Money. Power & Values

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The issues to discuss:

1. What characteristics make money a uniquely effective instrument for the inter-convertibility and exercise of social power?

2. How do money and political power interact with one another?

3. What are the remedies for the increasing concentration of wealth and power that constitute the basis for plutocracy?

4. How can the wider distribution of money be used as a spur to more rapid and equitable social development?
1. What characteristics make money a uniquely effective instrument for the inter-convertibility and exercise of social power?

a. Several thousands years of human civilization created Money - the greatest economic innovation - as we know today with its three basic functions:
   - Medium of exchange,
   - Measure of value (unit of account),
   - Store of value.

b. It started with a commodity surplus exchange for another desired commodity = barter => limited scope of exchange

c. To overcome that limitation some locally common commodities played the role of medium of exchange & unit of account (cows, fur, axes)
1. Continue
d. Growing scope of trade and expanding its territories required more universal medium of exchange = precious metal - gold and/or silver – in a standardized form – a coin with warranted usually by monarchs (Trust) the metal quantity, as a unit representative symbolic value of many other commodities

e. Safety and convenience led to abandon commodity (gold) money by purely symbolic money - bank notes, which could be replaced by gold in the issuing banks (Trust).

f. The emergence of modern nation-states led to the next step – paper money as national currencies – granted in gold reserves, expected tax revenues - but first of all based on Trust in governmental institutions (Jacobs & Slaus 2012).
1. Continue

g. The next logical step - establishing a global currency with a central global bank to speed up trade and recovery after WWII => The Bretton Woods Agreement (44 nations-July 1944) => international monetary system - fixed exchange rates (+/-1%), currencies pegged to gold & USD, convertible for trade and current transactions, establishing the IMF to monitor monetary polices and the WB to facilitate post-war reconstruction (global institutions, Trust).

h. On August 15, 1971 the US suspended the USD convertibility to gold => since 1973 the currencies floating, USD became the reserve currency & the Agreement ended.

1. Continue
j. From simple transaction of surplus exchange at a community level, Money became over millennia a global institution – with its norms, rules and standards – facilitating not only exchanges of products and services, but also building bridges between countries and continents to understand & learn from each other, to resolve joint problems beyond nation borders, and to build trust & mutual respect leading to peace => a real Social Power.

k. Having administrative responsibilities for controlling emission of global currencies – USD & EUR – creates a lot of benefits for a country but also responsibilities for securing global sustainability, as a value for the whole humanity.

l. Stable Money => full inter-convertibility => Social Power
2. How do money and political power interact with one another?

a. **Money is neutral** – it could be used for good and bad purposes depending on the institutional setups and what value they protect => equal distribution of power vs monopolies.

b. **Meritocracy** = value based on the merit => the compensation for work will motivate to contribute more and encourage investing in additional skills = full reproduction of Human Capital (HC) & potential investment

c. **Plutocracy** = values linked to the privileged e.g. 1% = low motivation for 99%, degradation of HC => poverty
2. Continue

d. Both **monopolies**: private (corporate, ownership) or public (party, state) are bad and dysfunctional.

e. Quality of Institutions matters => investing in HC & Social Capital (SC) for building networks, shared values, norms & Trust!

f. Investing Money in HC gives freedom to act, be creative = good for economy & society => Social Power

g. Even the best HC is not enough without investing in SC – both can produce synergetic effects, multiply efforts leading to institutional change abolishing power of economic and political monopolies.
2. Continue
h. In US Case:

The design of the election campaign, its length and financing including institutionalization of corporations as active participants (the Citizens United case) led to significant influence of Big Money on election and the market setup.

As the result the democratic core of US society – the middle class - is shrinking with stagnated real income over 40 years, while the richest are getting richer and more powerful.

The institutional and policy reforms are urgently needed to make the system fair and cut the Big Money role in politics.
2. Continue

h. In Polish Case:

The last year parliamentary election campaign was dominated by the promises of 500+ PLN monthly child support (50% of monthly min. wage), cutting the retirement age and other populist ideas.

The Money brought to the election pool over 3.5M people, who made the Peace & Justice (PiS) the clear winner with 37% of votes granting a slight majority in the Parliament.

The PiS electorate is significantly less educated (HC), poorer, prone to fear and highly dependent on conservative church but much better organized in several national networks (SC) over last 4-5 years.
3. What are the remedies for the increasing concentration of wealth and power that constitute the basis for plutocracy?

a. Both PL & US cases provided current evidence how important is appropriate investment in HC (power of knowledge) and SC (social power of networks) or lack of it.

b. More investment in HC & SC to build a critical mass for a progressive institutional change toward meritocracy from plutocracy or populism and xenophobia.

c. Monetization of HC & SC to make them equally important with material capitals (physical & financial), which are significantly overpriced now in national accounting.
4. How can the wider distribution of money be used as a spur to more rapid and equitable social development?

a. Wider Money distribution is **good ONLY if motivate people** to invest in their own and their families HC – otherwise is a waste of resources (except disable people).

b. Providing more **well-designed public goods** such as (e.g.) pre-natal & preschool care, education for all including colleges.

c. Building better and more **accessible infrastructure** – both technical and social.

d. Considering introduction of **basic income concept only within societies rich of SC, trusting each other and NOT abusing the system.**