Book Reviews

ANCIENT TO MODERN EUROPE

Economic Theory and the Roman Monetary Economy. By Colin P. Elliott. Cambridge: Cambridge University Press, 2020. Pp. 222. $97.69, hardcover; $80.00, Kindle.
doi: 10.1017/S0022050721000504

As the title suggests, this book is more about the evolution of economic theory than an inquiry into the Roman economy. Elliott chose his examples from ancient Rome, but he did not present a narrative about Roman practices or development. The book is well written and engaging, but it is unclear who the audience is. Let me discuss a few examples to give a sense of the book.

The first example is from the crisis of 33. Tiberius loaned money to landowners in a recession. Elliott concluded, "In no way does the historical context allow historians to suggest that Tiberius acted or intended to act as an 'economically rational' central banker. The monetary injection was aimed at and indeed could only accomplish a strictly limited purpose: to make the land portfolios of elites align to the law. Tiberius used scarce means to achieve ends: he acted purposefully. The emperor loaned out money to elites during a cash shortage so the they could avoid the shame of defaulting on their loans and also maintain the minimum landholdings required to retain their senatorial status" (pp. 93–94).

This appears to be a description of the Federal Reserve actions in the 2008 financial crisis. The Fed loaned money for the same reasons Elliott inferred for Tiberius, and it benefitted modern elites rather than lesser individuals like farmers and house owners. To most readers, Elliott's statement has two implications. First, it is remarkable that Tiberius understood enough about the Roman economy to do what modern central bankers do in financial crises. Second, the focus on elites also is typical of the modern action, and the recovery from the 2008 crisis was partial and slow as a result. In other words, Tiberius acted like a Republican official today.

This is not complex macroeconomics, and the preceding discussion of the evolution of economic thought does not help our understanding of Tiberius. Elliott may have assumed that Tiberius was not totally rational as he did this, but Elliott failed to discuss the best modern book on rationality, namely Kahneman, *Thinking Fast and Slow* (New York: Farrar, Straus and Giroux, 2011). Kahneman was arguing the reverse of Elliott, namely that even today people initially have non-rational reactions and only slowly come to act like Tiberius.

The second example is from Elliott's conclusion: "I did not, however, write this book to glorify the methodologies of the past, but to propose some forward-looking possibilities. Progression, however, requires that ancient historians back out of the ditch that has been dug by almost a century of reactionary back-and-forth movement between narrow and overly broad dichotomies. There are probably many productive ways ancient historians might escape the rut: my own suggestion is to embrace a dualistic approach to economic theory which studies the 'internal' motivations and value-judgments of actors and the 'external' events of the actors' world differently" (p. 174).

This quote is hard to understand. It comes from the beginning of a paragraph, and the end of the paragraph tries to clarify Elliott's point: "Purposeful action is apodictic, but the meanings of action and the larger social, cultural and institutional environment in which purposeful action occurred in the historical Roman world, cannot be and in fact *must not* be mapped or dictated by any model—economic or otherwise" (p. 174).

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Returning to Tiberius, all economist historians recognize that his simple monetary expansion is best understood by using a simple Keynesian model. If the economic historian must not use models, he or she cannot make sense of Elliott's argument or Roman economic history. It appears that Elliott does not understand that economic theory is made up of economic models.

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Central Banking before 1800: A Rehabilitation. By Ulrich Bindseil. Oxford: Oxford University Press, 2019. xiii + 322 pp. $80, hardcover.
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The standard account of the historical development of central banking—that emerged in various academic publications during the 1980s and 1990s—traces the origin of central banks to Sweden and England in the seventeenth century. These first two cases—the Riksens Ständers Bank and the Bank of England—remained exceptions until the early nineteenth century, when Napoleon gave a decisive impetus to central banking on the European continent.

As its title makes clear, *Central Banking before 1800. A Rehabilitation* corrects this misunderstanding. It argues that many leading banks in European states before 1800 can be called central banks. Ulrich Bindseil—Director General of Market Operations at the European Central Bank—is the author of several books and articles on the implementation of monetary policy that were already informed by economic history. While keeping an eye on current policy issues, *Central Banking before 1800* is different. It is a true work of economic history, based on extensive use of secondary literature and primary sources in several languages. Drawing on such a variety of sources, Bindseil has patiently reconstructed the history and activity of the early central banks, focusing on their balance sheets and financial operations. The reader learns immensely about what kind of loans they made, to whom, and when. The most technical details and figures are included in a lengthy appendix that is presented as a "catalogue" of 25 central banks prior to 1800.

The book offers much more than a catalogue. After presenting the current view of central banking history and why it needs to be corrected in Chapter 1, the author discusses his definition of a central bank in the next chapter. This second chapter is essential to the argument of the book. Bindseil attacks the idea that a central bank can be defined by a monopoly of issuing coins and banknotes or as the government's main lender. Instead, he defines a central bank as an institution that issues "financial money of ultimate quality." This definition literally takes what a central bank is. It is a bank, and it is central. Being a bank means that it is different from a printing press or a mint. Being central means that its main characteristic is to be at the heart of the financial system. Its centrality requires that it produce the safest (highest quality) asset that is used by other institutions. There is no central bank without a credit system. Credit relationships create debts, that is, promises to pay (IOUs). As long as these debts circulate in the form of financial assets, their settlement becomes more complicated and riskier. The central bank creates a form of financial debt (its liabilities), that is, financial money, which is different from real money (bills and coins). This financial money is a means of settling private credit relationships, overcoming the disadvantages of species and fiat money and the risk associated with the credit system. Before moving on to the presentation

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