



*“Money is a veil. But when the veil flutters, output sputters.”*—John Gurley

### **Sequence of Topics, Exams, and Readings**

#### **1. Introduction**

Roger W. Garrison, “Time and Money: The Universals of Macroeconomic Theorizing,” *Journal of Macroeconomics* 6 (1984), pp. 197-213,  
<http://www.auburn.edu/~garrir/b6time.htm>

FAH pp. 26-31

Lawrence H. White, *The Clash of Economic Ideas*, chs. 3, 5, 11. Blackboard.

Leland B. Yeager, “New Keynesians and Old Monetarists,” LBY pp. 281-302

#### **2. Intertemporal consumption preferences**

IF ch. 4

JH chs. 1-2

#### **3. Intertemporal production possibilities**

IF ch. 7

JH ch. 3

FAH ch. 2

RWG ch. 3

#### **4. Intertemporal market equilibrium and the natural rate of interest; “Loanable funds” interest theory**

IF chs. 10-14

JH ch. 4

Meir Kohn, “A Loanable Funds Theory of Unemployment and Monetary Disequilibrium,” *American Economic Review* 71 (Dec. 1981), pp. 859-879,

<http://www.jstor.org/stable/1803470>

#### **5. Capital**

JH ch. 6

RWG pp. 57-67

F. A. Hayek, *The Pure Theory of Capital* (Chicago 2007), pp. xiii-xxxvi (Editor’s Introduction by LHW), 62-107 (chs. 4-6). Blackboard.

Lawrence H. White, Editor’s Introduction to Hayek, *Essays on Capital and Interest* (forthcoming in *Collected Works*)

#### **First exam**

#### **6. Money demand, money supply, and static monetary equilibrium; Neutrality of money**

MD ch. 5

MF&AJS chs. 2, 6 (skip appendices)

Yeager, “Essential Properties of the Medium of Exchange,” LBY pp. 87-110

Yeager, "Individual and Overall Viewpoints in Monetary Theory," LBY pp. 137-62  
David Laidler, "The 'Buffer Stock' Notion in Monetary Economics," *Economic Journal* 94, Supplement: Conference Papers (1984), pp. 17-34,  
<http://www.jstor.org/stable/2232652>

J. C. Gilbert, "The Compatibility of Any Behaviour of the Price Level with Equilibrium," *The Review of Economic Studies* 24 (June 1957), pp. 177-184,  
<http://www.jstor.org/stable/2296066>

**7. Money growth equilibrium; Superneutrality of money**

Lawrence H. White, "Inflation," *Concise Encyclopedia of Economics*,  
<http://www.econlib.org/library/Enc/Inflation.html>

MD ch. 6

Axel Leijonhufvud, "Inflation and Economic Performance" (1984). Available on Blackboard.

**8. Money and interest rates in equilibrium**

MF&AJS, pp. 477-500

JH ch. 5

MD pp. 166-72

**9. Monetary disequilibrium**

MD ch. 7

Yeager, "A Cash Balance Interpretation of Depression," LBY pp. 3-19

Yeager, "The Significance of Monetary Disequilibrium," LBY pp. 217-51

RWG, ch. 11

Robert Clower and Axel Leijonhufvud, "Say's Principle: What it Means and Doesn't Mean," AL ch. 5

**10. Spillovers from monetary to intertemporal disequilibrium**

FAH, ch. 3 (online at <http://mises.org/books/pricesproduction.pdf> )

RWG pp. 67-83, ch. 6

Roger W. Garrison, "Overconsumption and Forced Saving in the Mises-Hayek Theory of the Business Cycle," *History of Political Economy* 36 (2004), pp. 323-49,

[http://muse.jhu.edu/journals/history\\_of\\_political\\_economy/v036/36.2garrison.pdf](http://muse.jhu.edu/journals/history_of_political_economy/v036/36.2garrison.pdf)

