Book Review/Compte rendu

Alex Preda, *Framing Finance: The Boundaries of Markets and Modern Capitalism*. Chicago and London: University of Chicago Press, 2009, 328pp. $US 25.00 paper (978-0-226-67932-7), $US 65.00 hardcover (978-0-226-67931-0)

In the 18th century, Alex Preda observes, financial speculators were socially marginalized. They were thought to undermine government, to divert resources away from productive activity, and to weaken the moral order by severing consumption from work. These critiques live on, of course, but many of those who would previously have been described as speculators are now able to describe themselves as investors. *Framing Finance* shows how the distinction between speculation and investment developed in financial market actors' favor during the 19th century, not least as a result of the increasing credibility, and then authority, of their own self-interpretations.

Preda sees the development of investors' status as being inextricably linked to the development of the markets in which they operate. Yet he argues both that a description of changing collective beliefs or routines is insufficient to explain changes in markets made up of self-interested individuals, and that an individual-centred approach would fail to explain those markets' coherence. Preda seeks to overcome this dilemma by exploring how coordination between individual market agents is achieved indirectly, through the construction of boundaries to markets. These boundaries are understood not only as distinguishing markets from the outside world, but also as establishing the ways in which markets can be observed from without. Preda therefore explores how the indirect forms of observation possible from outside the boundaries of markets influence both prevailing social perceptions of those markets and, relatedly, market activity itself. He finds that market participants have been active in shaping new channels of communication with those on the outside, and reviews examples ranging from the introduction of the stock ticker to the evolution of popular literatures about financial trading. Preda shows how these developments contributed to rendering financial markets an object of specialist knowledge, which in turn enabled the investors who attained that knowledge to accrue prestige.

Framing Finance draws on a rich variety of historical material, including the evolution of institutions and technologies, the diaries and

publications of well-known traders, contemporary intellectual discourses, and fictional representations of investment and speculation. This material is fascinating in its own right, but it also reinforces Preda's theoretical arguments: the description of one investor's obsession with the stock ticker to the point of entering a "ticker trance," for instance, evocatively reinforces Preda's claims for the formative historical influence of such devices. As well as the history of the stock ticker, there is discussion of contemporary responses to some early stock market panics, and a description of the development of financial chartism (the use of past trends in stock prices to predict future ones). Throughout, Preda is interested in the development of financial knowledge, and in how investors have become able to present themselves as rational and even scientific actors. Yet despite investors' considerable success in this regard, Preda also notes that the idea of speculators possessing a charismatic "vital force" irreducible to their knowledge has persisted from the 18th century up to the present day. This notion of a vital force is called into question by market actors during stock market panics, but only temporarily. Paradoxically, it is reinforced by the development of specialist financial knowledge, as those outside markets find themselves unable to demystify what happens within them.

Framing Finance adds to a growing body of work that explores how economic rationality is insufficient to explain the core institutions of economic life. Preda emphasizes the role of emotion, particularly in speculation. Yet this does not mean that he wants to give up on financial knowledge. On the contrary, he argues that overcoming the notion of a vital force embodied by special individuals in finance would require greater public education in financial matters, and asks whether such education should be seen as a public necessity, or even as a right, given the social significance of financial markets. Preda's broader claims regarding the interrelationships between markets and society suggest that he would understand such education as being formative of markets themselves, as well as of the public's understanding of them. It would therefore be interesting to see what kind of financial education he would design, and this could be a worthwhile direction for future work based on the suggestive conclusions presented here.

Viewed solely as economic history, *Framing Finance* might seem to contain more theory than it needs. Preda's analysis of panics on the stock market, for instance, is preceded by a selective but wide-ranging review of the psychological, sociological, and economic literature on panic over the last century. From a theoretical perspective, conversely, Preda may even have been held back by his historical case study: it remains implicit within the text that his theoretical approach might apply to spheres of

technical and professional practice beyond financial markets. Readers interested in both history and social theory, however, will frequently find Preda's combination of the two rewarding. A close empirical focus on the boundaries of financial markets enables *Framing Finance* to meet its challenging objective of weaving theory and history together in a mutually constitutive way. The book contains a wealth of original data and theoretical insights. Economic historians, sociologists of finance, and others with a serious interest in the social role of the modern stock market should all find food for thought within its pages.

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