

Closed for the Holiday

THE BANK HOLIDAY OF 1933

Federal Reserve Bank of Boston



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Millions of voices once repeated cautionary tales of the Great Depression.

Every family had at least one member whose mission was to impart the

lessons of that bitter time. But the voices have begun to fade, and the day

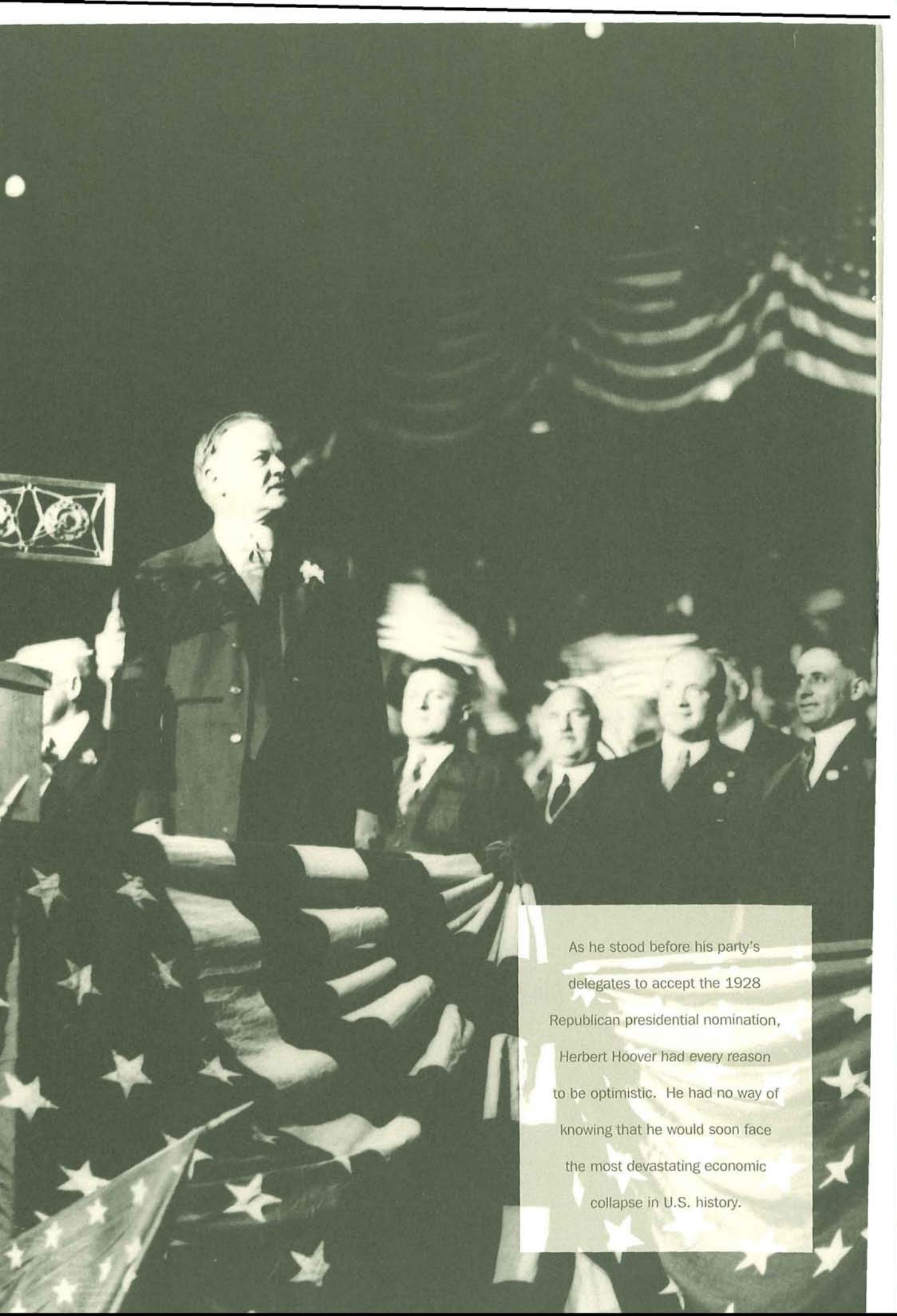
is approaching when no one will be left to remind us that "good health"

and a "steady job" are things that ought not to be taken for granted.

With that in mind, the following pages recap the two most significant

events of the Great Depression: the stock market crash of 1929 and the

Bank Holiday of 1933.



As he stood before his party's delegates to accept the 1928 Republican presidential nomination, Herbert Hoover had every reason to be optimistic. He had no way of knowing that he would soon face the most devastating economic collapse in U.S. history.

WHAT GOES UP...

Herbert Hoover's adult life had been an unbroken string of successes. The Stanford-trained mining engineer had amassed a fortune by age 40 and embarked on a second career in public service. As director of relief operations in the years after World War I, he was responsible for saving countless lives in war-ravaged Europe and garnered international recognition. From 1921 to 1928, he served as Secretary of Commerce under Presidents Harding and Coolidge and was perhaps the central figure in the U.S. business community, developing statistical agencies, promoting trade associations, and advocating cooperative planning.

As he stood before his party's delegates to accept the 1928 Republican presidential nomination, Hoover had every reason to be optimistic. "We shall soon, with the help of God, be within sight of the day when poverty will be banished from the nation," predicted the man who had never known failure.

He had no way of knowing that he would soon face the most devastating economic collapse in U.S. history. He never saw it coming. Few people did.

The years leading up to Hoover's presidency had been characterized by exuberance and optimism. American business had prospered, and businessmen were the cultural heroes of the 1920s — respected, admired, and trusted.

"The chief business of America is business," declared President Coolidge in 1925, and hardly anyone disagreed. Corporations turned out an enticing array of new consumer goods

— automobiles, refrigerators, washing machines, radios, phonographs — and middle-class Americans discovered the wonders of buying on installment credit.

There was a widely-held belief that wealth was within reach of anyone with energy, initiative, and the willingness to take a risk. Chicago gangster Al Capone declared (perhaps with a touch of irony) that, "The American system of ours, call it Americanism, call it what you like, gives each and every one of us a great opportunity if we only seize it with both hands and make the most of it." Which is exactly what many Americans endeavored to do.



Chicago gangster Al Capone declared (perhaps with a touch of irony) that, "The American system of ours, call it Americanism, call it what you like, gives each and every one of us a great opportunity if we only seize it with both hands and make the most of it." Which is exactly what many Americans endeavored to do.

... MUST COME DOWN.

During the mid-1920s, Wall Street attracted a sizable number of middle-class investors, many of whom, as John Kenneth Galbraith has observed, were "displaying an inordinate desire to get rich quickly with a minimum of physical effort."¹ They seemed to regard the stock market as a "sure thing," and they expected the good times to continue unabated.

The market was white hot at the start of 1929. Speculators were buying shares on margin, putting as little as 10 percent of their own money down and borrowing the other 90 percent — a fine practice as long as share prices

continued to increase. But what if the market were to falter and nervous lenders were to demand immediate repayment?

Concerned that speculation was getting out of hand, Federal Reserve officials issued a series of relatively mild statements in February 1929. The intent of these statements was to caution commercial banks against using Federal Reserve credit to finance speculative security loans. (Brokers and others routinely used loans from commercial banks to finance speculative ventures.) At the same time, however, the Federal Reserve Board emphasized that it had "no disposition to assume authority to interfere with the loan practices of member banks, so long as they do not involve the Federal Reserve Banks."²

The Fed's statements, coupled with the Bank of England's February 1929 announcement that it would raise rates in order to keep money from flowing to the American stock market, triggered a sharp decline on Wall Street. And although the market soon bounced back, the short-lived decline in stock prices left investors with a residue of nervousness.

Then, in March 1929, the market took another tumble and the rate for "call money" (money used to finance margin purchases) soared to 20 percent as some bankers began to exercise caution. But even after that, the call rate dropped and prices recovered when Charles E. Mitchell, chairman of the National City Bank in New York (and a director of the Federal Reserve Bank of New York) announced that National City Bank would loan as much money as necessary in order to "avoid a general collapse of the securities markets."³ In effect, Mitchell had publicly shrugged off the Federal Reserve's concern

over speculation, and he stood ready to back his words with his depositors' money.

Once again anxiety faded. "Stock market prices," proclaimed Yale economist Irving Fisher a few months later, "have reached what looks like a permanently high plateau." But in actuality, the bottom was about to fall out.

The beginning of the end came in early September, following a widely-publicized speech by economist and educator Roger Babson, who predicted that, "Sooner or later a crash is coming, and it may be terrific."⁴ His remarks sent the market into a skid, but prices quickly recovered and Babson became the target of derisive criticism.

Then, on Thursday, October 24, 1929 (also known as "Black Thursday"), events proved Babson right. Lingering skittishness caused investors to panic when the stock ticker fell behind. (Stock tickers were machines that printed out the latest share prices on continuous strands of paper known as "ticker tape.") Prices went into a free fall as brokers and speculators scrambled to unload their holdings for whatever price the shares would bring.

