

The discussions in Chapter 4 highlight some of the things that made Wal-Mart an attractive place to work. Moreton writes (p. 69): '[p]ersonal ties among hourly workers and managers created in many stores a level of loyalty that other companies could only envy. With work so intensely social, where the bulk of the tasks involved human interaction, the fabric of the relationships loomed large in estimations of the work itself.' Moreton makes little, if anything, of the fact that testimonies like this are utterly at odds with conventional criticisms of the company and conventional criticisms of capitalism. What she identifies, though, is an important innovation on Wal-Mart's part: they offered employment opportunities that touched prospective employees' deepest yearnings for meaning and connection. In the process, Wal-Mart induced people to develop firm-specific and relationship-specific human capital that 'didn't transfer very readily to competing firms even when they wooed Wal-Mart's talent' (p. 70).

Throughout, Moreton gives the impression that she equates 'free enterprise' and 'free markets' with 'business interests' and 'support for free markets' with 'support for electing business-friendly politicians', which is unfortunate. Further, she offers a caricature of the market process by writing that '[d]espite frequent paeans to *laissez-faire* competition in the company newsletter, . . . management exhortations sought to abstract and inculcate the rather precapitalist values that early employees brought into the corporation' (p. 70). Elsewhere, her discussion of 'moral sentiments' equates them with 'nonmarket values of Christian education' and 'the principles that the market itself could not produce but that it consumed in abundance' (p. 154). I, and I suspect Deirdre McCloskey, would disagree. 'Free enterprise' does not prescribe a single-minded obsession with one's material consumption. Rather, it prescribes institutions that allow people to co-operate free of coercion.

These criticisms aside, Moreton offers us a great deal of insight into the history and culture of the world's largest company and the region in which it was created. In particular, she makes what I think is a very, very important contribution that will inform some of my

future work. To translate Moreton's analysis into the language proposed by Deirdre McCloskey in her 2006 book *The Bourgeois Virtues*, it looks like Wal-Mart became one of the most profitable firms in the world by identifying 'the Christian and Feminine Virtues' of faith and hope and making them an integral part of their strategy. This is a possibility that deserves to be explored in much greater detail.

I was fascinated by this title because it combines several themes about which I am particularly passionate: my Christian faith and my understanding of and enthusiasm for free people in an unfettered market economy (note I do not say 'faith' in markets – see my essay with Mike Hammock entitled 'Are Economists "Market Fundamentalists"?' that appeared in the December 2009 issue of *Economic Affairs*). I am also convinced that we can learn a lot more about markets, societies and people by having meaningful conversations with people who do not share our disciplinary perspectives or our assumptions and world-views, and listening to them.

Could the book have been improved? Undoubtedly. But as Deirdre McCloskey has written, capital-T Truth is a limit we approach rather than a goal we attain. Moreton has made a useful contribution to the Great Conversation. It's a contribution that will inform my further scholarship on Wal-Mart, Southern economic history, and the institutions of free and prosperous societies. I'm a better scholar for having read it.

Art Carden
Rhodes College
cardena@rhodes.edu

FINANCE AT THE THRESHOLD: RETHINKING THE REAL AND FINANCIAL ECONOMIES

Christopher Houghton Budd

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Given the large volume of books swiftly turned out by journalists and economists

in the wake of the global financial crisis, one can be forgiven for wondering whether, especially at this 'late' stage, the reading public does not have crisis fatigue. Indeed what more can be written about the events of the last few years that has not already been penned? Allaying any such concerns, *Finance at the Threshold* sets out an entirely original and deftly written analysis.

Christopher Houghton Budd argues that the popular explanation of the crisis, concentrating as it does on matters of loose credit and lax regulation, is essentially a sideshow to the real underlying monetary issues that have been carefully ignored through the course of the last century, whether intentionally so or not. Humanity, however, according to the author, was bound to arrive at a threshold in its way of thinking, through the advent of a single global economy, beyond which anachronistic ideas of money cannot carry weight.

According to Dr Houghton Budd, and for specific developmental and historical reasons, we have entered a qualitatively new economic circumstance and must therefore relinquish outmoded monetary thinking in favour of an approach that differentiates 'money' and credit. This, coupled with an accounting analysis which makes counterparts visible, will enable us to bridge the much commented upon chasm between the so-called real and financial worlds: 'once abstraction is complete, re-embeddedness becomes a necessity'. Indeed, today's economy, he argues, operates on another level to the one to which our thoughts have become accustomed – not only must we leave our nation-centred orientation in favour of a systemic (or perhaps better organic) global view but, even more disorientatingly, because 'in finance thoughts are as things', causality becomes reflexive and it is not the laws of physical space and time that determine events. From this perspective it is an epistemological crisis first and foremost with which we must reckon before we can think out a future that is apt to today's new circumstances.

