International Money: History, Theory and Future

Instructor: Don Roper
Office Hours: after class and by appointment

About the Course

The first parts of the course are background material and the history of the Great Depression, Bretton Woods and the evolution of money. The course is ultimately oriented towards the future. Some of the greatest potential changes are found in the current public discussions about the appropriate currency systems for emerging economies. Each student, as a term project, is expected to write on an emerging economy of their choice which focuses on the country's debt, fiscal policy, its relation with the IMF and World Bank and, especially, its exchange rate policy. The written material will be shared with others through simple web sites.

Grades will be divided into three parts each with equal weight. A mid-term (Thur, Feb. 26), a final (Friday, May 8), and the written project. The web site should develop in stages as discussed in the schedule.

To download and print many of the papers below one must use a surfing software (e.g., Netscape) which pulls up Adobe's pdf reader. CU provides a pdf-equipped version of Netscape in most computer labs.

Course Readings are Broken into Four Topic Areas
Those for which no author is denoted are written by the instructor. Many of the readings have associated study questions.

I. BACKGROUND: Interest Rates, Banks, Exchange Market Intervention
Bretton Woods, and Exchange Rate Policy

- Yields, Present Values, and All That
- Capitalization Theory
- Greider, William, *Secrets of the Temple*, 1985, selections (Reserve)
- Central and Commercial Bank Liabilities
- Transmission of a Monetary Expansion
- "Using Escalators to Help Fight Inflation" Milton Friedman (Reserve)
- "The Case for Floating Exchange Rates" - Milton Friedman (Reserve)
- Purchasing Power Parity
- Why Was Bretton Woods Not Restored?
- Exchange Rates and the Gold Exchange Standard
- Evolution of Monetary Arrangements
- "From the Historical Record" Eichengreen (Norlin reserve)

II. HISTORY: Gold Exchange Standard, and the Great Depression

- Late Nineteenth Monetary Theory and Controversy (Reserve, suggested)
- Churchill's Return to Gold" - Keynes (Reserve)
- Asymmetry of Bretton Woods
- Keynes on the Gold Standard and the Great Depression
- Gold Debt and the Great Depression
- Roosevelt and the 1933 Devaluation

III. The International Debt Crisis:
History, the Banking Crisis
Social, Political and Environmental Problems

- Causes and Consequences of the Debt Problem


Mexico:
- Federal Reserve Analyses
- Guillermo Calvo on the '94 devaluation

Argentina:
- A Real vs a Nominal Anchor for the Peso

### III. International Debt and Alternative Monetary Arrangements

- "Optimum Currency Areas" Robert Mundell (reserve)
- Real and Nominal Yields
- Exchange Market Pressure
- How Debt Might Interact with Disinflation to Cause Depression
- Stopping Inflation
- What is Money?
- Chapter 17 of Keynes' General Theory
- Competitive Monies