

M.Com (EAFM): Previous

8.2 Monetary Economics

Unit-I

Money: Meaning, functions and characteristics of Money. Role of money in an economy. Concept, components and determinants of money supply, Demand for money and its different approaches, Liquidity trap. Value of Money: Quantity theory of money. Fishers and Cambridge version. Income Theory of money

Unit-II

Inflation: Meaning and types, concept of Inflationary gap, causes and effects of Inflation. Inflation and Economic development.

Deflation: Meaning and effects. Inflation v/s Deflation.

Unit – III

Central Bank: Meaning and functions. Monetary Policy: Meaning, definitions and objectives. Instruments of monetary policy, expansionary and tight Monetary Policy, Reserve Bank of India: Organization and functions. Role of monetary policy in economic growth. Limitations of monetary policy. Concept of Base rate.

Unit-IV

Fiscal policy: The concept of Sound finance and concept of functional finance, objectives of fiscal policy. Role of fiscal policy in developing countries. Instruments and limitations of fiscal policy. Relationship between Monetary policy and Fiscal policy. Deficit financing: Concept, purpose and limitations.

Unit V

Theories of income and Employment. The Classical approach. Say's Law and its limitations. Consumption function, Investment function. Marginal efficiency of Capital. Investment and Income multiplier and accelerator.

Trade cycles: Features and phases of Trade Cycles. Theories of Trade Cycle. Control of Trade cycles.

Suggested Readings:

1. Gupta Suraj B: Monetary Economics, S.Chand, Publishing House, New Delhi
2. Mithani L.M.: Money, Banking and Public Finance; Himalaya Publishing House, New Delhi
3. Vaish M.L.: Monetary Theory; Vikas Publishing house, New Delhi.