

# **Sensing the Mediums of Value Exchange In The Future**

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## **Introduction**

Humans have always been a social civilization. If individuals are the brick of any society, exchange of value between them would probably be the mortar. It is the fundamental principle governing all human interactions and behaviours from the micro to the macro scale. Everything we do is motivated by an exchange of whatever we value. While this basic premise has remained consistent, the mediums for these exchanges have been changing from time to time. These are often motivated by what we assign value to in the first place. All value systems and perceptions are governed by the prevalent social appropriations in any given time. As societies change over time, so does the value system and consequentially the nature of value exchange between individuals and as a civilization. The premise of this paper is to explore the various possibilities and scenarios subject to which these exchanges will take place in the future.

## **What is a Medium of Value Exchange?**

Only that what is valuable is ever exchanged, or so Othien James Jevon thought. According to him in a perfect barter (the oldest form of exchange) there must be coincident of wants. This coincidence created value for each of the participants. However in the real world, with its finite pool of resources, when one resource is wanted by many and is not available aplenty, it starts to appear more valuable. That which is scare and wanted, is wealth. More often than not wealth is too cumbersome to be bartered or exchanged in its original form. To make this convenient, our civilization started exchanging tokens for objects of value or utility against other tokens. Thus the first money came into being. While these tokens within themselves might have negligible value, the wealth they represent makes them valuable. Such tokens which are the representatives of wealth, to facilitate its trade and exchange, irrespective of their own value, are mediums of exchange.

## **Why the medium of exchange will change?**

### **Megatrends**

In the past few centuries since globally relevant currencies of the greatest nations have been prevalent, there are several megatrends that can be observed.

1. Globalization of Currencies

From the year 1600 AD, European colonial nations have been maintaining currencies and taking them to their colonies. The British Pound was the first currency to operate on different continents. In the post-colonial era, currencies have become global majorly due to international trade. An international exchange rate has been set, but transactions are increasingly done in a few of the currencies from the developed world namely, the Dollar, and the Euro. Their prices affect almost all other currencies. The Euro is a great example of several nations adopting a common currency to facilitate smooth trade amongst themselves. Talks of a SAARC currency have been floating around for a while. While currently international strategic blocks are looking to unify their economies through currency, a much larger unification can be seen, if we look at the values of global currencies and people's trust in them, like gold and Bitcoin

**Keywords: Global Currency**

## 2. Loss of faith and value in Fiat Currencies

Since America ended the international convertibility of Gold in 1971 under Nixon, the amount of Dollars in circulation has inflated astronomically. It is not a one off case, almost all the currencies in the world are fiat currencies, not backed by anything other than the promise of the governments issuing them. As the western credit based economies face collapse and unstable times, governments often provide huge infusions of currency in the form of quantitative easing. The value of currencies because of their virtual abundance is decreasing every day, and in the last 50 years alone the United States Dollar has been reduced to a 7<sup>th</sup> of its value. 1 USD in 1967 had 7 times the purchasing power it has in 2017. To put this into perspectives, the United States Dollar is one of the most trusted fiat currencies for the last several centuries.

A sharp contrast is visible when we study the Gold prices in the last 50 years. In 1967 an ounce of Gold would cost 35.5 USD. Accounting for the loss in the price of Dollar, and considering no increase in the price of gold, in 2017, the same ounce of gold should cost around 7 times of that, i.e. 255.60 USD. As on 15 Feb. 17 the actual price of an ounce of Gold was 1225 USD. That is a whopping 480% increase.

Fiat currencies have proven to be a poor store of wealth over long periods of time, and people have started moving away from the idea of storing their wealth in them.

**Keywords: *Falling fiat currencies, Strong Gold, Quantitative Easing, Credit Economy***

## 3. Change in Value Perception

Over several centuries while the characteristics of an object of value have been more or less constant, what objects are perceived to possess these have changed. The things that in the 21<sup>st</sup> century have emerged to possess value have been vastly different in nature from those that have traditionally been deemed valuable. While material wealth has gradually seen a decline in its value, knowledge and information have steadily gained importance. This is indicated by several weak signals. Bitcoin is the first global digital currency that is not represented in anyway by a physical medium. The only way bitcoin can be mined is through solving mathematical problems. People are registering for more and more advanced academic courses all over the world, and academic heavy societies like India find a great number of service sector jobs going their way.

People are also seeing a shift from the consumerist mind set and are increasingly choosing to pursue goals like wellness and spirituality. Culturally it indicates a definite shift towards eastern traditional cultures, as opposed to the western capitalistic ideologies. Yoga, tai-chi and other traditional physical practices that promote wellness have begun to find vastly increased traction with global audiences.

