

Name _____

Banking and Finance Regulations: The Great Depression's Impact

Short Answer Key

1. The Glass-Steagall Act was significant because it mandated the separation of commercial banking (such as accepting deposits and making loans) from investment banking (including securities trading and underwriting). This separation aimed to prevent conflicts of interest and reduce the risk associated with combining these activities.
2. The Emergency Banking Act of 1933 had two main components: declaring a nationwide bank holiday to temporarily close all banks and restore public confidence and allowing only sound banks to reopen. It contributed to stabilizing the banking system by ensuring that only financially healthy banks resumed operations.
3. The Federal Deposit Insurance Corporation (FDIC) played a crucial role in restoring public trust in the banking system by providing insurance for bank deposits. This insurance guaranteed that depositors' funds would be protected even if their bank failed, which encouraged people to keep their money in the banking system.
4. The Securities and Exchange Commission (SEC) worked to promote transparency and protect investors in the securities markets by overseeing and enforcing securities laws. It monitored and regulated securities trading, ensuring that companies provided accurate and complete information to investors, reducing the risk of fraudulent practices.
5. The Great Depression had a lasting impact on banking and finance regulations, shaping the financial system we have today. It introduced measures to separate commercial and investment banking, protect depositors, and promote transparency in securities markets. These changes aimed to prevent excessive speculation and risky practices, helping to avoid future economic crises.

