“Politicians, central bankers and businessmen regularly lament the extent of public ignorance about money, and with good reason. A society that expects most individuals to take responsibility for the management of their own expenditure and income after tax, that expects most adults to own their own homes and that leaves it to the individual to determine how much to save for retirement and whether or not to take out health insurance, is surely stirring up trouble for the future by leaving its citizens so ill-equipped to make wise financial decisions” (Ferguson, 2008, p. 12).

The extent of American and British financial illiteracy has been documented by several surveys, most aimed at high school students, but some have included college students and adults. As an example, in a 2007 survey, 29% of American credit card holders did not know the interest rate charged on their unpaid balance, and 30% thought it was below 10%. More than 50% of respondents claimed to have learned “not too much” or “nothing at all” about financial issues at school. In my experience, most college seniors exhibit these knowledge gaps, and even economics majors are guilty, although to a lesser extent than the remainder of the Arts and Sciences body. Ferguson's book is aimed at filling these gaps, particularly in light of the current financial crisis.

The book is excellent, as are previous books by this author, although the present one is somewhat over-titled. It is not really the financial history of the world, as the subtitle indicates; rather, the book deals lightly with the history of money, focusing especially on those events (e.g., Italian Renaissance banking) that provide insight into the origins of modern practices. Because the real goal is to explain the current worldwide financial mess, Ferguson's selective treatment of monetary history is acceptable; in fact, a less selective historical review probably would have obscured (certainly delayed) the examination of current events. Hence, I am not bothered by the selective nature of the historical material, especially as there are plenty of other works that do this job well. Although Ferguson is a talented economic historian, his light in the present book shines most brilliantly in the monetary present, so to speak, and I am certain this was his intention.

My interest in this work has less to do with its “completeness” than with the role it might play in undergraduate psychology curricula. Our majors reveal the financial illiteracy already mentioned in about the same proportion as the general population. Of course, psychology professors cannot hope to fill all the gaps, because many of the gaps require economics or business expertise that we do not have. On the other hand, the interdisciplinary field
of behavioral economics (reviewed by Ferguson) has underscored a variety of contributions that psychologists have made, and this material ought to be a part of undergraduate psychology curricula. Moreover, modern fiat money depends to a large extent on citizens’ trust in their government, and virtually all economic crises develop from human foibles, such as greed and fear. In other words, psychological processes underlie economic behavior, implying perhaps that Adam Smith was as much a psychologist as he was an economist, and that contemporary psychologists ought to feel justified when they include economically relevant materials in their courses. Never should such information be seen as a substitute for courses in economics or business; rather, it ought to be regarded as providing opportunities to fill gaps that otherwise would linger in the education of our majors.

Some psychology professors who feel sympathy with my position will probably need to bone up on the psychology of money. Although the work of Kahneman and Tversky is well known, along with the numerous publications inspired by them, fitting these materials into a larger context might present a problem. This is where Ferguson can make a contribution. For those who want a more detailed look at the history of money, I can recommend a book with that very title, by Weatherford (1997).

When this reading has been done and the more recent material has been fitted into place, some of my colleagues might feel inspired to develop their own courses on the psychology of money. I encourage such effort and believe strongly that it is our academic and moral responsibility to offer such courses. Currently, there are a few courses of this sort offered in the United States and Britain, but they are not standardized, nor has there ever been a symposium to permit like-minded faculty to share ideas regarding course content, sequence of topics, prerequisites, recommended readings, or relevant classroom experiences. Likewise, although there are several books titled The Psychology of Money, some of these are plainly inappropriate as texts because they deal only with risk assessment and management in the context of investing—a scope too limited for our purposes. Other books have a broader purview, but they have other faults that may be problematic, depending on the goals and wishes of potential faculty. In other words, we are at the very beginning of an important curricular development, and we all can make contributions to the evolution of curriculum, texts, and germane pedagogical research. These are the exciting thoughts that Ferguson inspires.

“Money taboo” (the reluctance of people to discuss matters of personal finance, especially salary and investment decisions) permeates our society and may be partly responsible for the relative absence of appropriate material from high school and college curricula. As the world sinks deeper into the current economic crisis, and as we lose large chunks of our TIAA/CREF retirement funds, it should be obvious that we all have much to gain from lifting this taboo and engaging in serious education, especially about psychological determinants and consequences of the crisis. Most important, the education I am speaking about needs to be far more general than the sort of exchanges that occur between clients and financial advisors; it needs to penetrate the minds of the young as well as of those nearing retirement. This is Ferguson’s main message, and psychologists are well positioned to contribute significantly to this discussion.

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