

# THE HISTORY OF THE INTERNATIONAL MONETARY SYSTEM AND THE RISE OF THE US DOLLAR

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**Caution: This syllabus is from 2023 and serves as an overview of the themes and methods that will be followed in the 2024 courses.**

## Schedule and Location

TBA

## Instructors:

Marc Flandreau, Dept of History and Wharton School [mfl@sas.upenn.edu](mailto:mfl@sas.upenn.edu) (Lead instructor).

Maylis Avaro, Post-doctoral Fellow, Invited Lecturer, [avaro@sas.upenn.edu](mailto:avaro@sas.upenn.edu). (Co-Instructor)

The course will cover the modern evolution of the international monetary system going all the way back to the rise of international currencies. It is arranged thematically and chronologically. The lessons and readings will introduce students to the principal evolutions of the international monetary system and at the same time, it will give them an understanding of regimes, their mechanics and the geopolitical economies behind systemic shifts. Students need not have an economic background but must be prepared to read about exchange rates. They need not have a historical background but must be prepared to read history. Special focus on: Bills of exchange and the early modern international monetary system. How Amsterdam and London captured the Spanish treasure. Beyond the West (Ottoman Empire, India, China). The rise of sterling in the 19<sup>th</sup> century. Hong-Kong: Silver, Opium, and the Recycling of Surpluses. The emergence of the Gold Standard. Bimetallism: The US election of 1896. Sterling and Key Currencies before WWI. The Founding of the Fed, the First World War, and the origins of dollar supremacy (1920s). The collapse of the international gold standard (1930s). The Bretton Woods System. The rise and rise of the US dollar. Currency competition (Dollar, Euro, Yuan Renminbi). The meaning of cryptocurrencies.

## Course organization:

The course is set up in the following way (but please look carefully into the syllabus for variations around the general rule): Each week is devoted to the discussion of a “theme.” A theme comprises an important question, which we will study through three instruments. (Please refer to material below for how this is will be played out):

- A *Tuesday* lecture emphasizing the key ideas of the week.
- A *Thursday* workshop providing opportunity for individual or group work, leading to weekly posts reviewed by the instructors who offer feedback.
- *Required* weekly readings (about two texts per week). For students for whom the topic is totally new and who fear to struggle, the recommended approach is the following: Readings should be done twice. Once before the Tuesday lecture “with a

pen in hand” trying to make your way the best you can in the text. And once after the lecture, this time, trying to articulate the key ideas.

### **Course requirements**

1. Involvement is assessed through student posts on Canvas every week, before Sunday midnight.
  - a. The post can consist in questions, either in the shape of simple test-like questions (to help you check your understanding) or in the shape of mini-essays (for instance, commentary of a text). In all cases the prompt on Canvas provides a clear statement of the assignment. Both the quality and the quantity of the material posted is assessed in order to “validate” your post.
  - b. The weekly posts are a very important tool for your learning. The goal is for you to articulate your own understanding. For us, it is indeed the only way to be able to observe in real time whether you are progressing and also to be able to help. Taking ideas or words from others -- plagiarism -- is dishonest and will result in an incomplete for the assignment and possibly other disciplinary actions. If you are unsure about what constitutes plagiarism, consult Academic Integrity at the University of Pennsylvania: A Guide for Students, which can be found here: <https://catalog.upenn.edu/pennbook/code-of-academic-integrity/> See also “What is plagiarism” from Penn Libraries <https://guides.library.upenn.edu/copyright/plagiarism>
  - c. If we feel you have fulfilled the basic requirements for the post, you will receive a minimum overall A- for this part of the course. Grades above A- are a reward for quality postings, insight etc. You are allowed a maximum of 2 misses, no question asked, in the entire semester, *starting from your day of registration*. This includes insufficient posts, missed deadlines (posting MUST be done before the assigned deadline or they are not counted) and personal issues such as sickness etc. In clear, we expect all posts to be made, but in the interest of expediency, we add a margin of toleration. Please do not consider it to be an opt out right, since you might end up caught up at the end of the semester, if for instance you fall sick, but have already “used up” your misses.
2. Final exam: Course questions and commentary of document(s). There will be no makeup exam. Missing the final will result in an incomplete for the course.

