Unit 1

The Nature and Significance of Money

导言

我们每个人都知道钱的重要性，因为在日常生活中，钱可以满足我们衣食住行的需求。我们很容易理解，如果个人没有钱，生活会怎样。但是，如果社会没有钱，那又会出现怎样的状况呢？通过本单元的学习，我们可以了解货币产生的原因、所发挥的作用以及货币的本质。

Text 1

Introduction of Money

Few individuals in our complex and interdependent economic world would deny the importance of money. Trade unions, employers, owners, investors, educators, and retirees are all concerned with the value and the cost of their money, irrespective of whether they fully understand the dynamics of money.

Money is indispensable to our system of production, distribution, exchange and consumption. Via a very sensitive and intricate process, people receive money from society in exchange for their service, for raw materials that they make available, or for use of the productive equipment that they supply directly or indirectly. By circuitous routes, people return the money to society as they spend it on the things they want. In a never-ending process, money moves from producers to consumers and back to producers. This concept reveals money's fundamental purpose: to facilitate the exchange of goods and services. Money, with a few bizarre exceptions, has no intrinsic value other than its use as a facilitator. A ten-dollar bill can be used to make a fine cigarette, but its great value is that this bill allows

one to buy fine cigarettes readily made.

In a functional sense, money is anything that is acceptable and is used in the purchase of goods and services and in the discharge of debts. Throughout history, no unique set of assets has ever been used as money. Rather, all sorts of things have been used as money—various metals, tobacco, stones, beverages, shells, even woodpecker scalps. Cigarettes took on the function of money for a brief period in parts of Europe at the end of World War II. By far our most important money today is in the form of bank accounts from which checks are drawn. But whether payment is made by giving up gold coins, dollar bills, cartons of cigarettes, or bank deposits, if these items are regularly used and generally accepted as a means of payment, they are functioning as money. The only common factor in all these payments is general acceptability. Such payments are in contrast to barter; a student may pay a classmate for a book by exchanging with another one, but books are not generally used as a means of payment and hence are not money.

Money may also be defined as evidence of a future claim on society's goods and services. People with $100 in their pockets are entitled to request from society at any time to provide them with the things they want up to the amount of $100. Society has agreed to owe these individuals, and it gives them money as evidence. As long as they hold the money, society is in their debt. When they spend the money, society discharges its obligations to these particular individuals by providing them with the things they demand. But note that society still owes as much as before, for someone else now holds the money that constitutes the claim on society.

At first glance, this second definition may appear confusing. It seems paradoxical to think of money as evidence of a continuous debt. Remember, though, that each time money changes hands, there is also an economic good surrendered or a service performed. Anyone who holds money but prefers to hold goods may easily secure the goods and let someone else hold the money. Unless the money becomes worthless, as has happened occasionally in times of severe inflation, it will always constitute an effective claim on goods (or an effective means of discharging a debt owed by the holder of the money).

The two definitions of money—(1) anything generally used and accepted in the purchase of goods and services and in the discharge of debts, and (2) evidence of a debt owed by society—are supplementary rather than alternative. The second definition is useful in understanding the basic nature of money. But it is the first definition that helps determine the line between money and "near money". For instance, when studying the effects of changes in the money supply, one must know what is to be counted as money.

Functions of Money

Society needs money for several purposes. No matter what types of money a country uses, the money must perform certain functions. That is, it must provide a standard of value, a medium of exchange, a store of value, and a standard of deferred payments.

Standard of Value

Quite obviously, an important function of money is that it serves as a standard, or common denominator of value. We express the value of all economic goods in terms of money and call these money values "prices". It is important to remember, however, that money is unlike other standards insofar as its value may continually vary as its purchasing power changes. The higher the prices, the lower the value of each piece of money. When prices double, the value of money is half what it was before. The general and continuous rise of prices of goods and factors of production without any concomitant increase in quantity is called inflation. The continuous fall of prices is called deflation. Inflation decreases and deflation increases the value of savings held in the form of money.

In spite of its variability, money as a standard of value is indispensable. We are so accustomed to this convenience that we take it for granted. Yet without it, modern civilization could not have developed, nor could it be maintained. Specialization requires exchange, and exchange, while not possible without the use of money, is made easier by its use as a common denominator.

Standard of Value and Price System

The development of a common standard of value represents a tremendous economic advance. The only way values can be estimated otherwise is to decide how much each good is worth in terms of all other goods available. If 21 commodities are produced and exchanged, each of these is worth some amount of each of the other 20. Of the 420 sets of values, half are duplicates, of course; for when we have decided the value of wheat in terms of cloth, we have also decided the value of cloth in terms of wheat. There are 210 separate valuations involved with these 21 commodities. If, however, one of them is adopted as the common measure of value and all other goods are valued in terms of this single commodity, there are only 20 values or prices.

Standard of Value and Specialization

The complexity of valuations would increase greatly as the number of commodities increased. With 20,001 commodities, one of which is adopted as the standard of value, there are 20,000 prices. But if no common standard were used, there would be more than

200 million sets of values. Under such a handicap, the process of exchange would operate creakily at best. It would be too difficult for all parties concerned to be sure that a trade was to their best advantage. Without a well-developed system of exchange, specialization would be discouraged. As in primitive times, production would be very low as people tried to produce all the goods they needed for their own consumption, rather than specializing and trading their output for the goods they wanted.

Standard of Value and Accounting Records

Since everything bought and sold is measured in terms of money, it is possible to maintain accounting records and make up financial statements. It would be difficult for business people to know whether they were operating at a profit or a loss if the records they kept were in terms of physical inventory. Even the corner grocer would have little knowledge of the success of operations if he knew only that the store contained more cans of corn and fewer cans of beans than it did a year ago. This use of money as a unit of account is closely related to its use as a standard of value.

Medium of Exchange

The other major function commonly attributed to money is that it serves as the medium of exchange. This use of money is emphasized by the definition that states that money is anything generally used for purchasing goods and services or discharging debts. From trade that was originally on a barter basis, society has progressed to the use of money. Rather than exchange goods for goods, people usually prefer to exchange goods for money and then exchange the money for other goods. The tremendous advance provided by this intermediate step is that so long as money is acceptable to all, the buyer need not trouble to find a seller who needs the particular goods or services that the buyer is capable of producing. There is a separation between transactions that is beneficial to both parties. Money's exchangeability is the key.