Natural resources that are now definitely known to be on the verge of exhaustion are losing value rapidly. While people are valuing time and skill as always, inexhaustible but critically important resources have found renewed respect and appreciation. Land, water, flora and fauna have seen their value go up for the quality of life they help create. Renewable means of energy and their pursuit now has almost a similar status that the oil rush of the previous centuries had.

**Keywords: *Knowledge Economy, Information Age, Wellness, Eastern Shift***

## 4. Technological Advancement

Technology today is vastly advanced when compared to the medieval, industrial and post-industrial age. In fact the digital age technology is fast progressing to a point where a lot of the work that has traditionally been done through human effort and labour shall become automated. Tasks that involved intelligence would also be taken up in the near future by artificial intelligence, and the transition is already taking place. In such a situation human jobs will be delegated to machines and their pay might also be diverted. In such a scenario,

if we shift as a society to a Universal Basic Income as is being increasingly proposed today, the value of what money means today shall be gradually lost.

Technology would also change the manner in which currencies operate, potentially opening doors for universal currencies. Exchanges would happen virtually and wealth is even today to a large extent just numbers on a screen. This would allow for creation of indefinitely large amounts of fiat money. This would eventually cause a gradual decline in the value of all these currencies.

**Keywords: Artificial Intelligence, Digital Transactions, Universal Basic Income**

#### 5. Protectionist Political Policies

Institutionalized protectionism is being increasingly seen in governments throughout the world. Governments are becoming authoritarian and cautious when it comes to ensuring the nation's faith in its currency, trade and international policies. One excellent example is the de-legitimization of BitCoin as a currency by several governments. Despite being not recognized as a mainstream medium of exchange, BitCoin is still the most highly valued currency today. However, with more and more countries trying to discredit the system, its future is unsure. But going simply by the figures, from being introduced in 2010 at USD 0.09 per BitCoin, it has risen to over USD 1000 in 2017. This increase in prices, "Trumps" any other currency and that is the kind of thing governments would want to avoid. As of now, in global currency wars we see governments like China wilfully devaluing their currency to maintain economic competitiveness, so it is something that shall be taken up seriously.

**Keywords: Currency Politics, Government Trust, Strategic Blockades**

#### 6. Implied Energy Embargo

A major part of the world economy is driven by the industries that wield the most influence financially and politically. Currently these are the industries associated with generating energy with the use of fossil fuels. While it is a reality that this sector is soon headed towards an end, there are constant efforts from the powerful lobbies to prolong their existence. A brief glimpse of it was seen when electric car technology was not allowed to become mainstream for over three decades, till a breakout happened in the form of Elon Musk and Tesla. While there is a rapidly growing interest in renewable energy, there are still blockades in the process of it becoming mainstream. This is clear from the fact that solar energy has already been cheaper than coal for over a year now, yet, the transition to it globally is at a very slow pace. Eventually though wealth will change hands and companies investing in alternate sources of energy shall be the new wealthy, however there will be a definite period of the existing giants trying to transition into the sector or prevent it altogether from becoming mainstream. Within the next 30-50 years, the world is most likely to be in the middle of this transition while the struggle between the giants of today and those of tomorrow is still on. This struggle could be one of attrition and could cause the strong financial bond of global economics with energy, to weaken.

**Keywords: Unlimited Energy, Fuel Giants, Political and Economic lobbying**

#### 7. Skewed Distribution of Wealth

The richest 62 people are as wealthy as half of the world's population. There is a gross inequality in wealth distribution among people. This is a megatrend not only in the developed first world economies but also in the third world countries and developing nations. The mechanisms like the private banking system, which have been primarily designed to augment the wealth of the already wealthy are facing collapse. While the limited wealthy group might also be the driver of global economy, this skewness causes a great amount of dissatisfaction and animosity in some cases among the less privileged. This has repeatedly caused social unrest. With the expression of opinions and facts now in the open through free social media, there is an

increased pressure and the redistribution of wealth is imminent. Traditionally, more money has been created to reward the poor without cost to the rich, but that might soon be impossible to do, in light of the diminishing value of currencies due to quantitative easing or rejuvenation packages to revive the economy. Thus the redistribution would require an actual reallocation of resources and wealth among the citizens of the world to narrow down this chasm of inequality.

**Keywords: *Wealth inequality, imminent redistribution, collapse of banking***

### **Weak Signals**

- Tesla is an alternative energy company, its promoter Elon Musk is one of the strongest proponents of the concept of Universal Basic Income.
- The global VC market: Q1-Q3 2015 saw \$47.2 billion invested in artificial intelligence, a volume higher than each of the full year totals for 17 of the last 20 years (NVCA).
- The newly installed united states government is trying to get jobs back into its country and is investing in developing cheap skilled labour locally to be able to retain competitiveness against countries like China and India.
- The global healthcare, pharmaceuticals and wellness industry is on a boom, and is being led by India to a large extent.
- The threat of climate change is promoting trade in entities like carbon credit in a bid to increase productivity with a limited carbon footprint. International policy has started to revolve around carbon emissions and consumptions across the world. Environmental sensitivity has grown.
- As a result of the demonetization in Venezuela, several systems of decentralized economic exchange cropped up. Government played no part whatsoever in these decentralized systems.
- In the past 5 years alone, numerous whistle-blowers have spilled the beans on several trusted organizations, disenchanted with the level of control these authorities wield over the common masses as a result of withholding information. WikiLeaks is one of the most popular websites today.

