Reification: Money, Markets and Inequality

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Introduction

"…poor people are poor because they are lazy or stupid or weak…rich people are rich because they are hardworking, intelligent and strong…all the evident inequalities and injustices in the world result from those unpalatable facts"; Lanchester (2015, 17) referring to thinking that he believes is common amongst those who "speak money".

As statisticians we are aware that a large proportion of the data generated and processed is either expressed in monetary terms or is in some way related to monetary value. For example, the Office for National Statistics (ONS) announced that the rate of inflation in December 2022 was 9.2% as compared with December 2021; following years of relatively low inflation, between 2% and 3%. Unfortunately, mainstream statisticians and economists typically fail to consider the implications of our money-dominated social relationships. We may note, for instance, that current increases in the cost of living have set in motion a whole range of events, such as strikes by nurses, doctors, postal workers, railway staff and others, along with rises in homelessness, child poverty, the use of food banks and more. Therefore, the purpose of this paper is to investigate how and why money, increasingly expressed as numbers on screens, exerts such a strong influence over our lives. To this end we shall employ the term *reification*, an obscure word with Latin roots, showing how a *thing* exerts power over people. So, for example, how come £500 in crisp notes, which cost a few pence to produce, or as numbers on a bank statement, will make someone do a job they do not like for a week? In some countries an equivalent will make people work for a month or even longer. Similarly, we can ask how come a fall in the value of the pound against the US dollar in 2022, along with a rise in the cost of borrowing in the money markets, was soon followed by the departure of prime minister Truss? But lurking behind its reified appearance,

which is all too real, money has a social essence; the nature of which we shall attempt to discover.

The notes contained on the inside front cover of issues of *Radical Statistics* refer to concerns regarding contemporary statistics. *Spectacle* is a term used by Guy Debord in the 1960s and in correspondence Roy Carr-Hill told me (SS) that he met Guy in Paris during those revolutionary times. What is important about Debord's (1987) notion of spectacle is that we are typically reduced to passively watching screens rather than being actively involved in creating a more equal, fairer and happier society. Not only are we often overwhelmed by the spectacle of equations, tables and graphs, but also the "mystifying use of technical language", as the above-mentioned notes explain. These notes also point to the "lack of control by the community" due to the "power structures within which statistical and research workers are employed". This results, the notes add, in the "fragmentation of social problems into specialist fields, obscuring connectedness". With these comments in mind, the authors of this paper will attempt not only to demystify relevant statistics but also challenge our preoccupation with numbers in general, including those relating to such issues as inflation and inequality. We will refer to descriptive statistics, using such concepts as percentages and mean values. Where we do mention inferential statistics, i.e. conclusions taken from samples, we will be critical of mainstream, or classical, approaches. With these challenges to textbook statistics in mind, the topics covered in this paper will include a brief history of how money has come to exert such reifying power over our lives. We then look at the money supply and inflation, and the relationship between them, which is followed by consideration of that false measure of our well-being: Gross Domestic Product. The paper then turns to the issue of financialisation and the money markets; including the reifying power of debt which lead not only to the earlier mentioned fall of prime minister Truss but also the EU and IMF's assault on the Greek working class. Prior to the conclusion we seek an answer to the crucial question: where do the profits in the money markets come from?

Is money merely an efficient form of barter?

Conservative writers, such as the historian Ferguson (2019), project their belief that humans are *naturally* given to transactions into

prehistory; arguing that prior to the existence of money people exchanged goods for goods, a process known as barter. They argue further that the invention of money was a major step forward for humanity as it made the exchange of goods more efficient. The anthropologist David Graeber rejects these claims, in Graeber and Wengrow (2021), arguing for the variety and complexity of human existence in prehistory. It would seem, he writes, that during most of pre-history people lived in tribal communities in which food, clothing and shelter was produced collectively and distributed according to need and status. Graeber points out that barter was rare, existing in exchange between tribes, often on different land masses. He does not seek to idealise life in prehistory, as some Marxist anthropologists have done, noting that when tribes fought, for example, survivors of the defeated side were sometimes enslaved and, particularly the females, used as a means of exchange. Graeber addresses the issue of other alleged means of exchange, such as shells or items of jewellery, which were distributed across tribes; mainstream economists claiming this as proof of our alleged natural propensity to buy and sell. Other explanations of this spread, argues Graeber, are perfectly possible citing, for instance, evidence of prehistoric women's gambling habits.

The first use of money in Britain was during the iron age, i.e. the 500 years or so prior to the Roman invasion; coins being imported from the European mainland. Hoards of potin coins, made of a copper, tin and lead alloy, of Roman origin have been found mainly in the southern half of the country. One recent find of potins occurred in the excavations along the HS2 train route during 2021; gold stater coins have also been found in hoards. Most archaeologists believe that iron age coins did not circulate as a means of exchange amongst tribal members, but rather were accumulated by tribal chiefs either as tokens of their power or formed part of religious ceremonies. There is evidence that some of the most powerful chiefs later minted their own coins as symbols of their status. Because these tribes, often wrongly referred to as Celts, had no written language, apart from the archaeology we only have Roman textual sources which typically seek to denigrate the early inhabitants of Britain. After the Romans left Britain, so far as we can tell, given the lack of written records, the tribal culture continued with only intermittent use of money.

