Chapter 3
Money

Money, I despise it,
Many people prize it,
Hey willow waly O.

§3.1 The Concept of Money
Money is the answer. It is not the only answer nor always the best, but it facilitates cooperation by enabling it to be jointly beneficial in many, many cases where otherwise one of the parties would be unwilling to collaborate; it thus greatly extends the range of possible cooperation. In particular, it covers the cases where one party gains hardly anything from the cooperative transaction in itself, but will find it worth his while to earn some money. Money is an oil that lubricates social interchange, overcoming the friction of the unwillingness of parties to collaborate when not to the inherent advantage to both.

Money is valuable, because it confers choice: and money confers choice, because it is generally regarded as valuable. Although not everyone will do things for money, and there are some things which most people are not willing to do for money, it is an incentive to cooperate. It works because it is what most of us mostly could do with more of. It follows that we must think that it is scarce: if we all had all the money we wanted, it would be no good to any of us, because nobody would bother to do anything any of us wanted in order to acquire more money. Imagine that the mediaeval dream of transmutation had become a reality in the early nineteenth century, and it was possible, thanks to radioactivity, to turn base metals into gold. The gold standard would have collapsed. Gold would still be useful in dentistry and for making pretty jewels, but they would have been no more valuable than trinkets made of paste diamonds and gold-coloured plastic are now. Some economists have thought that economics is about the allocation of scarce resources,
but this is to project onto reality a conceptual constraint created by ourselves. Money is scarce, not because nature is niggardly, but because it has to be in order to work.

Money is valuable, because it confers choice. Choices have to be exercised by choosers, and choosing is essentially a first-person, egocentric activity—_ego ergo ego_—and money is, therefore, privative: the money I have, other people do not have; if I give you a pound, I no longer have it. Money is a possession, necessarily owned.

> The money I possess is not possessed by others, though would be valuable to them, if they had it.

Although essentially egocentric, money needs to conjugate in order to work. It conjugates over person, being valuable to me, because it is valuable to you, and valuable to you, because it is valuable to others with whom you might want to do business, and valuable to each of them for the same reason. It needs also to conjugate over time. If money is to have value for me, for you and for other people, it must also have value at other times. If you give me money on account of help I have given you, in order that I shall be able to use it to further my own purposes, the time I spend that money must be later than the time I earned it. Since the value of money lies in its encapsulating choice, I want to be able to choose not only to whom to give it, but when; I want to be able to postpone spending it to a later time of my own choosing. Furthermore, if I can choose when to spend my money, I can choose when to choose. If I have money now, I may choose to spend it now, but I may choose to keep it, so that I can spend it next week. But next week, I may choose to defer choice yet again, so as to be able to choose at some later date. And so on. We can always go on deferring the spending of our money. Money in order to be desirable now, needs to be desirable in the future. If a government were to announce as part of a currency reform that certain notes were to be worthless after the first day of the next month, without any provision for them to be exchanged before then for money that would go on being valuable, the notes would become worthless immediately. Nobody would accept them for fear of being left holding them at the end of the month, since nobody else would accept them for the
same reason. This constitutes a deep conceptual argument against inflation. Once it is believed that there will be a time when a currency will be worthless, the *Sorites* (step-by-step) argument just given can take a hold, and future worthlessness will imply worthlessness already now. Although people will put up with inflation to a limited extent, they will do so only so long as they believe that there is going to be a time when inflation has completely destroyed the value of their money. Inflation erodes trust, and once trust is eroded, money ceases to be a desirable token that confers choice on its possessor. That is, it conjugates over tense as well as person.

As with tense, so with mood. If you can choose when to spend your money, you can choose whether to choose—money conjugates over mood as well as tense. Money is potential choice, and is governed by the logic of potentiality. The modal logic of possibility has the characteristic theses:\(^1\)

possibly implies possibly possibly,

and

possibly possibly implies possibly.

In formal logic:

\[ \Diamond p \rightarrow \Diamond \Diamond p \]

and

\[ \Diamond \Diamond p \rightarrow \Diamond p \]

If you have money, it is possibly the case that you choose to spend it now, but it is also possibly the case that you choose to have it still possibly the case later that you will spend it; and in the latter case it is possibly the case that you will decide again not to spend it then, but to have it possibly the case still later that you will spend it. Whereas with ordinary activities modal logic distinguishes sharply between actually undertaking them and possibly undertaking them, when it comes to possibly choosing, modal logic runs possibility and actuality together. Much as we use money to defer choice, we use it also to de-actualise choice. That is, we do not want only to choose, but want often simply to have a choice whether to choose or not. If I have money in my pocket, I can choose what to spend it on, but may not want to make a definite choice, only to be able to make choices in a general sort of way. I want choices to be there, but not to be taken.

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\(^1\) The former is a substitution instance of T\(^*\), the Schoolmen's *Ab esse valet consequentia posse*; the latter is 4\(^*\), a characteristic thesis of the modal logic S4.
The conjugability of money over person, tense and mood is an essential feature, but leads to tensions, tensions between unactualised availability and actual use, between future value and present spending, and between omnipersonal acceptability and egocentric choice. Money, in order to be usable now, needs to be a store of value for the future. If money can be stored against its being used at some future time, it seems that it can be just stored as a valuable substance. In time past it was, because it had some further use that conferred independent value. Gold, silver, brass and even iron, the stuff coins used to be made of, can be used to make jewels and weapons of war. In the Eighteenth Century the Fellows of Magdalen College, Oxford, received part of their stipend in lumps of sugar, and after the Second World War cigarettes served as currency in liberated Europe. But modern currency has minimal intrinsic value—a very rich man might use five-pound notes to light his cigars or to cover walls, but there are better cigar-lighters and wall-papers available. The real value of a five-pound note to me is that you value it too, and that I can give it you, in order to get you to do something for me. It is valuable because it can be spent, and it is only because it can be spent that it is valuable. Suppose a kindly government gave everyone a nest egg of £1,000, but insisted that it should always be kept as a nest-egg, and must never be spent; would we all be better off? Possibilities are slippery entities. They can exist and not exist at the same time. It is quite right to see money as encapsulated choice, enabling one to choose to spend it when and where, and hence if, one pleases. But choices to be real need to be actually made. If always ify and never actually made, they cease having value. Unless there is going to be some ultimate choosing, possibilities of choice are pointless. Although it is easy to think of money as a substance, yet as the word ‘currency’ indicates, it is really a function of an activity, a social token intended for current use. We may want to save it—thrift is a virtue—but that requires social artifacts to float something enduring on a sea of change. We can see this if we imagine ourselves back in the time when the only store of wealth was gold, and everyone practised thrift to an extreme degree. Every household would have its pot of gold safely concealed in the cellar, but since everyone would rather save than spend, nobody could sell, and trade would come to a standstill and everyone would be worse off.

