

I believe in money, but I'm not sure that it's real.

Let me explain. First of all, I don't think there's any doubt that coins and banknotes are real. I'm willing to trust my eyes. I also believe that the hard disk of the computer of the bank that records how much money I have in my bank account is real.

But coins, bank notes and bank accounts aren't really what money is.

If I had a load of pound coins, and I melted them down, I would find that each coin contained 6.12g of copper, 2.14g of zinc and 0.48g of nickel. If I sold the metal, at today's prices each coin would only be worth 6.2p. 16 coins for the price of one! So it isn't the stuff that coins are made of that makes them money.

Another way you can see that money isn't really just coins and notes is to learn a little about all the other things that have counted as money in the past – shells, stones, salt and even squirrel skins.

Ever since some people have had stuff others have wanted (and have preferred not to just knock them over the head and take it), people have been trading with one another. If someone a few thousand years ago had more sheep than he wanted, and someone else had plenty of apples and wanted a sheep, they could barter – doing a straight swap.

But if you go to Westfield shopping centre with a bagful of apples and ask to buy a woolly jumper, all you'll get is a funny look. Money is a much more efficient way of trading because you can use money to buy anything.

But money itself is nothing, except for what we make it. An apple or a sheep is always going to be useful, since you can eat them. Eating a sheep involves more baaing and mess, but a sheep is still going to be a sheep whatever we think about it. But with money it's different. You can't eat money. Except for tossing a coin to see who kicks off a game of football, it's not useful by itself, only for what it can buy.

And it can only buy anything because we all believe it can buy things. But if everybody stops believing money can buy things, it becomes quite worthless.

That's not just something I'm imagining. There are many examples of people stopping believing in a currency, and it becoming pretty worthless. After the first world war, the German Deutschmark lost value so quickly that what you paid for a loaf of bread on Monday would only get you half a loaf on Wednesday and not so much as a slice two weeks later. In Hungary in 1946, the currency fell in value so much that in one year, the value of every banknote in Hungary added together was less than one tenth of a British penny.

Much more recently, a virtual currency, Bitcoin, halved in value in just 40 days to February 1st 2018 – because people stopped believing that other people would keep believing that it was worth so much.

So money seems to only work if we believe in it, a bit like the fairies in the story Peter Pan. So it feels as if money isn't real. We can't make something real just by believing it, can we? But on the other hand, money is so important, it feels like it *must* be real. As the song says, "Money makes the world go around." It certainly makes aeroplanes go around the world, full of people who are spending the money they have earned or travelling to earn it. Lots of things that are real are only possible because of money, even if money is just in our minds.

So, is money real?