A barter system operates under what has been called the coincidence of wants. It is not enough that the person with something to exchange finds someone who wants the product and has something to offer in exchange. There would be little point to the exchange if the goods offered by either party were not desired by the other party. Anyone wishing to exchange goods by barter must find someone who not only wants the goods offered by the first, but who can, in exchange, supply goods that are desired by the first. Alternatively, the individual can engage in a series of trades until finally obtaining the desired goods. This method, too, is inefficient and time-consuming. Barter is inefficient in the sense that without a standard of value and a medium of exchange, it is more difficult and/or more costly to

negotiate contracts for future activities and to store future claims on output. Thus, money and financial markets facilitate economic growth and development by acting as an intermediary between buyers and sellers, as well as savers and investors.

Store of Value and Standard of Deferred Payments

Money also constitutes a store of value. This characteristic of money permits producers to sell their products and then delay taking the goods of others for as long as they wish. This gives them a time option. So long as they hold the money, they can at any moment use the money, but they need not take other goods as soon as they have sold their own. There are many ways in which this function of money is beneficial to society. People who are paid once a month, or farmers who receive most of their income at one time during the year, are able to spread their expenditures out evenly from day to day, spending their stored money as their needs require. People are able to put money aside for a later time — for retirement, for the education of their children, or for the purchase of a business. They can defer their consumption as they choose and they can accumulate funds for investment.

In the absence of money, one could accomplish the same thing by storing commodities. It would be much less convenient and quite expensive, however, to build up a store of meat, vegetables, clothing, gasoline, or other goods for later use. Perishable articles would be expensive to process; some, such as electricity, could not be stored feasibly in any quantity. Other goods would be out of style or inferior to the current products by the time they were finally used.

Although other commodities besides money are stored, money has the advantage over most other commodities of not deteriorating in storage. There may be a shrinkage in the purchasing power of money, or there may be, as in the 1930s, an increase in the purchasing power of money. But the number of dollars that are stored away will be the same as the number of dollars later available. Nonmonetary commodities set aside for storage also suffer the disadvantage of illiquidity, where liquidity is a commodity's capability of being resold quickly at close to its purchase price.

Finally, money functions as a standard of deferred payment. Often individuals find it inconvenient to pay cash. They may prefer to purchase groceries, fuel, and gasoline on credit, and settle accounts at the end of the month. The importance of money as a standard of deferred payments is even greater in contracts covering a long period of time. In such cases, it may be all but impossible to pay cash. Most automobiles are paid for over a period of a year or more. And the average person buying a home enters into a contract to pay specified monthly amounts over a period of twenty to thirty years.

Attributes of Money

Certain qualities are necessary for money to be desirable. The development of credit money has changed the relative importance of these attributes with some formerly considered to be of great importance being given little consideration today.

Attributes Formerly Significant

In earlier centuries, credit money, or money that carries a greater value than the material from which it is made, was seldom used. Most money then had the same value as a commodity that it had as money. It was for this reason that metals, particularly gold and silver, were so widely used as money. They deteriorated little. They were fireproof and vermin-resistant. They were easily recognizable. They could be divided into units of convenient sizes, and they could be melted and rejoined into larger units.

As compared with other monetary metals, gold possessed the special advantage of an extremely high intrinsic value. A thousand dollars in gold could be carried in a large pocket. Silver possessed the same characteristic of portability but to a lesser extent. At the other extreme, as far as metal money was concerned, the iron money of ancient Sparta was notably lacking in portability.

The qualities of portability, divisibility, and recognizability were at one time stressed as important attributes of money. The development of credit money makes them less important today. One-hundred-dollar bills are easier to carry than $20 gold pieces, and when checks can be written for a million dollars or more, it is not too important to find money material that is of great intrinsic value and hence is easily portable. Since checks can be written for uneven amounts, the attribute of divisibility of money loses much of its significance. So far as recognizability is concerned, it is probably no easier to counterfeit paper money than metal money.

Acceptability

Whether or not money possesses any of the attributes mentioned previously, if it is to do its work satisfactorily, it must be acceptable. One reason that gold was so widely used as money was that gold as a metal was in universal demand, that is, it was generally acceptable. Yet money need not necessarily be based on a precious metal. For money to have value and therefore be acceptable, it must be limited in supply relative to demand and the productive capacity of the country. The fear that private parties would not restrict the issuance of money has caused the government to control monetary institutions.

As long as money is acceptable, that is, as long as it is universally desired and one

can always find others who will give up goods or services to receive money, it makes little difference — at least at the time — what kind of money it is. Such currency might be entirely in the form of paper or electronic money, with no relation to gold or silver. Yet so long as people who receive it know that they can pass it on to someone else, receiving goods in return, the currency would, in fact, be money — no matter what the state might choose to call it.

This general acceptability of money represents the very essence of liquidity. Holdings of other commodities require time and a coincidence of wants to convert. Money, on the other hand, represents the ultimate in liquidity. An individual fortunate enough to be in possession of a $1000 bill can convert this into a thousand dollars' worth of other items with little difficulty. The same cannot be said of a person wishing to convert a piece of furniture, upon which he or she puts a value of $1000, into cash. All items in our society have a certain relative liquidity, but none is as liquid as money.

Stability

Stability in the value of money is also essential if money is to do its work satisfactorily. Particularly when money is being used as a store of value or as a standard of deferred payments, it is important that its value should not fluctuate wildly. Skyrocketing inflations, as in Germany in 1920–1923, in Hungary in 1945–1946 and in Zimbabwe in 2004–2008, completely destroyed the value of money and wiped out the savings of millions. During the hyperinflation in Germany, prices were doubling every two weeks, and in Hungary, they were doubling every two or three days! Similar runaway inflations occurred in Russia, Poland, and Hungary in the 1920s and in Greece, Austria, and China in the 1940s. In such instances, one may as well forget about having $50,000 in the bank when butter is selling at $1 million a pound. Nor are great increases in the value of money much better. If prices drop steeply and rapidly, one may easily find that the house bought for $20,000, and on which $12,000 is still owed, is worth only $10,000 on the current market. Corporations that have borrowed money may find it impossible to repay the loans later if the value of money has risen greatly, as in the 1930s. Even if they are operating at capacity, they may find that their dollar receipts are insufficient to pay for assets acquired at a time when prices were much higher.

Unstable money also causes difficulties, with the use of money as a medium of exchange. If people lose confidence in their money, they try to dispose of it as fast as possible. This increase in the rate of turnover of money causes the value of money to drop even faster. Similarly, the attempt to hold on to money in a period of falling prices encourages further price declines and a breakdown of the medium of exchange function of money.

Stability is not quite the same thing as constancy. A plausible argument can be presented in favor of a gently falling value of money, that is, for gradually rising prices. Various writers have also shown that an upward-drifting value of money can be beneficial. And, of course, arguments have been given in favor of a constant value of money. All can agree, however, that sudden and drastic changes in the value of money are undesirable.