What became clear by the Middle Ages was that, far from being merely a more efficient form of barter, the accumulation of money became an *end in itself*. As Aristotle's works circulated in Europe, via Muslim sources, there developed a debate on the proper use of money. Aristotle believed money should only be used to buy and sell goods and services, whereas those who made money out of money by charging interest, were acting "contrary to nature" and engaged in "mutual cheating" (cited in Marx, 1990, 267). The Christian thinker Aquinas and a number of Muslim scholars discussed the notion of a "just price" and Aristotle's negative views on the charging of interest, referred to as usury, were to influence thinking in much of the Christian and Muslim world until the 18th century. Today, in a process known as financialisation, banks and other financial institutions ignore the long-standing debate on usury, and making money as an end in itself has come to dominate the global economy. However, as we shall see, it is the case that money and wage labour are closely related; only in a society where wage labour is dominant will the use of money be near universal. That the majority of the UK's population, as elsewhere, is more or less forced into wage labour and the use of money is the result of various events in history, such as the enclosure of formerly common land. This has meant that the vast majority of the British population has been robbed of its ability to acquire food, clothing and shelter by its own communal means. Therefore, as wage workers we have little or no option but to rent out our ability to labour and become victims of the seemingly all-powerful god of Mammon.

Aristotle's views on usury introduce us to one of the fundamental artefacts of statistics: percentages. A bank might charge a *simple* 15% annual rate of interest on a loan, which consists of the prevailing rate of interest in the economy, set by the central bank, plus an extra charge for the risk of non-repayment. However, as with most credit agreements, including those offered by loan sharks, *compound* interest is often charged so that interest is charged on the interest. As the most vulnerable sections of the working class often find to their cost, rates of interest charged when they have to borrow are often both complex and highly exploitative. There is a myth propagated by conservative economists that, as intermediaries between savers and borrowers, banks make their profits by charging a higher rate of interest

to those who borrow, or overdraw on their current accounts, than to the depositors who lend them money. In reality, banks do not rely primarily on savers to finance their loans; they simply create money out of thin air by putting money into the accounts of lenders; indeed around 90% of all new money is created in this way. Banks are subject to certain controls on their money lending but, as is currently the case in Britain, these are often relaxed leading to failed stress tests and, as in 2007/8, failures and government bailouts.

Throughout recorded history most currencies have been made from, or were exchangeable for, gold or silver. But there were a number of problems with the use of coins made of precious metals; one of which was “clipping” away at the gold content and thereby debasing their value. Before ending this section, we may note that the Cragg Vale, or West Yorkshire, coiners clipped coins, which was a capital offence in the 18th century. The funerals of those caught by the authorities were often attended by local workers as the coiners were celebrated as defrauding the wealthy who regularly used gold coins, in contrast to the mourners who would never see such coins in their lifetimes. Since 1971, most currencies around the world are fiat money, i.e. are not exchangeable for, or related to, gold, silver or any other commodity. Having said this, the US dollar continues to dominate world currency markets, with the central banks of other national currencies, such as sterling, seeking to maintain their exchange value against the dollar.

Does ‘printing money’ cause inflation?

The self-styled “left wing” economist Varoufakis (2017), and a host of others who should know better, routinely refer to “printing money”. Use of this term was popularised by the monetarist guru Milton Friedman and repeated by conservative politicians such as Reagan and Thatcher during the 1980s, a period of high inflation. Often using the example of Germany in the run up to 1923, the conservative argument is that printing money is positively correlated with inflation. In fact, the conditions in post-WWI Germany were unique, there was the strong possibility of the foundation of the world’s first democratic socialist nation, but this was violently crushed by proto-fascists. The Allied victors had imposed draconian reparations on Germany, some of which had to be paid in gold; and it should be noted

that, prior to 1914, the country had a currency of which at least a third had to be backed by gold. With the central bank running out of gold and the wealthy refusing to pay taxes, the government suspended reparation repayments and local banks began issuing currency notes with no link to gold. As is often the case, conservative economists blame the German government for not only "printing money" but also granting generous wage increases for striking workers. It seems fairly obvious that the point of issuing vast amounts of currency with no increase in the supply of goods and services was to create hyperinflation and thus thwart the allies' reparation arrangements altogether. The hyperinflation that ensued continues to be used by conservative economists to bolster the claim that any amount of printing money causes a corresponding amount of inflation. Using econometrics, i.e. the use of regression and other statistical techniques as applied to economic variables, all manner of fancy equations have been created by central banks, corporately financed think tanks and the like to 'prove' this claim. Indeed, some such economists argue that the currently high level of UK inflation is the result of lax monetary policy by the Bank of England.

