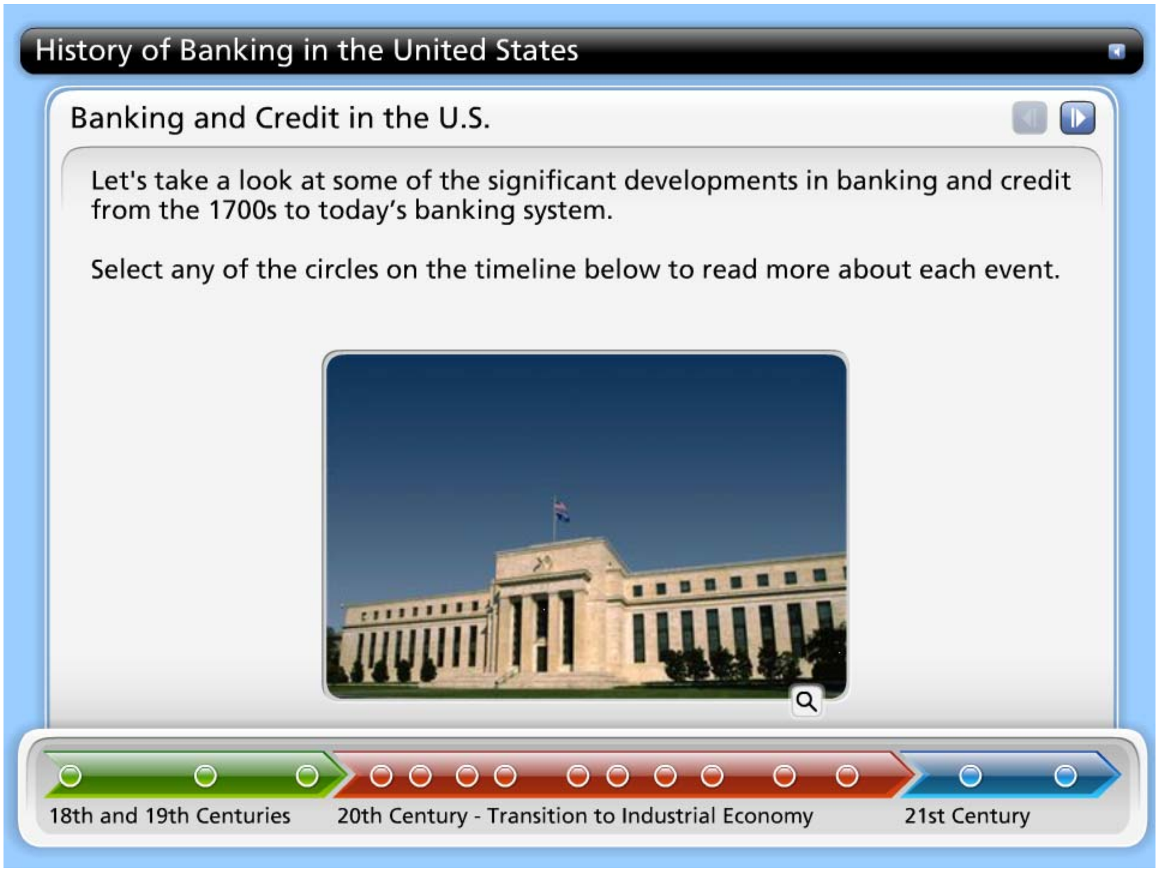
History of Banking in the United States

Banking and Credit in the U.S.



