

The Value Problem



When Congress first defined the value of a "dollar," they defined it as a weight of gold and silver. In doing so, they took for granted that money needed an objective definition of its value, although the definition they chose to use we know today was wrong. Unfortunately, instead of finding the correct definition, the meaning of "value" was changed.

In algebra, we learn to "solve for the value of x ." The word "value" in this context means "the quantity for x ." If we were asked to measure the length of a table top, we would apply a ruler to it and announce the result: "The table is five feet long." We could correctly say, "The value of the length of the table top is five feet." We do not say, "value" because it is understood and unnecessary.

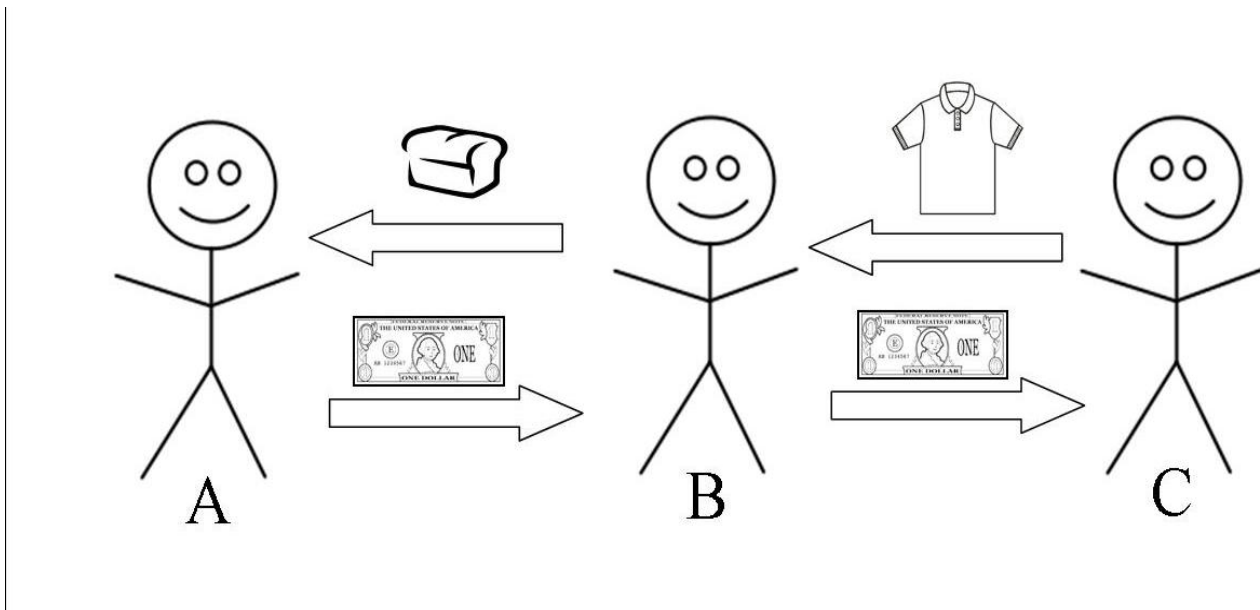
When it comes to money, "value" has come to mean something entirely different, namely, how much we desire the money. By that meaning, the value of money is subjective. It varies from one person to another, from one place to another, from one time to another. It also means that we do not know the value of money until we spend it. Only then do we know what it will buy. Only then do we know its purchasing power.

Consider "time." If I ask you, "What time is it?" you can look at your watch or cell phone and give me an accurate and precise answer. I could ask you, "What time value is it?" The question in an algebraic sense would be correct, but people would be puzzled. However, the answer would be the same for everyone with a cell phone.

A very different question would be, "How much do you value time?" The answer to that question would vary from one person to another, from one place to another, from one time to another. So which meaning of "value" is correct for money? To answer that question, we need to understand the sociological A-B-C of money.

The ABC of Money

A complete money transaction is always at least three people, not one, not two, but three.



In this example, person B sells bread to person A who gives B money. Person B uses the money to buy a shirt from person C. We say that the money "pays" B for the bread, but that is not the actual pay; it is only the money B uses to collect his or her actual pay, the shirt. The shirt pays B for the bread. Money's social purpose is to send a message from A to C about B.

