

## **The Influence of Money on Human Society**

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**ABSTRACT:***The main purpose of this study is to investigate the impact of money on human society. This research mainly extracts the relevant contents of three currency fields as the research objects, and mainly adopts the methods of content analysis and literature review. The reason for this approach is that it is easy to find relevant reference materials because there is much research in the field of money. Based on the references we find, it is easy to draw some impressive conclusions for the research objective.*

*For this research paper, we will look into the three parts that represent the past, present, and future of currency respectively to understand the monetary development more thoroughly. Money has been shaped into notes and coins under various circumstances. Now there are many kinds of currencies in the world, and the US dollar is one of the most influential and controlling currencies. As the benchmark of the world's floating exchange rate system, the dollar has a wide and long-term influence. Looking to the future, the virtual currency must be one of the main types of currency used by human society in the coming period of time. By focusing on these elements, we can analyze and summarize the impact of money on human society in a comprehensive and profound way.*

**KEY WORD:** *Cashless society, mobile banking, currency problems, the evolving international monetary system, inflation, recession, exchange rate, taxes, interest rates, development of money and Capital Markets, dollarization.*

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### **I. INTRODUCTION**

People deal with money all the time during their daily life, whether it is buying and selling between sellers and consumers, or mergers and acquisitions and investments between enterprises. Also, the amount of money people have has also determined the quality of people's life. Most people in the world want to be wealthy so that they can satisfy their wants. As is known to all, resources are limited, desire is infinite. In human society, the way to get more resources is to spend more money. Therefore, only more money can make up for people's desires.

For people in ancient times, people began trading with each other in the form of barter, which is the primary form of exchange. With the development of society, people started to use shells and bones as types of currency. After that, money made of gold, silver, copper, and other metals or alloys gradually appeared in people's sights with the development of the foundry and smelting industry. However, people began to see serious problems, not enough metal, too much trouble making it, and too high a cost of precious metals, which led to the decline of metal money. In more recent times, some coins still exist in today's society, but these coins are made of cheap metal and are far inferior to the prevailing type of currency, paper money. Paper money is the most used currency in the world today because it is cheap to make and easy to issue. If people choose to look to the technological side, a new kind of money is gradually emerging, they are called virtual money.

At present, virtual currency, as its name implies, is a currency that is traded and circulated by means of virtual networks. It is an important and typical type of modern currency. Although virtual currency is a new type of currency that appeared in the twenty-one century, it still has both advantages and disadvantages which are different from other types of currencies. As for the advantages of virtual currency, first of all, it can save the cost of making banknotes and coins, reduce the amount of trees and mineral resources used in banknote manufacturing, and protect the ecological environment of the earth. Besides, virtual currency is convenient and easy to use. In modern society, people have their own personal electronic products and communication devices, which could provide an important medium of exchange for virtual currency. However, the disadvantages of virtual currencies are self-evident. It is illegal in many countries because it interferes with official government money and government policy. In such a situation of advantages and disadvantages, virtual currency has also become one of the hot topics of modern people.

In recent years, Covid-19 has caused significant problems in world economics. GDP has taken a hit in many countries, and so has inflation. This economic slowdown and even contraction will be reflected in the world's major currency - the dollar. As the main currency in the world, the dollar determines plenty of aspects of worldwide economics. As the currency with the largest circulation in the world, the US dollar is widely used by many countries as a reserve currency to balance international payments. Therefore, the US dollar has become

the basic currency in global foreign exchange and the main currency in an international payment and foreign exchange transactions, occupying a very important position in the international foreign exchange market. The Dollar index is an index that comprehensively reflects the exchange rate of the dollar in the international foreign exchange market and is used to measure the change in the exchange rate of the dollar against a basket of currencies.

Therefore, this research aims to analyze the benefits, impacts, and issues of money on humans and their well-being.

## **1.2 Research Objectives**

The research objective of this project is to explore whether money brings benefits to human life. In order to achieve this research goal, we divided it into several modules to conduct research.

1. First of all, we selected important points in the history of the development of money to explore the impact of money on human life in different historical periods. Since human beings have been using money all the time in their lives since the invention of money, the importance of money can be seen and measured, so we can explore what benefits money has brought to human beings in the history of money development.
2. Secondly, we choose a representative type of currency in the new era - virtual currency. This kind of currency is controversial because while it provides a convenient way for people to pay, it also brings a series of vicious disadvantages, such as power shortages and price gouging. It is a currency with both advantages and disadvantages, which can certainly provide some useful evidence for our research objectives.
3. Thirdly, at the same time, we also selected some mainstream currencies in the world, such as the US dollar, to analyze their impact on trade and exchange rates, so as to deduce the form of the current world currency market and how the trend of the currency market will affect people's use of currency.

