

MONEY AND TRADE

▶ Ancient coins are among the treasures recovered from a 300-year-old shipwreck.

WARM UP

Discuss these questions with a partner.

1. How do you usually pay for things? For example, by cash or by card?
2. How do you normally decide what payment type to use? What are the pros and cons of each type?

BEFORE YOU READ

DEFINITIONS A. The following money-related words appear in the reading passage. Use the words to complete the definitions (1–4).

bill credit card foreign exchange inflation

- _____ is an increase in the prices of goods and services.
- _____ is the conversion of one country's currency into another.
- A(n) _____ is a small piece of material, usually plastic, that can be used to pay for something.
- A(n) _____ is a piece of paper money.

PREDICTING B. What methods of payment do you think people used in ancient times? Discuss with a partner. Check your ideas as you read the passage.

✓ Workers inspect an enlarged U.S. \$100 bill against counterfeit sections.



HOW MONEY MADE US MODERN

- A About 9,500 years ago, ancient accountants in Sumer¹ invented a way to keep track of farmers' crops and livestock. They began using small pieces of baked clay, almost like the tokens used in board games today. One piece might **signify** a measure of grain, while another with a different shape might represent a farm animal or a jar of olive oil.
- B Those little ceramic shapes might not seem to have much in common with today's \$100 bill—or with the credit cards and online **transactions** that are rapidly taking the place of cash—but the roots of our modern methods of **payment** lie in those Sumerian tokens. Such early accounting tools evolved into a system of finance and into money itself: a symbolic representation of value that can be transferred from one person to another as payment for goods or services.

The Rise of Gold

- C Since ancient times, humans have used items to represent value—from stones to animal skins, to whale teeth. In the ancient world, people often relied upon symbols that had **tangible**² value in their own right. The ancient Chinese made payments with cowrie shells,³ which were prized for their beauty as materials for jewelry. As Glyn Davies notes in his book *A History of Money from Ancient Times to the Present Day*, cowrie shells are durable, easily cleaned and counted, and defy imitation or counterfeiting.⁴
- D But eventually there arose a new, universal currency: gold. The gleaming metal could be combined with other metals at high temperatures to create alloys,⁵ and was easy to melt and hammer into shapes. It became the raw material for the first coins, created in Lydia (present-day Turkey) around 2,700 years ago. Lydian coins didn't look much like today's coinage. They were irregular in shape and size and didn't have values inscribed on them; instead, they used a stamped image to indicate their weight and value.
- E The result, explains financial author Kabir Sehgal, was an economic system in which “you knew the value of what you had, and what you could buy with it.” Unlike modern money, ancient coins were what economists call full-bodied or **commodity** money: Their value was fixed by the metal in them.

¹ **Sumer** was a region of ancient Mesopotamia in what is now Iraq and Kuwait.

² If something is **tangible**, it is real or can be touched.

³ **Cowrie shells** are smooth, shiny, egg-shaped seashells.

⁴ **Counterfeiting** refers to creating fake money or documents.

⁵ An **alloy** is a metal made by mixing two metals together.



▼ A shopper pays with cash at Sri Lanka's Pettah Market.

The Birth of Trade

- F Money's **convenience** made it easier for ancient merchants to develop large-scale trade networks, in which spices and grain could be bought and sold across distances of thousands of kilometers. This led to the first foreign exchanges: In the ancient Greek city-state of Corinth, banks were set up where foreign traders could exchange their own coins for Corinthian ones.
- G In the centuries that followed, trade routes forged more cultural connections between nations and regions. Besides exchanging money and goods, traders also spread religious beliefs, knowledge, and new inventions, creating connections among far-flung cultures.
- H The dangers of moving money and goods over distances—whether from storms at sea or bandits and pirates—led humans to develop increasingly complex economic organizations. In the 1600s, investors gathering in London coffeehouses began to underwrite⁶ traders and colonists heading to the New World, financing their voyages in exchange for a share of the

crops or goods they brought back. Investors tried to reduce their risk by buying shares of multiple ventures. It was the start of a global economy in which vast quantities of products and money began to flow across borders in search of profit.