"Brokers in Uproar As Market Boils," blared the *New York Times* headline on Friday, October 25. "Perspiring Traders With Torn Collars Stand Limply Or Jump and Laugh," read the subhead. The *Times* account described a "weird roar of thousands of shouting men... (see quote page 5)."

Brokers and clerks were unable to cope with the avalanche of sell orders. Fortunes disappeared in a matter of hours.

CHRONOLOGY OF A CRASH

The suddenness and severity of the 1929 stock market collapse took most Americans by surprise, but the warning signs had been there for anyone who cared to notice. The following excerpts at the bottom of pages 4 and 5 describe events leading up to the Great Crash.

August 1928 — Herbert Hoover accepts the Republican presidential nomination and predicts, "We shall soon, with the help of God, be within sight of the day when poverty will be banished from the nation."

February 1929 — The stock market drops sharply then recovers. The drop is a reaction to the Federal Reserve's concerns over speculative trading and the Bank of England's decision to raise interest rates in order to discourage British money from flowing to the American stock exchange.

The effect was absolutely devastating. Thousands milled outside the New York Stock Exchange, eager to learn more. "Notable in the composition of the crowd," observed the *Times*, "was the number of women, largely stenographers, who apprehensively watched the Exchange building. Many of them had small accounts, and their talk indicated that they were waiting for the worst."

On Sunday, October 27, sightseers and morbid curiosity seekers strolled through the streets of New York's financial district. Tour conductors pointed out "where all that money was lost last week."

In the aftermath of Black Thursday, there were flickers of hope when investors believed that prominent bankers might intervene in the crisis (as J.P. Morgan had in 1907). Those hopes, however, soon faded.

On Tuesday, October 29 (sometimes referred to as "Black Tuesday"), another wave of panic selling sealed the market's fate. "It was not so much the little trader or speculator who was struck by the [October 28] cyclone," noted the

Times. "It was the rich men of the country.... It was the big man whose holdings were endangered [this time] and who threw his holdings

into the Stock Exchange for just what they would bring, when hysteria finally seized him."

During the days and weeks that followed, bankers, Treasury officials, and politicians sought to reassure investors and the general public, but the damage had been done. The situation was far beyond the point when upbeat pronouncements from authority figures might alter the outcome. Bedrock beliefs had been deeply shaken.

At first, experts characterized the crash as an extreme "price correction." Most expected the market to rebound after the amateurs and speculators were "shaken out." But the market hit many "new lows" on its way to the bottom, and by the end of 1929 experts and

amateurs alike were forced to consider the possibility that good times would not soon return.

*"It never rose, it never fell,
but rumbled to the high ceiling in
mighty monotone. It was the voice
of the Street, now hopeful, now
tragic, making audible the history
of a momentous day in the
market.... As it faded, a singular
cacophony welled from the floor
where more than 12,000,000
shares had changed hands and
where paper fortunes had vanished.
It was a mixture of groans, of boos,
and of sighs of relief. The final
chorus had an eerie quality, like
chords from a primitive requiem."*

New York Times, Friday, October 25, 1929

March 1929 — Some bankers begin to exercise caution in lending to speculators, and the rate for "call money" soars to 20 percent. The market takes another tumble but then recovers after Charles E. Mitchell, chairman of the National City Bank in New York, announces that his bank will loan as much money as necessary to "avoid a general collapse of the securities markets."

September 1929 — Economist and educator Roger Babson predicts that, "Sooner or later a crash is coming, and it may be terrific." His words cause the market to skid, but share prices quickly recover.

October 24, 1929 ("Black Thursday") — Investors panic after stock ticker falls behind. The market goes into a free-fall as brokers and speculators scramble to unload their holdings for whatever price the shares will bring.

October 29, 1929 ("Black Tuesday") — Another wave of panic selling seals the market's fate.

BAD TO WORSE

The suddenness and severity of the stock market collapse had taken most Americans by surprise, but indications of underlying economic weakness had emerged years earlier. In 1926, speculators received proof that "what goes up must come down" when declining demand and two severe hurricanes punctured the Florida real estate bubble. A year later, in 1927, U.S. industrial production showed signs of faltering. Consumer demand was dropping, and inventories were on the increase.

The distress signals had been even more apparent in rural areas. American farmers had never recovered from the devastating decline in

tightened their belts. Businesses retrenched. The number of bankruptcies soared. Borrowers defaulted on loans that once had been considered sound. Job losses mounted at an alarming rate, and legions of unemployed depositors drained their bank accounts in a desperate effort to keep their heads above water.

Governments around the globe made matters worse by imposing trade restrictions intended to protect domestic industries. Measures such as the infamous Smoot-Hawley Tariff, passed by the U.S. Congress in 1930, had a disastrous effect on international commerce and domestic employment.

Assets of Commercial Banks in the United States, 1930-1933

(in millions of dollars)

	National Banks	State Banks		Total State Banks	Total Banks
		Federal Reserve Member Bank	Nonmember Bank		
1930	28,828	18,521	16,776	35,297	64,125
1931	27,430	17,406	14,181	31,587	59,017
1932	22,318	13,538	10,448	23,986	46,304
1933	20,813	12,226	7,412	19,638	40,451

prices that followed World War I. The prosperity that had visited the rest of the U.S. economy during the "Roaring '20s" had largely eluded the Farm Belt.

In short, the stock market crash was a response to existing economic conditions rather than a cause of the Great Depression. Nevertheless, it resulted in a staggering loss of wealth and purchasing power that sent the economy into a violent, downward spiral. Demand for goods and services dropped sharply as consumers

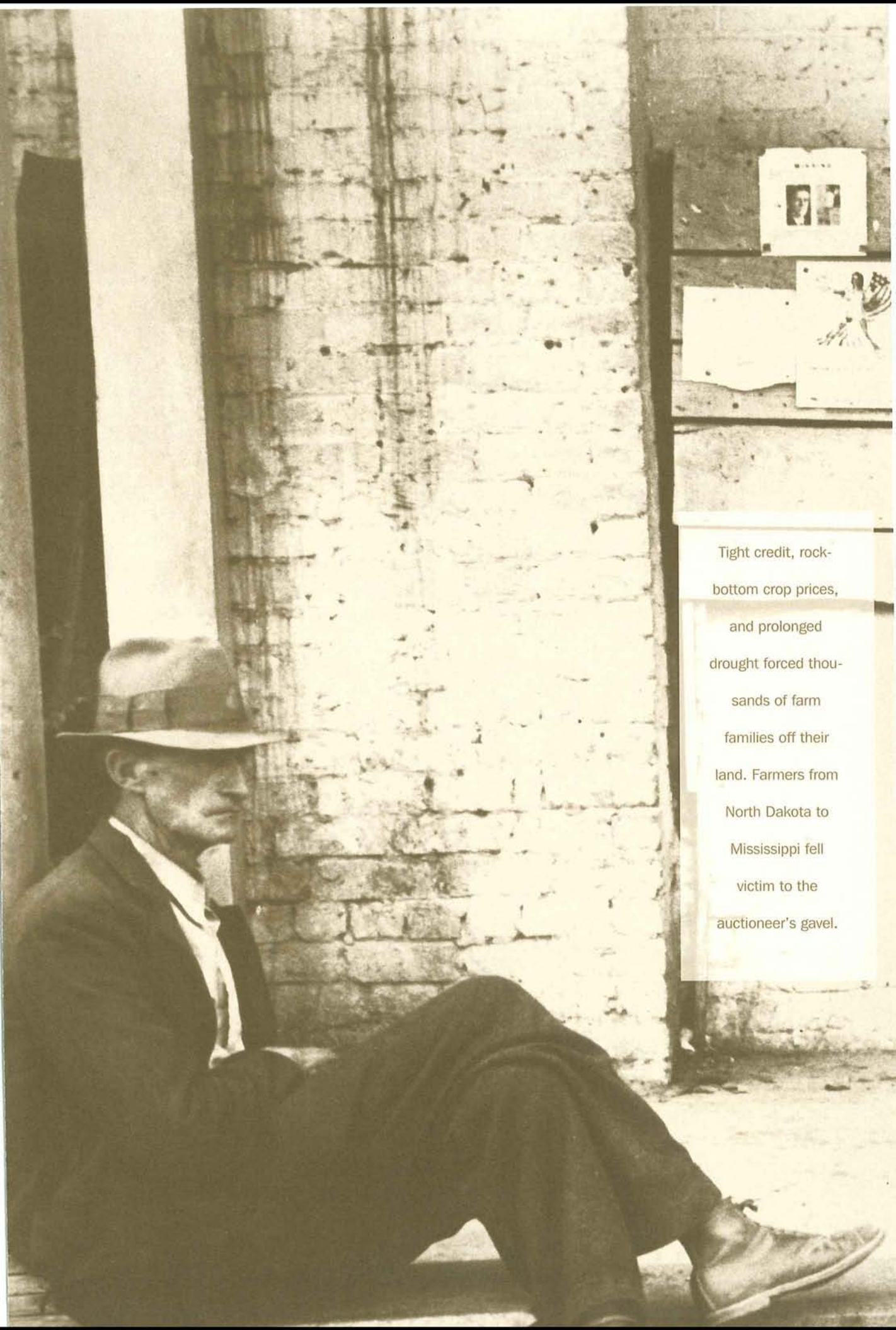
the dollar's convertibility to gold, particularly after Great Britain abandoned the gold standard in September 1931. (Fearful that the United States would follow Britain's lead, foreign investors rushed to withdraw their funds from U.S. banks and thereby put a severe strain on U.S. gold reserves. The Federal Reserve responded by moving to boost U.S. interest rates in the hope that higher yields on American financial instruments would stem the outflow of gold.³)