Text 2

The Countries Where Cash Is on the Verge of Extinction

My dad, a former Wall Street trader, always advised me "cash is king" and to "hold on to it" when the economy gets tough.

But in the Netherlands, cash is definitely not getting the royal treatment. In so many places, it has simply ceased to be recognised as legal tender. More and more Dutch stores, from upscale health-food store Marqt to my local baker and bagel shop, take PIN or debit cards exclusively. Some retailers even describe going cash-free as "cleaner" or "safer."

Tucking my debit card firmly away, I decide to see how far a bundle of cash will get me. Not far. The big-ticket items are strictly cashless affairs: my rent and my telephone bill among them.

I meet with baffled expressions and some resistance. "I can't remember the last time we received a cash payment," says Marielle Groentjes, an administrator with the company that manages my apartment, Hoen Property Management BV, and has worked there for a decade. "We don't like cash in the office, we don't have a safe, and banks charge you for depositing it."

But it's the smaller items that are giving me the biggest headaches. Not only can't I buy my organic produce at Marqt, but I am forced to wait in long cash-only lines at the supermarket while I watch those with debit cards quickly pay up and make it home for dinner. When I try to buy a tuna sandwich at the Dutch bakery chain Vlaams Broodhuys, my cash is rejected. I can't even use my euros to pay for parking in much of the city.

"Cash is a dinosaur, but it will stay," says Michiel van Doeveren, a senior policy advisor at the Dutch central bank, De Nederlandsche Bank (DNB). But he points out that it's the logistics that make handling cash expensive—it must be transported, guarded, tallied, and registered—versus the ease of electronic payments. "It's important that the electronic economy increases. We want to foster more efficient payments."

How to Make Money

Electronic payments in the Netherlands' shops and supermarkets overtook cash payments for the first time in 2015 by a narrow margin: 50% debit cards while 49.5% were paid for in cash, and the remaining 0.5% were credit card payments. There's a movement afoot by a coalition of Dutch banks and retailers who want that ratio to increase to 60% electronic payments versus 40% hard currencies by 2018. They say cashless payments are cheaper, safer, and more convenient.

Like the Netherlands and its Scandinavian neighbours, Sweden is among the front-runners in the race to eradicate cash. But not everyone is welcoming.

"It's a very big problem. For small businesses, it costs so much money to put cash in the bank," says Guido Carinci, chairman of the small business association, TOMER. Carinci describes the situation as "awful", saying he has to pay a fee of 300 Swedish kronor (about $35) every month to a company that is then able to deposit cash into his bank account.

It all comes down to profit margins. Swedish banks, he says, profit handsomely from charging transaction fees to retailers for card payments, amounting to millions of kronor annually for the banks, whereas there is no revenue generated on cash. This leaves banks little incentive to accept currency.

Citing the high costs of handling cash and security concerns, many Swedish stores have already abandoned their cash tills, including telecommunications giant Telia Company, whose 86 shops nationwide stopped accepting cash in 2013. The country's buses haven't accepted currency from passengers for years, and even homeless magazine vendors accept card and mobile payments these days.

The problem has become so acute that many of Sweden's residents, facing the dilemma of what to do with piles of cash that banks don't want, are even resorting to "hoarding it in the microwave," according to Björn Eriksson, head of security industry alliance Säkerhetsbranschen.

Cultural Ties

Attitudes, however, vary significantly within Europe and globally. Some cultures are still deeply reluctant to give up cash, including Germany, whose consumers believe, according to a recent study by the country's central bank, that using cash gives them better control over their spending. In the Europe's economic superpower, more than 75% of payments are still made in cash. In Italy, where the cash culture runs deep, that number jumps to 83%.

And as much as Americans still love dollar bills—the nation only adopted chip-enabled credit cards last year, a full decade after many European countries—a move toward

cashless is beginning to take root across the Atlantic, too. In January, several branches of the 48-strong restaurant chain Sweetgreen stopped accepting cash, including at its Wall Street location.

"I was surprised," says New Yorker Persephone Zill. "I think it is because they see that all the young folks on Wall Street are using their smartphones, such as Apple Pay, to buy things. I know my daughter uses the Venmo app for everything. It frankly made me feel old and outdated."

Advances in mobile technology have seen banks leapfrog cash payments in some countries in Africa. In Kenya and Tanzania, for instance, the cashless mobile-banking system M-Pesa means millions of people now pay bills, collect salaries, buy livestock and even conduct small transactions at local markets via accounts on their mobile phones.

Being Stamped out

Personally, I hate that the cost of cash is increasingly being passed back to people like me.

Still, I head to my local branch to collect some coin wrappers.

At my own bank, I'm charged six euros ($5.38) per deposit after the first six transactions per year. As my daughter cracks open her piggy bank and painstakingly counts out five euros in coins, I realise the cost of depositing her small sum of funds into her bank account will wipe out her savings.

"Excuse me?" asks the doe-eyed assistant. I try to explain that these are little paper tubes for filling with different denominations of coins that I used as a child.

It still doesn't register. Prompted by me, she tells me she's 25 years old, which leads me to conclude the problem of cash may just resolve itself in the coming decades as a new generation takes over.

Terms

distribution 分配
exchange 交换
consumption 消费
discharge of debts 清偿债务
bank deposits 银行存款
a means of payment 支付方式
deferred payment 延迟支付
acceptability 可接受性
barter 物物交换
price system 价格体系
specialization 专业化
standard of value 价值尺度
medium of exchange 交换媒介
coincidence of wants 需求吻合
store of value 贮藏价值
stability 稳定性

liquidity 流动性
credit card 信用卡
debit card 借记卡
electronic payment 电子支付

Exercises

I. Answer the following questions based on the texts.

(Text 1)

1. What is money according to the text?
2. What has been money in history? Do you know the earliest form of money in China?
3. What are the major functions of money? Give some examples to show each function of money.
4. What will happen if 1000 commodities can be produced in a society without money?
5. What are the most important attributes of paper money?
6. What are the advantages and disadvantages of metal money?

(Text 2)

7. What does the author decide to do?
8. How do you understand "cash is king"?
9. How do people in the Netherlands deal with cash now? Why?
10. How do you understand "cash is a dinosaur"?
11. What is people's attitude towards electronic money in the nations mentioned in Text 2? Why?
12. Will e-money overtake hard currencies according to this article? Why or why not?

II. Translate the following passages selected from the texts.

1. People with $100 in their pockets are entitled to request from society at any time to provide them with the things they want up to the amount of $100. Society has agreed to owe these individuals, and it gives them money as evidence. As long as they hold money, society is in their debt. When they spend the money, society discharges its obligations to these particular individuals by providing them with the things they demand. But note that society still owes as much as before, for someone else now holds the money that constitutes the claim on society.

