# **Footnote:** In Exchange For Money

*We think of the value of money as universal - a fixed frame of reference against which the value of every good or service can be resolved. But we live in a relativistic universe. Every view of it is unique to the one whose view it is. This includes each observer's perception of the value of money.* [PDF]

## The Need To Trade

We are not all good at everything. We tend to excel at different things. Perhaps we are all born with a different set of talents. Perhaps all talents are present in all of us but only some of them are triggered by each individual's formative social environment. Which is true one can only speculate. Perhaps both are true.

Whatever the cause, it leads us to specialise in what we do economically - the products we make, the services we provide. But we all have a need or desire for a wide variety of goods and services. It is therefore to our great advantage to exchange what we have for what we want. We have a strong reason to trade with others.

## A Question of Confidence

However, as human beings, we have a deep-seated fear of the unknown. We therefore tend to fear and distrust the stranger. In the context of the free market, this basic instinct manifests itself as a reluctance to trade. I know well the quality of what I have to offer. I rarely have time or opportunity to evaluate fully what somebody else may offer me.

Consequently I am afraid to exchange something I possess (the value of which I know) with something possessed by someone else (the value of which I do not know but must judge). I am worried that my judgement may be faulty. The person with whom I am about to barter may deceive me as to the true value of the unfamiliar thing he is offering me in exchange for the familiar thing I already have.

## The Nature of Money

This problem would appear to be solved, at least in part, by the use of money. Its value (one is led to suppose) is a universal invariant. It is everywhere the same throughout the entire national economy. It is one of the familiar things that I already possess. Therefore I have a good feel for its value. I am not afraid to give something I possess (the value of which I know) in exchange for someone else's money (the value of which I also know). However, I am not confident when I exchange money (the value of which I know), for something that belongs to someone else (the value of which I have to judge).

This is why we feel more comfortable selling rather than buying. When selling, we have the advantage of knowing the value both of the object we are selling and of the money we are receiving in exchange for it. When buying, however, we know only the value of the money we are about to part with. Hence the saying "Let the buyer beware". The seller always has the advantage. This is not because a seller is less honest than a buyer. It is a direct consequence of the nature of money.

## The Drive To Sell

Because a seller has this natural advantage, a buyer always tends to resist his advances. Consequently both the initiative and the energy for motivating an exchange of goods for money almost always come from the seller.

In an ideal world, this relatively low-level buyer resistance would be the only obstacle to selling. To overcome it completely, all a seller should have to do is make himself known to his prospective customers - to facilitate their becoming familiar with the type and quality of what he is selling. The best way to make this happen is for him to be - or become - a member of their natural community. Communal familiarity would remove any potential fear they might otherwise have to trade with him.

However, the modern capitalist free market is far too large to allow every individual to know every other individual. The free market environment is not therefore capable of catalysing the degree of confidence required to facilitate trade between individuals. As a result, the individual is only confident enough to buy from a corporate. But this is only because corporates are few enough in number and great enough in wealth to be able to make themselves familiar to the individual through mass media advertising.

## The Value of People

But there is a flaw in any economic system in which exchange is based on money. It is that money, though thought by all to have a universal value, in fact does not. It has a perceived value. And this varies according to who is doing the perceiving.

This relativistic nature of the value of money is nowhere better demonstrated than by one person's perception of the value of another's work in comparison with that of his own. Human nature convinces each that his own efforts are worth more per hour than another's. Hence those thousands of hours of human effort which are unproductively dissipated in price negotiations and wage bargaining. The result is that those who have (or have the means to hire) negotiating and bargaining skills can command more money in return for their work than those who do not. Unions and large corporates do. Lone artisans and other unaffiliated individuals do not.

At the very top of the pile are those who decide how much others are paid. Naturally these rate their own professional skills more highly than those of people in other fields. Any other person is paid according to the value of his skills *as perceived by* those who decide his pay. This is a relativistic value: not an absolute or universal one. The value of each skill does of course settle to a going rate within a market. In this sense one may think it universal. However, its market rate is still determined by its value as perceived (albeit collectively) by people who invariably do not have it, and who therefore have no tangible basis on which to compare it with their own.

As a system of value money works. Economies function. But as an *equitable* system of value it does not work. It is a total and unmitigated failure.

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