Notes and Bills

- I By the 1700s, the global economy had grown so much that it was inconvenient to transport and store large quantities of coins. Several societies therefore shifted toward paper currency. The earliest paper bills were literally receipts that gave the bearer⁷ ownership of gold or silver coins that could be collected upon demand.
- J But as Lloyd Thomas explains in his book *Money, Banking and Financial Markets*, bankers eventually realized that many people simply used their notes rather than redeeming them for gold. It meant that the bankers didn't actually need to have enough gold on hand to

⁶ If a company **underwrites** an activity, it agrees to provide money to cover any losses.

⁷ The **bearer** of a document is the person who owns it.

cover all the notes they issued. That revelation, Thomas says, eventually led to the concept of fiat money, which governments issue today. In contrast to commodity money, today's money has value **essentially** because a government says that it does. Its purchasing power remains relatively **stable** because the government controls the supply. That's why a U.S. \$100 bill is worth \$100, even though it only contains a few cents worth of raw materials.

- K It's a system with an important advantage, in that human **judgment**—rather than how much gold has been dug out of the ground—determines the amount of money in circulation. On the other hand, this can become a disadvantage. If a government decides to issue too much money, it can **trigger** an inflationary spiral that raises the price of goods and services.

Toward Virtual Money

- L By the 20th century, new methods of payment had begun to emerge as alternatives to cash. In the 1920s, oil companies and hotel chains began to issue credit cards: These enabled customers to make purchases and pay

what they owed later. In 1950, Diners Club International issued the first universal credit card, which could be used to purchase things at a variety of places. Using plastic to make purchases eventually proved more convenient than bills, coins, or even checks.

- M In 2009, yet another high-tech successor to money emerged: Bitcoin. Bitcoins are a sort of unofficial virtual Internet currency. They aren't issued or even controlled by governments, and they exist only in the cloud or on a person's computer. Parag Khanna, a financial **policy** expert, explains: "The real future is technology as money. That's what Bitcoin is about."
- N From the clay tokens of Sumer to today's virtual currencies, the evolution of money has helped drive the development of civilization. Money makes it easier not only to buy and sell goods, but also to connect with the world, enabling traders to roam across continents, and investors to amass wealth. It is a type of language that we all speak. From the humblest shop clerk to the wealthiest Wall Street financier, money exerts a powerful influence upon us all.



The gold vault at the New York Federal Reserve contains 5 percent of the world's gold.

A. Choose the best answer for each question.

- GIST** 1. What is the best alternative title for the passage?
- How Paper Money Changed the World
 - From Ceramic Tokens to Bitcoin: The Evolution of Money
 - Ancient Sumer and the Origins of Trading
 - A Return to Commodity Money

- DETAIL** 2. The writer says that ancient Sumerian tokens ____.
- were all the same shape
 - were made of different materials
 - had to be heated in order to harden them
 - resembled modern board game pieces

- MAIN IDEA** 3. According to the writer, gatherings in London coffeehouses in the 1600s ____.
- represented the first form of banking
 - led to the first foreign currency exchanges
 - helped bring about the global economy
 - resulted in a general move toward commodity money

- DETAIL** 4. A \$100 bill is an example of ____ money.
- commodity
 - virtual
 - fiat
 - universal

- INFERENCE** 5. Who is most likely to agree that physical money will be replaced in the near future?
- Parag Khanna
 - Glyn Davies
 - Kabir Sehgal
 - Lloyd Thomas



^ An ancient coin of the Seleucid Empire

CLASSIFYING B. Do the following characteristics describe commodity money or fiat money? Complete the chart with the correct information (a–g).

- may involve objects that are regarded as beautiful
- is the currency system now in use in most economies
- was the currency system used in ancient Lydia
- is valuable only because the government says it is valuable
- is also known as “full-bodied” money
- may contain precious metals such as gold
- is made of materials that have little actual value

Commodity Money	Fiat Money

Understanding the Function of Sentences

As you read, try to identify the purpose, or function, of individual sentences. This can help you understand the overall organization of a text. Here are some common functions of sentences.

