

Economics 614: Macroeconomics

Spring, 2010

Cornell University

Problem Set #12

Due: Friday, May 7, 2010

1.

Fix $R = 1.08$. Calculate the loss (in terms of the endowment y) in moving from unrestricted banking to restricted banking. In other words, calculating the value y in the unrestricted system that yields the same welfare as $y = 10$ in the restricted system.