# Does Money Make Us Selfish?

*Philip Goodchild* on money, trust, and self-interest

'People are naturally selfish'. The contemporary evidence seems overwhelming. And yet, even today, most people devote some of their lives to others as parents and carers, and many also as volunteers. Prior to the modern world, people frequently led lives governed by custom, duty, compassion, or faith, in societies where there was limited scope for the pursuit of self-interest. So is the overriding pursuit of self-interest a modern phenomenon, or is it rooted in human nature?

An extensive division of labour, as we find in the contemporary global economy, presents a practical problem: each individual is dependent upon the assistance and cooperation of a multitude of strangers, and yet needs, intentions, and trust have to be communicated to others who are only met briefly, if at all. The canonical solution to this problem was offered by Adam Smith: it is market exchange.

> *Give me that which I want, and you shall have this which you want, is the meaning of every such offer [. . .] It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.*

Of course, what is offered is usually money, and if people are generally reluctant to care for and trust in strangers, they may be generally willing to care for and trust in money. It is the nature of money, like that of consumption goods such as meat, beer, and bread, that it can only be possessed by one person (or corporation) at a time: if it is mine, then it is not yours. Likewise, it is the nature of exchange that it transfers property. So this suggests a hypothesis: could it be that our very dependence on strangers makes us self-interested? For we can only benefit from them through the use of money, and money can only be used to purchase things that are either mine or yours. Instead of seeking the common good, the use of money gives us a simple choice between self-interest or other-interest, selfishness or altruism. For money enables us to interact with strangers beyond the normal frames of reference for the common good: the family, the institution, the city, the region, and the nation. Traditional moral teaching, which applies within such a limited frame of reference, is difficult to apply in our frequent interactions with complete strangers. Instead of trusting strangers on the basis of shared participation in a group or a belief, we simply have to trust that they also trust in money.

This modern situation is thrown into relief by a contrasting one. In England in the seventeenth century, trade was generally booming, and yet there was an acute shortage of money. People required coins to pay debts, rents, tithes, and taxes, and merchants required money for important transactions. As a result, people tended to save or hoard up the coins they received to fulfil their most vital obligations, and so there were less coins available for daily transactions. Many daily transactions took place on credit with an agreement for deferred payment. Eventually, multiple debts could be 'reckoned' or cancelled out, allowing some exchanges to take place without the use of money at all, and others with just sufficient coins to settle the remaining balances. Most merchants operated with a large number of credits and debts, sums owing and sums owed. Daniel Defoe, in *The Complete Tradesman* of 1720, imagined that it was simply impossible to carry on any trade without giving or receiving credit, by keeping one's 'whole estate in one's shop'. Instead, wealth was kept with others in the form of their debts and obligations. Credit was essentially a matter of a reputation for punctual payment, hard work, and honest dealing, for one did not purchase with money but with the promise of money. Wealth was not a private possession, but what people thought of you. Credit was

> *[…] the choicest ware [a tradesman] deals in, and he cannot be too chary of it when he has it, or buy it too dear when he wants it; 'tis a stock to his warehouse, 'tis current money in his cash-chest, it Accepts all his bills; for 'tis on the fund of his credit that he has any bills to accept [. . .] in a word 'tis the life and soul of his trade, and it requires his utmost vigilance to preserve it.*

In such an economy, the primary aim was not to acquire money or possessions, but to acquire a reputation. Piety, diligence, and thrift were the highest values, since they implied the capacity to pay debts.

Such a situation was rather fragile, for a rumour or false accusation could easily affect one's credit. Moreover, a profligate relative or a misfortune occurring to a debtor could easily compromise the position of the most honest tradesman, and debt defaults would spread by contagion. In this respect, the financial probity of each individual was a direct concern of all, since all could be affected by the contagion of debt default. The individual virtues were the condition for the common good. The rate of litigation was high, affecting nearly every household in the country, even though few of these cases proceeded as far as trial. Yet at the end of the seventeenth century, two events occurred that had a remarkable effect. Since the coinage was so old, worn, clipped, and debased, it was agreed in 1695 that it should be recalled for a complete reminting—but it was in such a parlous state that although around £6 million was called in, only £4 million standard silver coins could be minted. The shortage became acute. As a crisis response, in 1697 the newly formed Bank of England was permitted to print a note issue for its depositors, even though those deposits had already been lent to the King for the war in Ireland—it was as though the value of the same deposit was in two places at once. Bank notes circulated in place of coins, and with further note issues, achieved by merchants borrowing notes instead of coins, the shortage of cash could be overcome. As a result, the most pious, diligent, and thrifty individuals were able to pay on time in cash, acquiring credit and reputation by their acts of payment. The best way to serve the common good, averting any dangers of debt contagion, was to acquire cash and pay in cash, acting as if one was a self-interested individual. The financial revolution in England changed the meaning of wealth from reputation, which is a common good, to possession, which is an individual good. Instead of the butcher, brewer, and baker offering goods on credit for the sake of their reputation as a socially conscious individuals, they had to be persuaded by money.

Of course, such a fundamental social transformation simply displaces trust from the character of individuals known personally or by reputation to money. In today's economy, there is no base of valuable metal that supports the value of money. Instead, its stability is managed by central banks who create reserves by means of complex exchanges of government debts with commercial banks. The state, with its power of future taxation, together with the central bank, with its power to coordinate clearing operations through the use of reserves, and commercial banks, supported by the power of market exchange, all combine to provide a basis for money—but they do so in a manner comparable to the seventeenth-century merchants. Reputation is all. The pursuit of individual self-interest, measured in terms of the value of money, is made possible by a highly centralized group of institutions. Individual and common interests remain intertwined, for if money loses its value or stability, then so does individual wealth.

So are people naturally selfish? Probably, but they are also naturally caring and naturally social. Nowadays, people are willing to serve the needs of others because they trust in the value of money. Yet the organization and grounding of such trust is entirely artificial and, as has been demonstrated in recent years, highly fallible. While the use of money to interact with strangers exaggerates our self-interested concerns, trust in money is a collective and participatory good: we trust money, to a significant extent, because we trust that others will also trust it. Moreover, we can only access the value of money when we spend or invest it, that is, when we transfer it to someone else. Of course, few think of where the money will go when it leaves them. But it is the route that money takes—whether it falls into the hands of those who most need it, or whether it accumulates on the balance sheets of financial institutions—that determines whether our pursuit of self-interest actually assists others or confines them to financial exclusion.

*Philip Goodchild is Professor of Religion and Philosophy at the University of Nottingham. This post is partly based around his article 'On the Origins of Modern Debt and Value', published in the* Journal Continental Thought and Theory*. His research interests include philosophy of religion, philosophy of political economy (especially credit and faith), and the philosophy of Simone Weil.*

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