Monetary Heterodoxies

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(Review)

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BOOK REVIEW ESSAY

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Edward Castronova. *Wildcat Currency: How the Virtual Money Revolution is Transforming the Economy*. New Haven, CT and London: Yale University Press, 2014. xxii + 265 pp. ISBN 978-0-300-18613-0, $30.00 (cloth).

Felix Martin. *Money: The Unauthorized Biography*. New York: Alfred A. Knopf, 2014. 320 pp. ISBN 978-0-307-96243-0, $27.95 (cloth); 978-0-307-96244-7, $10.99 (e-book).

Even though Felix Martin's *Money* chiefly chronicles money's past and Edward Castronova's *Wildcat Currency* more obviously addresses its future, the two books have much in common. Both announce themselves as heterodox works and largely reject the assumptions about money that undergird mainstream economics and dominate political discourse today.[1] Although neither book is clearly Marxist or avowedly Keynesian—that is, neither identifies with a named, alternative "school" of economics—both are largely chartalist in outlook (they see states playing a necessary and legitimate monetary role) and are especially attuned to conflicts between private and public money. That both books are also in some ways about technology is another important similarity, albeit one that highlights their differences in focus—for whereas Castronova's book considers online games and virtual realities conventionally defined as "high tech," Martin sees all money (from coins to banknotes to debit cards) as constituting a social technology. Castronova does not deny that money is socially significant any more than Martin ignores changes in material form, but the two books emphasize very different points. That they come to structurally similar conclusions is, therefore, all the more significant.

Wildcat Currency takes as its inspiration the "parallel" economies of online games and virtual realities. For those of us who do not play EVE Online (a game of battling spaceships set in the distant future in a free-market galaxy far, far away), have never had a Second Life avatar, and have amassed nary a DKP (Dragon Kill Point), SIK (Sturdy Iron Key),

[1] For a work that covers some of the same material from a much more "orthodox" perspective, see Niall Ferguson, *The Ascent of Money: A Financial History of the World* (New York: Penguin, 2008).

or ISK (the currency used in EVE Online), Castronova's specific examples are, at the very least, intriguing. If nothing else, the book effectively makes the point that millions of people worldwide have emotional and monetary investments in forms of wealth and sorts of productivity (better armor, stronger love potions, faster warp drives, and so on) that are not part of any country's GDP. In one sense, these game currencies are, like frequent-flyer miles or the points issued by various retailers' reward schemes, a "special-purpose" money—a currency that can be used to acquire only one specific set of goods. Insofar as money is usually defined as a *general* equivalent, then one might say that these virtual currencies are not really money at all.[2] Castronova's more striking point, though, is that these alternate realities are not completely isolated from the day-to-day economy: Game players who want DKPs or other such currencies can either earn them in the game or they may buy them from other players *outside* the game in transactions denominated in "real" money. In the latter case, some sort of exchange rate must be established between the two currencies. For a game's developers, the rising or falling value of its currency on these exchanges is an important economic indicator—one that, according to Castronova, they interpret in quite orthodox, quantity-theory inspired terms (falling value means too much money in the system, rising value means too little). Whereas a central bank's response to high unemployment or rapid inflation is always mediated by politics, no such dynamic is at work in the absolutist state that is any game world. If there is too little money in the system, developers can easily inject more by releasing an update in which each slain dragon is worth twice as many gold pieces (or by increasing the number of dragons in the system); if there is too much, the update might introduce a bounty hunter's fee to be paid by a player whenever he or she kills a beast.

In this fast-paced work, Castronova quickly describes a variety of privately produced, crypto- and otherwise non-state currencies (of which Bitcoin, interestingly enough, is not his prime example), but his bigger goal is to imagine what the "virtual money revolution" means for our social and economic future. With a doctorate in economics and appointment as Professor of Games, Technology, and Society, Castronova—who, for the past dozen years, has published almost exclusively on game worlds and virtual economies—is as well positioned to address these questions as is anyone. For him,

[2] The distinction between special purpose and modern money is usually traced to Karl Polanyi, ed., *Trade and Market in the Early Empires* (Glencoe, IL: Free Press, 1957); it became a key notion in economic anthropology via George Dalton, "Primitive Money," *American Anthropologist* 61, no. 1 (1965), 44–65.

the growth of "wildcat currencies" poses a unique threat to "the observational and administrative power of the state" and could easily lead to "a large-scale exit from the above-board economy" (pp. 137–138). Noting that as more economic activity moves into virtual black markets, tax revenues will almost certainly decline, Castronova makes it easy to imagine a fairly nightmarish scenario: Under-resourced states will be able to provide fewer and fewer public services; individuals who spend their time in virtual worlds will feel little connection to their immediate communities; and the growth of technological networks will soon spell the end of face-to-face ones. Moreover, the emergence of multiple cryptocurrencies will mean that nothing like a *general* equivalent any longer exists; instead, there will be more and more monetary forms accepted only in specific contexts. This proliferation will increase the information costs of every transaction and thereby eventually constrain economic activity. This vision of the future sounds slightly less dystopian in Castronova's text itself—he repeatedly insists that these games are fun to play and often uses "hedonic" to describe the activity—but the changes predicted would, however they are glossed, be transformative. Although the Library of Congress has catalogued *Wildcat Currency* as "1. Money. 2. Tokens. 3. Exchange. 4. Value," the book builds on its obvious topics to describe the collapse of the public sphere and to foretell the eventual disappearance of national (or, transnational) currencies as one crucial element in how community is imagined.