In conclusion, the objective of this research project will make a deterministic judgment about whether and how money benefits humans.

## **II. LITERATURE REVIEW**

### **2.1 History of Money Development**

With the rapid development of human society, the life of people who lived in most parts of the world has become better. Because of the diversity of the whole society, people have more wishes that need to be satisfied. Thus, the objective of this research is to find out whether money provides benefits to humans. For money itself, it has evolved all the time throughout history. Most people are willing to have more money because money satisfies their desires and wishes. Nonetheless, the desire for money and the impact of money cause a series of problems, like inflation, an unstable exchange rate, or an economic crisis. Thus, this literature review will make a summary of the references from various articles.

From ancient barter to shells, then to metal money, and then to paper money and coins, now gradually to the direction of virtual money. Money has evolved over time. In the current situation, the analysis of the historical evolution of currency types, as well as arguments, is rooted in an alternative approach to the purchasing power of a single fixed currency. It shows the quality of the monetary unit and the changes in the monetary system (Yusim, V.N.). The evolution of money led to the birth of a series of new concepts about money, such as purchasing power, monetary system, and so on. With the development of the international monetary system, currency trade between countries is also becoming more and more frequent. There are several concepts like the gold standard and the gold exchange standard. Over time, growing imbalances between the external debt of the key currency country and the surpluses of other countries tend to push the system to breaking point. The ballooning internal debt of the reserve currency country—particularly of its household sector—strains its capacity to import and undermines the value of its currency both literally and in terms of its role in the global economy (Arista, J.).

Therefore, money and capital markets are important for the efficiency and solvency of the financial system. They enhance competition, lower intermediation costs, and provide borrowers and lenders with an alternative to debt financing from the banking sector. Excessive reliance on debt renders economies and enterprises vulnerable to external and internal shocks and contributes to financial instability (Popiel, P.). Any change in currency and market will lead to certain changes in the international financial environment. With the development of currency and capital markets, the international financial environment will also change. For example, an important concept-exchange rate has a huge impact on different fields, such as the travel industry. The ambiguity in the literature about the effect of exchange rate volatility contrasts with the magnitude of the impact of a common currency on trade. When people travel to other countries, they need to take the exchange rate into consideration, because there are differences in currencies between different countries.

On the other hand, the way that people use money is developing. Because paper money or coins may cause some diseases while using them, Paper currency and coins may be a public health risk when associated

with the simultaneous handling of food and could lead to the spread of nosocomial infections. Banknotes recovered from hospitals may be highly contaminated by *Staphylococcus aureus*, *Salmonella* species, *Escherichia coli*, and *S. aureus* are commonly isolated from banknotes from food outlets. Laboratory simulations revealed that methicillin-resistant *S. aureus* can easily survive on coins, whereas *E. coli*, *Salmonella* species and viruses, including human influenza virus, Norovirus, Rhinovirus, hepatitis A virus, and Rotavirus, can be transmitted through hand contact (Angelakis et al.). Nowadays, as technology develops, the payment ways and types of money have changed a lot, such as stablecoins and digital currency, and even the better managed and regulated stablecoins may not be quite a match against a stable and well- designed central bank digital currency (Georgieva, K.).

Stablecoins are cryptocurrencies the value of which is pegged, or tied, to that of another currency, commodity, or financial instrument (Kahn et al.). Stablecoins aims to provide an alternative to the high volatility of the most popular cryptocurrencies including Bitcoin (BTC), which has made such investments less suitable for wide use in transactions. No doubt, for a government, the central bank to manage the issued digital currency is more powerful than stablecoins, because the central bank-issued digital currency with legal protection and government control of the power of interpretation, is undoubtedly far stronger than stablecoins as a stable virtual currency.

Thus, for highly-developed payment, payment services are a fundamental portion of the financial industry and are highly regulated because of their potential risks. Nonetheless, e-money and mobile phone accounts in the new arrangement are effectively the equivalents of demand deposits, and as such subject to the same concerns (Kahn et al.). People now often have electronic savings accounts on their mobile phones, where they keep the money for immediate access. This undoubtedly brings great convenience to payment methods, because they can complete the vast majority of small and medium transactions in daily life by just carrying a mobile phone.

