

QUIZ 2

Unit 6

DIRECTIONS: Choose the best answer for each question.

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 tangible² 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 fullbodied or commodity money: Their value was fixed by the metal in them.

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 underwrite 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 bearer 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 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.

- 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.
- 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.

1. In paragraph B, what does *such early accounting tools* mean?

- a. crops and livestock
- b. Sumerian tokens
- c. board games
- d. ancient accountants

2. Which of the following is NOT mentioned in the passage as something that was used to represent value?

- a. teeth
- b. clay
- c. salt
- d. stones

3. Based on the passage, what can we infer about cowrie shells?

- a. They are distinctive.
- b. They are very fragile.
- c. They are unattractive.
- d. They did not exist in ancient China.



4. What is the purpose of paragraph I?

- a. to provide steps for how to transport coins
- b. to show that gold or silver could be collected on demand
- c. to describe the 18th century global economy
- d. to explain the need for paper currency

5. Which of the following happened last?

- a. Sumerians used tokens to keep track of crops and livestock.
- b. Several societies used paper bills that gave bearer ownership.
- c. Lydians used gold to make metal coins.
- d. London investors underwrote trade and colonists.

6. According to paragraph L, who issued the first credit cards?

- a. restaurants
- b. banks
- c. governments
- d. oil companies

7. What is the function of this sentence?

Its purchasing power remains relatively stable because the government controls the supply.

- a. reporting
- b. cause-effect
- c. condition
- d. naming

8. What is the function of this sentence?

If a government decides to issue too much money, it can trigger an inflationary spiral that raises the price of goods and services.

- a. reporting
- b. cause-effect
- c. condition
- d. naming



9. What is the function of

this sentence?

Bitcoins are a sort of unofficial virtual Internet currency.

- a. defining
- b. condition
- c. quoting
- d. reporting

10. What is the function of this sentence?

Parag Khanna, a financial policy expert, explains: "The real future is technology as money. That's what Bitcoin is about."

- a. defining
- b. classifying
- c. quoting
- d. reporting

DIRECTIONS: Complete the sentences using the words in the box. Drag your answers.

essentially judgment policy signify trigger

11. You can decide which hotel to book for our vacation; I trust your _____.

12. Despite public protest, the government refused to change their _____ on data privacy.

13. The news of a trade war could _____ a stock market crash.

14. We _____ only have two options - we can take the deal, or walk away.

15. The king raised his hand to _____ that he was about to speak.

DIRECTIONS: Read each sentence, paying attention to the underlined words. Decide if the use of the word in each sentence makes the statement True (T) or False (F).

16. Wheat, oil, and gold are examples of commodities.

17. If something is done for your convenience, it makes things difficult for you.

18. Most governments aim to have a stable economy.

19. Digital payment is accepted at many stores these days.

20. A business deal that involves buying or selling something is an example of a transaction.