

The Changing Nature of Money

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Abstract

Money, a pervasive force of humankind that follows all aspects of our lives. Throughout history it has taken many shapes from natural tokens such as shells to refined metals, such as gold to today's FIAT and tomorrow's crypto. Within the paper, a study on this natural evolution of money and its impact on society and economy has been conducted to better understand the effects it has had upon the discipline known as Management so that we, as future leaders, may learn enough from the past to better influence the future.

Keywords: Management, FIAT, Crypto, Gold



Introduction

In order to begin the investigation and move further with the subject at hand, key aspects have to be established such as providing the context for the situation at hand and why its study seems particularly important given the present circumstances. The situation we find ourselves in, and in which we seem to be perpetually engaged and interact with is the use of money. Every day we seem to be engaged in different activities such as: buying groceries, shopping for new clothing, paying bills, renovating our home, and using transportation. Although they might seem different, in essence all that we do engages the economical machine of a nation, and in order for this to work we require money or in better words, a means of exchange [1].

With the prevalence of this omnipotent force we must understand its very basic characteristic, money is not made up of just euros, dollars, gold or even crypto, money is a system of tokens that manifests in the form of real purchasing power and value of individual agents [1]. With this understanding we shall now make the assumption that the very idea of money, as a token, always stays the same be it paper, metal, biological (tabaco, cattle, sea shells) [2], but it's form changes and this form brings new advantages such as better durability, better security or increased ease of usage [1].

The goal of this research is to identify the main factors which contribute to the change and evolution of money primarily based upon the similarities, differences and the journey it took from precious metals, gold, towards its modern day equivalent, Bitcoin [3]. As well as investigating the journey in proper terms, we shall look deeper into how this phenomenon affects the people inhabiting the planet and how it particularly manages to influence the privileged subject of management and the people practicing it for a living or are aspiring to use it, as it may prove of immense use for aspiring leaders.

The way in which the forementioned stated goal shall be achieved within this paper is by conducting a thorough review of selected articles, books and studies in order to curate an amalgam of resources which shall provide extensive insight into the subject. Certain parts from within each source may be presented as is and

left to the “libre interprétation”, while in most cases it may be observed that phrases are arranged as such as to represent a certain idea which is furthermore backed up by the resident reference.

The way in which the paper is structured follows an exact template and shall be used as provided during lecture. This template entails that in the next chapters the following shall be presented:

- 1)Description of the phenomenon
- 2)Factors influencing the appearance and evolution of the phenomenon
- 3)Opportunities associated to the phenomenon
- 4)Effects on management
- 5)References.

Description of the phenomenon

What is money? This question has been discussed ad infinitum both in our modern world but also ever since time immemorial, it is simple for us to assume today that money has always been the same, the same dollar leu or euro we use at the supermarket for daily transactions, but money is an ever-changing tool with the same purpose, it has been reinvented time and time again, within the following paragraphs the journey of money through time shall be exemplified in order to properly understand the amount of change it has suffered and the true fluidity of the subject.

Money began a couple of thousands of years ago, at least money as we understand it as the most basic of its definitions “a medium of exchange” [4]. The very first “money” I am referencing was the cowrie shell somewhere back in the 13th century B.C. [5]. Before this we may only assume that people used simple bartering systems and unsophisticated “favour” trading in order to have a functioning semblance of an economy and exchange of goods [4]. The cowrie shell was most likely used because it has a couple characteristics that all money should exemplify: It should be scarce enough that people do not have an abundance of it, it is durable *enough*, it is easily carried around, it is uniform as most cowrie shells are just that cowrie shells, and most important attribute of all, it was accepted by a multitude of people [1].

After this raw goods and biological materials ancient example, money evolved and came the age of metals, even though copper, bronze, tin were the first, the undisputed champion is undeniably gold. Gold is and was the standard due to exhibiting all of the mentioned proprieties that makes something worthy as a medium of exchange. It has been accepted and standardized through history. However it must be mentioned that while gold coins were used extensively between influential people, the normal citizens of a country would use more common metals, such as silver or copper but in essence if you had enough copper coins you would have in fact the value of a silver one and so on until gold, and so metals are indeed very divisible [4]. A short mention is that, such as is the case of the late Roman Empire, gold backed currencies are indeed susceptible to rampant inflation when in standardized form and the actual gold content is purposely devalued [6].

