**Pardee School of Global Studies**

**IR 759: “Understanding Global Money”**

**Monday 2:30-5:15, IRB 102**

Prof. Perry Mehrling

**Contact Information:** 154 Bay State Road, #201B; [pmehrlin@bu.edu](mailto:pmehrlin@bu.edu), 617-353-7324

**Office Hours:**  Tuesday 1-3, Wednesday 1:30-2:30.

**Course description:**

This course studies financial globalization through the lens of the money market. Since global money is largely private credit money and also largely denominated in US dollars, a central question is how the global money system connects up with the various local public money systems, and how those connections differ between the center and the periphery. Since no individual central bank takes responsibility for global money, a further central question is how the system is backstopped and managed, by national authorities such as central banks as well as multilateral institutions. Given that existing such arrangements proved inadequate for reining in inherent instability in 2007-2009, public regulation and also private self-interest have been driving rather far-reaching institutional change. Where are these changes taking us, what are the remaining and emerging new vulnerabilities of the system, and what might be done about them?

Students who complete this course will learn how to:

1) Read, understand, and evaluate professional discourse about the current operation of global money markets at the level of the Financial Times

2) Follow and construct argument/analysis that uses balance sheet reasoning

3) Understand the institutional structure of the dollar money markets, their connection to capital markets, and the mechanisms of central bank control

**Target Audience:** graduate students in economics, history, anthropology, law, financial engineering, international political economy. A central goal of the course is to develop a common language for talking about global money across disciplines.

**Texts**: All readings are posted on perusall.com which we will using extensively also for the asynchronous component of the class. Students should register (free) at that site, and use access code MEHRLING-G6C3Q to access the readings. Annotation of the reading, and reaction to the annotations by others, will be the primary component of graded class participation.

**Prerequisites:** IR 571 “Global Money”, or equivalent. A version of IR 571 is available online at Coursera, <https://www.coursera.org/learn/money-banking>, and on my own webpage <https://sites.bu.edu/perry/>.

**Grading:** Three reaction papers, due 48 hrs after class (5 pp. max) 45%

one each on weeks 1**-**4; 5-8; 9-12

Weekly pre-class reading reaction, attendance, discussion 20%

Term Paper (10 pages), on agreed topic, due Dec 9 35%

**What is a Reaction Paper?**: Every week there are multiple required readings, chosen deliberately as background for classroom discussion. It is expected that everyone does the reading, but writers of reaction papers are expected to go farther, engaging with the material and developing themes that emerge from classroom discussion. By “engagement”, I mean one or more of the following:

(1) compare and contrast the readings for the week, identifying common themes as well as points of tension,

(2) evaluate the readings for the week, which is the most important or compelling to you and why,

(3) draw connections between the readings of the week and themes discussed in previous weeks of the course.

**Term Paper**: The purpose of the class is to give you the tools, and practice using them, which can then use on your own as a frame for analyzing some concrete policy problem of interest. The policy world is rife with analysis and proposals for reform that could use a more adequate frame. For the term paper I would ask you to choose one such proposal for critical analysis. Below are some recent examples that have come across my desk, but there are lots of others, and you should feel free to propose anything else that interests you.

Lakshmi Kumar and Kaisa de Bel. 2021. “Acres of Money Laundering; Why U.S. Real Estate is a Kleptocrats Dream.” Global Financial Integrity. <https://gfintegrity.org/report/acres-of-money-laundering-why-u-s-real-estate-is-a-kleptocrats-dream/>

Fanny Pigaud and Ndongo Samba Sylla. 2020. Africa’s Last Colonial Currency, The CFA Franc Story. London: Pluto Press.

Robert C. Hockett. 2020. Financing the Green New Deal, A Plan of Action and Renewal. Palgrave Macmillan.

Nik Bhatia. 2021. Layered Money, From Gold and Dollars to Bitcoin and Central Bank Digital Currencies. Privately published.

Joseph Wang. 2020. Central Banking 101. Privately published.