Considering this claim, let us begin with the term "printing money". In Britain today, for instance, bank notes are printed in a Bank of England facility in Essex, which are bought by distributors who sell them on to banks to be used in their branches or ATM machines. Most of the new notes, however, simply replace worn out old ones which are taken out of circulation and destroyed. As we know, notes and coins are a falling proportion of the UK's money supply, being increasingly redundant with the rising use of credit cards, chip and pin, contactless and other means of payment. To the extent that the Bank of England creates money out of thin air, as it does, this does *not* involve any printing of notes; rather amounts are credited to the accounts of banks which, by law, have to be maintained at the Bank of England. In fact, as we have noted, the vast bulk of new money is not created by the Bank of England, but by bank loans to customers which again involves no printing of money, but rather credits in customers' accounts. The fact that these customers are borrowing money is simply part of the day to day working of any capitalist economy and in itself has little to do with inflation, except to say a growing

economy is more likely to have inflationary pressures than one in recession.

As is the case today, during the 1980s “printing money” debate, banks and other financial institutions were not happy that the interest they were receiving from their loans was being repaid in money that was rapidly depreciating in value due to inflation. So, if a bank was receiving simple interest at 15% on loans, but inflation was 20% as it was during the mid to late 1970s, the bank was losing out, especially if the loans were extended over lengthy periods. Although banks lose out on their lending in inflationary times, borrowers gain as they repay their loans in depreciated money; we may also note that businesses often prefer mild inflation as it legitimises putting their prices up. A good instance of this is referred to as *gearing*; whereby if an investor obtains a mortgage for an inner city flat for £100,000 and pays a 10% deposit of £10,000 and property inflation is similarly 10%, after a year the investor has already recouped the value of their deposit. Championing the banking cause, in order to halt inflation, Friedman proposed a thought experiment involving a helicopter dropping freshly printed dollars onto the “citizens” below. With echoes of Germany in 1923, he assumed most, if not all, of this money would be spent and therefore cause inflation to rise. As summarised in Skidelsky (2019), along with Anna Schwartz, Friedman later produced an econometric model allegedly confirming the argument that increases in the money supply causes rises in inflation. Critics accused the two authors of the model of a range of statistical jiggery-pokery, such as averaging data values and making unwarranted assumptions regarding high levels of spending of new money. As is well known, the higher your income the higher your savings. Undeterred by such criticism, Mrs Thatcher introduced a version of monetarism, with high interest rates used to restrict increases in the money supply; yet inflation actually *increased*. As a result, monetarism was quietly dropped, Mrs Thatcher claiming she had never heard of Friedman, even though whilst in favour he had been a regular guest at number 10. The fact that attempts to curb inflation by controlling the money supply, in both its hard Friedmanite and the softer Thatcherite forms, both failed begs the question; what was the real purpose of cutting the money supply by cutting government spending?

Committed to looking after the interests of speculators, more recent Tory governments have shown that cutting government spending, especially in those areas where working class people benefit most, is a priority. We may note that research, such as that by those working for the sensiseeds.com website, reported in *The Observer* (21.7. 2012), suggests that the banking system's flow of printed notes is in large measure provided by the laundering of the receipts of drug dealers and other criminals; most UK banks having been fined for laundering such money. Needless to say, this puts the issue of cash and "printing money" into a rather different light from that offered by conservative economists, with their illusions regarding the causes of inflation.

So if printing money, except in highly exceptional circumstances, does not cause inflation; then what does? Currently the Sunak government, along with the governor of the Bank of England, is blaming striking public sector workers for causing inflation by seeking wage rises which match inflation, so called wage-push. In fact, there is a debate regarding whether public sector pay rises have any effect on inflation at all. That said, few workers in any sector of the economy are keeping up with inflation; if they are merely playing catch up following years of below inflation wage rises, it is difficult to see how they are *causing* inflation. Government ministers and think tank apologists make little mention of global commodity traders, who buy future contracts on such basics as oil, gas, wheat, coffee and more. Such traders often hoard these commodities hoping to sell at a time when prices have risen due to war, climate disasters and the like. Readers can draw their own conclusions regarding the massive increases in profits typically announced by energy companies, supermarkets and others who soak up such a large proportion of the income of working-class people, as reported by Unite the Union (2022).

The value of money

Despite the growth in cashless transactions, money's purchasing power is still calculated by the ONS, using the Retail Price Index (RPI), which includes an estimate of owner-occupied housing costs, and the Consumer Price Index (CPI) which excludes housing costs. Without wanting to be too harsh on the ONS, which does admit its errors in calculating inflation and other variables from time to time, these

measures of inflation are, to be frank, a dog's breakfast. Obviously, no two people are likely to buy exactly the same things as each other in any given period of time, therefore each person's price changes are unique. So, rather than calculating 67 million UK rates of inflation, rough and ready averages are offered; with the responsibility for collecting the sampled data, doing the calculations and publishing the monthly percentages falling to the ONS. Already over-stretched, the ONS commissions samples of a few thousand people so as to estimate a "typical" basket of goods purchased by an "average" household in the UK's population. From these samples the price changes of hundreds of selected goods and services are weighted according to the respective proportions of the spending of this mythical "typical" household. Lots of state payments are linked to inflation measures, such as pensions, index-linked savings, student loans and more.

