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Host Mary Tsui: Today we're talking about a topic that affects each and every one of us: digital money. Today, my guest is Dr. Jonathan Pritchard, professor of economics at Williams University. Jonathan, thanks for coming.

Guest Dr. Jonathan Pritchard: Delighted to be here, Mary. First, let me explain the term "digital money." Digital money is an Internet-based currency that works like physical money, but it's not physical. It's information on a computer that can be transferred almost instantaneously.

Host: So it's the transfer of computer codes across the Internet.

Guest: Exactly. And that's why it's so fast. It's also borderless because it's not associated with any particular nation. We can transfer money from one country to another from the comfort of our home. No need to go to the bank and fill out paperwork, which can be time-consuming and inconvenient.

Host: I know what you mean! I had to wire money to my daughter in England last week. It took about 30 minutes to complete the transaction.

Guest: I believe it. So with digital money, that would have taken just a few minutes. Now, many people are concerned about the security of digital money, but, in fact, digital currency is really quite secure. You can lose physical money, and it can be stolen, right? There's much less risk of those things happening with digital money. Also your personal information is kept hidden when you use digital money, and different codes are used for sending and receiving money, so it's extremely difficult for someone to hack your account and steal your money. And you also don't have to worry about bank hours because you can send and receive digital money 24/7—a really nice feature.

Host: But does that mean we have to pay a lot for the convenience and security of digital currency?

Guest: No, Mary, at least not at present. Right now the fees for digital transactions are lower than, say, fees for using credit cards or other payment systems. Actually, in some cases, there are no fees.

Host: This all sounds wonderful, but there must be some problems with digital money.

Guest: Well, yes. The strengths of digital currency greatly outweigh the weaknesses, but there are some weaknesses. Let me say a few words about that.

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Speaker: OK, let's move on. At present, fewer than 200 currencies are in use in the world. But will that be true 30 or 40 years from now? Probably not. In the near future, a few regional currency blocs will probably develop. Europe has already done this with the euro. In the near future, we may see a North American bloc, an Asian bloc, and a South American bloc develop. In 30 years, we may have fewer than ten currencies in the world. And then given a bit more time, those currencies may merge into a single world currency. Why would this happen? First of all, a single currency would eliminate destructive currency fluctuations, or when the currency of a single country loses value suddenly. Secondly, trade between countries would be far easier and less expensive. Thirdly, there would be no need for countries to keep reserves of other countries' money because they would all be using the same currency. Countries could use the money that had been kept in reserve in far more productive ways . . .

WATCH the lecture page 96**Professor Alexandra Shaw: (COACHING TIP 1)**

E01 Money: It's one of the greatest creations of human history and has played a positive role in the development of modern civilization. However, we haven't always used money. If we look back, say, more than 3,000 years ago, which is when coins first appeared, we would find that most people conducted business using a system of direct exchange called barter. For instance, I might exchange my five chickens for your three sheep. That's barter. Today I'll be talking about some advantages of money over barter, how money has undergone change over time, and the benefits of money. **E02** OK, in early societies, land and agriculture provided the main forms of wealth and power. How? Because only landowners could grow large amounts of food and raise large amounts of animals, such as cattle and sheep. Although people could carry out limited business transactions by bartering animals and vegetables, the barter system was doomed to fail. Why? **E03** Well, you'll see through the four enormous advantages of money I'm about to explain. The first advantage is that financial transactions of any size can take place. An advantage that increased tremendously when paper money was introduced. For example, it's simple for a company to make a transaction involving millions or billions of dollars when using money. Second, transactions involving money can be done fast. People who have money can get it and transfer it

