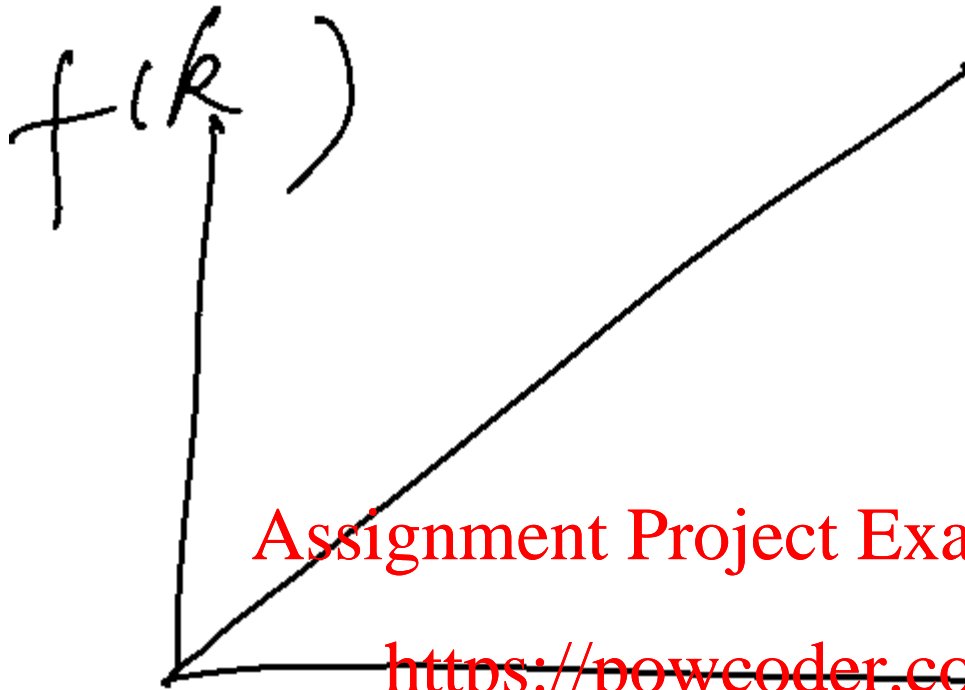


$$f(k) = x \cdot k$$



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$$f'(k) = x$$

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$$f(k) = k^2, \quad 0 < \alpha < 1$$

$$f'(k) = 2k^{\alpha-1} > 0$$

$$f''(k) = \alpha \cdot (\alpha - 1) \cdot k^{\alpha-2}$$

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Young old

borrowers
($\frac{N}{2}$)

