Money, Finance and Morality in a Global Economy

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It is very easy with this subject to spend one's time stunning people with the sheer size and complexity of global finance. The figures are so far outside our experience that it is a struggle to imagine them. A US Senator famously remarked, "a billion here, a billion there, and pretty soon you're starting to talk serious money." Well, the activities of the finance sector can be measured, not in billions, but in trillions of dollars per day. The speed at which the sector operates is likewise hard for the ordinary person to grasp. So important is speed that one financial institution spent US$36 million on its computer system in order to gain access to the Tokyo stock exchange two seconds quicker than its rivals. Even a cursory examination of the consequences of how global finance operates reveals features which are potentially destructive. But that is not the approach I shall be taking in this paper. Instead I want to look at the subject at a more fundamental level.

If one wants to move from situation A, where one is now, to situation B, where one wants to go, one needs to work out the appropriate steps to take. This process relies on having as exact a description of situations A and B as one can muster. If the description of situation A is inaccurate, or missing an important element, it is difficult to move in the desired direction. The purpose of the first part of this paper is an attempt to re-describe part of situation A, that is, the nature of finance in a global economy. The second part briefly indicates some of the consequences of that re-description.

It is a commonplace to suggest that economic factors are pivotal in driving globalisation forward. A globalised economy is far more advanced than a globalised politics. However, in this paper I am going to suggest that, if we are to understand what is happening, we need to refine that assumption. What I will argue is that economic factors are themselves driven: they are the working out of underlying phenomena. Of these, the most pervasive and influential is money.

Despite a widespread obsession with money, it is one of the most nebulous concepts in economic activity. Most of what counts as money has no physical existence – it is merely electronic traces in computer memories. That last sentence contains one of the basic

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problems: not the statement about its non-physicality, but the phrase "what counts as money". Because "what counts" is in a constant state of flux.

At the individual level we think we know what money is. Yet money, like time for St. Augustine, tends to become more elusive the closer it is examined. Economics, and with it monetary policy, has no generally agreed definition. There is a vigorous, and, so far, inconclusive debate about how it is to be measured, rendered almost insoluble by the impossibility of defining what we want to measure. Hence the proliferation of definitions: MO, M3, M4 and so on. Yet these definitions are forever mutating – a problem which has come to be known as "Goodhart's law". As soon as a particular instrument or asset is publicly defined as money in order to be controlled, that asset ceases to be used as money because substitutes will be produced for purposes of evasion.[1] This leads to difficulties in monetary policy and regulation. "Failure to define money satisfactorily renders its measure and control mostly a matter of educated guesswork and psychological gerrymandering, a craft rather than a science."[2]

Despite that, money is taken for granted by economics in the sense that it is abstracted from its social and cultural context, and treated in isolation from its deep symbolic functions. It is not possible, therefore, for economics to debate many of the ethical issues attached to money, simply because there is no suitable framework for such a discussion. Neither does the standard approach of business ethics towards the financial sector help, as it treats money, by ignoring it, as if it were simply a commodity like any other commodity. It is not. Nor is it even a commodity with significantly different characteristics to other commodities produced and consumed. The obscuring of its essential differences from other commodities has prevented a clear analysis of the very nature of the ethical implications of money, particularly for the finance sector operating as it does within a mature money economy.

In money, finance possesses a distinguishing characteristic which in part explains the fascination and power which the sector exercises. It is money itself which determines the nature of the sector, its activities, and the relationships within it and with the rest of the economy. Most contemporary discussion of money and monetary problems has been highly mechanical, focusing on the technical details. However, money is not, as both classical and neoclassical economics suggest, simply a neutral, transparent token which mediates the exchange of goods and services. Whenever and wherever money is used, it is not defined by its properties as a material object

[1] Charles A. E. Goodhart, *Money, Information and Uncertainty*, 2nd ed., Macmillan, London (1989) p. 100, n.