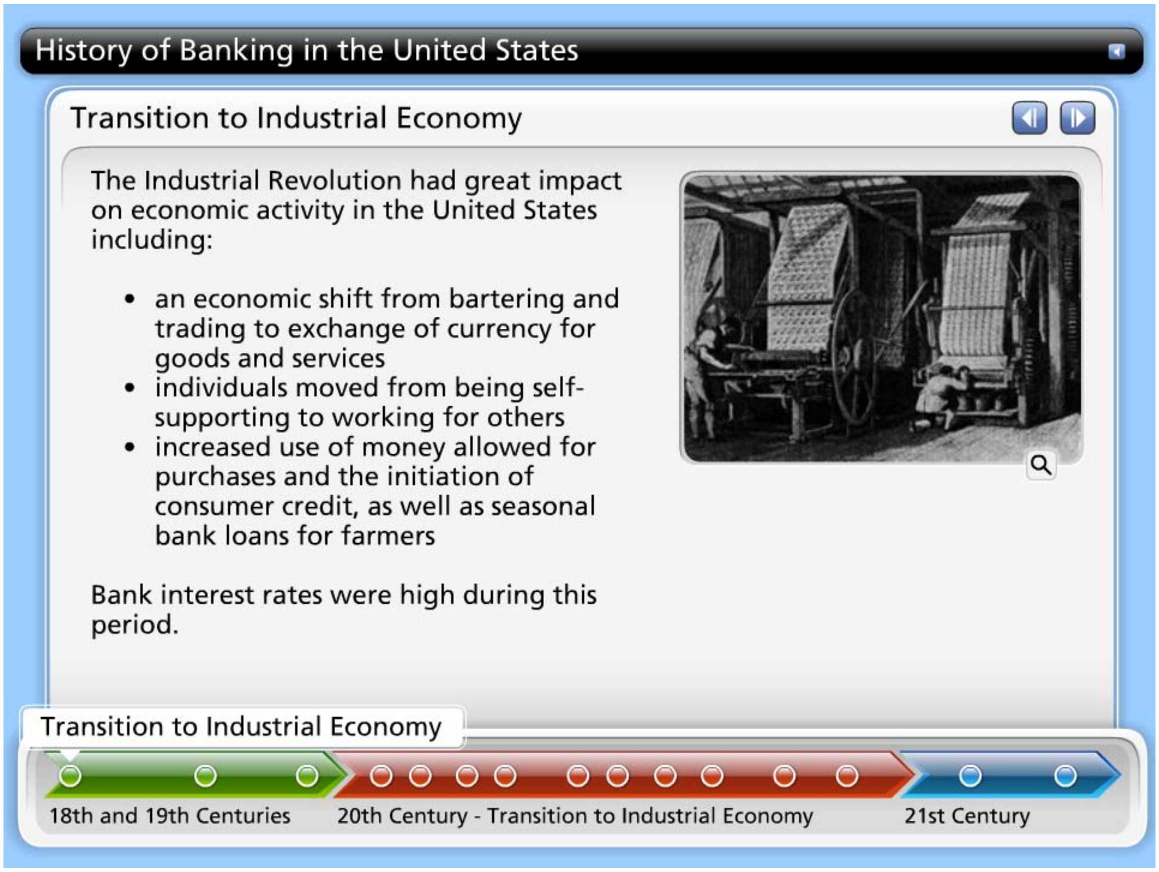
Event Text

Let's take a look at some of the significant developments in banking and credit from the 1700s to today's banking system.

Select any of the circles on the timeline below to read more about each event.

