Franklin D. Roosevelt — "The Great Communicator" The Master Speech Files, 1898, 1910-1945

Series 2: "You have nothing to fear but fear itself:" FDR and the New Deal

File No. 616-1

1933 March 12

Fireside Chat #1 - The Banking Crisis

. . . 3/14/33 file with press release of yesterday

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P.P. CATHE WHITE HOUSE 0616A F For the Preso March 12, 1933 address of President Roosevert. by Radio, delivered from the Presidents' Study in the While House at 10 Pm today x aution: - Not to be released by the Trees in editions affearing on the sheets before 10 PM today.

THE WHITE HOUSE WASHINGTON

Stephen T Earl anot. Sea & thes

March 12, 1933.

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Franklin D. Roosevelt Library

This is a transcript rade by the White House stenographer from his shorthend notes taken if no first the speech was made. Under lining inflorates words extemporamenal? adden to the previously prepared reading copy test. Kords in parentheses are words that work omitted when the speech and cluvered, though they appear in the previously prepared reading copy test.

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I know that many people are worrying about State banks not members of the Federal Reserve System. These banks can and will receive assistance from rembers banks and from the Reconstruction Finance Corporation. These state banks are following the same course as the national banks coxcept that they got their liconsets to resume business from the state authorities, and these authorities have been asked by the Secretary of the frequency to permit their good banks to open up on the same schedule as the national banks. I am confident that the state banking departments will be as careful as the National Government in the policy relating to the opening of banks and will follow the same broad policy.

It is jossible that when the banks resume a very few pople whe have not recovered from their fear may again begin withdrawals. Let me make it clear that the banks will take care of all needs-- and it is my belief that hoarding during the past week has become an exceedingly unfashionable pastime. It needs no prophet to tell you that when the people find that they can get their money-- that they can get it when they want it for all legitimate purposes-- the phontom of fear will soon be laid. People will again be glad to have their money where it will be acfely taken care of and where they can be it covenient at any time. I can assure you that it is after to keep your money in a recogned bank than under the mattrees.

The success of our whole great national pregram depends, of course, upon the cooperation of the public -- on its intelligent support and use of a reliable system. Remember that the essential accouplishent of the new legislation is that it makes it possible for banks more readily to convert their assets into eash than was the case before. More liberal provision has been made for banks to borrow on these casets at the Reserve Banks and more liberal provision has alled been made for issuing currency on the security of those good assets. This currency is not flat currency. It is issued only on adequate security-- and every good bank has an abundance of such security.

One more point before I close. There will be, cf course, some banks unable to reopen without being reorganized. The new law allows the Government to assist in making these reorganizations quickly and effectively and even allows the Government to subscribe to at least a purt of new capital which may be required.

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We had a bad banking situation. Some of our bankers had shown themselves either incompetent or dishonest in their handling of the people's funds. They had used the money entrusted to them in speculations and unwise leans. This was of course not true in the vast majority of our banks but it was true in enough of them to shock the people for a time into a sense of insecurity and to put them into a frame of mind where they did not differentiate, but seemed to assume that the acts of a comparative fow had tainted them all. It was the Government's job to straighten out this situation and do it as quickly as possible -- and the job is being performed.

I do not premise you that every bunk will be reopened or that individual losses will not be suffered, but there would have been more and greater losses had we continued to drift. I can even premise you salvation for some at least of the sorely pressed bunks. The shall be engaged not merely in reopening sound bunks but in the creation of sound banks through reorganization.

It has been monderful to me to eatch the note of confidence from all over the country. I can never be sufficiently grateful to the people for the loyal support they have given me in their acceptance of the judgment that has dictated our course, even though all of our processes may not have seemed clear to them.

After all there is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faitly you must not be stampeded by rumors or guesses. Lat us units in banishing fear. We have provided the machinery to restore cur financial system; it is up to you to support and make it work.

It is your problem no less than it is mine. Together we cannot fail.

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Address of President Reosevelt by radio, delivered from the President's Study in the White House at 10 P.M. today.