We are wrong to think of money as a quantifiable substance. Although modern currencies are visibly not the same as traditional ones: the assumption that money is essentially something like gold is as common as it is mistaken. Monetarists make many trenchant

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2 I am informed by Dr. R.C.S. Walker, Vice-president of Magdalen, that this is no longer the case.
To be useful, money must be a store of value:
To be valuable, money must be a currency

criticisms of Keynesian economics, but put forward no coherent positive view, because of unclarity in what “the quantity of money” is a quantity of. Although it was once possible to attach a meaning to the gold, silver and bronze coins in circulation (M0), and talk about the quantity of them, that makes little sense these days, and monetarists now talk of M3, M4, “broad money” and the like. But not being substances, they carry no guarantee of being quantifiable.

Conjugability of money over mood, then, is limited by the consideration that absolutely un-actualised possibilities are not real possibilities at all. Conjugability of money over tense is similarly limited by the consideration that although it has to be possible to defer indefinitely the spending of money, it is not possible to defer it infinitely. Money is meant to be spent, not necessarily now but perhaps later. And later. And, again, later. We can always defer spending, but if it is never spent, it is no good. An old lady in Devon told her solicitor that she was getting a night-flight to Trieste to visit her daughter. Asked why she was going by night, she explained that it was much cheaper. “You are saving for your old age?” he asked. “Why, Yes, of course.” “Has it occurred to you, Madam,” he replied, “that your old age is already with you?” Jam tomorrow is an empty treat, if it is never going to be jam today.

Spending always can be deferred, but cannot be always deferred

Money, then, is not a something, a substance, that has inherent value, but a social artefact to be spent due course. It has value for me because I can spend it as I think best; it encapsulates choices I can make, and it confers choices on me, because other people think it valuable, and will do things for me in return for my giving it to them, themselves valuing it on account of the choices it confers on them, on account of its being valuable for the same reason in the eyes of yet other people. Modern currencies are self-sustaining confidence tricks. We value them because we think they are valued by others, who equally value them on the same supposition. The value of money depends on our being content with the second-hand
judgements of others, who in turn rely on the second-hand judgemen ts of yet others. While it works, it works; so long as there is a circle of trust, it is mutually re-inforcing. In Somalia there has been no settled government for years, but the Somali shilling is still used; it is used because it is useful for local transactions, and because it is useful, it is still used. Indeed, so great is the utility of money, that it is not merely self-sustaining, but even self-generating. Bitcoins were invented in 2009, when national currencies were losing their lustre, and seem to be thriving in spite of their having nothing supporting them except their perceived utility. But once confidence is lost the currency is worthless: I cannot prize it if others all despise it. Dollar bills of the Confederate States of America are no use to me, because you do not think they will be accepted by any third person as tokens of value. But so long as people do not demand a first-personal justification of its value to the individual, and feel no need to ask why we should trust dollar bills of the United States of America any more than dollar bills of the Confederate States of America, money can serve its purpose as currency with its value conjugating over all persons.

Although money confers wealth, wealth is not purely pecuniary. In time past artisans and trades-men who were owed money by the Big House, preferred to keep it that way: if the money were actually paid them, they would spend it; if it was simply owed, it was not in the pocket, liable to be spent, but it was still there, available if needed. Higher up the social scale or more modernly, we are happy to be owed money by the bank. We deposit money with the bank, and have money paid into our account, which is really a tally of what the bank owes us. Very rarely do we take all the money the bank owes us, and spend it. Rather, being owed money by the bank is part of our way of life, enabling us to organize our financial affairs sensibly, and make long-term plans for achieving the goals we really value. Economic transactions can take place with IOU notes just as well as with coins, so long as everyone trusts the credit-worthiness of the issuer. In England treasury notes are IOUs, signed by the chief cashier of the Bank of England, promising

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5 If the question is asked, see below, §8.3.
6 See more fully, §4.4 below.
to pay the bearer on demand the sum of five, ten, twenty, or fifty,
ponds. Money is thus extensible by credit. Credit, unlike cash is
not privative: if I give you credit, it does not follow that I no longer
have it. This is why monetarism fails. Money now is based not on
bulky bullion, but on credit, which is non-privative and evidently
insubstantial.

\begin{quote}
Money is privative; credit is not
\end{quote}

Credit depends on trust. Trust, we have seen,\footnote{In §§2.3 2.6, 2.8.} is an essen-
tial background for any trade, but is much wider than economic
activity. It is only if we view it in its social setting that we can
understand money aright. Money widens the range of potential
cooperation, but is only one form of it. Even then the benefits
of cooperation fall unevenly, we often cooperate, sometimes out of
the goodness of our hearts, sometimes in a social setting, where
favours are done and returned. Economists need to look to Am-
bridge, in order to understand the mysteries of high finance, for
economic transactions are but one form of social activity, and can
be understood only if they set in a wider social scene.

\section{3.2 Funny Money}
People are funny about money. Many lust after it, some spend it,
some hoard it, in ways, viewed in a cool dispassionate light, that are
irrational. But the irrationality of men’s behaviour stems largely
from the concept itself. The tensions in the personal, temporal and
modal aspects of money teeter on the edge of a contradiction, and
give rise to unedifying acquisitiveness, irrational thrift, compulsive
spending and pathological miserliness.

