Book review

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The value of transactions in the new data economy

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Lana Swartz, *New Money: How Payment Became Social Media*, New Haven CT, Yale University Press, 2020, 272 pp., $28 (pub), ISBN 978-0-30023-322-3

Along with tools for video-calls, cashless payment has been among one of the technologies that gained new momentum during the global pandemic. While paying with a credit or debit card has been an everyday practice for some time, mobile and contactless payments are increasingly welcome and used in many Western countries. However, most of these new payment technologies are not necessarily developed by banks, and more often stem from the so-called Big Tech companies (PayPal, Apple, Google, Amazon).

The question of how money alters its meaning with the way that it is circulated lies at the heart of Lana Swartz's book, *New Money: How Payment Became Social Media*. The book and especially its introduction include a range of disciplinary perspectives, from Anthropology to Sociology and History, but the book's focus remains set on money as a communication system. Transactional capacities and the various forms of payment are understood as cultural practices. Swartz refers to a number of contributions that reflect on the societal and cultural implications of new money forms (Zelizer, 1997; Maurer, 2005; Nelms et al., 2018; Dodd, 2014; Moor, 2018; Tkacz, 2019). Her book expands on these insights by connecting them to a growing literature on the study of social media companies (van Dijk and Poell, 2013; Gehl, 2014; see also Helmond, 2015). Although the reference to social media in its title might suggest so, the book does not discuss to whom consumers are sending their money, but instead focuses on how they do it and which kind of technology they use in particular. This question is gaining an increasing importance in today's data-driven economy. Swartz's book takes a broader perspective and discusses means of payment in their capacity to shape transactional pasts, identities, politics, publics, memories, and futures.

A compelling reason to follow the book's perspective is its main argument that we are currently witnessing a shift from mass money media to social money media – a development that is not led by banks, but by technology-driven companies: "Silicon Valley is attempting to build money technologies that create transactional communities that work for our social media lives; they are doing so according to social media business logics. Many companies are hoping

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to harness the promise of transactional 'big data' and put it into conversation with other 'social' data sets" (p. 20).

Swartz's main example for this development is Venmo, a payment platform with more than 40 million active accounts at the end of the first quarter of 2019, which shows and performs money transfers as a form of social media. Venmo is owned by another payment platform, PayPal, and it works only in conjunction with a US-based bank account and phone number. While Venmo is currently limited in use to US customers, a number of other tech-driven companies are seeking to gain transactional data and build them into their platforms (Westermeier, 2020). However, these developments are still ongoing, and they take very different shapes depending on the political and cultural context. Ant Financial's Alipay and Tencent's WeChat Pay in China are different to Vodafone's M-Pesa in Kenya and ApplePay in Europe. Hence, the process the book explores is still unfolding, and this only makes the discussion even more interesting.

Swartz focuses on the development of payment systems in the US, which have been historically linked to means of communication such as the US Postal Service and Western Union (originally a telegraph company, which offered services to send money when there was no banking network in place to do so). Since these days are far gone, cashless payment in the US has been dominated by the use of different card schemes: mostly credit and debit cards, but also prepaid cards. While membership in the first charge card companies Diners Club and American Express used to be an elite privilege, the usage of credit cards became more widely available since the 1960s. Understanding the 'transactional pasts' of the payment industry and their reliance on (interchange) fees is essential to comprehending more recent developments within the payment industry. Prestigious credit card schemes also serve as Swartz's main example when explaining how transactions shape and provide a particular identity, meaning a way of distinguishing oneself as a consumer. Whipping out a particular credit card is a way to flag one's status, or at least a means of achieving exclusivity while travelling. Transactional identities in this understanding are performed by the individual if they have the financial means to acquire certain memberships. Like other forms of consumption, using a certain form of payment reproduces inequalities. As Swartz puts it, "the payments industry is a system of social categorization and distinction, of membership and exclusion. The market segmentation of the issuing industry … creates a mass media transactional community that organizes the world into hierarchical transactional identities" (p. 75).

How the industry uses means of differentiation that may lead to financial exclusion is most insightfully explained with a story of a sex-worker who seeks to use a platform to collect donations for a medical treatment. The platform for collecting donations is linked to the payment provider WePay, which bans pornography in their terms and conditions. Thus, the sex-worker's campaign was banned from the platform, although the donations were collected for a necessary medical treatment. The story provides a tangible example of how the payment industry's politics of risk and categorization has concrete effects. The sex-worker's story helps to illustrate how new players within the payment industry use differing strategies of risk management, and Swartz manages in passing to insightfully explain the multi-layered payment industry and its differing business models. The established payment industry uses risks (of chargebacks or fraud) that are associated with various kinds of payment as an opportunity, i.e. high-risk customers pay higher prices. However, these risk practices are changing as new players that evolve around platforms engage in the business of payments. While the established system markets risk, the new payment providers and systems manage risk not through a market but through a mechanism that originated within the tech-industry's platforms. Specifically, they use surveillance and automation to enforce their terms and

conditions, banning all sort of transactions that are considered 'high risk'. In addition, these tech-driven actors use "machine learning to monitor the social media presence of those who receive payments to catch such transactions as they happen" (p. 93). The effect is that the risk of the payment is shifted from the transaction onto the person itself.

Swartz also illuminates another strategy that (payment) platforms employ as part of the broader data economy. Large data collections are used to enable probabilistic modeling to identify and control risk. These modes of risk assessment promise to be more dynamic than static lists of banned activities, but they result in countless examples of users who unexpectedly find themselves not being able to get paid or perform payments themselves. Users are thus subjected to experimental systems of predictive analytics that always seek to identify new attributes which correlate to unwanted risks. Yet blocked users often have no means of challenging the platform's assessment of themselves and their transactions, a problem that is common to the platform economy: "Any person who wants to get paid electronically is beholden to systems governed in ways that are inconsistently enforced, experimental, and opaque and offer little recourse for contestation" (p. 102).

