

### MATL481 PROBLEMS 3. Week 4, 20.2.2019

#### Q1. *Glass-Steagall and Dodd-Frank.*

The Wall Street Crash of 1929 devastated the American economy, which took over a decade to recover. It was often represented as ‘Main Street’ – representing the ordinary businesses of American life – versus ‘Wall Street’ – representing the financial sector. It was also seen as ‘retail (or high-street) banking (‘Main Street’) versus investment banking (‘Wall Street’). In an effort to prevent such problems by legislation, the *Glass-Steagall Act* of 1933 (named after its sponsors in Congress) was passed, under President F. D. Roosevelt (Democrat).

The Act served well during the Depression of the inter-war years, but was felt to have lost some of its relevance by the 1990s, particularly after the Big Bang in London of 1986 (recall that London and New York vie for financial supremacy). It was repealed in 1999 under President Clinton (also a Democrat, but a convinced ‘moderniser’/globaliser), and replaced by the Gramm-Leach-Bliley Act (1999), imposing a duty of greater transparency on providers of financial services.

The *Dodd-Frank Act* of 2010 was passed under President Obama (Democrat), in the aftermath of the Crash. It may be seen as a sequel in modern form to the Glass-Steagall Act passed in the aftermath of the Wall Street Crash of 1929. It is under threat of repeal by President Trump (Republican).

Comment briefly on the issues arising here.

#### Q2. *Savings & Loan (S&L).*

Investigate the Savings & Loan crisis in the USA, 1986-95, and comment briefly.

#### Q3. *The South Sea Bubble; Tulip Mania.*

Investigate the South Sea Bubble (UK), and Tulip Mania (Netherlands), and comment briefly.

NHB