Defining: Sumerian tokens were an early form of money.

Classifying: There are two types of money: commodity and fiat.

Quoting: As economist Maynard Keynes said, “Ideas shape the course of history.”

Reporting: According to archeologists, the first money was Sumerian tokens.

Cause-Effect: Today’s money has value because a government says that it does.

Condition: If you heat gold, it melts easily, making it ideal for creating coins.

Naming: The first universal credit card was the Diners Club card.

UNDERSTANDING FUNCTION A. Write the function of each sentence. Use the functions in the box above.

- But eventually there arose a new, universal currency: gold. _____
- The result, explains financial author Kabir Sehgal, was an economic system in which “you knew the value of what you had, and what you could buy with it.” _____
- Cowrie shells are smooth, shiny, egg-shaped seashells. _____
- But as Lloyd Thomas explains in his book *Money, Banking and Financial Markets*, bankers eventually realized that many people simply used their notes rather than redeeming them for gold. _____
- Its purchasing power remains relatively stable because the government controls the supply. _____
- If a government decides to issue too much money, it can trigger an inflationary spiral that raises the price of goods and services. _____

UNDERSTANDING FUNCTION B. Look back at paragraph M in Reading A. Underline sentences that match three of the functions in the box above. What is the function of each underlined sentence?

CRITICAL THINKING Evaluating Pros and Cons Discuss these questions with a partner.

- ▶ What do you think are the pros and cons for a country to “go cashless”? Note some ideas.

Pros: _____

Cons: _____

- ▶ Which types of transactions or activities do you think are most likely to go cashless first?

Give reasons for your answers.

COMPLETION A. Complete the paragraph with words from the box.

convenience policy judged transactions payment trigger

Sweden will soon become a cashless society. This means that cash will no longer be accepted as ¹_____ for goods and services. Many Swedes already appreciate the ²_____ of not having to carry cash. Currently, 80 percent of all ³_____ are electronic, with most consumers using a credit card or cell phone app. The government thinks the new ⁴_____ will also cut down on tax cheats, and reduce crime. If Sweden's move is ⁵_____ a success, it could ⁶_____ a wave of other countries abandoning cash entirely.



▲ A customer in Sweden pays for food using a phone app.

WORDS IN CONTEXT B. Complete the sentences. Circle the correct words.

1. An economy with low inflation and *fairly constant / unsteady* growth is considered to be relatively **stable**.
2. Examples of **commodities** include *love and friendship / oil and natural gas*.
3. You might **signify** your agreement by *nodding your head / thinking to yourself*.
4. If something is **essentially** true, it is *basically / entirely* true.

COLLOCATIONS C. The words in the box are often used with the noun **policy**. Complete the sentences with the correct words from the box.

