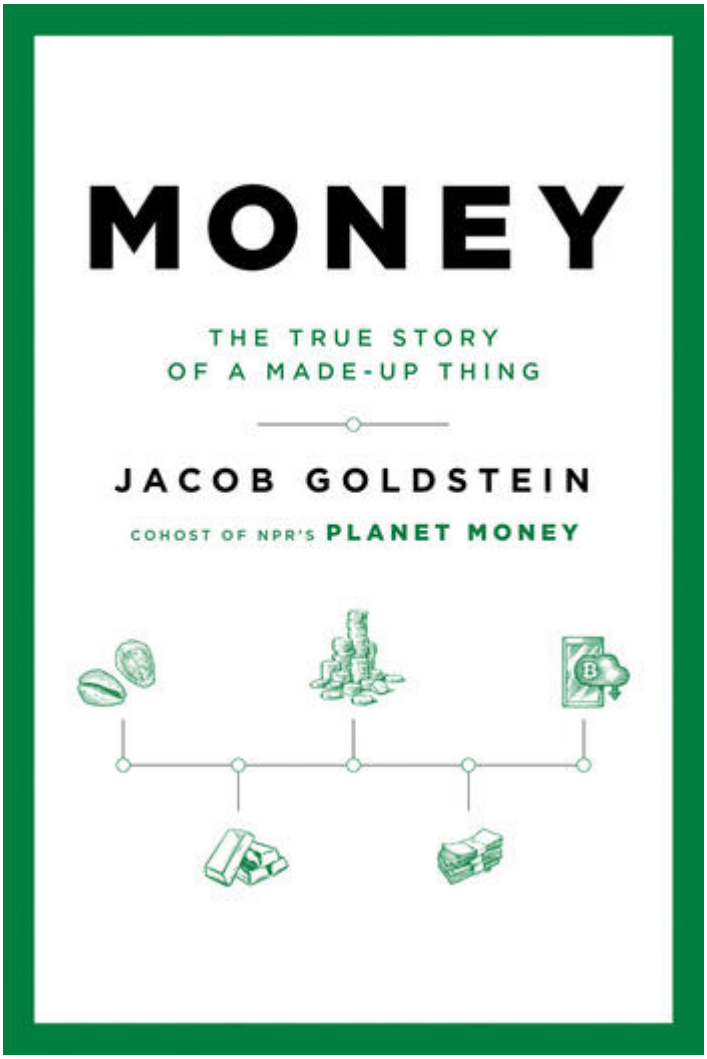
Books

Review: "Money: The True Story of a Made-Up Thing"

By Jacob Goldstein '04JRN (Hachette).

By
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Hachette

In the preface of *Money: The True Story of a Made-Up Thing*, Jacob Goldstein ’04JRN recalls the impetus for his new book: a 2008 conversation with his aunt, a poet with an MBA. “Money is fiction,” she said when he asked where the trillions of dollars that disappeared in that year’s financial meltdown had gone. “It was never there in the first place.” Her words were a eureka moment for Goldstein; they not only gave birth to his journalistic niche (he is now cohost of NPR’s *Planet Money*), but they also formed his foundational beliefs on the topic. Far from existing on a separate, mathematical plane removed from human emotion, money — Goldstein insists — “is fundamentally, unalterably social.” It functions because a society collectively agrees to view its money as money, to trust in the reality of this “made-up thing.” Given this rather tenuous grounding, it’s no surprise that money has taken us on some wild rides over the centuries. In *Money*, Goldstein invites readers along for those adventures, serving as a first-rate tour guide throughout.

In early chapters, Goldstein cherry-picks his way through money’s history, sharing quirky facts (in the 1840s and ’50s, images of Santa Claus adorned some of the 8,370 varieties of paper currency in the USA) and fresh, informative origin stories. Among the latter is a riveting account of medieval China’s economic sophistication. Starting in 105 AD, when a eunuch invented a crude form of paper to keep records in a bustling bureaucracy, China progressed over the next nine-hundred-odd years to a wide use of paper currency. The advent of money in China sparked not just a commercial boom but a social revolution: once the government switched to collecting taxes in legal tender, a populace that had long been forced to weave and plant because taxes were paid in cloth and grain was now free to pursue other vocations. By 1200, Goldstein writes, “China was quite possibly the richest and certainly the most technologically advanced civilization in the world.”

Fast-forward to the mid-1400s, and the Chinese peasantry was back to paying taxes in cloth and grain. What happened? Theories vary, but Goldstein fingers the Hongwu emperor, who founded the three-hundred-year Ming dynasty in 1368 and who promoted a radical self-sufficiency based on China’s elimination of trade and reversion to an idealized agrarian past. That he succeeded is (*ahem*) an object lesson in the ephemerality of the “greatness” of any single nation. By the dawn of the twentieth century, the country was among the world’s least developed.

Goldstein’s discussion of the Great Depression is another eye-opener. He reveals how the relatively obscure economist Irving Fisher’s theories about deflation and the instability of the US dollar — problems stemming, in Fisher’s view, from the dollar’s

value being yoked to the weight of gold — guided Franklin Roosevelt in the darkest days of 1933. After temporarily closing the country's banks to stop rampant bank runs, FDR went on the radio and soothed the citizenry with an introductory lesson in banking. He then issued an executive order confiscating gold bullion and most gold coins possessed by any American and threw his support behind legislation that took the US off the gold standard. (The book's elegant clarification of this concept is a gift to readers.) Even as his budget director decried "the end of Western civilization," Roosevelt never wavered — and history has vindicated him. "In country after country, the economy started to improve after the government gave up on the gold standard," notes Goldstein.

The book offers three different scenarios for money's future, perhaps the most striking of which is "modern monetary theory" (MMT). As espoused by the economist Stephanie Kelton, MMT posits that a government that simply creates more of its own money need not fear overspending (another liberating effect of chucking the gold standard). In the unlikely event that flooding the economy with new money creates hyperinflation, the antidote is equally simple: raise taxes to reduce the money supply. Kelton has attracted acolytes as diverse as Bernie Sanders and tax-averse tycoons.

Goldstein clearly thinks that MMT may be an idea whose time has come, arguing that our current methods of gathering and distributing tax revenues are "undemocratic." In an environment where the words "taxes" and "deficits" are infinitely more fraught even than "money," though, getting consensus on the long-term viability of Kelton's approach might be the heaviest lift of all. But MMT may have gotten its first real trial run in March when Congress passed the $2 trillion CARES Act, giving the book a very timely and thought-provoking end.

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