SYLLABUS

This is a course for economics graduate students in monetary theory. It is designed to serve as part of a sequence, 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 a 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’s 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 are as follows:

Three books were ordered to be available for purchase in the bookstore:

- Olivier Blanchard and Stanley Fischer, *Lectures on Macroeconomics*

I. The Essence and Existence of Money

- 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

- Laurence Harris, *Monetary Theory*, Chapters 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
- Bennett McCallum, "Some Issues Concerning Interest Rate Pegging, Price Level Determinacy, and the Real Bills Doctrine," *JME* 17 (1986)

III. Keynes

- Keynes, *A Tract on Monetary Reform*, pp. 61-70
- Keynes, GT, Preface, Chaps. 1-3, 13-22, 24
- John Hicks, "Mr. Keynes and the 'Classics'; A Suggested Interpretation," *Econometrica* 5 (1937)
- Harris, Chap. 12

IV. The "New Classical Macroeconomics"

- Milton Friedman, "The Role of Monetary Policy," in *The Optimum Quantity of Money*
- Lucas, pp. 66-89, 179-206
- Blanchard and Fischer, Chaps. 4-7
- Stanley Fischer, "On Activist Monetary Policy with Rational Expectations," in *Rational Expectations and Monetary Policy*
V. "New" Keynesianism
Blanchard and Fischer, Chaps. 8-11
Costas Azariadis, "Implicit Contracts and Underemployment Equilibria," JPE 83 (1975)
Bruce Greenwald and Joseph Stiglitz, "Keynesian, New Keynesian, and New Classical Economics,"
OEP 39 (1987)

VI. "Post" Keynesianism
Keynes, GT, Chap. 12
Robinson, Economic Heresies, Chaps. 5, 6
Nicholas Kaldor, "Speculation and Economic Stability," RES 7 (1939)
Tracy Mott, "Kalecki's Principle of Increasing Risk and the Relation Among Mark-up Pricing,
James Tobin, "Real Balance Effects Reconsidered," in Asset Accumulation and Economic Activity
Clower (ed.), Selection 13
Paul Davidson, "Money and the Real World," EJ (1972)
Minsky, "Financial Innovations and Financial Instability: Observations and Theory"
Marc Lavoie, "The Endogenous Flow of Credit and the Post Keynesian Theory of Money," JEL 18
(1984)

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