

Mundell - "A Reconsideration of the 20th Century"

Key Theme: The Role of Monetary factors as determinants of political events

For example,

Mismanagement of Gold Standard $\Rightarrow$ Depression

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Hitler
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WWII!

According to Mundell, the Intl. Monetary history of the 20th Century can be divided into 3 roughly equal parts:

- 1900 - 33 - International Gold Standard
- 1934 - 71 - Bretton Woods (the Dollar Standard)
- 1972 - 99 - Flexible Ex. Rates / Fiat Money

I. Mismanagement of the Gold Standard

1.) Why did the Gold Standard collapse during WWI?

2.) Why did attempts to restore the Gold Standard during the 1920s fail?

3.) According to Mundell, what should have been done?

II. Bretton Woods

1.) How did Bretton Woods differ from the Gold Standard?

2.) Why did Bretton Woods collapse?

3.) According to Mundell, what can be learned from the collapse of Bretton Woods?

III. Flexible Exchange Rates / Managed Floating

- 1.) According to Mundell, why did inflation erupt during 1970s?

- 2.) According to Mundell, how does the current "system" compare to the Gold Standard of the first third of the century?