Garn-St Germain Depository Institutions Act of 1982

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During the 1970s, high inflation and the cost of short-term loans to depository institutions raised interest rates. Banks and thrifts found it increasingly difficult to maintain the spreads between deposit and loan rates. The Federal Reserve System was unable to control the rate of inflation, and, in doing so, raised market interest rates even further. Depository institutions then became illiquid when they were unable to obtain enough deposits to fund their loans. In October 1979, Federal Reserve Chairman Paul Volcker moved to contain inflation, and the Fed and the FDIC provided unprecedented capital to injecting capital into troubled firms, and the Fed and the FDIC provided unprecedented capital to troubled banks, the FDIC and its insurer, the Federal Savings and Loan Insurance Corporation, faced insolvency.

The Great Inflation

The Great Inflation initiated a series of legislative reactions to contain inflation, increase capital requirements, and adjust regulatory provisions.