

Unit 13

Before you read

Discuss these questions with your partner:

- What is money?
- Can anything be used as money?
- Could stones and leaves be used instead of coins and notes?

A Vocabulary

Choose the correct word or phrase.

- 1 One reason why people buy gold is because it holds its value / is taken for granted.
- 2 When we buy things, we swap / represent money for goods.
- 3 Diamonds are valuable because they are so intrinsic / rare.
- 4 The dollar is the cash / currency of the USA.
- 5 When people barter / guarantee goods, they simply exchange one good for another.
- 6 Banks will only lend to people who can guarantee / barter to pay back the loan.
- 7 Some shops won't accept credit cards. They will only take cash / currency.
- 8 When something holds its value / is taken for granted people don't think it has great value.
- 9 Coins and notes are used to swap / represent value.
- 10 Metals have intrinsic / rare value because they can be used to make things.
- 11 If money can easily be moved around and used we say it has liquidity / currency.
- 12 Centuries ago people paid using commodity money / fiat money, such as gold and silver.
- 13 Commodity money / fiat money like banknotes and coins, has no intrinsic value. It only represents value.

The cash we use every day is something we take for granted, but for thousands of years people traded without it. Before money was invented, people used a system called *bartering*. Bartering is simply swapping one good for another. Imagine that you have milk, for example, and you want eggs. You simply find someone who has eggs and wants milk - and you swap! However, you can see that this isn't a very convenient way to trade.

First of all, you can't be sure that anyone will want what you've got to offer. You have to hope that you'll be lucky and find someone who has what you want and that he or she wants what you've got. The second problem with bartering is that many goods don't hold their value. For example, you can't keep your milk for a few months and then barter it. Nobody will want it!

After some time, people realised that some goods held their value and were easy to carry around and to trade with. Examples were metals like copper, bronze and gold and other useful goods like salt. These are examples of *commodity money*.

Money

Reading 1

