

ECON321-SEC01 International Monetary Theory, Spring 2019

Course Instructor: Hendrik Van den Berg, Gordon Hall, 217; 413-577-3339;
hvandenberg@econs.umass.edu.

Office Hours: MW: 13:00 - 14:15; TTH: 10:00 - 11:15 and 1:00 - 2:15; or by appointment.

Required Course Textbook:

H. Van den Berg, International Finance and Open-Economy Macroeconomics: Theory, History, and Policy: 2nd Edition, Publisher: World Scientific Publishing; ISBN: 9789814730242

All other readings will be posted here on Moodle for downloading.

Course Procedures:

Communications, assignments, and reading materials that supplement the textbook will be provided through Moodle. There will be one midterm exam (25% of your grade), a final exam (25% of your course grade), homework assignments (25% of course grade), and class participation (25% of your course grade). Attendance will be randomly taken, and you should be prepared to respond to class questions and participate in class discussions. Grades will be recorded in the Moodle gradebook following the traditional letter scale, with an A+ = 100 pts., A = 95 pts., A- = 90-92 pts., B = 85 pts, and so forth.

International monetary theory addresses many complex, and sometimes controversial, ideas and events. In order to provide perspective, we will sometimes go beyond what is normally covered in an economics course. Do not be surprised by some of the topics I will bring up in class as we learn how the monetary system influences the economic, social, and natural spheres of human existence, and how those same spheres come back to shape the institutions of the monetary system. This course will be inter-disciplinary, historical, institutional, and scientific. Given the complexity of the material and the holistic nature of our analysis, no questions or comments are inappropriate as long as they are posed and addressed in a scientific manner and with the intent to learn more about the immigration issues that concern us. Do not be afraid to speak up, ask questions, or challenge the instructor and fellow students. Economics is a social science, so complexity is to be expected.

Please keep up with the reading assignments. At the same time, if you do all the assigned reading conscientiously, you will almost certainly do well in the course. The course includes macroeconomic models, and you will have to become comfortable shifting between abstract models and the realities of the times for which the models were developed. Finally, remember that this is your course, and you are encouraged to bring up issues that interest you. Let the instructor know what interests you, what questions you would like to investigate, and what is important to you.

Week 1 - TTH, January 22, 24 - **Introduction**

Reading Assignment: HV Chapter 1, Readings posted below.

Class discussion: The significance of the Bretton Woods Conference, complex systems, finance and the real economy, the real meaning of money, and the institutional nature of the monetary system.



Harry Dexter White



Kuhn's Interpretation of the History of Science



Sociology of Economics



Pluralism in Economics



What Is a Dialectic Process?

Week 2 - TTH, January 29, 31 - **Balance of Payments, Net Investment Position**

Reading Assignment: HV Chapter 2, posted readings

Class discussion: The logic of the international accounts, the meaning of the net investment position. Is the U.S. Trade Deficit (U.S. Foreign Debt) sustainable?

Sources of Data: <https://www.oecd.org/sdd/its/quarterly-balance-of-payments-statistics.htm>



U.S. Balance of Payments 1960 - 2015



U.S. Balance of Payments - Update 2018



International Investment Position of the U.S. 2018



US Net Investment Position 1976 - present



US BoP - Revised 1999 - 2016

Week 3 - TTH, February 5, 7 - **Foreign Exchange Markets, Interest Parity Condition**

Reading Assignment: HV Chapters 3, 4; posted readings.

Class discussion: Foreign exchange markets, the interest parity condition, the determinants of the foreign exchange rate.



BIS Triennial Forex Report



Detailed BIS Report on Forex Markets 2016



Forward Hedge vs Money Market Hedge

Week 4 - TTH, February 12, 14 - **Hedging, Innovation, and Fraud**

Reading Assignment: HV Chapters 5, 6; posted readings

Class discussion: Hedging, and fraud. Do we need the foreign exchange market?



Algorithmic Trading



Ellen Brown on Frontrunning



HSBC Scandal



Libor Scandal



Libor Flaws



High Frequency Trading

Week 5 - TH, February 21 - **Intro to Mundell-Fleming Model**

Reading Assignment: HV Chapter 7

Class Discussion: The Mundell-Fleming open-economy macroeconomic model



Marshall-Lerner Condition

Week 6 - TTH, February 26, 28 - **Post Keynesian Macroeconomics, MMT**

Required Reading: HV Chapters 8, 9; Chapter 12 from Keynes' *General Theory*, posted readings

Class discussion: Expectations, Chapter 12, the history of money, and macroeconomic policy in an evolving, dynamic economy



Keynes' Chapter 12 - Expectations



Bank of England - Money Creation in the Modern Economy



The trillion dollar coin!



Wray on the History of Money



Stephany Kelton on MMT

Week 7 - TTH March 5, 7 - Midterm Exam, More Money Theory

Mid-term exam, Tuesday, March 5

Reading Assignment: review HV Chapter 9 and the readings on MMT.

Class discussion: What is money? The true history of money. The role of institutions in the monetary system, macroeconomic policy under alternative monetary systems and institutions. Review of the Keynesian-Mundell-Fleming macroeconomic model.



Answers to problems 3 and 4 at end of Chapter 7



Answers to Questions for Chapters One and Two



Answers to selected End-of-Chapter question to guide your studying for the exam

Week 8 - TTH, March 19, 21 - Debt, and International Financial Crises

Required Reading: HV Chapters 10, 11.

Class discussion: The history of financial crises, causes of financial crises



Debt Relief - Real Write-offs are required



Unjust Debt

Week 9 - TTH, March 26, 28 - **The Gold Standard**

Required Reading: HV Chapters 12, 13; readings posted below.

Class discussion: The Wizzard of Oz, Instability under the gold standard, the private banking sector



Rockoff's Monetary Allegory



Gold Standard Mentality



How Progressive Was the Progressive Party?



Booms and Busts during the Gold Standard

Week 10 - TTH, April 2, 4 - **Bretton Woods**

Required Reading: HV Chapter 14, readings posted below

Class discussion: Harry Dexter White, the post-World War II financial order, U.S. imperialism



Dormael's History of the Bretton Woods Conference



Wage stagnation in the global economy

Week 11 - TTH, April 9, 11 - **The Euro**

Required Reading: HV Chapter 15

Class discussion: the euro, the Greek financial crisis, structural faults of a fixed exchange rate system



The Euro Crisis - 3-part series from The Guardian



Palley on the Euro

Week 12 - TTH, April 16, 18 - **Foreign Direct Investment, TNCs, and the dominance of transnational corporations.**

Required Reading: HV Chapter 16, readings posted below

Class discussion: transnational corporations and the growth of transnational private business organizations; what this means for the global economic, political, social, and natural system



Biopolitics of Transactional Capitalism



Tax Havens: The Rigged International Corporate Financial Structure



Surplus in Monopoly Capitalism

Week 13 - TTH, April 23, 25 - **International Banking and the Growth of Financialization**

Required Reading: HV Chapters 17, 18; posted readings.

Class discussion: The goals of finance? Does our financial system add to well-being, or is it a drain on human well-being? How serious is financialization



Michael Hudson on Financialization



Monopoly Financial Capitalism



Sweezy on Monopoly Capitalism



The High Cost of Finance File

Week 14 - T, April 30 - **Another Bretton Woods Conference?**

Required Reading: HV Chapter 19.

Class discussion: International monetary policy: Where do we go from here?



Some sample answers to some end-of-chapter questions from the textbook