Just before the 2007/8 banking crisis, some argued that the then Labour government had "lost control" of inflation. Seager (*The Guardian* 28.7. 2006) wrote that "in the right-wing press" there are claims that those on higher incomes are subject to higher levels of price rises than the ONS's official CPI rate; citing increases in "private school fees, council tax, electricity and gas, and petrol". After pointing out that only around 7% of British kids attend private schools, mostly the sons and daughters of the rich, Seager added ironically: they "are suffering the most, because they have bigger cars and houses", pointing out that "the upper middle classes…are in the top 10% of households by income" and this has "risen healthily, well ahead of inflation…sharing £19 billion handed out in City and corporate bonuses this year…their houses have tripled in value". Yet "inflation inequality" between members of the main social classes in the UK is not measured by the ONS. For example, the poorest sections of the working class are more likely to pay more for products at local shops or mini-markets, as compared with out of town supermarkets and malls; they will also pay a greater proportion of their income on consumption taxes, such as VAT, than their better-off peers, who spend proportionately less and save and invest more as their income increases and are therefore less affected by inflation. Minimum wage workers are also more likely to have a less healthy diet, and thus rely more on an underfunded NHS, than the better off. We may also note

that the richer a person is the more able he or she is to increase their disposable income by hiring the best accountants and lawyers to ensure that they avoid/evade as much tax as possible. The *utility* of money is also omitted in inflation data. £1,000 is a lot of money to a minimum wage worker but is just small change to the CEO of Yorkshire Water, for instance; therefore the burden of *any* level of inflation is heaviest for those on the lowest incomes.

In the 1980s, the Low Pay Unit sought to address inflation inequality by using spending weights for those on lower incomes, such as working-class pensioners. In response, the government briefly published the Pensioner Price Index, which made no distinction between high and low income pensioners, but withdrew the index when it recorded higher rates of inflation than the RPI. There are a number of other problems associated with the ONS's measures of the cost of living, such as accurately recording price changes across all parts of the country and making sure these are adjusted for variations in quality.

Gross Domestic Product and the growth fetish

"Only in economics is endless expansion seen as a virtue. In biology it is called cancer" (Pilling, 2019,13).

For mainstream economists the notion of an *economy* is a fetish, or reification. Such economists assume an individualist philosophy of buying and selling, seeking to suppress the rich array of social and culture norms that form the foundation of any civilised society. Accumulating consumer goods, buying property, investing in financial "products" and more, referred to as maximising personal *utility*, are propagated as the means to well-being. The statistic used as a proxy for a nation's total utility is Gross Domestic Product (GDP), with a spectacle of data on how it grows, or more recently, falls year on year routinely featured on our screens. Yet, it is difficult to exaggerate the extent to which GDP is inadequate as a measure of economic activity, let alone social well-being or happiness. Despite decades of secular growth in Britain's GDP, interrupted by slumps, millions of workers struggle to obtain adequate food, clothing, shelter and heating. GDP only measures those activities which involve a monetary transaction; so housework, which research would suggest is still mainly done by women, is not included. Breast-feeding a baby does not count,

whereas feeding with bought formula does, despite the latter being less healthy for a child. If I do my own washing and cleaning this adds nothing to GDP, whereas if my neighbour and myself agree to pay each other to perform these services then, in theory, this does add to GDP. The proviso *in theory* indicates that, like most statistics, economic or otherwise, GDP is based on estimates derived from samples commissioned by the ONS, which has suffered major budget cuts since it was set up in 1996, and are of unknown accuracy.

At the core of any serious discussion of the measurement of national income and output is the contradiction between profit-driven global capitalism on the one hand, and the well-being of a given population on the other. Readers will gain some measure of the contradictions inherent in GDP in that, following the advice of the EU's Eurostat, the ONS added the services offered by sex workers and drug dealers to the UK's GDP in 2014. Taking no account of the exploitative relationship between capitalists and wage workers, GDP is part of a wider ideology transforming us all into *consumers*, encouraging us to spend, spend, spend and thereby maintain *growth.* But growth in what? Is the obvious question. GDP data ignores such important considerations as the state of a nations' infrastructure, its health and life expectancy, the level of crime, access to higher education and facilities such as parks, access to the countryside, youth-clubs and a mass of other life enhancing amenities. Amongst the critics of GDP data was the ill-fated American career politician Robert Kennedy who argued: it "does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry…the intelligence of our public debate or the integrity of our public officials…everything…that which makes life worthwhile" (cited in Hand, 2016,102).

