

Money, Banking and Financial Markets

1 Course Overview

This course consists of twelve modules, of which the first module is an introduction to some preliminary concepts and ideas. Each module contains a video, an audio, and readings. Students are encouraged to use Mishkin's *The Economics of Money, Banking, and Financial Markets* as a glossary. Much of the course is oriented towards developing and using an analytical mind to understand the economics of money, banking, and monetary institutions. * marks the core of syllabus, the non-marked material is supplementary.

2 The Modules

I. The Market Process I

Audio [Russ Roberts on the Price System](#)

Video *[Milton Friedman on Economic Freedom and the Price System](#)

Readings

- *Read, Leonard E. 1958. "I, Pencil: My Family Tree". The Foundation for Economic Education.
- *Hayek, Friedrich A. 1968. "Competition as a discovery procedure." Translated by Marcellus S Snow in 2002, Quarterly Journal of Austrian Economics, 5(3): 9-23.
- *Boudreaux, Donald J. "Information and Prices". The Library of Economics and Liberty.

II. The Market Process II

Audio [David Laidler on Money](#)

Video *[Lawrence H. White on The Evolution of Money, Banking, and Central Banking](#)

Readings

- *Hayek, Friedrich A. 1947. "The Meaning of Competition". In Individualism and Economic Order.
- *Hayek, Friedrich A. 1947. "Economics and Knowledge". In Individualism and Economic Order.
- *Wagner, Richard E. 2012. "A macro economy as an ecology of plans." Journal of Economic Behavior & Organization, 82(2-3): 433-444.

III. The Origins of Money

Audio [*Boudreaux on Law and Legislation](#)

Video [Hans F. Sennholz on The Monetary Writings of Carl Menger](#)

Readings

- *Menger, Carl. 1892. "On the origin of money." *Economic Journal*, 2(6): 239-55.
- von Mises, Ludwig. 1953. "The Theory of Money and Credit". Part 1 Chapter 1 "The Function of Money"
- Dalton, George. 1965 "Primitive Money". *American Anthropologist*, 67(1): 44-65.
- *Alchian, Armen A. 1977. "Why money?." *Journal of Money, Credit and Banking*, 9(1): 133-140.

IV. The Value of Money

Audio [Allan Meltzer on Inflation](#)

Video [*Lawrence Reed on Money and Inflation](#)

Readings

- *von Mises, Ludwig. 1932. "The Great German Inflation", *Economica*, 36: 227-234.
- von Mises, Ludwig. 1953. "The Theory of Money and Credit". Part 2 "The Value of Money".
Chapters I and II (exclude pages 151-167).
- *Lucas, Robert E. 1980. "Two illustrations of the quantity theory of money." *The American Economic Review*, 70(5): 1005-1014.
- *White, Lawrence H. 2014. "Inflation". *The Concise Encyclopedia of Economics*.

V. The Function of Banks

Audio [*Townsend on Development, Poverty, and Financial Institutions](#)

Video [The New Financial System: Decentralized?](#)

Readings

- *von Mises, Ludwig. 1953. "The Theory of Money and Credit". Part 3 "Money and Banking".
Chapters I - V
- *Cochrane, John H. 2013. "Finance: Function matters, not size." *Journal of Economic Perspectives*, 27(2): 29-50.

VI. Inter-temporal Choice and Interest Rate

Audio * [Bogle on Investing](#)

Video [David Hirshleifer on Financial Regulation](#)

Readings

- *Price Theory and Applications: Decisions, Markets, and Information, Chapter 15 “The Economics of Time”. Jack Hirshleifer, Amihai Glazer, David Hirshleifer. Cambridge University Press.

VII. Central Banking

Audio *[Selgin on the Fed](#)

Video [Money and Free Banking with Lawrence White](#)

Readings

- *O. M. W. Sprague. 1909. “The Proposal for a Central Bank in the United States: A Critical View”. *The Quarterly Journal of Economics*, 23(3): 363–415.
- Blinder, Alan S. 2010. “How central should the central bank be?.” *Journal of Economic Literature*, 48(1): 123-133.
- *Reis, Ricardo. 2013. “Central bank design.” *Journal of Economic Perspectives*, 27(4): 17-44.

