

Your Shortcut to... Boulders, Banks and Bitcoin - The History of Money

"It's been giant stone wheels, bags of salt and paper promises...It's been stamped by kings, hidden in banks and carried on strings...And today, most of it exists as numbers on screens...

This is your Squiz Kids Shortcut to Boulders, Banks and Bitcoin... The history of money... the podcast where we explore the who, what, when, where, why, and how of the wonderful world around us. I'm Christie Kijurina."

And I'm Bryce Corbett

Bryce, you've been hovering next to my desk for a minute now...what's up?

I have a quick question, Christie. Can I borrow five dollars?

Hmm...Depends. Why?

Important emergency.

Define emergency.

Chicken nuggets.

Bryce... chicken nuggets are absolutely not an emergency.

Fine. But technically... you already owe me anyway.

Excuse me?

I carried all those giant boxes in for you this morning while your hands were full. Labour was exchanged. Services were provided. I'm basically an unpaid employee, and now society demands repayment. Preferably in chicken nugget form.

So let me get this straight... because you helped me carry boxes, you think I owe you food?

Exactly.

Which is funny... because some historians think money may have started with something a bit like this. Long before coins or notes, people may simply have kept track of who owed what to whom.

Today, we're unwrapping what humans used before coins and credit cards existed... how money changed from salt and shells to paper notes and Bitcoin... and why something only becomes money if enough people believe in it. So grab your piggy bank, your calculator...and let's get started.

And listen carefully. There's a S'Quiz at the end...

WHAT

Bryce, if I offered you a five-dollar note, a goat, a seashell and a giant rock... which one is money?

Hmm... can I buy chicken nuggets with a goat... Jokes... I actually think it depends where we are in history. Weirdly... maybe all of them.

That's right! Because money hasn't always looked like coins in your piggy bank or numbers a banking app. For a long time, people thought money started with barter, swapping one useful thing for another.

Like: I'll trade you three fish for your loaf of bread?

Exactly. But there's a problem. What if you don't like fish?

Well, that would be awkward. Especially if you're standing there holding three smelly fish.

Which is why some historians think humans may not have relied on barter as much as people once believed. Instead, they think communities often worked more on trust, memory and keeping track of who owed what to whom.

Which weirdly sounds a lot like what happened before the show when I carried all your boxes and expected nugget repayment.

Still not happening.

But it makes sense. In smaller communities, people would've known each other. You help someone build a hut, share food or fix a fishing net... and maybe later they help you back.

Exactly. Sort of a giant community scoreboard. But humans also began trading things people already valued. Salt. Shells. Cattle. Metal. Cacao beans used to make chocolate drinks. Even alcohol in some places.

Cowrie shells became a big deal in parts of Africa and Asia too. Tiny shells, but trusted and rare enough that people used them almost like coins. So not money exactly in the swipe-your-card sense... but definitely sophisticated systems for exchanging valuable things.

But perhaps the strangest money of all came from a tiny Pacific island called Yap, part of Micronesia, where people used giant limestone wheels called rai stones.

And when we say giant - we mean giant. Some were taller than a grown-up and so heavy they barely moved.

People travelled hundreds of kilometres by canoe to nearby islands to carve the stone and bring it home, which could be dangerous. Part of a stone's value came from the story behind it, the effort and risk involved in getting it back.

And according to stories recorded by visitors to Yap, one stone even sank to the bottom of the ocean during transport... but people still agreed it had value because everybody knew it existed and who owned it.

Which sounds completely bonkers, until you realise most money today is already invisible... just numbers on a screen

But, Christie, if money started as goats, shells and giant rocks... how did humans end up with shiny coins, paper money and banks?

HOW

Bryce, as villages grew into cities and trade spread further, humans hit a problem.

Let me guess... carrying five goats to the shops? Very inconvenient!

Well... yes... Goats are noisy, giant rocks are heavy and seashells are easy to lose. So around 600 BCE, in a place called Lydia, in what is now modern-day Türkiye, rulers came up with something clever: small metal coins made from a natural mix of gold and silver called electrum.

And here's the clever bit: the ruler stamped the coin with an official symbol, basically saying, "Trust me, this is worth something."

Exactly. Instead of checking every single piece of metal, people could trust the stamp.

But there was a catch. Because once rulers controlled money... they could also mess with it. In places like ancient Rome, emperors sometimes mixed cheaper metals into silver coins while keeping them looking almost the same. So, the coin still looked fancy... but secretly contained less silver than people expected.

Exactly. That is called debasement. And here's a word detective moment: the word corruption comes from an old Latin word meaning to spoil or ruin something. It didn't begin with dodgy coins specifically, but many people saw rulers as literally corrupting money by secretly watering it down.

