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.