



The History of Money

The power of money

Narrator:

The History of money in 10 minutes. Number 9, the power of money.

Since the last traces of a gold standard disappeared in 1973, the world has carried on trading in US dollars even though these aren't backed by anything of intrinsic worth. The US government's decision to borrow billions for its bank rescue and stimulus plan dramatically increased the supply of dollars and some predicted that this would lead to a big fall in the dollar's value, on the basis that economies which print money so that they can consume more than they produce will suffer price inflation and exchange rate depreciation. But six years on this still hasn't happened. Why then does the dollar retain its value? Perhaps with so much of the world holding its wealth in US dollar assets people simply have faith that the dollar will retain its value. And the knowledge that so many others share that faith reinforces the general optimism that the dollar will stay strong.