After the standardization of coins, together with the appearance of banks, came a new improvement, a representation of gold in the form of the promissory note which links paper to “money” but soon enough the more portable paper note became accepted as “money” itself the link slowly losing strength until in the 20th century it was broken completely, creating FIAT money [4].

Not being shackled anymore by the limitations of the physical world, money was open to the world of finance, which included practices such as fractional reserve banking, where banks are only obligated to hold a certain percentage of a customer’s money at any time, being able to use the rest, and profit from it, as it was its own. [1]. As a conclusion money became more than a representation of wealth, at this point, when the link between it and gold was broken, money became something else, it became a tool to gather more wealth, after

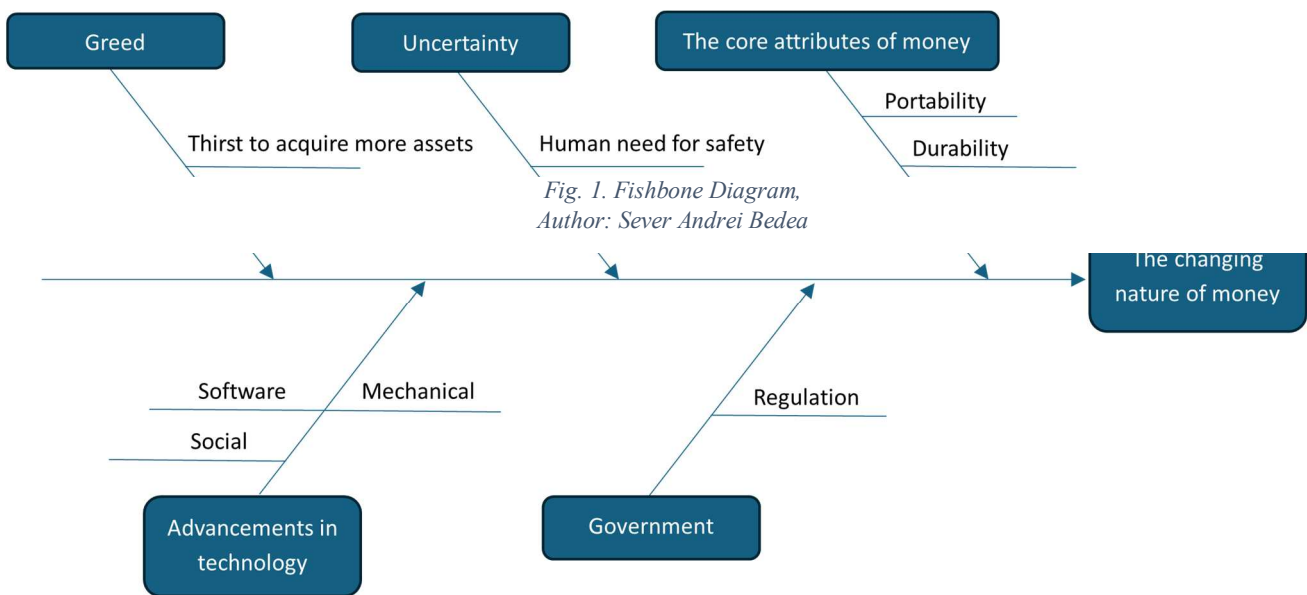
all, if nothing bounds money, other than arbitrary government policies [1], there is little in the way to stop the creation of more money for the truly bold.

Not long after advancements in computing technology and cryptographic research made it possible to entertain the idea of a blockchain. The blockchain eliminates the need for a governing body, be it political or banking institution, it democratizes the means of exchange and, in essence, allows everyone the same rights within the same system, which everyone is able to influence and interact with in the same manner [1].

In conclusion we may be able to observe that money endlessly evolves based on the core attributes that defines it, be it ease of use, fungibility, acceptability etc. and we should not expect this evolution to ever stop, cryptocurrency, the same as gold was and is just a step towards a never-ending journey.