I want to talk far a far minutes with the people of the United States about banking-with the compartively far whe understand the mechanics of banking but may eparticularly with the overwhelming m.jority the use banks for the making of deposits and the drawing of checks. I want to tall you what has been dose in the last for days, why it man done, and what the next steps are going to be. I receptize that the mary predimentions from State Capitol and from Hanhington, the isgulation, the Treasury regulations, etc. couched far the most part in banking and legal towns about the experime of the benefit of the average citizet. I one this in particular becaus of the fortitude and geed temper with which everybedy has accepted the inconvenience and hardships of the banking holiday. I know that when you understand what we in Washington have been about I shall centimus to have your cooperation as fully as i have had your sympathy and help during the part weak.

First of all let me state the simple fact that when you deposit money in a bank the bank does got put the money into a safe deposit walt. It invests your money is many different forms of oredit--bonds, memorial paper, met gagges and many other kinds of locas. In other words, the bank puts your money is work to keep the wheels of industry and of agriculture turning around. A comparatively small part of the money you put into the bank is kept in currency-an amount which in morrant times is wholly sufficient to ever the each meds of the average citizen. In other words the total amount of all the currency in the country is call a small fraction of the total deposits in all of the banks.

What, then, happened during the last few mays of February and the first few days of March? Because of undermined confidence on the part of the public, there was a general rush by a large portion of our population to turn bank deposits into unremoy or gold. -- A rush so great that the soundast banks could not get enough currency to meet the demand. The reason for this was that on the spur of the moment it was, of course, impossible to sell perfectly sound assets of a bank and cenver them into cash except at panic prices far belew their real value.

By the afternoon of March 3 searcely a bank in the country was open to do business. Froelamations temporarily closing them in whole or in part has been issued by the Gavernors in almost all the states.

It was then that I issued the proclamation providing for the nation-wide bank holiday, and this was the first step in the Governmost's reconstructions of our financial and economic fabric.

The second step was the legislation promptly and patriotically passed by the Gongress confirming my proclamation and broekening my powers as that it became possible in view of the requirement of time to oxtent the holiday and lift the ban of that heliday gradually. This law slue gave authority to develog a program of rehabilitation of our banking facilities. I want to tail our ofticans in avery part of the Nation that the mational Congress-Republicans and Dameorate slike--nhowed by this estion a devotion to public resifare and a realization of the emergency and the necessity for speed that it is difficult to match us our history.

The third stage has been the series of regulations permitting the banks to centimus their functions to take eare of the distribution of feed and household necessities and the payment of payrolls. This bank holiday while resulting in many cases in great inconvenience is affording us the opportunity to supply the currency necessary to meet the situation. Ho sound bank is a dollar worse off than it was when it closed its decors lest Monday. Noither is any bank which may thurn out not to be in a pesition for immediate opening. The new law allows the twelve Federal Reserve banks to issue additional currency on good assorts and thus the banks which recopen will be able to meet every legitimate call. The new currency is being sent out by the Eureau of Engraving and Printing in large volume to every port of the country. It is sound currency because it is backed by actual, good assorts.

A question you will ask is this -- why are all the banks not to be reopened at the same time? The answer is simply. Your Covernment does not intend that the history of the past few years shall be repeated. We do not want and will not have another epidemic of bank failures.

As a result we start tomorrow, Monday, with the spening of banks in the twelve Federal Reserve bank cities -- these banks which en first examination by the Treasury have already been found to be all right. This will be follewed en Tuesday by the resumption of all their functions by banks already found to be sound in dities where there are recognized clearing houses. That means about 250 cities of the United States.

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9/18/56 RJ Note : see Moley, After Seven lears fednote, page 155 for comments on draffing of this speech . (March 12, 1933)

Del Grace tully FDR, My Boss , page 92 about disappearance of Reading Copy RLS 10/31/58

NOT LOCATED

Statements File

3/14/33 (File with press release of yesterday)

We are engaged in trying to prevent the old evils from returning and we want to know all the ramifications of those evils and what we must guard against.

The President has asked the Atty. Genl. to keep in close touch with the Senate Committees and to prosecute any violations of law, vigorously, if such develop.

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