

THE LAW AND POLITICAL ECONOMY OF MONEY

Yale Law School Reading Group Spring 2021 Proposal Syllabus

Student Conveners: Joel Michaels, David Herman

Faculty Sponsor: Daniel Markovits

Course Description:

The goal of this reading group is to consider the constitutive role of law in the value, production, and circulation of money, as well as its attendant impacts on inequality and economic injustice.

In the first part of the course, participants will grapple with theoretical building-blocks for understanding the mechanics of the money supply and the government's role in managing it. We will focus on developing a deep understanding of Post-Keynesian economics, as well as interrelated sociological, historical and legal scholarship. We will also discuss the practical significance of these theories for understanding central banking and contemporary finance, including questions such as why the Federal Reserve uses private banks to mediate the money supply, and what role controlling fiscal balances should play in management of the economy.

In the latter half of the course, participants will use the frameworks developed thus far to explore critiques of the modern financial system and novel institutional designs. We will discuss the impact of monetary policy, banking regulation, international capital flows, and populist protectionism on economic, racial, and international inequality. We will also examine proposed alternatives to the contemporary architecture, including the decentralization of money creation, a national investment agency, a federal jobs guarantee, and the use of monetary policy to promote sustainable development (including a "Green New Deal").

Meeting Times: Mondays, 7:30pm-9:00pm EST, via Zoom.

Attendance Policy: In order to facilitate generative group discussion, participants are strongly requested to attend all reading group sessions. Participants can only receive academic credit if they attend for at least 750 minutes (nine or more full sessions). Conveners will take attendance at each session.

Readings marked with three asterisks (***) are optional. Selections are subject to change.

1. Week 1: Introduction

- a. Simon Deakin, David Gindis, Geoffrey Hodgson, Kainan Huang, and Katharina Pistor, "Legal Institutionalism: Capitalism and the Constitutive Role of Law," 2015: 1-40
- b. Abba Lerner, "Functional Finance and the Federal Debt," *Social Research* 10(1), 1943: 38-51
- c. Optional:

- i. *** Wesley Mitchell, “Commons on the Legal Foundations of Capitalism.” *The American Economic Review* 14(2), 2004: 240–53
- ii. *** Rudolf Hilferding, *Finance Capital*, 1910.

2. Week 2: Post-Keynesian Economics I: Value and Profits

- a. Alfred Eichner and Jan Kregel, “An Essay on Post-Keynesian Theory: A New Paradigm in Economics,” *Journal of Economic Literature* 13: 1293–1314.
- b. Joan Robinson, “The Production Function and the Theory of Capital,” *The Review of Economic Studies* 21(2), 1953: 81–106.
- c. Optional:
 - i. *** Nathan Tankus, “Where do Profits Actually Come From?” <https://nathantankus.substack.com/p/where-do-profits-come-from>
 - ii. *** David Levy et al, “Where Profits Come From”: 1-28. <https://www.levyforecast.com/assets/Profits.pdf>

3. Week 3: Post-Keynesian Economics II: Minsky and Financial Instability

- a. James Crotty, “Marx, Keynes, and Minsky on the Instability of the Capitalist Growth Process and the Nature of Government Economic Policy,” in *Keynes and Schumpeter: A Centenary Celebration of Dissent*, 1986: 1-31. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.729.6287&rep=rep1&type=pdf>
- b. Randall Wray, “Review: The Economic Legacy of Hyman Minsky, Volume 2: Financial Fragility and Investment in the Capitalist Economy.” *Journal of Economic Literature*, 40(4), 2002: 1231–1233.
- c. Hyman Minsky, “The Financial Instability Hypothesis,” Levy Institute Working Paper No. 74 (1992): 1-10.
- d. Michal Kalecki, “A Theory of the Business Cycle.” *The Review of Economic Studies* 4(2), Feb., 1937: 77-97.
- e. Optional:
 - i. *** Hyman Minsky, “The Evolution of Financial Institutions and the Performance of the Economy” *Journal of Economic Issues* 20(2), Jun., 1986: 345-353
 - ii. *** Michal Kalecki, “A Macrodynamics Theory of Business Cycles.” *Econometrica* 3(3), 1935: 327-44.

