ECO358 - Practice Midterm

Clearly state the formula/procedure/approach that you have used to obtain your results; the approach is more important than the result. If an explanation is required, write **brief** answers; the probability of writing something wrong is higher in long answers. Fuzzy logic, ambiguity and multiple answers will reduce your credit.

1 Intertemporal consumption choice [20 points]

Consider a two-period inter-temporal consumption framework. The financial market treats borrowers and