

Topics in Money and Finance

This course investigates a range of classic questions in monetary economics, mainly from the perspective of modern finance but embracing a range of methodological approaches (historical and institutional, theoretical and empirical).

Format: The course will be run as a lecture-seminar hybrid, with a typical week involving a lecture on Monday and student presentations on Wednesday, both of which will involve also classroom discussion.

Grading: Presentations and discussion will be worth 30% and 20% of the final grade respectively. The remaining half of the course grade will come from a 10-15 page final paper on an approved topic.

Prerequisites: Intermediate Microeconomics, and Intermediate Macroeconomics. It will be helpful, but not essential, if students also have some background in either money or finance, either practical experience (such as an internship) or coursework (such as Economics of Money and Banking, or Economics of Finance).

Limited Enrollment: To facilitate discussion, enrollment will be limited to 25.

Required Readings: The required readings for the course will all be available on Courseworks. Typically, there will be two required readings per week.

Course Outline

Jan 23-25 **Origins of the Fed**

Sprague, O.M.W. (1910) History of Crises under the National Banking System.

Timberlake, R.H. (1984) "The Central Banking role of clearinghouse associations," Journal of Money, Credit, and Banking 16(1)

Young, Allyn A. (1924) Ch. 31-34 in "Commerce: The Marketplace of the World."

Mehrling, Perry (2002) "Economists and the Fed: Beginnings," Journal of Economic Perspectives (Fall)

Meltzer, Allan H. (2003) A History of the Federal Reserve, Vol. 1: 1913-1951.

Wood, John H. (2005) A History of Central Banking in Great Britain and the United States.

Jan 30-Feb 1 **Lender of Last Resort**

O'Brien, Denis (2003) "The Lender of Last Resort Concept in Britain," History of Political Economy 35 (1)

Baring, Sir Francis (1797) Observations on the Establishment of the Bank of England and on the Paper Circulation of the Country.

Thornton, Henry (1802) An Enquiry into the Nature and Effects of the Paper Credit of Great Britain.

Bagehot, Walter (1873) Lombard Street, A Description of the Money Market.

Dunbar, Charles F. (1891) Chapters on the Theory and History of Banking.

Feb 6-8 **Quantity Theory of Money**

Laidler, David (1991) The Golden Age of the Quantity Theory.

Fisher, Irving (1911) The Purchasing Power of Money.

Fisher, Irving (1911) "Recent Changes in Price Levels and their Causes," American Economic Review 1 (2)

Lavington, Frederick (1921) The English Capital Market.

Hawtrey, Ralph (1932) The Art of Central Banking.

Feb 13-15 Inside and Outside Money

Law, John (1750) Money and Trade Considered; with a proposal for supplying the nation with money.

Tooke, Thomas (1844) An Inquiry into the Currency Principle.

Fullarton, John (1844) On the Regulation of Currencies.

Rist, Charles (1940) History of Monetary and Credit Theory from John Law to the Present.

Mints, Lloyd (1945) A History of Banking Theory in Great Britain and the United States.

Gurley, John G. and Edward S. Shaw (1960) Money in a Theory of Finance.

Feb 20-22 Monetarism

Friedman, Milton (1956) Studies in the Quantity Theory of Money.

Friedman, Milton (1969) "The Optimum Quantity of Money."

Mehrling, P. (1995) "Note on the Optimum Quantity of Money," Journal of Mathematical Economics 24

Brunner, Karl and Allan H. Meltzer (1993) Money and the Economy, Issues in Monetary Analysis.

Rabin, Alan A. (2004) Monetary Theory.

Laidler, David. (2005) "Milton Friedman and the Evolution of Macroeconomics."

Feb 27-Mar 1 Government Finance and Money

Mitchell, Wesley Clair (1903) A History of the Greenbacks.

Barber, William J. (1996) Designs within Disorder: Franklin D. Roosevelt, the economists, and the shaping of American economic policy, 1933-1945.

