Course Description

Financial globalization and global financialization are central features of modern society, but often difficult to see clearly using analytical frames inherited from a previous non-global and non-financial age. The first part of this course seeks to supplement these familiar frames by developing a “money view” that treats all agents—households, firms, governments, and entire nation states—as cash inflow/outflow entities, similar to banks. The second part uses this new frame to consider six specific issues of current topical interest.

Students who complete this course will learn how to:

1) Follow an argument/analysis that uses balance sheet reasoning
2) Read, understand, and evaluate professional discourse about global money at the level of the Financial Times
3) Gain a concrete understanding of how credit and money operate in the real world
4) Understand causes of modern financial crises

Prerequisites

EC101, EC102, and IR292/EC392/IM345

Grading

A comprehensive midterm examination covering the first half of the course, 40%.

A final examination covering the second half of the course, 40%. There will be a question on each of the six specific issues, but students will be asked to write on only three.

Problem sets, and class discussion, 20%

Required Texts

The central text is a selection of video lectures and lecture notes prepared by the professor, available at perrymehrling.com, plus a selection of related readings, as detailed below. The reading is not extensive, but it is challenging, and will require time and repeated engagement to absorb. Exercises and class discussion are essential complements to the reading. Daily mini-lectures on topics drawn from the day’s financial news—in the Financial Times—offer repeated examples of the money view in practice.

Classroom Expectations:

Academic honesty:

The university rules and the academic code shall be followed in every case in this course. The American College Dictionary defines plagiarism as “Copying or imitating the language, ideas, or thoughts of
another author and passing off the same as one’s original work.” Many instances of plagiarism are inadvertent and sometimes due to carelessness and lack of attention to detail. It is good academic practice for students to keenly and extensively utilize citations when interacting with the writing, ideas and views of others. Quotations must have quotation marks and be cited appropriately. Appropriate citations must also be made when paraphrasing even if no exact quotes are used. When in doubt, please consult the instructor. Please refer to the Boston University Academic Code of Conduct for further information: [http://www.bu.edu/academics/policies/academic-conduct-code/](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, but no later than 14 days prior to the first exam/assignment to our Head TA.** 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)).

**Lecture Schedule**

Week 1: What is a bank?
  
  Lec 4: “The Money View, Micro and Macro”

Week 2: Everyone is a bank
  

  Problem Set 1

Week 3: Hierarchy of Money and Credit
  
  Lec 2: “Natural Hierarchy of Money”

Week 4: Arbitrage: Covered Interest Parity, Uncovered Interest Parity
  
  Borio, Claudio et al “Covered Interest Parity Lost: understanding the cross-currency basis.” BIS Quarterly Review (September 2016)

  Problem Set 2

Week 5: View from the Center
  
  Lec 14: “Money and the State: International”

Week 6: View from the Periphery
  
Week 7: Review and Midterm

Week 8: War Finance

Lec 3: “Civil War Finance”

Week 9: Development Finance

Lec 17: “Direct and Indirect Finance”

Week 10: Financial Centers


Week 11: Financial Crisis

Lec 12: “Lender/Dealer of Last Resort”

Week 12: Shadow Banking

Lec 21: “Shadow Banking, Central Banking, and the Future of Global Finance”

Week 13: Political Economy