Emphasising the triumph of quantity over quality, *per capita* income is often cited as a measure a nation's *average* well-being; it is calculated by dividing a nation's GDP by the size of its population. Mean values such as this are highly misleading because they tell us nothing regarding how income is *distributed*; in fact, since the early 1980s "the rich have been getting much richer while more or less everybody else has been falling behind" (Pilling, 2019, 121). "The ratio of CEO pay to the pay of the average worker increased from 20:1 in the 1980s

to 149:1 by 2014"; writes Blakeley (2019, 79). GDP data also under-reports the extent to which customers are being obliged to perform increasing amounts of the labour, obviously without payment, associated with buying a product or service. For example, supermarkets are increasingly using self-service tills and air passengers are typically required to tag their luggage and print their tickets, tasks previously performed by paid employees. GDP growth thus fails to reflect all manner of socio-economic developments and comes at the cost of not only using up our productive assets and infrastructure, but also polluting our air and water, eroding our soil, flattening our forests and heating up our planet.

Statistics and the money markets

A key part of the *spectacle*, the money markets are rarely absent from our screens; working class people staring on passively at the multi-coloured moving index numbers, graphs and tables. Despite their apparent anonymity, these numbers are the result of the activities of real individuals and institutions. Opportunity cost is a term used in both accounting and economics, referring to the choices available to investors in a constrained setting. Whatever is chosen comes at the cost of the foregone choices. For example, if an investor chooses to offer £100,000 to a startup, this involves risk as regards their return on capital. The investor has thus given up the relatively safe option of the interest earned by using the £100,000 to purchase bonds, for example. Needless to say, the miser who hides her or his money under their bed loses out on any possible income and will suffer loss during periods of high inflation. At the high end of the investment hierarchy is those men, rarely women but often hedge fund managers, who meet at private clubs in Mayfair, such as 5 Hartford Street, and other fashionable London addresses. The ill-fated Ms Truss was, according to journalists with connections to the Tory party, in close contact with fund managers and others amongst the mega-rich who stood to gain greatly from cuts in the top rate of income tax and the ending of limits on bankers' and traders' bonuses. The extreme wealth of these people enables them to promote their interests by funding such so-called think tanks as the Adam Smith Institute, the Institute of Economic Affairs and the Tax Payers' Alliance,

representatives of which are given lots of publicity by the broadcast and print media.

In their main news bulletins, and the business news broadcasts, the corporate media repeatedly tell us of the ups and downs of the markets for government bonds, company shares, foreign exchange and home mortgages. Following the “big bang” of the 1980s and the potential financial rewards the institutions involved in these deregulated markets began to hire maths graduates, especially those specialising in classical statistics known as quants. Inspired by the statistical theories developed by Frank Ramsey and Leonard Savage, these quants invented ever more sophisticated numerical techniques as a means of making their employers, and themselves, big money. According to the myriad of books and websites of the *How to Make Money Buying and Selling Shares* type, simply studying graphs is a good starting approach. It may, for instance, be the case that a particular share has been more or less stuck around a price for some period of time and then a breakout occurs, meaning the price moves up or down from this level; which might mean an investor can make some quick money.

One of the array of these statistical techniques consists of comparing the current price in a given market as compared with its moving average, normally the mean. The mean price of an asset is calculated for a given period, which may be an hour, a day, a week or more; which is then compared with the current price. The assumption is that the current price is normally distributed around the mean price and the classical toolkit comes into play via the use of standard deviations. The number of standard deviations the current price is as compared with the average gives an indication of the volatility of the asset’s price, which suggests the level of risk for investors, i.e. the likelihood of making not only profits but also losses. During the 2007/8 crash, however, some quants were complaining that actual falls in prices were such a large number of standard deviations away from the moving average as to be theoretically impossible. Even the conservative Alan Greenspan of the Federal Reserve Bank admitted that the predictive models based on normal distributions had failed spectacularly. After 2007/8, the irrelevance of classical models as a means of predicting prices at times of uncertainty was plain to see

and a range of Cauchy-style fat tail distributions, such as Extreme Value Theory (EVT), were given more serious consideration.

As explained in Scott (2022), the Cauchy distribution looks pretty normal but has fatter tails, meaning that outlying data points are much more common than is the case with the normal distribution. Samples taken from such a distribution will potentially produce wildly divergent mean values and standard deviations; with the result that these parameters have no practical meaning. Clearly, this distribution, despite its similarity with the normal one, drives a coach and horses through the Central Limit Theorem, p-values, statistical significance and the rest of the classical toolkit. In an attempt to hang on to their paradigm, classicals remain reluctant to discuss the Cauchy distribution, despite the fact that it is much better than the classical one at predicting wild swings in data values, such as the price of financial assets at times of crisis. Similarly, power curve distributions are much discussed in texts on business - so called because, to put it at its simplest, rather than $y = 2x$ the relationship could be $y = x^2$ or $y = 1/ x^2$ - and present a challenge to classical normal curves. Yet, we should note that all of the above-mentioned distributions are likely to fall short in terms of explaining and predicting the behaviour of dynamic variables. Variables may well be relatively stable over a period of time, but then go into unpredictable wild swings due to the interdependence of events, feedback loops and herd-like behaviour. This is confirmed by the much-discussed studies of historical data on world cotton prices; to mention but one example. In short, the boom and slump cycle that is inherent in the spectacle of capitalist social relations is often chaotic and therefore not predictable by means of statistical theory, yet has profound effects on the lives of working people. We can end this section by noting that insider trading is widespread. Who knows what price sensitive information the mega-rich in the know talk about in their homes, the gents' lavatory and elsewhere out of earshot of the toothless tigers that are the regulatory authorities. Many of those involved in these markets argue that insider trading should not be a criminal offence. For example, Burns (2005, 131) writes: such trading "is notoriously difficult to prove…(and) almost impossible to enforce".