All too often, when money is in issue, the original Adam takes
over. It is what I could do with more of, and I become possessive,
keen to ensure that it is I who have it, and not you or anybody
else. I mind unreasonably much if I lose it, forgetting that of all
the things one can lose, money is the the most replaceable. Alter-
atively, I may seize upon the fact money is a social artefact that
has value because it is meant to be spent, as a reason for always
spending it, while other people are led to become not irresponsibly
spendthrift, but unreasonably thrifty. We read sometimes of paupers, who after their death are found to have amassed large sums, sometimes deposited in a savings bank, more often kept safely in a sock. Were they rich? While still alive they had the legal possibility of spending their money, and according to that criterion, they were rich. But, evidently, they did not have the psychological possibility of spending any of it, or they would have spent some on mitigating the discomforts of their actual situation. They were, effectively, paupers. (Of course, I could be a rational pauper if I had a passion for cats and was accumulating a vast fortune to leave to a cats' home—though even then it would be more sensible to give some of it to the cats' home before I died. But if if I have no ultimate, perhaps testamentary, choice in mind, then increasing the possibilities of choice is pointless.)

As with time, so with mood: there is a tension between each being indefinitely extensible and its being infinitely so. Just as at any one time, if we have money we can defer spending it, so equally we can choose generally not to actualise the choice that money encapsulates. But just as an infinitely deferred expenditure ceases to be expenditure, so altogether un-actualised choice ceases to be available as a choice we can actually make. Irrational thrift modulates into miserliness. If the possibility is never actualised, and the money never actually spent, it loses its value. It is only in the context of its holder being able to use it in order to persuade someone to engage in some cooperative activity that money is worth having. In order to circulate, money must have value: in order to have value, it must sometimes circulate. Yet we often fail to register this fact, turning our attention from the possibility of choosing to the actuality of having a choice. The miser, apart from the cat-lover imagined in the previous paragraph, hoards money, not in the anticipation of being able to spend it, but simply in order to have it. The irrationality of this never strikes him, because an un-exercised choice is still a choice. He is sure he is rich, because what he has got possession of is something that people regard as riches, and he need not bother to wonder why.

Even if we are not misers, money-making can make us miserable, crowding out activities that are more worthwhile, impoverishing family life, and estranging us from friends, in the attempt to maximise our pecuniary wealth. People are funny about money, because money is funny.
§3.3 Three Cheers for Money

Money is funny. Still, while it works, it works. It works because it is useful, so useful in fact that the current currency goes on being used, unless and until it becomes, as in the Weimar Republic or modern Zimbabwe, obviously worthless. It does so, because it facilitates cooperation in the many cases where the benefits of cooperation fall unevenly, thus making it possible for business to be done in a large variety of heterogeneous cases. It is better than simply returning favours, because it is not limited bilaterally. In the little world of Ambridge, where everyone knows everyone else, cooperation is possible without money, because if I, as a favour, help the farmer build his haystack, whereby I benefit myself not at all, he will, on another occasion, return the favour by digging out my ditch, which is of no advantage to him. Ambridge often seems to offer a satisfying setting for our lives, but it is a limited world in which many goods and services are necessarily unobtainable. Only if we have access to a much wider world, can we buy many things we might need, or find a market for the peculiar skills and talents that we may possess. Ambridge can be claustrophobic in a psychological way too. I can ask for a return of favours, but only to a limited extent, and I do not know what the limits are. If I have money, I can draw up a precise budget, and make my own choice whether to having steak or only fish and chips. Money is better than a deferrable favour, it enhances choice, by making it wider and more specific. It does so by being generally acceptable, not only to the person who originally gave it, but to most other people too.

Money is better than entitlement. Rationing provided people with goods, but did not give them choice (with the partial exception of “points”). I was entitled to so much butter, so much margarine, so much sugar, but was not allowed to trade my butter for your sugar, or give you an egg in return for your doing housework. But untradeable entitlements are not worth all that much. I might work a little harder to earn some more butter, but when I had got all the butter I could possibly eat, I should let up, and not exert myself further. Money, however, is freely transferable and tradeable, and is for that reason much more useful than mere ration cards.

Money encapsulates choice. It therefore decentralizes choice, and makes it a bulwark against the tyranny of the State. Many arm-chair idealists imagine that if they were in power, they could allocate resources just as they thought fit. Money, they think,
just a resource, to be doled out according to some socially approved principle. One example of this way of thinking is given in a letter to the Daily Telegraph.\footnote{September 4th, 2008, p.21, from Mr Chris Williams of Mereworth, Kent.}

Sir—Inheritance tax is a tax on money passing from those who can no longer use it to those who have not earned it, making it the fairest tax of all . . . .

If money were just an entitlement to a resource, like a butter ration, the argument would go through: when a person dies, his ration book reverts to the government, and is not inherited by his heirs. But if I have money, I can spend it how I please, and if inheritance taxes are heavy, I shall choose not to leave it to the Chancellor of the Exchequer, but to use it in my lifetime to achieve whatever purposes I have. Only if we abolish money altogether and forbid every kind of trading and exchange, can we ensure that people get only what we think they should get.\footnote{Tradeable entitlements behave like money, and may end up, if Tom Sawyer has a hand in it, with entitlements distributed quite differently from what the entities originally had in mind.} Money confers choice, and if people are free to choose, they may choose differently from the way we think they ought to choose. Egalitarians are affronted at the huge incomes enjoyed by pop stars and footballers. But if people have money, they may all choose to buy the same albums, or give it to the same sports hero. Money entails the possibility of economic inequality. It also militates against a just distribution according to merit or according to need. Other people’s choices may direct funds to the undeserving or the un-needy. Nurses deserve more than pop singers; football stars do not need all the money they get, which might be better directed to the poor and ill nourished. But other people have the choice, and have chosen otherwise. We may regret this restriction on our power to create a just society, but need to remember that money also clips the wings of authority, and protects us too from an overweening bureaucracy.

In an ideal world we might not need protection, but in our actual world, there are, besides some bad people, many who would have us do something different from what we want to do. Where that power is exercised through the coercive machinery of the State, we have no choice but to do what we are told, whereas money power, although powerful, is resistible. I may not feel I can afford to resist,
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but I always can. I can refuse to hand over my daughter to the
boss for his gratification, whereas in a police state, the authorities
can just take her. Even under relatively benign regimes officials
often have an urge to exert their authority, and to keep suppliants
waiting, or to queue, or to fill up forms. Money not only gives us the
power to say No, but also confers some ability to seek alternatives.
It does not confer complete protection—we may be wage-slaves, or
too poor to pay for the alternatives available—but the protection
it does provide is considerable.

