

B.A VIth SEMESTER
ECONOMICS (MAJOR)

BECO-609: MONETARY ECONOMICS AND FINANCIAL INSTITUTIONS

Marks: 100 (80- End Semester and 20-Sessional)

Objectives: Having studied this paper, a student will be able to:

- a. Explain the meaning and types of money supply*
- b. Describe the money market, commercial bank, central bank and its functions*
- c. Explain macroeconomics policy in open economy.*

Unit 0 Baseline Analysis: Assessment of baseline knowledge, revision of basic concepts, fundamental of monetary economic and financial institution.

Unit- I: MONEY SUPPLY. Measures of money supply: M1, M2, M3, M4; endogenous concept of money supply and its historical background; (the banking school in England, real bills doctrine and law of reflux); exogenous concept of money supply; its historical background; (the currency school in England and its doctrine); Reserve money (high- powered money): sources of change in reserve money; bank deposits; relation between reserve money and money supply.

Unit-II: MONEY DEMAND. Classical money demand function, Friedman's restatement of quantity theory of money; relation between money demand and demand for different financial assets especially bonds and shares (equities).

Unit-III: MONEY MARKET. Money market: commercial banks: its principles and functions; credit and deposit creation; control of commercial banking; the central bank and its functions; RBI' s policy on control of commercial banking and money market.

Unit-IV: CAPITAL MARKET AND FINANCIAL INSTITUTIONS IN INDIA. Primary and secondary capital markets; specialised financial institutions and their regulatory bodies in India: RRB, LIC, SEBI, and IRDA.

Unit-V: MACROECONOMIC POLICY. Macroeconomic policy in an open economy: problems of internal and external balance: expenditure changing and expenditure switching policies, instruments- targets rule: Mundell- Fleming model: IS, LM, BP curves: sterilised and non-sterilised interventions, fiscal and monetary policy under fixed and floating exchange rates.

Unit 100: Advanced skills. Journal/ magazine article discussion; assignment; seminar presentation.

References:

Blaug, Mark. (1982). *Economic Theory in Retrospect*. New Delhi: Vikas Publishing House.

Gupta, S. B. (1979). *Monetary Planning in India*. Delhi: Oxford University Press.

Gupta, S. B. (1995). *Monetary Economics, Institutions and Policy*. New Delhi: S. Chand & Co.

Ackley, G. (1978). *Macro Economics, Theory and Policy*. United Kingdom: Macmillan

Mueller, M. G. (1978) .*Readings in Macroeconomics*. Delhi:Surjeet Publications. Mohan, R. (2016). Fatal Flow in Private Banking System. Economics & Political Weekly.II: 10- 11.

Pathshala. *Monetary Economics and Financial Institutions*. Retrieved from.

<https://epgp.inflibnet.ac.in/Home/ViewSubject?catid=11>