

MONEY AS A GLOBAL PUBLIC GOOD

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The main objective of this paper is to discuss a complex and yet not taken in consideration global public good: money. Money is a social convention created and accepted by people in order to facilitate economic transactions, being a symbol, without an intrinsic value (fiduciary money). It is universally used and it has value only in connection with the products and services that can be acquired, based on people's consent and their psychological acceptance. In other words, its value lies in the purchasing power given by the quantity of commodities and services that can be bought with money. The authority that warrants the value of money is the central bank by supervising the money in the economy. Moreover, money can be regarded as a continuum, a constant throughout history: changeable over time and yet the same, of vital importance in people's lives.

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1. Introduction

“Money is anything that is generally accepted as payment for goods and services and repayment of debts”.^[1] Generally speaking, a global public good is a good that has three properties: it is non-rivalled, non-excludable and available worldwide. This means that any consumption individual consumption does not reduce the quantity of the good available for consumption for other individuals and is not destroyed by over-use in any way.; that no one can be effectively excluded from using the good; and is non-rival and non-excludable throughout the whole world, as opposed to a public good which exists in just one national area. The first two properties of global public goods make this type of good hard to find (almost impossibly) in the real world, as there are no absolutely non-rivalled and non-excludable goods. But there are some goods which come close to defining these concepts. Recently, in connection with the context of globalisation, the global public good was brought forward, as an extension of Samuelson concept of public good.

During history, as people began to become fully aware of the importance of money for their own survival, economic growth and development, institutions were created to manage and pass the necessary rules and regulations to grant stability to the financial intermediation process. The entire process was possible because money were always perceived as a particular “asset”: to society as a whole and to each individual as well. The strength of each currency reflects the strength of the public authorities that contribute to its creation (the central banks, the government, the society by its own economic behaviour and customs) as well as the strength of the economy it reflects. Besides its social value, money also bear psychological value for each individual, as they serve in facilitating the fulfilment of necessities, dreams, of all that people could need or want in their lives.

Money may be seen as a global public good, because the concept has the same meaning and importance to everyone in the world, where all countries have their own money and benefit from them; in case a country witnesses difficulties with its own currency it is likely, in the globalization context, that by contagion those problems are spread all over the world, causing crisis, sufferings and hardship. Obviously the financial flows move freely through the international markets contributing to the contagion effect. The management of money has become nowadays a problem of global interest regarding the public benefit and welfare, supporting the statement that money can be considered a global public good.

I develop my arguments that money can be considered global public goods, as follows. Firstly, I briefly state the importance of considering money as global public goods. Then I review the main aspects of Simmel's work on the axiology of money from its two perspectives: social and psychological. Finally, I suggest how some of Simmel's assumptions have shaped forever, the study of money, from a sociological point of view.

The paper concludes that giving the large range of impact that money has nowadays, all over the world, affecting communities, individuals - society, in general, - money is a global public good that should be managed by a global authority. The management of money and of monetary policies worldwide is proven by the stability/ instability of national financial systems, which affect the global stability in the end, as proven by the current crisis. The crisis started in the US, and then through the contagion effect, the instability travelled overseas affecting other countries were in state of precarious stability. The support the IMF grants countries in need, is a reality in many countries whose money and stability towards imbalances and instability were very weak and weakened by the crisis. This crisis emphasises how closely interlinked money and financial systems worldwide are, reason for which money should be treated as a global public good, whose turmoil could affect us all, financially, socially, psychologically.

2. The importance of considering money as global public goods

The first issue to be tackled in this part of paper is the fact that no money in this world is controlled by a global monetary authority, authority that would perform the essential functions of medium of exchange, store of value, and unit of account at the global level. Some money (currencies) used throughout the world such as Euro, US dollar, Japanese Yen manifest a double quality being both national money, for their countries, but also international money used in international trade and financial transactions. The exchange rates and the movements of these currencies have global impact and widespread effects, fact that supports the statement of the character of global public good that money have. Nowadays it has become a pressing thought to develop a monetary institution that could observe and control international money and their impact on other countries.

Giving this situation, it is inevitably that national monetary policies have an impact at a global level, as they have an effect beyond national borders. Characteristic to globalization is also the ease of transport among various countries. Once in a foreign country, a non-resident is obliged to use the national currency of that country, and uses the benefits of the exchange rate, which is the relative price paid to acquire that money with its own. The correspondence between the two currencies is affected by both countries' monetary policies.

Even in the case of major currencies, monetary policies are thought firstly at national level, promoting national economic and financial stability and interest. Presently, it is highly recommended that monetary policies are conceived regarding their international impact as well, when stability of the national price level is one of the most important objectives of monetary policies. According to this objective, monetary policies support sustainable growth and stability of the financial system.

In this world, where the contagion effect has proved to be severe, as the current crisis has taught us, and for that reason, the economic and financial instability in some dominant economies of the world spread, affecting the stability and prosperity elsewhere. Recent experience proves the importance which has to be paid to the international consequences and specifically to exchange rates, in the management of economic policies in the dominant economies with beneficial results for the countries in question as well as for the rest of the world.

The international effect of the exchange rate mechanism is shown also in the latest cuts of official interest rates, in Europe, USA, and Japan, where officials used this method in order to send positive signals to the markets, encouraging the recovery of the financial system.

A second issue to be referred when discussing about money as global public good, is the money used by countries for handling their external payments. The IMF has a paragraph on this subject, mentioning its support towards countries which experience difficulties with external payments and has the role: „To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with the opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.”

This paragraph refers to the assistance given by the IMF when a certain country encounters external payment difficulties that could have an international effect, encouraging the open policies toward international trade and bringing public goods benefits to the global economy.