Money not only provides some freedom from the power of
others—especially the authorities—but, as we have seen, enhances
our freedom to choose. It protects and promotes each person’s in-
dividual identity. Of course, in a world in which there are other
people we cannot always get our own way. Many questions have
to be decided by authority, or by a vote, or by some other public
procedure, which leaves the individual feeling impotent and of no
account. It is important, therefore, that there should be some
questions on which he cannot be outvoted by others. The institu-
tions of personal liberty and private property are essential bolsters
of the individual’s status as a decision-maker. The former gives
him at least a veto over the actions he is to undertake, and the
movements of his own body. But these vetoes, although very valu-
able, are apt to be negative. Money confers a positive choice. With
money in his pocket, he can choose whether to buy flowers for his
girlfriend, beer for himself, or a ride on the merry-go-round for
them both. Often, of course, he may not have money in his pocket,
but sometimes he does; and such occasions not only enhance his
sense of his own individuality, but also develop it, and constitute
an education in responsible decision-making.

Money enlarges privacy. I am naturally choosy about the people
I cooperate with, and need to be sure that they do espouse the
relevant values. But when nearly half the transaction is the trans-
ference of money, other concerns cease to signify. I need to know
that a potential partner or colleague is like-minded with myself, if
I am to collaborate with him over many years, but I do not know,
nor need to know, much about my grocer or tailor, except that
he provides me with wholesome groceries and well-fitting clothes.
Spinoza was a Jew living in a gentile city and much disapproved

10 See further, §7.2.
§3.3  

Money  

of by his Jewish co-religionists. But he was able to make a living by grinding lenses, and since the lenses he ground were good, and enabled spectacle-wearers to see better, they were glad to do business with him without enquiry into his religious beliefs; and he similarly was able to buy the things he needed with the money he earned from tradesmen who were equally unconcerned with his metaphysics. Money thus promotes freedom. By being impersonal it confers a cloak of privacy about one’s personal values and commitments. I can be myself more, if I can surround myself with a firewall of money. Many people find themselves at odds with the society in which they live. J.S. Mill was felt the pressure of public opinion to be a tyranny. Even if I happily endorse the mores of the society in which I live, I may want to have some lebenstrum in which to speculate on the possibility of other values being better. Money, especially for spending it but sometimes also for earning it, means that I need to share relatively few values in order to enter into beneficial cooperation. I can be less beholden to others, which may mean that I can be more myself.

Money has been able to enlarge privacy by virtue of its adventitious anonymity. Money, as mankind has developed it, is anonymous. It carries its value on its face, and its bearer is not identified. This has been a great advantage, but is not inherent in the concept of money. Modern debit and credit cards leave a trail behind their use, which for some people is an advantage, or at least no disadvantage. But not for all. Would-be anonymous benefactors, and malefactors generally, want to conceal their identities, and would not welcome the advent of a cashless economy in which all monetary transactions were by plastic card. Although at present card companies are independent of the State, this need not be so, and it is possible that only the Bank of England would be allowed to issue cards, and that all our transactions were monitored by the Authorities. Often that would not matter, and it would be argued, as with the proposal to have compulsory identity cards, that the innocent had nothing to fear. Perhaps. But again, perhaps not. The anonymity of money in time past has been a great bulwark of freedom, and even if the State were reliably benign, I could reasonably prefer a little privacy. To be able to do some things unseen and unchecked is an important facet of freedom, and a necessary condition for the development of individuality. If plastic cards became universal, and we no longer had coins and treasury notes, it would be desirable to have something like oyster cards to enable
us to make unworthy or wanton purchases, and to buy surprise presents with no revealing price tag. But oyster cards could be forged. Worse, money can. Thus far, the Bank of England has been able to keep one step ahead of forgers (though it is rumoured that there are many forged £1 coins in circulation), but the increasing sophistication of copying machines may give forgers the upper hand. We might reach the situation where only the serial numbers on bank notes indicated forgery—if two had the same number, we should know that one was forged, though we might not be able to tell which. Ultimately, only the provenance of a monetary transaction can prove its authenticity. Anonymity is not inherent in the concept of money, though thus far it has been an adventitious advantage.

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Money may be, as will be argued, a bad master: but it is a good servant, and we should be lost without it.

§3.4 Two Cheers for Money

Money has many merits, but many demerits too. Many are simply the opposite side of its merits: divisibility breeds confrontation; incentives can exclude, or seem to exclude, disinterested values; the fact that we can do business with strangers easily slides from the permissive to the mandatory sense, that one should be estranged from those one does business with, and gives rise to the widespread belief that in business, one should have no regard for anything other than one’s own interests. Such difficulties can, up to a point, be overcome by suitable customs and etiquette, but need to be recognised and understood if we are not to be hampered, and ill at ease in social situations where money is involved.

Money is divisible: in suitably differing amounts it makes it feasible to equalise all manner of differing pay-offs. But just because it is divisible it raises the question “How Much?” in an awkward way, which does not arise when some token of gratitude acknowledges the receipt of a favour. The awkwardness arises from
the answer's being one where the gain to one party is a loss to the other; although cooperation does indeed yield a "cooperators' surplus"—benefits not available to either party on his own—the division of the cooperators' surplus is a zero-sum game: the more one party gets, the less the other is left with. In itself a monetary transaction thus involves an element of confrontation. Although by cooperating both parties can benefit, when it comes to apportioning the cooperators' surplus, they are no longer cooperating with each other, but competing against each other. Money makes us mean.

Some people are happy to confront. The French housewife enjoys haggling, and returns triumphant at having had a good battle and won a good bargain; many young people in England like to compare prices when they go into town or as they surf the internet. But confrontation is not to everyone's taste, and sits ill with the basically cooperative nature of business transactions.