### **Week 1. Introduction: Pondering Crypto in the Mirror of History**

- Satoshi Nakamoto, “Bitcoin: A Peer-to-Peer Electronic Cash System,” Document accessed @ [www.bitcoin.org](http://www.bitcoin.org)

Workshop: Wildcats.

- Gary Gorton and Jeffery Zhang, 2021, “Taming Wildcat Stablecoins,” September 30, Working Paper SSRN.

### **Week 2. Space is Time: The Origins of Foreign Exchange**

- Raymond de Roover, “What is Dry Exchange? A Contribution to the Study of English Mercantilism,” *Journal of Political Economy*, 52, 3, p. 250-266.

- Raymond de Roover, 1967, "The Scholastics, Usury, and Foreign Exchange," *Business History Review*, Volume 41, Issue 3, Autumn 1967, pp. 257 – 271.

Workshop: The Monetary System of the West in the 18<sup>th</sup> Century

- Marc Flandreau, Christophe Galimard, Clemens Jobst & Pilar Nogues-Marco, 2009, "Monetary Geography Before the Industrial Revolution," *Cambridge Journal of Regions Economy and Society* 2(2):149-171

### **Week 3. International Adjustment: The Monetary Approach to the Balance of Payments**

- David Hume, 1752, "Of the Balance of Trade," Discourse 5, in *Political discourses*, pp. 79-100
- Dennis O. Flynn and Arturo Giraldez, "Born with a Silver Spoon: The Origin of World Trade in 1571." *Journal of World History*, 6, 2, pp. 201-221.

Workshop: The Early Modern international Monetary System: A View from China;

- Edwards, F. Steininger et A. G. Tosato, 2018, "The Era of Chinese Global Hegemony: Denaturalizing Money in the Early Modern World," in *L'Atelier du Centre de Recherches Historiques*, 18.

### **Week 4. How the Spanish Treasure was Lost (and Other Treasures, too): The Bullion Flow Mechanism**

- Pilar Nogues-Marco, 2011, "The microeconomics of bullionism. Arbitrage, Smuggling and Silver Outflows from Spain in the Early 18<sup>th</sup> century," Working Paper, Working Papers in Economic History, Universidad Carlos III.

Workshop: Redistributing California's Treasure

- Marc Flandreau, 1996, "Adjusting to the Gold Rush: Endogenous Bullion Points and the French Balance of Payments 1846–1870," *Explorations in Economic History*, 33, pp. 417–439.

### **Week 5. The Bank of Amsterdam**

- Stephen Quinn and William Roberds, "An Economic Explanation of the Early Bank of Amsterdam, Debasement, Bills of Exchange, and the Emergence of the First Central Bank," in J. Attack and L. Neal (eds.) *The Origins and Development of Financial Markets and Institutions*, Cambridge, UK: CUP, pp. 32 - 70

Workshop: The Prehistory of Stable-Coins?

- Jon Frost, Hyun Song Shin and Peter Wierds, "An early stablecoin? The Bank of Amsterdam and the governance of money," BIS Working Paper.

### **Week 6. Colonial America: "Wampum" and Beyond**

- Dan Richter, 2003, *Facing East from Indian Country Symbols & Motifs*, "Confronting a material New World," (Chapter 2, pp. 41-68) and "Native Voices in a Colonial World" (Chapter 4, pp. 110-150),

Workshop : The Foreign Exchange Systems of the American Colonies;

- John J. McCusker, "British Colonial Exchange on London: The North American Colonies," in *Money and Exchange in Europe and America, 1600-1775*, Chapel Hill UNC Press.

**Week 7. The Rise of Sterling and the Supremacy of London: On the Control of Global Specie Flows**

- Michael Greenberg, 1951, "Opium," in *British Trade and the Opening of China, 1800-42*, pp. 104-143, Cambridge: Cambridge University Press.
- Bordo, M. D., & White, E. N. (1991). A tale of two currencies: British and French finance during the Napoleonic Wars. *The Journal of Economic History*, 51(2), 303-316.