[2] Nigel Dodd, *The Sociology of Money: Economics, Reason and Contemporary Society*, Continuum, New York (1994) p. xii.

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but by symbolic properties.[3] There is a need to focus on the social relationships that monetary transaction involves, not the objects which mediate those relationships. Because of its cultural and symbolic associations, money has had, in ways seldom adverted to in the standard literature, a profound influence on features of the free market such as freedom, individualism, power and the very nature of the market. What has become increasingly important is money's ability to represent economic value symbolically. These qualities are linked to the ideal of unconstrained freedom and empowerment, unlimited possibilities for its use, being co-extensive with the idea of economic empowerment in itself.

Certain properties are intrinsic to money. They include: mobility, transportability, potentiality, dynamism. It has a fiduciary character backed by the state and by an extraordinary atmosphere of generalised trust in its symbolic reality – a reality which expresses the mutual exchangeability of things to satisfy our desires. In a paper of this length I am unable to explore the significance of all these features. Instead I shall focus upon just a couple, that is, the instrumentality of money and its impact on freedom, and suggest how they are implicated in the nature of international finance and the moral issues they generate. What follows is, inevitably, merely an outline of their consequences.

The first of these features is the instrumentality of money. It is the ultimate tool. Tools extend our intention and decision far beyond the present moment by enabling us, perhaps in roundabout ways, to construct a teleological series of actions. Purposive human action is characterised by the tendency to engage in series of actions where the attainment of the end is only achieved by the attainment of intermediary ends. This requires the use of means. These teleological series are chains of means which are co-ordinated to produce a certain goal.

A tool is increasingly valuable to the extent that it has various and extensive uses for which it is, relatively speaking, the best. In doing so, the tool must become more neutral and more objective in relation to particular interests and more remote from any specific purpose. Consequently, money is the ultimate tool. In function of its lack of relationship to any specific purpose "money is the tool that has the greatest possible number of unpredictable uses and so possesses the maximum value attainable in this respect."[4] It becomes the ultimate way to construct and co-ordinate these series of means to given ends in purposive action.

[3] The discussion of these properties is informed by Georg Simmel, *The Philosophy of Money*, (trans. Tom Bottomore and David Frisby) Routledge and Kegan Paul, London, (1978).

[4] Simmel p. 212.

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Money, in its role of an instrument or tool, allows the construction of longer and longer means-ends chains in which more and more of the apparent goals have no ultimate significance, but matter purely as way-stations to further goals. This leads to fewer and fewer points of satisfaction for purposive action.[5] Satisfaction – in any ultimate sense – is endlessly deferred as money enables these teleological chains to extend themselves on and on.

Not only that. Because the extension of the length of teleological means-ends chains implies a greater distance between the person and the object of his endeavour, it increases the probability that ends become obscured and that means tend to become ends, or for ends to be confused with means. This is because money becomes conceived as *purpose* and, in consequence, things that are really ends in themselves are thereby degraded to mere means. But since money itself is an omnipresent means, the various elements of our existence are caught up in an all embracing teleological nexus in which no element is the first or the last. We lose our ability to distinguish between means and ends.

But the way that money constructs these longer means-ends sequences has advantages. Not only can they be highly differentiated and complex, money enables us to side-step potential disputes about intended ends or goals. A worker does not have to agree particularly with the ultimate ends of the productive process she is engaged in because she is paid in money. This allows her to pursue independently her own ends. However, even here a disadvantage emerges. Through money "exchange relations become increasingly complicated and mediated with the result that the economy necessarily establishes more and more relationships and obligations *that are not directly reciprocal*."[6] Distance in relationships is structurally obligated; the humanness of our interactions is going.