Bargaining is not only time-consuming and vexatious, but sometimes altogether inappropriate. Often, especially in the professions, one of the parties stands in a fiduciary relation to the other. I trust the doctor to do the best he can for me; the solicitor to advise me on what is best for my interests; the clergyman to put my spiritual welfare first; the teacher to help my children to make the most of their abilities. It is said that rich Arabs used to come to Harley Street with their digestive complaints, because if they went elsewhere they would always be told to have an expensive operation, whereas in Harley Street they would be given a true diagnosis, and often be assured that there was nothing fundamentally wrong, and that if they are less, the flatulence would disappear. But if I trust someone to put my interests first, I cannot very well bargain with him to get the best deal. Either no money should change hands, as with the clergy; or the professional's remuneration should be governed by some external scale of fees which determine the payment in the light of the relevant circumstances without either party needing to take a stand.

Ideally no money should change hands. To be a professional person is to be committed to the profession's ideal, so that a doctor wants to heal people, a teacher to teach them, a priest to minister to them. In each case, though the other party may by general reckoning benefit more, the professional too values that benefit, and—ideally—is sufficiently rewarded by having been able
to bring it about. But the disparity remains. The doctor is delighted that his patient is cured, but the cure means far more to the patient himself. The teacher is delighted that his pupils do well in examinations, but the pupils themselves even more so. So too the butcher is gratified that his joints are much appreciated by his customers, but the customers not only appreciate but are fed; the craftsman is proud of his handiwork, but it is the purchaser who enjoys it thereafter. The beneficiaries may show their appreciation by appropriate tokens of gratitude: patients say “Thank you” to their doctors and bring flowers for the nurses after they have left hospital, and pupils occasionally give flowers to their teachers at the end of term, and sometimes look them up in their old age. But gratitude pays no bills. Unless the pay-offs are adjusted, so that more accrues to the one who otherwise would gain little from the transaction, regular cooperation is unsustainable, and cannot be relied on in the long term.

Nevertheless, monetary gratitude is awkward for professionals. Since in a society like ours some monetary remuneration is essential, if the professional is going to be able to devote himself full time to his profession, we try to separate, so far as possible, the monetary remuneration from the professional activities themselves. Many professionals are salaried, and, free from having to make money, are expected to devote their energies to their professional duties, not seeking any further financial reward. In other professions there is a scale of fees. Similarly many municipalities fix the rate for taxi fares, or require guest houses to show in each bedroom the nightly charge. In these cases the prospective purchaser has a choice, whether to buy or not, but no contest as to how much. In the same way there was much talk in the Middle Ages of the just wage and the just price, which would enable people to do business together without either exploiting the other—the only difficulty being that there was no clear way of determining the just wage or the just price. Typically there are no natural guidelines: on the one hand the patient should be ready to pay almost any price for his life and health; on the other the doctor spent only a little time on that particular patient, and is receiving payments from many other grateful patients. What we can do, less grandiloquently, but equally effectively, is to avoid confrontation by using the going rate or the going price, to yield a solution each can be happy with; or in more difficult cases we get a professional valuer to estimate a value “as between a willing seller and a willing buyer”. We let
other people bargain, and let the market find the level at which
the marginal producer and marginal consumer are just willing to
do business. In effect we are setting our particular transaction,
which would be a zero-sum game if it were carried out in isolation,
into a general frame of similar transactions, where competition fixes
the going rate or going price. Other people at one or two removes
do the haggling, enabling us to avoid it. It does not suit everybody
or every sort of transaction, but does save bargaining costs and
engender an atmosphere of harmony rather than antagonism.

Externally determined wage rates and prices not only avoid has-
sle, but confer security. I can make plans for the future if I can
predict within limits what the cost of particular goods and service
is going to be. Professional economists often deplore the “sticki-
ness” of wages and prices, and postulate an ideal market, where
wages and prices adjust immediately to changes in supply and de-
mand. But that is not only unrealistic, but undesirable. Admit-
tedly, wages and prices cannot be fixed for all time. Instead of a
just wage and just price laid up in a Platonic heaven, all we have is
a going rate mediated through transactions, but ultimately based
on actual bargains made in actual markets. But those many layers
reduce the impact of sudden changes. Budgeting is impossible if
prices of staples are liable to fluctuate as wildly as those of shares
on the Stock Exchange. Money is good in so far as it gives us
choices, but bad in so far as it makes us vulnerable to the choices
of all others. The market affords protection against the choices of
any single individual, but stable prices and wages at some remove
from the market are better still.

Money energizes agents who are less than perfectly altruistic,
but often thereby drives altruism out. The underlying difficulty
is that of keeping mixed motives pure. I can do a magnificent
professional job at the same time as trousering a fat fee—many
barristers do—but there is always the possibility that the incen-
tives may conflict, and even when they do not, that the financial
incentive may predominate over the professional one. Motives do
not always reinforce one another but can crowd one another out.
People are more willing to give blood when it is done purely altru-
istically than when it is paid for, and likewise, it is thought, with
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§3.4

than that undertaken for pecuniary reward. In some cases the mere offer of money makes people less good at doing the job. When we seek to carry into effect values we espouse, we act whole-heartedly, and do the best we can: when we act in order to earn a reward, we are likely to act for that reason alone, and to do as little as necessary for getting the desired reward. Sometimes some adventitious circumstance can alter our perception of the activity we are undertaking, and turn work into play, or per contra if money is offered, play into work. Pink calls this the Sawyer Effect illustrated by the way Tom Sawyer turned his having to whitewash his aunt’s fence into a much-to-be-desired voluntary activity. An intrinsically boring job can be converted into a fulfilling activity if seen in the right way—

A servant with this clause
Makes drudgery divine
Who sweeps a room as for thy laws
Makes that and the action fine.

— but even good works, done for Mammon rather than God, lose their lustre.

The contamination of the money motive spreads far. It is one of the burdens of great riches, as of great power and great influence, that one cannot be sure of the motives of those one consorts with. “Do they really like me for myself, or are they just after my money?” “She seems nice enough, and always makes herself very agreeable to me, but can I be sure she is not just a gold-digger?” Rich men find it hard to find mates who, they can be sure, are not after their riches, and so tend to marry heiresses, who alone are likely to be unmoved by the prospect of even more wealth. Only of Miss Gates or Miss Buffet can I be sure she loves me for myself alone, and not my bank account.