Workshop: Financial Centers and International Currencies

- C. P. Kindleberger, 1974, *The Formation of Financial Centers*, Princeton Studies in International Finance, n. 36. Princeton, NJ: Princeton University Press.

**Week 8. 13. French and American Origins of the International Gold Standard**

- Marc Flandreau, 1996, "The French Crime of 1873: An Essay on the Emergence of the International Gold Standard, 1870-1880," *The Journal of Economic History*, Vol. 56, No. 4, pp. 862-897.

Workshop: William Jennings Bryan and Silver Risk.

- Charles Calomiris, 1993, "Greenback resumption and silver risk: the economics and politics of monetary regime change in the United States, 1862–1900," in Capie and Wood eds., *Monetary Regimes in Transition*, pp. 86 – 132.

**Week 9. The Multipolar Gold Standard**

- Marc Flandreau and Clemens Jobst, 2005, "The Ties that Divide: A Network Analysis of the International Monetary System, 1890–1910," *The Journal of Economic History*, 65, 4, pp. 977-1007.

Workshop: Empire, Key Currencies and Rivalries.

- J. Lawrence Broz, 2009, "Collective Action for Banking Reform," in *The International Origins of the Federal Reserve System*, pp. 160-205.

**Week 10. Interwar Competition: \$ versus £**

- Barry Eichengreen and Marc Flandreau, 2009, "The rise and fall of the dollar (or when did the dollar replace sterling as the leading reserve currency?)," *European Review of Economic History*, 2009.

Workshop: Study of an Archival Document;

- "The Gold Exchange Standard," Typed Report by the Bank of International Settlements Monetary and Economic Department, Basel, October 26, 1932.

**Week 11. Sterling's Last Stand (1931-1967): The Sterling Crisis and its Aftermath**

- Ian M. Drummond, 1981, "The sterling area in the 1930s," Introduction of *The Floating Pound and the Sterling area, 1931-1939*, Cambridge, UK: CUP.
- Maylis Avaro, 2020, "Zombie International Currency: The Pound Sterling 1945-1973," Working Paper, Graduate Institute Geneva.

Workshop: Sterling's Devaluation in 1931;

- Chapter 3 from: Cairncross, Alexander Kirkland, and Barry J. Eichengreen. *Sterling in Decline: The Devaluations of 1931, 1949, and 1967*. Basil Blackwell, 1983.

**Week 12. Bretton Woods (1946-1971)**

- Michael D. Bordo, 2019, "The Operation and Demise of the Bretton Woods System, 1958–1971." In *The Bretton Woods Agreements*, Naomi Lamoreaux and Ian Shapiro (eds.) Yale University Press, pp. .

Workshop: Pondering alternatives before the float, A View from Policy Makers;

- A Report: Paul Volcker, 1978, "Political Economy of the Dollar," Fred Hirsch Lecture
- A Memoir: Paul Volcker, 1992, "In the Thicket of Bretton Woods", pp. 18-47, "Breakdown," pp. 59-90, in Volcker and Toyoo Gyohten, *Changing Fortunes. The World's Money and the Threat to American Leadership*, New York: Random House.

**Week 13. Rise and Rise of the US Dollar?**

- Michael J. Fleming and Nicholas J. Klagge, 2010, "The Federal Reserve's Foreign Exchange Swap Lines," *Current issues in Economics and Finance*, 16, 4, pp. 1-7.
- Benjamin J. Cohen "Renminbi Internationalization: A Conflict of Statecrafts." Royal Institute of International Affairs WP, Chatham House, 2017.

Workshop: Central Bank Digital Currency

- Bordo, Michael D. 'Central Bank Digital Currency in Historical Perspective: Another Crossroad in Monetary History'. *Capitalism: A Journal of History and Economics* 3, no. 2 (2022): 421–42.

**Week 14. Week of April 24. Wrap up and Review session.**