Monetary Law and Monetary Policy

course by Dr Marek Porzycki

winter semester 2023/24

1. What is money? Functions and theories of money and efforts at defining it. Economic approach – functions of money. Historical development. Legal approach – theories of money. Legal tender. Cash and other forms of money in circulation.

2. Context: role of money within wider economy. Basic introduction into financial markets.

3. The mechanism of money creation in a fiat currency system. Role of the central bank and commercial banks. Money multiplier (m). Money supply – monetary base and monetary aggregates. Inflation vs. deflation.

4. Monetary policy – aims, instruments and policies. Price stability mandate and other aims of monetary policy. Price stability and economic growth – is there a relation? Interest rates, reserve requirements, open market operations. Unconventional instruments – quantitative easing. Restrictive vs. expansionary monetary policy. Transmission mechanism.

5. Central banks. Functions of the central bank. Seigniorage. Legal basis for central banks. Central bank independence and its aspects. Prohibition of monetary financing. Role of central banks in financial market supervision and oversight.

6. Central banking in the EU, Poland and selected other countries. European Central Bank, European System of Central Banks and the Eurosystem. National Bank of Poland. Institutional and practical aspects.

7. Currency and foreign exchange. Exchange rate regimes. Currency as an instrument of trade policy. Exchange controls vs. free flow of capital.

8. Monetary sovereignty. History, legal basis and current features of the Polish currency. Monetary unions. Theory of optimum currency areas (OCA). Unilateral dollarisation/euroisation.

9. Economic and Monetary Union in the EU. Economic, legal and institutional aspects. Legal basis for the euro. Common monetary policy vs. lack of common fiscal policy. Crisis in the euro area and anti-crisis measures. EMU and the 'banking union'. ECB's role in the reform of financial supervision in the EU. International role of the euro.

10. Adoption of the euro – situation of Poland and other non-participating EU Member States. Derogation and convergence criteria. Arguments for and against euro adoption. Legal and practical aspects of euro adoption. Experience of other Member States.

11. Currency in private law. Legal tender and nominalism. Adjustments resulting from inflation. Legal status of obligations in foreign currencies.

12. Blockchain and cryptocurrencies. Bitcoin and other cryptocurrencies – concept and functions compared to the definition of money. Blockchain and distributed ledger technology – can they be used by central banks? Possible results for the money creation mechanism.

13. Euro area crisis of the 2010s.

14. Monetary policy in the 2020s. The response of central banks to the economic fallout from the Covid-19 pandemic, global inflation and crisis caused by Russian aggression against Ukraine.

Note: one paragraph in this outline does not correspond to one course. A Power-Point presentation will be made available for each course.

Sources (precise book chapters will be announced during the classes):

Ch. Proctor, Mann and Proctor on the Law of Money, Oxford University Press, 8th ed., 2022

F. Mishkin, The Economics of Money, Banking, and Financial Markets, Pearson, 13th ed. 2022

Hanspeter K. Scheller, *The European Central Bank. History, Role and Functions*, 2nd ed. Frankfurt 2006 (http://www.ecb.europa.eu/pub/pdf/other/ecbhistoryrolefunctions2006en.pdf)

ECB website: https://www.ecb.europa.eu/mopo/html/index.en.html

ECB Convergence report, June 2022, http://www.ecb.europa.eu/pub/convergence/html/index.en.html

Additional reading for Polish speakers:

A. Sławiński (red.), *Polityka pieniężna*, Warszawa 2011

T. Włudyka, M. Smaga (red.), *Instytucje gospodarki rynkowej*, wyd. 3, Warszawa 2018

J. Głuchowski (red.), *System Prawa Finansowego*, T. IV, *Prawo walutowe. Prawo dewizowe. Prawo rynku finansowego*, Warszawa 2010

Other reading material will be announced during the classes.