

Economics 450 Hanes  
Paper prompt Fall 2024

As announced in class, the paper is **due at 5 pm Sunday December 15th**, not Friday December 13th as stated on the general instructions.

**IMPORTANT NOTE:** In the coursepack, one of the readings was missing a page (an error in scanning). The reading with the missing page was:

9) Bank Failure: the FDIC's Systemic Risk Exception (Marc Labonte, Congressional Research Service)

On the class website, this reading is in the document labelled "Readings, Part 1."

*I have loaded a new "Readings, Part 1" correcting this error. The new pdf contains the missing page. Make sure you download the new pdf, print out the missing page, add it to your notebook and read the reading again.*

Here is the prompt.

Discuss the crisis at the Silicon Valley Bank and other banks in the spring of 2023, and the actions taken in response to the crisis by the Fed and the FDIC. Be sure to hit all of the following points:

- Define the phrase "maturity transformation" and use it appropriately.
- Were the Fed's actions consistent with Bagehot's rules?
- What is the "Least-Cost Resolution" (LCR) requirement? What is the "Systemic Risk Exception" to the LCR? Why did the FDIC invoke the systemic risk exception in 2023?
- Could the actions taken by the Fed and FDIC in 2023 have any bad future consequences?