Factors affecting the changing nature of money

Within the next chapter evidence of factors influencing and affecting the nature of money shall be presented. Besides the factors themselves it shall be endeavoured to establish poignant links between the factor in order to create a web of understanding pertaining to the discussed phenomenon. In order to establish a general starting point for the analysis, the next paragraph will contain, in its entirety, an Ishikawa diagram which is an amalgamation using the sources cited up to this point in order to understand the concept thoroughly [1] [4].



The first factor to be discussed and analysed is “Greed”. An explanation as to why a cardinal sin should be considered as a factor that influences the nature of money is simple, it is within the human nature continuously enrich oneself, to perpetually seek the betterment of you or your close ones, it is debatable as to how beneficial this instinct is, however it is undeniable present [7]. As an example of how greed may perhaps influence a decision that truly influences the nature of money, but not limited to, in ancient times whenever roman emperors would require the resources in order to fund campaigns and extravagant projects, rather than resort to a more sound financial policy or better tax structure, it was the common to subtract the amount of precious metal within a coin, a process called debasement, in this was money was irrevocably altered in order to make a single individual richer and facilitate a distribution of wealth [4].

The second factor that comes into play when discussing the changing nature of money are the advancements in technology, and here within this broad category are specified three main areas of development: Software, Mechanical Social. The mechanical aspect refers to the ways in which humanity has

been able to improve and change the physical aspect of money from hard gold to flexible paper. The social aspect refers to how, based on specific social grouping, each caste decides for itself what money means, as an example in Europe, people refer to money as Euros, but in Japan, the aspect of money changes as people refer to it as Yen with different characteristics to the previously mentioned [1]. Based on the assumption that human social constructs are fluid we may observe how they advance through time as it takes social advancement for a populace to agree to switch from cowry shells to gold, for example [4].

On the last aspect of technological advancement, software. In the last couple of decades this new emerging field of science has taken over the world and brought over a new era, the era of information and subsequently revolutionised the monetary industry as well. Money has become digitalized be it in the form of online account balances or even more recent the invention of crypto. Online tokens such as Bitcoin and Ethereum have started to emerge as a viable alternative to conventional bills and recently further developments in cryptology and blockchain technology have been hailed as the new step in the evolution of money, bringing back well desired aspects of money such as anonymity which has been losing ground in the modern era with the introduction of bank details and credit cards, it also tries to mimic gold, it is common knowledge that, just like gold, only a finite number of Bitcoin exist, as opposed to the seamlessly infinite amount of bills in currency. In effect money is changing, it is taking on the aspects of modern cash whilst drawing the benefits of more stable, previous iterations such as gold, in essence become a hybrid [4].

Moving forward towards the topic of uncertainty. People have been regarded as needing a sense of stability in their lives in order to feel fulfilled [8]. This may be evident from research the psychology of the human mind and one very interesting topic is the one Maslow brings to the table in the form of his pyramid exemplifying the human needs. Within this pyramid, one of the more basic aspects is the need for certainty and stability [9]. Regarding this commonly accepted truth we may be able to see how a need for stability manifests itself within the monetary system. Money evolves through humans and the adoption of Bitcoin is hailed by many admirers of its inherent stable nature due to its limited number of total tokens.

Government is also a very potent force which drives the changing nature of money. Money naturally rises within communities as being a product of said community and is often poorly or not ever regulated, this irregularity is also a benefit or a drawback, this topic may be debated “ad infinitum” however one thing is certain after observing the mannerisms of the ruling body of a given state, government often likes control, this extends to the monetary policy [1]. The government has gone so far in history as to alter the coinage, choose what constitutes as money be it paper notes or precious money, it creates denominations, regulates the banks, prints money, distributes money and on and on the list may go. However, it takes little observation in order to establish the fact that governments may at any point decide to alter the nuances of money as they please and this is abundantly clear through the study of either history, or contemporary economics [4].

The last factor, the core aspects of money or its characteristics. It is probably one of the most important factors which all the other one’s tie to, hence the reasoning behind depicting it closest to the phenomenon. Money must be durable enough to use over many transactions, portable in order to be effectively transitioned, in limited supply in order to assign value to it and most importantly it has to be accepted as a valid representation of value [1]. Those characteristics drive the change itself, whenever a society values one characteristic above another, we observe a change, an evolution of money. The most recent example, again, is crypto currency. We observe that people wish for security and anonymity, for stability and a coin that is not prone to rampant inflation and one that cannot be controlled, and thus from those needs, and using the most modern technology, came the wish to replicate gold but advance it within the new digital age, and money changed yet again [4].