CASHLESS SOCIETY

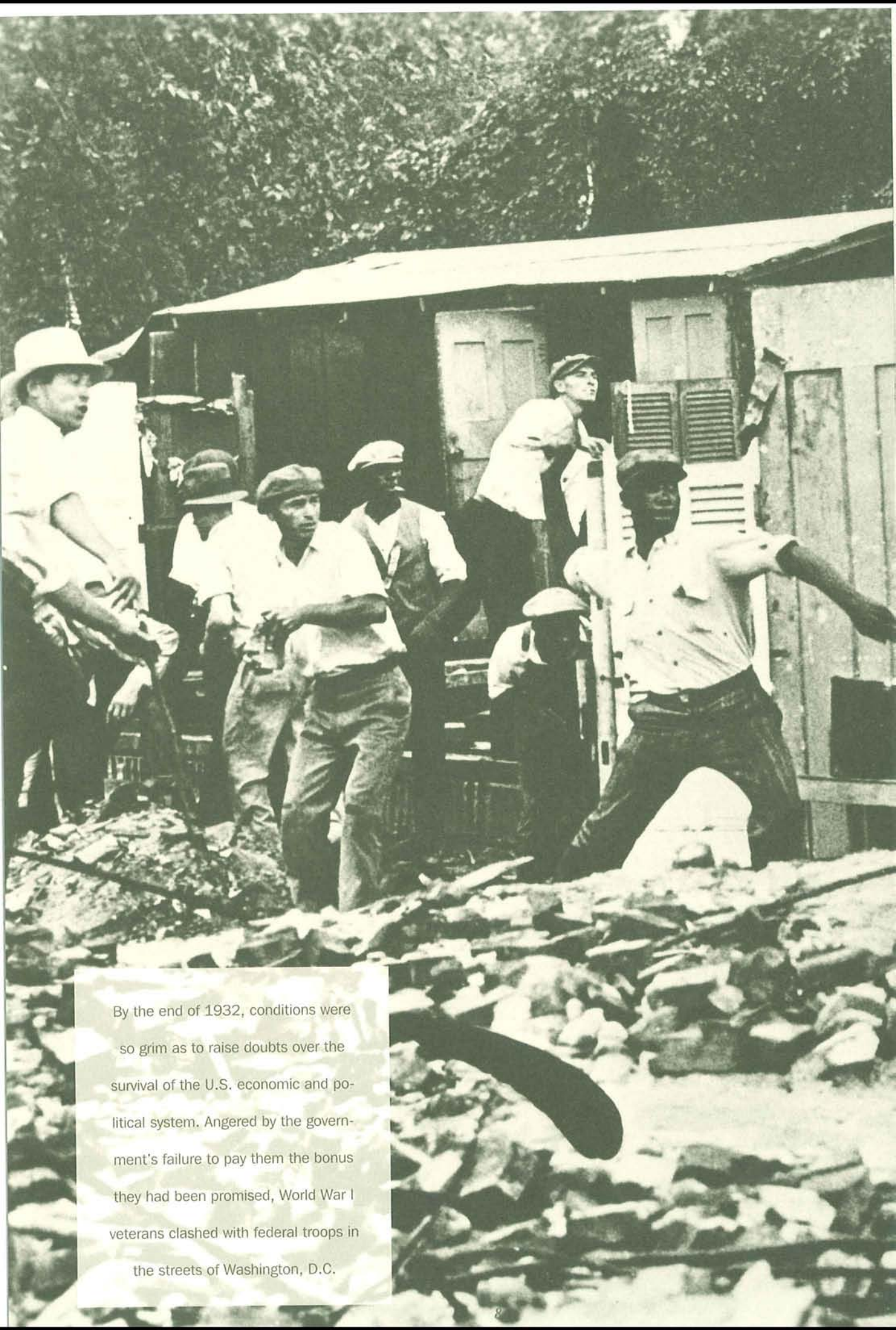
The following excerpts, drawn from the *Boston Globe*, the *Boston Herald*, the *Boston Post*, and *Time*, convey a sense of how everyday Americans dealt with the Bank Holiday of 1933 and the resulting lack of cash.

"Besieged by telephone calls from regular customers who related that they wanted to patronize the Egyptian Room but were temporarily without cash, L.C. Prior, managing director of the Lenox and Brunswick Hotels, announced last night that all regular or known patrons may eat at either hotel on credit during the bank holiday."
Boston Post, March 4, 1933

"These are wholesome times, and as you may have observed, we are taking them in the same spirit we used to take those things the grownups said were good for us when we were kids." – Henry Ford
Boston Herald, March 4, 1933



Tight credit, rock-bottom crop prices, and prolonged drought forced thousands of farm families off their land. Farmers from North Dakota to Mississippi fell victim to the auctioneer's gavel.



By the end of 1932, conditions were so grim as to raise doubts over the survival of the U.S. economic and political system. Angered by the government's failure to pay them the bonus they had been promised, World War I veterans clashed with federal troops in the streets of Washington, D.C.

HOOVERVILLES, HOOVER BLANKETS, AND HOOVER HOGS

By the end of 1932, conditions were so grim as to raise doubts over the survival of the U.S. economic and political system. Although the economy showed intermittent signs of recovery, the overall trend was downward. Real GNP tumbled 33 percent from 1929 to 1932.⁶ More than one-quarter of the work force was unemployed, and in certain sectors of the economy, such as manufacturing, the employment rate dropped by 45 percent. Steel plants operated at a mere 12 percent of capacity. (United States Steel's payroll plunged from 225,000 full-time workers in 1929 to a few thousand in 1932.)

Things were no better in the countryside. Tight credit, rock-bottom crop prices, and prolonged drought forced thousands of farm families off their land. Unable to pay their mortgages or their taxes, farmers from North Dakota to Mississippi fell victim to the auctioneer's gavel. Some simply packed their trucks and headed for California without waiting for the sheriff to deliver their foreclosure notices.

Not surprisingly, much of the blame for the Great Depression fell on Herbert Hoover. His past accomplishments — his humanitarian efforts on behalf of refugees and famine victims — were all but forgotten. The man who had once looked forward to the end of poverty in America, became the target of popular scorn.

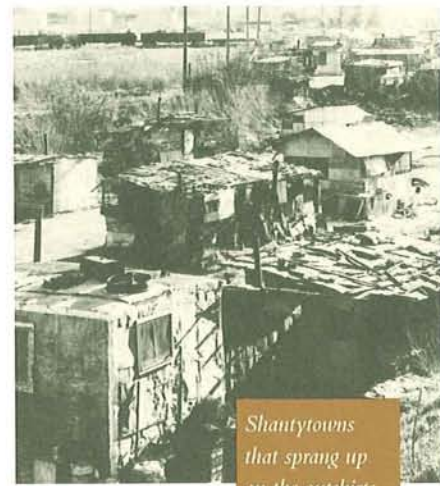
Shantytowns that sprang up on the outskirts of nearly every sizable American city were dubbed Hoovervilles. Newspapers used as blankets by those who slept in the streets were

known as Hoover blankets. Jack rabbits that graced the kitchen tables of those unable to afford beef, chicken, or pork were served under the sobriquet Hoover hogs.⁷ Even those inclined to take a more charitable view, came to see the president as ineffectual and out-of-touch.

Hoover's philosophy of government added to his woes by constraining his ability to act. He took a limited view of the federal government's responsibilities in times of economic crisis, and he remained steadfastly opposed to programs funded and administered solely by the government. Toward the end of 1930, he told Congress that "economic depressions cannot be cured by legislative action or by executive pronouncement....

Economic wounds must be healed by the action of the cells of the economic body — the producers and consumers themselves.... Recovery can be expedited and its effects mitigated by cooperative action."⁸

Yet the popular notion that Hoover was either unwilling or unable to take action is not entirely accurate. Most of his proposals for dealing with the crisis were structured as cooperative efforts between government and business — an approach that was consistent with the initiatives he had taken as Secretary of Commerce during the 1920s.



Shantytowns that sprang up on the outskirts of nearly every sizable American city were dubbed "Hoovervilles."

⁶"A young woman undertook the role of Lady Bountiful at the expense of a Bowdoin Square restaurant last night and ended a brief career of philanthropy at the Joy Street [police] station. With a great show of liberality, she invited a small group of the hungry ones into the one-arm lunch and told them to go ahead and order. While they ate, she sat near the door and smoked a cigarette in medita-

tion. When it came time to pay, she said something that sounded like: 'Charge it to the mayor,' and made a bolt for the door. She was overtaken and later lectured at Joy Street. Then her parents were called and she was turned over to them."
Boston Post, March 4, 1933

⁷"A temporary dining hall has been established on the second floor of the Harvard Union, at which students of the university may obtain their meals on credit by presenting their bursar cards. Prices for meals will be 20 cents for breakfast, 50 cents for luncheon, and 65 cents for dinner. The charge will be billed on the fourth term bill."
Boston Globe, March 4, 1933

BANKING CONCERNS

The Hoover Administration devoted considerable attention to the plight of ailing banks, in part because bank credit was a key element of the cooperative recovery effort between business and government, but also because the

hearings; and the bankers sought to limit the scope of proposed reforms. A few proposals were mulled by Congress, but no substantive measures were passed during 1930 or 1931.