18th and 19th Centuries

Transition to Industrial Economy



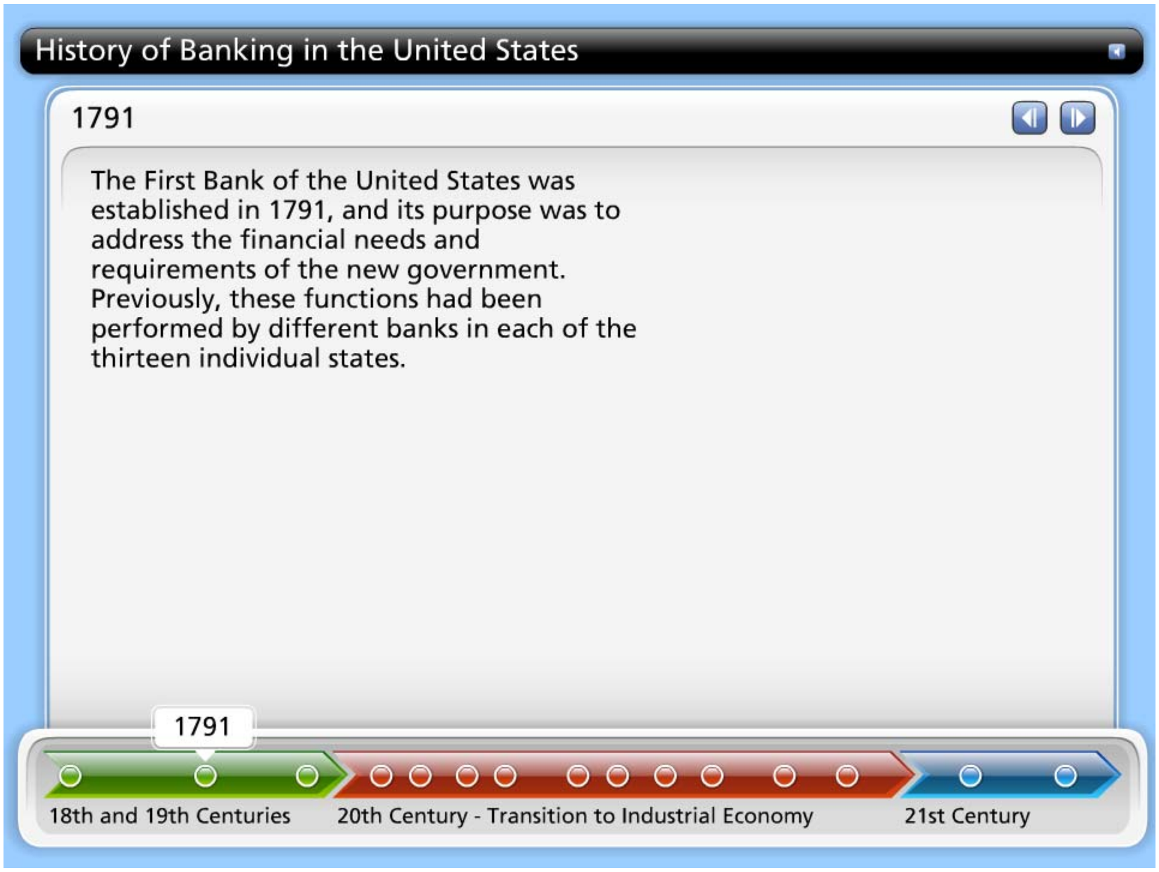
Event Text

The Industrial Revolution had great impact on economic activity in the United States including:

- an economic shift from bartering and trading to exchange of currency for goods and services
- individuals moved from being self-supporting to working for others
- increased use of money allowed for purchases and the initiation of consumer credit, as well as seasonal bank loans for farmers

Bank interest rates were high during this period.

1791



Event Text

The First Bank of the United States was established in 1791, and its purpose was to address the financial needs and requirements of the new government. Previously, these functions had been performed by different banks in each of the thirteen individual states.

1816

Event Text

The Second Bank of the United States was established to replace the original. Like the First Bank, it was also chartered for 20 years and also failed to have its charter renewed.

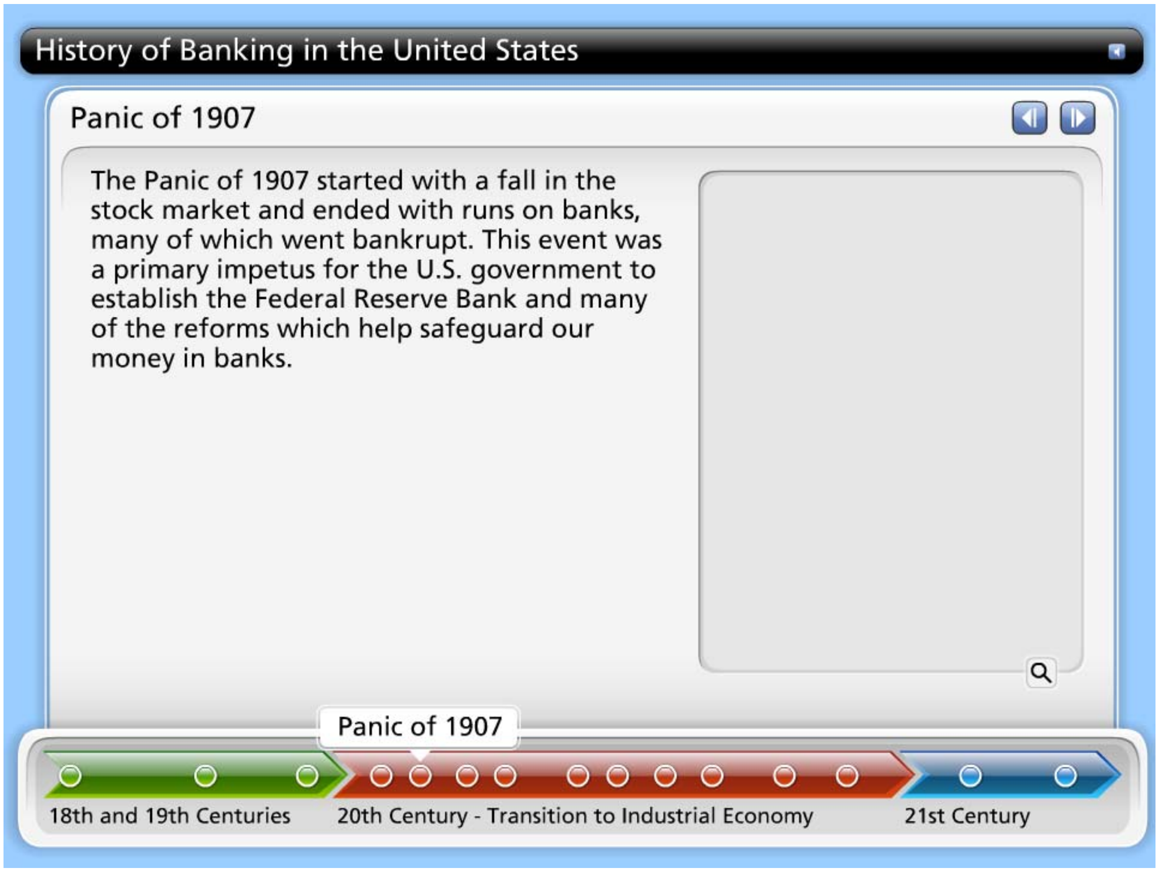
20th Century - Transition to Industrial Economy

From Agriculture to Industry

Event Text

During the 20th century, the U.S. economy transitioned from one based on agriculture to one based on industry. Banks helped facilitate this process by expanding credit as people's purchasing power grew.

