Money and Modern Capitalism: Law and Business

Fall 2015: B30.3345; 12 sessions Mondays 6-9pm

21 September to 14 December (excluding either 9 or 23 November)

Furman 326, NYU Law School

Professor Mervyn King

(Teaching Fellow, Santiago Silva Restrepo)

I. The Course

The recent financial crisis showed that although a market economy is the most efficient means yet devised to raise living standards, our system of money and banking is its Achilles heel. Why is that? In this seminar we explore the fundamental nature of money and banking and its evolution over time, the challenges posed by ‘radical’ uncertainty about the future for macroeconomic theory and policy, the role of central banks, the international dimension to money, and some of the recent and not-so-recent proposals for reform of the system.

Over twelve sessions we will discuss in detail the nature of money, the functions of banking, new ideas about uncertainty, challenges to macroeconomics and the weaknesses of both Keynesian and neoclassical models of aggregate demand, the role of central banks, proposals for reform of the structure of banks, and ideas for how to deal with secular stagnation in the world economy.

II. Grading

Assignments: 2 short assignments to be distributed during the semester (with a week to complete them) and a final assignment to be distributed on 9 November and submitted by 11 December. The short assignments will account for 20% of the overall grade each and the final assignment for 60%. The short assignments should be answered in no more than 600 words and credit will be given for a clear statement of the issues underlying the question (none of us have the definitive answers) and you should try to find a couple of “killer” facts to illustrate your point.
III. Office Hours

Office hours will be scheduled by appointment only. Please email Santiago Silva Restrepo (ssr359@stern.nyu.edu) with your question and we will do our best to accommodate your request.

IV. Class Schedule

Session 1: 21 September: Background to the Recent Financial Crisis: Symptoms and Causes
Chapter 1: The Good, the Bad and the Ugly

Session 2: 28 September: How to handle financial crises
Chapter 1: The Good, the Bad and the Ugly

Session 3: 5 October: Money in theory and practice
Chapter 2: Good and Evil: In Money We Trust

Session 4: 12 October: What are Banks?
Chapter 3: Innocence Lost: Alchemy and Banking

Session 5: 19 October: Uncertainty and Financial Markets
Chapter 4: Radical Uncertainty: the Purpose of Financial Markets

Session 6: 26 October: Macroeconomics – old and new theories
Chapter 5: Healing and Hubris: Understanding the World Economy Today

Session 7: 2 November: Macroeconomics – theory in practice
Chapter 5: Healing and Hubris: Understanding the World Economy Today

Session 8: 16 November: Central Banks – policy in good times
Chapter 6: Heroes and Villains: the Role of Central Banks
Session 9: 23 November: Central Banks – policy in bad times & crises
Chapter 6: Heroes and Villains: the Role of Central Banks

Session 10: 30 November: Monetary Unions and the World Economy
Chapter 7: Marriage and Divorce: Monetary Unions and Disunions

Session 11: 7 December: Reforming the Banking System
Chapter 8: Innocence Regained: Reforming Money and Banking

Session 12: 14 December: Solving the Global Economic Mess
Chapter 9: The Audacity of Pessimism: the Prisoner’s Dilemma and the Coming Crisis

After each session the relevant draft chapter will be available on NYU Classes. Part of the following session will be devoted to discussion of your questions and comments on the drafts. Draft chapters are not for wider circulation so please treat as confidential. Additional reading will be made available but this is not required reading. From time to time additional short and topical material will be placed on NYU Classes.
ALCHEMY OR ACHILLES HEEL?
MONEY AND BANKING IN MODERN CAPITALISM

Mervyn King

Preface

Chapter 1: The Good, the Bad and the Ugly

Chapter 2: Good and Evil: In Money We Trust

Chapter 3: Innocence Lost: Alchemy and Banking

Chapter 4: Radical Uncertainty: the Purpose of Financial Markets

Chapter 5: Healing and Hubris: Understanding the World Economy Today

Chapter 6: Heroes and Villains: the Role of Central Banks

Chapter 7: Marriage and Divorce: Monetary Unions and Disunions

Chapter 8: Innocence Regained: Reforming Money and Banking

Chapter 9: The Audacity of Pessimism: the Prisoner’s Dilemma and the Coming Crisis