



Post-Graduate Certificate Course in  
**Social Power**  
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# 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).

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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 policies 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.

i. Introducing EMS (1979) and EMU with ECB (1999) & EUR coins & paper notes (2002) <= **EU institution based on Trust**

## 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 use for good and bad purposes depending 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.