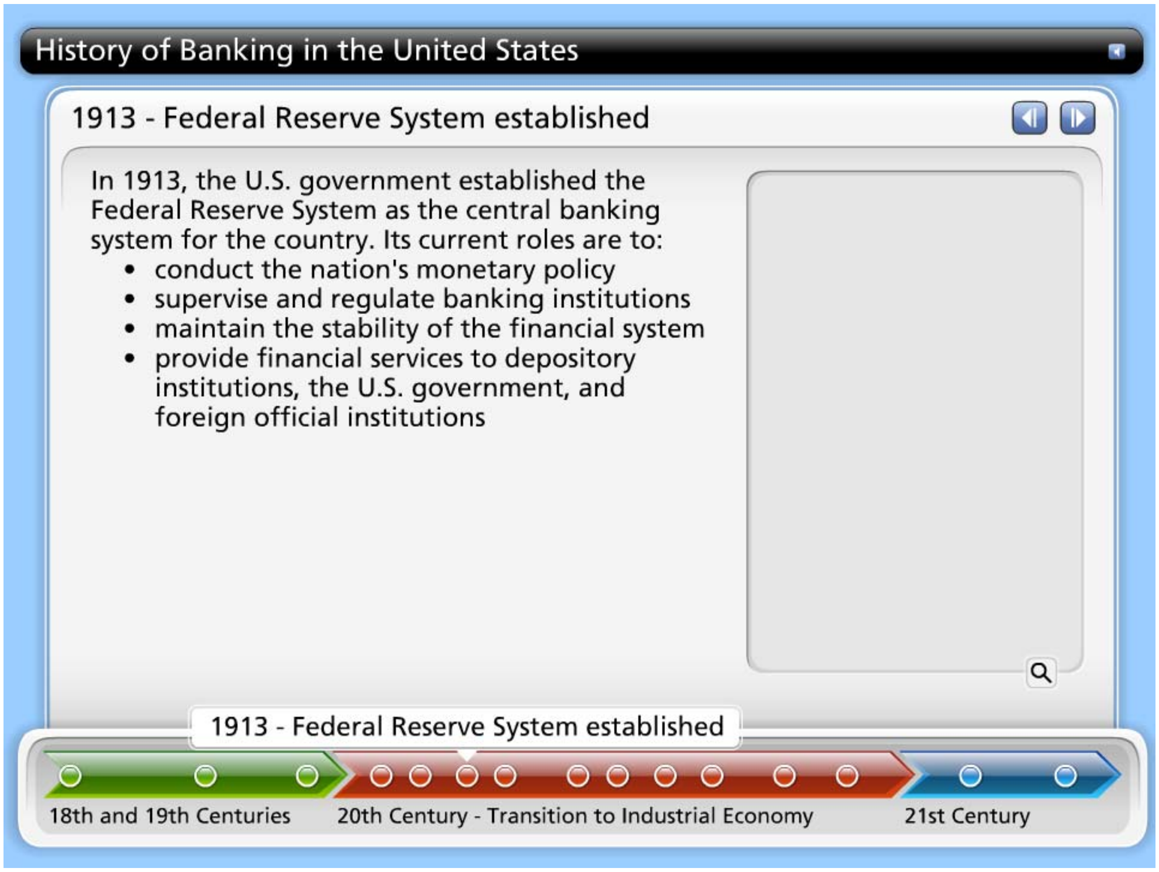
Panic of 1907



Event Text

The Panic of 1907 started with a fall in the stock market and ended with runs on banks, many of which went bankrupt. This event was a primary impetus for the U.S. government to establish the Federal Reserve Bank and many of the reforms which help safeguard our money in banks.

