



The History of Money

Controlling Money

Narrator:

The History of money in 10 minutes. Number 4, controlling money

Years ago, on the Pacific island of Yap, the nearest thing to gold was the rai stone, notable for its enormous size and weight. From the days the chiefs decided to ask for their taxes in rai stones, it meant that for all tax payers, the currency became universal, unavoidable, and under the control of the chief. The most valuable rai stones were just so heavy that the Yap population tended to leave their currency in one place and then trade effectively on promises. Any trader who owned a rai stone on Yap could issue a promissory note against the value of their stone and thus banking was born. And once the chiefs accept these promissory notes instead of rai stones for their taxes, they effectively lose control of the amount of money in circulation - the money supply. In the 20th century some economists argue that the amount of money in circulation directly affects economic performance and it is important for governments to try to control it. But this is not easy, especially when it's private lenders that create most of it.