|  |
| --- |
| **AY 2021-2022** Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Surname:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Matricola:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Economics of Money and Banking** **Second part Mock test** *Prof. Nicola Dimitri*  **Available time**: 90 Minutes  |

**1. (11 points)**

5) Consider the Diamond-Dybvig model for banks as liquidity providers, in case of negative shocks, discussed in class.

Suppose $U(c)=(logc)^{a}$, with $0<a<1.$ Find the autharky solution, the market solution and the Pareto Optimal solution for the investment level $I$ and consumption levels $c\_{1},c\_{2}$. Is the market solution Pareto Efficient?

**2 (11 points)** Discuss the fragility of incomplete monetary systems.

**3 (11 points)** Discuss the lender-borrower loan contract.