

MONEY AS THE RELATIONSHIP BETWEEN LABOR AND CONSUMER GOODS

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National currencies are secured by the nations they originate from, but can lose their value if nations become unstable. Cryptocurrencies like bitcoin are secured by scarcity. This might seem like a better way to secure currencies, but both national currencies and modern cryptocurrencies partially get their value from how eager people are to invest in them. To get more control of their currencies, most countries have gotten central banks, but these ad hoc solutions have just made things more complex. In fact, our current monetary system has become so complex that even experts struggle with understanding how it works. It also seems rather unreasonable to establish the currency value by how eager people are to invest in it, since money does not have any inherent value. Rather than having currencies that people invest in, we should determine the value of our currency by what money really is: the relationship between hours of work and consumer goods. You can think of it as what you can buy for 1 hour of work with your current salary. Of course, that would be based solely upon your salary. In order to establish a currency for all people, we need to figure out what 1 hour of work corresponds to with the average salary for all of humanity. This is far from impossible with Internet and our modern computing power. It also would not just be based upon what you can buy for 1 hour of work with the average salary, but rather upon what you can buy for any arbitrary amount of hours. So a chocolate might for example correspond to 0.1 hours of work, while a car might correspond to many thousand hours of work. All such correspondences should be used to determine the value of our currency, and these correspondences should be updated all the time.

$$\frac{\text{Consumer Goods}}{\text{Standard Hourly Wage (SHW)}} = \text{Price}$$

Figure 1: The Standard Hourly Wage (SHW) corresponds to the average purchasing power for 1 hour of work.

If people can relate money directly to hours of work, they might get a more intuitive understanding of prices. Similarly to cryptocurrencies, this currency can be stored in blockchains, without any need for a central server. If we know the true relationship between labor and consumer goods, it will also be easy to determine if our economy is growing or declining. If we need to work less for more consumer goods, it indicates that our economy is growing. However, when measuring economic growth we need to differentiate between mechanical services and human services, since it is impossible for all of us to get cheaper human services. In order for someone to get cheaper human services, someone else needs to get payed less for providing that service. We therefore need to exclude human services from the vector for consumer goods. Mechanical (or nonhuman) services are however not limited by such constraints, and can therefore be in the vector for consumer goods.

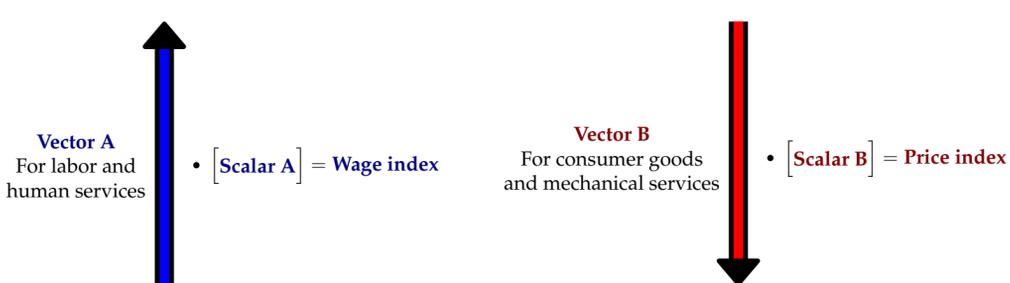


Figure 2: The two main vectors and scalars we can envision as underlying the world economy.

Vector A can be disassembled into one subvector for every type of profession. These subvectors can be scaled differently to each other, but **Vector A** cannot necessarily grow by itself. If we upscale all the subvectors in **Vector A** by a certain amount, it just decreases the value of our currency (inflation). Nevertheless, a country might grow its own economy, for example by focusing on educating people in highly payed professions.

