

What Gives Money Its Value? aa

Reading Time: 3 minutes

Money gets its value due to two factors: the government and people's beliefs, which are intrinsically related. Currencies have existed for hundreds of years, and they might continue to exist until you and I are no longer around.

This guide describes the primary aspects you should know in order to answer the question "where does money get its value?" as well as why it's so important, especially to improve your personal finances.

The Difference Between Money and Other Goods

To understand where money [gets its value from](#), you must first know why it's different from any other goods.

When you need food, you often get it because you or your loved ones require nourishment. Money is paper, so it's certainly not necessary to nurture your body.

Even so, people demand money not because of its direct use, but because it's necessary to acquire other goods and services. In other words, people demand money because it offers you the power to acquire all sorts of things, including food and nourishment.

If you examine something with value, it means it has a price. As a consequence, the question you might be asking yourself is "how does the government assign the money's price?"

With regards to this, there are two things you should keep in mind. Firstly, the demand for money exists because of its purchasing power.

Secondly, money's purchasing power exists because people need it. You might be confused right now – it's certainly a vicious circle that seems to have no beginning and no end.

The key to understanding everything is that the government does not simply assign the price of money. Instead, its price is a result of both social convention and government decrees.

Why People Believe Money Has Value

Now that you know that money gets its value partly because of people's beliefs, you might wonder why people think it has value at all.

The truth is that currency systems have existed for hundreds of years, and it's likely that they'll keep existing in the future. They are valuable because they allow me and you to exchange something for something else we need.

If money ceases to exist tomorrow, other currencies will probably appear because it's a fundamental basis of society, especially in the United States.

Before money even existed, people still used to exchange and barter things to get