company insurance public strict

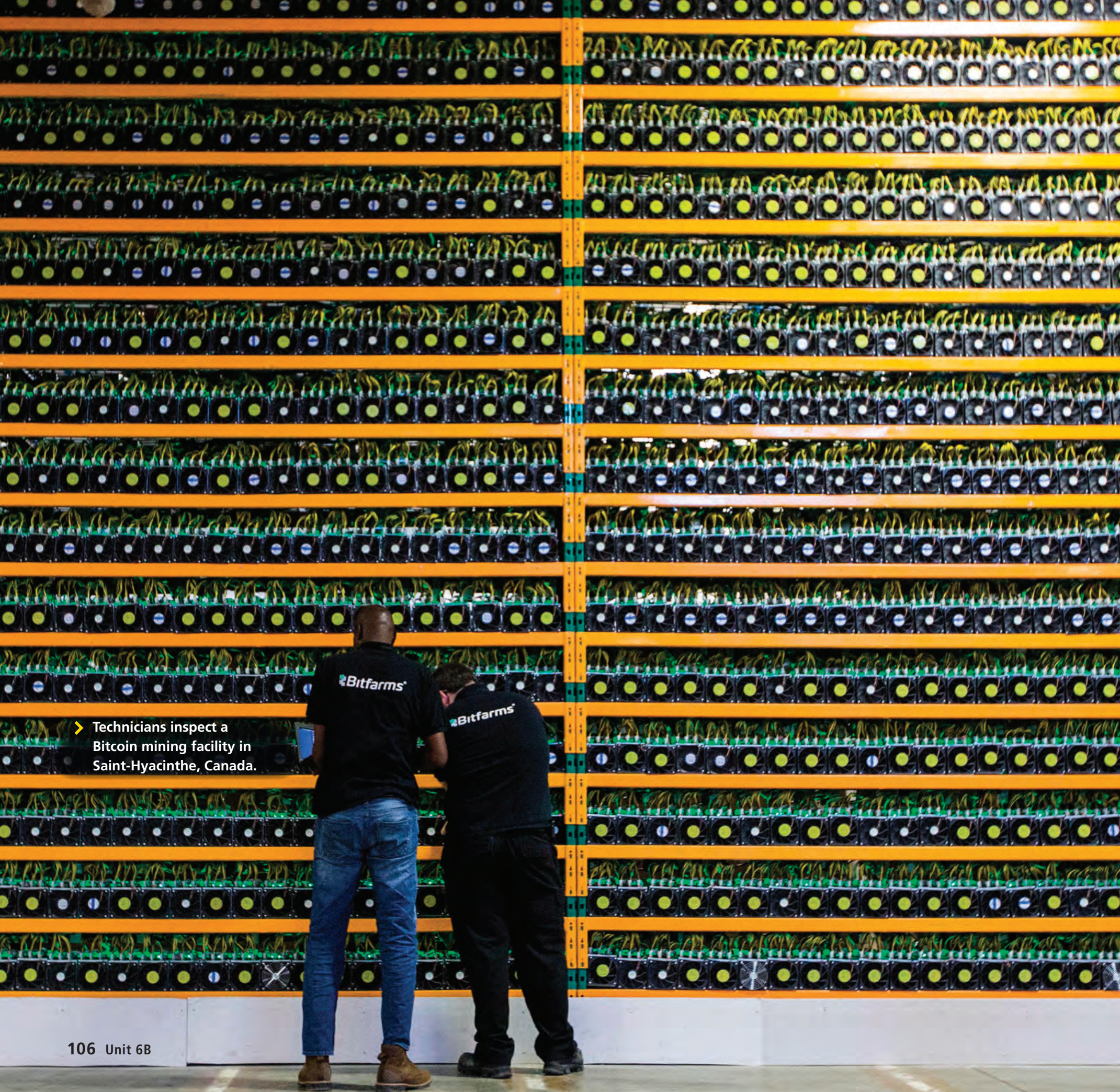
1. Nearly all airlines have a very _____ no-smoking policy on flights.
2. If you purchase a car, you usually need to take out a(n) _____ policy.
3. Most businesses have their own _____ policy regarding working hours.
4. Health care and education are usually areas of _____ policy.

BEFORE YOU READ

- QUIZ A. Complete these sentences. Then check your answers on page 114.
1. The average lifespan of a U.S. \$1 bill is six *months / years / decades*.
 2. There is a total of about \$1.5 *million / billion / trillion* in U.S. physical currency in circulation.
 3. Physical currency makes up *11 / 33 / 80* percent of the total money supply in the U.S.
- PREDICTING B. Read the introduction to the passage on page 107. What do you know about virtual currency? What might be some pros and cons of using it? Discuss with a partner, and check your ideas as you read the passage.

✓ A collection of coins representing Bitcoin, a type of virtual currency





➤ Technicians inspect a Bitcoin mining facility in Saint-Hyacinthe, Canada.

THE RISE OF VIRTUAL MONEY

It doesn't exist in any physical form, yet is increasingly used by people worldwide. Is virtual currency the money of the future?

What Is a Virtual Currency?