Statistics and inequality

"The richest 1 percent of the world's population own 44 per cent of the world's wealth." How many times have you read statistics like these on how unequally income and property are distributed in advanced capitalist nations? Indeed, some such data was used earlier in this text. Graeber and Wengrow (2021,6-7) refer to this aspect of the statistical spectacle, offering a number of criticisms. They write: "Debating inequality allows one to tinker with the numbers, argue about Gini coefficients…even shock the public with figures showing just how bad things have become…a word like 'inequality' sounds like it's practically designed to encourage half-measures and compromise…it's not clear what ending inequality would even mean…how equal would people have to be in order for us to be able to say we've 'eliminated inequality'?…no real vision of social transformation is even on the table". As some readers will know, Graeber's reference to a Gini coefficient is typically presented on a graph depicting the deviation from income equality, often showing national differences.

In thrall to the reification of money, the debate on inequality implies that we should all become equally rich, but it could just as well imply that we all become equally poor. Either way the debate on inequality rarely engages with either its causes or the *impossibility*, given a capitalist economy, of attaining equality of income. At its simplest, equality of income would abolish the distinction between capitalist and worker; nobody would do the "bullshit jobs", to quote Graeber's colourful term, which are an insult to human dignity and yet many of us are more or less forced to take. Real equality therefore implies the end of money and the dehumanising wage labour relationship at the core of capitalism. Given the earth's resources and our level of technological developments, we could provide enough food, clothing and shelter for the world's population many times over. The reason we do not is that, for the most part, currently our needs and wants are only provided for if a capitalist corporation finds it profitable to do so. The implications of this profitability fetter are, needless to say, central to ongoing debates on climate change, population growth, famine and the like.

Debt as reification: a Greek tragedy

Another example of reification is the myth that, in terms of its finance, a modern nation state is no different from a household or a small business: expenditure should be balanced by income. The power of this myth is demonstrated by the rise and fall of prime minister Truss; some city-slickers simply did not support tax cuts for the rich if they were "unfunded" and lead to an "unsustainable" level of government debt, resulting in bankruptcy or inflation, or both. Based on the thinking of the dissident hedge-fund manager Warren Mosler, a number of economists challenged this myth by developing Modern Monetary Theory (MMT). Cutting across many of the assumptions of neo-liberal thinking, as a supporter of Bernie Sanders' US presidential bid, Stephanie Kelton (2021) claims that, in a post 1971 token money economy, a government can manage its income and expenditure as it wishes. Assuming that a government has total control over its currency, as is the case in the US, UK and Japan, then its right to tax its citizens, Kelton argues, is what gives value to its token currency. In other words, having to pay taxes turns a near worthless note of currency into a measure of value; thus government is able get taxpayers to "produce things for the state" (26). The key claim of MMT is that the US, and other capitalist nations with control over their own money supply, can run as big a deficit as they wish *without* the fear of state bankruptcy: governments can borrow, raise taxes or simply cancel the deficit. Neo-liberals in the know more or less accept this but, aware of the ghost of Milton Friedman, remain concerned about the threat of runaway inflation as a result of "too much money chasing too few goods". This can only happen, argues Kelton, if indeed there are too few goods and services; the point being to avoid the deficits that results from unemployment, a lack of health care, a decaying infrastructure, an unsustainable climate and more. As things stand, she writes: "we run our economy like a six-foot-tall guy who wanders around perpetually hunched over" (235). Thus our economies are operating well below their capacity and therefore government spending will not lead to inflation.

Murphy (2016) makes the point that when neo-liberals complain about governments "wasting taxpayers' money" they are talking nonsense; once paid in taxes, the money belongs to the government to

spend as it thinks best. It is as if customers were to complain about the way in which their local supermarket spends their, i.e. the customers', money on marketing, directors' bonuses, shareholder dividends, contributions to Conservative Party funds and so on. Kelton argues further that those neo-liberals still arguing for balanced budgets find it "politically" useful to do so. A good example of this is when public sector workers demand pay increases, as in Britain in Winter 2022. The need for a balanced budget was quietly forgotten when it came to bailing out the banks in 2008 or funding the Covid lockdown. These are but two examples that demonstrate that a budget deficit does not lead to either state bankruptcy or hyperinflation. The real reason for a refusal to grant public sector pay increases is because they would lead to reduced profitability in other sectors of the economy, with private sector workers gaining the confidence to demand higher wages. Talk of balanced budgets is quietly forgotten when giving money to energy companies to reduce their bills as this reduces inflation and is politically useful for a government lagging behind in the opinion polls. As Graeber (2021) shows in his historical review, whether private or public, jubilees refer to the cancellation of debt. Such organisations as the IMF, however, have typically refused to cancel the debts of the world's poorest nations, with appalling consequences for the masses. In similar fashion government debt in the world's richest nations provides massive income for speculators, who are understandably appalled by Kelton's ideas.

