



## **The History of Money**

### *Money and inflation*

#### **Narrator:**

The History of money in 10 minutes. Number 5, money and inflation.

In the 16th century, Spain brought home massive additional supplies of precious metals from the colonies. But what seemed like a dream come true, and should surely have boosted trade, turned sour when traders simply put up the price of their goods to match this new purchasing power, so the returning explorers were no better off, and those without the new gold were even worse off. It was only those who had debts, which had in effect got smaller, who were actually better off. This was the first appearance of the theory that too much money, chasing too few goods can cause inflation. Unless, that is, the traders produce more goods, or unless the newer, bigger money supply circulates less rapidly, by people saving more, either because they're rich enough, or because they're particularly gloomy about the future.