

Pounds and Pence, what is money and how does it work?

[Music]

Dosh, cash, moola! Money, it touches every part of our lives, but what exactly is it? You and I know this is ten quid. What if I use this to pay for something in Siberia? The coins and notes you use every day are just a convenient way to measure what things are worth. Like using centimetres to measure length.

Before money was invented people swapped things to get what they wanted. But if you swap stuff how do you decide what different things are worth? And what if the other person doesn't want any of your stuff. The first metal coins were made around 700 BC and coins were first produced in England about 70 BC. Paper money started when people wanted to store their gold and silver coins somewhere safe. They gave them to a Goldsmith who then gave them a receipt for the amount. This piece of paper had the same value as the money. So anyone could take it to the Goldsmith and claim their coins.

No money is worth anything unless you're sure it's genuine. You need cash that everyone recognises and trusts for buying and selling things. So fake money is completely worthless.

Today we don't use paper money as receipt for gold. Our banknotes are based on trust and the promise to pay.

Banknotes are carefully designed to make them hard to counterfeit. Take a look at this tenner. A see-through window, raised print, an ultraviolet feature, foil patches and special micro lettering that you can only see through a magnifying glass. And even after all of that, each note only cost a few pence to make. But cash isn't the only way to pay. You can buy lots of things with the tap of a credit or debit card and thanks to online shopping and banking you don't even have to go outside to spend or manage your money.

[Music]