VIII. The Cost of Inflation

Audio *[Hanke on Hyperinflation, Monetary Policy, and Debt](#)

Video [Robert Barro on ‘Fiscal-Stimulus Packages’](#)

Readings

- *von Mises, Ludwig. 1953. “The Theory of Money and Credit”. Part 2 “The Value of Money”. Chapter VI.
- Leijonhufvud, Axel. 1977. “Costs and consequences of inflation.” In *The Microeconomic Foundations of Macroeconomics*, pp. 265-327. Palgrave Macmillan, London.
- *Lewin, Peter. 1982. “Perspectives on the Costs of Inflation.” *Southern Economic Journal*, 48(3): 627-641.
- *Hayek, F A. 1990. “Denationalisation of Money: The Argument Refined”. *The Institute of Economic Affairs*. Chapter XIV The Uselessness of the Quantity Theory for our Purposes

- Mandel, Antoine, Davoud Taghawi-Nejad, and Vipin P. Veetil. 2019. "The price effects of monetary shocks in a network economy." *Journal of Economic Behavior & Organization*, 164: 300-316.

IX. Competitive Banking

Audio * [Selgin on Free Banking](#)

Video Debate: [Abolish Banking Insurance?](#)

Readings

- King, Robert G. 1983. "On the economics of private money." *Journal of Monetary Economics*, 12(1): 127-158.
- White, Lawrence H. 1983. "Competitive money, inside and out." *Cato Journal*, 3(1): 281-304.
- *Hayek, F A. 1990. "Denationalisation of Money: The Argument Refined". The Institute of Economic Affairs. Chapter IX Competition between banks issuing different currencies.
- *Selgin, George A., and Lawrence H. White. 1994. "How would the invisible hand handle money?." *Journal of Economic Literature*, 32(4): 1718-1749.
- Salter, Alexander W., Vipin Veetil, and Lawrence H. White. 2017. "Extended shareholder liability as a means to constrain moral hazard in insured banks." *The Quarterly Review of Economics and Finance*, 63: 153-160

X. Monetary Policy I

Audio [Boudreaux on Monetary Misunderstandings](#)

Video *[Scott Sumner on Nominal GDP Targeting and the Great Recession](#)

Readings

- *Friedman, Milton. 1968. "The role of monetary policy." *The American Economic Review*, 58(1).
- *Hayek, F A. 1990. "Denationalisation of Money: The Argument Refined". The Institute of Economic Affairs. Chapter IV The Persistent Abuse of the Government Prerogative.
- Mankiw, N. Gregory. 2006. "The macroeconomist as scientist and engineer." *Journal of Economic Perspectives*, 20(4): 29-46.
- * Selgin, George, William D. Lastrapes, and Lawrence H. White. 2012. "Has the Fed been a failure?." *Journal of Macroeconomics*, 34(3): 569-596.

- Gali, Jordi. 2015. "Monetary Policy, Inflation, and the Business Cycle". Princeton University Press. Introduction

XI. Monetary Policy II

Audio [John Taylor on Monetary Policy](#)

Video [*Milton Friedman on Money and Inflation.](#)

Readings

- * Hayek, F A. 1990. "Denationalisation of Money: The Argument Refined". The Institute of Economic Affairs. Chapter XVIII Monetary policy is neither desirable nor possible.
- Bernanke, Ben S., and Frederic S. Mishkin. 1997. "Inflation targeting: a new framework for monetary policy?." *Journal of Economic Perspectives*, 11(2): 97-116.
- * Taylor, John B. 2012. "Monetary policy rules work and discretion doesn't: A tale of two eras." *Journal of Money, Credit and Banking*, 44(6): 1017-1032.
- * Sumner, Scott B. 2014. "Nominal GDP targeting: a simple rule to improve Fed performance." *Cato Journal*, 34 : 315.
- Veetil, Vipin P., and Richard E. Wagner. 2018. "Nominal GDP stabilization: Chasing a mirage." *The Quarterly Review of Economics and Finance*, 67: 227-236.

XII. Financial Markets

Audio [*Luigi Zingales on the Costs and Benefits of the Financial Sector](#)

Video [John H. Cochrane on Towards a run-free financial system .](#)

Readings

- * LeRoy, Stephen F. 1989. "Efficient capital markets and martingales." *Journal of Economic Literature*, 27(4): 1583-1621.
- Spulber, Daniel F. 1996. "Market microstructure and intermediation." *Journal of Economic Perspectives*, 10(3): 135-152.
- * Wurgler, Jeffrey. 2000. "Financial markets and the allocation of capital." *Journal of Financial Economics* 58(1-2): 187-214.
- Shiller, Robert J. 2003. "From efficient markets theory to behavioral finance." *Journal of Economic Perspectives*, 17(1): 83-104.