**Covid**: In the face of pandemic, we are all responsible for ensuring each other’s health. Students are expected to comply with the university’s rules regarding COVID-19. You will not be permitted to join class in person unless you wear a mask, maintain social distancing, and demonstrate that you are in compliance with those rules. Students who do not meet these expectations will be asked to leave the class until they do. Violations of health and safety rules will be reported to the Dean of Students office, and may result in loss of privileges or suspension, as detailed in the Dean of Students August 13 statement on ‘COVID-19 Compliance and Enforcement Protocols’ (http://www.bu.edu/dos/2020/08/13/compliance-and-enforcement/).

**Academic Honesty and Integrity:** All members of the University are expected to maintain the highest standards of academic honesty and integrity, and the CAS Academic Conduct Code will be strictly enforced.  The Conduct Code can be found at <http://www.bu.edu/academics/policies/academic-conduct-code/>.

**Disabilities:** Boston University is committed to providing equal access to our coursework and programs to all students, including those with disabilities. In order to be sure that accommodations can be made in time for all exams and assignments, please plan to turn in your accommodations letter as soon as possible after the first class to the instructor. After you turn in your letter, please meet with me to discuss the plan for accommodations so that we can be sure that they are adequate and you are supported in your learning. If you have further questions or need additional support, please contact the Office of Disability Services ([access@bu.edu](mailto:access@bu.edu)).

**Course Schedule**

**Sept 13: Organization**

Mehrling, Perry. 2017. “Fundamentals of the Money View.” Warsaw Lecture 3.

Neilson, Dan. 2021. “Administering a global dollar; the Fed’s new standing facilities.” <https://neilson.substack.com/p/administering-global-dollar>

“Afghanistan faces ‘dire’ financial outlook, warns former central bank chief.” Financial Times, August 18, 2021.

“Afghanistan’s Money Exchangers are the Economy’s Last Best Hope.” Foreignpolicy.com, Sept 5, 2021.

**Sept 20: The Big Picture**

Mehrling, Perry. 2017. [“Financialization and its Discontents.”](http://financeandsociety.ed.ac.uk/article/view/1935/2570) Finance and Society 3 No. 1: 1-10. Revision of [2016 keynote](https://www.youtube.com/watch?v=T5ptAo6S3ok&feature=youtu.be).

Shin, Hyun. 2018. [“Redrawing Boundaries in International Finance.”](https://www.youtube.com/watch?v=ZmY3ghVAUb4&t=45s) YSI keynote building on his paper, Avdjiev, Stefan, Robert McCauley, and Hyun Song Shin. 2015. “Breaking Free of the Triple Coincidence in International Finance.” Bank for International Settlements, Working Paper #524.

UNCTAD. 2015. “Making the international financial architecture work for development.” Trade and Development Report.

**Sept 27: The “Money View”**

Hicks, Sir John. 1989. A Market Theory of Money. Clarendon Press. Pages 41-63.

Hawtrey, Ralph. 1932. The Art of Central Banking. Longmans, Green. Pages 116-302.

Copeland, Morris. 1952. A Study of Moneyflows in the United States. National Bureau of Economic Research #54. Chs. 1-3, 7.

Pistor, Katharina. 2013. “A Legal Theory of Finance.” Journal of Comparative Economics 41 No. 2: 315-330.

**Oct 4: Financial Crisis**

Minsky, Hyman. 1982. “The Financial Instability Hypothesis: Capitalist Processes and the Behavior of the Economy.” In Kindleberger, Charles P. and Jean-Pierre Laffargue, eds., Financial Crises: Theory, History, and Policy, Cambridge.

Mehrling, Perry et al. 2014. “Bagehot was a Shadow Banker: Shadow Banking, Central Banking, and the Future of Global Finance.”

Allen, William A. 2013. International Liquidity and the Financial Crisis. Cambridge. Pages 1-48.

BIS Annual Report 2020, Part II. “A monetary lifeline: central banks’ crisis-response.”

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**Oct 12: Emerging Market Economies and Balance of Payments, Key Currency vs. Triffin**

Williams, John H. 1934. “The World’s Monetary Dilemma: Internal versus external Monetary Stability.” Proceedings of the Academy of Political Science.