Number of Commercial Banks in the United States, 1930-1933

	National Banks	State Banks		Total State Banks	Total Banks
		Federal Reserve Member Bank	Nonmember Bank		
1930	7,247	1,068	15,364	16,432	23,679
1931	6,800	982	13,872	14,854	21,654
1932	6,145	835	11,754	12,589	18,734
1933	4,897	709	8,601	9,310	14,207

In the fall of 1931, bankers responded to the President's request for cooperative action by establishing the National Credit Corporation, to which New York City bankers made \$500 million available for the purpose of making loans to banks that

economic collapse had badly shaken public confidence in the U.S. banking system. Anxious depositors raced to the bank and closed their accounts at the slightest hint of trouble. Even strong banks sometimes fell victim to the overall feeling of pessimism and despair.

were unable to borrow from the Federal Reserve.¹⁰ (Since its establishment in 1914, the Federal Reserve had served as the banking system's "lender of last resort," making funds available to banks that experienced sudden deposit outflows due to runs or related causes. But borrowing privileges extended only to members of the Federal Reserve System — mainly national banks.)

Signs of weakness in the U.S. banking system had begun to appear long before the stock market crashed. A statement issued in 1930 by the Comptroller of the Currency, the primary regulator of national banks, noted "the failure of 5,600 banks in the past ten year period."⁹ (Bank failures had hit 775 in 1924 and 976 in 1926.) Banks in less prosperous rural areas were particularly vulnerable.

A few months later, in January 1932, Congress passed the Reconstruction Finance Corporation Act to support smaller banks and financial institutions in an effort to "give renewed support to business, industry, and agriculture."¹¹ The RFC was empowered to make collateralized loans to financial institutions, industries, and railroads "whenever such advances would promote credit and stimulate employment."¹² (The RFC concept was originally put forth by Eugene Meyer, Governor of the Federal Reserve System.) In passing the Act, Congress was responding to pressure from Hoover, who had stated at the end of 1931 that, "Our people have a right to a banking system in which their deposits shall be safeguarded and the flow of credit

But in the aftermath of the Crash, the banks' weakness became more pronounced, prompting President Hoover to press for reforms. Congress, too, gave banking reform a high priority, as did the banking industry. Unfortunately, the parties were unable to agree on an appropriate course of action. Hoover suggested a joint commission; Congress scheduled

"America's bank holiday resulted in some unusual incidents yesterday.... In Milwaukee, ministers agreed they wouldn't pass collection plates until the crisis was over."
Boston Post, March 4, 1933

"To the capitalist, the industrial king, and the merchant prince the bank holiday which started yesterday might be a serious situation. But to the average person on the street in Boston the real effect of the bank closings seemed to be a test of who's got a dime.... [T]hroughout the entire city there was a serious situation caused by the lack of silver.... A local [Newburyport, MA] storekeeper sold

\$10 worth of goods to a customer today. The customer paid for his order with 1000 pennies contained in a cardboard box. The box was placed near the cash till in the store and soon the odor of mothballs pervaded the place, leading to the belief that the pennies had come from a storage trunk where they had remained for some time."
Boston Post, March 4, 1933

less subject to storms. The need of a sounder system is plainly shown by the extent of bank failures. I recommend the prompt improvement of the banking laws. Changed financial conditions and commercial practices must be met."¹³ The words may have sounded uninspiring, and the creation of the RFC may have been too-little-too-late, but Hoover was moving to shore up weaknesses in the country's banking system.

In February 1932, Congress, with the President's backing, passed the Glass-Steagall Act of 1932. The Act (not to be confused with the more comprehensive Glass-Steagall legislation enacted during the Roosevelt Administration) gave the Federal Reserve greater latitude to provide credit to beleaguered financial institutions. But many other measures died in Congress. The banking crisis and the overall economic outlook worsened, and Hoover's political prospects dimmed. With each passing day, more Americans lost confidence in his ability to lead them out of crisis.

The contrast between Hoover and the 1932 Democratic presidential candidate, New York Governor Franklin D. Roosevelt, could not have been greater. Roosevelt was an energetic, exuberant campaigner, who inspired the hope that things could, and would, get better. He pledged himself to "a new deal for the American people," and they wanted to believe him, even though the terms of his "new deal" were not entirely clear.




Anxious depositors raced to the bank and closed their accounts at the slightest hint of trouble. Even strong banks sometimes fell victim to the overall feeling of pessimism and despair.

As the 1932 presidential election drew closer, there seemed to be little doubt that Herbert Hoover's days in the White House were numbered. And when voters went to the polls on November 8, 1932, to choose a president, 22,800,000 cast their ballots for Roosevelt; only 15,750,000 wanted to stick with Hoover. Roosevelt's margin of victory in the electoral college was even more overwhelming: 472 to 59.

"Thousands of unemployed marched through the Chicago Loop at noon today, waving red flags and singing the "Internationale" as they paused for a demonstration before the City Hall. 'We want cash relief,' was their cry, shouted again and again in cadence." *Boston Globe*, March 4, 1933

"The push-cart peddlers in [Boston's] market district and the North End wanted their customers to have their change ready. Before they placed the customer's purchases in bags they demanded payment and if a large bill was tendered, the vendors declined to make any attempt to have the bill changed." *Boston Post*, March 5, 1933

"A woman who described herself as a former Harvard librarian, descended from the original settlers of New London, Conn., was arrested by police headquarters detectives in a downtown hotel yesterday, charged with larceny and attempting to pass a worthless check." *Boston Post*, March 5, 1933



In the absence of strong federal initiatives, state governors took extraordinary action to head off outright panic.

Louisiana's colorful governor, Huey Long, closed his state's banks in early 1933. Ostensibly, Louisiana's banks were closed to commemorate the 1917 severing of diplomatic relations with Germany. Advisers talked Governor Long out of declaring a bank holiday in honor of the swashbuckling Louisiana pirate, Jean Lafitte.

LOST IN THE SHUFFLE

Herbert Hoover endured a four-month "lame duck" period in which he seemed both unwilling and unable to undertake major new initiatives. (Until 1937, Inauguration Day fell on March 4 rather than January 20.) During those four months, the banking system showed signs of unraveling altogether.

As was so often the case in the past, the trouble began with a series of bank failures in rural areas and ultimately spread to the cities. Nervous depositors not only withdrew their savings but also demanded gold or gold certificates rather than Federal Reserve notes.¹⁴

In the absence of strong federal initiatives, state governors took extraordinary action to head off outright panic. The governor of Nevada declared a statewide bank holiday in November 1932 to stem bank runs. Three months later, Louisiana's colorful governor, Huey Long, closed his state's banks in a bid to avoid total financial chaos. Ostensibly, Louisiana banks were closed to commemorate the 1917 severing of diplomatic relations with Germany. Advisers talked Governor Long out of declaring a bank holiday in honor of the swashbuckling Louisiana pirate, Jean Lafitte.¹⁵ The governor of Michigan closed his state's banks on Valentine's Day. By the end of February 1933, the governors of Indiana, Maryland, Arkansas, and Ohio had all declared bank holidays, and the trend showed no signs of abating.

Then, only days before Roosevelt's inauguration, new developments pushed the entire banking system to the brink of collapse. The nationwide rush to withdraw bank deposits and

demand gold put a severe strain on New York banks, many of which held balances for banks in other parts of the country. On March 1, 1933, George L. Harrison, head of the Federal Reserve Bank of New York, sent an urgent message to Federal Reserve Board Governor Eugene Meyer and Secretary of the Treasury Ogden Mills: The New York Reserve Bank's gold reserve had fallen below the legal limit.¹⁶

At that time, Reserve Banks were required to maintain gold reserves equal to 40 percent of the paper currency they issued.¹⁷ But foreign and domestic holders of U.S. currency were rapidly losing faith in paper money and were redeeming their dollars for gold at a rate that put a severe strain on gold reserves. Harrison's communique to Washington bluntly stated that he would "no longer take the responsibility" for running the Bank "with deficient reserves."¹⁸

When the Federal Reserve Board in Washington responded to Harrison's concerns by declaring that it was reluctantly considering a 30-day suspension of the legal gold reserve requirements, Harrison pointed out that a suspension of the requirements would not stem the outflow of gold. In his view, the best course would be to declare a national bank holiday, which "would permit the country to calm down and allow time for the enactment of remedial legislation."¹⁹

Harrison's careful, "gray" language masked the drastic nature of his proposal. In fact, the phrase "national bank holiday" was a banker's euphemism for "close every bank in the United States until we come up with a real plan."

