Homework Assignment 10. Due: Thursday, April 20.

1. (2 point) Banking regulation suffers from the principal-agent problem. Describe how this problem relates to regulators and politicians.
2. (1 points) Explain the factors that account for the large increase in market share experienced by mutual funds since 1980.
3. (2 point) What informational problems do insurance companies face? Name at least one method to deal with each one.
4. (1 point) How is it possible for money market mutual funds to insure that their shares are redeemable at a fixed value?
5. (1 points) How can a sum of the prices of shares of a closed-end mutual fund be different from the value of stocks that this mutual fund owns?
6. (2 point) Suppose that because of the new knowledge about human genome it became possible to predict the time of death of each individual with near certainty. What do you think would happen to the life insurance industry?
7. (1 point) Can a defined-contribution pension fund be underfunded?