



Chapter 16.1

Optimal remuneration

Outline

- Problem and model assumptions
- Loan values
- Bank profits
- The effect of bankers and traders
- Efficient wages
- Competitive effects
- Summary

■ Problem and model assumptions

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Bankers and traders

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- ▶ Bankers: $w_B^* = (V + (1 - \delta) \lambda (1 - \rho_i - p) (1 + r_L) L) \frac{\partial \pi_H^i}{\partial N_B^i}$

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 $E_i [\pi_H^j] = \pi_H^i$ and $E_i [\rho_j] = \rho_i$
- ▶ Traders: $w_T^* = (1 - \lambda) (1 - \delta) \pi_H^i (1 + r_L) L \frac{\partial \rho_i}{\partial N_T^i}$
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