"Smaller stores in the suburban districts vied with each other yesterday in swapping trade. The manager of one store would send his clerk to the rival store to make some small purchase - but each time with a \$20 bill. The purpose was to get change and

not to swell the sales of the competitor. And the manager of the store where the purchase was made soon caught on to the scheme and sent his clerk out to other storekeepers." *Boston Post*, March 5, 1933

"No Holiday is Declared on Federal Income Tax; Office Accepts Checks." *Boston Globe*, March 5, 1933

"The initiative in declaring such a holiday," writes George S. Eccles in *The Politics of Banking*, "could only come from President Hoover, but by now he had retreated into his own grief and was not accessible to [Treasury Secretary] Mills and [Federal Reserve Board Governor] Meyer."

"The pair [Mills and Meyer], on being blocked at the White House door, returned to Harrison with a suggestion that he ask Herbert Lehman — who had succeeded President-elect Franklin D. Roosevelt as governor of New York — to declare a bank holiday in that state. Harrison rejected the suggestion, saying that even if Lehman agreed to the request, the New York Federal Reserve Bank would still have to pay out gold to foreigners. Besides, to halt all banking operations in New York, the nation's financial center, would make it impossible for the banking system to function in the rest of the United States."²⁰

A number of New York's most prominent bankers also opposed the statewide bank holiday proposal on the grounds that it "would hurt their prestige." In a meeting with New York's

Governor Lehman, they declared they "would rather stay open and take their beating."²¹

But by March 3, the mounting toll of bank closures and failures had forced bankers and their regulators to recognize the need for decisive ac-

tion. The directors of the Federal Reserve Bank of New York adopted a resolution requesting the Federal Reserve Board in Washington, D.C., to urge President Hoover to proclaim a nationwide bank holiday.

George Harrison, of the New York Reserve Bank, reversed his opposition to a statewide bank holiday after meeting with Governor Lehman and the New York State Superintendent of Banks. Representatives of the Clearing House Banks of New York then gave the proposal their qualified support (provided that

the record show they neither sought nor directly requested the action,²² and Governor Lehman declared a statewide bank holiday, effective March 4, 1933. The governors of Illinois, Massachusetts, New Jersey, and Pennsylvania soon followed New York's lead.)

Despite the gravity of the situation, Kentucky's bank holiday proclamation reflected a certain tongue-in-cheek charm. "While the people of the state of Kentucky are suffering from a general depression, they may, perhaps, in comparison with the people of other states, have just cause for thanksgiving," declared Governor Ruby Laffoon in a proclamation that created four days of "Thanksgiving" as a pretext for closing Kentucky's banks.

"Gluyas Williams, the cartoonist, once knew an artist who lost drawings in an office fire. Accordingly, Mr. Williams has been in the habit of keeping his advance drawings in a safety deposit vault until he has a batch ready for the syndicate which distributes his drawings. So-o-o-o,

when Mr. Williams discovered that he was denied access to his safe deposit box at the bank, he sat himself down and spent Sunday at his Boston studio making some new pictures for the *Globe*."

Boston Globe, March 5, 1933

"It was a regular Saturday night [March 4, 1933] in Boston. The same big crowds — the same happy faces — and (it was ever thus) if father was along you could see him moving down Washington Street for the North Station, or through Dewey Square for the South Station, loaded down under the

On March 4, all twelve Federal Reserve Banks kept their doors locked, and banks in 37 states were either completely closed or operating under state-imposed restrictions on withdrawals. (Despite the gravity of the situation, Kentucky's bank holiday proclamation reflected a certain tongue-in-cheek charm. "While the people of the state of Kentucky are suffering from a general depression, they may, perhaps, in comparison with the people of other states, have just cause for thanksgiving," declared Governor Ruby Laffoon in a proclamation that created four days of "Thanksgiving" as a pretext for closing Kentucky's banks. ²³)

All that remained was for the President to order a nationwide bank holiday, but neither President Hoover nor President-elect Roosevelt appeared eager to take that step. Hoover's defeat at the polls had left him dispirited and seemingly incapable of rousing himself to call for such drastic action. And the Democratic majority in the House of Representatives showed little inclination for cooperating with a lame duck Republican President.

Hoover did, however, send Roosevelt a ten-page handwritten letter describing the gravity of the banking crisis and urging the President-elect to issue a public statement on the matter. But no statement was forthcoming.²⁴ Roosevelt's advisers, who had no clearly defined strategy of their own for dealing with the banking crisis, were willing to remain vague until after their boss moved into the White House.

weight of many bundles. To all outside appearances there was no change at all in Boston as a result of the bank holiday declaration."

Boston Post, March 5, 1933

TOUGH TRANSITION

Franklin Roosevelt's first 100 days in the White House produced a remarkable record of accomplishment. In modern political parlance, his administration "hit the ground running."

Yet the weeks and months leading up to Inauguration Day 1933 were anything but smooth. Even before he took the oath of office, two extraordinary happenings threatened to derail Roosevelt's presidency.

In February, just after returning to Miami from a 12-day fishing trip in the Bahamas, the President-elect narrowly escaped an assassin's bullet. Joe Zangara, a 33-year-old itinerant bricklayer blazed away at Roosevelt's car as the President-elect stopped to greet well-wishers. Although none of the five bullets struck their intended target, several bystanders were hit. Among them was Chicago Mayor Anton Cermak, who later died of his wounds.

Zangara, who suffered from chronic pain in his stomach, was reported to have said, "My stomach hurts. I hate all presidents. I kill them." Originally, he had planned to kill Hoover, but changed his mind when he learned that Roosevelt would be visiting Miami.

According to an article in *Time*, "All minor political discords were hushed in the paeon of popular rejoicing at [Roosevelt's] escape. The Miami episode added one more asset to the large store Franklin Roosevelt has to take into the White House."

The second mishap occurred just before Inauguration Day, when Roosevelt's U.S. Attorney General-designate, Thomas James Walsh, died suddenly of a heart attack. Only five days before his death, the 73-year-old U.S. Senator from Montana had been married in Havana to Senora Mina Perez Chaumont de Truffin, a wealthy Cuban widow 20 years his junior. Walsh suffered his fatal heart attack on board a train bound from Florida to Washington, where he and his new bride were to attend the inauguration.

UNPAID HOLIDAY

Expectations ran high on March 4, 1933, as Franklin D. Roosevelt prepared to succeed Herbert Hoover. Americans fervently hoped that a change in Washington would lead to a change in the country's economic fortunes. More than 100,000 people crowded onto a forty-acre site near the U.S. Capitol to hear the new President take the oath of office and deliver his inaugural address; millions of others huddled around their radios.

Roosevelt's words were calculated to buoy public confidence, and by most accounts they succeeded in doing so. He began by declaring his "firm belief that the only thing we have to fear is fear itself— nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance."

He blamed the economic collapse on "the rulers of the exchange of mankind's goods [who] have failed through their own stubbornness and

Although the address was short on specifics, Roosevelt identified two immediate objectives: putting people to work and "strict supervision of all banking and credits and investments." Immediately after the inaugural ceremonies, the new Administration and the new Congress began to grapple with the banking crisis. The Senate swiftly approved Roosevelt's cabinet choices, and later that afternoon the entire cabinet was sworn in during a single ceremony at the White House.

The following day, cabinet members joined with Treasury and Federal Reserve officials to lay the groundwork for a national bank holiday, and at 1:00 a.m. on Monday, March 6, President Roosevelt issued a proclamation ordering the suspension of all banking transactions, effective immediately. (The bank holiday proclamation was based on drafts originally prepared by Treasury and Federal Reserve Board officials for President Hoover.²⁵)

Number of Commercial Banks Suspensions, 1930-1933

	National Banks	State Banks			Total Banks
		Federal Reserve Member Bank	Nonmember Bank	Total State Banks	
1930	161	27	1,104	1,131	1,292
1931	409	107	1,697	1,804	2,213
1932	276	55	1,085	1,140	1,416
1933	1,101	174	2,616	2,790	3,891