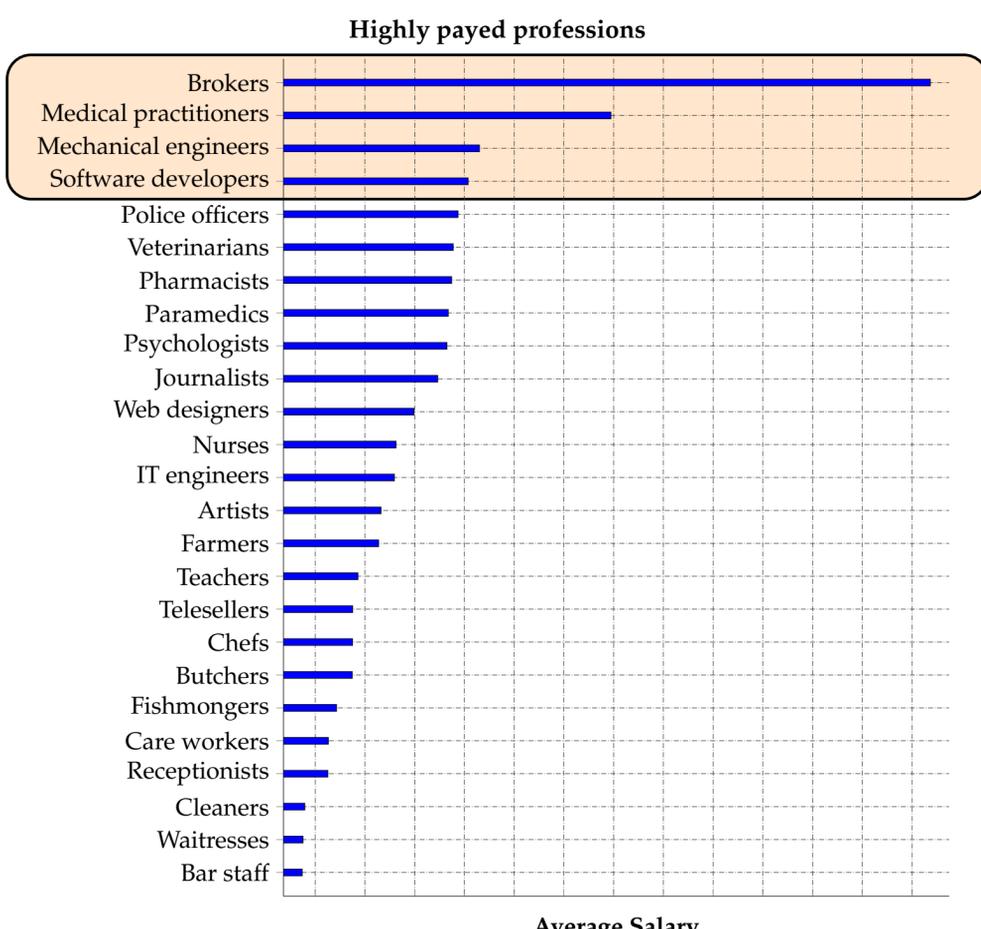


Figure 3: Relative salaries of different professions compared to each other. A country might grow its economy by focusing on educating people in highly payed professions.

However, a country growing its own economy by getting more people into highly payed professions will not necessarily facilitate growth of the world economy. It might just increase its share of the world economy. The world economy can be envisioned as a cake. Your country's share of the world economy can be envisioned as a piece of the cake. Economic growth only occurs when the entire cake gets bigger. Increasing your country's share of the cake does not contribute to global economic growth.

Your country's share of the world economy

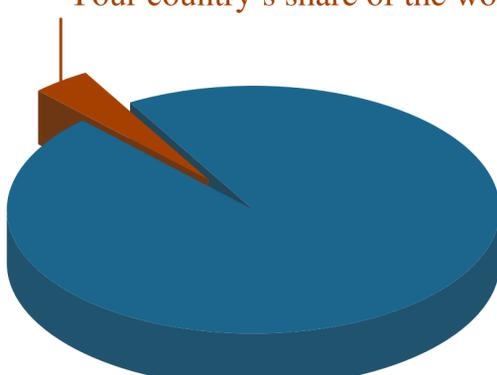


Figure 4: The world economy envisioned as a cake, with your country's share of the world economy envisioned as a piece of the cake.

