Kingston Philosophy Café Tuesday 2 October 2012

Money, Metaphysics and Morality

<u>Some Things to Think About and Discuss</u>

1. Adam Smith's *The Wealth of Nations* (1776) is a famous treatise on economics. But what is a nation's 'wealth'? Tick which of the following you would count as part of the United Kingdom's wealth. If you tick them all, what is their common feature? If you tick some but not others, what's the difference?
money; premium bonds; the M25; cigarettes; NHS hospitals; private hospitals; heart surgery; gold; the Rose Theatre; beer; nuclear missiles; houses; cars; sewers; the view from Richmond Terrace; football matches; electricity; artworks in Tate Modern; jewellery; prisons; perfumery; tonight's meeting of the Kingston Philosophy Café.

2. Do we need money? Could we use 'barter' or some other system instead?

3. £3.50 spent in Kingston town centre at the moment will buy you, amongst other things, a pint of beer *or* a pair of M&S 'Union Jack' socks *or* a copy of 'Philosophy *Now*'. Why the same price? What gives them the same value and what do we mean by 'value' anyway?

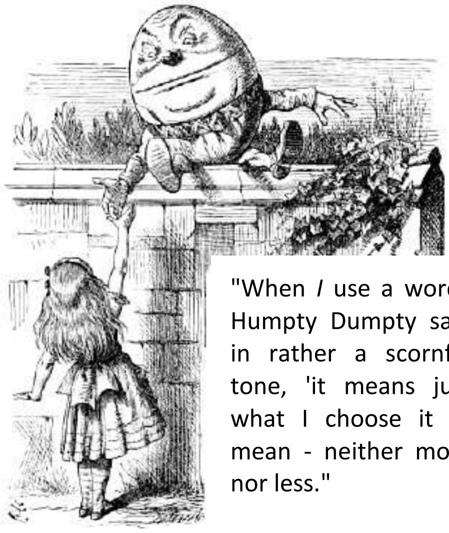
4. If the satisfaction obtained from an extra £100 is greater for a poor person than a rich person shouldn't the redistribution of income from rich to poor (or so-called 'pre-distribution' i.e. less income inequality in the first place) result in greater overall satisfaction (or total 'utility', as economists like to call it)?

5. The character Gordon Gekko in Oliver Stone's film *Wall Street* (1987) proclaims that "greed … is good". Is he right? Can private vices be public virtues?

6. Simon Jenkins (journalist, author and Chairman of the National Trust) has argued that when rich people spend their money they *redistribute* their income. Is he right?
A useful first thought is that *if* rich people redistribute their income when they spend their money then so, presumably, do we *all* when we spend our money. The question remains, however, should spending money count as 'income redistribution' and, if not, why not?

What do we mean by 'wealth'?

We like to think that we know what we mean by the words we use. If our use of the word 'wealth' were questioned we might be tempted to respond like Humpty Dumpty.[1]

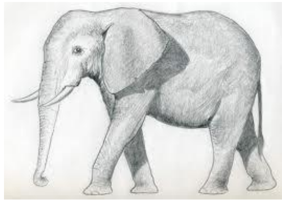


"When *I* use a word,' Humpty Dumpty said in rather a scornful tone, 'it means just what I choose it to mean - neither more nor less."

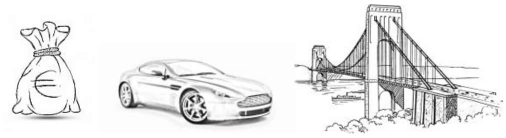
We could be reminded that language is essentially a *public* affair and some agreement on the use of words is needed if meaningful communication is to take place. We could then be asked for a '*stipulative definition'* of 'wealth' i.e. how *we* use, or intend to use, the word (as opposed to a *dictionary definition* which simply records the ways in which the word generally is, or has been, used).

Defining a word involves identifying 'rules' for its use. These might be specified in terms of *necessary conditions* i.e. conditions that *must* be met if the word is to apply. What features, if any, are *necessary* for something to count as 'wealth'? It might also be possible to identify *sufficient conditions* i.e. conditions that, if met, are *enough* to justify the use of a word. What features, if any, are *sufficient* for something to count as 'wealth'?

If we fail to come up with a definition, we might argue that just because we can't define a general term such as 'wealth' doesn't mean that we can't distinguish particular instances of it (the so-called 'Socratic fallacy'). We might suggest that wealth is rather like an elephant i.e. difficult to define but easy to recognise when encountered.



If so, we should be able to point to anything (e.g. a bag of money, a car or a bridge) and say whether or not it is an example of 'wealth'. What we do or don't apply words to, evidences how we *categorise* things.



A category is not an *arbitrary* grouping of things. Generally we expect to find *one or more features common to all instances* (such features representing necessary conditions for inclusion within the category). At the very least we would expect to find some *connection* between the things involved. The Austrian philosopher Ludwig Wittgenstein (1889-1951) argued that, with some words or concepts (e.g. a 'game'), all that can be found are overlapping *family resemblances* rather than common features.

Failure to find *any* common feature or family resemblance with regard to the things we call 'wealth' should cause us to question whether we really know what we mean by the word. Particularly useful is to ask why, if we include one thing as wealth, we exclude something else. The absence of a reason suggests our categorisation lacks *coherence*. By examining *alternative* groupings of things we may eventually come up with one that 'hangs together' and for which a working definition *can* be provided.

Note
An excellent introduction to critical thinking (with explanations of 'humptydumptying', stipulative and dictionary definitions, necessary and sufficient conditions, Socratic fallacy and family resemblance) is provided by:
Warburton, Nigel (2007) *Thinking from A to Z (3rd Edition)* Routledge

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[1] *Through the Looking Glass and What Alice Found There* (1871) by Lewis Carroll

John Maynard Keynes on Inflation

“Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, beyond their deserts and even beyond their expectations or desires, become 'profiteers’, who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than of the proletariat. As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery. Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.”
(*The Economic Consequences of the Peace*, 1919)

After the 1st WW Germany experienced rampant inflation due to the uncontrolled printing of money (largely to pay the crippling reparations imposed by the allied victors). This 1,000 Mark note issued in 1922 has been over-stamped ‘Eine Milliarde’ (one billion) Marks. The annual rate of inflation mid 1922 to mid 1923 was over 18,000 per cent. By November 1923 a loaf of bread cost 140 billion Marks. Workers were paid bundles of notes twice a day and allowed breaks to spend their money before its value halved. The introduction in late 1923 of the ‘Rentenmark’ (backed by physical assets) rapidly brought hyper-inflation to an end. The worst affected were the middle classes. The poor had little money to lose whilst the rich were able to transfer much of their personal wealth into foreign currency and non-money assets.

In order to finance public spending and pay its debts the Zimbabwean government simply printed unlimited quantities of money which, coupled with falling output, caused massive inflation. The annual inflation rate in 2008 (when this Z$100 trillion note was issued) has been estimated at 11 million per cent. In July 2008, a pint of milk cost Z$3 billion. Use of the currency was suspended in 2009 and citizens allowed to use the currencies of other countries (e.g. the SA Rand).