3. Money a particular public good

The development of real and monetary transactions requires a stable financial environment. Although, activity is considered to be primarily private, in the modern world today, a country's financial markets, its fiat money and real economy contribute all together in terms of assuring a most needed stability. By postponing consumption and investing in productive activities, finance creates efficient substitutes for fiat money, and so a more appropriate allocation of economic resources between people, activities, and in time. Liquidity problems may arise when claim of fiat money is above supply, when financial contracts are not honoured, on time and failures may be massive. As the current crisis has proved only the market forces left alone do not lead automatically to the most efficient outcomes. Being a public good, money can also be under - or overproduced. Asymmetric information facilitates disequilibrium. Only a public institution may manage money and monetary policies properly in this case, because private parties would not have the appropriate means to do that.

The mismanagement of money would then lead to the loss of financial stability, with negative effect towards the real economy, to an inadequate report between demand and supply. In contrast, appropriate management is the presumption of a healthy, stable financial system where there is an accumulation of wealth for all parties involved in an economic cycle - individuals, businesses and governments. These processes are not risk -free, and money can easily flow to other countries or parts of the world, in case a country does not have a healthy financial system. An important characteristic of financial system nowadays is called resiliency, and it means that public monetary policies have to own the capacity to adapt quickly to chances in the most appropriate way possible, and lessening the harmful effects.

Well developed countries have diversified both public and private risks enough to reduce financial losses to manageable levels. For emerging countries this process is only gaining shape and has not reached the resiliency necessary to face collateral damages in case other financial systems are experiencing problems.

In order to fulfil these requirements, money as the raw material of transactions can be considered likewise. Money has three main uses:

a) as a **medium of exchange** – the usage of money as an intermediary for trade, so as to avoid the inefficiencies of a barter system

b) a **unit of account** – standard numerical unit of measurement for the value that goods, services and transactions have on the market. This property implies that money can be divided into small units without losing value, are fungible, have a specific weight, measure or size that can be verified.

c) a **store of value** – saved money must maintain their predicted value in time.

Money is a mean to an end, not an end in itself. Money is used in order to achieve other objectives. Being an intermediate, not a final product, one can assume that money is not a public good, or a global public good.

Nevertheless the use of money has an international dimension. For that reason, money can be considered global public good for three reasons:

-Firstly, money is important to the international community.

-Secondly, in this world of globalization, of money and monetary policies one should think in a national, but also international context, as they are closely interdependent.

-Thirdly, emerging and already developed countries lately address this problem on multinational basis, as the crisis affects them all.

Money like, Euro, Dollar and Yen, is a common denominator used by the international community in order to fulfil numerous global public goods. Money can be considered a global public intermediate good or part of an infrastructure used in the creation of global public final goods.

This approach of the global role that money has contributing to the fulfilment of multiple objectives has two major points. All the countries in the world benefit or suffer from the stability/instability, first of national money, and secondly of currencies used in international trade. Second, it is difficult to assess the effect that certain money thought at national level have in international context, as not all currencies have global impact.

4. The social value of money

Money does not have only an economic meaning, with effects only on financial stability. Throughout history money has developed greatly reaching a very complex definition that includes the effects they have on social level, for each individual. In order to analyze the impact that money has on society, I would refer to Georg Simmel's work (Simmel, Georg (1989) *Philosophie des Geldes*, 2nd enlarged edn. Frankfurt: Suhrkamp), "Philosophie des Geldes". His work brings a totally innovative perspective on money, as he reveals a broader social significance, as there is no social phenomenon in a modern society that has no link, with money. Simmel believes that the essence of money transcends the economic approach and it is important, when thinking of money, to include culture and society in order to fully understand their psychological value. This is why the value of money should be analyzed from a double perspective: both objective (at a non-individual level) and subjective (on individual level, value is distorted by beliefs, expectations, previous experience). An interesting thought is the fact that throughout money the subjectivity can be eliminated, as there is nothing in the world that cannot be obtained (connected) through a monetary exchange relation. Each good has a subjective value towards individuals and can be measured in the strength of desire, of need that the individuals manifest, in obtaining that good.

Money transcends individuals, they are perceived at a global range, as they affect communities, countries... they depict the world through the multiple social interactions they are symbolic to. Money has a double dimension: in itself (multiple ways of use) and for itself (a quantity of money grows to a certain quality).

5. The psychology of money

The value of money in this modern world grows to new and complex meanings: it facilitates relationships; it makes possible a permanent flow of goods and services. Before having a psychological value (attributed for the goods and services that can be bought with them) money had intrinsic value (gold, silver), but now the substance of money has purely psychological value, being only a symbolic mean that helps people to buy whatever they want. Quality is thought now quantitatively.

In connection to the world, the culture and the society of an individual, money is a source of freedom, of personal liberty. Money allows free movement of property, of capital, of labour, of goods and services, and leads to forming new relations, enlarging the circles of social interaction, in the end, attributing a monetary dimension to everything. Distance is potentially diminished as

money are worldwide transferable, and yet is risen by the perception that people have on each other, when they are valued and themselves value others in terms of money and when the sole axiological criteria to analyze a relationship are gains or losses involved. In the modern world today, axiology leaves place to calculability. Things are treasured more than people are, monetary reason rules everything and intellect is a subject of commerce (has a price-tag), everything is in motion and driven by fluxes.

6. Concluding remarks

In conclusion, money is a complex issue that could be considered a global public good, as it has a worldwide impact on financial, social, psychological level. In this modern world everything is interlinked, and money plays a huge role in the global society, for there is no human action that hasn't got, even a distant connection with money. There is a global market and money is the key to every transaction. The problem is that, these transactions involve multiple risks, which, if not properly managed, accumulate, and finally lead to crisis...personal, national, global.

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