



Book Frozen Desire

The Meaning of Money

James Buchan
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Recommendation

James Buchan has written an enthralling book about the history and impact of money. He treats money as an evolving concept from early Greek writings to symbolic references in art. He considers the ability of money to speak for human desire, including its role in the primary needs to wage war and to make love. The book’s style shifts from detailed historical review to literary criticism, so it is not always an easy read, but it is always fascinating. *BooksInShort* recommends this book to executives who want to learn more about money’s intrinsic power. Read it to learn how money shapes your world in ways you may not have considered.

Take-Aways

- Money is incarnate desire.
- The use of money converts everything it touches, regardless of your purpose.
- The growth of money and law tend to run parallel to each other, with both being used as a substitute for violence.
- Since human desire is unlimited, the need to accumulate is also unlimited.
- For many people, money constitutes a large part of self-importance.
- The ancient societies we admire, Greece and Sparta, went to great lengths to restrict the operation of money.
- Aristotle discussed the social utility of money more than 2,500 years ago.
- In their quest for gold and silver money, the Spanish obliterated societies that had metals, but no need for money.
- Double entry accounting is the means by which money management becomes mandatory for business.
- The railway train symbolized money in the United States in the 1850s.

Summary

Money and Desire

Money is all around us. Everywhere we turn we can purchase something with money. But what is it? Is it a tangible thing or a mere vehicle for other activity? Early Greek writings all mention the existence of money. In the Illiad, Homer mentions the exchange value of things by saying "a Greek Warrior makes a fool of a Trojan by exchanging armor worth nine oxen for amour worth a hundred." In The Politics, Aristotle discusses the need for money saying, "Men invented money, and then coinage, to make possible an international division of labor." And in Histories, Herodotus mentions the utility of money, noting, "The Lydians were the first people we know of to use a gold and silver coinage and to engage in retail trade." These early writings recognize the deep meaning money has. He writes, "Because it has the potential to fulfill any mortal purpose and convey any mortal desire, [it] becomes the absolute purpose and the object of the most intense desire it can convey."

“Money, which we hope to see and hold every day, is diabolically hard to comprehend with words.”

The story of Robinson Crusoe reinforces the idea that money is incarnate desire. After his shipwreck, we are lead to believe that Crusoe is alone on the island. However, when he returns to the wreck, he takes great care to pick up his money. Why does a man alone on an island need money? In one swift action, you learn that the author does not believe Crusoe is alone and that Crusoe believes that money represents his incarnate desire. This reinforces the fact that human pursuit of money is unlimited, because human desire is unlimited. Crusoe, who has no apparent need for money, still "possesses" his money, just in case. Better to have money and no immediate desire, than to have an immediate desire and no money.

Thirty Pieces of Silver, Coined Money, and Accounting

Religious writings often address the issue of money. Christians historically associated poverty with divinity. Christ made a conscious decision to live in poverty. The Koran looks favorably on private property. Paying the annual alms tax purifies the inequities made possible by possessions.

“Yet almost all human beings have a vivid sense of what money is, for it arises in their innermost nature: their sense of Self as nurtured by possession.”

Asked if the state has a right to collect taxes, Jesus says, "Render therefore unto Caesar the things which are Caesar's; and unto God the things that are God's." Thus he separates money from God, relegating money to the status of an expedient which will be abolished in the kingdom of God. However, money - in the form of thirty pieces of silver - changes Jesus' bond with the Apostles. In the painting Judas, Repentant, Returning Pieces of Silver, Rembrandt captures the effect of money by representing the thirty pieces of silver as if they were grenades scattering the figures in the painting. Rembrandt understood the "strangeness of money: that it breaks the chain of desire and effect. Money provokes people to act, for the sake of payment" in ways contrary to their basic nature.

“Money becomes money only at the instant it incorporates a wish; and I saw that it was a treadmill, that led us all on a mad bacchanal from which we could not break out and sit down.”

Coined money survived the collapse of the Roman Empire. By the eighth century, a money standard based upon the weight of silver had been accepted in Western Europe. China and the Islamic world developed coined money during this time. Muslims used gold dinars and silver dirhams and the Chinese made bronze coins.

“There is always something visionary in great speculations: else they would not be speculation.”

The availability of coins depended upon the supply of metals. In times of crises, people buried their coins or converted them into plates. These actions created coin shortages and spurred the development of alternative moneys such as bills of exchange, local checks, marketable securities, and certificates of deposit.

“For while the necessities of life are limited by nature and definition - one can only eat so much, be under one roof at any one time - there is no limit to the pursuit of money, because there is no limit to human desire.”

At the same time that the use of coins was expanding elsewhere, Feudalism took hold in Europe and Asia. Feudalism, which did not require money's precision, bound people to the land and changed the nature of relationships among people. Feudal workers were tied to the profits of agriculture and, therefore, to nature. The master's wealth was tied to land ownership and consumption of its provender, not to the purchase and exchange of goods.

“Adam Smith believed that the transmission of desire by means of money, uninhibited by any censor other than competing desire, was the goal of history.”

The decline of the feudal system can be tied, in part, to the increase in silver coinage. Landlords start demanding rents instead of fruits or service. Lords and vassals start negotiating the value of military service. The attitude toward land began to change because of money. "Forests are no longer pre-eminently places for hunting, they are the site of a money crop called timber." When the crop of land becomes money, owners no longer need to reside on the property.

“These contradictions lie at the heart of the great sadness of our civilization: that by using money, we convert our world into it.”

