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Money is Worthless

Money and the monetary system as a whole are a part of every single American citizen’s life in some form or fashion, whether it is their main focus and drive to make more money, or they have enough to give it away. Money is, a lot of times, one of the biggest motivations behind a person’s decisions. Money has been around for forever and will continue to be around for forever. For the past few decades, the United States has been the world’s “superpower” as far as the international economic system goes. The United States’ dollar has been the most stable national currency and is almost superior to other nations’ forms of currency. However, this could come crashing down in the near future. It is currently in a bad state and is on the verge of becoming disastrous. The American monetary system could be compared to a snowball at the top of a snowy slope that, if given a slight push, would roll down the hill becoming bigger and bigger and potentially posing a rather large problem. Since the start of the 1900’s, the monetary system of the United States has been declining. This decline could be caused by any number of factors, but the most notable are the dollar always decreasing in value, individuals and private businesses not having to accept the dollar as a form of payment, and the monetary system employing a fiat currency.

One factor that has likely contributed to the decline in the monetary system over the years is the lower value of the dollar. It is almost impossible to argue that the dollar’s value has not declined over the past century, especially since its creation at the end of the 1800’s (“The History”). This major decline in the dollar’s power is evident in the cost of movie tickets through the years. At the first quarter mark of 1900’s, in the year 1924, a person could go see a movie at the movie theater for only twenty-five cents. In the middle of the 1900’s, it was possible for a person to go see a movie at the movie theater for a little less than half of a dollar, a mere forty-six cents to be specific. In the year 1975, someone could go enjoy a movie for, relatively speaking, a much larger price: two dollars and five cents. It costed about four and a half times, or four-hundred fifty percent, what it had costed only twenty-five years earlier. Now, movie tickets can cost anywhere between nine to eleven dollars for an adult ticket (“Adjusting for Inflation”). This increase in prices from 1975 to now is about the same as the one from 1949 to 1975 since the price of the movie ticket increased by about five-hundred percent or five times as much. The value of the dollar has obviously decreased if the cost of a movie ticket increases by four- or five-hundred percent every quarter of a century and almost two-thousand percent over a fifty-year span.

The first reason that the value of dollar is steadily going down is due to inflation. Inflation, in general terms, is when prices go up and therefore the value of money decreases. Obviously, inflation is not good for the dollar itself since it is essentially weakening it and makes it less valuable. Inflation can potentially be a good thing for the United States’ economy according to Sean Ross, a writer for investopedia.com who has a Bachelor of Science degree in economics and has previously worked as a consultant and financial advisor. In his work titled “When Is Inflation Good for the Economy?”, Ross claims that inflation does in fact lower the dollar’s value, but it increases the amount of dollars in circulation, which increases spending, which creates more demand and therefore promotes production. Ross points out the fact that the monetary system is in a cycle that can be considered beneficial since its end result is an increase in production. While this cycle could be considered beneficial to the monetary system, it is not quite beneficial enough to be successful. That is because the goods of inflation do not outweigh the drawbacks that inflation creates. If the rate of inflation continues to rise, the value of the dollar will continue to decrease until the point where it becomes inefficient to print the dollar bill because it costs almost as much to print as it is worth. If and when this happens, the United States government will have no choice but to totally get rid of it.

Another reason that the value of the dollar is on the decline is because of the types and amounts of bills that are in circulation in the United States and the whole world. There are currently seven types or denominations of dollar bills being printed on a widescale bases in the United States. These include: $1, $2, $5, $10, $20, $50, and $100. Obviously, the higher bills are more desirable to people which instantly lowers the value of the $1 bill and the value of the dollar in general. According to *The Washington Post*, there are more $100 bills being used around the globe than there are $1 bills (Telford and Whalen). This goes to show just how small and insignificant the $1 bill has become. Nobody will want the lower denominations if they can find one of the higher bills like a $50 or $100 bill relatively easily which will continue to lower the value of the dollar further. There is a simple solution to this problem: stop printing so many higher denominations of bills. If the $1 bill is the most abundant bill, then it will have more value and restore some of the dollar’s purchasing power. Until this happens though, the value of the $1 bill and the dollar itself will continue to decline until it is worth next to nothing.

Some people may argue that the United States operates on a free market system, so it is built to support itself. This however, is not true because the United States does not use a free market system specifically. According to dictionary.com, a free market system is defined as one whose prices are “determined by … competition between [private] businesses, without government regulation” or, in other words, supply and demand. Since the American government is actively involved in the United States’ monetary system, America cannot have a pure free market system. According to Kimberley Amadeo, a writer for *The Balance* who is an expert in economic analysis and business strategy and author of “Why America is not Really a Free Market Economy,” the United States uses a mixed economy which “combines the best aspects of a free market economy with those of a command economy”. Since America does not operate solely on a free market, the economy will not be able to support itself for forever. Also, since the government sets the value of money, the economy could collapse relatively easy based on the idea of a fiat system, where the government sets money’s worth, and the innate right of the people to refuse cash for payment, both of which are mentioned later.