1913 - Federal Reserve System established



Event Text

In 1913, the U.S. government established the Federal Reserve System as the central banking system for the country. Its current roles are to:

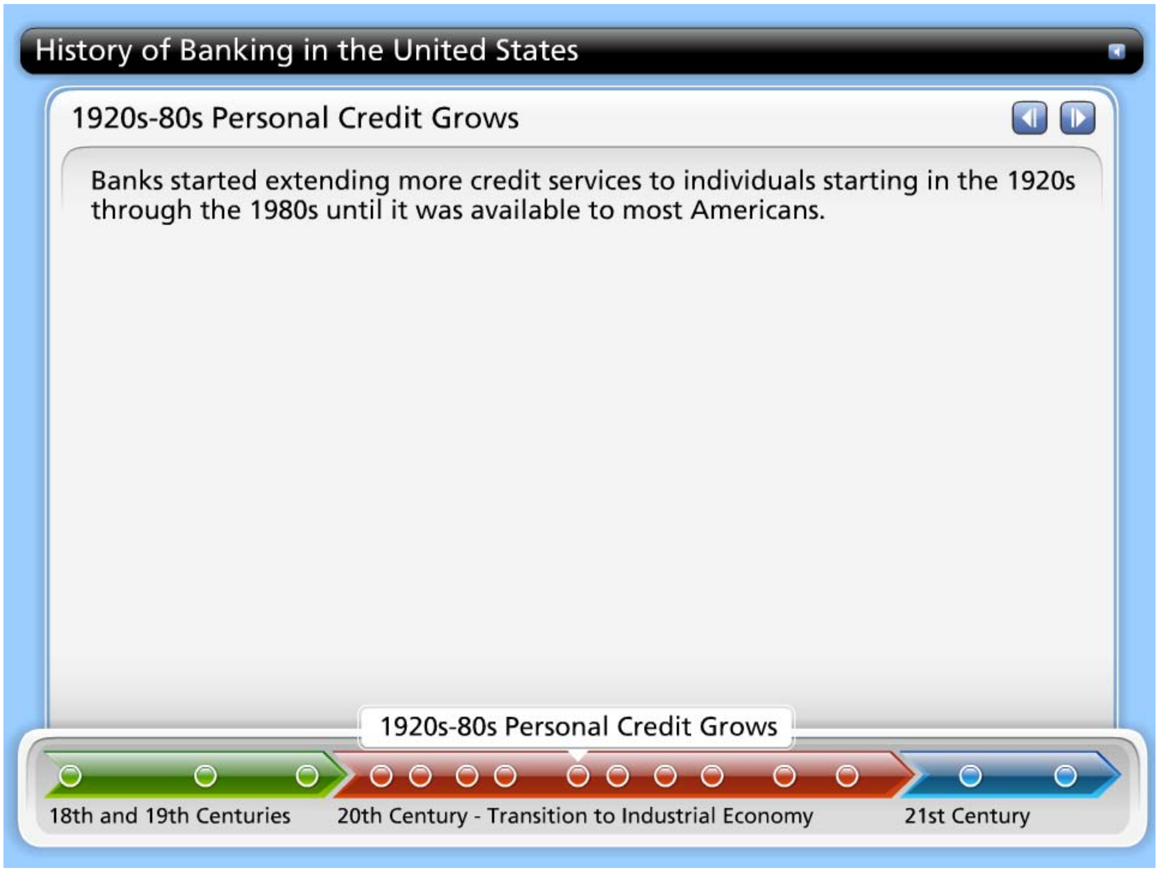
- conduct the nation's monetary policy
- supervise and regulate banking institutions
- maintain the stability of the financial system
- provide financial services to depository institutions, the U.S. government, and foreign official institutions

World War I

Event Text

During World War I, the U.S. borrowed large sums of money to fund the war.