The previously enunciated factors are all current factors that affect money in of itself, however, another factor which we might see affect the nature of money and how it is perceived in the future might be the declining demography, it is uncertain how it may yet affect money, be it positively, negatively or simply force it to evolve, however large moves within the demographic pyramid, people growing older, consuming less, producing even less might prove to be a very interesting factor for change in the future. Right now, we may be able to observe certain trends within the Japanese economy, the most advanced such demographic on earth and it does not look very bad, but neither is the situation too rosy [10].

Opportunities associated with the phenomenon

Within this chapter, the main topic of discussion is related to the opportunities presented by the changing nature of money as exemplified within nations, communities and individual level as well as answering one very important question, does it generate profits or losses?

Current opportunities.

At the very top of the food chain, the macro level of nation states, the changing nature of money impacts nations at a profound level, for some it creates an abundance of opportunities and schemes in order to better oneself, often this comes at the expense of fellow nation states. The example of the “Petro Dollar” may be taken into account. The Dollar became the world’s reserve currency and in addition, claimants sustain that even though it is no longer backed by gold but instead by oil. This change ,in what constitutes the value of money, has affected nations, in particular America which has a lot more leeway in conducting financial policy due to its supremacy of currency [11].

Communities are often affected whenever money changes, often in more disastrous ways than for the good. Communities which suffer from the devaluation of money due to rampant inflation and other crisis which stem from the tempering with the notion of money. Communities at large suffer from inflation, rising prices faster than wages and brining standards of living considerably down, in such circumstances it is imperative to find ways to hold on to value [4].

However, whenever money changes its nature, in today’s age, from physical to digital. The individual stands to gain the most. If one finds itself at the start of the race ready to go and make the switch by investing and adopting coins early, he secures the true value of his investment plus the potential value gained from betting on the future which, so far, has proven as a great opportunity for a multitude of separate individuals to gain vast amounts of wealth, to their benefit [1]. Such individuals are often identified by the nametag of “Tech Bro”.

As a last statement it is imperative to mention future opportunities at large, regarding the most interesting change, from gold towards crypto currencies. As observed, the realm of quantum computing has advanced considerably and poses a threat to the existing structure of crypto and cryptology. Quantum computers may be able to “crack” the code of all transactions, wallets and so on with relative ease. This opens up the field of cybersecurity to new possibilities and opportunities to generate wealth for those that are able to use it in order to safeguard this new and emerging evolution of money [12].

Effects on Management & Conclusions

Within the last chapter of the paper, it shall be investigated the effect the changing nature of money has upon management as career and as a field of study as well as present general conclusion and pro and contra-arguments regarding the benefits of this changing nature.

First of all it has been made clear that the changing nature impacts everything and everyone within society, so as far as this general statement is concerned, it would be safe to assume that managers and management, being part of the society at large are also affected. The most interesting way that this may be observed is by observing that now managers are having to take into account this change, this transition from physical to digital. After the new MiCA regulation came into effect in 2023, Mutual Fund managers have to account for cryptocurrencies and other forms of digital assets in order to run a successfully diversified portfolio and on top of this, transactions being allowed in digital denominations have had a large impact [13]. Managers have to account for payments being made whilst managing assets and completing accounting tasks. And if it has affected managers themselves, it is safe to assume that management, as a field of study, has to be affected as well and the curriculum adjusted in order to resemble the changing in market tendencies, and there exist example of this change within universities. Within the Romanian “Babeş-Bolyai” University curriculums have started to be altered in order to accommodate for this changing nature of money.

To conclude this lengthy paper. It has been observed throughout the conducted research that indeed, the changing nature of money is a real and potent phenomenon that affects multiple people, institutions and concepts but which is in turn directly attributed, the change that is, to people themselves. Since money is simply just a social construct and a tool used by humans, the change and interaction works both ways, the same way money changes a person, the person changes the what money means, and I will close with the old saying, what is a million dollars to a man dying of thirst in the desert but the value of a drop of water.

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