

Book Review: How to Speak Money by John Lanchester

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John Lanchester, the bestselling author of *Capital and Whoops!*, aims to decode the global language of money for all of us, in an amusing and jargon-free read. **Diane Coyle** finds this is a very entertaining read and a clear guide to the kind of economics spoken in the financial markets and the media. Those who already speak the language would do well to read the initial essay and reflect on it, and in particular on what normal people hear when they are using the jargon.

How to Speak Money. John Lanchester. Faber. 2014.

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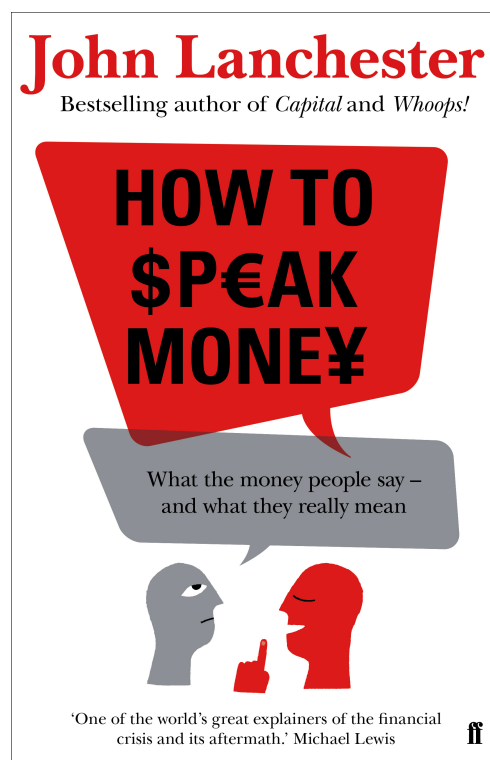
The subtitle of John Lanchester's latest book is: 'What the money people say – and what they really mean.' The book stakes this claim in two ways. The first part of the book is an extended essay on the use of language in the world of finance and the relevant parts of economics. The second part is a lexicon, explaining the meaning of specific terms.

The author wrote one of the best books explaining the financial crisis for normal people, and there have been plenty. That was *Whoops!*, and it's still well worth reading several years on. Since then he has also published a novel, *Capital*, on the spiritual takeover of London by the City. What does the new book add?

For readers already familiar with the jargon, the interesting part will be the opening essay, 'The Language of Money.' This opens with the story of the ancient Egyptian priesthood whose members had to predict each year the extent of the flooding by the River Nile. They measured each year's floods up and down the river in secret chambers, collected records and developed prediction techniques. Until the 19th century, foreigners were forbidden any access to these rooms and measurements. The analogy is clear: people in the financial markets set out to mystify the rest of us and closely guard their understanding just like a priesthood protecting its special status.

Lanchester does not quite fall into the trap of condemning the language financial people use as nonsensical jargon. He understands that professional jargon serves as an essential shorthand in finance, as in any field. However, he notes that many people with no training or experience in the field come to it "pre-baffled", expecting not to understand and somehow resigned to that. And he makes some very interesting points about the odd character of much of the language. I first became aware that there is something distinctive about financial language many years ago when I was working as a journalist. One of my colleagues, a distinguished medical correspondent who was clearly both intelligent and numerate, complained about the jargon we used on the business pages: "After all, what does 'running down their balance' even mean?" she asked. One of the simpler phrases on the page – describing letting the amount of money being held in a bank account decline – brought to her mind a bizarre image of, say, somebody running down a see-saw.

There are some other discussions of the use of language in finance and economics – Deirdre McCloskey's *The Rhetoric of Economics*, for example – but unlike this book they are not written for the general reader. Lanchester argues that a lot of the language of finance undergoes what he calls a process of 'reversification' – terms that mean the opposite of what you might expect. The Great Wall of China is a large and solid physical barrier. A Chinese Wall in a bank is a notional barrier that is meant to prevent information flows but of course does not. A bailout sounds like



chucking water out of a sinking boat but actually means chucking money into a failing institution. There are many examples, and when you start to spot them, it does give finance an oddly Orwellian, Doublespeak flavour.

The tail end of the essay segues into a wider critique of economics, which overstates its case. I understand why so many people think finance *is* economics, but that doesn't make it less frustrating for those of us working in the remaining, vast territory of the subject. Lanchester also claims that economics must be all wrong because behavioural psychology has shown that the assumption of self-interested rational behaviour is false. But it hasn't. It has shown that how people behave depends on the circumstances, and sometimes the standard economic assumptions are wrong. But sometimes not only humans, but also rats, pigeons and various other experimental animals behave like rational profit maximisers. Knowing when to use which set of assumptions is a question being asked by pretty much every economist.

The second part of the book works less well for readers who are already familiar with the language. The one phrase I didn't know was the Eddie Murphy Rule. It's described as a proposed regulation on commodities trading "based on the scam Eddie Murphy and Dan Ackroyd pull in the dénouement of *Trading Places*". Not much of an explanation for those of us who haven't seen the movie.

More generally, although as crystal clear and funny as the first half of the book, the structure of a lexicon of course means there is no line of argument in the second half. So this is perfect as a book you might use as a reference volume when reading the financial news, or dip into from time to time, but perhaps not gripping as a linear read. There are some oddities too. For example, Lanchester has an entry on 'la ricchezza è una ragione', richness is a ratio between two people. He claims economists are not interested in the idea of relative income or in the originator of this phrase, Abbé Galiani, despite its obvious truth. Not so: some economists are very interested in it. Robert Frank is one in books like *Luxury Fever*, building on Thorstein Veblen's well-known work, and all those behavioural economists too.

Despite the occasional overstatement of the case, though, this is a very entertaining read and a clear guide to the kind of economics spoken in the financial markets and the media. Those who already speak the language would do well to read the initial essay and reflect on it, and in particular on what normal people hear when they are using the jargon. The understanding gap is large, and any effort to narrow it is welcome.

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