1920s-80s Personal Credit Grows



Event Text

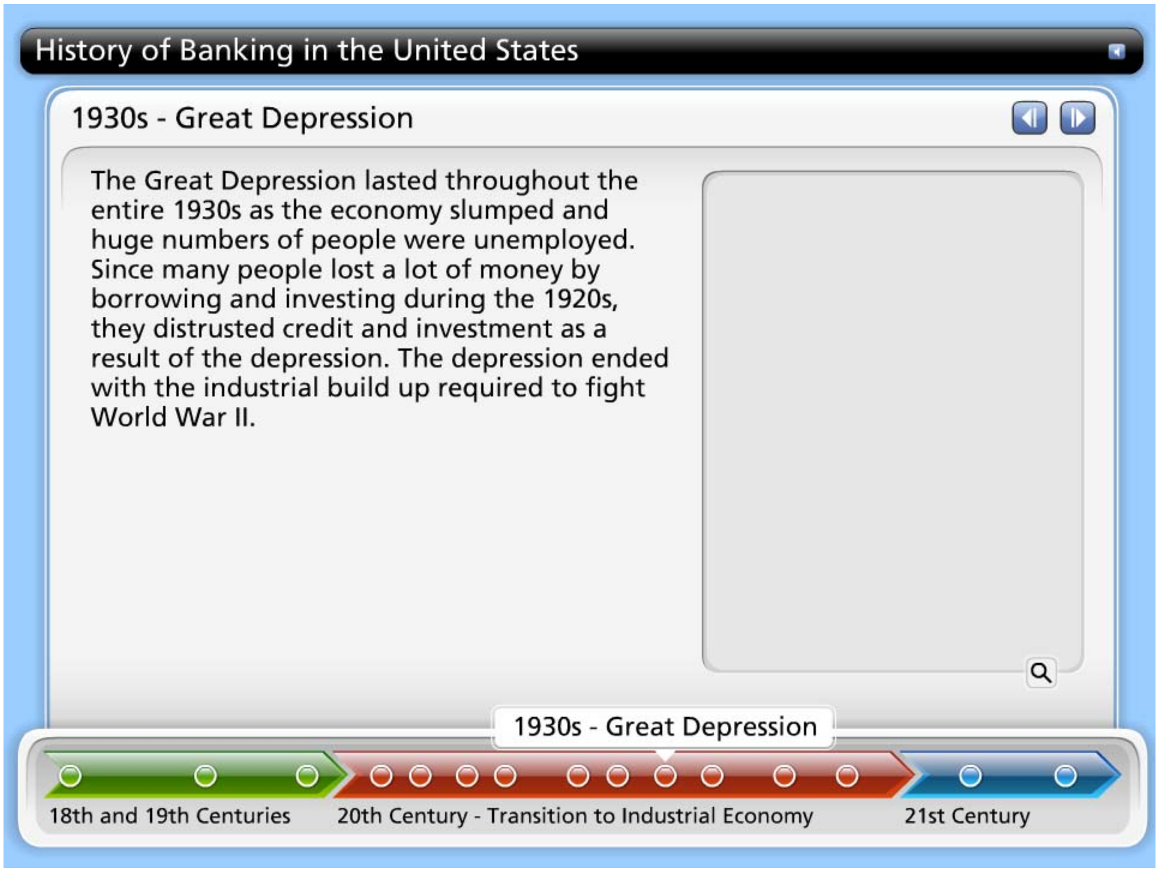
Banks started extending more credit services to individuals starting in the 1920s through the 1980s until it was available to most Americans.

1929 - Stock Market Crash

Event Text

The Stock Market Crash of 1929 was the biggest drop in the value of stocks in the history of United States. One of the main causes was speculation by banks and other individuals who invested in the market with borrowed money. This crash signaled the beginning of the Great Depression.

1930s - Great Depression



Event Text

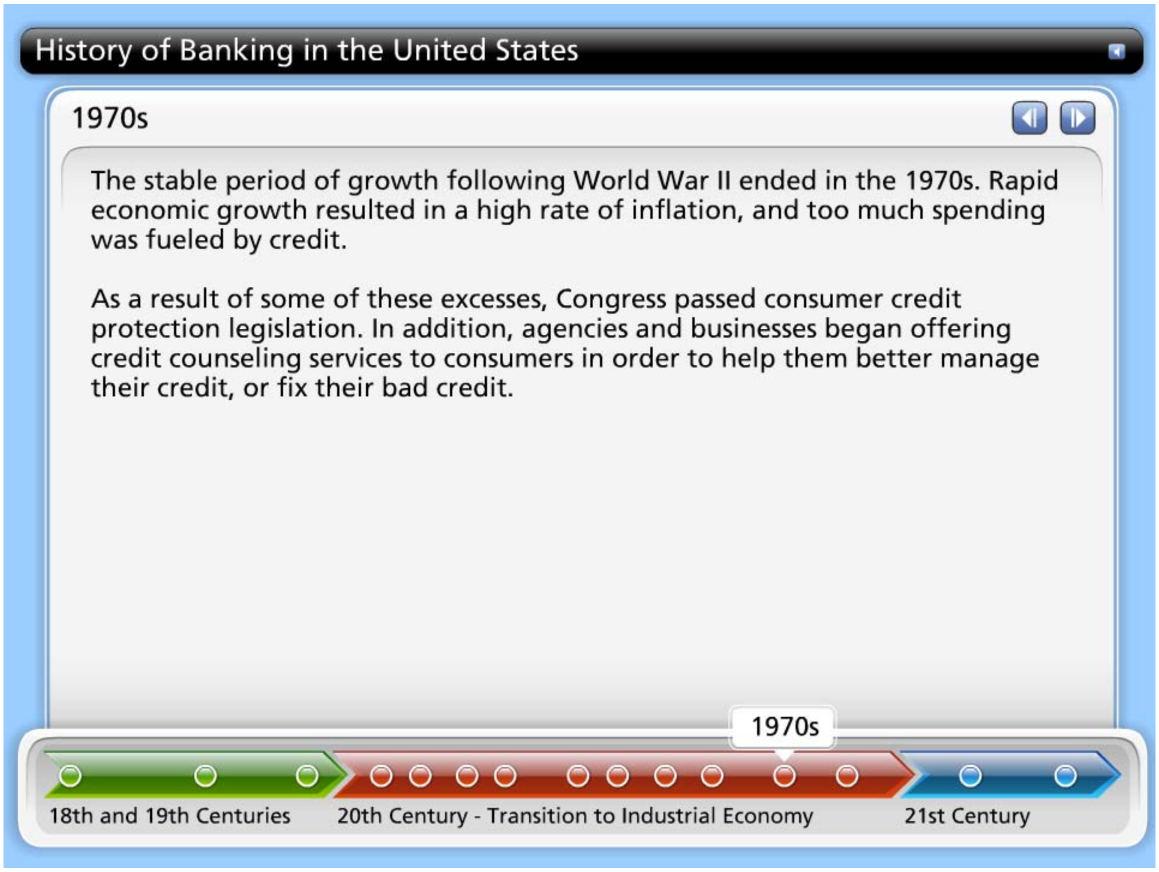
The Great Depression lasted throughout the entire 1930s as the economy slumped and huge numbers of people were unemployed. Since many people lost a lot of money by borrowing and investing during the 1920s, they distrusted credit and investment as a result of the depression. The depression ended with the industrial build up required to fight World War II.

