

# Understanding of Money and Finance from a Political Perspective

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## Course Overview

Can we fully know modern society without understanding modern finance? The financial crisis of 1997 transformed Korea into a polarized society, and recently the global financial crisis of 2018 made the middle classes in danger of breakdown in the United States and Western Europe. Compared to the importance of finance in modern society, the discussion of finance has been monopolized by economists. Can finance be explained only by the logic of economics? The financial system is a special way of distributing responsibilities and rights among people and is therefore the realm of ethics and politics. Because economists have forgotten this ethical and political aspect of finance, they cannot not understand the nature of modern finance. As a result, economics has no answer to the question of what the nature of finance is, why financial crises have occurred, and how to reform finance. To reverse this regression that economists have made, this class helps students understanding modern society by rethinking the nature of finance from the perspective of ethics and politics.

## Questions that will be discussed in Class

- (1) How did modern finance originate?
- (2) What is the difference between monetary and credit economies, and how have these two economic forms historically appeared?
- (3) How were ethics and politics organized in these two economic forms?
- (4) Is the capitalist financial economy monetary or credit?
- (5) How do politics and the economy relate to each other in a capitalist monetary economy?
- (6) What is the nature of property rights?
- (7) What is the nature of the corporation?
- (8) How does the dollar maintain the status of international key currencies?
- (9) Why do financial crises occur?
- (10) How did shadow finance in the 20th century develop and cause the 2008 financial crisis?
- (11) How will we cope with future financial crisis?
- (12) What should financial reform do?
- (13) What economic system should be formed in future civilization?

## Assessment

- (0) 25 % class exam
- (1) 45 % essay
- (2) 30 % Presentation and Discussion in class

*The most important requirement for this course is that you read carefully all assigned materials **more than twice before class.***

The **Essay** is worth 45% of the course grade which asks students to demonstrate their competent understanding of overall course subjects and their research abilities. You should do an additional research and thus add originality to your essay. The essay should be 10-11 typed double-spaced pages. You can write this essay in English or in Korean.

**Topic** for the essay:

Please choose your own topic for your final essay, and construct your own argument. But the topic you have chosen should be one of main themes that our course readings have discussed during the course: for example, “the financial crisis of 2008,” “MMFs,” “repos,” “the trust,” “business corporations,” “psychology of debt,” “modern banking,” “rights in rem,” “shares,” “the dollar reserve currency,” and so on. And your choice of topic should not be a repetition of the topic that you have discussed in your short paper. Also your paper should engage in the course readings, and it also demonstrate that you do additional research on the topic.

The short and final essays will be assessed by the following criteria:

1. Does the essay have a clear and good thesis?
2. Does the thesis appear in the introduction?
3. How well is the introduction structured by the pattern of stability-disruption-resolution? In other words, does the introduction have the four components--current situation, research question, significance, and thesis?
4. How well is the thesis supported in the body?
5. How well is the essay engaged in the course readings?
6. How well do you do an additional research? (only for the long essay)
7. Does the essay make proper references?
8. Writing Skills

Two students form a group for **presentation** at classes. You are expected to have two or three presentations in this course, depending on the number of student enrolled. Presentation should be 30 minute long. For the first 15 minutes, you do presentation about the topics of each class, and for the next 15 minutes, you should lead a discussion. For this discussion, you are expected to prepare a list of questions.

**Note:** Students who experience difficulty writing should get help early. If you do not already own one, purchase a good style guide (such as Margot Northey, with Joan McKibbin, Making Sense: A Student's Guide to Research and Writing) and refer to it when preparing to write both the short essay and the research essay.

### **Course Policies**

- Plagiarism will be taken very seriously and dealt with severely. We may pursue many forms of investigation as well, including Google searches, searches on essay-buying sites, and simply reviewing your citations to ensure that you have used them correctly. Please be familiar with how to make a reference in order to avoid plagiarism. And if you submit to me an assignment that you had already submitted to another class, this behavior is a form of plagiarism. If a student is found to have plagiarized other works, his/her overall grade for this course will be given "Fail (0)."
- Late Essays: Late assignments will be penalized at 5% per day (including weekends). Assignments later than 7 days past the deadline will not be graded.