Getting more people into highly payed professions also tends to decrease the average salaries for those professions. Any change of one subvector in **Vector A** compared to the other subvectors, can either be considered as a transformation of the specific subvector, or as a change of all the other subvectors. Or to put it another way; you will become richer if everyone except you becomes poorer, and you will become poorer if everyone except you becomes richer. You are not living in a vacuum. It matters what other people are doing.

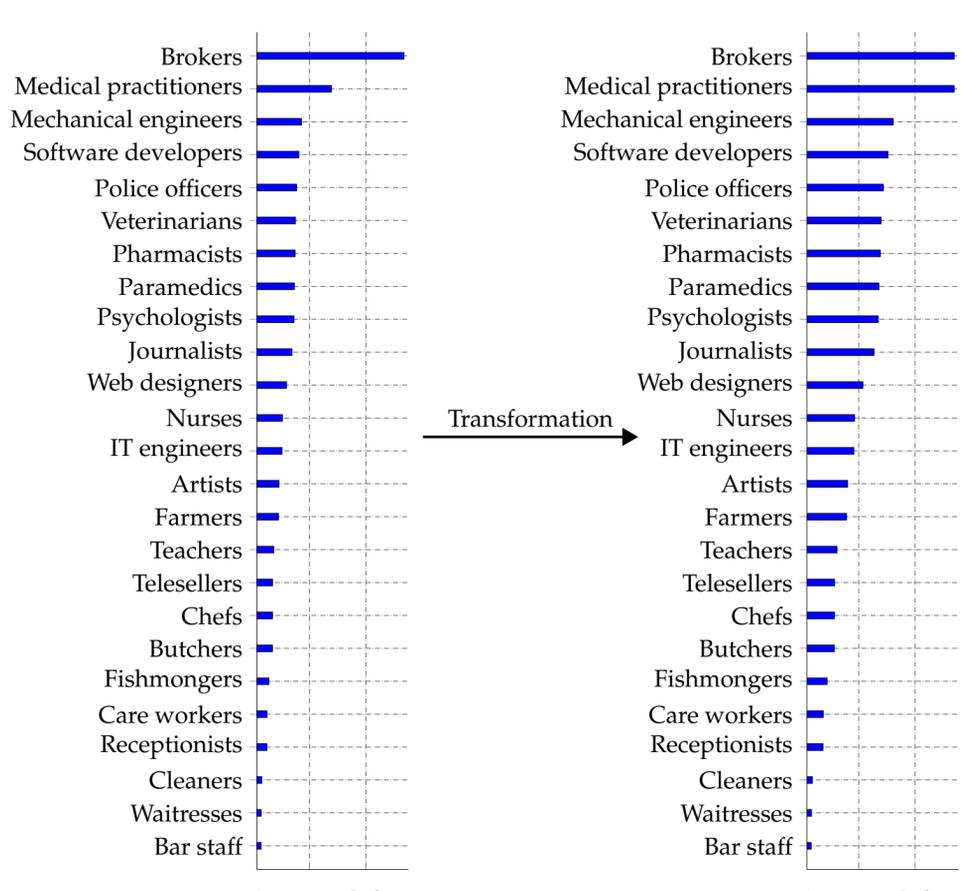


Figure 5: This transformation could have been facilitated either by decreasing the average salary for brokers or by increasing the average salary for everybody else. These two operations are indistinguishable when comparing salaries of different professions to each other. This can be understood as the highest payed professions inflating the economy for lesser payed professions.

We might consider increasing the amount of subvectors in **Vector B** as one type of growth. Increasing the amount of subvectors in **Vector B** will give us more purchase options. This type of growth has become especially prevalent after the invention of Internet, where we now have access to a tremendously large amount of movies, TV-series, music, and video-games. Increasing the amount of subvectors in **Vector B** does however not necessarily make it cheaper for us to buy goods and services, unless it also reduces **Scalar B**. The only way to make goods and services cheaper for everyone, is by finding more efficient ways to produce goods and mechanical services. This is equivalent with reducing **Scalar B**.