



The History of Money

Paper Money

Narrator:

The History of money in 10 minutes. Number 3, paper money

Carrying around large quantities of coins could be exhausting work and it was early Chinese rulers that hit on the idea of keeping their heavy coins back in the palace while issuing IOU certificates on paper for long distance trading. Although the paper had no intrinsic value, people trusted that it was worth what it said it was worth, and they could always exchange it for gold or silver, or the coins it represented. As global trade grew, the idea of paper money caught on, but traders and lenders were concerned that it was a bit too easy just to print money, so they tried to link the value of money to the value of gold, which had the benefit of creating a standard for exchange between different currencies. Attempts to peg currencies to a fixed gold standard continued for centuries, but the need for flexible exchange rates always prevailed, and since the early 1970s the world has stopped trying to keep to a gold standard. So today the only thing that distinguishes the value of a bank note from any other paper is trust.