Lawrence H. White, "Did Hayek and Robbins Deepen the Great Depression?," *Journal of Money, Credit, and Banking* 40 (2008), pp. 751 – 768,

<http://economics.sbs.ohio-state.edu/jmcb/jmcb/07056/07056.pdf>

Yeager, "Injection Effects and Monetary Intermediation," LBY pp. 253-79

Leijonhufvud, "The Wicksell Connection: Variations on a Theme," AL ch. 7

**Second exam**

**11. Spillovers from monetary to labor market disequilibrium**

RWG ch. 10

MD ch. 14

Milton Friedman, "The Role of Monetary Policy," *American Economic Review* 58 (Mar. 1968), pp. 1-17, <http://www.jstor.org/stable/1831652?seq=3>  
Dan E. Birch, Alan A. Rabin, and Leland B. Yeager, "Inflation, Output, and Employment: Some Clarifications," *LBY* pp. 163-78  
Robert E. Lucas, "Understanding Business Cycles" in Lucas, *Studies in Business- Cycle Theory* (MIT 1981), pp. 215-39. Available on Blackboard.

## 12. Fiscal policy

RWG ch. 5

Lawrence H. White\* and Roger Garrison, "Do Deficits Matter?" (1999)

<http://www.auburn.edu/~garrir/h2defmatter.htm>

Thomas J. Sargent and Neil Wallace, "Some Unpleasant Monetarist Arithmetic," *FRB Minneapolis Quarterly Review* 8 (Fall 1981)

<http://research.mpls.frb.fed.us/research/qr/qr531.pdf>

Michael Darby, "Some Pleasant Monetarist Arithmetic," *FRB Minneapolis Quarterly Review* 8 (Spring 1984)

<http://www.minneapolisfed.org/research/qr/qr822.pdf>

Preston J. Miller and Thomas J. Sargent, "A Reply to Darby," *FRB Minneapolis Quarterly Review* 8 (Spring 1984),

<http://research.mpls.frb.fed.us/research/qr/qr823.pdf>

Bennett T. McCallum and Edward Nelson, "Monetary and Fiscal Theories of the Price Level: The Irreconcilable Differences," *Federal Reserve Bank of St. Louis Working Paper*, <http://research.stlouisfed.org/wp/2006/2006-010.pdf>

## 13. Can we neutralize monetary policy?

FAH, ch. 4, including appendix

Lawrence H. White, "Hayek's Monetary Theory and Policy: A Critical Reconstruction," *Journal of Money, Credit, and Banking* 31 (Feb. 1999),

<http://www.jstor.org/stable/2601142>

Roger W. Garrison, "Interest-Rate Targeting During the Great Moderation," *Cato Journal* 29 (Winter 2009),

<http://www.cato.org/pubs/journal/cj29n1/cj29n1-14.pdf>

George Selgin, *Less Than Zero: The Case for a Falling Price Level in a Growing Economy* (IEA 1997), <http://www.iea.org.uk/files/upld-book98pdf?.pdf>

Scott Sumner, "Some Thoughts on Selgin's Productivity Norm" (2 Dec. 2009), <http://blogsandwikis.bentley.edu/themoneyillusion/?p=3059>. (Scroll down to comments to see Selgin's replies and further exchanges.)

Scott Sumner, "The Impact of Futures Price Targeting on the Precision and Credibility of Monetary Policy," *Journal of Money, Credit and Banking* 27 (Feb., 1995), pp. 89-106, <http://www.jstor.org/stable/2077852>

Roger W. Garrison and Lawrence H. White, "Can Monetary Stabilization Policy be Improved by CPI Futures Targeting?," *Journal of Money, Credit and Banking* 29 (Nov. 1997), pp. 535-541, <http://www.jstor.org/stable/2953712>

Scott Sumner, "Reply to Garrison and White," *Journal of Money, Credit and Banking* 29 (Nov. 1997), pp. 542-545, <http://www.jstor.org/stable/2953713>