

ECON. 7500: Advanced Monetary Theory

Extended Course Outline I: Themes, Issues and Questions of Research and Controversy

I. Keynes of *Treatise on Money*

i. Finance, Asset Prices and Investment

- Keynes, J.M. (1931). “The Consequences to the Banks of the Collapse of Money Values,” Ch. 7 in *Essays in Persuasion*.
- Kregel, J. (1992). “Minsky's "Two Price" Theory of Financial Instability and Monetary Policy: Discounting versus Open Market Intervention,” Fazzari, Steven; Papadimitriou, Dimitri B., eds. *Financial conditions and macroeconomic performance: Essays in honor of Hyman P. Minsky*. 85-103, Armonk, N.Y. and London: Sharpe.
- Minsky, H. (1975). *John Maynard Keynes*, Chs. 4 and 5. Columbia University Press.
- Mullins, M. & S. Wadhvani (1999). “The Effect of the Stock Market on Investment: A Comparative Study,” *European Economic Review*, 33(5), May.

ii. Financial versus Industrial Circulation

- Field, A.J. (1984). “Asset Exchanges and the Transactions Demand for Money, 1919-29,” *American Economic Review*, March, pp. 43-59.
- Howells, P.G. & K.A. Hussein (1999). “The Demand for Bank Loans and the ‘State of Trade,’” *Journal of Post Keynesian Economics*, 21(3).
- Howells, P.G. & I. Biefang-Frisancho Mariscal (1992). “The Recent Behavior of Income and Transaction Velocities in the UK,” *Journal of Post Keynesian Economics*, 14(2).
- Palley, T. (1995). “The Demand for Money and Non-GDP Transactions,” *Economics Letters*, 48, 145-54.
- Pollin, R. & M. Schaberg (1998). “Asset Exchanges, Financial Market Trading, and the M1 Income Velocity Puzzle,” *Journal of Post Keynesian Economics*, 21(1).

iii. Bank Behavior and Supply of Credit over the Business Cycle

- Bernanke, B., Gertler, M. & S. Gilchrist (1996). "The Financial Accelerator and the Flight to Quality," *The Review of Economics and Statistics*, 78(1), February.
- Gorton, G. (1998). "Banking Panics and Business Cycles," *Oxford Economic Papers*, 40, pp. 751-81.
- Sinai, A. (1993). "Financial and Credit Cycles. Generic or Episodic?" *Quarterly Review* (Federal Reserve Bank of NY), 18(1),
- Wolfson, M. (1996). "A Post-Keynesian Theory of Credit Rationing," *Journal of Post Keynesian Economics*, 18(3), 443-70.
- Wojnilower, A. (1980). "The Central Role of Credit Crunches in Recent Financial History," *Brookings Papers on Economic Activity*, 2.

iv. Debt Deflation

- Bernanke, B. (1983). "Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression," *American Economic Review*, June.
- Dimand, R.W. (1994). "Irving Fisher's Debt Deflation Theory of Great Depressions," *Review of Social Economics*, 52(1), Spring.
- Minsky, H. (1982). "Debt Deflation Process in Today's Institutional Environment," *Banco Nazionale del Lavoro Quarterly Review*, December.
- Wolfson, M. (1996). "Irving Fisher's Debt-Deflation Theory: Its Relevance to Current Conditions," *Cambridge Journal of Economics*, 20(3), 315-334.

II. Keynes of *General Theory*, Neo-Keynesians and 'New Classicals'

i. Keynesian Theory of Finance

- Blanchard, O., C. Rhee & L. Summers (1993). "The Stock Market, Profit, and Investment," *Quarterly Journal of Economics*, 108(1), 115-36.
- Bernstein, P. (1998). "Stock Market Risk in a Post Keynesian World?" *Journal of Post Keynesian Economics*, Fall, 21(1), 15-24.
- Crotty, J. (1990) "Owner-Manager Conflict and Financial Theories of Investment Instability: A Critical Assessment of Keynes, Tobin, and Minsky," *Journal of Post Keynesian Economics*, 12, pp. 519-43.
- Kaldor, N. (1939). "Speculation and Economic Stability," *The Review of Economic Studies*, October.
- Kregel, J. (1998). "Aspects of a post Keynesian theory of finance," *Journal of Post Keynesian Economics*, Fall, 21(1), 111-33.

ii. Money Aggregates, Income and Prices

- Andersen, L. & J. Jordan (1968). "Monetary and Fiscal Actions: A Test of Their Relative Importance in Economic Stabilization," *Federal Reserve Bank of St. Louis Review*, 50, November.
- Goldfeld, S. (1976). "The Case of Missing Money," *Brookings Papers on Economic Activity*, 3.
- Judd, J. & J. Scadding (1982). "The Search for a Stable Money Demand Function: A Survey of the Post 1973 Literature," *Journal of Economic Perspectives*, 20(3), September.
- Laidler, D. (1978). "Money and Money Income: An Essay on the Transmission Mechanism," *Journal of Monetary Economics*, April, 4(2).
- Sims, C. (1972). "Money, Income, and Causality," *American Economic Review*, 62(4), September.

iii. Money Aggregates, Income and Prices II: More Recent Research

- Friedman, B. & K. Kutner (1992). "Money, Income, Prices and Interest Rates," *American Economic Review*, 82(3), June.
- Ball, L. (1998). "Another Look at Long run Money Demand," NBER, Working Paper.
- Bernanke, B. & M. Gertler (1995). "Inside the Black Box: The Credit Channel of Monetary Policy Transmission," *Journal of Economic Perspectives*, 9(4), Fall.
- Davis, E.P. & S.G. Henry (1993). "The Use of Financial Spreads as Indicators of Real Activity," in P. Arestis (ed.) *Money and Banking: Issues for the Twenty-First Century*, London, Macmillan

iv. Policy Ineffectiveness Doctrine, Term Structure of Interest Rates and the Rentier Strike?

