linked commodity markets, factory-based mass production, mass distribution in new types of retail stores, large corporations, and the meteoric rise of the stock market" (p. 126). Marks expertly explores how information and its ever more rapid and voluminous dissemination played an expert role in all of these developments. The final chapter "The Digital Age and the Globalization of Capitalism" discusses recent history, how the "digitalization of just about everything" (and the attendant securitization of just about everything) has transformed capitalism in myriad ways. Still, Marks is justifiably skeptical of heated claims for our new

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"information age," following from his argument that capitalism, from the sixteenth century on, has been a series of new information ages. Although he notes the way in which digitalization has changed capitalism, he argues that the current economic climate features both continuity and change and that for all the overheated talk of "creative destruction" giant corporations endure, and the so-called "Big Five" information companies—Alphabet (formerly Google), Apple, Facebook, Amazon, and Microsoft—seem increasingly hegemonic and, like all cartels, have a vested interest in inhibiting innovations and challenges.

The Information Nexus is a remarkable achievement, strongly and clearly argued. An information nexus itself, it transmits a vast amount of information rapidly and conveniently. (This review did not have the space to begin to discuss all of the interesting topics covered.) No one will ever again write the history of capitalism and relegate communications and transportation technology to a supporting role. For Marks, capitalism comes from something deeper and more intrinsic to society than the maximization of profit, instead rising from the deep human need to communicate with others as effectively and efficiently as possible. One is reminded of the work of the German philosopher and sociologist Jürgen Habermas. He placed communication at the center of modernity in his work on the development of the public sphere in the eighteenth century and in his theory of "communicative rationality" (*The Theory of Communicative Action* [1984]; *The Structural Transformation of the Public Sphere: An Inquiry Into a Category of Bourgeois Society* [1989]). Like Habermas, Marks provides a strong defense of the liberal state, promoting individual liberty and commerce, with the state functioning as the patron and protector of the information nexus, rather than, as happened before the financial crisis of 2008, what Marks sees as a poorly regulated free-for-all market scrum.

At the same time, I wonder, as does Marks at one point, whether he provided a history less of capitalism than what he calls, "informationism" and whether he has supplemented, rather than supplanted older explanations for the rise of modern capitalism, such as the need for fungible sovereign debt and the rise of secondary markets in securities (p. 234). But perhaps it is the future, rather than the past of capitalism that might provide the biggest challenge to Marks's argument. There is a case to be made that the financial crisis of 2008 resulted, in part, from an information glut and a surfeit of complexity and rapidity in market data that banks and investment firms were simply ill-equipped to handle, and too much information became misinformation. Whether we have learned from the mistakes of 2008 remains to be seen.

Along these lines, although *The Information Nexus* reflects our recent past, as beneficiaries of several decades of the most explosive

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growth in communications technology since the invention of writing, one wonders if the current direction of capitalism and the information structures of liberal societies are heading for a parting of the ways. China is Exhibit A for this argument, and Marks has no difficulty showing that the information nexus is hardly robust in contemporary China. He argues that China is not really a capitalist society, but rather an "authoritarian market economy" and that this has and increasingly will hinder its further economic development (p. 234). He may well be correct, but only time will tell whether or not China has pioneered a new type of capitalism, one in which the information nexus is less important than authoritarian state control. More generally, there is a question of whether, with new abilities to track and monitor communications, the information nexus is becoming a tool of the surveillance state, turning the information nexus against itself—transforming it into an antifreedom tool. Further, the spectacle of an arch-capitalist winning the American presidency in large part on the basis of an attack on free trade raises the question of how capitalism will evolve in an era of xenophobic nationalism, rising trade barriers, immigration walls, cyberwars, and a likely worldwide retreat from the free and untrammeled flow of information.

One last comment. Theories of capitalism tend to come in two basic varieties: those, like Goetzmann's and Marks's, that emphasize mutuality and exchange; and those in the Marxist and neo-Marxist tradition that emphasize capitalism as the creator of domination and inequalities in wealth and power. Though both Goetzmann and Marks certainly acknowledge the entanglement of capitalism with colonialism, slavery, and oppression, it is not central to their arguments. A very different view of capitalism can be found in works in the developing "history of capitalism" school, such as Sven Beckert's *Empire of Cotton: A Global History* (2014) or the edited collection by Beckert and Seth Rockman, *Slavery's Capitalism: A New History of American Economic Development* (2016). Perhaps these two approaches to capitalism are forever destined to talk past each other, but maybe Marks's emphasis on the information nexus suggests a possible way to unite these disparate approaches to capitalism. The information nexus can liberate, and it can shackle and enslave. Both characterizations can be seen as integral to the growth of capitalism over the past few centuries, as we get past the usually fruitless discussions on whether capitalism is "good" or "bad" and try to recognize capitalism for what it is, morally neutral and ambiguous. Perhaps viewing information and communication in its broadest context—both as the exchange of information and a means of social control and as a way of disseminating accurate information and a tool for creating and implanting lies—can help us understand worldwide economic development from its protocapitalist stirrings in

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ancient Mesopotamia to the golden age of the Dutch Republic, from the antebellum South to Silicon Valley, from the China of Xi Jinping to the arrival of the America of Donald J. Trump.

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