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Economics 732: Monetary Economics II
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Problem Set # 3

1

Static one good ($l = 1$) pure exchange. Four ($n = 4$) consumers.

$$\omega = (\omega_1, \omega_2, \omega_3, \omega_4) = (1, 2, 3, 4)$$

Describe the set of equilibrium money prices, for each of the following τ 's:

- (a) $\tau = (1, 1, -1, -1)$
- (b) $\tau = (-1, -1, 1, 1)$
- (c) $\tau = (-2, -1, 1, 2)$
- (d) $\tau = (0, 0, 0, 0)$
- (e) $\tau = (-1, -2, 1, 1)$

2

Static, $l > 1$ goods. Log-linear utility functions. Describe (in $(l - 1)$ space) the set of normalized bonafide tax policies. Describe the set of equilibrium money prices.

3

How does nonexistence of proper monetary equilibrium relate to nonexistence of nonmonetary equilibrium with endowments outside the consumption set?