2. Without a well-developed system of exchange, specialization would be discouraged. As in primitive times, production would be very low as people tried to produce all the goods they needed for their own consumption, rather than specializing and trading their output for the goods they wanted.

3. The tremendous advance provided by this intermediate step is that so long as money is acceptable to all, the buyer need not trouble to find a seller who needs the particular goods or services that the buyer is capable of producing. There is a separation between transactions that is beneficial to both parties. Money's exchangeability is the key.

4. Barter is inefficient in the sense that without a standard of value and a medium of exchange, it is more difficult and/or more costly to negotiate contracts for future activities and to store future claims on output. Thus, money and financial markets facilitate economic growth and development by acting as an intermediary between buyers and sellers, as well as savers and investors.

5. This general acceptability of money represents the very essence of liquidity. Holdings of other commodities require time and a coincidence of wants to convert.

6. Electronic payments in the Netherlands' shops and supermarkets overtook cash payments for the first time in 2015 by a narrow margin: 50% debit cards while 49.5% were paid for in cash, and the remaining 0.5% were credit card payments. There's a movement afoot by a coalition of Dutch banks and retailers who want that ratio to increase to 60% electronic payments versus 40% hard currencies by 2018.

7. Advances in mobile technology have seen banks leapfrog cash payments in some countries in Africa. In Kenya and Tanzania, for instance, the cashless mobile-banking system M-Pesa means millions of people now pay bills, collect salaries, buy livestock and even conduct small transactions at local markets via accounts on their mobile phones.

III. Read the following article and decide whether the statements are true (T) or false (F).

Ways to Earn $100 an Hour

While doctors, lawyers, and corporate executives earn top dollar, the average worker in America takes home about $16 an hour, according to PayScale. But you don't necessarily need an advanced degree to bump up your pay. Experts say employing a few key strategies—even in today's economic climate—could increase your earning potential to as high as $100 an hour.

"It turns out that no matter what industry you work in, if you are one of the best in your field, it is possible to earn a six-figure salary," says Nicole Williams, a career expert and connection director at LinkedIn. "If you do good work and build a name for yourself, the sky is the limit."

First, specialization is key. Williams says the more niche your skill set is, the higher the salary you can make. "You may think being a Jack of all trades, or knowing a little bit about a lot of things will make you really marketable, but in fact, the opposite is true. You want to develop one skill really well and then be the very best at that one thing."

For example, oil and gas companies pay around $100 an hour for a saturation welder, a person who fixes pipes under water. That's more than what a regular welder or a commercial diver will make per hour, combined.

The second strategy is to treat your career as if you were an entrepreneur. "The reality is that everyone is a business owner. Even if you have a full-time job, you're selling a product to your employer, which are your labor hours. So start working for yourself," says Williams. "Treat your marketable skills and talents like commodities and know that one day, you can branch out on your own. Take courses, research your competition, and become a knowledgeable and engaged player in your own industry."

Going freelance or opening a private practice will usually earn you more than working for someone else, because you remove your employer's cut from the equation. This is particularly true for massage therapists, interior designers, and life coaches.

Another tip for freelancers: charge by the project, not by the hour. In fact, experts say your clients shouldn't even know your hourly rate. "The number of hours an average person can work in a year is 2,080. If you continue to think in terms of dollars per hour, you will always be limited by the units you have to sell, which is a number you can't change. This would mean your business isn't scalable and can never grow," says Williams.

Some writers, artists and graphic designers who work on a "per project" basis have the potential to earn even more than the top rates in their fields, capping out at around $125 an hour. This strategy works in your favor if you're a particularly fast worker, or can stay booked with regular clients. And the best way to build a client roster is to build your reputation.

"There's a reason why a couture handbag can cost $3,000, and it's not because of the cost of the leather or stitching. It's the reputation of the brand. Think of your career in the same way. Speak at conferences, write a blog, or become the kind of expert people hear about," says Williams. "I know a dog walker who earns as much as my lawyer friends, and that's because she has built her reputation as the best dog walker in New York City. She has celebrities calling her, and she gets to name her own price."

Professionals who are sought after for the quality of their work include tattoo artists, fashion stylists, and children's face painters. Top earners can sometimes earn $130–150 an hour. Work may not be full-time, but their talents are well compensated.

Finally, if you're re-entering or joining the workforce, find out what careers are currently in high demand and what industries are looking for your unique skills. " You don't necessarily expect to earn top dollar right away. You don't become a sought-after political speechwriter who earns $100 an hour, for example, straight out of journalism school. You work for a number of years as a copywriter, then as a reporter working on a campaign, then as an advisor, before you make the kind of money that writing speeches for senators and congressmen can earn," Williams says.

( ) 1. This article teaches doctors, lawyers, and corporate executives how to earn top dollar.

( ) 2. The average worker in America who takes home about $16 an hour, according to PayScale, needs an advanced degree to bump up his/her pay.

( ) 3. If you're one of the best in your field, it is possible for you to earn a six-figure salary.

( ) 4. A Jack of all trades, knowing a little bit about a lot of things, will make him really marketable.

( ) 5. A saturation welder can earn much more than a regular welder or a commercial diver.

( ) 6. Based on the article, giving up your current job to become your own employer will enable you to make more money.

( ) 7. Therapists, designers, and coaches should consider opening their own practices to increase their incomes.

( ) 8. If you only think of your business charges in terms of hours, your business isn't scalable and can never grow.

( ) 9. A fast worker or a worker with regular clients can take on work on a "per project" basis to earn more money.

( ) 10. Writing a blog is one of the ways to build your reputation.

( ) 11. A good reputation can help a dog walker earn as much as a lawyer.

( ) 12. Professionals, including tattoo artists, fashion stylists, and children's face painters, are also well-needed and highly paid.

( ) 13. Top earners can get over $160 per hour in the U.S.

( ) 14. The priority for the graduates leaving colleges soon is to find out what careers are currently in high demand and what industries are looking for their unique skills.

( ) 15. The most important factor for new job seekers to consider is whether the salary is high or not.

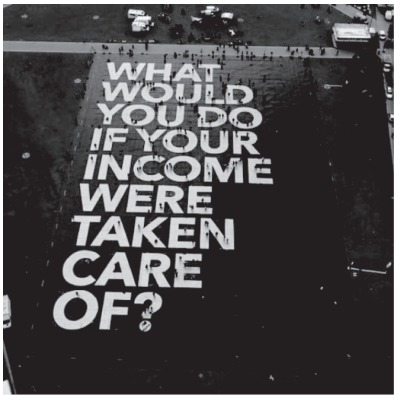
IV. Translate the following passages.

