The illusion of reality: on the crash of the financial markets and the virtuality of values

By Andreas Urs Sommer

The present goal would be to prevent the "financial crisis" from encroaching on the "real economy". That is what the minders of the world economic situation are saying unanimously, those minders whose aptitude for minding we sincerely doubt right now, we little fish in the shark tank.

Real economy? Does that mean that real economy also has an unreal economy as counterpart or a surreal economy at least? The textbook informs that "real economy" covers that part of the overall course of economic events that deals with the production and distribution of real goods. It is faced neither by unreal nor surreal economy but by financial economy that provides the real economy with the money required. As a matter of fact, this financial economy seems to have turned into an unreal or surreal economy with its reckless methods of certifying bad property loans as top investments. Into an unreal economy inasmuch as no real money value equates the nice certificates – in a surreal economy because the eager certifiers were inclined to belief that they were the ones whose visions and ecstatic wishful thinking were to exert major influence on the course of events.

According to the assumption of the minders of the world economic situation, the crisis was nothing more than the result of the ruthless practices of some idealistic bankers intoxicated by profit: on the one hand the real economy, the real world, the existence, (almost) all of us who are being drawn into the vortex of now fault of our own, on the other hand a few sinister characters, overfed with bonuses, devoted to the lovely but wrong illusion, who had hawked our world at less than fair value.

An easy thing to do would be to simply relax. A reliable line dividing reality and appearance, objectivity and delusion, pacifies the flares tempers that consider themselves to be on the side of reality, of real economy: bubbles are destined to pop, to finally reveal that what had been hidden hitherto, the real thing, hence being. The philosophers, since they came into existence, trusted in the appearance bubbles inevitably popping as early as Platon. Beyond the illusion there is a reality that illusion is unable to harm, at least that is what they claim for two and a half millennia. Following the philosophers, we have come to belief firstly that there actually is a difference between reality and illusion, and secondly that we were most capable of drawing that clear distinction ourselves. When we therefore collect the bad bills on illusions of intoxication, dreams and illusions, when we burn the certificates on mortgages, invest our money in gold bars to make ourselves at home in reality, then no global financial crisis can scare us anymore.

We try to relax, but we try in vain. Half an hour later we hurry to the computer in order to check if that what we deemed secure really is secure. We stare at the prices – green, or sadly enough, red? – , and realize that the gold bars that were intended to secure our sunset years are just a victim to the market's convulsions as the assets of Hypo Real Estate.

The illusion seems to mercilessly catch up the reality we cling to. How is it possible that the value of a good is in constant flux without the good actually changing in any way? Neither the atomic number in the periodic table (79) nor the standard atomic weight (196.966569 u), neither the annual output (2500 t) nor the demand of metal for jewellery, industry or bullion changes at minute intervals which would allow the layman to understand why the price of a troy ounce of gold is $917 at 11:16 a.m. but only $841 at 11:33 a.m. We might still understand that something like companies' press releases (expected profits in fourth quarter, volume of orders from China), or overall news (advancing unemployment figure, state guarantee for savings) might influence stock prices. But why is the price of an international food producer nosediving by 42 per cent over the course of just two weeks with no substantial company press releases or overall news as background? Why can't the value of a good be fixed for as long as the factors that determine its value don't change?

The attempt to lean back and watch the illusion bubble pop proved futile. The illusion not only knocks at the door of reality like the wolf at the door of the seven young kids, but encumbered the house of reality with high mortgages. Likewise the parameter of all value comparisons, money, is anything but a stable and fixed value all illusion derives from as lower zero grade. For one thing, there is no such thing as THE money but every kind of forms and amounts of money: coins, paper money, different currencies, different kinds of distribution, different quantities. And for another thing, these different forms of money, of which there is no such thing as THE money, have a highly unstable interrelationship: he who possesses paper money probably doesn't want any book money, he who possesses currency X by no means wants to get currency Y in exchange. Thirdly, the interrelationships with the non-monetary world are equally unstable: the "real goods" of salads, railway tickets and single-family houses possess their monetary value that is constantly redefined but money likewise have a world value – or not: nobody wants to exchange his salads, railway tickets or single-family houses for Zimbabwean dollars because that money simply has no world value anymore.