If the value of money is subjective, varying from person to person, from place to place, and from one time to another, what chance exists that A, B, and C will pass along the same message. What chance exists that A will pay the correct price for the bread and that B will pay the correct price for the shirt? Not much.

How inaccurate does the money message need to be to cause big problems? The debt problem of the United States grew from \$2.5 million in 1781 to \$70 million million in 2008 at the rate of "only" 7.9 percent per year. That is a rate of less than one percent per month. It means that transactions that benefit one party to a trade at the expense of another party as little as one percent per month, if persistent, can make one of them a millionaire and the other a debtor of equal amount.

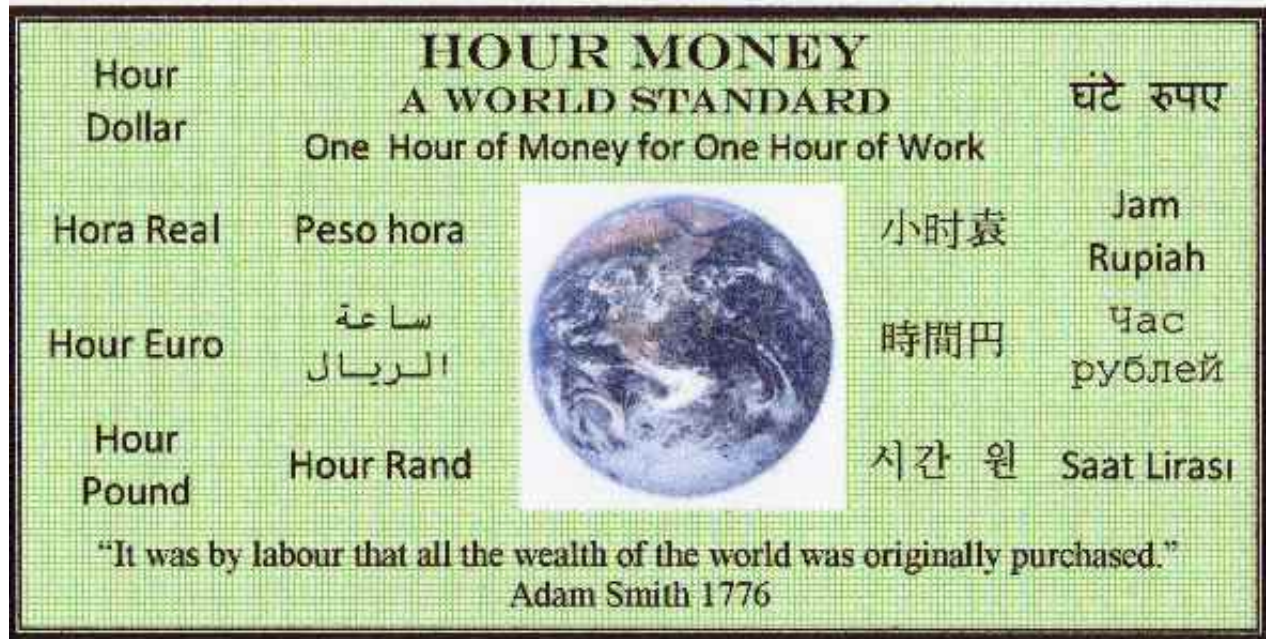
\$1.01 on an item that cost \$1.00

"Cost" would include every actual cost: materials, labor to produce and market, and overhead. With dollar undefined, the inequality of exchange has no bounds.

There you have the cause of income inequality that exists today. It did not happen overnight. It happened just a little bit at a time, but persistently, relentlessly, year after year after year. In his February 9, 1790 speech in the First US Congress, James Jackson warned that adopting a debt based money supply would burden future generations with a debt "they could neither bear nor relieve themselves from." We know now that all the generations thereafter inherited that debt burden - but always one growing a bit more, 7.9 percent per year - hardly noticeable to each generation, but adding up to a debt, "we dare not think of."

Hour Money

The correction is to define dollar in terms of an hour of work. Money would be denominated in hours. Countries could use their national name for money preceded by "Hour." So we would have "Hour Dollars," "Hour Yen," "Hour Pesos," and so on for all monies in the world.



Subjective value would continue to influence trade, but A, B, and C would understand the value of their money with the same clarity that we understand the duration of an hour of work. Worldwide everyone would understand what money says when money talks.

"This money certifies that the bearer has the right to goods or services that required an hour of work to produce."

