



POWER, MONEY ARE RELATIVE

Our society tends to directly correlate power with money. Often we allow someone to assume power because of their wealth. However, I posit that what money provides us with is security. As I stated in an earlier *Phi Kappa Phi Forum* article (winter 2017), technically, money is a tool. It is part of our economic system that provides a method of exchange to meet our needs. Certainly, money can become a status symbol, but the foundational difference is between wants and needs. We need water, food, shelter, a warm place to sleep, and some feeling of safety or security, according to Maslow's hierarchy.

The association is relative. A popular theory among macroeconomists is called Purchasing Power Parity. It is a metric that compares economic productivity and standards of living between countries and over time. The metric compares different countries' currencies using an approach valuing a basket of

goods and is based on the country's relative cost of living and inflation rates. Every three years, the World Bank releases a report comparing countries and their PPP. Both the International Monetary Fund and the Organisation for Economic Co-operation and Development use weights based on PPP metrics to make predictions and recommend economic policy. These predictions often can impact financial markets in the short run. In addition, the Central Intelligence Agency produces a World Fact Book online that shows reports on countries and PPP.

For the average consumer, this may seem to be a very broad discussion. The point is, the power of money is relative — relative to inflation, relative to a standard of living, and relative to prices. However, for most households, the power of money is relative to our values. Money is a tool providing a method of exchange to meet our needs; to trade for goods we value.

I usually tell people and families I counsel on money management that, if they show me their checking account register, I can see what they value. In other words, we will spend our money on those things we think are important; and it is generally in the order of housing, food, and transportation. The relative question is how large of a house, brand name or generic foods, fancy car or something to get from point A to B. The other general categories vary by individuals and families. Check your expenses for the following categories to see if these align with your value system: giving (to a charity or your church), clothing, insurance, entertainment and eating out, savings, debts, investments, and any other expenses.

If these are not in alignment with your values, think about making adjustments to your budget.

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