Money not only contaminates motives, but debars intimacy. It is one of the merits of money that it enables us to do business with all sorts of people without our having to have many values in common. It protects privacy, ours as well as theirs. But privacy comes at a price. The very fact that it is useful in business transactions where the parties are at arm’s length from each other—able each to be private from the other—suggests that any transaction involving money is an arm’s-length one, in which the parties have no other values in common. Although an Alpine holiday is much more to

His liking than to Hers, it would not do for Him simply to pay Her to come with Him. The whole point of their holidaying together is that She, as well as He, would like it. Friends cannot be bought. Only if we have personal values in common, and want to do things together, can we be friends; if you need a compensatory payment to make it worth your while to do things with me, then you do not of yourself have in common with me enough commitment to be my friend. We find it difficult to have business dealings with friends, because it sits ill with the ties of friendship to keep ourselves at arm's length from each other. It can be done, but it is awkward, because of the incompatible assumptions of togetherness and separation, closeness and distance.

We try to separate business life from ordinary social life. Complete separation is impractical, but we tend to avoid occasions where money needs to pass between friends, often by not accepting cash at the time but subsequently returning a favour. But there are occasions when money must change hands, and our social sensibilities reveal some underlying principles. Repayment of out-of-pocket expenses is different from offering rewards. If the fare to the Alps cost noticeably more than that to the sea-side, it might be acceptable for Him to pay Her fare, so that in having an Alpine holiday together She is not out of pocket, so long as it was clearly not the case that He was simply paying Her to come with Him. If someone does our shopping for me, I expect to reimburse her for the cost of the goods purchased, and would feel uncomfortable if payment were refused—it would mean I could not ask her again. The reason is that I am clearly the initiator of those purchases, and she would, in consequence, be out of pocket were she not recompensed for her expenses. I might also pay her bus fare if the expedition was entirely or very largely at my behest, but if she insisted she was going anyhow, it would be gracious on my part not to press the matter. In the house parties at the beginning of the twentieth century it was etiquette to pay the butler for any postage stamps required, though anything else one might need was on the house. Later one paid for trunk telephone calls, though not for local ones, and now almost all uses of the telephone are part of the hospitality offered as a matter of course to guests. Although the initiative is still the same, the action has become common-place, and the cost trivial.

Time is precious, but it is part of friendship to have time for each other, and though if I involve you in expenses, I see to it that
you are not out of pocket, I normally should not pay you for your
time. The one exception is where you are a professional, and I
take up time which you could have earned money from. (In pre-
decimalised Britain it was the custom to pay in guineas rather than
pounds, as an indication that this was a token of gratitude rather
than a commercial transaction.)

Money gives me a choice, but gives other people choices too,
and they may choose not to transfer money to me unless I do
something that they want done, which may be something I do
not myself want to do. Earning money involves a generalised het-
eronomy of the will that can grate upon our Kantian sensibilities.
Artists sometimes feel that they would be prostituting their art, if
they painted pictures that other people wanted to buy, and think
they ought to be free to pursue their artistic vision untrammelled
by market considerations. Writers similarly feel demeaned if they
write pot-boilers that will sell in airport book-stalls rather than the
great novel they believe they have it in them to write. Sir Arthur
Sullivan wanted to get away from churning out catchy tunes for the
Savoy Operas and concentrate on writing great music. Ordinary
men, too, may want to escape from the tyranny of the moneyed
life, and

Let other men make money faster
In the air of darkened towns;
I need fear no peevish master,
Though no man may heed my frowns.

We can sympathize, but need to discriminate. Some enterprises
need freedom from outside pressure, and it is reasonable to seek a
sabbatical, at least a temporary one. But it is not prostitution, on
occasion, to paint pictures, or write articles, that sell; and if these
lesser efforts inhibit greater ones, it is possible for the painter to
earn money as a chartered accountant or civil servant, and devote
his uncontaminated free time to greater endeavours. Painting a
picture that somebody would like to buy is not in itself a lapse from
artistic integrity, any more than making a chair is, or knitting a
jumper. Although for some the free life on the open road is the one
that fulfills for many others fulfillment is found in the give-and-take
of daily life. And in that social setting it is no derogation from
my individual authenticity to oblige other people. A willingness to
Money may be good, BUT
1. Being able to divide the cooperators' surplus makes us mean.
2. Monetary incentives contaminate motives.
4. Money incompatible with complete autonomy

serve others is a sign not of servility but of respect for their being, too, initiators of action in accordance with values they esteem.

Money still deserves two cheers. Although it makes us mean, it makes possible many cooperative activities where the benefits need to be finely evened out, and which would not take place were money unavailable. It is a demerit that it crowds out better motives, but better motives on their own cannot get done all that needs to get done. Blood may be donated freely in sufficient quantities, but bread will not be given us daily unless we pay for it. The anonymity of modern city life may be disheartening, but can be overcome by having family, friends and neighbours with whom we can share values. Money enables us to do business with those with whom we do not have many values in common, but does not preclude our joining in common enterprises with others with whom we have much in common. Although for some the free life on the open road is the one that fulfills their personal aspirations, for many others fulfillment is found in ordinary social and commercial intercourse. And in that social setting it is no derogation from my individual authenticity to oblige other people. A willingness to serve others is a sign not of servility but of respect for their being, too, initiators of action in accordance with values they esteem.

Money is not ideal, but the world we live in is not ideal either: it is very useful in many situations, but not in all; there are walks of life where it is best avoided altogether. It can have bad side effects, where we have to use it, but with suitable conventions these can be minimised. Money is a good servant, and so long as we treat it as such, we need not be led astray.
§3.5 One Cheer for Money

Money is a bad master. Too often and too easily it achieves mastery, sometimes through psychological flaws, sometimes through force of habit, often through muddled thinking. Miserers seek to amass wealth not because it confers comfort or kudos, but driven by some inner compulsion that psychologists sometimes attribute to bad potty training in infancy.\(^{13}\) Even if we take psychologists’ findings with a pinch of salt, it is evident that people often fail to think rationally when money is in issue.\(^{14}\) Often the failure is a concomitant of a life-style. Financiers often go on working long after they have made enough money to keep them in comfort for the rest of their lives—having spent the best years of their lives making money, it has become the only thing they know how to do. Paradoxically, it is often in order to be free of monetary constraints that young men go into the City, so that they may may make a pile, and then retire and enjoy life, only to find that no amount of money ever seems enough, and that in pursuing it, they have lost the ability to seek goals that are more worth-while.