Houghton Budd makes clear therefore that a wholesale revision of our understanding is in order if we are not simply to amplify the monetary misconceptions of the past 100 years. In

the words of Professor Geoffrey Wood, writing in the foreword: 'this well written and thought provoking book will prompt its readers to reconsider their ideas on money, on credit, on banking and on the role of government'.

In contrast to most contemporary analyses, readers of *Economic Affairs* will be glad to discover that what Houghton Budd does not prescribe is more centralised regulation. Taking what he describes as an 'associative' approach to economic life, one of his main references is to Rudolf Steiner, an early twentieth-century Austrian social thinker. Though well known for his work in education, Steiner was also a monetary economist, in which capacity his main concern was to differentiate, as he saw it, between the economic realm, the realm of rights (politics and so forth) and that of culture (of which education is an example), with each domain having a governance true to its different nature and task. For the economy that means economic rather than political management, nevertheless some form of co-ordinated arrangements are needed, albeit independently of the state. But how, in a world that has 'gone off gold' is such co-ordination to be achieved?

To answer this question, *Finance at the Threshold* takes the reader on a journey that encompasses an historical and analytical survey of conventional and less conventional approaches that includes chapters entitled 'Why Nobody Saw it Coming', 'When the Banks Stopped Lending to One Another', '2007 – A Threshold in Financial Evolution', 'It's the Epistemology Stupid', 'Rudolf Steiner's Monetary Analysis', 'Keynes vs. Friedman – A False Debate', 'Beyond Banking', 'Deep Accounting' and 'Banking on Youth and Trade'.

While the journey is long and at times intellectually demanding, if one would follow the line of thinking at the level intended, the writing is not without poetry and provocative turns of phrase that wake one up with insights. Indeed, part of the argument of the book is that economics, in assuming that human beings can understand events without recourse to their imaginative faculties,

has wrong-footed itself. Houghton Budd argues that the opposite is true. For this reason the terminology and images employed merit consideration because, when they enter common currency, they become part of the psyche, thereby subtly informing one's views. Arguably, the most gripping and convincing chapter of the book is a discursive backward look over the twentieth-century, characterised by Houghton Budd, himself an economic historian, as *The Great Detour*, suggesting perhaps a road not taken. This sets up a discussion of the misleading opposition of Keynes to Friedman and the subtle implications of the landscape of an economy 'flattened' by output gap monetarism.

At the same time the technical analysis is strong and consistent, focusing largely on the 'problem' of surplus capital yielded in ever-greater degrees by the historical processes of individuation, division of labour, creative innovation, and why the twentieth century solution to this problem – attempting to park capital in real estate – has proved and will continue to prove, ruinous to productive economic activity. While it is obvious that it is productive economic activity in which capital must eventually invest itself if it is to become 'real', Houghton Budd argues that this no longer takes the form (or minimally so) of the physical means of production (the traditional counterpart of savings). The surplus must therefore find its way to engendering productivity in other ways, namely by being invested in the development of future capacity brought through the young, who will need to become financially literate. By this means, accounting can be used instrumentally to effect economic management by way of what Houghton Budd calls 'citizenised central banking'.

Accounting is key because it offers the possibility to 'develop from being an instrument for reporting to become an instrument of perception. . . . Accounting is like a glass box around an activity, a transparent description of that activity. The more its inherent logic and

structure come into play – the more, that is, accounting becomes universal – the more transparent the description becomes.' With such an instrument in hand, the individual is able to 'become the locus of economic and financial evolution', whereas today 'one so often refers to (and defers to) "the authorities."' The banking system, hand-in-glove with the state, represents a form of financial myopia: we should be able to see that what we have today is not so much a banking system but a global bookkeeping process. Then 'we need only increase our financial literacy and we will find ourselves on the other side of our bank-dependency. It is convenient to criticise the banks, but they exist and behave as they do only as a reflection of our own awareness. In a sense, they are simply a measure of our financial illiteracy.'

If a criticism were to be made it would be that the dense formulation of the language and the ideas presented therein might place too great a demand on a reader expecting to have things spelt out from the perspective of a conventional approach. But one also gets the impression that the author is relying on the readers to do some work themselves and in so doing to draw their own conclusions. Indeed he warns in the prologue that 'the answer is simple and universal, though boring and anti-climactic. It is to be found in looking directly into one's accounts (which exist irrespective of the currency one uses and whether or not one is in a monetised or "cashless" economy), for these in their essence are but a mirror of one's actions and therefore of the ideas and motivations, conscious or otherwise, that underlie one's actions.'

For 'quick-fixers', the ambition of the project that Houghton Budd envisages may appear offputting. Others, however, might find that the logic of his argument holds and that the emphasis he gives accounting as a way to 'bridge the threshold' merits further attention.

Arthur Edwards

Doctoral Student, Bristol University
mail@arthuredwards.net