- A According to the European Banking Authority, a virtual currency is “a digital representation of value that is neither issued by a central bank or a public authority, nor necessarily attached to a fiat currency, but is accepted [as] a means of payment and can be transferred, stored, or traded electronically.” There are many types of virtual currency, but the best known is probably Bitcoin.
- B In online articles, or in newspapers or magazines, you may have seen pictures of gold or silver coins marked with the Bitcoin symbol (₿). However—since Bitcoins exist only as digital constructs—these are merely representations. Bitcoin is a type of digital money known as a “cryptocurrency”; that is, it uses cryptography—secure coding—to **verify** ownership of the money. The money can be sent electronically from one user to another anywhere in the world.
- C Unlike traditional currencies, Bitcoin is not controlled by a central bank or by a government agency. And unlike credit cards, the Bitcoin network is not run by a company. There is no middleman between the parties that are transferring money. It is operated by a global network of computers called a blockchain network, which records every Bitcoin transaction in the world.

How Did Bitcoin Begin?

- D The first reference to Bitcoin appeared in 2008, in a paper by a writer **supposedly** named Satoshi Nakamoto. However, the name turned out to be a pseudonym¹ for a person or group who preferred to remain anonymous. A year later, Bitcoin was released as open-source software.

¹ A **pseudonym** is a name that someone uses in place of their real name.

E Bitcoin was not the first attempt at a cryptocurrency; others had existed in one form or another for nearly 50 years, but without much success. In a short space of time, though, Bitcoin became the first cryptocurrency to be widely traded internationally. The first Bitcoins were mined in January 2009; within 200 days, one million coins had been mined. By 2019, this had risen to over 17 million Bitcoins—worth a total of U.S. \$65 billion—and more than 300,000 new transactions were taking place every day.

F In its early days, Bitcoin was known for its link with illegal **drugs**, such as those bought and sold on Silk Road, an online black market set up in 2011. Silk Road connected customers and sellers on the Internet using a network that concealed a user’s location and identity—and it used Bitcoin for payments. Silk Road was shut down by the FBI² in 2013. According to some experts, the shutdown gave Bitcoin a chance to gain some much-needed legitimacy. BitPay CEO Stephen Pair insisted that Silk Road’s association would not prove fatal to Bitcoin. He said that the shutdown “shows that just because you use Bitcoin doesn’t mean you can evade law enforcement.”

How Does Bitcoin Work?

G Each Bitcoin can be divided out to eight decimal places. That means you can send someone a minimum of 0.00000001 Bitcoins. This smallest fraction of a Bitcoin—the penny of the Bitcoin world—is called a “Satoshi.”

H Like gold or other precious metals used as money, Bitcoins are **scarce**. But their scarcity is not natural or accidental. New Bitcoins are added only by being “mined.” Computer users on the blockchain network race to solve increasingly complicated mathematical problems. The first to have a verified solution receives a payment. It’s like the high-tech

² The **FBI** (Federal Bureau of Investigation) is a government agency in the United States that investigates crimes.

equivalent of a gold rush.³ The mined Bitcoin can then be traded using special computer software.

I A useful analogy: Think of the blockchain network as an engine. Engines can be used to power all types of vehicles: cars, boats, aircraft. Bitcoin is a vehicle that uses that engine. Because it was the first major virtual currency to use blockchain, you could think of Bitcoin as an early model vehicle, like a Model T Ford.⁴ More **sophisticated** uses of this engine may occur in the future.

What Are the Benefits of Using a Virtual Currency Like Bitcoin?

J In most cases, financial transactions involve exchange fees, taxes, and payment delays to guard against **fraud**. Virtual transactions, however, are speedy and cheap—and are settled immediately. And unlike a credit card exchange, where credit card numbers and security information are handed over completely for any transaction, a Bitcoin transfer is authorized only to pay a specific amount.

K Virtual currencies also make it possible to make a digital payment without needing PayPal or a credit card. This is particularly useful in many parts of Africa, Latin America, and South Asia. Immigrants to developed countries may find it a convenient way to send funds back home to their families.

L Bitcoin supporter Jonathan Mohan says, “The vast majority of [people on] the planet don’t even own a bank account ... Just as in Africa, [people] went directly to cell phones. In these developing nations, you’re not going to see them start getting bank accounts. You’re going to see them just going straight to Bitcoins.”