The monetization of an economy starts when agricultural communities move away from subsistence farming and start to specialize. This brings efficiency gains but also means that trade with others becomes necessary. The problem is that operating markets on the basis of barter is a pain: you have to scout (寻找) around looking for the rare person who wants what you have and has what you want.

Money evolves to reduce the costs of barter, and some commodities work better than others as money. The commodity used as money should not lose value when it is bought and sold. Thus, clothing is not suitable as money, since no one places the same value on second-hand clothes as new ones. Instead, something that is portable, durable (fruit and vegetables are out), and divisible into smaller pieces is needed. An economist called this property "saleableness". Spices and shells are highly saleable, which explains their use as money. Government plays no role here. The origin of money is a market-led response to the costs of barter, where the best money is that which minimizes the costs of trade.

V. Case study.

Once there was a proposal in Switzerland that called for adults to receive an unconditional monthly income, regardless of whether they worked or not. The supporters' camp suggested a monthly income of 2,500 Swiss francs (£1,755; $2,555) for each adult and SFr625 for each child.



Would you back the proposal or oppose it? And what do you think is the nature of money?

Please discuss with your partners and give your reasons.

Self-test

Give the corresponding English version.

1. 货币的运行 _____
2. 促进商品和服务的交换 _____
3. 解除债务 _____
4. 一种支付方式 _____
5. 普遍的可接受性 _____

6. 购买力 _____
7. 记账单位 _____
8. 贵金属 _____
9. 恶性通货膨胀 _____
10. 货币周转率 _____
11. 资深政策顾问 _____
12. 法定货币 _____
13. 借记卡 _____
14. 现金支付 _____
15. 电子支付 _____
16. 收银机 _____
17. 移动支付 _____
18. 芯片信用卡 _____
19. 非现金移动银行业务系统 _____

Finance in Our Daily Life

货币是人类生产力进步的产物，反过来又促进了生产力的发展。有趣的是，货币在不同的时代，表现形式是不一样的。最早的货币形态应该是商品货币，如烟叶、盐等，它们本身就是商品，是人们生活的消费品。可是，因为这类货币存在不易确定价值、不易储存等缺陷，金属货币就取代了它们。金属中的金银，因其可分割和易储存性，在很长一段时间成为各国货币的主要表现形式。随着生产力的不断发展，机器大生产不断扩张，可金银产量却是有限的，这就促进了纸币的诞生。纸币当然也不是货币的最终形态。现在，人们不仅使用纸币，也大量使用电子货币，如学校食堂的 IC 饭卡、具有电子支付功能的公交卡等。如果有一天，电子货币完全取代了纸币，人们的生活会是什么样呢?

Unit 2

Changes in the Value of Money

导言

货币，作为一种价值尺度，可以便于我们衡量不同商品的价值。但是，不同于其他的衡量标准，货币本身的价值是会发生变化的。有时我们感到手中的钱很值钱，有时又会感到钱不值钱。那么，货币的价值变化会怎样影响生活和商业活动呢？我们又该如何计算货币价值的变化呢？

Text 1

The Changing Value of Money

We have already noted that money is an unstable standard. Its value is influenced by the average level of all prices. When the general level of prices moves up or down, the value of money changes accordingly. The processes of deflation and inflation respectively cause changes in people's daily lives and in the level of total output.

Significance of Changes in the Value of Money

Changes in the value of money are important because they can distort many of our monetary measurements, influence business conditions, and have a great impact on the distribution of income and wealth.

Distortion of Measurements

We live in a money economy. As individuals, we receive and spend our money incomes. As a nation, we necessarily estimate our total national income

in money, since money serves as the common denominator, allowing us to calculate the value of diverse items, such as jet planes, office buildings, apple pies, haircuts, and all the other goods and services that constitute our total production. By setting money values on all these diverse commodities and services, we can derive a single figure that sums up the whole collection. Only by such a procedure can we make meaningful comparisons between the production of one year and that of the next, since the exact amounts of each specific good or service will almost certainly vary from year to year. If it were necessary to express Gross National Product (GNP) in physical terms, each year we would have thousands of subtotals of production for individual items, making it difficult to compare with other years.

On a much smaller scale of an individual business, a firm buys raw materials, hires labor, incurs selling expenses, transportation costs, and the like; and sells its products. By expressing all these activities in terms of money, the business person can compile a simple summary statement showing whether the business is operating at a profit or a loss. Also, the business person can learn about business conditions in other sectors of the economy by studying current statistics, many of which are expressed in money terms.

All these measurements are affected by the fact that they are expressed in terms of a standard that varies. Unless we also know what has happened to the value of money during a certain period, we have no way of knowing whether we are better or worse off if our incomes, after taxes, have increased from $25,000 to $30,000 during the period, or whether the nation is producing more goods and services if total national output in this period has risen from $2,500 billion to $3,000 billion. There may be more residential construction, automobiles, or machine tools, or there may be less; we cannot be sure simply by comparing dollar amounts of the items with those of other years unless we know to what extent the value of the dollar has changed.

Effects on Business Conditions

Changes in the value of money are often associated with cyclical changes in business and employment. Business people generally find it easier to make profits during a period of rising, rather than falling, prices. This is largely due to the fact that profits are a residual element. They are what remains after all expenses have been covered. Many business costs tend to be relatively stable in the short run. Certainly, interest on bond liabilities already incurred does not increase during a period of rising prices. Rent, also, may be a contractual item, periodically revised perhaps, but not subject to change from month to month, and in many instances it is fixed for several years. The rate on some raw materials may be unchanged for years at a time. In some instances, wage rates may also show little immediate

change if contracts have been made setting the level of wages for a year or more. If a significant portion of a business firm's costs lag behind the general advance in prices, its sales at advancing prices will result in gratifying profits.

These profits may be increased still further by accounting practices, particularly with regard to inventory valuation and depreciation. The inventory method "first-in, first-out (FIFO)" computes the cost of the raw materials consumed in the manufacture of current output on the basis of the cost of the original inventory at the beginning of the period. In a period of rapid price advances, that cost may be substantially below the current prices for those same raw materials; the profit accordingly may be greater than if the raw materials were valued at the current price, using the "last-in, first-out (LIFO)" inventory method. Also, when depreciation charges are based on the original cost of the equipment rather than on the current, higher cost, the charges will be smaller, and profits accordingly will be greater when prices are rising.

