

Economics 4905 Spring 2016
Financial Fragility and the Macro-economy
Cornell University
April 27, 2016

Review for Prelim 2

1. Review Homework 1
2. Review Prelim 1
3. Review Homework 2
4. What is the history of banking in the United States? (2 paragraphs should suffice)
5. What are the social costs and social benefits of increasing bank liquidity?
6. Compare 2 theoretical systems: (1) the consolidated banking system and (2) the separated banking (into (a) an extremely liquid bank and (b) a mutual fund or brokerage).
7. "There are various interpretations of bubbles. Some bubbles are rational. Some bubbles are irrational." Discuss. Make the distinction between individual rationality and social rationality.