A second possible factor for the monetary system declining is because people and private businesses have the right to refuse the dollar as a form of payment for goods or services. Although it has not had a major impact yet, this right that belongs to the citizens of the United States could potentially drop the value of the dollar to a much lesser amount. According to the Federal Reserve, all United States issued currency has value, but there are no laws that force “a private business [or] person” to accept this money “as payment for goods and services.” This right allows the people to refuse traditional money for payment if they believe that they are owed something that has a more definite value; something such as a form of work or some other type of tangible gift. This type of behavior could sink the dollar’s value because, if a large amount of people begin demanding other forms of payment for goods or work and services, then the group of people who still accept money as payment can start increasing their demands. These higher charges would effectively lower the dollar’s purchasing power since the same amount of money would get a person less services or goods. Furthermore, what would happen to the American monetary system if everyone decided to refuse cash and currency as a form of payment?

One reason that these businesses and individuals being able to reject the dollar as a form of payment is bad is obviously the negative effect it could have on the dollar’s value. Another problem this situation could cause is everyone having a different value of their goods or services. This difference in understanding would lead to a lot of people overpricing what they have and what they can do which would likely lead to very little business for large amounts of people whether it be people selling what they have or providing themselves for work. This dip in business and the economy would lead to a further and more severe decline in the United States’ monetary system to where it would eventually cave in-on itself. A broken monetary system would not be good for the United States government. The national government would have to make fixing the economy their number one priority which could easily create other problems, both domestic and foreign. The easiest way to prevent all these disastrous problems is to make sure that people do not give up and lose hope in the value of the dollar and the American monetary system in general.

A third possible factor for the downward spiral that the American monetary system is on is its use of what is known as a fiat currency. The phrase fiat currency is used to define a monetary system where the only reason that currency has value is because the national government says that it does (Bernhart). This type of monetary system could easily cause a national problem if the citizens of the United States began to have questions about their money, such as, “How can the government assure us that our cash is backed up and insured?” If this type of situation arises, the government will have nothing to say. The only response they possibly could give is: “Do not worry. Your money is safe. We regulate its value, so you have nothing to be scared of.” This particular response did not answer the proposed question since the government did not say how the money is insured. The national government just expects the American citizens to take the government’s word and move on.

One reason that the United States’ fiat currency will not continue to work is because, according to experts in money and finance, the fiat currency system was not built to stand the test of time. George Melloan is a former writer for the Wall Street Journal and has written many different works and papers on finance and the monetary system within the United States. In his work, “Only a Crisis Will Bring Money Reform,” Melloan claims that fiat systems in general, for countries around the world, will not work since it is unable to produce a currency that has a constant value (279). Holding a constant value is one of the requirements that economics experts claim is necessary for a national currency to be successful. The United States is a good example of this Melloan’s theory since the value of the dollar has been steadily decreasing for the last several decades. If the dollar continues this trend, it will eventually cost more to make than it is worth which would be very inefficient for America’s monetary system. Based on the trend of the dollar’s value, the failure of the fiat currency, and essentially the monetary system of the United States as a whole, appears to be inevitable unless there is a solution that will allow the dollar to maintain a constant value.

Another reason that the fiat currency will not work in the long run is because the money and currency is no longer backed by gold. This may not seem like a major issue, but this means that money is not insured or backed up in any way. The United States government stopped using the gold standard in June of 1934 when President Franklin D. Roosevelt called for all American citizens to turn in their gold for cash value. He did this in order to give the Federal Reserve the power to inflate the money supply for the United States which ended up helping bring the United States out of the Great Depression. It was not until 1971 though that the United States cut all ties with the gold standard. In 1971, President Richard Nixon declared that the United States government would not redeem cash for gold (FDR). Since the United States has abandoned the gold standard, American currency has had no form of insurance or backup for it. Since there is no type of insurance for the cash, the government is essentially making paper valuable and giving it different amounts of worth. This brings back the question once again: what happens when people refuse cash, claiming it is just paper?

This question points to the fact that money in the United States is currently operating on a faith-based policy. This is because money, as it is currently known in the United States, is a fiat currency that has value because the government says it does (“Money”). The fiat system has worked because people in the United States have faith in the economy of the national government. If these people were to quit believing in the system and begin refusing cash as a form of payment, “the whole system will collapse” (How the U.S. Monetary System Works). If and/or when people begin to realize that their paper money by itself is worthless without the belief in its value, the monetary system of the United States will undoubtedly fall to its knees. The American people are the real power that makes the monetary system function to the degree that it does. Without the people’s belief in the system and the process, the system will fail to work, and the monetary system will crumble. The people may end up being the push the snowball needs because their decision on whether or not to have faith in the monetary system is the piece that holds the fiat currency together.

Cash and money are very important in people’s lives, especially in the lives of American citizens. Money can and likely will be a major influence in most citizen’s lives because everything in the United States is driven by money. Food, shelter, transportation, and clothes all must be paid for in some form or fashion. The money that Americans are used to seeing and using all the time could potentially be gone in the next several years. The United States’ monetary system just needs a little help over the edge before it starts rolling downhill at a pace that will not and cannot be stopped. The snowball has been building up since the start of the 1900’s and now it is getting ready to fall. There are many factors that could be the cause of the decline in the American monetary system, but arguably the biggest are the decline in the value of the dollar, the right of American people to not accept the dollar as a form of payment, and the United States using a fiat currency where the money is not backed by gold.

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