Turning now to the second feature of money, that is, its shaping of freedom. Money obviously empowers its holder by virtue of its purchasing power. It also gives freedom of choice. It adjusts with equal ease to every form and every purpose that the will wishes to imprint it with. It gives "to consciousness that free scope, that . . . self-extension through an unresistant medium, that self-absorption of all possibilities without doing violence or denying reality, all of which are part of any aesthetic enjoyment."[7] Yet it has not led to greater human creativity. Rather, it has diminished it, limited it. We can contrast freedom *from* something with the freedom *to do* something. What money gives in a mature money economy is something closer to the first possibility, that is, freedom *from*. It is

[5] Ibid p. 430.
[6] Ibid. p. 457 emphasis in the original.
[7] Ibid. p. 328.

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a freedom empty of any content, having only the negative connotation of the removal of constraint. It opens up freedom of *choice*, but does not enhance our freedom *in choosing*. In itself freedom is an empty form which becomes effective, alive and valuable only through the way it serves the development of other life-contents. Money opens more options but it does not enhance our essential ability to choose between them.

What it does, though, through its emphasis on quantitative assessment and acquisition, is to become the central and absolute value. Objects become valued only to the extent that they cost money and the quality of value with which we perceive them appears only as a function of their monetary cost. The significance of money replaces the significance of things and of relationships. This implies that money will enhance real freedom only when it is grounded in essential freedom which is able to evaluate the multiple goods of human life. The other option is that "those life contents will be stunted whenever money is treated as an end in itself. This is exactly what has happened in modern society. Money, as the ultimate economic instrument, has turned into the ultimate economic goal. It has imploded in on itself as mammon."[8]

An example which brings together the earlier point about non-reciprocal relationships and obligations, with this latter aspect of freedom was in sixteenth century Italy. It demonstrates the beginnings of the move from money as an instrument to money as a goal. Two City Republics stood in contrast to each other: Venice, where private citizens were fairly wealthy but the state was extremely wealthy, and Genoa, whose citizens had enormous private wealth in an impoverished state.[9] The reason for this was that Venetians traded in goods and Genoese in money.

Trading in goods is complicated, especially over long distances. You have to look for co-operation and employees within adjacent groups since this sort of trade, of its nature, imposes bonds. Elaborate physical and relational infrastructures are required which are predicated on continuity and the quality of relationships. With money, however, the relational nature of the transaction has changed from one which required close and continuing links within a specific community to one of impersonality, independence and differentiation. Its owners are able to detach themselves from groups which are perceived as heavily restricting their freedom. As Simmel observed, it enables the independence of the individual from the group. It emphasises individualisation and autonomy; the ability for individuals to refer primarily to their

[8] Dodd, p. 49.
[9] Giovani Botero, *The Cause of the Greatness of Cities*, trans. Thomas Hawkins, London (1635).

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own beliefs, values and preferences in conducting their own existence and, indeed, to fashion for themselves those ideas.

The individual will then develop the tendency and feeling of independent importance and distance in relation to the social whole. She will tend to relate to the social whole as one power confronting another, since she is free to take her money and set up business relations and co-operation wherever she likes. She may then pragmatically constitute or join other groups of a different nature, membership of which commits and controls her energies to a much smaller extent.

The prime example of this came with the invention of the joint stock company. This was one of the most effective cultural formations,

> namely, the possibility of the individual participating in associations, the objective purpose of which he wants to promote and enjoy, without that connection implying any commitment on his part. Money has made it possible for people to join a group without having to give up any personal freedom.[10]

With the joint stock company the stockholders are united solely in their interest in the dividends, to such an extent that often they do not even care what the company produces. Nevertheless, there was the assumption that, at least at one remove, *something* was being produced. These investments created employment, goods and services. Now, however, that is increasingly neither the case nor even the intention. The growth of capital in itself has become the priority.

As is increasingly evident, there has been a switch of investment funds away from the financing of production and into financial assets. The holding of shares is now predominantly for investment, not corporate control or production of goods or services. Throughout the OECD, the contribution of financial markets to the financing of production has either stopped increasing or is actually falling. Thus the financing of production and trade is becoming of more marginal concern to financial markets as they become increasingly concerned with managing previously accumulated wealth. Money has been de-coupled from the goods and services that once provided its value.