to another person rapidly. This means that business can be conducted quickly. And now of course, with electronic transactions, money can be moved over any distance in a flash. Third, money allows people to do business with anyone—across cultural or geographic boundaries, and this greatly expands business opportunities. Money truly enjoys universal acceptance. The fourth advantage is that the value of money is precise and consistent. Precise means that the value of money can be determined in exact ways—\$5.49 or \$5.51. Money is also consistent because the value of one dollar is one dollar—it isn't subjective. And even when the value of a currency fluctuates, it fluctuates for everyone. **(COACHING TIP 2) E04** OK, let me say a few words about the evolution of money. Originally, money was a physical object found in nature—cattle and grains for example. It then evolved to become a manufactured physical object such as gold and silver coins. Next, money became something more abstract, something that is symbolic of physical objects such as gold and silver. At this stage in its evolution, money became pieces of paper, such as paper money and stock certificates. While gold and silver coins have real value, paper doesn't, because it's completely separated from what it once represented—gold. This was an enormous evolutionary leap because money moved from being a concrete, physical object to being a symbolic, abstract idea. And this idea worked only because people had a great deal of trust and faith in the principle. **E05** OK, now what about the benefits that have resulted from the invention of money? I'll cover three. The invention has benefited commerce, human initiative, and individual freedom. **(COACHING TIP 3)** Traditionally, wealth was handed down from parent to child in the form of land. And because few people were landowners, few people had any hope of advancing in society or of becoming even moderately wealthy. However, as agriculture became increasingly efficient, more and more people abandoned farmwork. These people began to live in cities and to make their livings by offering non-agricultural products and services. Money was the facilitator of this commerce because, as we just saw, money allows business people to sell goods to anyone, right? **E06** Second point—the rise of commerce increased individual initiative because wealth was no longer necessarily tied to heredity. Instead, brains and hard work became important. The result? Growing middle class and upper classes of relatively wealthy people. **E07** And thirdly, people working in non-agricultural businesses gained the freedom to choose their own futures. For example, education became accessible to many more people. As a result, they were better able to function independently and successfully. This further accelerated the growth of both new businesses and money. Can you see that? **E08** All right, to sum up, money is one of the greatest and most productive tools ever created by human beings. It's a tool that's strongly related to human and social development, to creativity, and frankly,

to turning dreams into reality. But the true source of all of these benefits is not money itself, because money is just an abstraction. Humans are the ones who give meaning to money, and through this very human use of trust and faith, millions of people have been able to live better, more comfortable, and more fulfilling lives. **(COACHING TIP 4)**

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- 2 The first advantage is that financial transactions of any size can take place.
- 3 For example, it's simple for a company to make a transaction involving millions or billions of dollars when using money.
- 4 And now of course, with electronic transactions, money can be moved over any distance in a flash.
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- 6 OK, let me say a few words about the evolution of money.
- 7 Next, money became something more abstract, something that is symbolic of physical objects such as gold and silver.
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Rob: I think all the different concepts involved are neat. It's, it's fun to play around with the different ideas behind it all.

Ayman: Yeah, yeah. It's kind of cool to think that we're seeing money's latest evolution. Like she said, we've gone from cows to gold to paper and now, electronic money.

Molly: Yeah, well, actually, based on my recent luck, I'd like to make a case for going back to cows.

Alana: Why?

Molly: Oh, my credit card number got stolen sometime last weekend. And now, I have all these crazy charges on my account.

Rob: What happened? Did you lose your card or something?

Molly: No. I mean, it actually, it never left my purse. But, somehow somebody got a hold of the account number and password, and they bought, you know, online jewelry and these really expensive boots in Berlin and then CDs in London.

Alana: How did you find this out?

Molly: Actually, the credit card company called me, you know, they wanted to verify some of the charges. They thought it was suspicious that there were charges made in the US and Germany and England all in the same day.

Rob: Wow. Well it's good that they found it so fast though.

Molly: Yeah.

Ayman: So did you have to pay for anything?

Molly: No, fortunately the credit card company's covering it all—I mean that's their policy when there's theft or fraud. But, the whole episode has just kind of bummed me out, you know? I mean, I think I'm going to stick to cash right now—and I don't really trust electronic money.

Alana: I don't blame you. But cash is risky, too. You know, you could get robbed.

Molly: Thank you for the comforting thought!

Rob: Yeah, what are you trying to do to her over there?

Molly: Yeah!

Rob: That's scary though about the credit card numbers.

Molly: I know.

Rob: And to think that you had the thing the whole time.

Molly: I know.