Henceforward, fair exchange would mean exchanging the product of one person's hour of work for the product of another person's hour of work - an hour for an hour. Variations could always be negotiated by the persons directly involved. That's the beauty of money; it decentralizes the power to make decisions.

With prices brought within reasonable limits, we could have economic peace as never before. Unreasonable disparities in income - some people becoming millionaires while others cannot make a decent living, annual strikes over salaries and wages, and inflation - would become things of the past, historical oddities.

Today, prices are set by trial and error. Because dollar means different things to different people, no one knows what is a **fair** price and a **fair** wage. So we waste time and money disputing minimum wages and annual raises.

Our economic lives are needlessly filled with stress, time stress and money stress. We never have enough time and never have enough money.

With the marriage of time and money, with money disciplined by time, we will be able to live as stress free over money matters as we live with measures of length, weight, and volume.

Meet the family. . . .

Every successful unit of measure is married to an objectively calibrated measuring instrument.

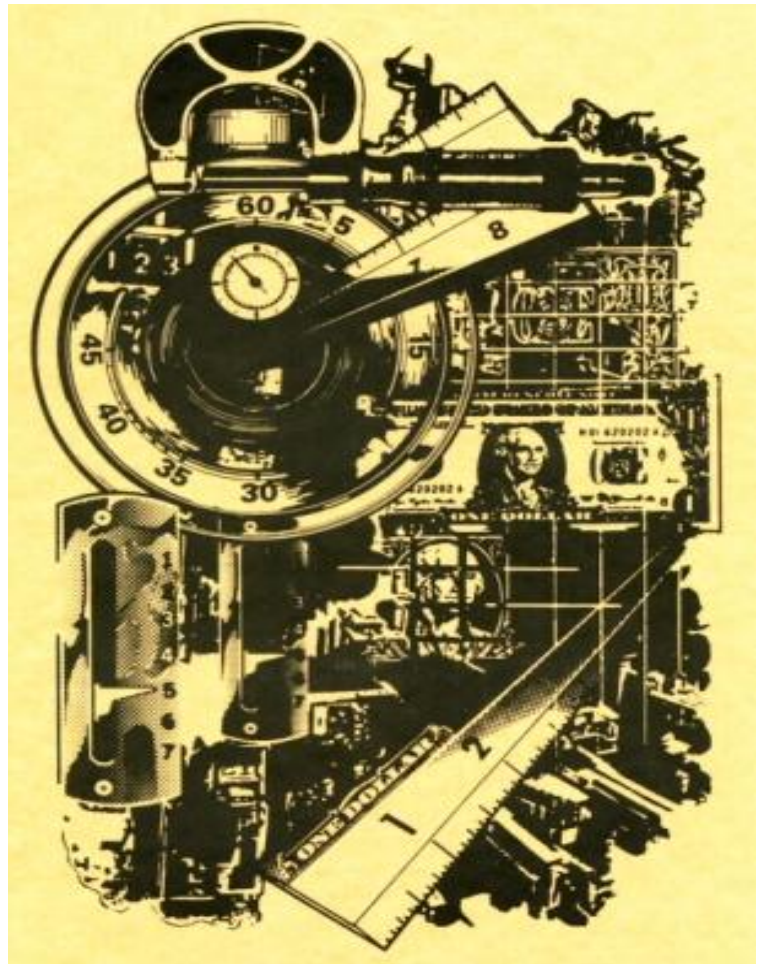
Yards and meters are married to yardsticks and meter sticks.

Gallons and liters are married to standardized containers.

