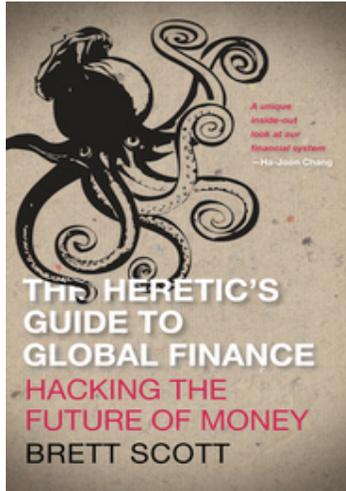


## Book Review



**The Heretic's Guide to Global Finance: Hacking the Future of Money**, by Brett Scott; London: Pluto Press, 2013, 272 pp. £11.50 or \$80 (hardcover); \$21.00 (paperback); \$11.99 (eBook)

Reviewed by Dylan Brix, CFA

### Introduction

Author Brett Scott has created exactly what the title implies: a guide. As such, this book features maps, histories, and step-by-step instructions. It is written in a practical, plain-language style. Scott wants to equip the reader with an understanding of the processes of the global financial system. In so doing, he aims to break down the insider-outsider dichotomy he feels is gagging a productive public discourse on the financial system. Scott acknowledges that many people view the financial system negatively. He engages common fears of finance: that it dissociates institutions from communities, that it creates incomprehensible complexity, that it proliferates risk, and that it contaminates cultures. In the course of his book, he speaks to those fears, debunks them, and supplies his readers with an alternative perspective. At its core, this book is a self-help manual for activists who want to engage the financial system more effectively. As Scott sees it, the biggest obstacle for social activists is that most of them cannot articulate what goes on at a bank, that is, the roles, cultures, incentives, and flow of funds. He identifies this barrier as the key to preventing radicals from accessing financial intermediaries. Social justice movements often misunderstand financial concepts, thus allowing an entrenched financial press to swiftly dismiss them based on their technical weakness. Scott seeks to guide these activists to be better prepared for progressive action.

As Scott himself puts it, this book speaks from the heart, not from the intellect. As such, the book is based on his personal experience, both as a scholar-activist, and as a salesperson of exotic financial derivatives. His résumé demonstrates his experience in

blending social, environmental, and financial value, and so too does his professional network. His work has been endorsed across disciplines by leaders such as Bill McKibben of 350.org, Ha-Joon Chang of Cambridge University, and Tony Greenham of the New Economics Foundation. He is a fellow at the Finance Innovation Lab hosted jointly by the World Wildlife Fund for Nature Institute of Chartered Accountants of England and Wales. If you run a Google search for his name, you will uncover contributions he has made to the BBC, the Guardian, and the Ecologist, among others.

### **The Hacking Approach**

As indicated by the title of the book, Scott uses the idea of “hacking” as a driving theme. He appropriates the term from computer culture, and uses it to describe the process of learning the financial system, exploiting its vulnerabilities, and rewiring it to create something new. For Scott, hacking the future of money entails gaining an empathetic understanding of financial structures, subverting them, and building hybrid solutions. Scott imbues his guide with a radical spirit in order to steer money in positive ways, and he builds it on a foundation of micro-level financial acumen. Hacking, according to Scott, involves three main steps: exploring, jamming, and building. “Exploring” is the process of learning the system on its own terms. “Jamming” is the process of exploiting vulnerabilities to challenge perceptions and purposes. “Building” is the process of creating hybrid vehicles that leverage components of the system for new experiments.

The book is arranged in three main sections based on Scott’s three main steps for hacking. Its numerous corresponding subsections make it easy to navigate, if a bit disjointed. For those readers with less experience in finance, the section “Part 1: Exploring” may be particularly useful, because he relates high finance to its roots in everyday life. He explains how high finance developed by delineating it in terms of how institutional structures grew from modest individual transactions performed by regular people. Subsections include “A Fifteen-Minute Map of Finance,” “The Primary Markets,” and “Opacity, Complexity, and Systemic Risk.” He breaks down the system into geographical centers, institutional specialties, systemic interconnectedness, and common problems. Considering the ubiquity of finance and the clarity with which Scott writes this section, I would recommend it anyone, regardless of his or her familiarity with the subject. Even those readers working in the financial sector may find that it reinforces an understanding of how each piece fits into the bigger puzzle.

In “Part 2: Jamming,” Scott illustrates the system’s vulnerabilities by separating realities from perceptions. He debunks beliefs commonly held by those inside and outside the system. He accomplishes this by highlighting divisions within components of the global financial system. In so doing, he discredits the common activist perception of global

finance as a unified force driven by toxic motives. Instead, he presents the global financial system as an amalgamation of individuals, each driven by pragmatic motives. He explains how the functions, styles, personalities, and goals differ depending on the institution, role, and vehicle. He exposes tensions within the system and he demonstrates opportunities to pit forces against each other within the system. “Part 3: Building” picks up where the jamming section leaves off. Whereas the jamming section details the opportunities for challenging the financial system, the building section details how organizations are constructing solutions to social justice problems. This section outlines examples of innovations in the realms of governmental policy, environmental finance, and the spectrum of social investing.

### **Surprising Balance**

Scott loves radical debate. *The Heretic’s Guide* delves into debate from a dynamic array of angles. Accordingly, Scott writes the book from two traditionally opposing vantage points: the social justice activist and the conventional financial professional. A unique characteristic of Scott’s work is his anthropological approach. He engages the perspectives of both the social activist and the financial professional with empathy. In fact, he repeatedly emphasizes empathy as the key to making progress. Multiple times while reading this book, I find myself expecting him to launch into a judgmental, condescending, self-righteous rant against the global financial regime. But, each time, he pivots. Rather than rage against the machine, Scott regularly defends conventional financial actors against negative perceptions. Scott impressively maintains balance as he presents creative progressive ideas. For example, in the building section, Scott describes the design of a carbon-neutralizing hedge fund. After presenting the concept in technical detail, he explains criticisms of this structure from the point of view of *both* the environmentalist and the capitalist. As he notes, the environmentalist is concerned about the environmental sustainability of commoditizing environmental welfare, while the capitalist is concerned about the financial sustainability of internalizing an external cost. Scott outlines benefits and drawbacks of progressive projects. He imparts an approach to radical debate that stresses openness and experimentation.

### **Equipping a New Generation**

As Scott explains, in order for social activists to gain access to the global financial system, they need to understand it on its own terms. He believes that in the discourse on the global financial system, there is a barrier separating insiders and outsiders. In his view, this barrier has been built by the perceptions created by, and perpetuated by, people on both sides of the divide. Scott positions his book as a guide for social activists to hack the financial system. However, I would posit that his book is also a guide for hacking the

future of social activism. In the same way as he engages the financial system, he also explores, jams, and builds on the activist system. He does so by empathetically explaining the culture and methods of activism, identifying its weaknesses, and then offering this guide to financial markets as a hybrid solution. His book is inspired by his passion for channeling the moral energy of social justice in a more effective way. In this way, Scott has produced a piece that helps him move closer to achieving his stated goal: equipping a new generation of heretics with the technical skills, professional networks, and humanist spirit to respond to the future financial crises.

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