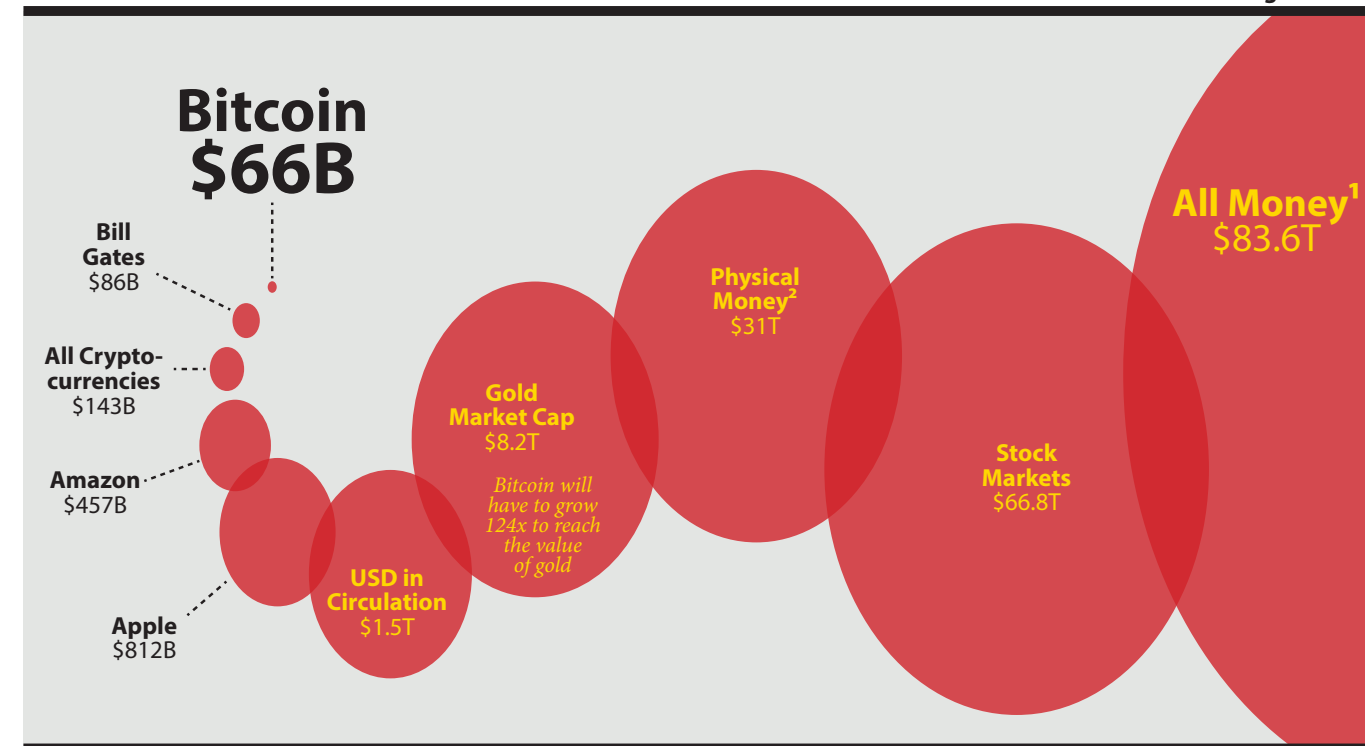
³ A **gold rush** is a situation in which a lot of people move to a place where gold has been discovered to try to find gold there (e.g., the California Gold Rush of 1849).

⁴ A **Model T Ford** was an early model automobile, first sold in 1908.

Bitcoin in Perspective

The global market share for cryptocurrencies can grow a lot more

August 2017



Sources:
<https://howmuch.net/articles/worlds-money-in-perspective>
<https://coinmarketcap.com>
<https://www.forbes.com>
<https://www.federalreserve.gov>
<https://www.cia.gov>

Adapted from Bitcoin IRA.

Diagram not to scale.

¹**All Money** = money in any form including bank or other deposits, as well as notes and coins.

²**Physical Money** = money in forms that can be used as a medium of exchange; generally notes, coins, and certain balances held by banks.

What Are the Drawbacks of Bitcoin?