This distinction between wealth creation and wealth accumulation in the context of this discussion is a vital one. As I have indicated, it is the *accumulation*, not the creation of wealth, which is the dominant force, and for this money is essential as the means of mediation. In Locke's *Second Treatise on Government*[11] he argued that it is money, and only money, which, through its use, legitimates the right to the accumulation of wealth. This argument continues to be influential today. Thus we see again that money ceases to be a means and

[10] Simmel, p. 344.

[11] John Locke, *Two Treatises of Government*, Cambridge University Press, Cambridge (1960), Second Treatise §§ 47–51.

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becomes a totality of production conditions. This is an essential component underpinning free-market globalisation.

Money is usually presented as merely a tool, or as a measure of economic activity. However, with the analysis I pursue in this paper, we see that it is far more than just that. Money has assumed a central position, not only in the economy itself, but in many social institutions and relationships. So what does this partial re-description of Situation A facilitate? When we disinter elements of our understanding which have fallen into the taken-for-granted background of our awareness we can make better sense of our experience and of our hopes and desires for human life; our Situation B. In this instance it helps us to be alert to what I might term the 'Genoa tendencies' in our economic life.

The first such tendency is the rootlessness of the finance sector stemming from the ways in which money enables independence at the cost of community. What characterises the global economy far more than free trade in goods and services is the free movement of capital. It is capital which drives the process of globalisation far more than trade. Capital is more mobile that the other factors of production. Whilst economies in general are becoming increasingly de-territorialised, money can ignore national boundaries with even greater ease. This has resulted in trading in money becoming the dominant transnational economic activity. In the 15 years to 2000, the outstanding stock of cross-border bank lending rose from less than US$1 trillion to US$6.5 trillion. That is a growth factor of around seven. The growth factor in world trade over the same period was around three. Other cross border flows into equities and bonds are calculated to have risen even faster.

These cross-border capital flows are largely unaccountable. The finance sector has, since the mid-1980s, seen substantial de-regulation and continues to seek more. Where it is not forthcoming capital often moves off-shore to places such as Bermuda. It would not be an exaggeration to say that a prime goal of financial globalisation is that of liberating the accumulation of capital from all social and ecological barriers. This trend is, in my view, central to the moral significance of globalisation. Investment de-regulation has had, and will have, a more far-reaching impact than any other step in the globalisation process.

This process of globalisation is substantially shaped by the International Monetary Fund. It is important, therefore, to note a few of the IMF's features. Just as money drives finance, so the finance sector drives the IMF. This is not only because of the 'revolving door' problem with the constant inter-change of personnel between the sector and the IMF. It is also because a close reading of the IMF's pronouncements and action plans reveals the extent to which the IMF implements the sector's agenda for de-regulation, resulting in an ever-expanding dominance of economic activity by

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US institutions with the progressive elimination of the competition. This was clearly seen after the East Asia crisis of 1997. Assistance from the IMF was conditional on recipient countries committing themselves not only to selling off their indebted companies to US corporations. They also had to open up their financial markets to US banks. It is worth noting that here, as elsewhere, the IMF acted to bail out sophisticated western creditors who knew the risks they were taking, rather than primarily to assist the countries concerned.

This illustrates my second 'Genoa tendency' concerning power, both in terms of the way in which the creditors were able to take their money elsewhere, and the way in which money confers unequal power among the different parties to the transaction, with the individual person or institution accumulating wealth whilst the state becomes impoverished. Enormous pressure is exerted on governments to improve corporations' profitability, otherwise capital will be withdrawn. This is most typically seen not only in the de-regulation which I have already referred to, but also by the manipulation of tax laws which ensure that little, or even no, tax is paid. The evasion of tax means that any concept, however minimal, of the social obligation of ownership is also evaded. The tackling of tax evasion is one of the central aspects of morality in finance, yet governments are afraid that capital will flee to areas of lighter tax enforcement, so nothing major is undertaken.