So money only works if people trust it... and people get grumpy when someone fiddles with the recipe.

Very grumpy... Meanwhile, over in China, people were using copper coins with square holes in the middle as currency. Which sounds odd... until you realise the holes meant coins could be threaded onto strings, making thousands easier to count and carry.

But as people gathered more wealth, the strings of coins got heavy. So during the Song Dynasty, about a thousand years ago, merchants began using paper notes, basically a promise that said: this paper is worth so many coins.

So instead of carrying a mountain of coins, you carried a sort of receipt. Then, in Renaissance Italy, powerful banking families like the Medici helped money move even further.

Because charging interest on loans was frowned upon by parts of the Church, bankers sometimes hid profits inside exchange rates, swapping one currency for another through something called bills of exchange.

Which meant money could move between cities without merchants hauling giant bags of coins across dangerous roads and the banks could make money off this. So over time money gets smaller... lighter... faster... And eventually, money stopped being tied to actual gold or silver and became something called fiat money, money backed mostly by trust.

Which raises a pretty enormous question... if money isn't really gold, silver or giant rocks anymore... why do billions of people still trust it enough to build whole lives around it?

WHY

Bryce, it seems as if people still trust money today because for a long time, money actually was tied to something physical. In the United States and lots of other places, money was connected to gold. Governments promised that, in theory, paper money could be swapped for a certain amount of real gold sitting in vaults.

And after World War Two, lots of countries got together and linked their currencies to the US dollar, while the US dollar itself was tied to gold. But there was a problem. Sometimes, governments spend money faster than the treasure pile grows.

And unlike gold, governments can just print more paper money. That's useful in emergencies, wars or economic crises, but if too much money is created too quickly, each dollar can end up buying a bit less. Economists call that inflation, when money you have in your pocket today is able to buy fewer things than it did yesterday.

By the late 1960s and early 1970s, the US had spent huge amounts of money on things like war, including the Vietnam War, and there were more dollars floating around than gold to match them. So in 1971, President Richard Nixon stopped allowing US dollars to be swapped for gold. And money suddenly became much more about trust than treasure.

Exactly. Today, most money is called fiat money. That sounds fancy, but it simply means money that works because governments say it does, economies support it, and people trust that tomorrow it will still buy something useful.

That sounds a little bit like Yap again. That giant stone at the bottom of the ocean...people trusted it had value because everyone agreed it existed and knew who owned it.

But trust can wobble. In 2008, something called the Global Financial Crisis shook confidence around the world. Risky home loans in the United States, huge debts and complicated financial products helped trigger a chain reaction that caused banks and businesses to collapse, including a giant bank called Lehman Brothers.

Which made lots of people wonder: what happens if we stop trusting banks to keep score?

And just weeks later, in 2008, someone using the name Satoshi Nakamoto published an idea called Bitcoin. Instead of banks keeping one giant list of who owns what, Bitcoin uses thousands of computers to keep a shared public record called a blockchain.

And unlike governments printing more money, Bitcoin's creator built in a limit, only 21 million bitcoins can ever exist, which supporters say makes it harder to devalue. And now some governments are even exploring digital versions of their own money, called central bank digital currencies, or CBDCs.

Which raises big questions. Could digital money make payments easier and faster? Probably. Could governments see more about how each person uses their money, or even restrict what people can spend their own money on? Some people think that's possible, depending on how it's designed.

So after thousands of years, from shells and goats to coins, paper notes and computer code... money is still changing.... because money has never really just been about coins, paper or screens. It's about people agreeing to trust one another, solve problems together and imagine value into existence. Which is pretty hopeful... and also pretty strange if you think about it.

THE S'QUIZ

"This is the part of the podcast where you get to test how well you've been listening..."

1. What is the funny name of the island where the people used giant stones as currency? CLue: it's the sound a small dog might make [Yap]"

"2 In ancient China, people often carried copper coins with square holes in the middle. But why?"

a) So they could be threaded onto strings and carried more easily

b) To whistle through the air when thrown

c) To make them lighter

[a) So they could be threaded onto strings and carried more easily]"

"3 After the Global Financial Crisis in 2008, someone using the name Satoshi Nakamoto proposed a new type of digital money. What was it called?

a) Nugget Coin

b) GoatPay Deluxe

c) Bitcoin

c) Bitcoin"

That's all we have time for today. Thanks for joining us as we explored the who, what, how, where, when, and why of Boulders, Banks and Bitcoin... The history of money

Now get out there...and have a most excellent day!

Over and out.