- Extensions: Extended due date may be granted only under the following conditions: (1) must be accompanied by a doctor's note, if sickness or injury is claimed, or properly documented for other serious and unavoidable circumstances; (2) must be based on a COMPELLING REASON and requested in writing at least ONE WEEK in advance of the due date. Extenuating circumstances do not include computer problems, busy schedules, lost disks, weddings, vacations, etc.
- All students must submit an electronic copy of their assignments as well as a hard copy.
- Please turn off cell phones prior to the beginning of class.
- Laptops are only allowed for note taking purposes.

### **Reading Materials**

- Graeber, David. *Debt: The First 5,000 Years* (New York: Melville House Publishing, 2011)
- Gorton, G. and A. Metrick. 2010. Regulating the Shadow Banking System, *Brookings Papers on Economic Activity*, 261-312.
- Hudson, Michael, "Reconstructing the origins of interest-bearing debt and the logic of clean slates," in *Debt and economic renewal in the ancient Near East* / edited by Michael Hudson, Marc Van de Mieroop (Bethesda, MD : CDL Press, 2002)
- Ireland, Paddy. "Company Law and the Myth of Shareholder Ownership." *Modern Law Review* 62, 1 (1999): 32-57.
- Ireland, Paddy. "Property and Contract in Contemporary Corporate Theory," *Legal Studies* 23, 3 (2003): 453-509.
- Kim, Jongchul. "The Trust is Central to an Understanding of Modern banking, Business Corporations, and Representative Democracy," *Journal of Economic Issues* 49, 1 (2015): 271-283
- Kim, Jongchul. "Money Is Rights In Rem: A Note on the Nature of Money." *Journal of Economic Issues* 48, 4 (2014): 1005-1020
- Kim, Jongchul. "Identity and the Hybridity of Modern Finance: How a Specifically Modern Concept of the Self Underlies the Modern Ownership of Property, Trusts and Finance." *Cambridge Journal of Economics* 38, 2 (2014): 425-446.
- Kim, Jongchul. "Modern Politics as a Trust Scheme, and Its Relevance to Modern Banking." *Journal of Economic Issues* 47, 4 (2013): 807-826.
- Kim, Jongchul. "How Modern Banking Originated: The London Goldsmith-Bankers' Institutionalisation of Trust." *Business History* 53, 6 (2011): 939-959.
- Merrill, Thomas W. and Henry E. Smith. 2001. "What Happened to Property in Law and Economics?" *The Yale Law Journal*, 111, 357~398.
- Patterson, Orlando. *Slavery and Social Death: A Comparative Study* (Cambridge, MA: Harvard University Press, 1982)
- Schroeder, J. L. "Repo Madness: The Characterization of Repurchase Agreements under the Bankruptcy Code and the U.C.C.," *Syracuse Law Review*, vol. 46 (1996): 999~1050.
- Winslow, E. G. "Keynes and Freud: Psychoanalysis and Keynes's Account of the "Animal Spirits" of Capitalism" *Social Research*, 53:4 (1986): 549-578.
- Wray, L. Randall. "Modern money," in *What is money?* Ed by John Smithin. (London & New York: Routledge, 2000): 42-66.

## Course Schedule

(\* subject to change)

### Lecture 1: Course introduction

Understanding the historical alternation of credit economy and money economy

- David Graeber, *Debt: The First 5,000 Years*, pp. 211-228

### Lecture 2: Understand ancient credit economy and the origin of interest-bearing debt

- Michael Hudson, “Reconstructing the origins of interest-bearing debt and the logic of clean slates,” pp. 7-58
- Think: What was the logic and rationale of debt cancellation in ancient times?