### **How do we make sense of it all?**

To be able to utilize the above collection of information, several methodologies can be used. For the current context, the data has been analysed through a **Branch-Nest** model of keyword association to come up with several permutations and combinations, under the effect of the weak signals and various PESTEM factors. This helps to create a **multidimensional matrix of likeliness**, which can help us generate both **insights and infusions** for the future.

This **matrix of likeliness** for each of the sets of combinations of the various sets of megatrends and weak signals can be used as a tool to be able to map out several scenarios and study the effect of infusions and interventions on the likelihood of them coming around. The paper presents three simulated scenarios using this methodology.

### **Scenarios**

#### **1. Skilltime Exchange**

The medium of exchange will be defined as a composite of the skill and the time it would be applied for in units of skill time. Different skills or occupations will have globally relevant exchange rates for skill time. For example an hour of advanced skill like nuclear physics shall be worth 100 skilltime units,

while the skill of janitorial staff shall be worth 15 skill time units. A dynamically updated real time global skilltime index of the value of respective skills will be prevalent (like the stock market ticker today). The global worth and relevance of skills will affect this index and the amount of wealth you possess, as opposed to the promise of a government. The skilltime index will be pegged to the skill's contribution to the global GDP, subject to mild variations, but insulated from artificial inflation. If a skill is relevant over time, the person shall remain wealthy. Skilltime currency, will reflect the actual value of the work done through a skill in an hour.

### **Why**

After the collapse of Fiat currencies, people will look for currencies free from control of a government that are not infinite. With the advent of digital currencies, similar to BitCoin, each minable through a particular skill like advanced mathematics or popular poetry, the novelty of these multiple skill and knowledge based currencies will fade. Value shall directly be pegged to the skill and its economic relevance, and not on its usefulness to mine a virtual currency. Governments will not be able to control or direct currency policy, and the only way of keeping themselves relevant would be to invest in the skill development of nations. People will seek knowledge over everything else, because knowledge would be directly translated in terms of wealth.

## **2. Trading Planet and Personal Health**

This might be the worst case scenario, where trade is carried out in the form of the right to exploit planetary or personal health. This would essentially mean, that people will be able to exchange the quality of their life (health and wellness), and that of the environment to purchase the goods and services they need. This scenario will additionally create things like clean air and water exceedingly valuable, and these shall also be traded in.

### **Why**

With the industrial fossil fuel giants not relenting on their effort to keep themselves relevant, and international policies on the control of climatic degradation being mere paper tigers, all else will lose value against the simple fact of survival in an exceedingly hostile global environment. They would gradually extrapolate from the currently gaining trend of carbon credit trading for financial gain and start applying it to all walks of life. If someone were to buy a pack of snickers, they might have to take away some milligrams of radioactive waste or mundane garbage with them as the price for it.

## **3. Global Civil War over Wealth**

A global civil war between the rich and the poor might take place, as the populous poor, now armed with information take on the richest of the world in an attempt to redistribute wealth. This would be accompanied by a boycott of the centralized economic systems and setting up of smaller, but self-sufficient localized economies with their own means of internal trade. While on paper, any civil war sounds bad, but it is often the precursor to revolution. This wealth war will redefine wealth in a way that does not value hoarding but utility and quality.

### **Why**

Whistle-blowers reveal the details of the financials of major political figures like Donald Trump. Swiss Banks are hacked and their records are made public. The Federal Reserve is exposed to be a private bank. Rothschild money is exposed throughout the world's central banks. Fractional Reserve Banking

is illegalized to try and preserve faith in the governments. But the governments are exposed to be themselves run on and for private money owners as a means to increase their wealth.

## **Conclusion**

The timeline for these scenarios is between 30-50 years from today. While a lot of them appear dystopian today, the world might actually change for the better in the long term even if it passes through a period of struggle financially. Sensing the future is as more about being able to connect and analyse historical facts, modern trends and weak signals, and study their collective effects on the human psyche. Speculation does not contribute productively and there can be no single future that can be predicted accurately. Which is why a good strategy or insight generation method is to simulate several different scenarios and study why each happens.

Our futures are the results of permutations and combinations of the choices that we make each moment. Every choice that doesn't seem right from a moral standpoint must be avoided, because in the long term, all material wealth loses value. True value shall always lie only in that which is not quantifiable.