Making money is a difficult activity, like lowering one’s handicap at golf, and success in either is source of personal satisfaction. In some societies, especially those which do not have many substantial values in common, it is a status symbol, a sign of success. The more money I make, the better I have done. It seems to follow from money’s being that which, other things being equal, one could do with more of, money is what he should always seek to maximise. It becomes for him an absolute imperative; and homo economicus, Economic Man, is what he feels he is obliged to be, simply because in his concentration on money-making, he has forgotten the ceteris paribus, other things being equal clause.

Again, in a sceptical age we feel deficient in robustly defending any ordinary value, knowing that each can be questioned, and being unsure of our ability to answer the questioner to his satisfaction. Values are a matter of personal choice, and so, it seems, just a

\(^{13}\) Keynes \emph{A Treatise on Money}, vol ii, 1930, p.290n. (reprinted in \emph{Collected Works}, vol vi, 1971, p.258n.), referring to Freud’s \emph{Collected Papers}, Clinical Paper No.IV, and to papers by Ferenczi and Ernest Jones. See also a letter to F.A.Hayek, 28 June 1944, (\emph{Collected Works} xxvii, pp.385-388); quoted R. Skidelsky, \emph{Keynes}, vol.3, p.285.

\(^{14}\) See Daniel Kahneman, \emph{Thinking, fast and slow}, London, 2011, pp.55f.
matter of personal choice. Only money is an assured public value, being valuable whatever private values are adopted.

The idea that only impersonal money has objective value undermines our sense of self. It engenders a feeling of anomie, of being not an individual with values and an identity of one's own, but only a money-transferring unit, whose value is purely pecuniary. We are wrong to allow money to usurp the realm of values, and to exclude all the other values that confer meaning and significance on our lives. Economic Man, homo economicus, who always buys in the cheapest, and sells in the dearest, market, and always seeks to maximise his wealth, is an empty shell, having no other values than money, which is itself intrinsically valueless, unless there are other worth-while ends to which it can be a useful means.

There are other ends. We buy food because we get hungry, we buy birthday presents because our children grow up, we sell push-chairs because our children have grown out of them. Our lives are in constant flux, and money is valuable because it helps us adjust to constantly changing needs and circumstance. Economists distort their understanding in concentrating on money, and forgetting the other values which make it valuable too. It is only in order to facilitate cooperation whereby we can achieve the manifold and shifting purposes of ordinary life that money is useful.

But we find it hard to believe. In a society where few values are generally held in esteem, money may be the only thing generally esteemed; but being the highest common factor of everyone's set of values does not imply its having to be the greatest value for any one. Indeed—to repeat the argument—it cannot be. For it only has value for any of us by reason of its being a means whereby we can induce other people to cooperate with us in achieving the ends we want to achieve. If we had no non-monetary wants, we should have no use for money either.

Economists also distort their understanding in concentrating on money, and ignoring the social context in which transactions take place. Their picture of economic man is not a recognisable picture of us. We do not buy in the cheapest market. Sometimes, indeed, cheapness is no recommendation, but the reverse. In the time of the first World War a paper manufacturer prospered, but, believing that profiteering was unpatriotic, held his prices down, only to find that his sales were falling. A marketing consultant was called in, and advised that because the paper was now cheaper than other brands, it was being supposed to be inferior, and that
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the manufacturer should simply raise its price; which it did, and its sales recovered. Modern instances abound. Boxes of chocolates, which are commonly given as presents, have needlessly fancy wrappings, to advertise the fact that they are expensive, and so show how much the giver values the person to whom the gift is given. Likewise flowers, likewise greetings cards. Even when our purchases are not meant to carry messages, we do not regularly aim for the cheapest. We mostly buy our groceries at the shop where we always buy them, go to the same garage, the same news agent, the same doctor, the same dentist, without checking their prices, so much so that Which?, the Consumers' magazine has to advise consumers to shop around and compare prices. It is not only that time is precious. We go to our customary shops because we know the shop-keeper: it may be that we feel some loyalty to him; it may be only that we want to get the latest gossip. And once in a shop we are moved to make purchases by all sorts of factors other than economic ones: we buy organic food, although it is tasteless, because we disapprove of artificial fertilisers and pesticides; we buy fair-trade goods, although they are more expensive, because we think we ought to give third-world farmers a proper price for their produce. Equally when it comes to being paid, although money talks, it does not always talk very loudly. Many teachers and clergy, many nurses and health visitors, earn little, and are willing to be worth much more than they are paid. Even when selling a house, vendors sometimes sell at a lower price to someone who will continue to live in it as a family home than to a builder who would replace it with a block of flats.

Economists not only suppose away the facts of ordinary behaviour, but idealise away also the limitations of ordinary life, assuming perfect information and instantaneous effects. They imagine an unreal world of stable equilibrium, whereas the real world is one of continual instability, and equilibrium is never reached, but always disrupted by some further factor. It is due to another illicit inference from the comparative to the superlative. It is true that other things being equal, there is a general tendency to buy at lower prices and sell at higher ones, but it does not follow that the market reaches equilibrium. There is a tendency, but no reason to conclude that it will work itself out before other factors supervene.

The economists' idealizations are much less unrealistic when we move from micro-economics to macro-economics. Whereas ordinary people, workers and housewives have many other to think...
about, financiers, stockbrokers and bank managers are primarily concerned with money, and think about it all the time. If I am dealing with hundreds or thousands of shares, it is well worth my while to spend time comparing prices, and seeing where the best bargain can be got. The market may not completely clear, and equilibrium is always being disturbed by adventitious factors, but the fact that large sums are in issue overcomes the resistance to market pressures which is characteristic of ordinary life. This makes for greater economic efficiency, but at the price of macro-economic instability. Monetary values, we have seen, depend on second-hand opinions about third-hand opinions. I value money because you and others value it, who do so because others do also. But if the reality of money's value is simply its being thought to be so, there is an element of spin in financial affairs, which can prove dangerous. Financiers learn to be lemming-like as they concentrate on what others are going to think that others are going to think. Built-in positive feedback means that mistaken estimates are magnified, and easily become bubbles that go on expanding until they burst. Examples abound.