If the tech-driven companies do not seek to use fees for payments and market the associated risk, then why are they eager to engage with payments at all? The answer to this question is provided in the books' two central chapters on *transactional memories* and *transactional publics*. After describing the business models that underlie the (new) payment industry, Swartz turns to the aspect of transactions that makes them so compelling for the platform economy: their connection with memory. Money and transactional data serve as a form of memory from which a number of conclusions might be drawn about relationships and personal attributes (O'Dwyer, 2019). While financial records were for the longest time confidential affairs, there have been several attempts to use their data for risk assessment, marketing, and other predictive analytics. In a brilliant review essay, Greta Krippner (2019) has discussed such practices of financial surveillance. She connects the history of consumer surveillance via credit reporting (Lauer, 2017) to the history of the insurance industry (Bouk, 2015). Both can be interpreted as a constant but elusive quest to "apprehend the individual qua individual" (Krippner, 2019: para. 3). A central aim of both industries was to construct persons as "unique individuals by systems of risk pricing" (ibid.). The quest to identify and assess the unique 'risks' of individuals is still ongoing, but developments in big data and algorithmic modeling seem to promise dramatic advances in this regard. Swartz expands on these issues, describing how the "data imperative of Silicon Valley transformed – or at least has the goal of transforming – transactional memories into a source of value" (p. 124).

Once the data industry gets its grips on transactional records they are prepared for aggregation, analysis, and sale. Financial data is constantly collected as it promises a future financial gain. Swartz describes efforts by Apple and Google to gain access to transactional data, with Google having the clearest sense of how they could successfully use payment data for targeted marketing. Apple has already established ties to the incumbent financial industry and promises explicitly to not use user's transactional information (Hendrikse et al., 2018). The expensive purchase of an iPhone thus promises to buy the luxury of financial privacy. Swartz argues that the shift from payment to full 'social media' is driven by a new form of valuation: from transactional fees to transactional data. For social media companies, "records of payment are an underexploited resource, a new genre of personal data to add to companies' existing portfolios of user surveillance" (p. 124). As this shift has not yet fully materialized, Swartz's analysis draws on the experiences and practices of the social media business, which she convincingly applies to sphere of financial transactions.

A remarkable link that Swartz mentions rather briefly is the close connection between financial surveillance and security. Palantir, the controversial provider of predictive data analytics software for a number of security authorities, is a spin-off of PayPal. It first developed techniques to detect fraudulent activities on eBay, for which PayPal originally created their payment services. However, what remains strangely absent from this section on transactional memories is the widely established use of transactions for security purposes. Already before but in particular after 9/11, the analysis of financial data has been seen as a way of countering illicit activities, such as money laundering and terrorism. Financial data is perceived as crucial to recognizing potential terrorists by 'connecting the dots' before they strike. Following the conviction that 'money trails don't lie', financial data is used to reveal the terrorists' structures using methods such as social network analysis (de Goede, 2009). The potential insights offered by transactional records specifically and financial data more broadly is already well-known, as both are a key element in gathering financial intelligence. Financial security heavily relies on the surveillance and analysis of transactions (Amoore and de Goede, 2008; de Goede, 2012; Amicelle and Favarel-Garrigues, 2012; Amicelle, 2017; de Goede, 2017; Lagerwaard, 2020).

Ultimately, a book about new money has to arrive at the topic of cryptocurrencies. As an expert on techno-economic imaginaries, Swartz places them in a line of alternative and emerging forms of currencies that aim at overcoming the limitations of state currencies: "Whether crypto, community, or corporate, many of today's dominant visions for the future of money are unlinked from the political and territorial structures of nationhood" (p. 150). Bitcoin, local currencies, and corporate reward systems all offer new means of payment, and it is likely that there is more to come. Swartz rightfully points out that money has historically been more plural and private, and that the state might lose its monopoly on money. However, different forms of payment imply different worldviews. With Facebooks' 2019 announcement to launch its own currency Libra, "Silicon Valley feudalism" became a rival to Bitcoin's "techno-libertarianism and anarcho-capitalism" (p. 168). Yet, the fact that Libra has not yet materialized also indicates that the state and regulators are increasingly ready to defend the established financial system, including its established forms of control (see Tischer, 2020).

Remarkably, the question of how transactional futures might end up is thus not answered with the latest app that originated in Silicon Valley, but with a look at China. Chinese 'everything app' WeChat has already managed to unite all aspects of life: social media, business contacts, news, food orders, games, applying for visas – and payment. Usage of the app is not limited to China anymore and WeChat Pay is now accepted in 49 countries, with further expansion on the cards in the near future. This means that tourists paying with WeChat in destinations such as Las Vegas send their money from their Chinese bank account to the receiver's Chinese bank account. WeChat users thus might walk on foreign ground, but they never leave the 'transactional community of China', and they never leave the government's surveillance and control. This model of close intertwinement between corporate and state surveillance became most apparent during the Covid-19 outbreak in China. While most states needed to develop tracing apps to monitor people's interactions and counter the spread of the disease with digital means, China developed a 'Health Code' as an extension of WeChat and Alipay, the other major payment and social media app. These apps already had all the data needed to assess the individual risks of infection: location data, social interactions, and networks. Thus, the global pandemic not only provided a push to cashless payments, but also increased interest in the potential of payment applications and data. While these recent developments are not be covered in Swartz's book, they provide even more reasons to read it.

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