On trade deficit numbers, Ms Kelton indicates that neo-liberal thinking is stuck in the age of mercantilism with money backed by gold, such that the object of overseas trade is to amass as great a surplus of gold as possible by exporting more than is imported. She argues against this, trade deficits are not only *not* a problem but, in the case of imports from China, their "workers are using their time and energy to produce real goods and services that China doesn't hold on to for its own people…allowing the US to take its stuff in exchange for an accounting entry…(in) US dollars, China has the option to sit on those dollars or use them to do something else. Uncle Sam doesn't pay interest on the dollars China keeps in its checking (sic) account at the Fed" (82-3). So Chinese businesses typically buy US bonds or other assets on Wall Street. Similar processes apply in other

advanced capitalist nations with their own sovereign currencies, such as the UK with trade surplus funded investments in the City functioning in the same way as Wall Street. The socialist response to this state of affairs is that this is just one more example of the profound contradictions created by capitalist social relations. Cheap labour, be it in China or even cheaper labour in Bangladesh, Indonesia or wherever, is used to cut prices and penetrate foreign trade markets, whilst the wealthy of these nations make rich pickings on Wall Street or London.

Kelton points out that MMT only applies if a state has monopoly control of its money supply, pointing out that Greece, for instance, made the dreadful mistake of becoming an EU member *and* joining the euro. Because of the unwillingness of Greek elites to pay tax and the lack of will on the part of the government to collect it, the country effectively went bankrupt in 2010. The European Central bank, which represents the interests of the German and French banking sectors, soon imposed drastic austerity measures; the result being catastrophic for Greek workers. The "left-wing" Greek government was defeated at the polls, interest rates rose to 35%, the working class suffering dreadful unemployment and cuts in welfare state benefits. To make matters worse there was a rise in the electoral fortunes of the fascist Golden Dawn party. There can be no doubt that MMT supporters, such as Kelton and Murphy, have good intentions as regards the well-being of working-class people. However, socialist critics point out that MMT only applies to advanced capitalist economies and, crucially, does not challenge the exploitative essence of capitalism.

Appearance and essence: where do money market profits come from?

"…the finance sector represents not the creation of new wealth but the sector's appropriation of wealth created elsewhere" (Kay, 2016, 6). Unfortunately, Mr Kay fails to inform us where this "elsewhere" is.

Let us now investigate the profits generated in markets in general and the financial markets in particular. After all, the fluctuations in share prices, interest rates, foreign exchange rates and more are

merely bits of paper, or numbers on screens, going round and round the spectacle. Crucially, as Kay (2016, 2) points out, "if a closed circle of people continuously exchange bits of paper with each other, the total value of these bits of paper will not change much, if at all. If some members of that closed circle make extraordinary profits, these profits can only be made at the expense of other members of the same circle". And yet most financial institutions across the globe continue to record handsome profits year after year; so how can this be, *where* do the profits come from?

No advocate of any of the above mentioned economic perspectives, including MMT, have offered an answer to this question. Yet, the answer is to be found by examining the notion of *value*; which takes us back to the classical political economists Smith, Ricardo and Marx. These writers realised that the word value has two meanings: firstly the value that each of us as individuals give to an object; often described as value-in-use or utility. Notwithstanding some attempts to do so by statisticians and economics textbook writers, this cannot be meaningfully quantified as it is a personal psychological assessment. Yet, it was precisely this approach to value that predominated in prehistory, with tribal communities attaching all manner of cultural and ethical values to their few possessions. However, as tribes began to exchange goods with other tribes, a second approach to value came into being: value-in-exchange. Aristotle, cited in Marx (1976), for instance, refers to five beds being equivalent to either one house or a certain amount of money. So what is the basis of exchange value, why do so many of one good exchange for so many of another or so much money?

Obviously, the objects that satisfy our subsistence needs, food, clothing and shelter, along with all manner of luxuries, are the products of our interaction with nature. However lengthy or intense, this interaction involves our *labour*, be it picking an apple from a tree or building a house; crucially, it is our labour that creates value. Yet, Aristotle did not accept that the time or intensity of labour expended on producing a good or service formed the basis of its value. In this belief Aristotle was both right and wrong. He was right in that in ancient Greece the bulk of labour was performed by slaves, which were the lowest social class in the prevailing hierarchy. Therefore, in

keeping with Aristotle's elite ideology, slaves could not possibly have created value. The real reason slaves did not create exchange value was that, for the most part, the goods and services they produced were not exchanged in any market, but rather were consumed by their owners.