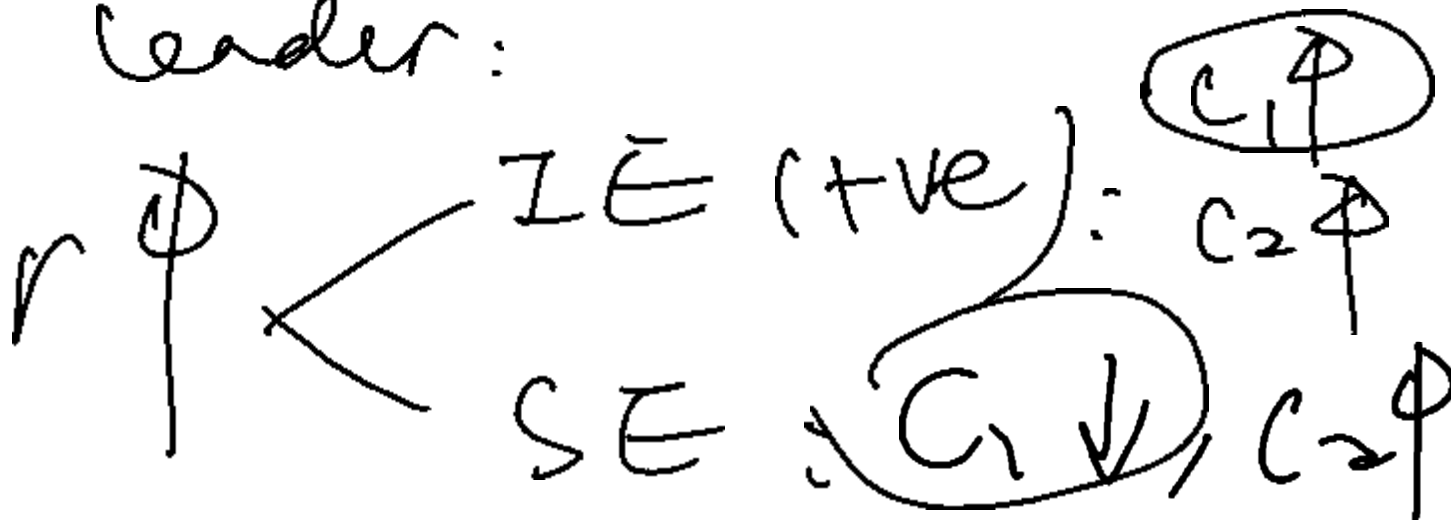
0

y

lenders
($\frac{N}{2}$)

y < $y - c_1$ 0

under:



relative price of C_2 is

$\frac{1}{r}$ $r \uparrow \rightarrow C_2$ cheaper

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$$|SE| > |IE| \rightarrow$$

$C_1 \downarrow$ as $r \uparrow$
 \downarrow \uparrow . . .

homework

$r \neq \begin{cases} I \in (-ve) \\ SE \end{cases} : \begin{cases} c_1 \downarrow \\ c_2 \uparrow \end{cases}$

$c_1 \downarrow$ as $r \neq$

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$c_1, b = \emptyset$

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$\therefore b \downarrow$ as $r \neq$

e.g. Max $(c_1)^{\frac{1}{2}} + \beta (c_2)^{\frac{1}{2}}$
 c_1, c_2

s.t. $c_1 + \frac{c_2}{\alpha} \leq y$

$$C_{1,L}^* = \frac{y}{\beta^2 + 1}$$

$$C_{2,L}^* = \frac{yr^2}{r + (\frac{1}{\beta})^2}$$

$$r \downarrow, C_{1,L} \downarrow$$

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Borrower <https://powcoder.com>

Max $(C_1)^{\frac{1}{2}} + (\beta C_2)^{\frac{1}{2}}$
 C_1, C_2

s.t. $C_1 + \frac{C_2}{r} \leq \frac{y}{r}$

$$(C_{1,B}^*) = \frac{y}{r^2 \beta^2 + r}$$

$$C_{2,B}^* = \frac{y}{1 + \frac{1}{r\beta^2}}$$

an 3 assets are
perfect substitutes

1. $f(k) = rk$

$$\frac{n}{z} = r = \text{X}$$

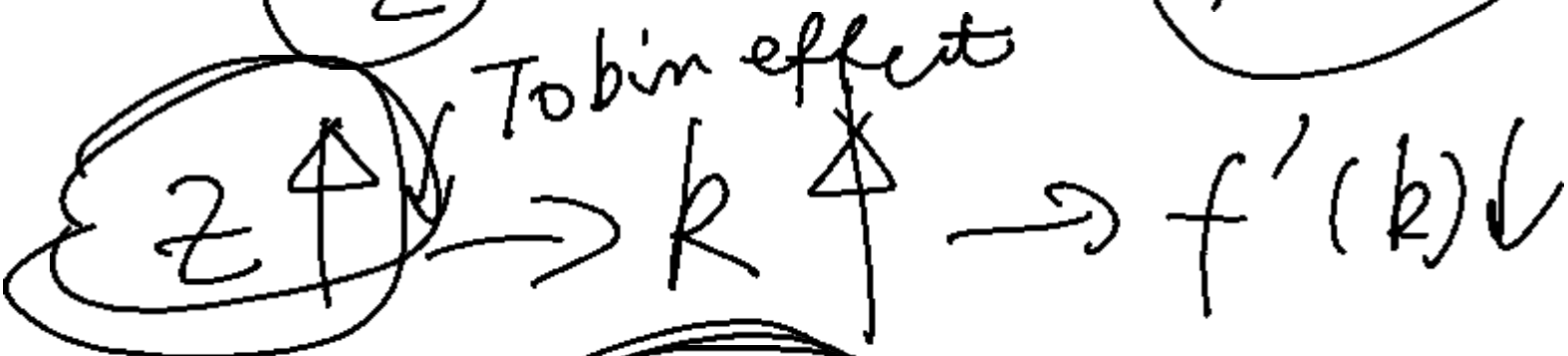
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2. $f(k) = k^2$

