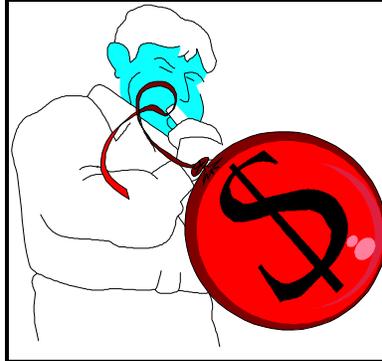


# UNIT 16

## MONEY SUPPLY

Some people say "love makes the world go 'round," others say it is money. Before the creation of money, people used to barter for what they needed; that is, traded one thing for another. After precious metals and stones were discovered, they were coined, saved, traded or otherwise spent. Chinese have been using paper money for many centuries, but it did not become popular in the West until relatively recently. Money used to be worth gold and silver. That is, governments would pay you in these precious metals if you gave them paper money.



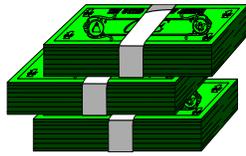
If money no longer buys gold and silver how do we measure its value now?

One way to make money more or less valuable is by the amount put into circulation. The government or central bank prints more and more money to pay off debts. This is called *inflation*, and it makes everything seem more expensive. Some people think, "You can never have enough money." But, as you will see, this is not necessarily true.

### HOW MONEY SUPPLY AFFECTS US

#### STABILITY:

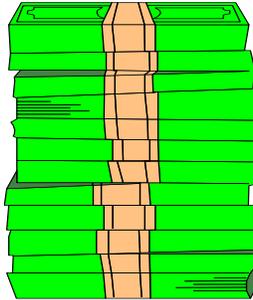
Money supply and demand for products balance each other out.



Production keeps up with consumer demand.

#### INFLATION:

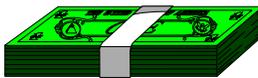
Money grows faster than the economy. Government prints more paper money and allows too much credit.



Consumers have lots of money, but it loses purchasing power.

#### DEFLATION:

Consumers are not spending so prices go down.



Consumers wait for cheaper prices. Goods do not sell; so many people lose their jobs.

# UNIT 16

**PAIRWORK. Write what you know about inflation and deflation.**

INFLATION	DEFLATION
1)	1)
2)	2)
3)	3)
4)	4)

## THINK AND DISCUSS

Name some metals that have been used as money. Spell out the words.

G \_ \_ \_

T \_ \_

S \_ \_ \_ \_

B \_ \_ \_ \_

N \_ \_ \_ \_

P \_ \_ \_ \_ \_

C \_ \_ \_ \_

- 1) You ask a friend to repay a debt. Instead of paying you in money, (s)he wants to pay you in kilograms. What should your first question be?
- 2) Rulers measure distance; scales measure weight; thermometers measure temperature; so, what does money measure?
- 3) The values of rulers, scales and thermometers never change. Why does the value of money?
- 4) A hammer costs USD \$10 at one time, then the same hammer in the same store costs \$15, ten years later. Which describes the difference in price better: the price of the hammer went up, or the value of the dollar went down?
- 5) "Money is only worth what it buys." Do you agree or disagree?
- 6) Karl Marx said, "(Democracy) will only survive until its citizens discover they can vote themselves money from the treasury; then they will bankrupt it." What do you think of this statement?
- 7) A saying goes, 'The central bank can only print money. It can't print jobs.' What does this suggest about the role of government in society?
- 8) What is wealth? What is the best method of acquiring it?
- 9) Make a list of both legal and illegal get rich quick schemes. Report them to the class.