- Coleman, W. (1996). "Money and Output: A Test of Reverse Causation," *American Economic Review*, 86(1), March.
- King, R. & C. Plosser (1984). "Money, Credit, and Prices in a Real Business Cycle," *American Economic Review*, 74(3), June.
- Mankiw, N. & L. Summers (1984). "Do Long-Term Interest Rates Overreact to Short-Term Interest Rates," *Brookings Papers on Economic Activity*, 1.
- Mankiw, N. (1986). "The Term Structure of Interest Rates Revisited," *Brookings Papers on Economic Activity*, 1.
- Mishkin, F. (1990). "The Information in the Longer Maturity Term Structure About Future Inflation," *Quarterly Journal of Economics*, 105(3), 815-28.

III. Current Post-Keynesian Themes & Debates

i. Debt, Financial Fragility, and Minsky

- Bernanke, B. & M. Gertler (1990). "Financial Fragility and Economic Performance," *Quarterly Journal of Economics*, 105(1), February.
- Lavoie, M. (1986-87). "Systemic Financial Fragility: A Simplified View," *Journal of Post Keynesian Economics*, 9(2), Winter.
- Minsky, H. (1990). "Debt and Business Cycles," *Business Economics*, 25(3), July.
- Papadimitriou, D. (1998). "The Economic Contributions of Hyman Minsky: Varieties of Capitalism and Institutional Reform," *Review of Political Economy*, 10(2), April.
- Wolfson, M. (1990). "The Causes of Financial Instability," *Journal of Post Keynesian Economics*, 12(3), Spring.

ii. Passive and Active Money: What does Endogeneity Entail?

- Bernanke, B. (1993). "Credit in the Macroeconomy," *Quarterly Review* (Federal Reserve Bank of New York), 18(1), Spring.
- Cottrell, A. (1986). "The Endogeneity of Money and Money Income," *Scottish Journal of Political Economy*, 33(1), 2-27.
- Laidler, D. (1999). "Passive Money, Active Money, and Monetary Policy," *Bank of Canada Review*, Summer.
- Pollin, R. (1991). "Two Theories of Money Supply Process: Theory and Evidence," *Journal Post Keynesian Economics*, 13, Spring.
- Palley, T. (1998). "Accommodation versus Structuralism: Time for and Accommodation," *Journal of Post Keynesian Economics*, 21(1).

iii. Interest Rate Determination and Liquidity Preference

- Dow, S. (1996). "Horizontalism: A Critique," *Cambridge Journal of Economics*, 20, 497 – 508.
- Lavoie, M. (1996). "Horizontalism, Structuralism, Liquidity Preference and the Principle of Increasing Risk," *Scottish Journal of Economics*, 43, pp. 233-300.
- Kalecki, M. (1937). "The Principle of Increasing Risk," *Economica*, November.
- Mott, T. (1985-6). "Toward a Post Keynesian Formulation of Liquidity Preference," *Journal of Post Keynesian Economics*, 8, pp. 222-32.
- Wray, L.R. (1992). "Alternative Theories of the Rate of Interest," *Cambridge Journal of Economics*, 16, pp. 69-89.

iv. How is the Demand for Endogenous Money Equated to its Supply

- Arestis, P. & P. Howells (1996). "Theoretical Reflections on Endogenous Money: The Problem with Convenience Lending," *Cambridge Journal of Economics*, 20(5), October.
- Howells, P.G. (1995). "The Demand for Endogenous Money," *Journal of Post Keynesian Economics*, 18(1).
- Lavoie, M. (1999). "The Credit-led Supply of Deposits and the Demand for Money: Kador's Reflux Mechanism as Previously Endorsed by Joan Robinson," *Cambridge Journal of Economics*, 23, 103-113.
- Moore, B.M. (1997). "Reconciliation of the Supply and Demand for Endogenous Money," *Journal of Post Keynesian Economics*, 10(3).

v. Redundancy of the Keynesian Multiplier

- Cottrell, A. 1994. "Endogenous Money and the Multiplier." *Journal of Post Keynesian Economics*. 17: 111: 120.
- Dalziel, P. 1996. "The Keynesian Multiplier, Liquidity Preference, and Endogenous Money." *Journal of Post Keynesian Economics*. 18: 311-332.
- Erturk, K. (1998). "The Notion of Disequilibrium, the Multiplier, and the Endogenous Supply of Money," *Review of Radical Political Economics*, September.
- Moore, B.J. 1994. "The Demise of the Keynesian Multiplier: A Reply to Cottrell." *Journal of Post Keynesian Economics*. 17: 121-133.