

Detailed Syllabus for:

"Monetary Policy in Historical Perspective";

"Advanced Honors Seminar in the Social and Behavioral Sciences".

Course Number: Honors College 3030/ Economics 2200/ History 3000

Professor Max Gillman

Honors College C209, Mondays, Wednesdays, 11:00am - 12:15pm

Provincial House; University of Missouri, St. Louis; South Campus

Assessment/Grading

Grade Composition:

Class Attendance (20%); Homework (40%); Midterm (20%);

End of Semester Paper Assignment (20%): 5+ Page Paper with short in-class Week 14 presentation; topic agreed upon with Instructor.

1 Overview:

The Course leads the student on an international journey into government affairs. Students can find out what monetary policy means, how it has been formed, what are its intellectual foundations and its prospects for future international practice. Delving into history to show "episodes" of monetary policy, we will endeavor to understand how the economy affects monetary policy and how monetary policy in turn can have major subsequent consequences for world affairs. Constructing the narrative within the continuing development of monetary theory will enable you to catalogue more easily the plethora of monetary experience, and to judge what future policy path may be best to take.

Weekly reading (average about 20 to 30 pages per class) and writing assignments (one Paragraph per Class) plus in-class discussion (combined: 60% of grade), plus Week 8 mid-term exam (20% of grade) and end-of-term paper assignment (20% of grade) will provide the grading platform.

1.1 Course Description

Seminar format of twice weekly meetings with high class participation. The course studies the history of monetary policy from the view of four classic books in this literature and a new book by the last UK Governor of the Bank of England. We will read passages for each class and discuss their points, taking a deliberate approach towards overviewing the world monetary record and policy role of central banks. Students write a paragraph for each class on the assigned reading and present this and discuss it with others. We compose the paragraphs into a log for handing in at the end of the semester along with writing a paper related to the class discussion and readings.

1.2 Summary:

This course will study the history of monetary policy and central banking using five source books by five esteemed policymakers and economists in the field. The historical overview will be contrasted with current policy and be designed to allow us to gauge the nature of current money and banking policy and weigh in on its likely future path. The course is designed to mine classic literature ranging from 1873 to 2018 in order to see how monetary policy in the broad sense has formed.

Class attendance is mandatory.

2 Required Textbooks:

1. Bernholz, Peter. 2003 (first edition) or 2016 (2nd edition). *Monetary Regimes and Inflation: History, Economic and Political Relationships*. Cheltenham, UK: Edward Elgar.
2. Friedman, Milton. 1994. *Money Mischief: Episodes in US Monetary History*. Harcourt Brace & Company, Harvest Edition.
3. Bagehot, Walter. 2010. *Lombard Street*. Reprint by Greenbook Publications, llc.; 1873 original publication date.
4. Goodhart, Charles. 1988. *The Evolution of Central Banks*. The MIT Press.
5. King, Mervyn. 2016. *The End of Alchemy*. WW Norton

2.1 Other Readings:

Michael D. Bordo and Pierre L. Siklos, 2017, Central Banks: Evolution and Innovation in Historical Perspective, NBER Working Paper 23847, <http://www.nber.org/papers/w23847>; National Bureau of Economic Research, September.

Michael D. Bordo, 2017, "An Historical Perspective on the Quest for Financial Stability and the Monetary Policy Regime", NBER Working Paper No. 24154, <http://www.nber.org/papers/w24154>; National Bureau of Economic Research, December.

Gillman, Max. 2015. "A Monetary Policy Primer: US's Great Depression".

Gillman, Max. 2017. Chapter 11, "Great Recession and Lost Decade", *Principles of Modern Macroeconomics: An Evolutionary Approach*, Kendall Hunt Publishing Company, January.

2.2 *Related Readings.*

Gillman, Max, 2017, *Principles of Modern Macroeconomics: An Evolutionary Approach*, forthcoming, Kendall Hunt Publishing Company, January.

Bokros, Lajos, 2012, *Accidental Occidental: Economics and Culture of Transition in Mitteleuropa, the Baltic and the Balkan Area*, Central European University Press, Budapest.

Friedman, Milton and Anna Schwartz, 1963, *A Monetary History of the United States, 1857-1960*, National Bureau of Economic Analysis, Princeton University Press.

Minford, Patrick, editor, 2004, *Money Matters: Essays in Honour of Alan Walters*, Edward Elgar Publishing, Inc.

Mishkin, Federic S., 2007, *Monetary Policy Strategy*, MIT Press, Cambridge, MA.

Von Mises, Ludwig, 1979, *Economic Policy Thoughts for Today and Tomorrow*, Gateway Editions, Washington D.C.

White, Lawrence H., 2012, *The Clash of Economic Ideas*, Cambridge University Press, Cambridge, MA.

Cottarelli, Carlo and Gyorgy Szapary, editors, 1998, *Moderate Inflation: The Experience of Transition Economies*, International Monetary Fund and National Bank of Hungary, Washington D.C.