### Lecture 3: Understand ancient money economy

Understand the origin and nature of property

- David Graeber, *Debt: The First 5,000 Years*, pp. 198 ~ 210, 228-250
- Think: What was the nexus between war, coinage, slavery and materialism in the Axial Age and why it arose in that time?

### Lecture 4: the credit economy in the Middle Ages of China and Islam; debt cancellation

- David Graeber, *Debt: The First 5,000 Years*, pp. 251 ~252, 258~260, 268~305.

### Lecture 5: Understand the capitalist psychology of debt

- David Graeber, *Debt: The First 5,000 Years*, pp. 308, 314~325
- Winslow, E. G. "Keynes and Freud: Psychoanalysis and Keynes's Account of the "Animal Spirits" of Capitalism" pp. 549-578
- Think: Explain the capitalist psychology of debt, in which greed is raised to mythic proportions

### Lecture 6: Understand the nature of capitalism and property

- David Graeber, *Debt: The First 5,000 Years*, pp. 326~355
- Locke's second treatise of government, chapter 5
- Kim, Jongchul. "Identity and the Hybridity of Modern Finance: How a Specifically Modern Concept of the Self Underlies the Modern Ownership of Property, Trusts and Finance," pp. 425-428
- Think: What is wrong with Locke's idea of property? How and why did the legal concept of property arise in the late Roman Republic?

Lecture 7: Understand the nature of money and its relation to property

- Wray, L. Randall. "Modern money" pp. 42-66
- Kim, Jongchul. "Money Is *Rights in Rem*: A Note on the Nature of Money." pp. 1005-1013
- Think: Explain how Kim's argument and Wray's argument differ from each another.

Lecture 8: Midterm exam

Lecture 9: Understand what happened in Wall Street in 2008

- Movie Watch: "Inside Job"

Lecture 10: Understand the global crisis and the shadow banking system

- G. Gorton, and A. Metrick. 2010. *Regulating the Shadow Banking System*, Brookings Papers on Economic Activity, pp. 261-283, 290~292
- Kim, Jongchul. "Identity and the Hybridity of Modern Finance: How a Specifically Modern Concept of the Self Underlies the Modern Ownership of Property, Trusts and Finance.": 437-441
- Think: How repos and MMFs contributed to creating the financial crisis of 2008?

Lecture 11: Understand the hybridity of modern banking

- Kim, Jongchul. "How Modern Banking Originated: The London Goldsmith-Bankers' Institutionalisation of Trust." pp. 939-956
- Think: What is the trust? And how can modern banking be characterized as a trust scheme?

Lecture 12: Understand the relationship of modern politics and banking

- Kim, Jongchul. "Modern Politics as a Trust Scheme, and Its Relevance to Modern Banking." pp. 807~825
- Think: how politics had shaped modern banking in early modern England?

Lecture 13: Understand the nature of the capitalist money economy in the 20<sup>th</sup> century  
Understand the nature of business corporations

- David Graeber, *Debt: The First 5,000 Years*, pp. 361~384
- Kim, Jongchul. "The Trust is Central to an Understanding of Modern banking, Business Corporations, and Representative Democracy," pp. 278~283.
- Ireland, Paddy. "Company Law and the Myth of Shareholder Ownership." *Modern Law Review* 62, 1 (1999): 32-33, 38-57
- Think: What was the capitalist nexus between war, national debt, and the dollar reserve currency in the 20<sup>th</sup> century? How has the hybrid nature of shares been historically established?

Lecture 14: Understand the hybridity of business corporations, and how it causes social irresponsibility

- Ireland, Paddy. “Property and Contract in Contemporary Corporate Theory,” *Legal Studies* 23, 3 (2003): 453-509
- Think: why the shareholders of business companies should be legally redefined as creditors, according to Ireland?

### **Aid for the Challenged Students**

If you have a disability, please inform me at the first week or as early as possible. You can be given special accommodations in class room and examinations. Also if you need, you can have a special extension for assignments or an additional individual instruction from me or my teaching assistant.