Some of these profits may be more apparent than real; but they may encourage a business to expand production, employ more workers, increase purchases from other firms, and perhaps invest in additional plant and equipment. This leads to increased orders for other firms, both those that supply the business directly and those that provide goods and services demanded by the newly hired workers. Nearly everyone finds that business is good. To be sure, a few businesses may not share in the general prosperity encouraged by a falling value of money. Public utilities, in particular, are likely to find their profit margins squeezed by rising costs and an inflexible rate structure, since they may raise their prices only with the approval of regulatory authorities, except for the modest automatic fuel-adjustment clauses often permitted. But a large proportion of the costs of utilities are fixed. They can expand their output substantially with very little addition to their variable costs, and hence total costs. If the demand for their products increases sufficiently, their average cost may decrease, and their profits may increase.

When the value of money is rising, however, almost all business firms find it more difficult to show a profit. Many of their costs are relatively stable when prices in general are falling, just as they are slow to move when the general level of prices is rising. Rents, wages, interest, and some other cost elements are not immediately revised downward when wholesale prices drop. Some firms may be able to lay off workers, cut back on their purchases, postpone expansion, and contain their losses to the point where they can manage them. Other enterprises, particularly those burdened with heavy fixed costs, may be forced into bankruptcy. All these individual situations together tend to set in motion cumulative forces, with the falling prices leading to progressively reduced employment and falling

national output.

Statisticians have found that prosperous periods are stronger and longer, and recessions milder and shorter, when there has been a long-term (25–30 years) upward drift in prices. Conversely, recessions are more severe, and prosperous periods are shorter and milder when the price level has been in a long-run decline.

Effects of Redistribution of Income and Wealth

Changes in the value of money may also cause a drastic and arbitrary redistribution of income and property.

Falling Prices

Who suffers when prices are falling? This is a complex question. If the only change is the falling price level, which is unlikely, then those who feel it most keenly are probably debtors. Consider someone who has been paying the interest and a little on the principal of the mortgage on a house for ten years. Perhaps by now the homeowner's equity has increased by $8,000; in other words, that much of the original loan has been paid off. If real estate prices are falling along with everything else, the house may have declined several thousand dollars in value. Possibly the $8,000 equity has been wiped out entirely. Whether the homeowner continues to pay off the mortgage or decides to give up the house, the savings invested as equity have disappeared.

A business which has borrowed to purchase various assets may find itself in an even more unfavorable position. In the example above, we assumed implicitly that the homeowner's income was not affected by the rising value of money. This assumption may not hold for businesses. Besides seeing the fall in the value of its assets, the business is likely to find it increasingly difficult to pay interest and sinking-fund charges on its debt. Even if the corporation is doing the same physical volume of business as before, it is taking in less receipts at the lower price level. A debt that could easily be serviced when the corporation is doing an annual business of $100 million may force the corporation into bankruptcy when sales amount to $60 million or less.

If only the value of money changes, creditors are enriched when prices fall. A creditor who lent $40,000 a few years earlier, when prices were high and the money bought little, may receive much more purchasing power than was initially lent. Suppose the creditor lent $40,000 to the home-buyer above. Let us say the buyer put in $9,000 at the time and has paid an additional $8,000 in monthly payments since. If the buyer now gives up the house, due to discouragement or an inability to make payments, how does this affect the lender? Assume the market value of the house is now $38,000.

The lender, who gave up $40,000 a few years ago, has recaptured $8,000 and in addition now owns a house that, at the time of the loan, could not have been bought for less than $49,000. Perhaps the house will and perhaps it will not ever have that value again. The point remains that the lender has profited because of being a creditor. The house has cost only $32,000, $17,000 less than it would have cost to buy it outright. The $17,000 was transferred to the lender from the debtor.

Furthermore, anyone on a fixed income, such as that received from interest, annuities, or pensions, can buy more with that income as prices fall. People with fixed salaries, provided that they can keep their jobs, also tend to benefit in the same way at such times.

Rising Prices

When prices are rising (the value of money is falling), the debtor benefits and the creditor suffers, if other conditions remain the same. During the German inflation after World War I, farmers were able to pay off the mortgages on their land with a dozen eggs or a pound of butter. Many of the well-to-do middle class who had invested their life savings in high-grade bonds and mortgages found that, when they were retired and bonds and the mortgages paid off, the money they received would hardly be enough to buy them a sandwich. In fact, by 1923, all the mortgages in Germany (originally worth $10 billion 20 years earlier) could have been paid off with one United States penny! Conversely, those who had borrowed heavily and bought property at the beginning of the inflation had little trouble in paying off their debts as prices mounted to millions and billions of times their prewar level. Because of this raging inflation, the property cost them virtually nothing.

Americans and people in other countries have been subjected to this kind of redistribution of income and property as a result of the decline in the value of money caused by World War II and its aftermath. Those on fixed incomes have been obliged to lower their living standards substantially. An American who lent out $10,000 in 1940 gave up a sum of money that would have bought a comfortable home. If the money were repaid 20 years later with 3 percent compound interest, the lender would have received about $18,000—an amount that, even without considering income taxes, would have been insufficient to buy the house that might have been bought in 1940 for $10,000. The citizen who invested money in real estate or common stocks during World War II probably fared much better than a more patriotic neighbor who bought as many savings bonds as possible.

In all these illustrations the principle is the same, whether the value of money is changing by 10 percent or 80 percent. High prices tend to make it easy for debtors to pay off their debts and to effect a redistribution of property from creditors to debtors and to reduce the share of those who are on a fixed income. Falling prices have the opposite effect.

Naturally, there are exceptions to any such generalization. A fall in the value of money does not benefit every debtor. Take the case of a person who has gone heavily into debt, with a large part of monthly income earmarked for payments on a house, a car, a television set, a new furnace. The remaining income must be stretched to cover the bills for food, utilities, clothes, medical expenses, gasoline, repairs and so forth. As the prices of these latter items rise, it will become increasingly difficult to stretch a paycheck if it is no larger than before. There is no advantage to being a debtor in this situation; it may be impossible to maintain all the payments. A business might be in similar difficulties, although this is less likely as long as the firm's products can be sold at increased prices.

Text 2

Measurement of the Change in Money's Value

How can we measure the value of money itself? We can measure it only relatively, not absolutely, by comparing the value of money at one time with its value at another time.

Construction of a Price Index

To make our measurements of the changes in price levels most useful as a measure of the change in the value of money, we shall express the changes in individual prices as percentages, rather than as absolute amounts; that is, we shall use **price relatives**. A price relative is the current price of an article divided by its price in an earlier period. It tells us what percentage the present price is of the earlier price.

