Econ 612 - Adv. Monetary Theory I

Professor Mott
Office Hours: WF 12:00-1:30
Office: Econ. 102

SYLLABUS

This is a course in advanced monetary theory. It is designed to serve as part of a sequence with Econ. 611 and 643, 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 short (less than 10 pages) papers. The first paper is to answer the question: how is Keynes' monetary theory different from and similar to neoclassical monetary theory? This will be due one week after we finish Topic III. The second paper is to answer the question: how successfully does one (your choice) of the newer theories (Topics IV through VI) correct deficiencies and overcome criticisms of its ancestors? This will be due on the last day of classes. Lateness in the papers will be tolerated but penalized (1/3 of a letter grade off if handed in within one week late; 2/3 of a letter off if over one week late).

The third requirement is either an open book final exam at the scheduled time or a 10-20 page paper on a topic of your own choosing, which, however, must be approved by me, due at the final exam time. The maximum late penalty here is 1/3 of a letter, though you need to be concerned about completing the course.
The list of topics and suggested readings for the course follows:

Three 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
John Klein, Money and the Economy, pp. 94-95
Irving Fisher, The Purchasing Power of Money, Chaps. 2, 4, 5, 8
Gardner Ackley, Macroeconomics: Theory and Policy, pp. 135-138

III. Keynes
Keynes, A Tract on Monetary Reform, pp.61-70
Keynes, A Treatise on Money, Vol. I, Book III
Keynes, GT, Preface, Chaps. 1-3, 13-22, 24

IV. Neoclassical Keynesianism
Harris, Chaps. 9-17
John Hicks, "Mr. Keynes and the 'Classics'; A Suggested Interpretation," Econometrica 5 (1937)
Tobin, "Commercial Banks as Creators of 'Money'," in Essays in Economics (and elsewhere)
Don Patinkin, Money, Interest, and Prices, Chap. 13
Clower (ed.), Selections 14, 19
Axel Leijonhufvud, Information and Coordination, Selection 1

V. "Post" Keynesianism
Keynes, GT, Chap. 12
Robinson, Economic Heresies, Chaps. 5, 6
Nicholas Kaldor, "Speculation and Economic Stability," RES 7 (1939)
Paul Davidson, "Money and the Real World," EJ (1972)
Minsky, "Financial Innovations and Financial Instability: Observations and Theory"

VI. The "New Classical Macroeconomics"
Harris, Chap. 7, 21
Friedman, "The Role of Monetary Policy," in The Optimum Quantity of Money.
Sargent, "The Ends of Four Big Inflations" in Rational Expectations and Inflation
Arthur Okun, Prices and Quantities, Chaps. 2, 3

VII. Money, Growth, and Economic Development
Ronald McKinnon, Money and Capital in Economic Development, Chps. 5, 6, 7.
Kalecki, Essays on Developing Economies, Chp. 5.
Harris, Chap. 18.