However, the birth of mobile payments has also enabled some criminals to profit from mobile payments, such as stealing other people's electronic payment accounts and then transferring money from those accounts. Because of this, in modern society, adults need to teach their children to get rid of these money frauds. At the same time, the bank also needs to provide some approaches for students to manage their money. This suggests that there is a wider opportunity for larger banks and building societies to build more extensive money management facilities for young children (Davies, P.). Because children do not have a comprehensive understanding of their own property, their personal property is vulnerable to illegal infringement in today's society where electronic money is prevalent. Therefore, banks should formulate relevant policies to ensure the safety of children's property, not only children but also all people's electronic property.

In a word, the development of money is not only bringing benefits to human beings but also updating human lifestyles.

## **2.2 Currency in the New Era – Virtual Currency**

Based on the evolution history of money above, there are two new types of money-virtual currency that have begun appearing in the vision of people, called virtual currency or electronic currency. They are different from each other. Simply put, electronic money or e-money is the electronic alternative to cash. It is the monetary value that is stored electronically on receipt of funds, and which is used for making payment transactions. E-Money can be held on cards, devices, or a server. Examples include prepaid cards, electronic purses, such as M-PESA in Kenya, or web-based services, such as PayPal. As such, e-money can serve an umbrella term for a number of more specific electronic value products and services (Fipro, J.). The narrative about the future of money in developing countries is dominated by international financial institutions (IFIs) and their affiliates, multinational payment service providers, mobile network operators, and academia. Most have reduced the future of money or monetary needs of the unbanked to the eradication of cash by digitization (Chipere, M.).

Take one of the most famous virtual currencies-Bitcoin as an example. Potential users can purchase Bitcoin by using an online exchange. These exchanges act as either brokers or dealers in allowing users to convert a major currency such as the U.S. dollar into Bitcoins. The first of these exchanges, the Bitcoin Market, opened in February 2010. Another exchange, MtGox, first launched in July of that same year (Kroeger, A.).

The way to determine the value of one virtual currency is also unique. Bitcoin is not issued by a Central Bank or backed by a government; therefore, the monetary policy tools, inflation rates, and economic growth measurements that typically influence the value of a currency do not apply to Bitcoin. Bitcoin acts as more of a commodity being used to store value, so the following factors influence its price: the supply of Bitcoin and the market's demand for it, the cost of producing a Bitcoin through the mining process, the number of competing cryptocurrencies, regulations governing its sale and use, media and news (Bloomenthal, A.).

As convenient as virtual currencies are, they also create some risks. The twenty-first century can be characterized by a vast development of technologies and the increasing use of the internet which significantly succeeded in the development of the monetary system introducing a new phenomenon - virtual currencies.

While remaining rather illusive, virtual currencies have been broadly noted by both legislative authorities and practitioners. (Dibrova, A.)

Moreover, such prime authorities as the Securities and Exchange Commission, S Treasury, and European Central bank have also shared their concerns about this new type of currency. Due to the growing popularity of virtual currencies, especially cryptocurrencies the suggested topic deserves extra attention. Despite the diverse opportunities virtual currencies might offer, it is rather hard to ignore the related risks - virtual currencies, representing a type of unregulated, digital money, might support superior risks such as money laundering, financing illegal activities et cetera (Dibrova, A.).

Thus, the central body of a country needs to set policies for the virtual currency. The debate over the long-term potential of Bitcoin has been influenced in part by the regulatory scrutiny of federal regulators and law enforcement, and the United States Senate. Growing acceptance of Bitcoin appears to signal that the virtual currency may finally be going mainstream. Despite the enthusiasm and expanding acceptance of Bitcoin, a model for the regulation of virtual currencies remains unclear (Levin et al.).

Therefore, while virtual currency brings benefits to societies, it could also cause stress and instability. Based on this, the future direction of virtual currencies is still uncertain and unpredictable.

### **2.3 The Situation and Impact of the US Dollar**

Finally, the last part will mainly discuss the mainstream currencies in the world- the US dollar. As the dollar has been the world's major currency for a long time, the image of dollar hegemony has gradually emerged. As a result, some people are gradually calling for de-dollarization. The coexistence of two currencies in an economy opens significant challenges to central banking (Vidal et al.).

Dollarization is a process that usually exhibits a well-defined pattern that starts with the foreign currency used as a reserve of value, then as a medium of exchange, and finally as a unit of account. This pattern defines three interrelated types of currency substitution: Financial dollarization (assets and liabilities), transaction dollarization, and price or invoicing dollarization. When the domestic currency loses its function as a reserve of value, agents often change their portfolios towards dollar-denominated assets/liabilities and start using dollars (in the form of bank deposits and cash) for durable goods transactions. Banks notice that a higher fraction of their deposits is denominated in dollars and begin lending in dollars as well. By this mechanism, firms also start saving and borrowing in dollars and ultimately decide to set their prices in foreign currency as well (Vidal et al.). In addition to the U.S. mainland, 11 other countries use the U.S. dollar as their official currency, like Zimbabwe and Costa Rica (Chelangat S, 2018).