1940s-1960s

Event Text

The period from World War II up through the 1960s saw a great period of prosperity in the United States brought on in part by stable rates of inflation and low interest rates.

1970s

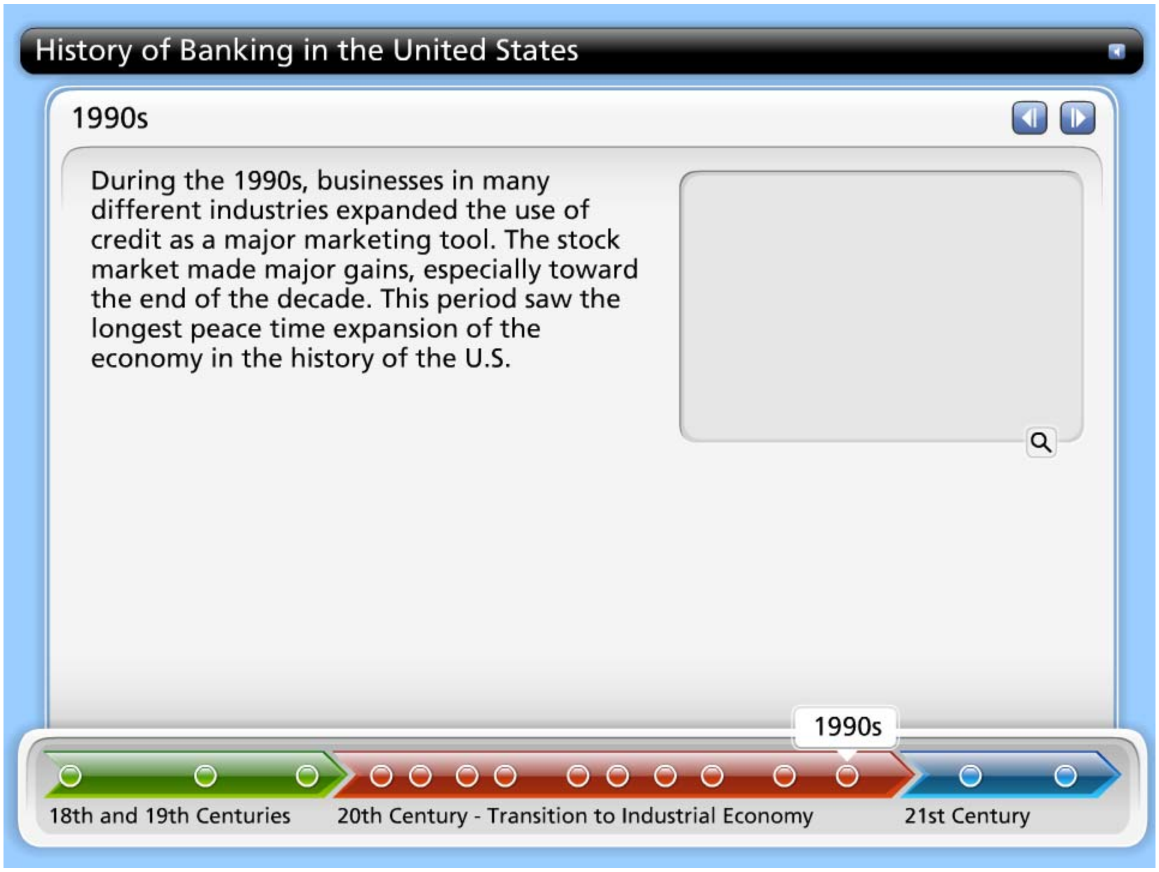


Event Text

The stable period of growth following World War II ended in the 1970s. Rapid economic growth resulted in a high rate of inflation, and too much spending was fueled by credit.

