

Economics 423
Fall 2019
Tutorial Exercise 5

This tutorial is based on GTB Chapters 11 and 12.

1. Work through the discussion and example in Chapter 11, Exercise 11.1.
2. Work through the discussion and example in Chapter 11, Exercise 11.4.
3. Work through the surrounding discussion and example in Chapter 12, Exercise 12.3. (This discussion uses the Black-Scholes option pricing model to compute the insurance guarantee for deposit insurance. Later in the course we will discuss the related topic of the insurance guarantee for Too Big To Fail bailouts.)