Milestones in Banking History

Banking History · Answer Key · 25 Questions

1. Which Italian city-state established the Banco di San Giorgio in 1407, widely considered the world's oldest state-chartered bank?

A) Venice
B) Genoa
C) Florence
D) Milan

2. The Bank of England, founded in 1694, was originally created to serve what primary purpose?

A) To manage colonial trade
B) To fund the war against France
C) To issue the first gold standard coins
D) To regulate merchant guilds

3. What was the primary function of the 'Medici Bank' during the 15th century that revolutionized European trade?

A) Centralized gold minting
B) Introduction of the bill of exchange
C) Issuing government bonds
D) Nationalizing private debt

4. The first central bank to issue permanent banknotes as legal tender was which institution?

A) Sveriges Riksbank
B) Bank of Amsterdam
C) Bank of Scotland
D) Deutsche Bundesbank

5. Which US president successfully abolished the Second Bank of the United States in the 1830s, calling it a 'monster'?

A) Thomas Jefferson
B) James Madison
C) Andrew Jackson
D) Martin Van Buren

6. The 'Gold Standard' as a global monetary system was effectively solidified in 1871 by which nation?

- **A) Germany**
- B) France
- C) United Kingdom
- D) United States

7. What did the Glass-Steagall Act of 1933 specifically prohibit to stabilize the US banking system?

- A) Foreign currency speculation
- **B) Affiliation between commercial and investment banks**
- C) Interest on checking accounts
- D) Private ownership of gold

8. The Bretton Woods Agreement of 1944 resulted in the creation of which two major international financial institutions?

- A) The WTO and the UN
- **B) The IMF and the World Bank**
- C) The G7 and the OECD
- D) The ECB and the BIS

9. What is the historical significance of the 'Bank of Amsterdam' (Amsterdamsche Wisselbank) founded in 1609?

- A) It was the first bank to charge negative interest
- **B) It was the first modern central bank to offer deposit accounts**
- C) It established the first international stock exchange
- D) It was the first institution to provide deposit insurance

10. The 'Great Depression' bank runs of the 1930s led to the creation of which US agency to restore public confidence?

- A) The Federal Reserve
- B) The Securities and Exchange Commission
- **C) The Federal Deposit Insurance Corporation**
- D) The Office of the Comptroller of the Currency

11. In 1913, the Federal Reserve Act was signed by which US President, establishing the central banking system?

- A) Theodore Roosevelt
- B) William Howard Taft
- **C) Woodrow Wilson**
- D) Warren G. Harding

12. What did the 'Florence' banking system introduce to circumvent the Catholic Church's historical ban on usury?

A) Tax-exempt government bonds
B) The use of 'commenda' contracts
C) The bill of exchange using currency conversion
D) Corporate charitable trusts

13. The 'South Sea Bubble' of 1720 resulted in the passage of the 'Bubble Act,' which had what impact on corporations?

A) Mandated annual audits
B) Banned the creation of joint-stock companies without royal charter
C) Forced banks to hold 100% gold reserves
D) Prohibited international banking transactions

14. What was the primary innovation of the 'Wampum' as used in early colonial American banking transactions?

A) It was a digital ledger system
B) It served as a standardized commodity currency
C) It was the first paper banknote
D) It enabled interest-bearing loans

15. Which invention in 1967 is credited with being the first step toward modern retail automated banking?

A) The magnetic stripe card
B) The automated teller machine (ATM)
C) The computerized ledger
D) The debit card system

16. The 'Euro' currency was officially introduced as an accounting currency in which year?

A) 1992
B) 1995
C) 1999
D) 2002

17. What was the role of the 'Fugger' family in 16th-century European banking?

A) They pioneered central banking in Germany
B) They financed the Habsburg dynasty through international lending
C) They were the first to issue government-backed paper money
D) They invented the double-entry bookkeeping system

18. The 'Basel I' Accord of 1988 was primarily focused on setting standards for which banking metric?

A) Interest rate transparency

B) Capital adequacy ratios

C) Consumer privacy protection

D) Cross-border wire transfer fees

19. During the late 19th century, 'Free Banking' eras in the US were characterized by what practice?

A) State-chartered banks issuing their own banknotes

B) Interest-free government loans

C) The total absence of central regulation

D) A ban on private bank ownership

20. The 'Panic of 1907' was the primary catalyst for the creation of which major financial institution?

A) The World Trade Organization

B) The Federal Reserve System

C) The Bank for International Settlements

D) The International Monetary Fund

21. What is the defining feature of 'Fractional Reserve Banking'?

A) Banks keeping only a percentage of deposits as reserves

B) Banks lending only their own equity

C) Government ownership of 51% of bank stock

D) Mandatory gold backing for all loans

22. The 'Riksbank' of Sweden is historically significant for being the first to do what?

A) Issue paper banknotes in 1661

B) Adopt the gold standard

C) Establish an international branch network

D) Create a digital currency

23. Which document, signed in 1215, historically influenced the development of property rights necessary for modern banking?

A) The Treaty of Westphalia

B) The Magna Carta

C) The Edict of Nantes

D) The Bill of Rights

24. In early modern banking, the 'Lombards' were known for which activity?

- **A) Providing pawn-brokered loans**
- B) Issuing government bonds
- C) Managing state tax collection
- D) Establishing central banks

25. The 'Gresham's Law' observation in monetary history states that:

- **A) Bad money drives out good**
- B) Central banks must always inflate the currency
- C) Inflation is always a monetary phenomenon
- D) Fixed exchange rates lead to economic collapse