Money and Modern Capitalism: Law and Business

Fall 2017: B30.3345; LAW-LW 12386.001 12 sessions Mondays 6:10-9:10pm

18 September to 11 December (excluding 9 October)

Furman 210, NYU Law School

Professor Mervyn King

(Teaching Fellow: Lioubov (Luba) Pogorelova; lp1140@nyu.edu.)

* This syllabus is preliminary and subject to change

I. The Course

A long history of financial crises shows that although a market economy is the most efficient means yet devised for raising 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 banking, and ideas for how to deal with secular stagnation in the world economy.

III. Reading

The required text is King, M.A. The End of Alchemy, W.W.Norton, New York, published in 2017 and available from the NYU bookstore. The required reading for each class is usually a chapter from this book together with a topical article or note relevant to the subject of that class which will be uploaded and available on NYU Classes. After the break in each class, we will usually talk about the application of the ideas discussed before the break to the topical issue which is the subject of the additional article or note.
Before the first class, a more detailed course outline will be posted with suggested reading on each topic for those who would like to follow up in more detail. The suggestions are NOT required reading.

III. Grading

*Specific grading requirements will be provided at the beginning of the semester

III. Office Hours

Office hours will be scheduled by appointment only. Please email Luba Pogorelova and we will do our best to accommodate your request.
IV. Class Schedule

Session 1: 18 September: Crises: their history and four key concepts; the recent financial crisis: symptoms and causes.
Required reading: *The End of Alchemy* Introduction and Chapter 1: The Good, the Bad and the Ugly

Session 2: 25 September: Money in theory and practice.
Required reading: Chapter 2: Good and Evil: In Money We Trust

Session 3: 2 October: What are Banks?
Required reading: Chapter 3: Innocence Lost: Alchemy and Banking

Session 4: 16 October: Uncertainty and Financial Markets
Required reading: Chapter 4: Radical Uncertainty: The Purpose of Financial Markets

Session 5: 23 October: Central Banks – evolution of central banks and policy in good times
Required reading: Chapter 5: Heroes and Villains: The Role of Central Banks

Session 6: 30 October: Central Banks – policy in bad times & crises
Required reading: Chapter 5: Heroes and Villains: The Role of Central Banks

Session 7: 6 November: Monetary Unions and the World Economy
Required reading: Chapter 6: Marriage and Divorce: Money and Nations (excluding section on European Monetary Union)

Session 8: 13 November: Monetary Union in Europe and the Future of the European Union
Required reading: Chapter 6: Marriage and Divorce: Money and Nations (section on European Monetary Union)
**Session 9**: 20 November: Reforming the Banking System  
Required reading: Chapter 7: Innocence Regained: Reforming Money and Banking

**Session 10**: 27 November: Macroeconomics – old and new theories  
Required reading: Chapter 8: Healing and Hubris: The World Economy Today

**Session 11**: 4 December: Solving the Global Economic Mess  
Required reading: Chapter 9: The Audacity of Pessimism: The Prisoner’s Dilemma and the Coming Crisis

**Session 12**: 11 December: Handling Financial Crises – What Happened in 2008 and should it have been handled differently? Reminiscences and lessons from the Crisis.  
No required reading – this final session will focus on a general discussion.