The ability to move money elsewhere means that long-term commitment to people and their life-contexts is no longer a requirement. By being transnational, links to particular communities are broken and fragmentation is facilitated. This 'Genoa tendency' can be seen in the policy-determining processes of the IMF itself. Typically, unlike the World Bank, it does not maintain staff in client countries. Teams are drafted in and three weeks is the average time taken to produce reports. It is assumed that detailed local knowledge by members of the team is not required. The mobility of the team means that their reports are a-contextual, a-cultural, stemming from a mechanistic and a-historic stance. Inflation is the main preoccupation, and, indeed, it *has* to be – to the detriment of all other considerations. This is because inflation reduces the value of the one 'commodity' which is of interest to them, that is, money. Trade-related policies and reforms are of no interest and, indeed, frequently subverted. Over time the IMF has moved from its original mandate, which was that of serving global *economic* interests to its present position which effectively is to serve the interest of global *finance*.[12]

It has become almost a cliché to observe that master narratives are no longer viable. This assertion can be challenged from a number of perspectives. However, one of the functions of such assertions is that

[12] see Joseph E. Stiglitz, *Globalization and Its Discontents*, Penguin, London, (2002).

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they permit one master narrative in particular to operate unquestioned. That is the narrative of economism: the narrative that forces everything and everyone into the perspective of the market. It is the running of society as an adjunct to the market, with profit the only standard of excellence.

It is through our narratives that we construct our social realities. The narrative of free-market capitalism serves, amongst many other things, to conceal from ourselves our relationship to money. It is couched in terms of deterministic systems which will bring about secular salvation through the elimination of scarcity. This elimination will, at a stroke, resolve the conditions scarcity presently provokes: fear, anxiety, competitiveness and so on. All this serves to absolve us from our responsibility as it suggests that if we get the system right our problems will be solved.

It will not, of course, because it will not touch the root problem: our obsession with money and our increasing dependency upon it in our personal and social self-definitions. The early Church Fathers often commented on the rich young man (Mt. 19:16–22). What they condemned was not the wealth in itself, but covetousness, the inability to let go. In their reflections they see the redemption of covetousness through the social practice of almsgiving. They do not suggest a change of system but a radically different attitude, one where money – instead of being the symbol of separateness, of independence from the group – becomes the vehicle of acknowledging our inter-responsibility and inter-dependency. It is only thus that the structural distance in relations can be overcome, and the disparities in wealth reduced.

I am not, by referring to this, suggesting that philanthropy is all and that systems do not need changing. Philanthropy can just be a euphemism for the wielding of power by the rich or too easily cover over economic exploitation, and systems do need changing. Rather, I am pointing out that just changing systems, inadequate as it is, will leave our basic attitudes and addictions untouched. We will, at times, be tinkering with symptoms, not causes. For example *Centesimus Annus* says,

> insofar as [capitalism] denies an autonomous existence and value to morality, law, culture and religion, . . . it totally reduces man to the sphere of economics and the satisfaction of material needs. (n. 19)

However, I would suggest that it is not merely capitalism which has this de-humanising effect, but rather how money functions within a mature money economy. Capitalism may be the economic system which displays this feature most clearly, but it does so because it is the system in which the features of money have developed most fully. It is, therefore, unsafe to assume that non-capitalist systems would be markedly different in this regard. The reductionist anthropology to which this quotation from *Centesimus Annus* points, is in part to be

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explained by the de-personalisation and the attenuation of the reciprocity of human relationships which money structurally requires. Attention to *how* money can unite people, while excluding everything personal and specific, helps us to focus on some of the mechanisms which feed this aspect of contemporary society. It helps to explain the paradoxical fact that people express an ever greater awareness of the need for intimacy, for relationships which sustain and nurture, for their dignity to be respected, whilst simultaneously constructing ways of working and trading which undermine those desires.

