

## 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:** Two presentations will each be worth 25% of the final grade. The remaining 50% 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. Students who have taken Economics of Money and Banking will be given priority.

**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 22-24      **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 29-31      **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.

Horner, F. (1802) Review of Thornton, reprinted in The Economic Writings of Francis Horner in the Edinburgh Review (1957).

Fetter, Frank W. (1965) The Development of British monetary orthodoxy, 1797-1875.

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

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

**Feb 5-7      Quantity Theory of Money**

Laidler, David (1991) The Golden Age of the Quantity Theory: the development of neoclassical monetary economics 1870-1914.

Wicksell, Knut (1898) Interest and Prices, A Study of the Causes Regulation the Value of Money.

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.

Marshall, Alfred (1923) Money, Credit and Commerce.

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

**Feb 12-14      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 (1845) On the Regulation of Currencies.

Laughlin, J. Laurence (1903) The Principles of Money.

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.

**Feb 19-21      The Money Standard**

Fisher, Irving (1920) Stabilizing the Dollar.

Hammes, David and Douglas Wills (2006) "Thomas Edison's Monetary Option" JHET

Foster, William Trufant and Waddill Catchings (1923) Money.

Graham, Benjamin (1944) World Commodities and World Currency.

Hart, Albert G., Nicholas Kaldor, Jan Tinbergen (1964) "The Case for an international commodity reserve currency."

Depres, Emile, Charles Kindleberger, Walter Salant (1966) "The Dollar and World Liquidity: A Minority View."

Mundell, Robert (2003) "The International Monetary System and the Case for World Currency."

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

### **Feb 26-28      Keynes and Keynesianism**

Laidler, David (1999) Fabricating the Keynesian Revolution: Studies of the Inter-war Literature on Money, The Cycle, and Unemployment.

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

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.

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.

### **Mar 5-7      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 5-7 Economic Development and Money**

Skaggs, Neil T. (2003) "H.D. McLeod and the Origins of the Theory of Finance in Economic Development" History of Political Economy

Hilferding, Rudolf (1910) Finance Capital: a study of the latest phase of capitalist development

Schumpeter, Joseph (1934 [1912]) The Theory of Economic Development

[Radcliffe] Committee on the Working of the Monetary System (1959) Report

Sayers, Richard Sidney (1960) Modern Banking, Ch. 10

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

Goldsmith, Raymond W. (1969) Financial Structure and Development

Shaw, Edward (1973) Financial Deepening in Economic Development.

McKinnon, Ronald (1993) The Order of Economic Liberalization: Financial Control in the Transition to a Market Economy.

### **Spring Break**

### **Mar 19-21 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: An Integration of Monetary and Value Theory.

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 19-21    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"

### **Mar 26-28    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 2-4 Finance**

Poitras, Geoffrey, ed. (2006) Pioneers of Financial Economics: Contributions Prior to Irving Fisher Elgar

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

Sharpe, William (1964) "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk" Journal of Finance

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

Black, Fischer (1975) "Bank Funds Management in an Efficient Market"

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)

**Apr 9-11 Whither Monetary Economics**

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

"Models of Monetary Economies II: The Next Generation"  
[www.minneapolisfed.org/research/events/models](http://www.minneapolisfed.org/research/events/models)

"Monetary Economics Conference"  
[www.ssc.uwo.ca/economics/conference/monetaryeconomics05/monetaryeconomicsprogram05.html](http://www.ssc.uwo.ca/economics/conference/monetaryeconomics05/monetaryeconomicsprogram05.html)

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

“The Role of Money: Money and Monetary Policy in the twenty first century”  
[www.ecb.int/events/conferences/html/cbc4.en.html](http://www.ecb.int/events/conferences/html/cbc4.en.html)

**Apr 16-18      Towards a Market Theory of Money**

Hicks, John (1989) A Market Theory of Money

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

Harris, Larry (2003) Trading and Exchanges: Market Microstructure for Practitioners.

Bindseil, Ulrich (2004) Monetary Policy Implementation: Theory, Past, and Present.

**Apr 23-25      Student Papers**

**Apr 30          Student Papers**