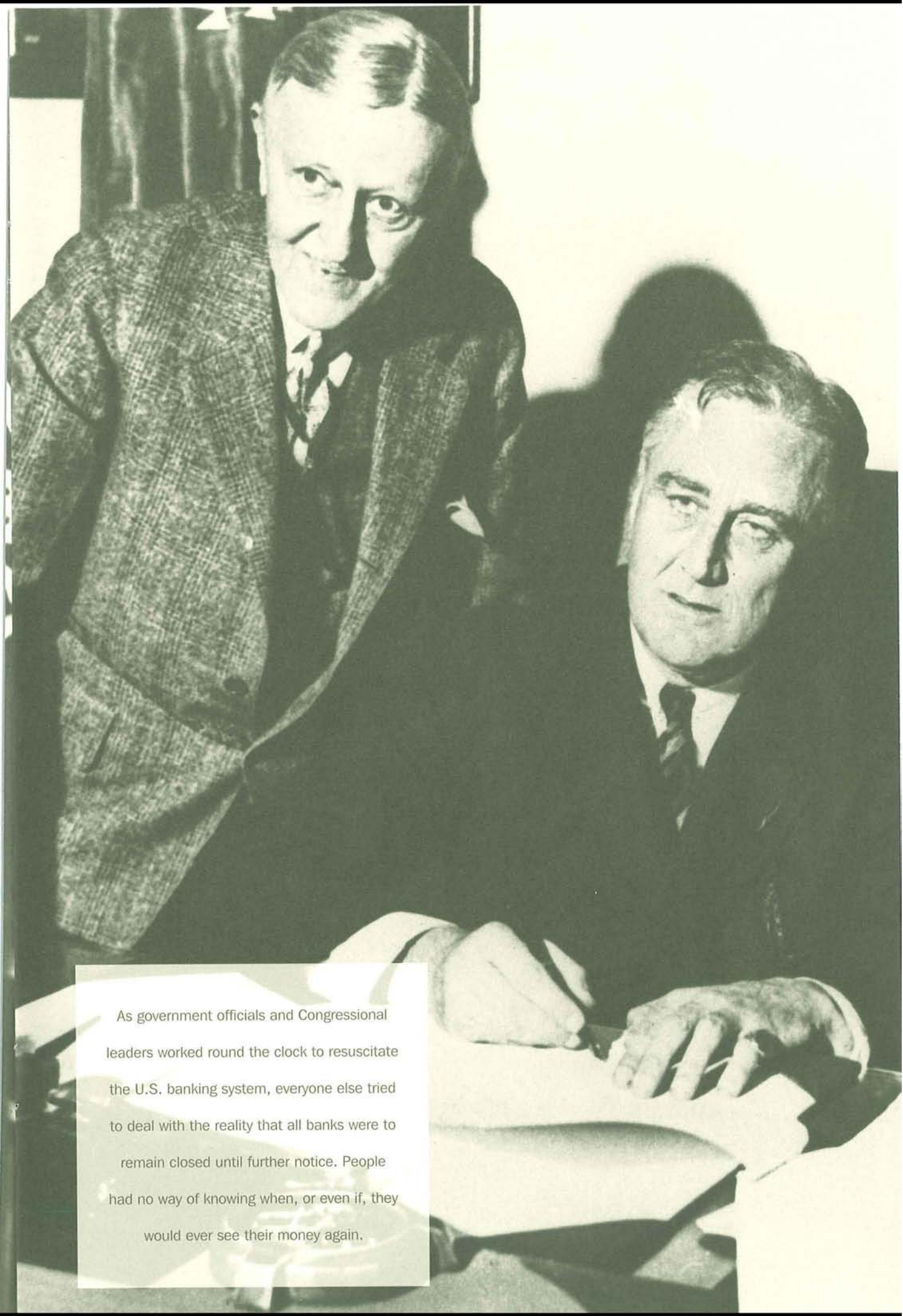
their own incompetence, have admitted their failure and abdicated." For emphasis he added, "Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men.... The money changers have fled from their high seats in the temple of our civilization."

The terms of the Presidential proclamation specified that: no such banking institution or branch shall pay out, export, earmark, or permit the withdrawal or transfer in any manner or by any device whatsoever of any gold or silver coin or bullion or currency or take any other action which might facilitate the hoarding thereof; nor shall any such banking institution or branch pay out deposits, make loans or discounts, deal in foreign exchange, transfer credits from the United States to any place abroad, or transact any other banking business whatsoever.

"In Bronx Traffic Court today, 28 law violators served one-day sentences rather than pay out their cash for fines of \$2 to \$5."
Boston Globe, March 6, 1933

"Cash Shortage Halts Racing at Agua Caliente; Betting at Hialeah Off 40 Percent."
Boston Globe, March 6, 1933

"If little Willie's bank has remained unshaken in the [bank] crisis, it's because little Willie's papa didn't hear anything when he shook it the last time."
Boston Herald, March 6, 1933



As government officials and Congressional leaders worked round the clock to resuscitate the U.S. banking system, everyone else tried to deal with the reality that all banks were to remain closed until further notice. People had no way of knowing when, or even if, they would ever see their money again.

SWIFT PASSAGE

Major pieces of legislation can take years to make their way through Congress.

But the senators and representatives can move fast when the need arises.

The following Associated Press chronology, taken from the March 10, 1933, edition of the *Boston Post*, illustrates the sense of urgency that surrounded passage of the Emergency Banking Act, and it attests to the speed with which Congress can function in time of crisis.

STORY OF A BILL IN CONGRESS

- 12:04 a.m. President and Congressional leaders end conference at White House.
- 10:30 a.m. Roosevelt makes final revision of message to Congress.
- 11:30 a.m. Congressional and banking leaders [meet] at Capitol after bill details.
- 12:00 noon Congress' extra session called to order.
- 12:30 p.m. Roosevelt message calling for immediate action delivered.
- 12:37 p.m. Message read to Senate.
- 1:40 p.m. Bank bill introduced in Senate, referred to Committee.
- 2:55 p.m. House begins consideration of bank bill.
- 4:05 p.m. House passes bill without dissent.
- 4:10 p.m. Senate banking committee approves bill.
- 4:30 p.m. Senate begins its consideration.
- 7:23 p.m. Senate passes bill by 73 to 7 vote.
- 7:40 p.m. Speaker Rainey calls House to order and signs bill.
- 7:55 p.m. Vice President Garner signs bill and messenger leaves with it for White House.
- 8:36 p.m. President Roosevelt signs the emergency bank bill, making it law.
- 10:10 p.m. President Roosevelt issues proclamation extending banking holiday indefinitely.

The nationwide bank holiday was slated to extend through Thursday, March 9, at which time Congress would convene in extraordinary session to consider emergency legislation aimed at restoring public confidence in the financial system. During the holiday, federal officials worked day and night on the emergency legislation. Congressional leaders cautioned the President against submitting vague measures to an unorganized Congress, and they promised to do everything in their power to insure prompt consideration of the Administration's plan. Meantime, banks in all 48 states and the District of Columbia remained closed.

On March 9, the emergency banking bill went to Congress, accompanied by a message from the President. Missing from the message were the references to "money changers" and the finger pointing that had characterized Roosevelt's inaugural address. This time the language was temperate and direct:

To the Senate and House of Representatives:

On March 3, banking operations in the United States ceased. To review at this time the causes of this failure of our banking system is unnecessary. Suffice it to say that the government has been compelled to step in for the protection of depositors and the business of the nation. Our first task is to reopen all sound banks.

True to their word, legislative leaders shepherded the emergency measure through Congress and delivered it to the President in less than 24 hours. (See box, "Swift Passage.") An excerpt from the March 20, 1933 issue of *Time* describes the scene at the White House signing ceremony:

"A western paper plays up as news the fact that an inquiring reporter couldn't get change for a \$100 bill, overlooking the more remarkable circumstance that a reporter had a \$100 bill to get change for."
Boston Herald, March 6, 1933

"As a direct result of the bank holiday every available police officer in the city reported for duty last midnight — three times more than the usual number — for the dual purposes of thwarting any possible action of radical elements and protecting the unusually large amount of cash on hand in stores and other establishments."
Boston Herald, March 6, 1933

Shortly after a liver & onions dinner that same night, President Roosevelt was handed the banking bill passed exactly as he wanted it. Mrs. Roosevelt entered the study as cameramen set up their tripods to record the signing ceremony. Secretary Woodin dashed in belatedly from the Treasury. Meggie, the Roosevelt Scottie, barked excitedly. Mrs. Roosevelt cried: "Franklin, fix your hair!" The President grinned. His wife called to Mr. Woodin: "Mr. Secretary, please help Franklin brush his hair down." Mr. Woodin gave the President's head a few playful pats. President Roosevelt took a \$1.50 fountain pen from Miss Nancy Cook, family friend, and signed his first bill. After a second proclamation continuing the bank holiday, he turned administration of the new law over to Secretary Woodin.²⁶

The Emergency Banking Act was never intended as a comprehensive reform bill. Its two main purposes were to stop the erosion of public confidence in the banking system and to establish a mechanism for reopening the closed banks. To those ends, the Act gave the President "tremendous World War powers of regulation over transactions in credit, currency, gold and silver, including foreign exchange." It also empowered the Secretary of the Treasury "to require delivery at the Treasury of all gold and gold certificates held by anybody in the country [in exchange for dollars]." (The prohibition against U.S. citizens buying, selling, or holding gold — other than jewelry — was not to be repealed until 1974.) These measures stopped the outflow of U.S. gold reserves and put a halt to the domestic hoarding of gold.

"At least one Governor was caught by his own bank holiday proclamation. Gov. Gifford Pinchot of Pennsylvania said tonight that when he proclaimed the Saturday-through-Monday holiday in his state, he had exactly 95 cents to his name."
Boston Herald, March 6, 1933

COPING WITH HOLIDAY STRESS

As government officials and Congressional leaders worked round the clock to resuscitate the U.S. banking system, everyone else tried to deal with the reality that all banks were to remain

closed until further notice. People had no way of knowing when, or even if, they would ever see their money again.

Surprisingly, the bank holiday created little panic. A front-page item in the *Boston Post* reported that, "Everybody seemed to take the bank closings with good nature. Police officers on duty at the banks, with instructions to inform any prospective

depositors just why they could not leave their money, reported that there was little or no excitement because the doors of the bank were not open. There seemed to be few who appeared for the purpose of withdrawing cash, the officers said, and many thought it a great joke that they were unable to get into the banks for the purpose of making deposits."

