The US banking sector has faced several major crises over the years ­­-

**1. Great Depression (1929-1939)**

**Crisis:**

The stock market crash of 1929 led to widespread bank failures.

By 1933, nearly 50% of US banks had failed.

Bank failures: ~9,000 banks between 1930-1933.

Unemployment: Peaked at 25%.

**Strategies to Overcome:**

Emergency Banking Act (1933): Allowed banks to reopen under Treasury Department supervision, with federal loans available if needed.

Federal Deposit Insurance Corporation (FDIC, 1933): Established to insure deposits, which restored public confidence in the banking system.

Glass-Steagall Act (1933): Separated commercial and investment banking to reduce risks.

**2. Savings and Loan Crisis (1980s-1990s)**

**Crisis:**

Deregulation in the early 1980s led to risky lending and investment practices.

Over 1,000 savings and loan institutions failed, costing taxpayers around $124 billion.

Cost to taxpayers: ~$124 billion.

Institutions failed: Over 1,000.

**Strategies to Overcome:**

Depository Institutions Deregulation and Monetary Control Act (1980): Phased out interest rate ceilings on deposits.

Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA, 1989): Abolished the Federal Savings and Loan Insurance Corporation (FSLIC) and transferred its responsibilities to the FDIC.

Resolution Trust Corporation (RTC): Created to liquidate assets of failed institutions.

**3. Dot-Com Bubble Burst (2000-2002)**

**Crisis:**

Overvaluation of internet-based companies led to a market collapse.

Many tech companies went bankrupt, and the NASDAQ fell by 78%.

NASDAQ decline: 78% from peak to trough.

Market capitalization loss: ~$5 trillion.

**Strategies to Overcome:**

Federal Reserve Interest Rate Cuts: The Fed lowered interest rates from 6.5% in 2000 to 1% by 2003 to stimulate the economy.

Sarbanes-Oxley Act (2002): Increased corporate governance and financial disclosure requirements to restore investor confidence.

**4. Global Financial Crisis (2007-2009)**

**Crisis:**

Collapse of the housing bubble led to severe financial instability.

Major institutions like Lehman Brothers went bankrupt, leading to a credit crunch.

TARP funds used: ~$475 billion.

Major bank failures: Lehman Brothers (assets of $639 billion).

**Strategies to Overcome:**

Emergency Economic Stabilization Act (2008): Created the Troubled Asset Relief Program (TARP), which authorized $700 billion to purchase distressed assets and inject capital into banks.

Federal Reserve Quantitative Easing (QE): Large-scale asset purchases to increase money supply and lower interest rates.

Dodd-Frank Wall Street Reform and Consumer Protection Act (2010): Implemented comprehensive financial regulations to prevent future crises, including the Volcker Rule to limit speculative investments by banks.

**5. COVID-19 Pandemic (2020-Present)**

**Crisis:**

The pandemic caused a global economic shutdown, impacting all sectors including banking.

Federal Reserve balance sheet expansion: Over $7 trillion by the end of 2020.

PPP loans disbursed: ~$800 billion.

**Strategies to Overcome:**

Federal Reserve Interest Rate Cuts: Rates were cut to near-zero to support borrowing and spending.

Paycheck Protection Program (PPP): Provided forgivable loans to small businesses to keep workers employed.

Economic Stimulus Packages: Multiple rounds of stimulus payments to individuals and financial support for businesses.

Quantitative Easing: Continued large-scale asset purchases to maintain liquidity.