In many countries, the coexistence of two currencies persists even after the economy has returned to macroeconomic stability, and the local currency has recovered its fundamental attributes. When agents choose to dollarize their assets, liabilities, and invoicing, they do not internalize the aggregate risks associated with such decisions. These risks include currency mismatches in balance sheets and foreign currency liquidity risks. In this sense, dollarization may place the financial system to be more exposed to unanticipated sharp movements in the exchange rate. Furthermore, dollarization limits the role of the central bank as a lender of last resort. In turn, this generates significant vulnerabilities to financial stability and the payment system as a whole. That is, dollarization reduces the effectiveness of monetary policy in episodes where international turbulence and capital outflows affect the domestic value of the foreign currency. Consequently, it may be optimal for central banks to deploy policies that make agents internalize those risks and discourage some types of dollarization. In fact, under this rationale, several governments and central banks have started implementing de-dollarization policies, even though there is insufficient research and evidence on the relative effectiveness of the available policy options (Vidal et al.).

De-dollarization is also an important theme in many aspects. For the transportation market. When the supply of tokens can be adapted from day to day, the credit system was found to be superior in all tested scenarios, provided the selling behavior of individuals is rational. Finally, even in the case when toll revenues in the price instrument are equally redistributed (often difficult in practice), tolling in tokens (when tokens are equally distributed) is marginally more equitable in scenarios where congestion effects are more severe. These findings make a case for tolling in tokens (Seshadri et al.). Some hope to replace the dollar's role in transportation with a token.

With the diversification of the world currency, the floating exchange rate system has gradually become the mainstream in world currency conversion. The modern system of floating exchange rates was born in March 1973, just short of 50 years ago. Having faced months of intense speculative pressure in foreign exchange markets, Japan and a large group of European countries suspended nearly three decades of postwar practice and announced that they would no longer peg their currencies to the U.S. dollar. In the subsequent half-century, what initially looked like a temporary retreat from the dollar-centric Bretton Woods system became permanent and by the turn of the millennium, many EMDEs had embraced considerable exchange rate flexibility as well. These developments took place in a global environment of supply shocks and high inflation and were in part

motivated by countries' desire to sever linkages with the dollar that made it hard to manage domestic macroeconomic policy independently. Yet, despite that intention, the dollar has remained central to the functioning of the international monetary and financial system, as has the role of U.S. monetary policy. The system has evolved considerably, however, and with it, the ways in which U.S. policy and the dollar impact the rest of the world (Obstfeld and Zhou).

The most notable change has been a spectacular growth in international financial positions and flows, facilitated by the rapid deepening of national financial markets and their cross-border linkages. Due to this growth, the way economic shocks are propagated through the world economy has changed. One important change following the initial period of floating is that U.S. macroeconomic policies have increasingly come to affect other countries through financial channels, even countries with exchange rates that are flexible against the dollar. Another change is the greater scope for global financial-market shocks to buffet the dollar, with spillback effects outside the United States, particularly in EMDEs (Obstfeld and Zhou).

Thus, the US government also provides some policies. The severe global economic impact of the rapid spread of COVID-19 manifested in March 2020 through strains in offshore dollar funding markets and U.S. Treasury market dislocation. The Federal Reserve (the Fed) reacted with many measures, including expanding and enhancing the central bank dollar liquidity swap arrangements with selected foreign central banks (hereafter CB dollar swaps) and establishing a new repurchase operation (repo) facility for Foreign and International Monetary Authorities (FIMA) with accounts at the Fed (hereafter FIMA repo facility) (Goldberg and Ravazzolo).

The dollar itself, it remains unquestionably the world's most powerful currency, but it has suffered some skepticism and economic shocks in recent years.

### III. CONCLUSION

To conclude, based on the above three aspects, including the development, evolution, and progress of money, virtual currency, and the role and influence of the U.S. dollar in the world, the research goal -- the influence of currency has on human society, can be explored.

For each country, when its fiat currency depreciates against the dollar, it can stimulate production, increase exports and reduce imports, but at the same time, domestic prices will rise. This is the most significant effect of currency on society.

No matter how the form of money changes, as long as there are transactions between people, money will always exist and circulate in human society. Therefore, money exists eternally in human society and has an influence on it all the time. In terms of the current world monetary situation, the US dollar still maintains its hegemony and will not be shaken in the short term, so the world monetary circle is still centered on the US dollar.

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