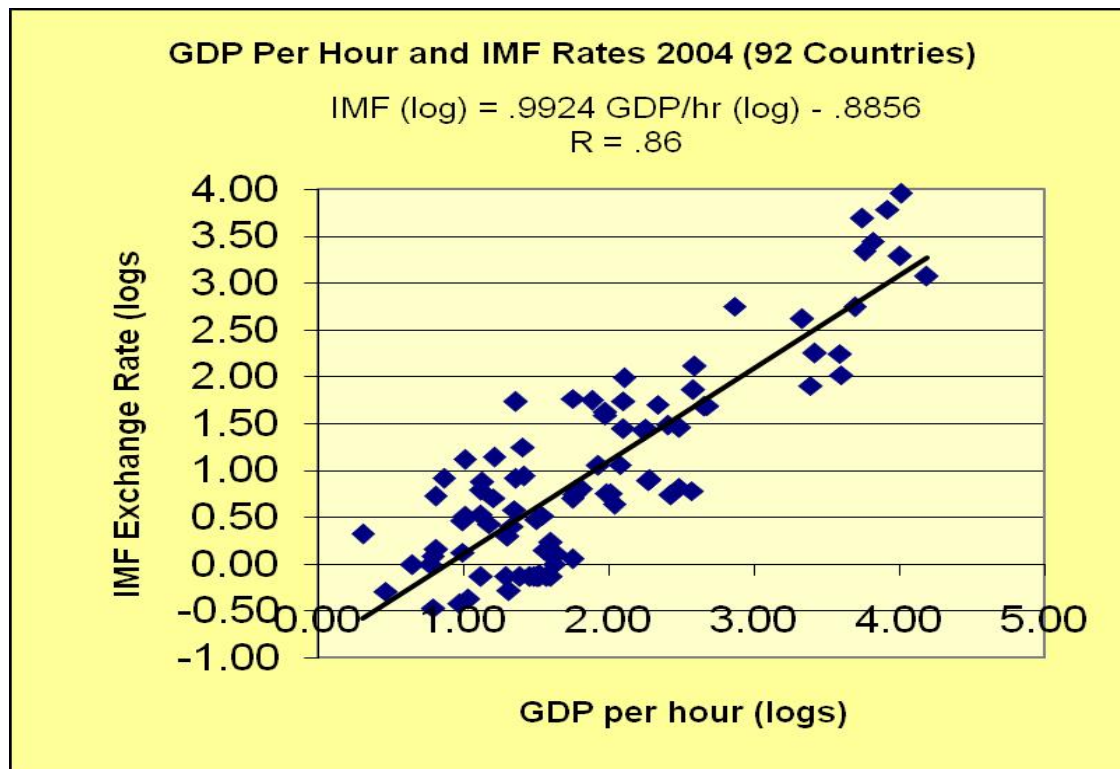
Pounds and grams are married to strictly calibrated scales. So disputes over lengths, volumes, and weights rarely occur. When they do, they are resolved wisely, efficiently, and amicably by applying their respective objectively standardized measuring instruments.

We expect people to work by the hour. Let's pay them by the Hour. Variations above or below the standard hour are always negotiable.

The whole world is invited....



Time and money live together in every country, but their national names hide their cohabitation. Work time explains more than 80 percent of the exchange value of currencies in use in the world today.



The Gross Domestic Product per hour of work that produced it in 2004 for 92 countries correlated with actual currency exchange rates $r = .86$ of a possible 1.00. Strong correlations of this size have existed for all the years that the International Monetary Fund has published the data to see it, 1950. It means that equal work time has been the center of gravity of currency exchange rates all this time.

Hour money is already being used in many local currency communities, notably in Ithaca, New York.

Ithaca's Largest List of Goods and Services to Trade

Barter List begins page 3
Sign Up to use HOURS page 7

OF 3000
1
Ithaca, NY
ONE
SERIES 1991
1

IN ITHACA WE TRUST

THIS NOTE IS USEFUL BECAUSE FOR MANY LOCAL NEEDS

ONE HOUR

November 1991

New Swap List For Ithaca Uses Local Currency

by Paul Glover

Beginning this month several hundred skills and products-- from carpentry and massage to child care, food and pottery-- can be bought with HOURS instead of dollars. The list that starts on page 3 displays offers and requests by the first Ithacans who have agreed to accept Ithaca HOURS for their goods and services.

TIME IS MONEY
This note entitles the bearer to receive one hour labor or its negotiated value in goods or services. Please accept it, then spend it.

Ithaca HOURS stimulate local business by keeping our wealth locally, and they help fund our job program. Ithaca HOURS are backed by real capital: our skills, our talents, our faith, love, ideas and rivers.

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ITHACA, NEW YORK

Better than Bucks

Ithaca HOURS are not only bigger and more useful than dollars, they benefit our community by bringing together local talent and

The Provisional World Parliament, meeting in India in 2004, adopted the hour as the world money unit. So Hour Money has support at the local level and at the global level. It now needs to be adopted at the national level.

[Back to Bob's Home Page](#)