By the time that Smith, Ricardo and Marx had completed their texts, the industrial revolution was well underway, with Britain's economy increasingly reliant on billions of manufactured goods being sold for prices expressed in sterling each year, a state of affairs that rapidly spread across the world. By the late 19th century economists, accountants and statisticians became aware that the price of any particular good tended towards a relatively stable level; most taking the view that this was the result of an *equilibrium* in the forces of supply and demand, an analogy taken from physics. Obviously, changes in supply and demand do affect price, but Marx insisted that the resulting relatively stable prices were correlated with the aggregate amounts of labour goods took to produce. However, this only applies to mass produced goods and services; clearly goods produced in small or single quantities, such as oil paintings, sell for whatever someone is prepared to pay and are in no way correlated to their labour values. Using a random example from today, supply and demand equilibrium cannot explain the long-term difference between the price of a bar of chocolate and that of an electric car, whereas the difference in the amounts of aggregate labour required for their production does do so. Neo-liberals tend to respond to this by arguing that it is the costs of producing goods that explains their price differences. This, however, is a case of assuming what you must prove, in that merely stating that costs, which is merely another word for input prices, are different is to take us round in circles.

Thus, if good A is twice the price of good B then, other things being equal, this is because good A requires twice as much labour to produce as compared with good B. We may note here that in the anarchy that is capitalism things never are equal and therefore prices do not precisely coincide with labour values; alas, details of this are beyond the scope of this paper. Moving on, needless to say, the workers actually producing the goods need tools, raw materials, machines, premises and more. But, Marx argued, these inputs are simply the

result of previous labour processes such that all goods, in the final analysis, are the result of human labour as applied to the gifts of nature. Although the workers' labour created the value of the billions of goods being produced in factories and workshops, Marx added, the value of their total wages are not equivalent to the value of the goods their collective efforts have produced. As legal owner of the means of production, the capitalist appropriates the difference, known as surplus value, in effect workers' unpaid wages, which feature in the company accounts as profits.

This surplus is the source of profits in the financial sector. Whether paying wages or investing in constant capital, new businesses typically need to raise money which may involve investing family savings, issuing shares or borrowing money from financial institutions. The smaller the business the more likely it is to have to pay interest on bank loans; whereas larger companies tend not to borrow money, and may even buy back some of their own shares or lend profits out at interest rather than investing in constant capital. So, as Kay (2016) and neo-liberal economists fail to tell us, a portion of the surplus value created by the labour of workers, especially in small businesses, is appropriated by financial institutions; the higher the rate of interest the larger the amount of value taken by the banks. In the case of larger companies, their investments in money markets mean that they too appropriate a share of the surplus value of workers in other companies. Therefore, surplus value forms the pool from which not only agricultural and manufacturing capital, but also financial capital take their profits. This means that surplus value is not normally realised in full in the profits of any given company, rather it is redistributed to *other* companies. The price mechanism means that larger companies tend to cream off the surplus value created by the workers of smaller companies, with financial institutions taking their cut.

So the notes, coins, cheques and, increasingly, mere numbers on screens are the appearance of the spectacle that is the financialisation of global capitalism. In essence and out of sight, however, these numbers are intimately connected to the surplus value, the unpaid wages, created by workers around the world. In low wage economies, such as the young female clothing workers in Bangladesh, the

amount of surplus value created is highest but most of this is *realised* by the retailers and financiers in Europe and the US.

Concluding remarks

"…you and Harlow were shipwrecked on a desert island, and you saved nothing from the wreck but a bag containing a thousand sovereigns, and he had a tin of biscuits and a bottle of water…Who would be the richer man you or Harlow?" (From Robert Tressell's *The Ragged Trousered Philanthropists*).

In the spirit of socialist worker/author Tressell, we could end this study of the reifications and contradictions arising from the use of money with the most obvious way of challenging its power, i.e. its total abolition. However, to do the subject of abolition justice would require another paper. Let us therefore briefly reflect on the key themes outlined in this paper and their implications for the spectacle that is classical statistics as it is applied to money. As a measure of quantity rather than quality, statistics can only describe what the "mighty" (to quote Marx) philosopher Hegel refers to as what *appears*, rather than the inner *essence*. So, for instance, it is not at all obvious that what money actually measures is exchange value, i.e. what Marx called average socially necessary labour. All we see is monetary values attached to commodities or tokens of value in such statistics as GDP, changes in labour productivity or share prices, to name but three examples. The one-dimensional nature of such statistics as the RPI and measures of income inequality again demonstrate how limited these reified numbers are in terms of helping us to penetrate beyond the spectacle and understand the inner workings of the capitalist mode of production. Rather than yet more numbers, in order to improve it, we need to know how economic and social life is actually experienced for the billions of victims of the global wage labour system struggling to maintain a semblance of subsistence for themselves and their dependents. Rather than objectifying us by means of the numbers we generate, as the ONS and other agencies do, we need to reverse the individualism implicit in the spend, spend and spend again ideology, such as collecting data on shopping mall footfall, and begin to encourage each other to take a greater part in our communities. It is not as individuals, but rather collectively, that we can

tackle such threats as climate change, child poverty, drug and alcohol addiction and the rest.

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