

Money, Financial System, and International Trade

Level: Bachelor of Arts

Year: IV

Code: Econ. 426

Paper: VII

Full Marks: 100

Pass Marks: 40

Teaching Hrs: 150 hrs.

Course Objectives:

The objectives of this paper are to provide students basic concepts of monetary economics, financial systems, international trade; privatization, liberalization, globalization; World Trade Organization (WTO) and South Asian Free Trade Area (SAFTA).

| Units | Contents | Hours |
|--|---|-----------|
| Group - A: Money (60) | | |
| I: Basic Concept | Money: Meaning, types, functions and significance. | 08 |
| II: Quantity Theory of Money | Transaction approach, cash balance approach, and their similarities and dissimilarities. | 07 |
| III: Demand for and Supply of Money | Demand: Meaning and major determinants of money demand, Keynesian approach to money demand including liquidity trap; Money Supply: Meaning and approaches of money supply (Conventional, Chicago, Gurley and Shaw, and Redcliffe Committee), and derivation of money multiplier. | 15 |
| IV: Monetary Policy | Monetary policy: Meaning, objectives, instruments (Tools), and limitations. | 10 |
| V: Inflation | Inflation: Concept and classification; Concept of deflation; Methods of measuring inflation; Theories of inflation: Demand-pull and cost-push; Causes and effects of inflation; Inflationary and deflationary gap; Anti-inflationary measures. | 20 |
| Group - B: Financial System (60) | | |
| VI: Basic Concept | Financial system: Meaning, functions and development. | 10 |
| VII: Components of Financial System | a) Financial Institutions: Banking Institutions - Central bank: Meaning, role and functions, principles of note issue, objectives and instruments of credit control; Commercial bank: Meaning, functions, and process of credit creation. Non-banking financial institutions: Formal sector: Role and characteristics of development banks, finance companies, insurance companies, micro-finance financial institutions, cooperatives and mutual funds; Informal sector: Role and characteristics of individual and group money lenders. | 20 |
| | b) Financial Instruments: Meaning and types: Foreign currencies, personal cheque, travel cheque, bank draft, bank voucher, certificate of deposits, government bills and bonds, bill of exchange, debenture, promissory notes, debit card, credit card, stocks (ordinary, preferred and promoter), and derivative instruments. | 15 |
| | c) Financial Markets: Meaning and features: Money and capital markets, primary and secondary markets; Derivative markets: Future, forward, swap and options. | 15 |

| Group - C: International Trade (30) | | |
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| VIII: Theories of International Trade | Comparative cost theory and Heckscher-Ohlin Theorem; Balance of trade and Balance of payment; Causes of disequilibrium and methods of adjustment BoP; Concept of exchange rate and its determinants; Theories of exchange rate determination: Mint parity, purchasing power parity (PPP), interest rate parity (IRP); Origin and goals of International Monetary Fund (IMF), World Trade Organization (WTO) and South Asian Free Trade Area (SAFTA). | 30 |

References

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Ushayn



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