READINGS AND READING RESPONSES
Due Wednesday, March 28

Instructions: Your reading responses must be typed. Answer the questions using your own words.

READINGS & DOCUMENTARY:

Class Notes: Money
Documentary: “Inside Job”

Class Notes: Money

1. Define money. Describe the three functions of money. What are the three types of money defined in the class notes?

2. Why the banks must be tightly regulated? In your answer include the idea of “bank run” and the typical regulations on a banking system.

3. What is the Fed? Briefly describe how the fed is structured, what are its major policy functions and the tools used by the Fed to achieve these policy objectives.

4. Define (i) the federal funds market, (ii) the discount rate, and (iii) the federal funds rate.

Documentary “Inside Job”

5. After World War II the US economy grew steadily without experiencing any financial crisis. What were some of the characteristics of the financial sector before the 1980s?

6. What was the major policy change on the financial sector, which started in the Regan’s years but was strongly supported by both Democrat and Republican administrations afterwards?

7. Name at least two examples of corporate corruption in the financial sector before the fall of Lehman Brothers.

8. In the documentary, three top Clinton’s policy makers are constantly single out as the strongest advocates of deregulation. Who are these three people?

9. In 2010 executives of Goldman Sachs testified before a Senate Committee on alleged wrongdoing. What was the main charge?
10. Name the three credit rating agencies.

11. What was the first large investment bank rescued by the government before the unraveling of the financial sector?

12. What were the rating grades of Freddie Mac and Fannie Mae when the government rescued them?

13. What was the cost of the bail out of AIG?

14. What was the number of foreclosures in the US in 2010?