

Questions 21–31 are based on the following passages and supplementary material.

The idea of a World Bank became a reality in 1944 when delegates to the Bretton Woods Conference pledged to “outlaw practices which are agreed to be harmful to world prosperity.” Passage 1 discusses the benefits of the World Bank, while Passage 2 focuses on the limited life span of the Bretton Woods system.

Passage 1

In 1944, 730 delegates from forty-four Allied nations met in Bretton Woods, New Hampshire, just as World War II was ending. They were attending an important conference. This mostly forgotten event shaped our modern world because delegates at the Bretton Woods Conference agreed on the establishment of an international banking system.

To ensure that all nations would prosper, the United States and other allied nations set rules for a postwar international economy. The Bretton Woods system created the International Monetary Fund (IMF). The IMF was founded as a kind of global central bank from which member countries could borrow money. The countries needed money to pay for their war costs. Today, the IMF facilitates international trade by ensuring the stability of the international monetary and financial system.

The Bretton Woods system also established the World Bank. Although the World Bank shares similarities with the IMF, the two institutions remain distinct. While the IMF maintains an orderly system of payments and receipts between nations, the World Bank is mainly a development institution. The World Bank initially gave loans to European countries devastated by World War II, and today it lends money and technical assistance specifically to economic projects in developing countries. For example, the World Bank might provide a low-interest loan to a country attempting to improve education or health. The goal of the World Bank is to “bridge the economic divide between poor and rich countries.” In short, the organizations differ in their purposes. The Bank

promotes economic and social progress so people can live better lives, while the IMF represents the entire world in its goal to foster global monetary cooperation and financial stability.

These two specific accomplishments of the Bretton Woods Conference were major. However, the Bretton Woods system particularly benefited the United States. It effectively established the U.S. dollar as a global currency. A global currency is one that countries worldwide accept for all trade, or international transactions of buying and selling. Because only the U.S. could print dollars, the United States became the primary power behind both the IMF and the World Bank. Today, global currencies include the U.S. dollar, the euro (European Union countries) and the yen (Japan).

The years after Bretton Woods have been considered the golden age of the U.S. dollar. More importantly, the conference profoundly shaped foreign trade for decades to come.

Passage 2

The financial system established at the 1944 Bretton Woods Conference endured for many years. Even after the United States abrogated agreements made at the conference, the nation continued to experience a powerful position in international trade by having other countries tie their currencies to the U.S. dollar. The world, however, is changing.

In reality, the Bretton Woods system lasted only three decades. Then, in 1971, President Richard Nixon introduced a new economic policy by ending the convertibility of the dollar to gold. It marked the end of the Bretton Woods international monetary framework, and the action resulted in worldwide financial crisis. Two cornerstones of Bretton Woods, however, endure the International Monetary Fund (IMF) and the World Bank.

Since the collapse of the Bretton Woods system, IMF members have been trading using a

flexible exchange system. Namely, countries allow their exchange rates to fluctuate in response to changing conditions. The exchange rate between two currencies, such as the Japanese yen and the U.S. dollar, for example, specifies how much one currency is worth in terms of the other. An exchange rate of 120 yen to dollars means that 120 yen are worth the same as one dollar.

Even so, the U.S. dollar has remained the most widely used money for international trade, and having one currency for all trade may be better than using a flexible exchange system.

This seems to be the thinking of a powerful group of countries. The Group of Twenty (G20), which has called for a new Bretton Woods, consists of governments and leaders from 20 of the world's largest economies including China, the United States, and the European Union. In 2009, for example, the G20 announced plans to create a new global currency to replace the U.S. dollar's role as

the anchor currency. Many believe that China's yuan, quickly climbing the financial ranks, is well on its way to becoming a major world reserve currency.

In fact, an earlier 1988 article in *The Economist* stated, "30 years from now, Americans, Japanese, Europeans, and people in many other rich countries and some relatively poor ones will probably be paying for their shopping with the same currency."

The article predicted that the world supply of currency would be set by a new central bank of the IMF. This prediction seems to be coming to fruition since the G20 indicated that a "world currency is in waiting." For an international construct such as the original Bretton Woods to last some 26 years is nothing less than amazing. But move over Bretton Woods; a new world order in finance could be on the fast track.

Top 10 International Currencies						
(Percent Shares of Average Daily Currency Trading)						
	2007		2010		2013	
	Share	Rank	Share	Rank	Share	Rank
U.S. Dollar (USD)	85.6%	1	84.9%	1	87.0%	1
Euro (EUR)	37.0%	2	39.1%	2	33.4%	2
Japanese Yen (JPY)	17.2%	3	19.0%	3	23.0%	3
UK Pound (GBP)	14.9%	4	12.9%	4	11.8%	4
Australian Dollar (AUD)	6.6%	6	7.6%	5	8.6%	5
Swiss Franc (CHF)	6.8%	5	6.3%	6	5.2%	6
Canadian Dollar (CAD)	4.3%	7	5.3%	7	4.6%	7
Mexican Peso (MXN)	1.3%	12	1.3%	14	2.5%	8
Chinese Yuan (CNY)	0.5%	20	0.9%	17	2.2%	9
New Zealand Dollar	1.9%	11	1.6%	10	2.0%	10

Adapted from Mauldin Economics; Bank for International Settlements, September 2013 Triennial Central Bank Survey.