"Scores of church leaders were solicited yesterday by business men, particularly chain restaurant and store managers who had run short of coins and \$1 and \$2 bills, and in virtually every instance the clergy responded by turning over the cash and taking checks in return."
Boston Herald, March 6, 1933

"At El Paso, Texas, the First Baptist Church arranged to accept I.O.U.'s on the collection plate, while at Milwaukee, Wisconsin, the West Allis Presbyterian Church provided free gasoline and oil to all worshippers, with the collection baskets placed in an obscure spot to avoid embarrassment to the changeless."
Boston Globe, March 6, 1933

"Police Station Cell at Woburn [MA] Is Used for Theatre Receipts."
Boston Globe, March 6, 1933

According to an Associated Press account, "The average citizen's chief trouble appeared to lie in difficulty of cashing paychecks. Stores generally extended credit more liberally for household necessities.... Money orders generally were limited to \$100. One company paid 25 percent for incoming money orders and gave checks for the balances. Railroad companies took emergency action, announcing broadened credit and stating that travelers would not be left stranded anywhere because of banking difficulties."

At one point, Treasury officials seriously considered issuing large amounts of government scrip (an emergency substitute to take the place of scarce cash). They even went so far as to print more than \$10 million worth. But on Tuesday, March 7, Treasury Secretary Woodin decided against the plan, primarily out of concern that the public would not accept scrip at face value. "Where would we be," Woodin wondered aloud, "if we had I.O.U.'s, scrip, and certificates floating all around the country?"²⁷

Instead he decided to "issue currency against the sound assets of the banks. [As opposed to issuing currency against gold.] The Federal Reserve Act lets us print all we'll need. And it won't frighten the people. It won't look like stage money. It'll be money that looks like real money." Nevertheless, currency remained in short supply during the bank holiday, and people tried to cope as best they could.




In 1932, hope and jobs were both in short supply.

Many took to the road in search of jobs and hope.

But even when they managed to find work, the hours were long and the money was "short."





By some estimates,
more than one-quarter
of the U.S. work force
was unemployed at the
end of 1932.

ACT TWO

Perhaps most importantly, the Emergency Banking Act created a mechanism for the orderly reopening of American banks. Federal authorities divided banks into three categories. Class A banks were solvent institutions in little or no danger of failing. They would be the first allowed to reopen. Class B banks were endangered, weakened, or insolvent institutions that were thought to be capable of reopening after an indefinite period of reorganization. Class C banks were insolvent institutions that would not be allowed to reopen.

On March 13, only four days after the emergency banking legislation went into effect, member banks in Federal Reserve cities received permission to reopen. By March 15, banks controlling 90 percent of the country's banking resources had resumed operations, and deposits far exceeded withdrawals.²⁸

The immediate crisis had begun to subside, but government officials, Congressional leaders, and most bankers recognized the need for a major overhaul of the U.S. banking system. Favorable reaction to the Emergency Banking Act had created momentum for comprehensive reform, and just three months later, on June 16, President Roosevelt signed the Banking Act of 1933, more popularly known as the Glass-Steagall Act.

Whereas the Emergency Banking Act had instituted a collection of stopgap measures, Glass-Steagall made fundamental changes to the system. One of its primary objectives was to insulate commercial banking from the excesses of

speculation. Commercial banks were forced to divest themselves of their securities affiliates and were no longer permitted to underwrite securities or insurance. Investment banks, which dealt in securities, were barred from accepting deposits. In short, Glass-Steagall was intended to narrow the likelihood that a sharp drop in the securities market would threaten the stability of the commercial banking system.

The new legislation also chartered the Federal Deposit Insurance Corporation (FDIC) and provided for the federal guarantee of bank deposits. Public pressure for federal deposit insurance had been building over the years, but opponents had managed to block legislative action. Fearful of greater government interference in their affairs, bankers bitterly opposed deposit guarantees. The president of the American Bankers Association vowed to fight federal deposit insurance "to the last ditch."²⁹

Congress was divided over whether or not the government should assume responsibility for private deposits. Even Roosevelt displayed little enthusiasm for a federal guarantee of bank deposits. According to a contemporary account in *Time*, "Citizen Roosevelt called at the White House — to pay the visit of courtesy due on the day before inauguration. Courtesies passed and were forgotten. What to do about the banks? ... Should the government guarantee 50% of all bank deposits? President Hoover was willing to send an emergency message to Congress. Citizen Roosevelt was not. An hour and a half passed. They parted. Nothing was done."³⁰

"Use your charge account as usual."
Ad placed by the Retail Trade Board
of the Boston Chamber of Commerce.
Boston Herald, March 8, 1933

"Former President Herbert Hoover
was reported to be 'feeling more like
his old self' than anytime since 1927.
One of his visitors asserted that the
former chief executive looked 'like a
new man. . . . His sense of humor has
come back. He is more jovial.'
Boston Herald, March 9, 1933

"The manager of a Moody Street
chain store began a frantic search to-
day for a nest of mice in his store, af-
ter he found only \$25, and that badly
chewed, out of \$75 he had placed
on a shelf behind some canned goods
last night. He had been unable to
bank the money yesterday."
Boston Herald, March 9, 1933

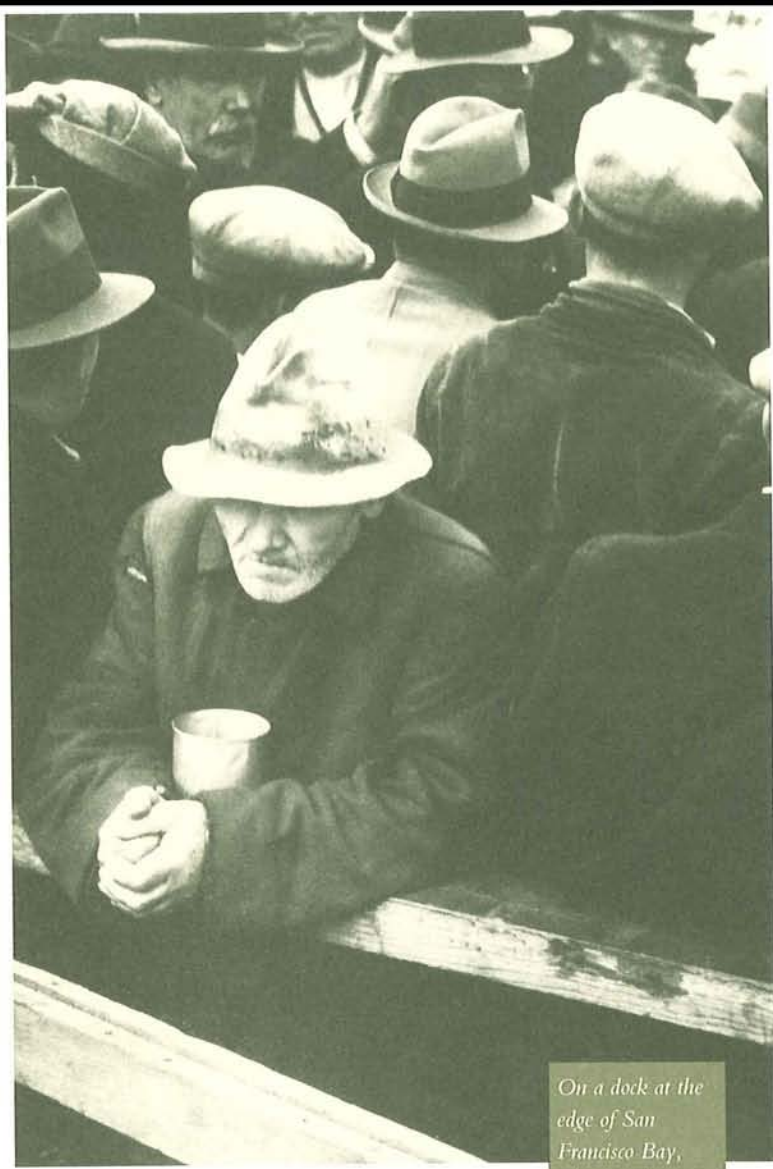
THE FEDERAL OPEN MARKET COMMITTEE

Today the FOMC is composed of the seven members on the Federal Reserve's Board of Governors, the president of the Federal Reserve Bank of New York, and four other Reserve Bank presidents who serve on a one-year rotation. The Committee meets in Washington, D.C., every four to six weeks to determine the course of monetary policy. All open market transactions are conducted through the Federal Reserve's portfolio of Treasury securities maintained at the Federal Reserve Bank of New York. In simple terms, if FOMC members determine that economic conditions warrant a more stimulative monetary policy, they will instruct the manager of open market operations at the Federal Reserve Bank of New York to purchase Treasury securities from approximately three dozen firms known as primary dealers. The Fed then pays for the securities by adding the appropriate amount to the reserve accounts maintained by the primary dealers' banks. The Fed has, in effect, added reserves to the banking system. By contrast, a more restrictive monetary policy would drain reserves from the banking system through the open market sale of Treasury securities from the Federal Reserve's portfolio.