Writing in the middle of the "virtual money revolution" he charts, Castronova inevitably missteps from time to time. (For instance, over the course of the past year, "Amazon Coin" has *not* become a significant payment system or accounting unit and the euro has sparked far more serious discussions—and, arguably, social and political transformations—than has Bitcoin.) His occasional overexcited statements about monetary developments "as of this writing" can, in the main, be easily forgiven—predicting the near-term future is not really his job, after all. Such erroneous claims, though insignificant in and of themselves, do nonetheless reveal his book's conceptual limits. His somewhat breathless descriptions and predictions suggest that even as he argues against the idea of commodity moneys being more "real" than fiat ones, Castronova is nonetheless susceptible to a sort of material-culture fetishism. In his telling, the wildcat currencies he describes must be new, disruptive, and revolutionary simply by virtue of being "virtual." In other words, it is the technology that really fascinates him and to which he therefore accords considerable power. The people who develop, use, or own technology are present in this book only as abstractions ("a player," "the game development team"), caricatures ("Then Nerd 2 drew a card and played some from his hand"), or often a version of himself ("a game I am currently playing allows me to take gold coins … and use them to buy boots") (pp. 10, 189).

By concentrating on technological networks more than social relations, *Wildcat Currencies* misses some important points it could easily have made. A low-tech example—Castronova's account of how "Magic the Gathering" became so wildly popular—helps reveal the tension, or logical inconsistency, that therefore nags at his book's argument. As Castronova tells it, Magic owed its success to one important innovation. There were already hundreds of "draw and play" card games, but Magic was the first to put the rules *on* the cards, thereby enticing novice players (who could start immediately and learned the rules by playing the game) and making it possible to introduce an unlimited number of new, but still legitimate, cards. You may never have seen a Reya Dawnbringer card before, but if your opponent plays it, you can immediately read: "At the beginning of your upkeep [turn], you may return target creature card from your graveyard to play. *You have not died until I consent.*" (In other words, this particular card allows its holder to reclaim a card from his or her discard pile or "graveyard.") Few players hold such a card, but Reya Dawnbringer is a valid Magic card nonetheless—unlike, say, a twenty of spades in a standard 52-card deck. Because the cards themselves seem to make the rules, players who have assembled unique decks can nonetheless play against one another. Castronova focuses on what happened when Magic became an online game (accessible only via Event Tickets, which became a sort of currency) but pausing to comment at greater length on its "real," nonvirtual format would have allowed him to make important points about how money functions and how its functioning has been misunderstood. In Magic, it is not the human players of the game, but the cards themselves, that seem to perform actions: The cards "speak" in the first person; they address players directly; they have various powers. Potentially implicit in Castronova's account of the game (but nowhere made explicit) is therefore a critique of the widespread understanding of commodity money as a system in which some things (be they cards or lumps of metal) have an intrinsic value and these things set the rules of the game. Much as advocates for a return to the gold standard ignore the social–historical relations it represented, so Castronova tells us almost nothing about the developers of Magic, their marketing strategies, or the other beliefs of the game's players. Any game played with a standard deck of cards depends on an explicit contract between players (who must agree, for instance, that the game is five-card draw or seven-card stud), but the similarly *social* dynamics of Magic can easily be missed by a sort of commodity fetishism that focuses on cards, Event Tickets, and other trappings.

Castronova clearly rejects the idea that some currencies (e.g., gold coins) are inherently more "real" than others, writing: "The value of money has always depended on what people think, which is not a 'real' thing" (p. 41). However, and as this sentence indicates, he tends to use "real" as a synonym for physical or palpable. Although this reductively materialist definition of "reality" is, in some sense, necessary if he is to delimit his book to "virtual" money, it has the effect of making him sound at times like a "hard money" advocate. His desire for a simple and dramatic story of technology-driven change across time—"money," he writes, "used to be a lot more real than it is now"—interferes at times with his conceptual sophistication (p. 41).

