Econ 323
Economic History of the U.S.
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Today’s Topics

https://www.youtube.com/watch?v=WC-1RFgkiGA

Federal Reserve
Stock Market
Crash Video
Dates of Bank Panics

* Panic of 1819
* Panic of 1837
* Panic of 1847
* Panic of 1857
* Panic of 1866
* **Panic of 1873**
* Panic of 1884
* Panic of 1890
* **Panic of 1893**
* **Panic of 1907**
  - New York Knickerbocker Trust Bank lent funds in order to manipulate the stock market
  - After failure, bank run started
  - Bank president shot himself, JP Morgan had to intervene
Creation of Federal Reserve

- Strong consideration after 1907 Panic
- Goal was to reduce bank panics and to manage seasonal interest rate fluctuations (more cash needed in fall harvest/holiday season)
- Federal Reserve Created in 1913 (same year as HSU!)
- Tension between rich Eastern bankers and Western/rural America
The Federal Reserve Act

- Federal Reserve Board and 12 Regional Banks share control of the Central Bank
- Nationally chartered banks (about ¼ of all banks, 40% of deposits) were required to join
- Things that were *eventually changed*:
  - Board included the Treasury Secretary
  - New Currency was NOT obligation of the Federal Reserve but rather of the Treasury
  - Regional Banks could set own interest rate
More Changes to The Federal Reserve Act

• Federal Open Market Committee added in the 1930s (this is the group that sets monetary policy)
• By the 1930s, only Federal Reserve Notes circulating as money
• After 1964, only fiat currency and not backed by silver
• In 1970s, Fed required by law to lower unemployment and lower inflation
• 1980 all banks had to hold deposits at Fed