

## ECO 743 - Alternative Perspectives on Money - Fall 2023

**In person course**

Haaren Hall 335

Monday 6pm - 8pm

**Professor J. W. Mason**

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**Office:** New Building 9.63.09

**Office hours:** Monday 1pm-3pm, or by appointment

**Requirements:** None

**Course description:** Money is one of the most familiar features of economic life, and yet one of the most puzzling and controversial. The history of economic thought features wide-ranging and unresolved debates over what money is, how it has evolved, and why – or whether – monetary arrangements matter for the organization of production. One central strand in economics holds that money is “neutral,” a convenient device for measuring and recording economic activity that exerts no lasting effects. From this point of view, efforts to generate real wealth by changes to the money or credit system are futile or worse. Other traditions, however, see money as playing a more active, transformative role. In this view, the specific ways in which money and credit are organized are critical to real economic outcomes and the development of society’s productive capabilities. This central divide overlaps with other questions – whether the original form of money is a commodity or a state-issued token; the relationship between money and credit; the role of money in the determination of interest rates, among others.

The goal of this course is to introduce students to a range of contemporary and historical views on the nature and function of money. As such, it combines elements of a course on the history of economic thought and of a course on economic theory. The goal is to understand the fundamental conceptual questions around money.

Beyond content, the goal is to help students engage critically with complex theoretical material. Course readings and discussions will be an opportunity to practice the skills of isolating logic and key claims while deferring judgement on them; identifying what is at stake in seemingly abstract debates; and efficiently reading scholarly work. These skills will be applicable far beyond the debates being discussed in this class. As much as a class in money, this is a class in how to think about debates within the social sciences.

The class is organized around a mix of historical and topical questions. The early part of the class will introduce some of the fundamental questions about money. The later part of the course will explore the historical development of different positions on money, with a focus on the period from the early 19th century debates between the Bullionists and anti-Bullionists through the Keynesian revolution of the early 20th century. Throughout the semester, the goal is to present several different perspectives

on the same question side by side.

Readings for the course will consist of a mix of articles and book chapters. While much of the class is focused on the history of thought, the readings will, for the most part, be contemporary scholarship rather than primary texts. One of the main readings will be Professor Mason's forthcoming book *Money and Things*, draft chapters of which will be distributed throughout the semester.

All course materials and announcements will be distributed via a Google classroom site. The official course Blackboard site will not be used.

**Learning outcomes:** Students who successfully complete this course will: understand the central divisions between competing perspectives on money; have a sense of the historical development of debates around money; connect differing positions on money to broader theoretical divides within economics; summarize, discuss and critically assess conflicting theoretical positions; efficiently read long, demanding texts, identifying the key passages and central claims; accurately and succinctly summarize complex arguments; connect theoretical debates about money and credit to real-world policy debates; and make their own arguments about the relative merits and relevance of different approaches to money.

The class is intended both to familiarize the students with specific debates around money, and to develop their ability to engage with complex texts and arguments in general.

**Requirements.** There are no requirements. Ideally, students should have completed ECO 713, Political Economy, before taking this course, but students who have not taken it may still enroll.

**Assignments.** Students will write seven short (2-3 page) response papers over the course of the semester. Each student will be assigned particular dates; the papers due on that date will be the basis of that day's discussion. Response papers are due the day *before* class meets. Students who wrote response papers for a given date will be expected to take a leading role in class discussions on that date.

Students may write a longer paper, in place of the final exam. Students who wish to write a paper must meet with the instructor *no later than October 20* to agree on a topic. Unless you have a clear idea of a topic you would like to write about, it is recommended that you take the exam.

**Grading.** The final grade will be based on 50 percent on the response papers, and 50 percent on the final exam or paper.

**Attendance.** While there is no explicit grade for attendance and participation, students are expected to be present for class meetings and take part in class discussions.

**Office hours.** Regular office hours are on Mondays from 1pm-3pm; students should

also feel free to come by the office any time on a Monday or Wednesday between 10am and 4pm. Virtual office hours may be scheduled on other days. Students are encouraged to meet with the instructor one on one at least once during the semester.

**Academic honesty.** Students should be aware of John Jay's policy on academic honesty. It is available online at [http://www.jjay.cuny.edu/web\\_images/Policyand\\_Procedures.pdf](http://www.jjay.cuny.edu/web_images/Policyand_Procedures.pdf).

**Readings.** All readings should be completed prior to the class for which they are assigned. The reading list *will* be revised over the course of the semester, with updated readings announced via email and on the course website. Additional optional or supplemental reading lists will periodically be distributed as well. All readings will be available on the course website.

A core reading for the course will be draft chapters from Professor Mason's forthcoming book, *Money and Things*, coauthored with Arjun Jayadev.

**Course outline.** Readings marked with an asterisk (\*) are required. Other readings are generally optional, but may be referred to by some discussion paper topics.