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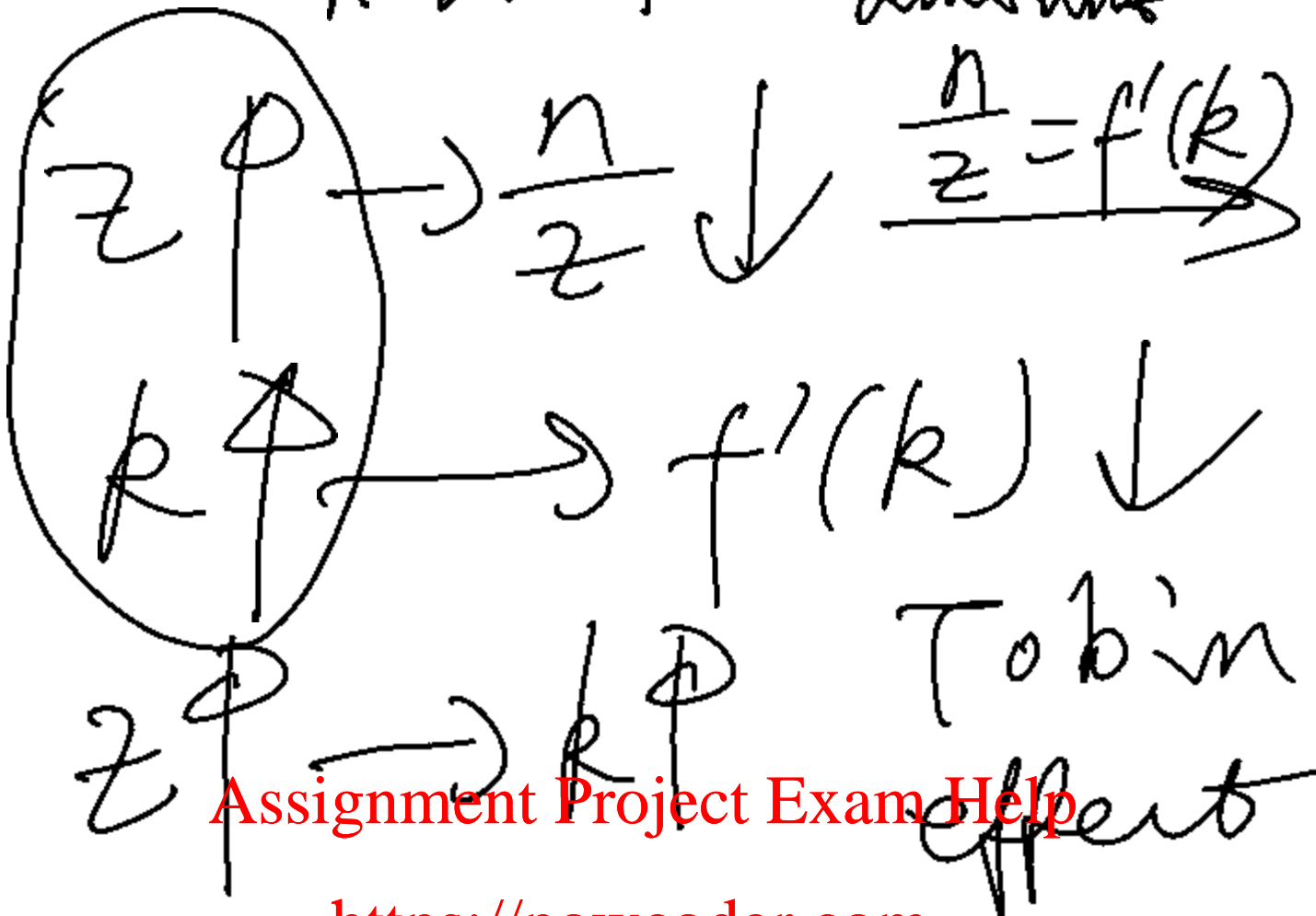
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$$\frac{n}{z} = r = f'(k)$$



$$\therefore R = r = \frac{z}{n}$$

R gain 4 but not for amount



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2008 in U.S. Add WeChat powcoder