As landowners began to travel, inns and cities grew. Humanity’s relationship to land separated into two classes: ownership and use. Financing of assets became possible and, to provide controls over financing, usury became necessary. When financing over time became common, the concept of time itself became more important. Measurement of time shifted from agricultural measurements, such as seasons, to incremental measurements, such as hour and quarter-hour.

“To the twentieth century visitor, New York City is as Venice was to Goethe in 1786: a triumph of human artifice.”

As the growth of money changed the relationship between landowner and serf, it also changed the way business was conducted and measured. The change appeared in 1494 when Luca Pacioli published his *Summa de Arithmetica, Geometria Proportioni et Proportionalita*. Section three of his treatise, *Particularis de Computis et Scripturis*, detailed the principles of double entry accounting. Luca’s work "laid the foundation of the modern conception of profit, not as some vague increase in possession, as in antiquity, but as something hard, even crystalline, mathematical and open to empirical test at any time whatever through an interlocking system of books." Double entry accounting, in its simplest form, created a way of seeing the world through a "coded money value for all objects and occupations."

Columbus, John Law, and Coined Liberty

Columbus feared poverty and desired salvation. In his letters he links the two: "Gold is an excellent thing. It constitutes treasure. Whoever has it can do what he likes in the world and even manage to get souls into Paradise." Only in his letters do we get any hint of why Columbus made journeys to what he thought was the Far East. His letters reveal that he sought money. This desire for money was a common mindset at the close of the fifteenth century.

“Markets condense not knowledge but desire.”

When he arrived on Espanola, Columbus immediately separated the natives from their ornamental jewelry by trade. This separation turned the jewelry into money. The Spanish then forced natives throughout the hemisphere to extract gold and silver from every source in their countries for shipment back to Spain. Eventually, the civilizations that did not need money were violently destroyed by the civilizations that did.

The Mississippi Scheme

John Law, an Englishman, captured the financial hearts of the French at the start of the eighteenth century. His Mississippi scheme for privatizing the French government’s debt established a speculative money rush, which led to the creation of the term "millionaire." The government was receptive to the scheme only because it was broke. France let Law’s company sell speculative investments in its corporate development rights to public land. Then Law’s company sold shares to the public.

“Debt is the optimism of Americans, and when reality enters as default or bankruptcy, it imposes no professional penalty and leaves no social stigma.”

Law’s scheme had several amazing aspects. First, England had rejected the same scheme about a decade earlier. Second, the scope encompassed the entire national debt. Third, it was based upon very modern central bank finance principles. And fourth, for a short period of time, Law ruled France with kingly power. Law wrote, "money is not the value for which goods are exchanged, but the value by which they are exchanged."

“Most young men quarrel with their parents about money, for it appears to them to promise their emancipation from their elders: that it is a sort of apartment they can inhabit alone.”

Law used paper mortgages in a revolutionary way. He said, "Land is the ultimate source of goods and services, paper mortgages issued against productive land and circulating as currency would match demand with output." To convince investors to participate, Law used several modern devices, including margin loans, partly paid shares, and call. He offered a secured four percent return and stretched the return period to eighty years. Thus, his actual rate of return was 1.2 percent. The failure of the scheme has been attributed to its success. Interest was so strong that Law himself, in an attempt to slow down the speculation, issued edicts pricking his own bubble. Several months later, the scheme was bankrupt.

The Dualism of Money

Money has become associated with freedom. Or to use Dostoyevsky's term "money is coined liberty." Freedom, however, does not offer equality. This has been the dualism of money. On one hand, it entrenches social inequality because, "its possessor can without any sacrifice, accumulate more money through interest or speculation." On the other hand, "money's neutrality, its indifference to the character and station of its temporary possessor, and the ease with which it is administered, present the possibility of freedom to the imagination of even the destitute."

“Even now, it is still not proper for lovers to give to each other presents that can be converted into money: hence we have florists and confectioners and purveyors of silk scarves, knick-knacks, and elaborate underwear, which though not as perishable as sweets or flowers...cannot easily be sold.”

This view became pervasive in the seventeenth and eighteenth centuries and in the formation of the United States' system of government. John Madison, one of the authors of the U.S. constitution, agreed that freedom was dually defined. In 1787, he wrote that the first object of government was to protect "the different and unequal faculties of acquiring property." On the same subject, John Hamilton wrote, "money is, with propriety, considered as the vital principle of the body politic; as that which sustains its life and motion and enables it to perform its most essential functions."

Art, Nature, Beauty, and Money

The Hudson River School was an American landscape-painting period in the 1820s and 1830s. Using the Hudson River Valley as the source of its inspiration, this school captured a romantic view of life. Thomas Cole represents this school effectively, in his picture Kaaterskill Falls. In the painting, Cole places a small, barely visible native American in the middle of the picture. Thirty years later, in 1856, George Inness painted the same landscape. A railway train replaced the native American. The front of the painting shows a litter of trees, cut down to make way for the train tracks. The ideal landscape has been successfully invaded by the primary symbol of money: the railway train.

The march of money has been so pervasive in the United States that the country's remaining natural beauty has had to be reserved and protected, in a series of national parks such as Yosemite. This protection, however, has a commercial side full of park rangers, picnic architecture, and bizarre regulations. The natural beauty of the United States can only be protected if it can be used. An inherent contradiction lies at the heart of modern civilization: "by using money, we convert our world into it."

About the Author

James Buchan's other books include *The Golden Plough* (1995), which won *The Guardian* Fiction Prize, and *High Latitudes* (1996). James Buchan is a former correspondent for *The Financial Times*. He lives in London.