Keynes, John Maynard (1940) How to Pay for the War.

Hansen, Alvin (1943) "How Shall we Deal with the Public Debt?" NYU Institute on Postwar Reconstruction II No. 7

Bremner, Robert P. (2004) Chairman of the Fed: William McChesney Martin Jr. and the creation of the modern American financial system.

Woodford, Michael (1998) "Public Debt and the Price Level," mimeo.

Mar 6-8 Keynes and Keynesianism

Mitchell, Wesley Clair (1927) Business Cycles: The Problem and its Setting.

Simons, Henry C. (1934) A Positive Program for Laissez Faire: Some Proposals for a Liberal Economic Policy.

Laidler, David (1999) Fabricating the Keynesian Revolution.

Leijonhufvud, Axel (1981) "The Wicksell Connection" Ch. 7 in Information and Coordination.

Mehrling, Perry (1997) The Money Interest and the Public Interest, Ch. 7-8.

Colander, David C. and Harry Landreth (1996) The Coming of Keynes to America.

Spring Break

Mar 20-22 Monetary Walrasianism

Hicks, John (1935) "Suggestion for Simplifying the Theory of Money," Economica

Marschak, Jacob (1938) "Money and the Theory of Assets," Econometrica

Modigliani, Franco (1944) "Liquidity Preference and the Theory of Interest and Money," Econometrica

Patinkin, Don (1956) Money, Interest and Prices.

Tobin, James (1958) "Liquidity Preference as Behavior Towards Risk," Review of Economic Studies 25(2)

Tobin, James (1969) "A general equilibrium approach to monetary theory," Journal of Money, Credit, and Banking 1(1)

Hahn, Frank (1965) "Some Problems of Proving the Existence of Equilibrium in a Monetary Economy."

Mar 27-29 Financial Crisis

Minsky, Hyman (1971) "Financial Instability Revisited: The Economics of Disaster."

Kindleberger, Charles (1978) Manias, Panics, and Crashes: a History of Financial Crises.

Fischer, Stanley (1999) "On the Need for an International Lender of Last Resort", Journal of Economic Perspectives 13 (4).

Eichengreen, B. (2002) Financial Crises and What to Do About Them.

Toporowski, Jan. (2005) Theories of Financial Disturbance, An Examination of Critical Theories of Finance from Adam Smith to the Present Day.

Apr 3-5 Finance

Fisher, Irving (1906) The Nature of Capital and Income.

Black, Fischer (1971) "Banking and Interest Rates in a World Without Money," Journal of Bank Research.

Fama, Eugene (1983) "Financial Intermediation and Price Level Control," Journal of Monetary Economics.

Friedman, Ben (1999) "The Future of Monetary Policy: The Central Bank as an Army with only a Signal Corps?" International Finance 2(3)

Posen, Adam, ed. (2000) "The Future of Monetary Policy," International Finance 3(2)

Hayek, Friedrich (1990) Denationalisation of Money: The Argument Refined.

Apr 10-12 Whither Monetary Economics

Stiglitz, Joseph and Bruce Greenwald (2003) Towards a New Paradigm in Monetary Economics.

www.minneapolisfed.org/research/events/models

www.ssc.uwo.ca/economics/conference/monetaryeconomics05/monetaryeconomicsprogram05.html

Kocherlakota, Narayana (1998) "Money is memory," Journal of Economic Theory

Apr 17-19 Towards a Market Theory of Money

Hicks, John (1989) A Market Theory of Money, Oxford.

Treynor, Jack L. (1987) "The Economics of the Dealer Function," Financial Analysts Journal (Nov)

Grossman, Sanford and Merton Miller (1988) "Liquidity and Market Structure," Journal of Finance 43(3)

O'Hara, Maureen (1995) Market Microstructure Theory.

Bindseil, Ulrich and Flemming Wurtz (2005) "Open market operations—Their role and specification today."

Apr 24, Apr 26, May 1 Student Papers