

# MONEY

**Coordinator:** Bernard Belkin

It's not everything—it can't buy happiness. But we know it's important. What is money? How is it created and valued? And how did it evolve? Cutting through all the usual jargon, we stroll through history from gold coins to bitcoins, from Mesopotamia to Bretton Woods. Using Felix Martin's unorthodox, "compulsively readable" *Money: The Unauthorized Biography*, we explore the central role of money in the organization of societies and international conflict, encountering many interesting characters and societies. We study the rise of markets and banking and the cycles of financial panics and unravel the mysteries of modern international finance and credit markets. Finally, we look at money and politics and consider how to structure an international monetary system that provides stability, freedom and economic fairness.

## Readings:

*Money: The Unauthorized Biography* by Felix Martin, {Knopf (2014) ISBN 978-0-307-96243-0}. Available in paperback and Kindle.

Excerpts from the following books. Distribution TBD.

*America's Bank: The Epic Struggle to Create the Federal Reserve* by Roger Lowenstein, {Penguin Press, 2015, ISBN 978-1-59420-549-1} available on Kindle.

*The Money Makers, How Roosevelt and Keynes Ended the Depression, Defeated Fascism, and Secured a Prosperous Peace* by Eric Rauchway, {Basic Books, 2015, ISBN 978-0-465-06156-3} available on Kindle.

**Bernie**, a retired attorney, has always been interested in money. He earned an MBA in finance solely to understand his clients' financial jargon. He has coordinated study groups in science, the presidency, and foreign policy.

\* \* \* \* \* **Syllabus – A Work in Progress** \* \* \* \* \*

This study group is not about economics, nor is it primarily about the 2008 global financial meltdown, although there is some of each here. It is, as the title suggests about money - a concept which is surprisingly elusive to most people. We focus on the nature of money and its relationship to how societies function and relate to each other and to its role in the relationship between people and their governments.

Felix Martin's book, *Money*, is an unorthodox look at our monetary system. It tells the compelling story of how money developed and how its nature and relation to freedom and economic fairness has been misunderstood in modern

society. He weaves interesting world history and characters with the events of the 2008 global financial meltdown. The story of the battle between private money interests and governments has been going on for centuries and as told by Martin is, as characterized by the NY Times reviewer, “compulsively readable.” The two other books chronicle two very important events in the development of the modern international financial system. Roger Lowenstein, in *America’s Bank* explains the role of central banks and tells the interesting story of the founding of the Federal Reserve Bank in 1913. Eric Rauchway’s *The Money Makers*, tells the story of how our modern international monetary system was created at Bretton Woods largely by FDR and John Maynard Keynes. While only short excerpts from Lowenstein and Rauchway are required reading, I recommend them both as great stories.

**Session 1** The Archaeology of Money—What is it and where did it come from? From the pre-money economy to modern international finance.

Read *Money*, Chs. 1,2,3.

Could the concepts of money and markets have evolved independently?

What were the cultural and social impacts of the monetization on the ancient Aegean City States?

Are there things that money can’t buy? Should there be?

**Session 2** Money and Politics I—Sovereign Money and Sovereign Power; the Monetization of Europe; Money and the Public Interest.

Read *Money*, Chs. 4, 5.

What are the risks of sovereign money?

Can a sovereign govern effectively without control over the money supply?

**Session 3** Buying and Selling—the birth of Markets and the Money Interests, the European Monetary Renaissance, the War between Sovereign Money and Private Money and the Great Monetary Settlement

Read *Money*, Chs. 6,7

What are the relative merits of Private and Sovereign Money?

Has the war between the two been finally settled?

**Session 4** The Value of Money; Precious Metal—John Locke, Adam Smith and The Great Coinage Debate

Read *Money*, Chs. 8, 9, 10.

**Session 5** Markets, Money and the Invisible Hand; Controlling a Monetary Society—The short history of command economies

Continue reading *Money*, Chs. 8, 9, 10.

Was Parliament’s response to coin clipping at the end of the 17<sup>th</sup> Century wise?

What is “economic value.” In what sense is it universal? In what sense is it not?

Were there any lessons that could have been learned to help in 20<sup>th</sup> Century financial crises?

How would Smith and Locke differ in their characterization of the relationship between economic and political freedom? (think about the great coinage debate)?

Can you think of a contemporary society without money? Can you imagine one?

**Session 6** Money and Trade; Supply and Demand for Money; Financial Markets—Structural Solutions to Monetary Society—the introduction of “fiat” money in France; adjusting the monetary standard to achieve economic efficiency and social justice; the moral blind spot in economics.

Read *Money*, Ch. 11.

Additional Readings TBD

What is the relationship between the money supply and economic productivity?

What functions do financial markets perform and why can't those functions be performed by Commercial Banks?

What is the “blind spot in moral reasoning” of the conventional understanding of money?

**Session 7** A History of Banking and Finance—Debt; Central Banks; Reserves, Monetary Policy; Walter Bagegot's Lombard St.

Read *Money*, Chs. 12, 13.

America's Bank, Excerpts TBD

Why can't all transactions be made in cash?

What should be the functions/goals of a Central Bank?

**Session 8** From the First National Bank to the Federal Reserve—American Exceptionalism in the world of finance.

Read *America's Bank*, Excerpts TBD.

What caused the US financial panics of the late 19<sup>th</sup> and early 20<sup>th</sup> Centuries?

Why did it take so long for America to fully accept a central bank?

**Session 9** Money, International Trade and Foreign Policy—From the Great Depression to Bretton Woods; The Gold Standard, Foreign Exchange, Foreign Reserves, Special Drawing Rights

Read *The Money Makers*, Excerpts TBD.

How did Roosevelt use monetary policy to conduct foreign policy during the years leading up to WWII in the face of widespread isolationist sentiment in the US?

**Session 10** 21<sup>st</sup> Century International Finance I—The path to the 2008 Crash of the Global Financial System--Globalization, Financialization, Securitization, the rise of Financial Derivatives, Shadow Banking, Systemic Risk, Moral Hazard and the breakdown of the Great Monetary Settlement  
Read *Money*, Chs. 14, 15.

**Session 11** 21<sup>st</sup> Century International Finance II—cont. of I  
Continue reading *Money*, Chs. 14, 15.

What is Financialization? Is it a threat to the global economy?

Are the Institutions of Bretton Woods (the IMF and World Bank) sufficient to forestall another Global Financial Panic?

Does the US play a unique role in International Finance?

Is it in danger of being replaced by China or India?

**Session 12** Money and Politics II—towards a financial system compatible with democracy.

Read *Money*, Ch. 16.

Additional Readings TBD.

What features of our financial system are incompatible with democracy?

Can the US deal effectively with those features unilaterally?

Is Financial Capitalism compatible with Democracy? With Nationalism?