All readings will be made available on the course website.

**Week 1 Money: What Are the Questions?**

- \* *Money and Things*, ch. 1, 3
- \* Mehrling, "Why Is Money Difficult?"
- \* Hicks, "Monetary Theory and History – an Attempt at Perspective"
- Bagchi, "Money under Capitalism: Domestic, Universal"

**Week 2 How Do Economists Think about Money?**

- \* handout on money and credit
- \* *CORE Economics*, ch. 11
- \* Blanchard, *Macroeconomics*, ch. 4
- \* Borio, "On Money, Debt, Trust and Central Banking"
- \* Knibbe, *Macroeconomic Measurement versus Macroeconomic Theory*, ch. 2-3
- Schumpeter, *History of Economic Analysis*, Part III, ch. 7

### **Week 3 Exogenous vs Endogenous Money**

- \* Bank of England, "Money Creation in the Modern Economy"
- \* Pollin, "Money Supply Endogeneity: What Are the Questions and Why Do They Matter?"
- \* Palley, "The Theory of Endogenous Money"
- \* Chick, "The Evolution of the Banking System and the Theory of Monetary Policy"
- \* Dow 2020, "Endogenous money, liquidity and monetary reform"
- Chick, "Lost and Found: Some Histories of Endogenous Money in the 20th Century"
- Tobin, "Banks as Creators of Money"
- Bibow, "On endogenous money and bank behavior: The pandora's box kept shut in Keynes' theory of liquidity preference?"

### **Week 4 Liquidity and Interest**

- \* *Money and Things*, ch. 4 - Money for Money: The Interest Rate
- \* Beggs, "Liquidity as a Social Relation"
- Keynes, "Alternative Theories of the Rate of Interest"
- De-Juan, "The conventional versus the natural rate of interest: implications for central bank autonomy"
- Minsky, "The Non-Neutrality of Money"
- Taylor, "The Natural Interest Rate and Secular Stagnation"
- Keynes, "The Ex Ante Theory of the Rate of Interest"
- Jayadev and Mason, "Loose money, high rates: interest rate spreads in historical perspective"

### **Week 5 What Does Money Measure?**

- \* *Money and Things*, ch. 5 - The Nominal and the Real
- \* Jervons, *Poor Numbers: How We Are Misled by African Development Statistics and What to Do about It*, ch. 1-2
- \* Bowes, "When Kuznets Went to Rome: Roman Economic Well-Being and the Reframing of Roman History"
- Coyle, *GDP: A Brief but Affectionate History*, ch. 1

### **Week 6 The Origins of Money**

- \* Graeber, *Debt*, p. 22-51
- \* Ingham, *The Nature of Money*, ch. 5
- \* Hudson, "The Archaeology of Money: Debt versus Barter Theories of Money's Origins"
- \* Eich, *The Currency of Politics*, ch. 1
- \* McNally, *Blood and Money*, p. 9-23, 32-53, 61-75

## **Week 7 The Origins of Central Banks**

- \* Ugolini, *The Evolution of Central Banking*, p. 9-13, 63084, 101-106, 119-122, 131-155
- \* Arnon, *Monetary theory and policy from Hume and Smith to Wicksell*, ch. 14, 17
- \* Leijonhufvud, "The Wicksellian Heritage"
- \* Henwood, *Wall Street*, p. 92-97
- \* Mehrling, "Economists and the Fed"
- \* Livingston, *Origins of the Federal Reserve System*, ch. 8
- Menand, *The Fed Unbound*, ch. 2-3
- Leijonhufvud, "So Far from Ricardo, So Close to Wicksell"
- Bagehot, *Lombard Street*, ch. 5, 7, 12, 13
- Mehrling, "Bagehot Was a Shadow Banker"

## **Week 8 Central Banks and Monetary Policy**

- \* notes on monetary policy
- \* Blanchard, *Macroeconomics*, chapter 23
- \* Dorman, *Macroeconomics: A Fresh Start*, chapter 13
- \* Braun and Downey, "Against Amnesia: Re-Imagining Central Banking"
- \* Epstein, "Central Banks as Agents of Economic Development"
- \* "Galbraith, "The Fed's Real Reaction Function"
- \* Mason, "The Fed Doesn't Work for You"
- \* Menand, "The Fed's Sole Mandate"
- Kelton, "Behind Closed Doors: The Political Economy of Central Banking in the United States"
- Mitchell and Erickson, "Not Yet Dead at the Fed: Unions, Worker Bargaining, and Economy-Wide Wage Determination"
- Konczal and Mason, "A New Direction for the Federal Reserve," p. 4-28
- Papdimitriou and Wray, "Still Flying Blind After All These Years: The Federal Reserve's Continuing Experiments with Unobservables"
- DeLong, "The Republic of the Central Banker"
- Bibow, "A Post Keynesian Perspective on the Rise of Central Bank Independence"
- Monnet, *Controlling Credit*, ch. 1 and 7