But the worsening bank crisis soon forced the President and the Congress to overcome their reservations. Federal deposit insurance was successfully incorporated into the Glass-Steagall Act.

On January 1, 1934, the federal government began to provide coverage of up to \$2,500 per depositor, and the effect on public confidence was dramatic. Bank runs all but ceased. Depositors stopped rushing to close their accounts at the slightest hint of trouble because they realized the U.S. government was guaranteeing the safety of their money. Bank failures dropped from more than 4,000 in 1933 to 62 in 1934, and only nine of those 62 banks were insured.

Another provision of Glass-Steagall created the Federal Open Market Committee (FOMC) and, for the first time, expressly recognized the Federal Reserve's authority to determine the course of monetary policy through the open market purchase or sale of U.S. Treasury securities. Prior to 1933, the Federal Reserve had moved periodically to affect the level of reserves in the banking system by either buying or selling Treasury securities on the open market. But questions remained over the actual extent of its authority to engage in open market operations. Glass-Steagall partially addressed those questions by formally establishing a 12-member FOMC, comprising the governor (president) of each Federal Reserve Bank. Members of the FOMC were given the authority to meet regularly in Washington to determine the course of monetary policy, but they were still not given clear authority to implement their decisions. "The new law," observed George Eccles, "did



On a dock at the edge of San Francisco Bay, photographer Dorothea Lange captured the mood of the times.

not touch the fundamental weakness that marked the previous history of open market operations. While no Reserve Bank could engage in open market sales or purchases unless it conformed to Federal Reserve Board regulations, the 1933 Act preserved its right to refuse to participate in the sales and purchases the Open Market Committee recommended.... The committee could initiate policy but could not execute it."³¹ This issue was resolved two years later in the Banking Act of 1935.

"Here is little Betty Hart of Sea Street, Hough's Neck [Quincy, MA], as she instituted a barter system in the drug store of Arthur J. LaBrecque near her home. She brought in a ripe red apple from her home supply and swapped it for a piece of candy."

Photo caption
Boston Post, March 10, 1933

"The 'I Will' spirit of the nation is on the move. Things are happening! And better times are not far away. To back our faith in the current emergency program, we stand ready to keep millions of America's families supplied with tooth paste . . . on three months credit. Get three tubes. Take three months to pay."

Ad for Pebecco Tooth Paste
Boston Herald, March 9, 1933

"Twenty-three federal jurors, some of whom had been forced to break their children's banks to get their carfares to court, were paid off by United States Deputy Marshall Ralph Gray yesterday after Judge James A. Lowell had discharged them from further attendance in the United States District Court."

Boston Post, March 10, 1933

THE FINAL ACT

After Glass-Steagall, the Roosevelt Administration completed its reform of the banking industry with the Banking Act of 1935,

which strengthened the monetary and regulatory system by granting the Federal Reserve greater independence from the White House, the Congress, and the banking industry.

During the Federal Reserve's first 20 years, the 12 District Reserve Banks, particularly the Federal Reserve Bank of New York, had overshadowed the Federal Reserve Board in Washington. The Banking Act of 1935, however, clearly established the authority and relative independence of the Federal Reserve Board. (The Act also changed the Reserve Board's name to the Board of Governors of the Federal Reserve System.)

In an effort to shield monetary policy from political pressure, the Banking Act of 1935 provided for the removal of the Secretary of the Treasury and the Comptroller of the Currency as ex officio members of the Board of Governors. Furthermore, it reconstituted the Federal

Open Market Committee and gave the FOMC wider authority to affect the level of reserves in the banking system through the open market purchase and sale of U.S. government securities.

The pace of banking reform slowed considerably after Congress passed the Banking Act of 1935. Conditions stabilized, and the sense of urgency that had propelled major banking legislation through Congress gave way to the partisan jockeying and lengthy deliberations that often characterize more "normal" times.

But the Bank Holiday of 1933 had marked a turning point in the Great Depression. Federal action had strengthened the financial system, restored public confidence in banking, and helped to dispel the sense of hopelessness that had begun to pervade every aspect of daily life.

Fifty years later, the banking reforms of the 1930s became the target of mounting criticism. Many would argue that regulatory measures enacted under the extraordinary circumstances of the 1930s made it more difficult for banks to compete with other financial services providers in the marketplace of the 1980s and 1990s. Whatever the outcome of that debate, two things remain certain: The banking reforms passed in 1933 and 1935 revived and preserved a system that, for all intents and purposes, had ceased to function; and they provided the foundation for a period of financial stability that stretched well into the next generation.

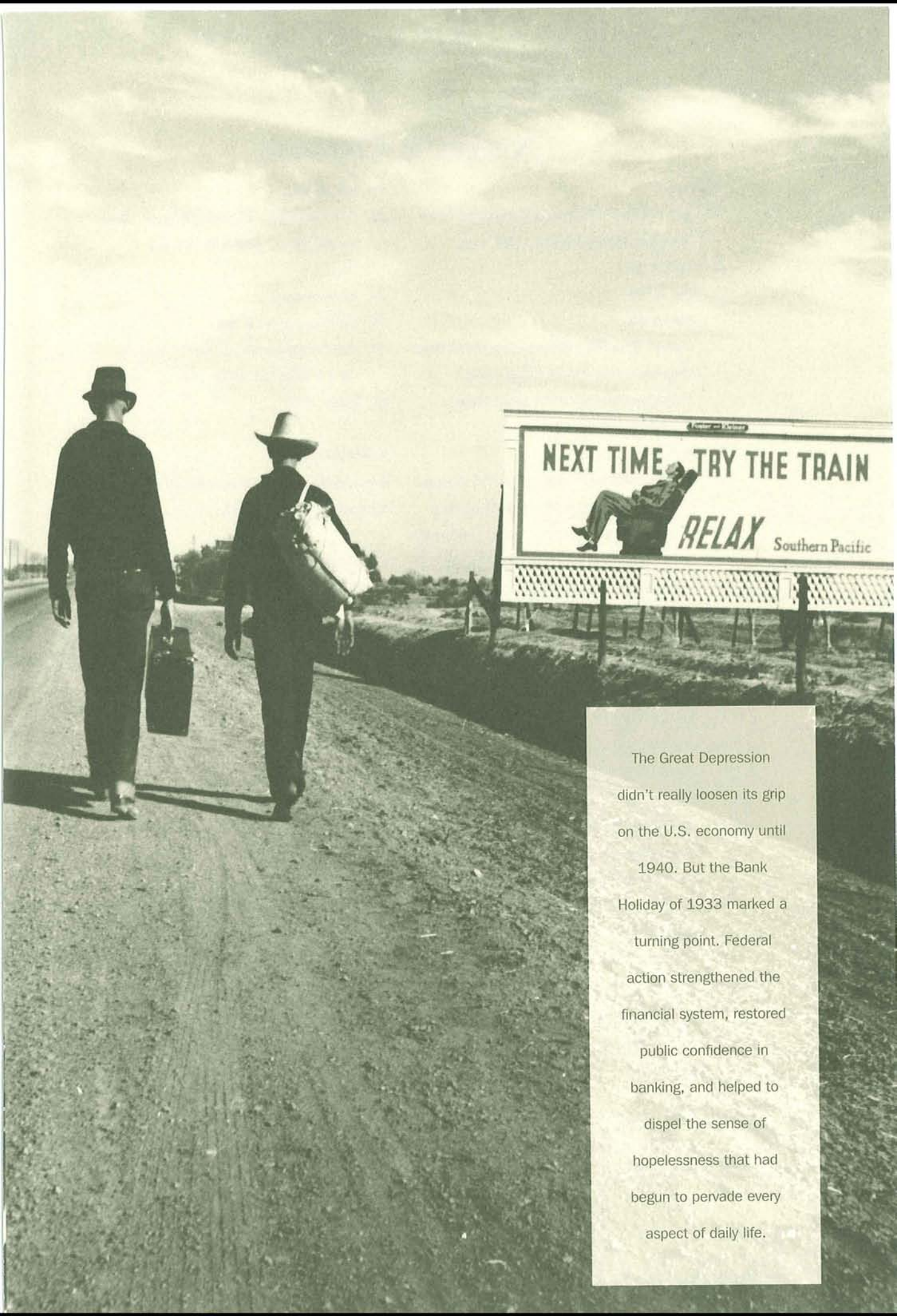


Migrant family in Texas, camped out somewhere between Dallas and Austin after losing their home. "It's tough, but life's tough anyway you take it."

"In California, Governor Rolph reprimed Peter Farrington, condemned murderer. Reason: doubtful legality of hanging on a holiday."
Time, March 13, 1933

"A wrestler signed a contract for a match with any opponent accepting as payment a can of tomatoes and a peck of potatoes."
Time, March 13, 1933

"In Manhattan, a smart Rochester [NY] shoe drummer [traveling salesman] raised enough cash to get home by selling samples in a hotel lobby."
Time, March 13, 1933



The Great Depression didn't really loosen its grip on the U.S. economy until 1940. But the Bank Holiday of 1933 marked a turning point. Federal action strengthened the financial system, restored public confidence in banking, and helped to dispel the sense of hopelessness that had begun to pervade every aspect of daily life.

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