4. Week 4: Social Origins of Money

- a. David Graeber, *Debt: The First 5,000 Years*, 2012: pp. 21-43 (The Myth of Barter), 120-24 (defining “debt”) 127-36 (on the--litigious--origins of money) 211-21 (Credit versus Bullion), 223-28 (Introduction to The Axial Age), 296-305 (What, Then, Were the Middle Ages?), 326-36 (The World of Credit and the World of Interest), 345-60 (So What is Capitalism, Anyway?). Final excerpts TBD.
- b. Optional:
 - i. *** Michel Aglietta, *Money: 5,000 Years of Debt and Power*, Verso, 2018.

5. **Week 5: Legal Foundations of Money**
 - a. Chris Desan, *Making Money: Coin, Currency, and the Coming of Capitalism*, Oxford University Press, 2004. Excerpts TBD.
 - b. Katharina Pistor, "A Legal Theory of Finance," *J. Comparative Econ* 41, 2013: 315-330

6. **Week 6: Neo-Chartalism and Modern Monetary Theory**
 - a. Robert Hockett and Saule Omarova, "The Finance Franchise," 102 *Cornell L. Rev.* (2017): 1143-1218. Excerpts TBD.
 - b. L. Randall Wray, "Modern Money Theory," working paper, 2012: 39-56.
 - c. Optional:
 - i. *** Abba P. Lerner, "Money as a Creature of the State," 37 *Am. Econ. Rev.*, 1947: 312-317.
 - ii. *** Gerald Epstein, "Is MMT 'America First' Economics?" March 20, 2019, <https://www.ineteconomics.org/perspectives/blog/is-mmt-america-first-economics>.

7. **Week 7: Central Banks and Primary Dealers**
 - a. Perry Mehrling, *The New Lombard Street, How the Fed Became the Dealer of Last Resort*, Princeton, 2009: 11-29
 - b. Morgan Ricks, John Crawford, Lev Menand, "Central Banking for All: A Public Option for Bank Accounts," *The Great Democracy Initiative Working Paper*, June 2018: 1-16. <https://greatdemocracyinitiative.org/wp-content/uploads/2018/06/FedAccountsGDI.pdf>

8. **Week 8: Modern Banking Regulation and Shadow Banking**
 - a. Morgan Ricks, *The Money Problem: Rethinking Financial Regulation*, University of Chicago Press, 2016. Excerpts TBD.
 - b. Joseph Haubrich, "A Brief History of Bank Capital Requirements in the United States," Federal Reserve Bank of Cleveland, 2020: 1-6. <https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2020-economic-commentaries/ec-202005-evolution-bank-capital-requirements.aspx>
 - c. Zoltan Poszar, "Can shadow banking be addressed without the balance sheet of the sovereign?," *Vox EU*, 2011: 1-5. <https://voxeu.org/article/shadow-banking-what-do>.
 - d. Michael Brei et al., "How finance affects income inequality," *Vox EU*, 2019: 1-5. <https://voxeu.org/article/how-finance-affects-income-inequality>
 - e. Optional:
 - i. *** Michael Kumhof et al., "Central Bank Money: Liability, Asset, or Equity of the Nation?" *Cornell Legal Studies Research Paper* 20-46, 2020: 1-44. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3730608

9. Week 9: Globalization and International Capital Flows

- a. Barry Eichengreen, *Globalizing Capital*, Princeton University Press, 1998. Excerpts TBD.
- b. Mark Carney, “Pull, Push, Pipes: Sustainable Capital Flows for a New World Order,” Speech at the Institute of International Finance Spring Membership Meeting, 2019: 1-23. <https://www.bankofengland.co.uk/-/media/boe/files/speech/2019/pull-push-pipes-sustainable-capital-flows-for-a-new-world-order-speech-by-mark-carney.pdf>
- c. Optional:
 - i. *** Leo Panitch and Sam Gindin, *The Making of Global Capitalism*, Verso, 2012: 1-24.