$K = \$34,261$ bio

money stock = \$1,664 bio

$$\frac{1664}{34261} = 4.8\%$$

Output $f(k)$ welfare

$$f'(k) = \frac{n}{z}$$

man

Golden rule k

Social planner's

LRC

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$$N_t C_{1,t} + N_{t-1} C_{2,t} + N_t k_t$$

$$= N_t y + N_{t-1} f(k_{t-1})$$

$$\rightarrow C_1 + \frac{C_2}{n} + k$$

$$= y + \frac{f(k)}{n}$$

$$\rightarrow C_1 + \frac{C_2}{n}$$

$$= y + \left[\frac{f(k)}{n} - k \right]$$

Optimal k

$$\frac{f'(k)}{n} = 1$$

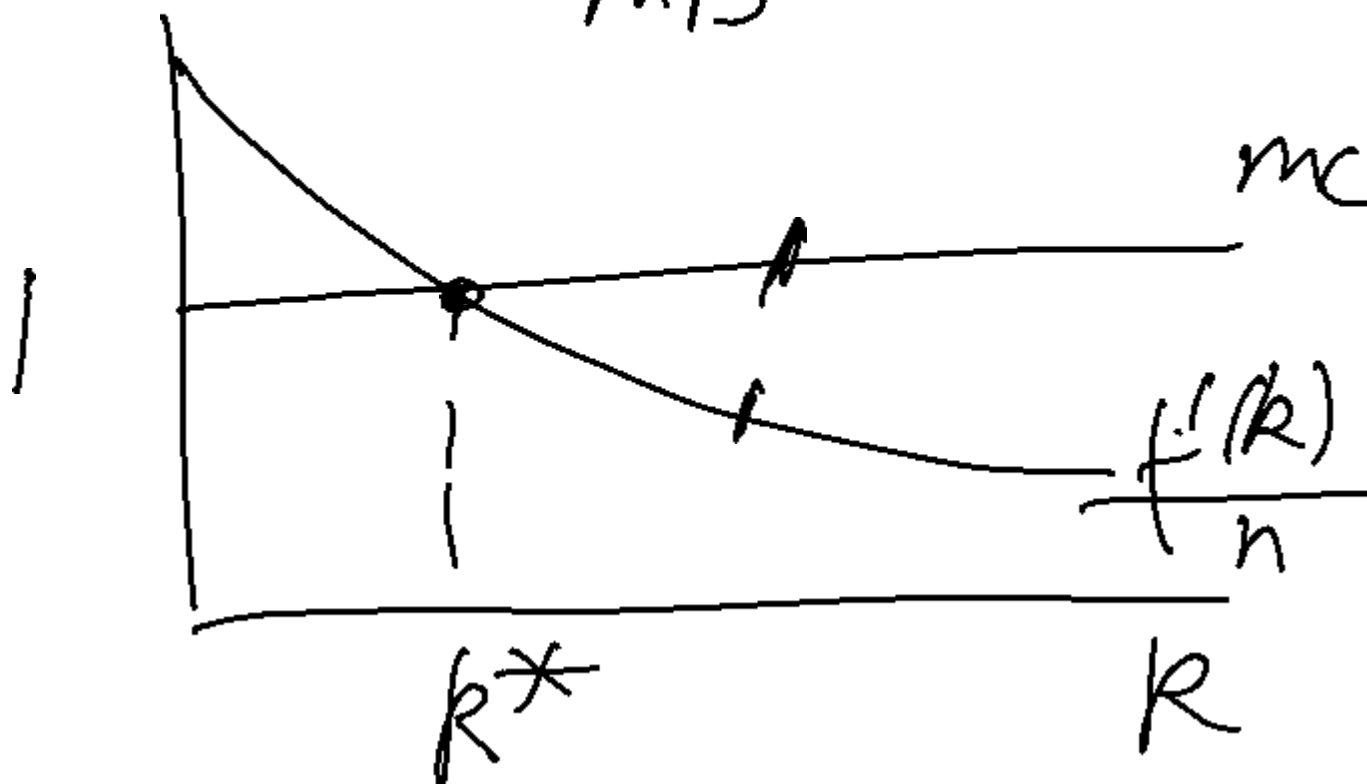
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MB

$$1 = \frac{f'(k)}{n}$$

MC



golden rule : $f'(k^*) = n$
 k^*

monetary eq^m : $f'(k_e) = \frac{n}{z}$
 k_e

$z = 1 \rightarrow k^* = k_e$
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$z > 1$ Add WeChat powcoder
 $k_e \rightarrow k^*$
 \downarrow
 $mc > mb$

