SYLLABUS

This is a course in advanced monetary theory. It is designed to serve as part of a sequence with Econ. 611, though it can be taken independently. The purpose of the sequence as I see it is to acquaint participants with various issues and contributions within the domain of monetary theory, i.e., the theory of what money has to do with an economic system. To that end I have arranged a series of topics for this course which have been chosen with the goal of allowing us to examine the logical and historical development of certain ideas which have come to represent the major widely-held notions of what the relation of money to an economy is. We will not be able to cover thoroughly all the topics which are listed on this syllabus. Thus you should take the reading list as a list of material with which you may want to familiarize yourself at some point in your life (like before the comprehensive exam) and as a list containing some material with which you will want to familiarize yourself intimately during this semester.

The assignments to be completed in order to receive a grade in the course are three. Each counts for 1/3 of your grade. The first two assignments are two papers on the following topics:

1) How did neoclassical monetary theory pass through Keynes into the "neoclassical-Keynesian synthesis"? (due two class days after we finish Topic V.)

2) How do the "New" Keynesian and "Post" Keynesian schools of thought interpret or alter Keynes' monetary theory and how do "monetarism" and the "new classical macroeconomics" attack Keynes and attempt to re-establish neoclassical monetary theory? (due on the last day of classes.)

The papers may not be longer than 15 pages (on 8 1/2 x 11 inch paper), including footnotes. Any more than this I will throw away prior to reading the paper. Late papers will be penalized -- 1/3 of a letter grade off for up to one week late; 2/3 thereafter.

The third requirement is either a 10-20 page paper on a topic of your own choosing, which, however, must be approved by me--and some of you may be quite surprised by what I won't approve--or a final exam. This optional paper is due on the day for which the final exam is scheduled. The lateness penalty here is only 1/3 of a letter at the maximum.
The list of topics and suggested readings for the course follows:

Four books were ordered to be available for purchase in the bookstore:
- Laurence Harris, Monetary Theory
- John Maynard Keynes, The General Theory of Employment, Interest and Money (GT)

Copies of all the other selections will be available grouped by topic at Kinko's Copy Center across the street.

I. The Essence and Existence of Money
- Harris, Chaps. 1-2
- Robert Clower (ed.), Monetary Theory: Selected Readings, Intro and Selection 3
- Ross Starr, "The Structure of Exchange in Barter and Monetary Economics" QJE 88 (1972)
- Paul Samuelson, "An Exact Consumption-Loan Model of Interest with or without the Social Contrivance of Money," JPE 66 (1958)

II. Neoclassical Monetary Theory
- Harris, Chaps. 3-6
- Clower (ed.), Selections 9-12
- Harry G. Johnson, Further Essays in Monetary Economics, Chaps. 4, 5
- Irving Fisher, The Purchasing Power of Money, Chaps. 2, 4, 5, 8,

III. Keynes
- Keynes, A Tract on Monetary Reform, pp.61-70
- Preface, Chaps. 1-2, 13-22

IV. Neoclassical Keynesianism
- Harris, Chaps. 9-12, 15-17
- John Hicks, "Mr. Keynes and the 'Classics': A Suggested Interpretation," Econometrica 5 (1937)
- "Commercial Banks as Creators of 'Money'," in Essays in Economics (and elsewhere)

V. Monetarism
- Harris, Chap. 7
VI. "New" Keynesianism
Harris, Chaps. 13, 14
Don Patinkin, Money, Interest, and Prices, Chap. 13
Clower (ed.), Selections 14, 19
Axel Leijonhufvud, Information and Coordination, Selections 1, 6, 7
Kenneth Arrow, "Toward a Theory of Price Adjustment" in Moses Abramovitz et al., The Allocation of Economic Resources

VIII. The "New Classical Macroeconomics"
Harris, Chap. 21
Friedman, "The Role of Monetary Policy," in The Optimum Quantity of Money.

IX. Money and Economic Development
Ronald McKinnon, Money and Capital in Economic Development, Chps. 5, 6, 7.
Kalecki, Essays on Developing Economies, Chap. 5.