10. Week 10: The Statist Turn and Monetary Populism

- a. Yakov Feygin and Dominik Leusder, “The Class Politics of the Dollar System,” *Phenomenal World*, 2020: 1-13. <https://phenomenalworld.org/analysis/the-class-politics-of-the-dollar-system>.
- b. Alessandra Arcurri, “International Economic Law and Disintegration: Beware the Schmittean Moment.” *Journal of International Economic Law*, 23(2), June 2020: 323–345.
- c. Optional: (Final selection subject to change)
 - i. *** Julien Chaisse, “State Capitalism on the Ascent: Stress, Shock, and Adaptation of the International Law on Foreign Investment,” *Minn. J. Int’l L.*, 27, 2018: 339-419.
 - ii. *** Ilias Alami, “Post-Crisis Capital Controls in Developing and Emerging Countries: Regaining Policy Space? A Historical Materialist Engagement,” *Review of Radical Political Economics* 51(4), 2019: 629-49.

11. Week 11: Money Creation, Race, and Inequality

- a. Michele Lenza and Jiri Slacalek, “Quantitative easing did not increase inequality in the euro area,” ECB, Research Bulletin No. 54, 2019: 1-4. <https://www.ecb.europa.eu/pub/economic-research/resbull/2019/html/ecb.rb190129.en.html>
- b. Martina Metzger and Brigitte Young, “No Gender, Please, We’re Central Bankers: Distributional Impacts of Quantitative Easing,” *Institute for International Political Economy Berlin Working Paper*, 2020: 1-24. <https://www.econstor.eu/bitstream/10419/214915/1/1692376071.pdf>
- c. Mehrsa Baradaran, “Rethinking Financial Inclusion: Designing an Equitable Financial System with Public Policy,” *Roosevelt Institute Working Paper*, April 2020: 1-26. https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI_FinancialInclusion_Working-Paper_202003.pdf

12. Week 12: Technology, Innovation, and Monetary Theory

- a. Roberto Unger et al., *Imagination Unleashed - Democratizing the Knowledge Economy*, March 2019:

https://media.nesta.org.uk/documents/Imagination_unleashed-Democratising_the_knowledge_economy_v6.pdf. Excerpts TBD.

- b. Andrea Fumagalli et al., “Cryptocurrencies, Monetary Policy, and New Forms of Monetary Sovereignty,” *International Journal of Political Economy* 48, 2019: 174-94.
- c. Mehrsa Baradaran, [Testimony before the Senate on Bitcoin and Financial Inclusion], July 30, 2019: 1-11.
<https://www.banking.senate.gov/imo/media/doc/Baradaran%20Testimony%207-30-19.pdf>

13. Week 13: Novel Monetary and Fiscal Policy: Jobs Guarantee and Green Development

- a. Michal Kalecki, “Political Aspects of Full Employment,” *Political Quarterly* 14, 1943: 322-31.
- b. Randall Wray, Flavia Dantas, Scott Fullwiler, Pavlina Tcherneva, and Stephanie Kelton, “Public Service Employment: A Path to Full Employment.” *Research Project Report, Levy Economics Institute of Bard College*, 2018. Excerpts TBD.
- c. Robert Hockett, *Financing the Green New Deal: A Plan of Action and Renewal*. Palgrave Macmillan (2020). Excerpts TBD.
- d. Optional:
 - i. * * * Paola D’Oratio and Lilit Popoyan, “Fostering green investments and tackling climate-related financial risks: Which role for macroprudential policies?” *Ecological Economics* 160, June 2019: 25-37.
 - ii. Readings on Community Health Corps TBD.