Permanently ruffled, we are confronted with a couple of conclusions: apparently, money doesn't possess any real value but a mere virtual one, an enabling value: depending on its kind or quantity, one can do any number of things with money. One can transfer it into salads, railway tickets and single-family houses – to name but a few possibilities. When today it is said that only virtual money had been certified in the American mortgage certificates – plus the money lost in the great crash likewise was only a virtual one – that can be countered with the sober remark that money is always something virtual. It seems that this virtuality involved the possibility to get lost all of a sudden. How else could we explain to a child (or to ourselves) where the trillions have gone according to the exchange rates?

Are other values really any different? Are they real or virtual? What does being real mean? After all, one can touch salads, railway tickets and single-family houses; contrary to book money, they exist in the world of macro-physical, spatial-temporal objects. But their value is virtual as well – not only because monetary value depends on changing market conditions. Their value is a virtual one since that value can lie in the most different things that likewise are valued quite differently, varying from person to person: some people cherish salad because it tastes good, while others appreciate it as healthy food and still others like it because it has such a nice green color. And there are the downright salad haters that don't give a darn for salad – be it for eating or for looking at.

In other words, value in itself doesn't exist – it is a matter of negotiation or, to put it more elegantly, a matter of communication. When everybody considers gold too heavy to be useful for anything – not even the industry could use it, like silver or palladium –, then neither its luster nor its cultural history of four millennia will help it: like lead it will weigh on the souls of those people who still burden themselves with it. Perhaps Martin Heidegger had exactly this in mind when he murmured that language was the house of being: perhaps he meant that being was a matter of negotiation – was a notoriously instable result of our efforts to communicate.

Even though it has become fashion to accuse the virtual economy and demand a being economy, we actually want the illusion. Contrary to two and a half millennia of philosophical teaching, that is not to be understood as a sign of us being shallow and decadent but as an indication that we have come to honestly distrust the dichotomy of being and virtuality. One might go so far as to say: the stock exchange is the spearhead in the development of human knowledge: by redetermining the value of any good at any moment in time, it reveals that being in the sense of something static, invariable doesn't not exist. The dichotomy of illusion and reality is a mere virtual one; anything existing is convertible, negotiable, finite.

It doesn't matter if we refer to this convertible, negotiable, finite as being or illusion. What is important is that we all want this convertible, negotiable, finite. We dive into the parallel realms of the internet, taking the guise of avatars, in order to glory in our sense of possibility, in the joy of being something different, but we also buy (at least when we are of American descent) right in times of crisis not just gold in abundance but also – television sets; to at least have the illusion of security.

There is no way out of virtuality and no turning back to being – there are no eternal values, neither in terms of economy nor in politics; neither in terms of ethics nor in metaphysics. The convulsions of virtuality let us become suspicious – now that the illusion of reality is constantly on the tube. What about, let's say, the being not only of banks, shares, salads and single-family houses but the being of the self? Would it be terrible when there was only illusion – and what were the implications of that?

Perhaps it is time for us to permanently settle in virtuality. Realizing that there is no reality hidden behind the virtuality marks an epochal watershed in the Western history of mentalities that was based on being since the Greeks. The change is happening for the last 200 years now. Perhaps capitalism with its cataracts is the great teacher of mankind. The stock exchange as midwife of the recognition that everything is subject to constant change, that nothing is real but everything possible. Anyone who still wants to reassure himself and to relax at all costs might find comfort in the idea that, when it all comes down to everything being virtual in the first place, the crisis, too, is a virtual one. So, in the end of the day there was nothing really there. Just ventricular fibrillation, is it?

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