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Ian Klaus. *Forging Capitalism: Rogues, Swindlers, Frauds and the Rise of Modern Finance.* New Haven: Yale University Press, 2014. 296 pp. $30.00, cloth, ISBN 978-0-300-18194-4.

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Recent literature on the history of capitalism has rediscovered the importance of historical figures, literature, and overall social context in weaving a narrative of how market societies became entrenched, how they evolved into their current form, and how they shape everyday life. One of the most famous recent examples of an emphasis on history, literature, and everyday life as a lens to view capitalist development is Thomas Piketty's *Capital in the Twenty-First Century* (2014). Ian Klaus's most recent offering is best understood as part of this economic history, but without all the mathematical economics. His book, *Forging Capitalism: Rogues, Swindlers, Frauds, and the Rise of Modern Finance*, focuses on an entertaining selection of historical figures who are marginal to the official narrative of capitalist development, and thus the book erases a clear distinction between investment opportunity and fraud in ways that show how the values and norms of market societies were shaped by these dark corners of everyday business life. The result is an exciting journey across (by necessity, mostly British) history. Klaus's text, with its sharp prose and captivating tales, makes a fine addition to some of the drier theoretical literature on this topic. For those looking for an in-depth treatment of the ethical, political, economic, or social theories underlying the development of market societies, however, the conceptual ambiguities in the book prevent full clarity.

If Klaus's book consisted solely of a series of historical expositions based on case studies about fraudsters, hucksters, and cheats, my critique would be unfair. His stated purpose, however, is to explain the rise of modern finance. To do so necessitates a treatment of economic theory, but Klaus's book includes one almost as an afterthought to make good on its initial promises. This lack of depth is immediately apparent in that it is difficult to place his book within the various approaches to economic history. Is it a defense of free trade? A structuralist accounting of institutionalized swindling and fraud? A tale of warning that we are doomed to repeat this history until we develop mechanisms for ensuring trusting social relations? The thesis of the book is clear: as market society evolved, investment opportunities that were previously based on trust and reputation were replaced by creditworthiness and regulatory apparatuses as a means to control the shadowy characters who functioned on the legal margins. Klaus's conclusion that modern finance could benefit again and prevent fraud by focusing on creditworthiness and regulation does not necessarily follow from the text.

The strongest contribution of Klaus's book is that it does not reduce the development of market society to a list of parliamentary activities that regulate economic affairs. Instead, he focuses on archetypal characters whose exploits necessitated these interventions by showing how they blurred the line between speculation and fraud, or between trustworthy and con men. For instance, the story of Lord Thomas Cochrane and his use of rumor exposed a trading flaw in the operations of the London Stock Exchange and thereby undermined the trust investors had in the information they were given. Cochrane was eventually found guilty of spreading false information to gain a profit, or what today is referred to as information asymmetry. Later in his life he exploited the lack of information about the colonies in South America as a way to enrich himself. Gregor MacGregor similarly convinced investors to fund the Poyais colony in Latin America by taking advantage of their lack of information. The book's heroes are these people: on the fringes of polite society, finding innovative ways of exploiting the explosive growth of globalization, free trade, and credit markets. As investing and development grew to a global scale, close-knit communities of trust and accountability broke down. While people like Cochrane did not necessarily do anything illegal per se, they represented the need for new kinds of legal and economic regulations in market-oriented societies. In almost all cases, any legal action taken against these individuals was for being unvirtuous. This speaks to the importance as well as the nebulous quality of trust and its relation to market activity.

Klaus crystallizes the relationship between trust and markets nicely by deploying Adam Smith's argument in ***The Theory of Moral Sentiments*** (1759) that market society can only work and flourish if there are virtuous participants. The idea that economic development cannot be separated from ethical, social, or political dimensions is important. But it is at this point where Klaus's theoretical ambiguity makes it difficult for him to explain how this tense relationship has guided the evolution of market society into the capitalism we have today and why market society has consistently failed to produce these moral agents. Klaus defines trust as "an expectation of behavior built upon norms and cultural habits" (p. 1). What is initially striking in this definition is how little it says. Expectations of whom and based on what? Which behaviors and norms, and how do they emerge or evolve? Which cultural habits and who decides which ones are important? Throughout the book, Klaus does not expand on the concept beyond this initial definition, even though there are ample contributions from disciplines such as anthropology and political science that he might have drawn on. The consequence is that with such a vague notion of what trust is, it is difficult to know whether characters like Lord Cochrane were cheats or innovators--or that there may not be a distinction at all. The same ambiguity comes through in other concepts, making it difficult to analytically build a meaningful distinction between trust and credit, greed and innovation, reputation and verification, and complexity and fraud. Klaus's book operates on the assumption that market societies make these distinctions out of necessity, but it is hard to determine how, why, and at what threshold this necessity emerges.

Thus it is not clear how these characters drove the development of modern finance as we know it today. This represents a missed opportunity. Consider Cochrane again, who leveraged an informational gap to make a profit. In the era of modern finance, high-frequency trading (HFT) shaves nanoseconds off the time needed to execute stock market trades, thus providing large investment banks with a competitive advantage. But such an understanding is missing in Klaus's discussion. Do these modern innovations undermine trust or are they proper innovations by competitive enterprises? The book ends with a treatment of economic figures like Joseph Schumpeter and Friedrich Hayek. Klaus does not discuss whether Schumpeter's theory of creative destruction has made economic relations more rational, efficient, and productive. Did Schumpeter regard the idea of trust as a mere metaphysical nicety? In light of Schumpeter's argument that capitalism will become rational and that the storm of creative destruction will lessen, will we be left with a bureaucratic socialism managed by former capitalist ephors? This is to say that while a discussion of the moral qualities of trust and how they relate to a more rational and perhaps socialist future would be appropriate, Klaus's inability to say much about the concept of trust precludes that discussion.

We are left with an fascinating account of colorful figures who helped shape market society from the margins. But because Klaus has not theorized his historical examples, he cannot explain the development and rise of modern finance. For these reasons, this text is best used as a complement to more theoretically rigorous work.

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