

Trust and Value

For a monetary system to work, the VALUE of money must stay roughly the same over a period of time (it does change a little and that's generally ok).

People also need to TRUST in the money they have. They need to trust that it is real and that it is worth what they believe it to be worth.



Imagine being given a £20 note for your birthday. The next day you spend half of it on a t-shirt. The next week, you go back to the shop to buy another similar t-shirt. You are trusting that the £10 you have left is worth the same value as it was the week before. However, when you get to the shop, you find that you don't have anywhere near enough money. How would you feel?

- Prices do change (the price of petrol is a really easy example to see this with) and so sometimes £10 will buy more of something than at other times.
- This is often linked to demand- if lots of people want something (like toilet roll!), the price may go up because people are willing to pay more to get it. The company selling it can therefore make more money.
- If something is not wanted by buyers, the price may become cheaper to make it more appealing.
- Prices of things can also increase because the cost of the things used to make them has increased.
- Generally over longer periods of time (5-10 years), prices increase.



Despite this, the value of the money we use generally stays the same. The Bank Of England control this very carefully and change things to help keep the value of our money stable. They also make changes to make it easier or harder for people to spend or save money to help keep things running smoothly in the country.



- Originally, “bank notes” were simply notes exchanged between merchants (people who trade things).
- These notes were sheets of paper that represented a debt to be settled in the future.
- This relied on the merchants trusting each other to pay their debt.

- Over time, bank notes evolved to be used by all of society.





The words "I promise to pay the bearer on demand the sum of..." still features on every bank note.



This means that the piece of paper we are handing over to someone means the same thing to them as it does to us. It is like an IOU that everyone can use, constantly being passed from one person to the next.

In the past, you could exchange a bank note for its value in gold bars or coins. Your ten pound note would always be worth ten pounds of gold bar- it kept its value!

Sometimes the value of a bank note does change, and things go wrong...

The Zimbabwean government printed too much money at one point and started printing bank notes of larger and larger denominations (amounts). This caused "hyper-inflation" which is when the prices of things rise by more than 50% in a month! One Zimbabwean dollar no longer had the same value. Instead, it wasn't worth much at all.



Who wants to be a trillionaire? In Zimbabwe, no-one. This note is worth almost nothing!

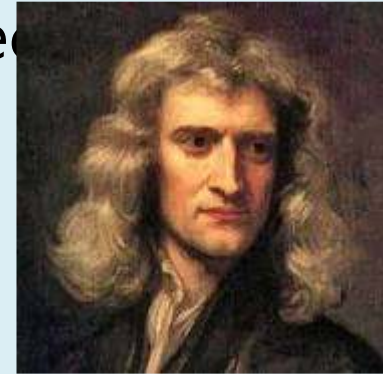
Venezuela also had bank notes with very little value. In August 2018, the Venezuelan Bolívar was replaced by the Bolívar Soberano.

Counterfeiting

- Counterfeiting can also cause problems to the value of money, and stop people trusting in the money they possess.
- The definition of counterfeiting is to “make an exact imitation of something valuable with the intention to deceive or defraud”. With money, this means making a copy of a coin or bank note so that it looks like the original.
- When someone buys something with a counterfeit note, the money does not have any value. They are basically buying something for free! However, the seller doesn't know this.
- If you sold some old toys and were given a counterfeit note, you might not realise. However you could then go into a shop and try to buy something, and the shop might realise your money isn't real. You wouldn't be able to buy anything!

Counterfeiting

- The Bank of England and the UK Government take extensive security steps to ensure that money is safe from counterfeiting.
- Elements such as choices of colours and fonts to paper quality, holograms, watermarks and embedded metallic threads are used to keep the money in the UK safe.
- Isaac Newton was the Master of the Royal Mint in 1696. Counterfeiting was such a problem that he recalled coins in circulation and then had them re-issued.



Preventing Counterfeiting

These are some of the features of current and recent bank notes that you might notice which make the notes more secure.



Feel of the paper



Micro lettering



Hologram



Raised print



Watermark



Print quality



Ultra-violet



Metallic thread

Your Task

Complete the sheet for this lesson.

* Extension activity *

The new British £1 coin is supposedly one of the most sophisticated coins in circulation in the world. Find out about why it is so special and what makes it counterfeit-proof. Create a poster to show what you have found out.