

The Dow Doesn't Serve Society

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ABSTRACT

It has recently been shown that American GDP causes several human imperatives and is itself caused by globalization (Bechtel, 2021). This note reports a surprising exception to this finding; namely, in contrast to other human imperatives, the Dow *doesn't* cause any good, *nor* is it caused by any good. The findings here will inform the conceptual collision between Federal Reserve theory and modern monetary theory (Kelton, 2021) vis-à-vis the global isolation of the Dow. Hopefully, this information will also prevent young holders, who can't afford the long-term Dow strategy advocated by media pundits, from getting hurt.

Keywords: Causation, Estimating regression coefficients and their powers, Fractional polynomial regression, Globalization, United Nations

INTRODUCTION

At the United Nations 75th anniversary on September 21, 2020 Secretary General Antonio Guterres emphasized “the future we want, the United Nations we need”. In response, the UN passed a Declaration of International Collaboration advocating an egalitarian reformation of the UN as well as the entire global establishment. Echoing Guterres at the World Economic Forum in Davos, Switzerland on January 25, 2021, Xi Jin Ping said: “We must build an open world economy, firmly safeguard the multilateral trade system, and refrain from making discriminating and exclusive standards, rules, and systems, as well as high walls that separate trade, investment, and technology” (<https://www.euractiv.com>). This plea offers an investment guide to foreign nationals, sovereign states, the United Nations, the World Bank, the International Monetary Fund, and the New Development Bank in Shanghai.

These developments update and support Anitra Nelson's (1999) prophetic work on money as a commodity, which was anticipated by Karl Marx in the nineteenth century. More specifically, Guterres and Xi Jin Ping also bolster the finding in the present article; namely, *the global isolation of the Dow*.

The structure and notation of the present note are as follows: Variables **D**, **G**, **H**, and **K** denote the Dow, American GDP, the UN's Human Development Index, and the KOF Index of Globalization. **D** is detailed daily on CNBC, **G** and **K** are described in Bechtel (2021, pp. 417-420), and **H** is elaborated by Bechtel, G. G. and Bechtel, T. G. (2020, pp. 336-337). These 4 variables are deployed here in 7 regressions. The collision between modern monetary theory and Federal Reserve theory (Kelton, 2021) are then summarized vis-à-vis the global isolation of the Dow. The paper concludes with Anitra Nelson's (1999) view of money and Marxian thought in the 19th century, the advent of globalization, and its money-raising predecessor – the world fair (https://en.wikipedia.org/wiki/List_of_world%27s_fairs).

FP-CAUSATION

Table 1 exhibits the R^2 s for 7 (of 12 possible) fractional polynomial regressions (over $t = 1991 \dots 2018$) with variables **H**, **G**, **D**, and **K**. The R^2 s in Table 1 are brought by Royston and Altman's (1994) generalization of polynomial regression, which *estimates both coefficients and their powers*.

Table 1. FP-causation R^2 s for Variables D, G, H, and K

Causation	D→G	D→H	K→G	K→H	K→D	G→D	G→H
R^2	.7024	.6039	.9672	.9848	.5715	.7586	.9718

The R^2 s in Table 1 strongly confirm the Dow's global isolation. In short, the Dow does not cause any good, nor is it caused by any good. Hopefully, these 7 R^2 s will inform the current debate between modern monetary theory and Federal Reserve theory vis-à-vis the Dow Jones Industrial Average (cf. Kelton, 2021).

MODERN MONETARY THEORY VERSUS FEDERAL RESERVE THEORY

The congress has mandated the Federal Reserve's longstanding missions of reducing inflation and unemployment. "The dual mandate framework is predicated on the belief that there's a delicate balance between too much employment and too little. It also assumes the Federal reserve has the ability to move the economy to it's sweet spot, where just the 'right' amount of people are kept on the sidelines, wanting to work but trapped in unemployment for the sake of keeping prices in check. [...] Today, the Federal Reserve defines full employment as a level of *unemployment* that leaves millions [...] searching for jobs that don't exist. MMT resolves the problem by directly funding employment for those without work.

[...] Congress is a legal body with the power to suspend or modify any self-imposed constraint [...] that might otherwise prevent lawmakers from appropriating funding or stop the Federal Reserve from clearing authorized payments on behalf of the Treasury. Even the CBO and the House and Senate budget committees, which were themselves created through an act of Congress in 1974, could be dissolved or instructed to follow new protocols. And, of course, the Federal Reserve is a creature of Congress, with a mandate that is subject to change" (Kelton, 2021, pp. 52, 238, 245).

In pursuing their current mandates, the Federal Reserve Governors find that "inflation has shot up much faster than the Fed's policymakers had forecast in March. Inflation jumped to 5% in May compared with a year earlier — the largest 12-month spike since 2008. The increase was driven partly by a huge rise in used car prices, which have soared as shortages of semiconductors have slowed vehicle production. Sharply higher prices for car rentals, airline tickets, and hotel rooms were also major factors, reflecting pent-up demand as consumers shift away from the large goods purchases many of them had made while stuck at home to spending on services" (<https://apnews.com/article/inflation-health-coronavirus-pandemic-business-380a7fc237023194d94af689f13a5ef7>).

In summary, modern monetary theory *demotes monetary policy* and *elevates fiscal policy*. Conversely, Federal Reserve theory *elevates monetary policy* and *demotes fiscal policy*. The isolation of the Dow discovered here should enlighten the clash of these two theories, as well as prevent young investors, who can't hold a long-term Dow as advocated by wealthy pundits, from getting hurt.

CONCLUSION

"Money is one of the most significant social facts linking all people today and Marx is widely acknowledged as the nineteenth-century thinker with the single greatest impact on social developments in the twentieth century. This study links the two in an examination of Marx's unique commodity theory of money" (Nelson, 1999, *Routledge Studies in the History of Economics*), the advent of globalization, and its money-making predecessor – the world fair, which is an implicit direction taken in this paper. (https://en.wikipedia.org/wiki/List_of_world%27s_fairs). Thus, future studies must confirm the hypothesis generated here; namely, the world fair, a heretofore unacknowledged Marxian predecessor, has been a major cause of globalization.

"I join Marx in opposing monetary reforms proposed by utopian socialists in his day and my own. Like him I believe that a real revolution requires dethroning money and overturning the state." (Nelson, 1999, Preface, p. ix).

In view of the dollar's dominance of the world's economy, and the Dow's isolation, the dethroning of money appears to be necessary lest states are overturned by their common people. In the nineteenth century Karl Marx said in *Capital III* "The philosophers have only *interpreted* the world in various ways; the point is to *change* it" (cf. Nelson, p. 207)

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CONFLICTS OF INTEREST

The author declares no conflicts of interest.

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