GENERAL ECONOMIC ENGLISH

Week 07: Money, Banking and Financial Institutions

1. Main Academic Text & Core Concepts

Money is anything universally accepted in exchange for goods, services, or repayment of debts. Economists identify three primary functions of money: a Medium of Exchange (facilitating trade without barter), a Unit of Account (providing a standardized measure of economic value), and a Store of Value (allowing wealth to be preserved over time).

The banking sector is divided into Central Banks and Commercial Banks. The Central Bank (e.g., the Federal Reserve or the Bank of Algeria) acts as monetary authority, regulating national currency supply, managing monetary policy, controlling inflation, and overseeing financial stability. It sets key Interest Rates and acts as lender of last resort.

Commercial banks are profit-oriented businesses that accept Deposits from savers and provide Loans to borrowers. The Interest Rate is the price of money—charged to borrowers for credit and paid to depositors for saving. Effective credit systems fuel economic investment and capital accumulation.

2. Key Terminology & Academic Definitions

Currency	Noun	System of money in general use in a particular country.
Medium of Exchange	Noun	An instrument used to facilitate the sale, purchase, or trade of goods.
Central Bank	Noun	National institution responsible for managing currency and monetary policy.
Commercial Bank	Noun	Financial institution offering services such as loans and deposit accounts.
Interest Rate	Noun	Percentage charged on borrowed money or paid on savings deposits.
Loan	Noun	A sum of money borrowed that is expected to be paid back with interest.
Deposit	Noun	A sum of money placed or kept in a bank account.

3. Language Focus: Numbers, Percentages, and Financial Modals

Numerical Expressions in Finance: Express rates and figures accurately: 'The central bank raised interest rates by 0.5% to 4.25%.'

Modal Verbs of Obligation & Ability: Use 'must', 'can', 'may' in financial contracts: 'Borrowers must repay loans on a monthly basis.'

Financial Phrasal Verbs: Use terms like 'pay off', 'take out (a loan)', 'save up', 'write off'.