**History of American Banking**

**Directions:** While reviewing the Power Point, find the answers to the following questions. Make sure to give complete answers.

1. (from slide 2) What is the **“product”** that a bank buys and sells

* Deposits and loans
  1. How do they **“buy”** it?
     1. They pay the depositors and give them interest
  2. How do they **“sell”** it?
     1. Banks charge interest on loans to earn money
  3. What is the **“price”** of their good called?
     1. Interest

1. How did informal banks ***limit American effectiveness*** during the **Revolutionary War?**

* **The money that the government printed was not accepted by the population and there was nowhere to borrow money from**

1. Who ***supported*** the First National Bank?

* Alexander Hamilton
  1. Who ***opposed*** it?
     1. Andrew Jackson

1. **What event** prompted the creation of the Second National Bank?

* War of 1812

1. **Who** **“killed”** the Second National Bank ***and how did he do this***?

* Andrew Jackson removed the funds from the bank and vetoed its renewal. And required all purchases to be made with gold

1. List at least **3 problems** that occurred during the “Wildcat” banking era.
   1. No regulations
   2. People didn’t believe their deposits were safe
   3. Banks were regulated by the state and handled different over 10.000 different currencies.
2. List **3 ways** that the Civil War transformed banking in the U.S.
   1. First national currency
   2. National Banking Act
   3. Loans had to be backed by physical money (gold and silver)
3. **Why** was the Federal Reserve System created? ***How did it help? (list 3 ways)***