Seminar Problem in ECON 4335 Economics of Banking, Fall 2016

Problem set 9 (November 12, 2016)

Problem 1

Problem 3 from 2015 Exam.

Problem 2

Use the Holmstrom Tirole model discussed in class to analyse, briefly, the impact on the various equilibrium rates of interest if we have:

- An expansion in credit from banks,
- A lower probability for success if choosing the good project, P_H,
- Banks that become more effective in their role as monitors, making the monitoring cost, c, smaller.