As a result of some of these excesses, Congress passed consumer credit protection legislation. In addition, agencies and businesses began offering credit counseling services to consumers in order to help them better manage their credit, or fix their bad credit.

1990s

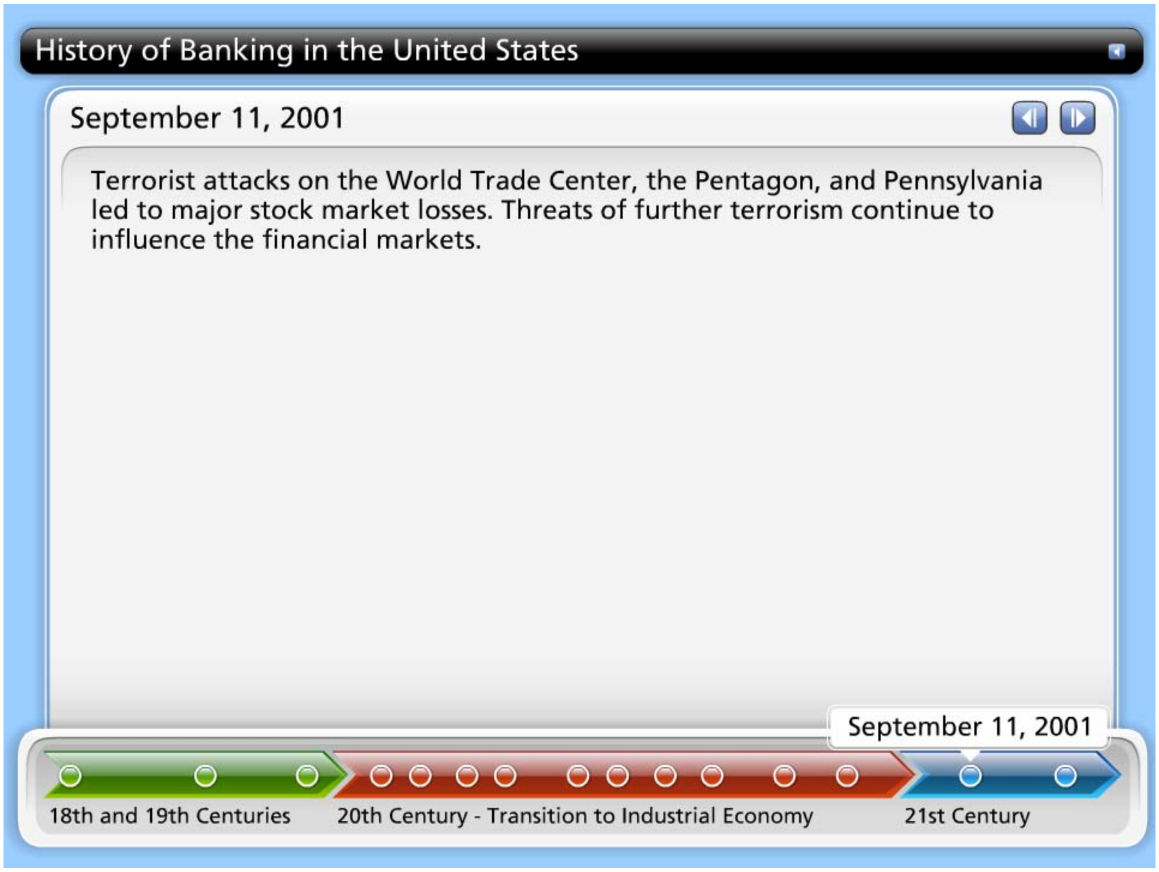


Event Text

During the 1990s, businesses in many different industries expanded the use of credit as a major marketing tool. The stock market made major gains, especially toward the end of the decade. This period saw the longest peace time expansion of the economy in the history of the U.S.

21st Century

September 11, 2001



Event Text

Terrorist attacks on the World Trade Center, the Pentagon, and Pennsylvania led to major stock market losses. Threats of further terrorism continue to influence the financial markets.

2007

Event Text

The latter part of the first decade was marked by a significant economic recession that resulted in failed banks, foreclosures, and high unemployment. This recession started in December 2007 and has had world-wide impacts.