Wilf Csaplar Jr. Economics 316 Homework #8 **Due Tuesday 4/16**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) When I was your age, there was the FDIC for *banks* and FSLIC for *thrifts*. What was the main difference between the assets of the *banks* and *thrifts*? In the late 1970s and early 1980s, the inflation rate greatly increased. Were *thrifts* or *banks* hurt more by the inflation? Explain your logic. As a result of the early to mid-1980s bankruptcies, the insurance premiums for the FDIC were changed. Explain how they changed and how that could help prevent the FDIC from going the same way as the FSLIC.

2) (10 points) What are *Section 20 Affiliates*? Why are the revenues from these sources limited?

3) (10 points) What is meant by a *non-bank bank*? Why would a company want that rather than be a bank?

4) (20 points) One of the problems which the book cites with the measures of the safety of banks is *off-balance sheet activities*. What are they? Why do they matter to the profitability of the bank?

5) (20 points) Some people say the problem with the financial sector is too much regulation. Explain their argument as to how there could be too much regulation and how it could hurt the financial sector, especially the commercial banks.

6) (20 points) Some people say the problem with the financial sector is too little regulation. Explain their argument that there could be too little regulation and how it could hurt the financial sector, especially the commercial banks.