

**University of OEB**

**Academic Year: 2024/2025**

**Department of Economic Sciences**

**Third Year Licence Monetary and Banking Economics**

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### **Lecture One: The Role of Money in Economy**

Money is an essential part of modern economies. It serves as a medium of exchange, allowing people to buy and sell goods and services. Before money existed, people used barter systems, exchanging one product for another. However, barter had many limitations—it was difficult to find someone who had what you needed and wanted what you had.

Money solves this problem by acting as a commonly accepted form of payment. It has three main functions: a medium of exchange, a store of value, and a unit of account. As a store of value, money allows people to save and use it later without losing its worth. As a unit of account, it helps measure and compare the value of goods and services.

There are different types of money: fiat money, which has no intrinsic value and is issued by governments (such as the dollar or the euro), and commodity money, which is backed by a physical good like gold. Today, most economies use fiat money, and digital transactions are becoming more common. Central banks, such as the Federal Reserve or the European Central Bank, regulate the money supply to ensure economic stability.

Money also plays a key role in inflation and interest rates. If there is too much money in circulation, prices rise, leading to inflation. If there is too little, the economy slows down. This is why governments and financial institutions carefully manage money to keep economies stable and growing.

## Reading Comprehension Questions

1. What are the three main functions of money?
2. Why was barter an inefficient system?
3. What is the difference between fiat money and commodity money?
4. How do central banks influence the economy?
5. What can happen if too much money is in circulation?

## Vocabulary Section:

### Activity 1: Match the following words with their correct definitions:

- |                  |                    |
|------------------|--------------------|
| 1. Currency      | 5. Exchange rate   |
| 2. Inflation     | 6. Fiat money      |
| 3. Interest rate | 7. Barter          |
| 4. Central bank  | 8. Digital payment |

## Definitions:

- a. The increase in the price of goods and services over time.
- b. A method of buying and selling goods without using money.
- c. The value of one currency compared to another.
- d. The official money used in a country.
- e. The cost of borrowing money, usually shown as a percentage.
- f. Money that has value because the government declares it legal.
- g. A financial institution that manages a country's money supply.

**Activity 2: Fill in the blanks using the correct words from the list above:**

1. The US dollar is an example of \_\_\_\_\_.
2. If \_\_\_\_\_ rises too fast, the cost of living increases.
3. The \_\_\_\_\_ sets policies to control inflation and stabilize the economy.
4. Before money existed, people used \_\_\_\_\_ to trade goods and services.
5. In today's world, many people prefer using \_\_\_\_\_ instead of cash.

**Grammar Section: Talking About Money and Pronouncing Large Numbers**

**A. Large Numbers:**

**100:** One hundred

**200:** Two hundred

**1,000:** One thousand

**2,000:** Two thousand

**1,000,000:** One million

**2,000,000:** Two million

**N.B.** You can say “one hundred” or “a hundred.” Both are correct.

Don't add “s” to “hundred,” “thousand”, or “million.”

Use commas to separate long rows of figures.

**2,876:** Two thousand, eight hundred and seventy six.

**54,041:** Fifty four thousand and forty one.

**296,308:** Two hundred and eighty six thousand, three hundred and eight.

**1,098,283:** One million, eighty eight thousand, two hundred and eighty three.

**N.B.** Add “and” before the last two numbers to say numbers higher than one hundred.

## Activity 1: Say the numbers aloud

532:

3,107:

23,417:

345,972:

23,456,987:

### B. Expressions and Phrases Related to Money

Here are some common ways to talk about money in English:

#### 1. Earning and Spending

- "He **makes** \$50,000 **a** year."
- "They **spent** a **fortune** on their new house."

#### 2. Prices and Costs

- "This phone **costs** \$999."
- "The **rent** is \$750 **per** month."

### Activity: Complete the Sentences Using the Correct Money Phrase

- 1- He \_\_\_\_\_ \$2,000 every month from his job.
- 2- This dress \_\_\_\_\_ only \$50 on sale!
- 3- We spent \_\_\_\_\_ on our vacation to Europe.
- 4- He \_\_\_\_\_ a good salary working in finance.
- 5- She earns \$3,000 \_\_\_\_\_ month.
- 6- I \_\_\_\_\_ most of my salary on shopping.