Even with a single commodity being bought and sold, a price relative would clearly illustrate changes in the value of money. Imagine an economy where money is exchanged only for cigarettes. Suppose the price of cigarettes rose from $1 to $3 per pack in one year. In this case, we hardly need to construct a price relative to know that our money buys one third of what it did before. A dollar is now worth only a third of a pack of cigarettes instead of a full pack.

Now suppose that the price rose from $1.20 to $1.50. It's not immediately clear to tell, from looking at the two prices, the extent to which the value of money has changed. But if we use a price relative, we see that the price today in relation to the earlier period is $1.50/$1.20, or 1.25, or 125/100. The purchasing power of money is therefore 100/125, or 80 percent of what it was earlier. Both price relatives and index numbers, incidentally, are

usually written as percentages—in this case as 125% and 80%.

The use of price relatives is all the more important when we are working with many different prices. Some items cost just a few cents while others cost hundreds of dollars. If we try to compute the change in the average price of bread and automobiles, for example, we find that the change in the price of bread makes very little difference. Even a minor change in the price of cars can have a greater impact than any significant change in the price of bread.

But when we use price relatives to show what has happened, the size of individual prices makes no difference. For example, if the price of cars has risen from $9,000 to $12,000, and the price of bread has declined from $1.00 to $0.67, we see that $12,000/$9,000=133, and $0.67/$1.00=67. The average of the two price relatives is 100.

Some problems exist in constructing the right index to show the changes in the value of money. If our index is to measure changes in the value of money, it should relate money to all the things that it can be exchanged for. All prices should be taken into account in our index, each current price expressed as a percentage of the corresponding price in the base year. (The base year serves as the reference point for comparing changes in the average price level across all other years. Base-year average prices are always given an index number of 100.)

Since it is impossible to compile a price index that includes all prices, we use the sampling method. We take a large number of prices and assume that their behavior is characteristic of prices in general. The first question to be settled, then, is this: Just what prices shall we include? Shall we use wholesale prices or retail? Shall we include both finished goods and raw materials, producer goods and consumer goods, and real estate and security prices along with commodity prices?

Having decided what prices to include, we compute our price relatives and average them. If we are using a simple, unweighted average, we just add the price relatives and divide by the number of items. By averaging price relatives rather than the prices themselves, we have made each commodity equally important. This method is better than making all changes in low-priced commodities of little or no consequence, so that the changes in high-priced commodities are the determining ones. Yet it is still unsatisfactory. Why should all commodities be equally important when we are trying to measure what has happened to the purchasing power of money? We are affected much more by what happens to some prices than by what happens to others. A doubling of the price of meat or gasoline hits our wallet much harder than a doubling of the price of olives or dictionaries. We should attach a greater weight to what happens to the prices of the goods on which we spend larger amounts. This

follows the same principle as when you calculate your grade average. The grade in a five-hour course is given five times the weight of a grade received in a one-hour course.

The simplest, most objective weights are the actual amounts spent, that is, the values of the various commodities. The amount spent is, of course, determined by the price of the commodity and the quantity sold.

We might use as weights the base-year values or any year's values. The base-year values, however, are more convenient and more readily available. They are also preferable when we are comparing prices over a period of years (rather than comparing two years only), for they are constant over the period, whereas the value weights for a specific year change each year. All we are doing is comparing the total amount spent in the base year with the total amount that would have been spent in the current year if all physical quantities had been the same as they were in the base year.

The method described above is commonly used in the computation of price indexes. It seems to suggest a mathematically right answer, but the fact is that no price index today can be anything more than an approximation.

Price Indexes in the World

There are two regularly reported and frequently used price indexes in the world. They are Consumer Price Index (CPI) and Producer Price Index (PPI)[1].

Consumer Price Index[2]

This is the most popular index and is frequently cited in the news media. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

CPI is one of the most frequently used statistics for identifying periods of inflation or deflation. This is because significant increases in CPI during a short period of time typically denote periods of inflation and significant decreases in CPI during a short period of time usually mark periods of deflation.

---

[1] See Appendix 1. CPI, PPI and PMI are the three important indicators to judge if a nation's economic situation is recovering or is going into recession.

[2] See Appendix 2. Appendix 2 is an example of CPI data published by the Bureau of Labor in the United States.

Producer Price Index

This index is similar to the CPI but it does not include any services, nor does it include retail prices paid for goods by households. Instead, it concentrates on the prices of large volume transactions in primary markets in which buyers and sellers are mainly business firms. It is generally felt that the PPI will reflect changes before the CPI, since changes in primary market prices may lead to changes in production costs and hence finally affect prices at the retail level.

Terms

depression 萧条
distribution of income 收入分配
national income 国民收入
tax 税收
national output 国民总产出
rent 租金
recession 衰退
inventory 库存
depreciation 折旧
deflation 通货紧缩
mortgage 抵押贷款
weight 加权
Consumer Price Index 消费价格指数
Producer Price Index 生产价格指数
debtor 债务人
creditor 债权人
equity 净资产
price relative 价格相对数
compound interest 复利
inflation 通货膨胀

Exercises

I. Answer the following questions based on the texts.

(Text 1)

1. Who will suffer in the situation of inflation, creditor or debtor?
2. What are the effects of inflation on business?
3. What are the effects of deflation on business?
4. Which is relatively better to the economic development, inflation or deflation?
5. How does the change in money's value redistribute people's income and wealth?

(Text 2)

6. What is a price relative?
7. What is the function of Consumer Price Index?
8. What difficulties are faced to construct a price indicator to measure the change of money's value?

II. Translate the following passages selected from the texts.

1. All these measurements are affected by the fact that they are expressed in terms of a standard that varies. Unless we also know what has happened to the value of money during a certain period, we have no way of knowing whether we are better or worse off if our incomes, after taxes, have increased from $25,000 to $30,000 during the period, or whether the nation is producing more goods and services if total national output in this period has risen from $2,500 billion to $3,000 billion.

2. Many of their costs are relatively stable when prices in general are falling, just as they are slow to move when the general level of prices is rising. Rents, wages, interest, and some other cost elements are not immediately revised downward when wholesale prices drop.

3. Statisticians have found that prosperous periods are stronger and longer, and recessions milder and shorter, when there has been a long-term (25–30 years) upward drift in prices. Conversely, recessions are more severe, and prosperous periods are shorter and milder when the price level has been in a long-run decline.

4. High prices tend to make it easy for debtors to pay off their debts and to effect a redistribution of property from creditors to debtors and to reduce the share of those who are on a fixed income. Falling prices have the opposite effect.

5. Why should all commodities be equally important when we are trying to measure what has happened to the purchasing power of money? We are affected much more by what happens to some prices than by what happens to others. A doubling of the price of meat or gasoline hits our wallet much harder than a doubling of the price of olives or dictionaries. We should attach a greater weight to what happens to the prices of the goods on which we spend larger amounts.

