

3.1 An exercise on the distinction between money and value

Comment on each of the statements or expressions below in the light of the distinction between money and value.

1. In the year 2000, Britain's Gross Domestic Product was €950 billion.

This is a statement about the value of goods and services produced in Britain.

2. US foreign aid amounts to \$28 billion per year.

This is a statement about value. The US government does not give away money to foreign aid recipients.

3. 'Celebrity wins million pound divorce settlement.'

This is almost certainly a statement about value. Divorce settlements normally include such things as ownership of houses and investments.

4. 'Win a £10 000 holiday.'

This is a statement about the value of the holiday.

5. '£10 million bank robbery.'

It is possible that a '£10 million bank robbery' could relate to the theft of money, since banks do store large quantities of money. It could, however, relate to the value of other things stolen from the bank (such as gold bars, bearer bonds, etc.).

6. '£4 million art theft.'

This is evidently a statement about value.

7. 'Russian tycoon R.A. is today \$7 billion richer after the sale of his shares in a major oil company.'

This is a statement about value – it is unlikely that the sale was concluded with the delivery of truckloads of cash. Note, however, the level of financial and economic illiteracy in the statement, which is quite typical of press comment on business affairs. A man who sells something, even when he sells it for money, does not thereby become any richer. He exchanges one thing, say shares, for another thing, say money, of equal value. His wealth therefore remains the same.

8. 'ABC plc announces £9 million profit.'

This is a statement about value. Profit need not be in the form of money. As we have seen from the accounting model, profit may also take the form of promises or unconsumed inputs.