CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ENGLISH LANGUAGE **1115/02,1120/02,1123/02 1124/02,1125/02**

Paper 2

October/November 2003

1 hour 30 minutes

INSERT

READ THESE INSTRUCTIONS FIRST

This insert contains the passage for comprehension.

This document consists of 3 printed pages and 1 blank page.

UNIVERSITY of CAMBRIDGE
Local Examinations Syndicate

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How money began

1 Picture a large, open space. A small group of people suddenly appear, lay down some food, an axe and some simple clothing. Soon another group appear, inspect the goods, take some of them, and offer others in exchange – some chickens, perhaps, some knives and a sack of corn. What is happening is a very early form of buying and selling, in other words the process known as 'bartering'.

2 In effect, this early system of buying and selling went on for a very long time before money as we know it appeared. Of course, bartering seems laborious compared to the convenience of coins and notes for buying things. But often this simple form of trading relied on something that had a common value for everyone. In many ancient communities this came in the form of cattle. A warrior's armour could be worth a hundred oxen, and even human beings, principally those who were employed as servants, could be valued in terms of cattle. One servant might be priced at four oxen.

3 Moreover, cattle were easily movable, and had practical worth; they meant food or the ability to work the land. In some communities, horses came to be seen as a form of money, especially in wild, open country where they represented the only method of travel. Until quite recently, for people living in the vast, lonely plains of southern Russia, the number and quality of the horses they owned decided how wealthy they were. Their necessity as a means of travel gave them all the value that other people came to calculate later in terms of coins and notes.

4 Yet the system of bartering could not last forever. As communities grew and developed, the greater the variety of goods there was for bartering. So it became more and more difficult to decide what one thing was worth compared with another. In a world without money, how do you work out how many apples you need to get something like a pair of boots or a cloak? Eventually, a very basic form of money appeared, often things such as knives, swords or axe-heads, made in a small size. Being fashioned out of metal, they had a special value, since it required a good deal of labour to extract metal from the earth.

5 However, a currency emerged which would remain popular for a very long time and over a wide area, and that was the cowrie shell. This shell is a small, oval shape, and home to a small shellfish. The fact that it varies in size from just over a centimetre to 9 or 10 centimetres made it an ideal type of 'coin'. The bigger the cowrie shell, the greater its buying power.

6 For hundreds of years cowrie shells were shipped abroad from one source, namely the Maldive Islands in the Indian Ocean, to countries in Africa and the Middle and Far East. But the numbers of shells reaching these distant countries were small, and because they were scarce, their power to purchase things increased. Cowrie shells were easy to handle and count up, in contrast to the more cumbersome metal implements such as axe-heads and swords, no matter how small their size. What made cowrie shells a unique form of currency was that they defied any sort of imitation, and imitation was later to threaten the early use of metal coins.

7 Inevitably, though, the cowrie shell began to lose its value, as increased amounts were shipped abroad not only from the Maldives, but elsewhere. Thousands of tons of cowries were sent to Africa alone and this vast quantity meant that their value as money was seriously diminished. Yet right up to the middle of the 20th century the cowrie shell was still used as money in parts of West and East Africa, and little children would hunt for lost cowries on market days, hoping to find enough of them to buy a small toy or something to eat.

8 One country, though, was quietly developing a system of metal coinage long before other ancient communities and that was China. As early as the 12th century B.C. the Chinese were making coins. Admittedly, they were made of cheap metals, but

the state guaranteed their value, and made sure that the coins conformed to a recognized shape and design. Each of these coins had a hole bored in it, so that they could be strung together. Since most of them carried a low value, extremely large quantities would be required in everyday trading. The emergence of this new money encouraged an increase in merchants and traders, who in turn ensured that this use of coins would continue to flourish.

9 There was another form of money, too, which China was the first to develop. Although silver or gold could be used when large purchases were involved, these precious metals had to be weighed out in precise amounts, not counted, as coins were. To avoid the elaborate procedure of weighing, China developed a substitute form of payment – the banknote. These pieces of paper first appeared in general use in the 9th century A.D. and thereafter found a permanent place in Chinese money. They were issued under the authority of the state, and carried a value equal to a specific number of the metal coins. But it was the guarantee of the state as to the value of these notes that mattered. In fact, the system proved so successful that such banknotes have remained in use throughout Chinese history. Other countries did not turn to this idea for another six hundred years. When we hand a banknote across the counter of some shop or at a market stall, it is worth remembering that the Chinese invented such a convenient form of money.

10 Later on, other countries were to follow the lead of China and produce metal coins. In Eastern Europe, gold and silver were mined in significant quantities, and in the leading cities coins were fashioned from these precious metals. Their value earned them a widespread reputation as money worth acquiring; in turn, their production by the leading cities of Eastern Europe meant that these cities flourished as the most successful trading centres of their time.

11 So the foundations of our modern money system were laid, first by China with its simple metal coinage and useful banknotes, and then by the European cities with their gold and silver coinage. For over two thousand years, coins made of gold or silver, or of bronze – for small sums – became the means of payment in many communities. But gradually cheap imitations would circulate, made of worthless materials, and this undermined the value of the real coins. In addition, people began to chip off or scrape off some of the valuable metals of the coins. Governments were forced to call in all coins, melt them down, and then re-issue them. To cover some of the expense, less of the precious metals would be included in their production.

12 Gradually, coins in circulation lost their value in terms of the metal in them, and nowadays so-called 'silver' coins are made not from silver but from some cheaper copper-based material. However, their buying power is determined by the government authorities, with an official mark stamped on them. Similarly, modern banknotes have this official guarantee as to their value. It seems that we have gone down the same road as the early money men of China. Cheap metal makes up modern coins, as it did in their day, and banknotes have followed the pattern that appeared early on in China.