III. Cloze.

easily, Another, which, increase, vary, normal, associated, old, Historically, revert, medium, in favor of, imposing, effectively, inflation

In economics, hyperinflation is _____ that is very high or "out of control", a condition in _____ prices _____ rapidly as a currency loses its value. Definitions used by the media range from a cumulative inflation rate over three years approaching 100% to "inflation exceeding 50% a month". As a rule of thumb, _____ inflation is reported per year, but hyperinflation is often reported for much shorter intervals, often per month.

Hyperinflation is generally _____ with paper money because this can _____ be used to increase the money supply: add more zeros to the plates and prints, or even stamp ____ notes with new numbers. _____ there have been numerous episodes of hyperinflation in various countries, followed by a return to "hard money". Older economies would _____ to hard currency and barter when the circulating _____ became excessively devalued, generally following a "run" on the store of value.

Hyperinflation _____ wipes out the purchasing power of private and public savings, distorts the economy _____ extreme consumption and hoarding of real assets, causes the monetary base, whether specie or hard currency, to flee the country, and makes the afflicted area anathema to investment. Hyperinflation is met with drastic remedies, such as _____ the shock therapy of slashing government expenditures or altering the currency basis. An example of the latter occurred in Bosnia-Herzegovina in 2005, when the central bank was only allowed to print as much money as it had in foreign currency reserves. _____ example was the dollarization in Ecuador, initiated in September 2000 in response to a massive 75% loss of value of the Sucre currency in early January 2000. Dollarization is the use of a foreign currency (not necessarily the U.S. dollar) as a national unit of currency.

IV. Translate the following passages.

1. The CPI is the most widely used measure of inflation and is sometimes viewed as an indicator of the effectiveness of government economic policy. It provides information about price changes in the Nation's economy to government, business, labor, and private citizens and is used by them as a guide to making economic decisions. In addition, the President, Congress, and the Federal Reserve Board use trends in the CPI to aid in formulating fiscal and monetary policies.

2. For example, if you or your family spend a larger-than-average share of your budget on medical expenses, and medical care costs are increasing more rapidly than the cost of other items in the CPI market basket, your personal rate of inflation may exceed the increase in the CPI. Conversely, if you heat your home with solar energy, and fuel prices are rising more rapidly than other items, you may experience less inflation than the general population does. A national average reflects all the ups and downs of millions of individual price experiences. It seldom mirrors a particular consumer's experience.

3. The following illustration shows that although Area B has higher prices than Area A, the price change in Area A has been greater than in Area B.

	Base Period		Current Period	
	Price	Index	Price	Index
Area A	$0.30	100	$0.55	183
Area B	$0.60	100	$0.90	150

The CPI thus measures the rates of change in prices, rather than the level of prices.

V. Read the following article and answer the questions.

CPI Slips in Hong Kong

Hong Kong consumer price index slipped for the first time in eight years in February. But deflation is unlikely, as the fall in commodity and service prices is attributed to one-off factors, according to experts.

Commodity and service prices fell for the first time in eight years last month, but this did not mean Hong Kong would slip into deflation soon, an analyst said.

Although the Hong Kong consumer price index, which measures commodity and service prices, dipped 0.1 percent in February, Paul Tang Sai-on, the chief economist at the Bank of East Asia, attributed the drop to one-off factors, and forecast a full-year inflation increase of 2 percent.

Meanwhile, a government spokesman also said that "inflation pressure stayed moderate in early 2017, whereas the slightly negative year-on-year headline inflation rate in February was due to a host of temporary factors such as one-off rates waiver, holiday and base effects."

The timing of the Lunar New Year, which fell in late January this year instead of February, resulted in lower travel spending, while prices for fresh vegetables soared earlier last year due to the weather, which was colder than usual. Both factors contributed to a smaller comparison base for this year, the government said in a press release.

Additionally, the move by major electric power firms to lower electricity charges last year also helped to ease the inflationary pressure.

Taking the first two months of this year together—to neutralize the holiday effect—the CPI rose by 0.6 percent compared with a year earlier.

In his first budget unveiled last month, Financial Secretary Paul Chan Mo-po expected the full-year inflation rate to rise 1.8 percent.

"The recent fall in CPI is actually a very positive signal. It means consumers have benefited from the cheaper products," Bank of East Asia's Tang said.

"Not all deflation is bad. The demand is still largely in place," he said, adding that

figures for local employment and pay rise remained stable. The strong performance in housing transactions and prices also kept deflationary risks at bay. He expected the growth in consumer prices to accelerate as the weather became warmer.

In February, the prices for electricity, gas and water fell the most by 7.5 percent compared with the same period last year, while that for food and durable goods both fell 3.7 percent.

Transportation saw the biggest increase in prices in February, rising 3.1 percent year on year. Costs for takeaway meals increased 2.8 percent.

Overall prices for housing rent grew 0.2 percent in the month, with private housing gaining 0.4 percent and public housing falling 0.5 percent.

"Looking ahead, inflation pressure should remain contained in the near term, given the low imported inflation and moderate increases in local costs," the government spokesman said.

Please answer the following questions.

1. What was the latest change of CPI in Hong Kong?
2. What is headline inflation?
3. Will Hong Kong face deflation? Why or why not?
4. What was the expected inflation rate for 2017 in Hong Kong?
5. In what situation is deflation not considered bad according to this article?
6. Is there any inflation pressure faced by Hong Kong? Why or why not?

VI. Writing.

Please collect the annual CPI data for the past ten years in your nation and explain your opinion on the monetary policies implemented by your government in response to these CPI figures.

Self-test

Give the corresponding English version.

1. 盈利经营或亏损经营 _____
2. 收入或财富的分配 _____
3. 扩大生产 _____
4. 商业的周期性变化 _____
5. 偿还债务 _____
6. 年金 _____
7. 固定收入 _____

8. 养老金 _____
9. 债台高筑 _____
10. 生活杂费 _____
11. 简单平均数 _____
12. 加权平均数 _____
13. 消费品 _____
14. 生活成本 _____
15. 初级市场 _____

Finance in Our Daily Life

菜篮版 CPI

CPI（Consumer Price Index，居民消费价格指数）是反映居民家庭购买的消费品和服务项目价格水平变动情况的宏观经济指标，是衡量通货膨胀的主要指标之一。它是在特定时段内测量一组代表性消费商品及服务项目的价格水平随时间而变动的相对数。

2023 年全年的全国居民消费价格，平均比上年上涨 0.2%。

如果我们以蔬菜的价格来编制一个“菜篮版 CPI”，那会是怎样的一份数据呢？