

SAN JOSE STATE UNIVERSITY  
ECONOMICS 235--MONETARY THEORY AND POLICY  
Syllabus: Spring 2005  
W 1830-2115 DMH 166

Instructor: Jeff Hummel

Office: DMH 144

Phone: Campus office, (408) 924-5418; Home office, (925) 926-0807

Email: Since I check email as infrequently as possible, it is obviously NOT a good way to try to contact me.

Office Hours: Monday, 4:00-5:00 P.M.; Wednesday, 4:00-6:00 P.M.; and by appointment.

Course Objective: To understand money's vital role and how it interacts with banking and the financial system. From the perspective of modern monetary theory, we will examine the historical evolution of money and its impact on economic activity and prices. In the process, we will consider, compare, and contrast alternative monetary policies and regimes. Students should come to the course having some familiarity with both macroeconomic models and the modern financial system.

Prerequisites: Econ 101, Econ 102, and Econ 103. Also recommended, Econ 135.

Required Texts:

- (1) J. Huston McCulloch, *Money and Inflation: A Monetarist Approach*, 2nd edn.
- (2) Lawrence H. White, *The Theory of Monetary Institutions*.
- (3) N. Gregory Mankiw, *Macroeconomics*, 5th edn.
- (4) Econ 135 Course Reader.

Schedule of Reading Assignments and Examinations:

Jan	26	
Feb	2	McCulloch, ch. 1; White, ch. 1; Reader, #1, #2.
	9	McCulloch, chs. 2-3; Mankiw, pp. 75-87; Reader, #6.
	16	White, ch. 2; Reader, #3.
	23	McCulloch, chs. 4, 7; Mankiw, pp. 88-113; Reader #4.
Mar	2	White, ch. 3-4; Mankiw, ch. 18.
	9	White, chs. 5-6; Reader, #7.
	16	mid-term examination.
	23	McCulloch, ch. 5; White, chs. 7-8.
Apr	6	McCulloch, ch. 6; Mankiw, pp. 358-71, 389-94; Reader, #9, #11.
	13	White, chs. 9-10.
	20	White, ch. 11, Mankiw, pp. 394-99; Reader, #8, #10.
	27	White, ch. 12-13; Reader #5.
May	4	Mankiw, ch. 15.
	11	Mankiw, ch. 5; Reader, #12, #13.
	18	no class, but projects due.
	25	final examination, 7:45 to 10:00 P.M.

I also will assign and hand out supplementary readings.

Grading: We will conduct this class as a graduate seminar. Rather than only listening to lectures, students should be prepared to discuss the assigned readings for each session. Participation in these discussions will determine 10 percent of a student's overall grade. The final examination, which will be comprehensive, is worth another 40 percent out of the total of 100, whereas the mid-term examination is worth 25 percent. A research paper or book report of 4 to 8 pages, due on May 18, will determine the final 25 percent of the student's grade. I will provide more precise guidelines for this project later.

If you experience any difficulty in this course, please do not hesitate to come to me for help. I am available not only during office hours but also by phone, and I am always happy to clarify hard concepts, resolve any lingering confusion, or otherwise assist you in making this course enjoyable and rewarding.

## Converting number grades to letter grades:

97-100	A+	83-86	B	70-72	C-
93-96	A	80-82	B-	67-69	D+
90-92	A-	77-79	C+	63-66	D
87-89	B+	73-76	C	60-62	D-
		below 60	F		

## Optional Recommended Reading:

## Money and Banking Texts

Kaufman, *The U.S. Financial System: Money, Markets and Institutions*, 6th ed.  
 McCallum, *Monetary Economics: Theory and Policy*.  
 Miller and VanHoose, *Money, Banking, and Financial Markets*.  
 Stigum, *The Money Market*, 3rd ed.

## Monetary Theory

Brennan & Buchanan, *Monopoly in Money and Inflation*.  
 Dowd & Timberlake, ed., *Money and the Nation State: The Financial Revolution, Government and the World Monetary System*.  
 Hayek, *The Denationalization of Money--The Argument Refined: An Analysis of the Theory and Practice of Concurrent Currencies*, 2nd ed.  
 Livingston, *Money and Capital Markets: Financial Instruments and Their Uses*.  
 Mises, *The Theory of Money and Credit*, rev. ed.  
 Patinkin, *Money, Interest, and Prices*, 2nd ed.  
 Rothbard, *The Mystery of Banking*.  
 Selgin, *A Theory of Free Banking: Money Supply Under Competitive Note Issue*.  
 L. White, *Competition and Currency: Essays on Free Banking and Money*.

## Monetary History

Brewer, *The Sinews of Power: War, Money and the English State, 1688-1783*.  
 Dowd, ed., *The Experience of Free Banking*.  
 Friedman, *Money Mischief: Episodes in Monetary History*.  
 Friedman & Schwartz, *A Monetary History of the United States*.  
 Greider, *Secrets of the Temple*.  
 Kane, *The S & L Mess: How Did It Happen?*  
 Rothbard, *America's Great Depression*.  
 Sargent & V, *The Big Problem of Small Change*.  
 Smiley, *Rethinking the Great Depression*.  
 Timberlake, *Monetary Policy in the United States*.  
 A.D. White, *Fiat Money Inflation in France*.  
 L. White, *Free Banking in Britain: Theory, Experience, and Debate, 1800-45*.

## Monetary and Financial Reform

Cowen & Kroszner, *Explorations in the New Monetary Economics*.  
 Friedman, *A Program for Monetary Stability*.  
 Glasner, *Free Banking and Monetary Reform*.  
 Selgin, *Bank Deregulation and Monetary Order*.

## Macroeconomics

Barro, *Macroeconomics*, 5th ed.  
 Buchanan, *Democracy in Deficit: The Political Legacy of Lord Keynes*.  
 Cowen, *Risk and Business Cycles: New and Old Austrian Perspectives*.  
 Edwards, *Macroeconomics: Equilibrium and Disequilibrium Analysis*.  
 Garrison, *Time and Money: The Macroeconomics of Capital Structure*.  
 Gordon, *Macroeconomics*, 6th ed.  
 Gordon, ed., *Milton Friedman's Monetary Framework*.  
 Hall & Taylor, *Macroeconomics*, 5th ed.  
 Horwitz, *Microfoundations and Macroeconomics: An Austrian Perspective*.  
 Keynes, *The General Theory of Employment, Interest, and Money*.  
 Landsburg & Feinstone, *Macroeconomics*.  
 Romer, *Advanced Macroeconomics*, 2nd ed.  
 Snowden, Vance, and Wyncarczyk, *A Modern Guide to Macroeconomics: An Introduction to Competing Schools of Thought*.