This course explores the theory and practice of domestic and international monetary arrangements. The course is divided into three parts as indicated below. Grades are based on three equally weighted exams which are given on the following days:

- Sept 26 (Tue)
- Oct 24 (Tue)
- Nov 21 (Tue)

A comprehensive final (Tue 12/19 11:30am) is optional and can serve to replace the lowest of the three mid-term grades unless one of the grades is an F. An F or a no-show on any of the three exams will result in an F for the course unless one of the following two exceptions hold: A passing grade for the course (D-) can be obtained by making at least a B+ on the first exam or a C+ average on the first two exams. If a student needs to miss any of the three exams, s/he is expected to take an oral make-up exam to be scheduled prior to the regular exam.

Class participation: In a large class, it is difficult if not impossible to use “class participation” as a guide to raising and lowering grades. Hence, many or most students’ grades will not be affected by class participation. Nevertheless, class participation will be used to augment a student’s final grade when the instructor can ascertain that a student’s classroom participation enhanced the learning experience of the class as a whole. It is also possible for a student to have their grade lowered as a result of participation that the instructor finds detrimental to the learning experience of the class as a whole. There is a strong presumption, however, that changes in grades as a result of class participation will be largely up, not down. But the criterion of “class participation” is not about how much a student demonstrates, in class, that they know about the material, but rather whether their presence/behavior in class enhances the learning experience of others.

The readings will be handouts and writings of the instructor supplemented by writings of other authors on reserve in Norlin Library. One of the sources of information will be Gary Smith’s *Money, Banking and Financial Intermediation* (1991) of which multiple copies will be on reserve in Norlin.

Modest skills in algebra are a prerequisite for the course. Experience has repeatedly shown that to have a reasonable grasp of the course, a student must genuinely understand how one algebraic fraction, say x/y, is divided by another algebraic fraction, say, a/b, to obtain an answer like xb/ya. The essential rules of algebra are explained in the first handout and anyone who is convinced that they “can’t” understand this level of algebraic should drop the class. The class does not presuppose calculus, but the minimum algebraic found in the first handout is essential to understand the material throughout the course.
The course begins with background material on money, interest rates and the execution of monetary policy. This is a summary of a large literature typically found under the title of the "supply of money." Banks are not studied on a microeconomic level – they are, instead, seen as particular institutions critical in the conduct of national and international monetary policy. One of the most slippery concepts in monetary economics is the notion of the "demand for money" which is covered, in its intellectual history, in the second handout. The first section concludes with a selection from the best seller, Secrets of the Temple which explains a major event in US and international monetary history, the "revolution of Oct '79."

I. Supply and Demand for Money
Central and Commercial Bank Liabilities
"Central Banking and Monetary Policy" Samuelson and Nordhaus, pp. 524-36.
"How Banks Multiply the Money Supply" Gary Smith, pp. 85-97
What is the Demand for Money?
"Theories of Money Demand" Dwight Jaffee. pp. 353-378
Secrets Of The Temple, William Greider pp. 86–123.

II Monetary Theory and Historical Episodes of Indebtedness
"Purchasing Power Parity and the GS" Smith pp. 58-65
"Rules vs Discretion" Smith pp. 470-73
Exchange Rates and the Gold Exchange Standard
Evolution of Monetary Arrangements
Gold, Debt and the Great Depression
"The Great Contraction" Chapter 7 of Monetary Hist . . . US Friedman
"Debt–Deflation Theory of the Great Depression" Irving Fisher (1933)
Causes and Consequences of the Debt Crisis

III. Theory and Reform
Nominal and Real Yields
"Escalator Clauses" Fortune, Milton Friedman.
How Might Disinflation Interact with Debt to Produce Depression?
Merton "Bank Intermediation, Bank Runs, and Deposit Insurance." FDIC Banking Review
How To Eliminate Sustained Inflation
Market Resolution of Intergenerational Conflict
"Debt for Nature Swaps" Jose Castaneda 1990
Competitive Monies And a Real Standard