M The most obvious **drawback** is a lack of stability in the value of the currency. Bitcoin’s independence makes it more stable in **principle** than traditional currencies. In reality, though, its value has fluctuated wildly over the time it has been in existence. In 2012, the price of a Bitcoin was about U.S. \$12; by December 2015, it had reached U.S. \$400.

Two years later, it reached a peak of almost U.S. \$20,000, but then lost almost 80 percent of that value within a year. Those are some wild swings.

N So it is worth thinking twice before putting all or a substantial amount of your **assets** into a virtual currency like Bitcoin. The rule of investing in virtual currency is the same as investing in **stocks**: Never invest more than you can afford to lose.

A. Choose the best answer for each question.

- MAIN IDEA** 1. Which of the following statements is NOT true?
 a. Bitcoin transactions are made without middlemen.
 b. New Bitcoins are made by users in a computer network.
 c. The value of Bitcoins is controlled by a central bank.
 d. Bitcoins are created through a process known as mining.
- DETAIL** 2. The pictures mentioned in the first sentence of paragraph B _____.
 a. are images of old Bitcoins
 b. do not represent real objects
 c. show future versions of Bitcoins
 d. are photos of ancient gold coins
- PURPOSE** 3. What is the main purpose of paragraph C?
 a. to discuss different types of cryptocurrencies
 b. to trace the early history of Bitcoin
 c. to contrast Bitcoin with other methods of payment
 d. to compare traditional currencies and credit cards
- DETAIL** 4. According to the passage, which of the following is NOT true about Silk Road?
 a. It was in operation for about two years.
 b. Its shutdown may actually have helped Bitcoin.
 c. It continues to operate today under another name.
 d. It made use of the Internet and Bitcoin.
- INFERENCE** 5. According to the analogy in paragraph I, a supersonic jet plane would represent _____.
 a. an advanced form of virtual currency
 b. a new type of blockchain network
 c. one of today's cryptocurrencies
 d. a different way to mine Bitcoins

EVALUATING STATEMENTS

- B. Are the following statements true or false according to the reading passage, or is the information not given? Circle **T** (true), **F** (false), or **NG** (not given).
- | | | | |
|--|----------|----------|-----------|
| 1. Satoshi Nakamoto may have been more than one person. | T | F | NG |
| 2. Before Bitcoin, earlier attempts at creating cryptocurrencies had failed due to lack of public trust. | T | F | NG |
| 3. The value of a Satoshi is more than the value of a Bitcoin. | T | F | NG |
| 4. Jonathan Mohan predicts that Bitcoin will be popular in Africa. | T | F | NG |
| 5. From 2015 to 2017, the value of Bitcoin increased significantly. | T | F | NG |
| 6. Switzerland is one of the most Bitcoin-friendly countries in the world. | T | F | NG |

Summarizing (2)—Creating an Outline

As you learned in Unit 2A, a concept map is a common method of summarizing a passage; another method is to create an outline. A traditional outline uses roman numerals (I, II, III) for main ideas, capital letters (A, B, C) for subtopics, numbers (1, 2, 3) for supporting facts, and lower-case letters (a, b, c) for additional details. Alternatively, bullets can be used for the supporting facts and details. Indenting the information can also help to show the relative importance of ideas.

- OUTLINING** A. Look back at paragraphs A–F in Reading B. Then complete the outline below with words, phrases, or numbers from the reading passage.

OUTLINE: The Rise of Virtual Money

- I. What is virtual money?
 A. Definition
 1. A digital representation of value
 2. Not issued by a central ¹_____ or public authority
 3. Can be transferred, stored, or traded ²_____
- B. Bitcoin
 1. A type of virtual money that uses secure ³_____ to verify ownership
 2. Operated by a ⁴_____ network (global computer network)
- II. How did Bitcoin begin?
 A. Early days
 1. First mined in January ⁵_____ ; fast growth
 2. First cryptocurrency to be widely traded internationally
- B. Early uses
 1. Known for its link with illegal ⁶_____
 2. Associated with an online black market called ⁷_____

- OUTLINING** B. Now look back at paragraphs G–N in Reading B. Highlight the most important information. Then create an outline.