## **Week 9 The Quantity Theory and Monetarism**

- \* Blaug, "Why Is the Quantity Theory the Oldest Theory in Economics?"
- \* Friedman, "The Role of Monetary Policy"
- \* DeLong, "The Triumph of Monetarism?"
- \* Bibow, "What Happened to Monetarism?"
- \* Patnaik, *The Value of Money*, ch. 2, 4-5

## **Week 10 Marx and Money**

- \* Arnon, *Monetary theory and policy from Hume and Smith to Wicksell*, ch. 15
- \* Eich, *The Currency of Politics*, ch. 3
- \* Henwood, *Wall Street*, p. 229-241
- \* Foley, "Marx's Theory of Money in Historical Perspective"
- \* Crotty, "The Centrality of Money, Credit, and Financial Intermediation in Marx's Crisis Theory"
- de Brunhoff 1976, *Marx on Money* (preface and p. 107-123)
- Panico 1980, "Marx's analysis of the relationship between the rate of interest and the rate of profits"
- Nelson 2001, "Marx's Theory of the Money Commodity"
- Hein 2004, "Money, Credit and the Interest Rate in Marx's Economics"

## **Week 11 Chartalism**

- \* Mitchell Innes, "What Is Money?"
- \* Ingham, "The Nature of Money"
- \* Lapvitsas, "The Social Relations of Money as Universal Equivalent"
- \* Ingham, "Further Reflections on the Ontology of Money: Response to Lapavitsas and Dodd"
- \* Wray, "Money"
- \* Wray, "The 'Kansas City' Approach to Modern Money Theory"

## **Week 12 Minsky and Investment Finance**

- \* Beggs, "The Minsky Millennium"
- \* Mehrling, "The Vision of Hyman P. Minsky"
- \* Pollin and Dymski, "Minsky as Hedgehog: The Power of the Wall Street Paradigm"
- \* Minsky, "Capitalist Financial Processes and the Instability of Capitalism"
- \* Minsky, *John Maynard Keynes*, ch 4-6
- \* Minsky, *Stabilizing an Unstable Economy*, ch 8-9
- Capehart, "Hyman Minsky's Interpretation of Donald Trump"
- Crotty, "Rethinking Marxian Investment Theory: Keynes-Minsky Instability, Competitive Regime Shifts, and Coerced Investment"
- Crotty, "Owner-manager conflict and financial theories of investment instability: a critical assessment of Keynes, Tobin, and Minsky"
- Fazzari, "Minsky and the Mainstream"
- Gabor and Braun, "Green Macrofinancial Regimes"
- Brown, Fazzari and Petersen, "Financing the 1990s R&D Boom"
- Mason, "Disgorge the Cash: The Disconnect Between Corporate Borrowing and Investment"

**Weeks 13    Global Money: The Gold Standard and Bretton Woods**

- \* notes on balance of payments and exchange rates
- \* Barry Eichengreen, *Globalizing Capital*, chapters 2 and 4
- \* Fred Block, *The Origins of International Economic Disorder*, ch. 2-3
- \* Robert Triffin, “Myths and Realities of the So-Called Gold Standard”
- \* Alec Ford, “Notes on the working of the gold standard before 1914”
- \* Paul Davidson, *John Maynard Keynes*, ch. 8, 10
- \* Perry Mehrling, “Beyond Bancor”
- Varoufakis, *The Global Minotaur*, ch 3
- Eichengreen, “The Gold Standard after Alec Ford”
- McNally, *Blood and Money*, p. 191-234
- Helleiner, “Forgotten Foundations of Bretton Woods”, p. 1-28

**Weeks 14    Global Money: Monetary Sovereignty and Capital Controls**

- \* Varoufakis, *The Global Minotaur*, ch. 4
- \* Helleiner, *States and the Reemergence of Global Finance*, ch. 5-6
- \* Murau and van 't Klooseter, “Rethinking Monetary Sovereignty: The Global Credit Money System and the State”
- \* Vernengo and Caldentey, “Modern Money Theory (MMT) in the Tropics: Functional Finance in Developing Countries”
- \* Rodrik, “Who Needs Capital Account Convertibility?”
- \* Bibow, “The case for capital account management in emerging market economies”
- \* Grabel, “Capital Controls in a Time of Crisis”
- Mason and Jayadev, “Beyond Neoliberal Trade”
- D’Arista, “The Evolving International Monetary System”
- Bibow, “The Global Crisis and the Future of the Dollar”
- McNally, *Blood and Money*, ch. 5
- Rèy, “Dilemma not Trilemma: The Global Financial Cycle and Monetary Policy Independence”
- Kohler, “Gross capital flows and the balance-of-payments: a balance sheet perspective”
- Crotty, “On Keynes and Capital Flight”