

## The Great Depression      The Bank Holiday

### Part A. Photo Interpretation: A Run on the Bank

Directions: Analyze the photograph and answer the questions that follow.



1. List five things that you see in this photograph.
2. What can you infer from this photograph?
3. As you look at this photograph, what questions do you have?

### Part B. President Roosevelt's "Fireside Chat" *On the Banking Crisis*

Directions: Read the excerpt of the President's speech below and answer the questions that follow.

## **“On the Banking Crisis”**

I want to talk for a few minutes with the people of the United States about banking -- with the comparatively few who understand the mechanics of banking but more particularly with the overwhelming majority who use banks for the making of deposits and the drawing of checks. I want to tell you what has been done in the last few days, why it was done, and what the next steps are going to be.... I know that when you understand what we in Washington have been about I shall continue to have your cooperation as fully as I have had your sympathy and help during the past week.

First of all let me state the simple fact that when you deposit money in a bank the bank does not put the money into a safe deposit vault. It invests your money in many different forms of credit-bonds, commercial paper, mortgages and many other kinds of loans. In other words, the bank puts your money to 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 normal times is wholly sufficient to cover the cash needs of the average citizen. In other words the total amount of all the currency in the country is only a small fraction of the total deposits in all of the banks.

What, then, happened during the last few days 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 currency or gold. -- A rush so great that the soundest 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 convert them into cash except at panic prices far below their real value.

By the afternoon of March 3 scarcely a bank in the country was open to do business. ...It was then that I issued the proclamation providing for the nation-wide bank holiday, and this was the first step in the Government's reconstruction of our financial and economic fabric. The second step was the legislation promptly and patriotically passed by the Congress.... This law also gave authority to develop a program of rehabilitation of our banking facilities. I want to tell our citizens in every part of the Nation that the national Congress -- Republicans and Democrats alike -- showed by this action a devotion to public welfare and a realization of the emergency and the necessity for speed that it is difficult to match in our history.

...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....The new law allows the twelve Federal Reserve banks to issue additional currency on good assets and thus the banks that reopen will be able to meet every legitimate call....It is sound currency because it is backed by actual, good assets.

A question you will ask is this - why are all the banks not to be reopened at the same time? The answer is simple. Your Government 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.... I can assure you that it is safer to keep your money in a reopened

bank than under the mattress. The success of our whole great national program depends, of course, upon the cooperation of the public -- on its intelligent support and use of a reliable system. 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....It is your problem no less than it is mine. Together we cannot fail.

1. According to President Roosevelt, what was the purpose of his speech?
2. What do banks do with the money that's invested?
3. What happened during the "last few days of February and the first few days of March" that required a federal response?
4. How did the federal government respond to the banking crisis?