CRITICAL THINKING Reflecting Some companies have started paying their employees in Bitcoin. Would you like to be paid in Bitcoin? Why or why not? Note your answer and reasons below. Then discuss with a partner.

COMPLETION A. Complete the information with words from the box.

drawback principles scarce sophisticated verify

Cryptocurrencies like Bitcoin seem very ¹ _____, but they have some simple and ancient origins, says archeologist Scott Fitzpatrick. In fact, Bitcoin shares similarities with the famous limestone coins found on the Micronesian island of Yap.

Several hundred years ago, the Yapese used some of the same ² _____ as Bitcoin in order to conduct business. Limestone was ³ _____ on Yap, so the islanders traveled to nearby islands to mine it—similar to how new Bitcoins are “mined” through mathematical processes. Bitcoin transactions are recorded on the public blockchain; similarly, the Yapese stored their stone money in public places where villagers could inspect and ⁴ _____ its quality.



^ A Yapese boy stands next to stone money.

One ⁵ _____ of Yap’s money was its large size, so the islanders pioneered a public system for “exchanging” it. The stones changed ownership without being physically moved. Bitcoin, too, changes ownership without an actual exchange of physical currency.

WORDS IN CONTEXT B. Complete the sentences. Circle the correct words.

1. A **drug** is something someone might put *on their head / in their body*.
2. If something **supposedly** happened, it *definitely / may have* happened.
3. If someone commits **fraud**, they may *go to jail / get an award*.
4. Your **assets** are things that you *own / feel*.
5. When you buy **stocks**, you purchase *property / part of a company*.

WORD USAGE C. The word **principle** is often confused with **principal**. A principle is a rule or law. As an adjective, principal means “the most important,” and as a noun, a principal is the person in charge of a school. Circle the correct word to complete each sentence.

1. The school *principle / principal* gave a short speech on the first day of class.
2. He is a man of great *principle / principal*.
3. The *principle / principal* export of Saudi Arabia is oil.

> As an experiment, a box of money is left unattended in a public place. How would most people react?

VIDEO



TAKE THE MONEY... AND RUN?

FREE MONEY!

BEFORE YOU WATCH

PREVIEWING A. Look at the photo and caption above. Then read the extracts from the video below. Match the words and phrases in **bold** with their definitions (1–4).

“Would people’s distrust keep them from taking advantage of a **no-strings-attached**, guaranteed-win situation?”

“... the money was gone **in a flash**.”

“People just aren’t trusting. They just assume that there’s a **catch**.”

“... it reflects something deep and **innate** inside of them.”

1. _____: a hidden problem or difficulty
2. _____: very quickly
3. _____: existing from birth; natural
4. _____: having no special conditions or limits on an agreement or situation

WHILE YOU WATCH

MAIN IDEA A. Watch the video. What was the main result of the experiment? Choose the best option.

- a. Most people only took small amounts of free money.
- b. People took free money when they saw others doing so.
- c. People didn't take free money if they felt they were being watched.

COMPLETION B. Watch the video again and complete the chart below.

What the host did	How people reacted
<ul style="list-style-type: none">• He stood in the booth and 1 _____	Some people ² _____, but most people did not.
<ul style="list-style-type: none">• He then went away and left the 3 _____ unattended.	Most people ⁴ _____ _____
<ul style="list-style-type: none">• Finally, he placed a poster of 5 _____ in the booth.	⁶ _____ _____

CRITICAL THINKING Reflecting Discuss these questions with a partner.

- ▶ How do you think you would have reacted to each stage of the experiment in the video?
- ▶ Would the results of the experiment change in different cultures? If so, how?

VOCABULARY REVIEW

Do you remember the meanings of these words? Check (✓) the ones you know. Look back at the unit and review any words you're not sure of.

Reading A

- commodity* convenience essentially judgment payment
- policy* signify* stable* transaction trigger*

Reading B

- asset drawback drug fraud principle*
- scarce sophisticated stocks supposedly verify

* Academic Word List

Answers to the Quiz on page 105: 1. years; 2. trillion; 3. 11