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Practice Tests

1. Based on Passage 1, it can reasonably be inferred that
- A) world leaders recognized the need for markets to function independently.
 - B) Bretton Woods increased U.S. economic influence around the world.
 - C) the IMF and the World Bank work closely together to ensure prosperity.
 - D) the conclusion of World War II had little influence on events at Bretton Woods.
2. Which choice provides the best evidence for the answer to the previous question?
- A) Lines 9–11 (“To ensure . . . economy”)
 - B) Lines 11–13 (“The Bretton . . . Fund”)
 - C) Lines 47–50 (“Because only . . . World Bank”)
 - D) Lines 54–56 (“More importantly . . . to come”)
3. As used in line 38, “foster” most nearly means
- A) publicize.
 - B) rear.
 - C) stabilize.
 - D) encourage.
4. Which statement best explains the difference between the purposes of the IMF and the World Bank?
- A) The IMF provides money to pay for war costs, while the World Bank offers assistance to rebuild countries recovering from war across the globe.
 - B) The IMF encourages stability in the global financial system, while the World Bank promotes economic development in relatively poor nations.
 - C) The IMF supports the U.S. dollar in international markets, while the World Bank provides low-interest loans to many nations around the world.
 - D) The IMF offers governments advice about participation in global markets, while the World Bank encourages monetary cooperation between nations.
25. Based on the second paragraph in Passage 2, it can be reasonably inferred that
- A) the United States did not support the goals of the IMF and the World Bank.
 - B) Bretton Woods was originally intended to last for three decades.
 - C) President Nixon acted to reinforce the decisions made at Bretton Woods.
 - D) some U.S. policy decisions differed from international consensus over Bretton Woods.
26. Which choice provides the best evidence for the answer to the previous question?
- A) Lines 65–66 (“In reality . . . three decades”)
 - B) Lines 66–69 (“Then, in 1971 . . . to gold”)
 - C) Lines 71–74 (“Two cornerstones . . . World Bank”)
 - D) Lines 75–77 (“Since the collapse . . . exchange system”)
27. As used in line 97, “anchor” most nearly means
- A) key.
 - B) fastening.
 - C) rigid.
 - D) supporting.
28. It can reasonably be inferred from both Passage 2 and the graphic that
- A) international markets are increasingly comfortable using the yuan as trade currency.
 - B) the United States favors using the yuan as one of the world’s reserve currencies.
 - C) the G20 wants to replace the yuan and other currencies with a new global currency.
 - D) the IMF continues to support the yuan and other currencies in a flexible exchange system.

29. The last paragraph of Passage 2 can be described as
- a refutation of opponents' criticisms.
 - an indication of the author's opinion.
 - a summary of the author's main points.
 - an introduction of a contradictory position.
30. Which statement most effectively compares the authors' purposes in both passages?
- Passage 1's purpose is to contrast the functions of the IMF and World Bank, while Passage 2's purpose is to outline the benefits of a flexible trade system to the United States.
 - Passage 1's purpose is to describe the history of international trade in the 20th century, while Passage 2's purpose is to explain why the Bretton Woods system collapsed.
 - Passage 1's purpose is to describe Bretton Woods's effect on the global economy, while Passage 2's purpose is to suggest that a new currency for global trade may soon be implemented.
 - Passage 1's purpose is to promote the economic benefits of the IMF and World Bank, while Passage 2's purpose is to encourage the reestablishment of the Bretton Woods system.
31. Both passages support which generalization about the global economy?
- U.S. influence on global trade has continued under a flexible exchange system.
 - The purposes of the International Monetary Fund and the World Bank are indirectly related.
 - The Group of Twenty represents the financial interests of the world's largest economies.
 - International institutions such as the IMF continue to influence economic trade and development.

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Questions 32–42 are based on the following passage.

This passage is adapted from an article about treating paralysis.

According to a study conducted by the Christopher and Dana Reeve Foundation, more than six million people in the United States suffer from debilitating paralysis. That's close to
 5 one person in every fifty who suffers from a loss of the ability to move or feel in areas of his or her body. Paralysis is often caused by illnesses, such as stroke or multiple sclerosis, or injuries to the spinal cord. Research scientists have made
 10 advances in the treatment of paralysis, which means retraining affected individuals to become as independent as possible. Patients learn how to use wheelchairs and prevent complications that are caused by restricted movement. This
 15 retraining is key in maintaining paralytics' quality of life; however, an actual cure for paralysis has remained elusive—until now.

In 2014, surgeons in Poland collaborated with the University College London's Institute of Neurology
 20 to treat a Polish man who was paralyzed from the chest down as a result of a spinal cord injury. The scientists chose this patient for their study because of the countless hours of physical therapy he had undergone with no signs of progress. Twenty-one
 25 months after their test subject's initial spinal cord injury, his condition was considered complete as defined by the American Spinal Injury Association (ASIA)'s Impairment Scale. This meant that he experienced no sensory or motor function in the
 30 segments of his spinal cord nearest to his injury.

The doctors used a technique refined during forty years of spinal cord research on rats. They removed one of two of the patient's olfactory bulbs, which are structures found at the top of the human
 35 nose. From this structure, samples of olfactory ensheathing cells, responsible for a portion of the sense of smell, were harvested. These cells allow the olfactory system to renew its cells over the course of a human life. It is because of this constant