<table>
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<tr>
<th>Money may be good, BUT</th>
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<tr>
<td>1. People get obsessed by money-making.</td>
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<td>2. Money comes to be thought of as the only thing that has real value.</td>
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<td>3. It beguiles economists into ignoring the real facts of life.</td>
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<td>4. It encourages lemming-like behaviour.</td>
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But we do not abandon money. Greedy pigs may career down steep slopes to their destruction, but we mostly manage to remain on the high ground of Gadara, doing the shopping with the wages we earn, paying off the mortgage and saving for a holiday. For it is micro-economics, with its many inputs from society at large, that makes economics real. The macro-economic world of high finance, investment banking, and government bonds, can provide useful facilities, but is not self-sustaining. The Stock Exchange can provide funding for new ventures, making them possible on a larger scale than would otherwise be the case, but the ordinary buying and selling of shares is a zero-sum game: some canny investors gain,

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15 See above §3.2.
but only at the expense of others who lose. The only unqualified gains occur when firms do well in their own business, which is a factor extraneous to the stock market. The macro-economic world can benefit—and can greatly damage—the economy; but it is the micro-economic world that provides the drive and makes it work.

The charge that economists are beguiled by their theories into producing fallible forecasts based on phoney figures has substance: but other disciplines, too, give rise to misleading models. Provided we treat long-distance economic forecasts with the same degree of scepticism as we do with long-distance weather forecasts, we shall not be greatly misled. More serious is the tendency to impute to economic generalisations a necessity that is properly due only to mathematical truths. People talk about the “iron laws of economics”, especially when seeking to justify unfair or harsh behaviour. But although the conclusions economists draw in their reasoning are sometimes valid deductive consequences of their assumptions, their assumptions are not true, and the conclusions drawn from them not true either. To repeat it yet again, economists need to set their studies in their social context, and not seek to exclude all non-economic considerations from their thought.

In our present age we are too diffident in defending our core values, but even if we are hesitant in taking a stand on any one of them, we still should insist that money is not the only objective value, for the reason we have given, namely that economic activity can take place—and money have value—only against a background of our having other values that lead us to want to cooperate with other people in order to achieve those values. It is noteworthy that the great expansion of economic activity took place against a background of strongly-held Protestant values: the Adam Smith who wrote *The Wealth of Nations* was also the author of *Theory of Moral Sentiments*. Money may be that which we each could do with more of, but it is necessarily not the only thing we value, and not something which we should want to have most of all.

Money-making can become an obsession. But human beings are also liable to be obsessed by sex, by food, by drink, by power, even by knowledge and the search for understanding. Although an obsessive money-maker may do considerable harm, no individual will be as grievously harmed as a victim of a Don Juan, and the total harm a money-maker can wreak is much less than the damage a power-maniac can do. Often, indeed, a money-maker benefits society in his efforts to get rich, and the chief sufferer is, as with
the glutton and the drunkard, himself and his family. It is bad to be mastered by money, as it is to be mastered by sex, food, drink, or power. But we do not seek to live sexless lives in which we neither eat nor drink, nor exercise any power. Nor should we abjure money, but only take care that it serves us, and not the other way around.

Money is much misunderstood, because it has many faces: it is easy to focus on just one, ignoring the many others that could lead to a more balanced understanding. We need to distinguish its various advantages and disadvantages, so as to see how to use it as a good servant, and prevent its becoming a bad master.

If we are to understand money aright, we need to balance its inherent egocentricity in being good for me because it gives me choice, against its necessary social setting, in that one can get what one wants on condition that one is prepared to do what others want; and secondly to recognise its having universal value depends on our having other values which are cherished for themselves alone, and not for the adventitious advantages they bring. In our day-to-day life, it is natural, and often enough, to take a partial view, in which money is to be earned, and then spent as we please. But to have a proper understanding, we need to take a complete view, recognising that money only works in a social context among people who have real, non-monetary values, which money may make more easy to achieve, but can never supplant.

Contrary to standard economics, we should not think of ourselves as isolated atoms, each seeking to maximise his own wealth regardless of others, and regardless of other values. Standard economics teaches us to ignore most of the relevant factors in any situation, and concentrate only on those that lend themselves to mathematical formulation. Such models are often interesting, and occasionally illuminating. But they do not adequately describe the world as it actually is. Unfortunately, the rigour of the theorist’s inferences is often taken to imply the necessity of his conclusions. But, as Plato pointed out, deductions based on assumptions that are not true may be deductively valid inferences, but that is no reason to suppose that their conclusions are true. The so-called iron laws of economics are not iron, are not laws, and do not apply straight-forwardly to economic activity. Economic agents are not atoms, but people in various social settings, and needing to

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16 Republic, VII, 533e3-5.
be mindful of others. Although money is that which we could do with more of, other things being equal, in real life other things are often not equal, and seeking to maximise is irrational as a general strategy. Although trade in goods constitutes a large part of the moneyed economy, it is wrong to focus on goods to the exclusion of services, and wrong therefore to think of the economy being fundamentally concerned with scarcity. Goods often are in short supply, but even in times of plenty, we would still want to cooperate to achieve our various ends, with the cooperator’s surplus being unevenly distributed among cooperators, and calling for money transfers to even things up. By focusing on the general feature of cooperation rather than the simple case of exchange, we are less likely to ignore the importance of the social setting, and the relevance of the different values of the different cooperators.

1. Economic agents are not atoms, but people in various social settings, and needing to be mindful of others.
2. The iron laws of economics are not iron, are not laws, and do not apply to economic activity.
3. Although money is what we could do with more of, other things being equal, in real life other things are often not equal, and seeking to maximise is irrational as a general strategy.