As I said at the beginning, if we mis-describe our present situation, we are unlikely to identify the appropriate steps we might want to take to move towards alternative approaches to Situation A. A problem with looking only at systems is that it enables the displacement of responsibility for the problem of money (that is, greed, envy, covetousness, injustice) onto what are presumed to be the objective interplay of economic operations. This, together with the abstraction of money, leads to the tendency for ethics to 'disappear', apart from questions of distribution, due to the assumption that whatever the problem might be, I, the individual, can do nothing until the 'system' is changed. Once that is done, society's problems will be solved and I, of course, shall be just and virtuous.

This disjunction between the individual and the 'system', modelled at the monetary and business levels, is rooted in modern conceptions of the self which set the individual over against the community. This is the moral stance at the heart of the human condition. What is needed is not an oppositional model, but one which takes seriously the situation of being both an individual and related, recognising a creative dialectic at every level of our human functioning.

One of the most damaging effects of money is the way in which it has colonised the general understanding of freedom purely in individual terms which continues to endorse the disjunction at a systemic level. The form of freedom which is shaped by money has been characterised as the definitive form of human freedom. It is further claimed that the market embodies that form of freedom more clearly, more fundamentally than any other social institution. This freedom is then presented as the supreme and universal value which gives the market its ethical force and meaning. Yet the freedom that money confers is, as I have suggested above, a very narrow one. It is principally freedom from intervention. But there are other freedoms which money takes away: the freedom not to be excluded by market forces from society; the freedom not to be exploited in situations of ignorance, uncertainty and unpredictability; the freedom of future generations to enjoy a healthy biosphere. Above all, the freedom not to be forced to evaluate everything by its monetary value, its market

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price; because where all values are reduced to market values, justice itself is reduced to a market concept.

The ideal of freedom is at the centre of the concept of money as a symbolic medium. Hence the desire for money, the decision to work for it, save it, hoard it, spend it, accept it as payment even for those things which perhaps should not be sold. We see in our society a passionate engagement with money, which Brueggeman describes as our narcotic.[13] It is true that other economic instruments are associated with these activities, but such association is, at best, partial. Only money is synonymous with them. It is this symbolic feature which distinguishes money, makes it what it is, enables assumptions about its re-use in the future to be made. But such a conceptualisation of money comes at a cost: to the economy itself, to society in general and to the individual, as money becomes a more and more exclusive and commanding social power. What is diminished in all that is a sense of community. The universalisation of money, caused by the expansion of the money sphere, means that money is used in transacting a growing number and variety of economic relations. Thus an increasingly large variety of social relations become transacted through the medium of money: "use values" disappear and are replaced by "exchange values", without a reciprocal commitment of any kind.

The ever increasing dominance of monetary evaluation, and the disregard of values and emotions leads, as Simmel pointed out, to

> [a] preponderance of means over ends [which] finds its apotheosis in the fact that the peripheral in life, the things that lie outside its basic essence, have become masters of its centre and even of ourselves.[14]

This inversion of means and ends is seen most clearly in money due to its instrumentality. Its greatest significance is in its ability to give access to other things which alone can directly satisfy human need. But money does this so well, opening so many possibilities, that it itself has become the object of our desires, ambitions and wants, thus acquiring a powerful hold over our passions. Money is "the absolute means which is elevated to the psychological significance of an absolute purpose."[15] I believe that we can change these features – the market is not like the law of gravity. It is a human construct, the result of human decisions, and so can be changed. I am less certain that we are willing to do so. Failure to address such institutionalised attitudes to money, the way in which it has become the dominant symbol and (if I can be excused the pun) the common currency of the economic discourse which increasingly shapes our entire social life,

[13] Walter Brueggeman, 'The Liturgy of Abundance, the Myth of Scarcity' *The Christian Century* (March 1999) p. 342.
[14] Simmel, p. 482.
[15] Ibid. p. 238.

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will result in an inability to devise effective countervailing attitudes and actions. Money will remain the secular God of the World and will ultimately subvert our very humanity. What story shall we then tell?

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