3 GRADING

3.1 Week 14 Paper Assignment (20% of Grade):

5-Page Paper: short in-class presentation/discussion during class in Week 14, subsequent paper revision and handing in final version by Friday 6pm, May 5th.

Paper is to be a critical analysis/review of a topic from the course. It should include a summary and analysis of one to three chapters of any of the five textbooks, with at least one additional reference that you find on your own. The additional reference is to be studied and compared/contrasted with the Textbook selection that you choose to write about. Conclusions should sum up any arguments the Textbook selection and additional references make, plus any arguments that you make in your analysis of how the two readings (Textbook and your reference) compare or contrast. Your added Reference can be from one of the Textbook's pages that are not listed in outline below. And your

3.2 Course Outline and Assignments;

15 Weeks (Spring Break occurs March 25-April 2, after Week 10).

[3 each weeks of Bernholtz and Friedman, $2\frac{1}{2}$ weeks of Bagehot;

$1\frac{1}{2}$ each weeks of Goodhart and King]

Week 1. January 23rd (Wednesday) First Class:

"A Monetary Policy Primer", and "Great Recession and Lost Decade"

1. Syllabus review, Overview of Textbooks, and

2. Discussion of

-Gillman, Max 2015, "*A Monetary Policy Primer: US's Great Depression*", mimeo.

-Gillman, Max. 2017. Chapter 11, "Great Recession and Lost Decade", *Principles of Modern Macroeconomics: An Evolutionary Approach*, Kendall Hunt Publishing Company, January.

Assignment due for Wednesday January 24 class:

One **Paragraph** reviewing an aspect of policy development as discussed in Gillman, "A Monetary Policy Primer" and/or "Great Recession and Lost Decade"

Discussion of what each student wrote up in their paragraphs.

Week 2. "Inflation and Monetary Regimes"

Monday: Read Bernholz pp. 1-20 (1-28, 2nd ed.); write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Wednesday: Read Bernholz pp. 21-39 (29-47, 2nd ed.); write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 3. "The Meaning of 'Money'"

Monday: Read Friedman pp. 3-17; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Wednesday: Read Friedman pp. 17-50; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 4. "Moderate Paper Money Inflation", "Hyperinflations"

Monday: Read Bernholz pp. 40-63 (48-72, 2nd ed.); write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Wednesday: Read Bernholz pp. 64-82 (72-90, 2nd ed.); write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 5. "The Crime of 1873", "William Jennings Bryan"

Monday: Read Friedman pp. 51-79; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Wednesday: Read Friedman pp. 104-124;; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 6. "Hyperinflation", "Ending Hyperinflation"

Monday: Read Bernholz pp. 82-113 (90-122, 2nd ed); write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Wednesday Read Bernholz pp. 160-196 (168-204, 2nd ed); write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 7. "FDR, Silver, and China", "Cause, Cure of Inflation"

Monday: Read Friedman pp. 157-188; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Wednesday: Read Friedman pp. 189-234; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 8. Lombard Street

Monday: Read Bagehot pp. 7-34, write 1 paragraph summary/comment/analysis and hand in.

Wednesday: Read Bagehot pp. 35-44, & pp. 71-89; write 1 paragraph summary/comment/analysis and hand in.

Week 9. Lombard Street and Midterm Exam

Monday: Read Bagehot pp. 89-101, write 1 paragraph summary/comment/analysis and hand in.

Wednesday: Midterm Exam, in-class, written.

Spring Break

Week 10. End of Lombard Street

Monday: Read Bagehot pp. 103-117; write 1 paragraph summary/comment/analysis and hand in.

Wednesday: Read Read Bagehot, pp. 127-141; write 1 paragraph summary/comment/analysis and hand in; class discussion on this.

Week 11. Evolution of Central Banks

Monday: Read Goodhart, pp. 1-11 & pp. 47-55; write 1 paragraph summary/comment/analysis and hand in.

Wednesday: Read Goodhart, pp. 85-104; write 1 paragraph summary/comment/analysis and hand in.

Week 12. Central Banks in Europe and Japan; End of Achemy

Monday: Read Goodhart, pp. 105-128; write 1 paragraph summary/comment/analysis and hand in.

Wednesday: Read Mervyn King pp. 1-50; write 1 paragraph summary/comment/analysis and hand in.

Week 13. Innocence Lost, Innocence Regained

Monday: Read King, pp. 88-119; write 1 paragraph summary/comment/analysis and hand in.

Wednesday: Read King, pp. 250-290; write 1 paragraph summary/comment/analysis and hand in.

Week 14. 5-page Paper Presentation and Revision.

Monday: Paper Presentations by Students and Class Discussion

Wednesday: Paper Presentations by Students and Class Discussion.

Friday 6:00pm, May 5th: All Papers submitted either by email or under Office door (Room 313Tower or Social Science Building).

Week 15. Theme I and II Presentation by Students and Class Discussion; Individual Student Log-books are compiled and Handed-In (Counts as a Homework).

Monday. Class Overview Theme I: One page written, submitted, and Discussed; (Counts as one homework).

Wednesday. Class Overview Theme II: One page written, submitted, and Discussed; (Counts as one homework).