

The Tip of the Iceberg: JP Morgan and Bear Stearns (A), Chinese Version



Alexander Hamilton



Franklin Roosevelt

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Key Terms

- bank
- national bank
- bank run
- greenback
- gold standard
- Federal Reserve System
- central bank
- member bank
- Federal Reserve note
- Great Depression
- Federal Deposit Insurance Corporation (FDIC)

Banking...

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Before the War of Northern Aggression
(1861 - 1865)

- First, you had tons of informal businesses.

2 views of Banking:

Federalists:

(Alexander Hamilton)

- need a strong central government
- centralized banking system to develop healthy industries and trade
- national bank ---> First Bank of the United States

Anti-Federalists

(Thomas Jefferson)

- leave power in hands of the states!
- decentralized banking system where states establish and regulate all banks
- Quote to Remember: "If the American people ever allow private banks to control the issue of their money, first by inflation and then by deflation, the banks and corporations that will grow up around them, will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered" - Thomas Jefferson

First Bank of the U.S.

1791, Federalists

The Bank was used for...

- holding money collected for taxes
- carrying out the government's power to tax, regulate interstate and foreign commerce, and borrow money in public interest
- to issue representative money in the form of bank notes (gold & silver)

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First Bank of the U.S

did succeed in bringing order & stability

BUT only lended to the wealthy and big businesses

Anti-Federalists

argued Congress didn't have the power to create a national bank--- it was unconstitutional

- Hamilton dies in 1804, by 1811 national bank is gone
- State banks start issuing bank notes without supervision or regulations
- different banks issued different currencies and money was printed with no gold or silver to back it

Financial Chaos

Second Bank of the U.S.

1816, issued by Congress

- Many people, including Andrew Jackson still opposed the idea
 - although chaos rose from decentralized banking, people still distrusted the federal bank
- In 1832, Andrew Jackson had the renewal of the bank vetoed

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Free Banking Era

"Wildcat" Era 1837-1863

State chartered banks sky-rocketed & led to many problems...

1. Bank runs & Panics
2. Wildcat Banks
3. Fraud
4. Different Currencies

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Banking...

The Later 1800s

by 1860...

8,000 different currencies

- the federal government played **no** role in providing paper currency or regulating reserves of gold or silver

1861 The Civil War, made existing problems worse



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