Example

TOEFL IBT® TEST

PAUSE TEST | SECTION EXIT

REVIEW | HELP | BACK | NEXT

HIDE TIME 00 : 18 : 38

More Available

The History of Money

1➤ Virtually every known country in the world has a system of currency, but the actual understanding of how and why money developed as a means of obtaining goods and services has not received much attention in recent history. Money is more than just a system of banknotes and coins that transfer economic value. There is a psychology of defining needs and developing trust that has assisted in the evolution of monetary systems.

2➤ Prior to the use of money, people in most civilizations used to trade, or barter, for goods, but this was not a completely satisfactory arrangement for everyone. First, in order to barter with someone, a person needed something of value to barter with. In an agricultural society, this often meant trading grains or food crops in exchange for animals. However, within such a system, if a person was not fortunate enough to possess something of value, he would be unable to get what he needed in return. In addition to having something of value to offer, traders also needed to find someone who wanted what they were offering. In other words, if one person had grain to trade for cattle, he had to find a trading partner with cattle who also wanted and needed grain for his animals. If the cattle owner already had sufficient grain, or needed wood to build a new shelter for his animals instead, then neither side would be able to trade for what they wanted.

3➤ The introduction of nonperishable substances as money was an important solution to this dilemma. Early societies began introducing stones, shells, or metals that they considered valuable as payment for perishable goods like food, seeds, and animals. By allowing a farmer to accept gold for his cattle instead of grain, societies made trade a more flexible process. For example, if the farmer sold his extra cattle in the spring in exchange for a certain amount of gold, the farmer could use that same gold in the winter for grain when his supply ran out. Those who possessed talents, such as carpentry or writing, instead of goods, also reaped the benefits of using gold. A skilled carpenter, or even less skilled crop gatherer, could trade his services for gold that could be saved until he needed it to obtain goods or services for himself.

4➤ The use of money as a concrete form of payment was beneficial for international trade as well. When perishable goods were exchanged, they could not be taken long distances. This meant the circle of trade was mostly local. Once more durable materials began to be used as money, merchants and travelers could take the money to towns further away and bring back goods that were previously unknown in their local area. The ability to cross the borders of a different country and conduct business led to the introduction of even more exotic goods into a particular town or village.

5➤ Expansion into international trade meant the materials for money had to be standardized for wider acceptance. While some cultures had previously used shells, simple metals, or even durable rice grains as units of monetary exchange within their own societies, some of these early forms of money were rejected by outside cultures. Over time as trade advanced, it became clear that the materials being used for money had to meet specific criteria for value on which a wide range of people could agree.

6➤ The materials used for money had to exhibit three characteristics to be considered suitable for use: scarcity, indestructibility, and portability. Scarcity meant that the materials were not easily available to many people. They had to exist in relatively small amounts, or be somewhat difficult to obtain. In addition, the substances used for money needed to be durable and almost impossible to destroy. No one wanted to trade goods or services for a material that would not be long lasting. Finally, the materials used had to be portable, small and light enough to travel with over distances. As a result, silver and gold became popular monetary units. The metals were not commonly available, and it was easy to mold and separate them into small, convenient pieces, such as roughly shaped coins for travel. Best of all, while the metals can be melted down, it is practically impossible to destroy them entirely, which means they retain their value over long periods of time.

> Practice understanding inferences in your everyday reading. When you see words such as *suggest, imply, likely,* or *probably*, ask yourself what conclusion you can make from the information you are reading.

READING