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**Economics 732: Monetary Economics II**

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**Problem Set # 6**

**I. Market game  $\Gamma$**  where  $\omega = ((95, 5); (5, 95))$ .

1. Find a set of symmetric, strictly interior NE bids and allocations to the sell-all game ( $q = \omega$ ).
2. Fixing consumer 2's bids at their level in (2), precisely describe consumer 1's opportunity set.
3. Find another interior equilibrium in which  $q \neq \omega$ .

**II. Equilibrium Bank Runs.**

This is an exercise in computation. Calculate *from scratch* all the numbers necessary for the construction of Figure 1 (page 117) in Peck and Shell, *JPE*, **111**(1), February 2003.