Juxtaposed with the strange, new world conjured by Castronova's book, Martin's *Money* initially seems far more familiar. The book is built from an impressive array of anecdotes and historical examples, but the great majority of them (from ancient Sparta to John Law to junk bonds) can be found in other monetary histories. Nonetheless, Martin's conceptual framing is largely new (hence his subtitle, *The Unauthorized Biography*) and his thematic presentation makes the material feel much more fresh than a strictly chronological ordering would have done. Throughout, he argues forcefully against the tenacious assumption that money is a "thing" that serves as a means of exchange and that people use it because "barter is inefficient." He insists (rightly, I think) that we understand money not as "a commodity," but as a "social technology … a system of credit and clearing" (pp. 15, 27). Writing that "money is transferable credit," Martin implies that the whole distinction between "money" and "credit" needs to be questioned and rethought.[3] Warning against confusing the history of money (a social system) with the study of numismatics, his main analytic distinction is not among precious metal, base metal, and paper currencies, but between public and private ones. Like Castronova, he sees privately created money as threatening to destabilize the "aboveboard" economy; unlike Castronova, he does not predict this crisis arising in the near future, but describes it as having already happened to devastating effect in 2007–2008.

Writing that "most of the time, money is just part of the furniture," Martin adopts the familiar approach of focusing chiefly on moments of explicit monetary crisis and/or innovation (p. 21). In doing so, he nonetheless omits some famous episodes. He has nothing to say

[3] In this respect, and in its chronological sweep, Martin's book somewhat recalls the arguments of David Graeber's *Debt, The First 5000 Years* (Brooklyn, NY: Melville House, 2011). However, Martin's presentation of self could not be more different from Graeber's positioning as anarchist and anthropologist. Trained as an economist, and a partner in Liontrust Asset Management (London), Martin posed for his author's photo in jacket and tie.

about the French Revolution and its *assignats* and, even more striking for a United States audience, completely ignores the American Civil War, the greenback debate, and the "Free Silver" movement. Strange to think that it is actually possible to write an engaging, thoughtful, comprehensive, and informative history of money without once mentioning L. Frank Baum or William Jennings Bryan! That he could do so suggests that these episodes have been central to the "authorized biography" (against which Martin writes) not because they are historically crucial but because they are compatible with the "hard money" and "free trade" ideologies of those who have written that history. Why, Martin implicitly asks, do we let historians of money tell those stories over and over again, while they accord less space to (and often omit completely) Walter Bagehot's *Lombard Street* or John Maynard Keynes's *General Theory*?

One gets the impression from Castronova's book that virtual moneys are chiefly in the hands of nerds and gamers and is thereby led to imagine them as part of a currency revolution "from below" (or, at least, from the margins). In contrast, Martin describes financial securities, credit default swaps, and various derivatives contracts as private moneys created at the very "top" of the social ladder and of the income pyramid. In our current, neoliberal moment, both escape regulation and these authors' shared attention to this issue makes these books well worth reading together. Castronova first suggests that wildcat currencies could and should have important implications for the "real world": Lawmakers, for instance, might mimic virtual-world developers by game-testing policies before implementing them, and the federal government could move from its current cash-flow model to one of "faucets and sinks" (in which money can be turned on and drained out as needed). However, he then adds an epilogue titled "Dear Politicians: Please Don't Screw This Up," in which he insists that a virtual environment "built for playing" should not be regulated in the same way as one "built for serious purposes" (p. 232). Whereas the latter should be subject to taxation, child-labor laws, and other forms of regulation, the former clearly should not. In the name of ludic pleasure, that is, Castronova therefore ends his book by reinscribing the very distinctions (between the virtual and the real, the playful and the serious, the free and the regulated) that he seems elsewhere to argue against. Martin does something similar. After a remarkably lucid and concise account of how the enormous expansion of trade on private capital markets caused the economic crisis of 2007–2008, he calls for policy reforms to ensure that more risk is carried privately and more gain distributed socially. He imagines doing so not by abolishing the money–credit distinction (which his entire book calls into question), but by reinforcing it through a system of "Narrow Banking," in which checking and deposits are kept completely separate from other banking functions. "Narrow" financial institutions (those that do nothing other than have deposit and checking accounts), he proposes, should be backed by the state and its sovereign money, whereas others should be consigned completely to the private sector. Asserting that such a restructuring would "eliminate the ambiguous no-man's-land … of liquidity illusion and moral hazard" (p. 255), Martin ends his book, as does Castronova, with a plea for what could be called, in the terms of Bruno Latour's *We Have Never Been Modern* (1991), a "purification" of money.[4] It says much about how we live now that two such different authors and different books come to such similar conclusions.

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[4] Bruno Latour, *We Have Never Been Modern*, trans. Catherine Porter (Cambridge, MA and London: Harvard University Press, 1993). For Latour, the belief in modernity requires both the sharp temporal division of "ancient" (or "traditional") from "modern" and the construction–perception of nature and culture as two distinct domains. He refers to the latter as a "purification" that has created two ontologically distinct zones.