CAS IR 571
Global Money
Prof. Perry Mehrling

Course Description
This course develops an analytical framework for understanding the operations of key monetary and financial institutions in the modern global economy. In the first half, settlement in the payments system and market-making in financial assets are the central focus of attention, at both national and international levels. The second half explores the interface between these private institutions and the public sphere, and the interface of the “money view” analytical structure with standard economics and finance.

Students who complete this course will learn how to:

1) Read, understand, and evaluate professional discourse about the current operation of money markets at the level of the Financial Times
2) Follow an argument/analysis that uses balance sheet reasoning
3) Construct an argument/analysis that uses balance sheet reasoning
4) Use diverse primary historical texts to understand current events
5) Understand the institutional structure of the dollar money markets, their connection to capital markets, and the mechanisms of central bank control

Prerequisites
IR 399 “Fundamentals of Global Money” or instructor’s permission. Background in economics to the intermediate theory level, and familiarity with the fundamentals of finance will help student to appreciate the value added by the course, but are not essential for successful completion.

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 Reading
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/policiesacademic-conduct-code/](http://www.bu.edu/academics/policiesacademic-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:** History of Money and Finance

- Lec 13: “Chartalism, Metallism, and Key Currencies”

**Week 2:** The Money View

- Lec 2: “Natural Hierarchy of Money”
- Lec 4: “The Money View, Micro and Macro”
- Problem Set 1

**Week 3:** The Settlement Constraint: par

- Lec 5: “Central Banking as a Clearinghouse”

**Week 4:** Money Markets and Lender of Last Resort

- Lec 6: “Federal Funds”; Lec 7: “Repos”; Lec 8: “Eurodollars”
Lec 9: “The World that Bagehot Knew”

Problem Set 2

Week 5: The Treynor Model: interest rates, exchange rates


Week 6: Capital Markets and Dealer of Last Resort

Lec 12: “Lender/Dealer of Last Resort”


Problem Set 3

Week 7: Review and Midterm

Week 8: Bringing in the State: Understanding Hybridity

Lec 3: “Money and the State: US Monetary History”

Lec 17: “Direct and Indirect Finance”


Week 9: Core and Periphery

Lec 14: “Money and the State: International Monetary History”


Week 10: The Art of Central Banking


Week 11: Veil of Money?: price level


Week 12: Veil of Money?: fundamentals and speculation


Lec 18: “Forwards and Futures”; Lec 19: “Interest Rate Swaps”; Lec 20: “Credit Default Swaps”

Week 13: Money View vs. Economics/Finance

Lec 22: “Touching the Elephant: Three Views”