3 assets are not
perfect sub

$$f(k) = X - k$$

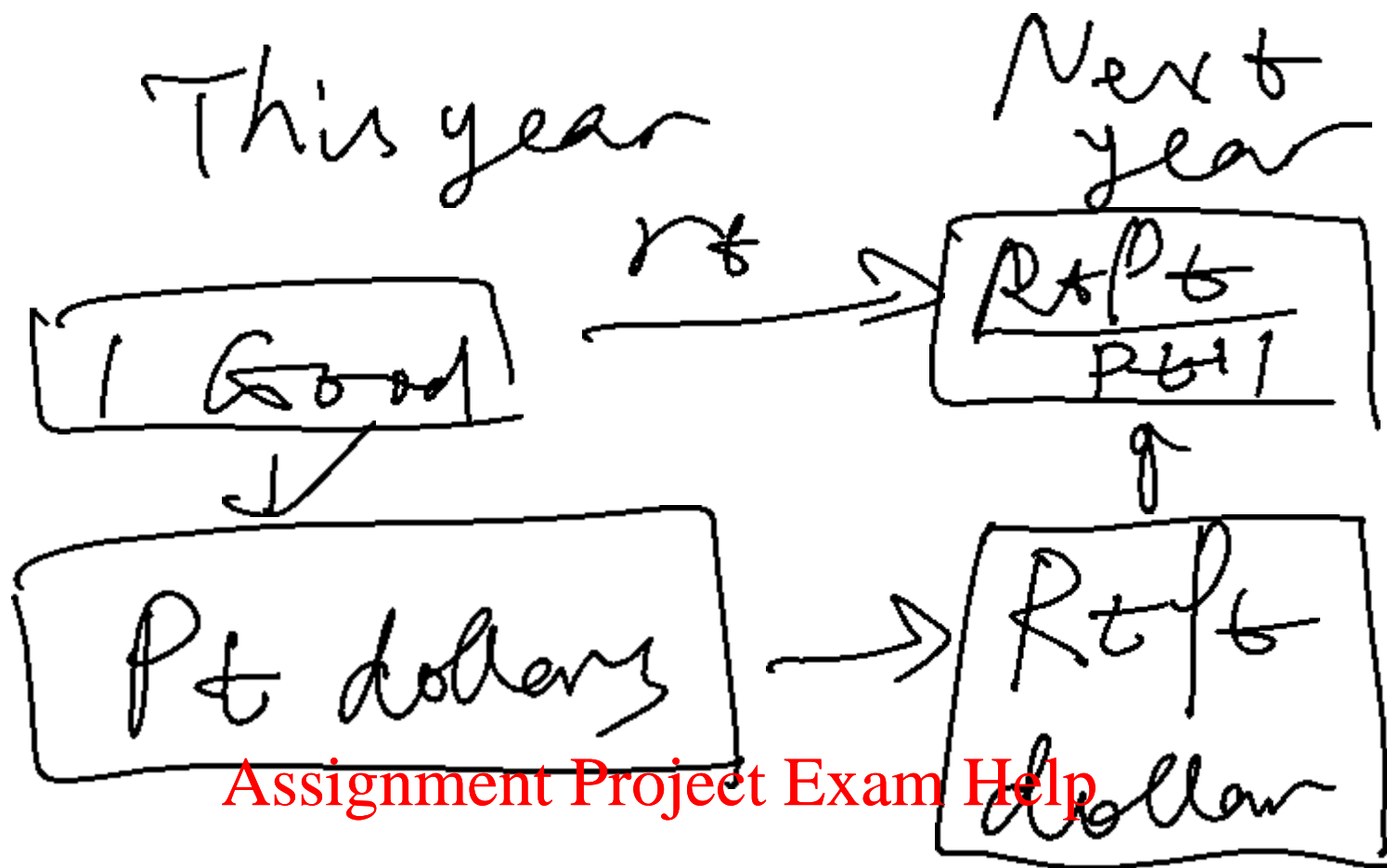
$$X = r = R - \left(\frac{n}{2}\right)$$

capital (debt) \rightarrow <https://powcoder.com>

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$$\therefore R = X \cdot \frac{2}{n}$$

$z \uparrow$ $\overline{r} (= X)$
 $R \uparrow$ by full
amount
(Fisher
effects)



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$$X = r_t = R_t \cdot \frac{P_t}{P_{t+1}}$$

$$\therefore \frac{P_t}{P_{t+1}} = \frac{V_{t+1}}{V_t} = \frac{n}{z}$$

$$\therefore X = r_t = R_t \cdot \frac{n}{z}$$

$$R_t = \frac{X}{\frac{n}{z}}$$

$\therefore z_t^\phi \xrightarrow{\phi} R_t^\phi$
Fisher
effect

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