Course Description

The Monetary Circuit, the Solvency Rule, and the Modern Financialization Era

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Tuesday 24 February
5.30-7pm Lecture 1: An overview of the theory of the monetary circuit
This lecture will provide an overview of the course, introduce the theory of the monetary circuit, the key works and authors in the early Swedish and German literatures, in France, Italy, UK, and its links with neoclassical economics, IS-LM Keynesian economics, and Post Keynesian economics.

Wednesday 25 February
9-10.30am Lecture 2: A simple model of the monetary circuit
This lecture will present a simple model of the monetary circuit and discuss some crucial propositions that can be derive from it, including the definition of a monetary economy, the nature of money, the credit potential of a single bank vis-à-vis of the entire banking system, the distinction between initial finance and final finance, and the role of commercial banks and financial markets.

11am-12.30pm Lecture 3: Solvency rule in a monetary union
This lecture will use the theory of the monetary circuit to derive the solvency rule as an alternative interpretation to the Taylor rule for the actual behaviour of monetary authorities. This solvency rule is then examined within a stylised model of a monetary union, and resulting policy conclusions (e.g. deflationary and currency devaluation strategies) are discussed.

Thursday 26 February
9-10.30am Lecture 4: The present era of financialization
Financialization has been defined as the increasing role of financial motives, financial markets, financial actors and financial institutions in modern economies. This lecture will introduce the main features of the modern financialization era including the growth and changing structure of the financial sector, securitization, de-regulation, and the pursuit of ‘shareholder value’.
11am-12.30pm Lecture 5: Financialization and economic performance

This lecture will first draw on the theory of the monetary circuit and its distinction between initial finance and final finance to analyse the main features of the modern financialization era. Then the lecture will review the effects of financialization on, inter alia, economic growth and development, investment, inequality, financial instability, crises and their effects.

Reading List

Optional Reading List


