Money is a Stupid Measure
By Peter Burgess

'For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows.' 1 Timothy 6:10

In this passage, it is the "love of money" and not money itself that is the root of all evil—an idea even more relevant today than it was when the words were written. So what is it that makes money a stupid measure?

One thing is that money changes its value over time. No other measure has this stupid property: miles, tons, gallons—all retain a constant value over time … but not so money. Worse, the money of one place can and does change in value relative to the money of other places. In other words, money is not a measure at all: its value is a result of a huge range of complex interactions in the economy, both local and international. In spite of this, money has become the dominant measure for the performance of everything.

Another thing is that modern money can be manipulated. There are times when this is convenient, as in the recent financial crisis; but it makes a nonsense of money as a measure. When trillions of dollars are introduced into the system with no inherent value and expected nevertheless to take on the same value as all the pre-existing money, is that magic… or stupid?

The use of money—to the exclusion of almost all else—to measure the performance of our complex socio-enviro-economic system is one of the root causes of that system's increasing systemic dysfunction. Money can reasonably be a measure for its economic part; but we need other ways to gauge the performance of society in its human dimension, and of issues like resource depletion and environmental degradation.

As a society, we constantly measure wealth accumulation, business profit and capital market performance in money terms. Bloomberg broadcasts this information every 15 minutes when the markets are open. This is impressive, but in a modern world where society, the environment and economic (financial) performance need to be in balance, it is not anywhere near sufficient. A world in which money profit goes up, but society and the environment are compromised in the process, is inherently unstable and should be fixed. Unfortunately, however, using money as the measure of all things makes the imbalance worse.

The problem of measuring with money is compounded with measures like GDP (Gross Domestic Product) and, even worse, GDP *growth*. The only things that GDP measures are money transactions. If there is no money in the transaction, the transaction is ignored. But economists and policy makers continue to assume that more GDP means better quality of life. Until around 1970, this was largely true, as the benefit of increased productivity was indeed shared fairly equally between profits and wages; but since 1970, almost all the surplus arising from increased productivity has been captured in profit, with almost nothing going to workers' wages.

What makes this worse is that while there are powerful money metrics being applied in order to improve corporate performance, we have no measures of equivalent power to incentivize better performance for either people/society or planet/environment—which, being neither part of business accounting nor of monetary economic system analysis, are almost entirely ignored.

We need rigorous forms of measurement for *all* transactions that affect the health of our society in any way, even if those transactions do *not* involve an exchange of money. For example, children gets huge benefit from good parenting—and when they becomes adults and parents, they give back this benefit. No money is involved, but this is a transaction nonetheless, and an important part of a flourishing society. Similarly, a Church needs money to pay its bills and keep the lights on; but the really important things that a Church does in society do not get measured—and if they don't get measured, they don't stay a priority.

At the same time, it is increasingly recognized that economic activity at the present global scale is having an adverse impact on the environment, whether in the form of air pollution from automobiles and power plants, or water pollution and water shortages from intensively irrigated agriculture, or habitat degradation from the exploitation of minerals or agricultural expansion into rainforests. For these things to be managed—and they clearly *must* be managed—they need to be meaningfully measured. But money does not begin to do that.

Expecting a complex socio-enviro-economic system to perform well using only a money metric for everything is never going to work. For progress in human capital (quality of life) and improvement in natural capital, there have to be dedicated powerful metrics, and the role played by the money measure and economic performance can then be related to something grounded in reality … something that has not been in play for money for a very long time.