Triffin, Robert. 1960. Gold and the Dollar Crisis; The Future of Convertibility. New Haven: Yale University Press, pp. 3-14.

James, Harold. 2012. “The Multiple Contexts of Bretton Woods.” Oxford Review of Economic Policy 28 No. 3: 411-430.

De Cecco, Marcello. 1979. “Origins of the post-war payments system.” Cambridge Journal of Economics 3: 49-61.

Helene Rey. 2015. “Dilemma not Trilemma: The Global Financial Cycle and Monetary Independence.” NBER WP 21162.

**Oct 18: Development Finance**

Gerschenkron, Alexander. 1962. Economic Backwardness in Historical Perspective. Cambridge, MA: Belknap Press. Chapter 1.

Kindleberger, Charles P. 1978. “The OECD and the Third World.” Pages 105-121 in From Marshall Plan to Global Interdependence. Paris: OECD.

Eichengreen, Barry and Ricardo Hausmann. 1999. “Exchange Rates and Financial Fragility.” NBER WP 7418 (November)

Committee on the Global Financial System. 2020. “US dollar funding: an international perspective.” CGFS Paper No. 65 (June)

**Oct 25: Public Debts, Core and Periphery, Pre-WWI**

Nicolas Barreyre and Nicolas Delalande, eds. 2020. A World of Public Debts; A Political History. Palgrave Macmillan. Parts I-II, pp. 1-258.

**Nov 1: Public Debts, Core and Periphery, Post-WWI**

Nicolas Barreyre and Nicolas Delalande, eds. 2020. A World of Public Debts; A Political History. Palgrave Macmillan. Parts III-V, pp. 259-539.

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**Nov 8: Cryptocurrency, Private and Public**

Fabian Schar. 2021. “Decentralized Finance: On Blockchain- and Smart Contract- Based Financial Markets.” Federal Reserve Bank of St. Louis Review, Second Quarter, 103 (2), pp. 153-74.

Nassim Taleb. 2021. “Bitcoin, Currencies, and Bubbles.” Quantitative Finance, forthcoming. https://www.fooledbyrandomness.com/BTC-QF.pdf

BIS Annual Report 2020, Part III. “Central Banks and payments in the digital era.”

Federal Reserve Bank, Discussion Paper on CBDC, forthcoming.

**Nov 15: Regulation of Global Money**

Toniolo, Gianni. 2005. Central Bank Cooperation at the Bank for International Settlements, 1930-1973. Cambridge. Pages 24-114.

De Vries, Margaret. 1987. Balance of Payments Adjustment, 1945 to 1986. Ch. 1.

Coombs, Charles A. 1976. The Arena of International Finance. Ch. 11-12.

James, Harold. 1996. International Monetary Cooperation Since Bretton Woods. Oxford. Pages 27-57.

Mehrling, Perry. 2016. “Discipline and Elasticity in the Global Swap Network.” International Journal of Political Economy 44 No. 4: 311-324.

**Nov 22: China and the Dollar**

Dooley, Michael P., David Folkerts-Landau, and Peter Garber. 2004. “The Revived Bretton Woods System.” International Journal of Finance and Economics 9: 307-313.

Mehrling et al. 2014. “China’s Engagement with an Evolving International Monetary System: A Payments Approach” CIGI

Klein, Matthew and Michael Pettis. 2020. Trade Wars are Class Wars. Ch. 4.

Samantha Hoffman et al. 2020. “The Flipside of China’s central bank digital currency.” Policy Brief, Report No. 40. International Cyber Policy Center.

**Nov 29: Past and Future of the Dollar System**

DeCecco, Marcello. 1984. The international gold standard: Money and Empire. Pinter. Pages 103-170.

League of Nations. 1944. International Currency Experience, Lessons of the Interwar Period. Pages 7-26.

Kindleberger, Charles P. 1984. A Financial History of Western Europe. Allen and Unwin. Pages 385-464.

Eichengreen, Barry. 2011. Exorbitant Privilege, the rise and fall of the dollar and the future of the International Monetary System. Oxford. Pages 121-177.

**Dec 6: Student Papers**