

## Curious kids: where does money come from?

Written by The Conversation

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*This is the first piece in our new Curious Kids series. The Conversation is asking kids to send in questions they'd like an expert to answer. All questions are welcome – serious, weird or wacky! Email your question to [curiouskids@theconversation.edu.au](mailto:curiouskids@theconversation.edu.au)*

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Where does money come from? – **Millie, aged 5, Sydney.**

If you look inside your parents' wallets, you'll see some brightly coloured plastic sheets and some little plastic cards. These plastic notes and cards are "money", which your parents use to buy food, clothes, and beautiful toys.

When I was a child, I used to read [The Adventures of Pinocchio](#) . Pinocchio is a puppet who became a child. He believed that money grew on trees. It took him a bit of time to understand that this isn't true.

Where does money come from?

Money doesn't grow on trees. Your parents have to work in a job to get it.

The plastic notes come from a place called the Federal Reserve Bank of Australia. You can call it "the RBA" for short.

The RBA is in Sydney. The people who work there operate a machine that prints and cuts the yellow, red, purple and blue plastic notes that you have seen in your parents' wallets.

The good people at the RBA can print pretty much as many of these notes as they want. But

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they know that if they print too many of these notes, then something not so nice will happen. This not so nice thing is called “inflation”. Let me explain what that means.

When there are too many notes going around, people start to spend more and more money. Because there is so much money going around, the people in shops start charging more for things like food and clothes and beautiful toys. Everything starts to get more expensive. That’s inflation.

So, when you hear your parents saying that “life is too expensive”, you can blame it on inflation.

We haven’t always had money like the money you see today. A few thousand years ago, people wouldn’t *buy* things, they would swap. For example, you could swap some vegetables from your garden with your friend to get some ham, for example.

That worked for a while, but humans eventually decided it was easier to make small notes and coins than to go around finding shells, vegetables or salt to trade, and that’s how the money system was born.

The plastic cards inside your parents’ wallet are also money. The coloured plastic notes are beautiful, but you can lose them, and it’s hard to keep them all in your wallet if you need a lot of them to buy lots of things.

So, instead of going around with a lot of notes, people put their notes in a place called a “bank”. The bank keeps the notes safe for you and gives you a plastic card in return.

When your parents need to get some notes from the bank, they use this plastic card. They put the card into a machine, the machine reads the card and knows that the owner of that card has notes in the bank. Then your parents tell the machine how many of their notes they want back and the machine gives them the notes.

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But there is one more surprise: these plastic cards can be used to buy things today and pay next month!

Your parents do not even need to go to the store with paper money. They can go to the store with their plastic card and show it to the shop owner. The shop owner will tell the bank that they have purchased some things. Next month, the bank will ask your parents to pay for those things using their paper notes.

That's why the plastic cards are basically the same as plastic money.

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*Hello, curious kids! Have you got a question you'd like an expert to answer? Ask an adult to send your question to us. They can:*

*\* Email your question to [curiouskids@theconversation.edu.au](mailto:curiouskids@theconversation.edu.au) \* Tell us on [Twitter](#) by tagging [@ConversationEDU](#) with the hashtag #curiouskids, or \* Tell us on [Facebook](#)*

*Please tell us your name and age (and, if you want to, which city you live in). Send as many questions as you like! We won't be able to answer every question but we will do our best.*

*Fabrizio Carmignani receives funding from the Australian Research Council for a research on the estimation of the piecewise linear continuous model and its applications in macroeconomics.*

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