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The Logic and Legitimacy of Bank Supervision: The Case of the Bank Holiday of 1933

The U.S. banking holiday of March 1933 was a pivotal event in twentieth-century political and economic history. After closing the nation's banks for nine days, the administration of newly inaugurated president Franklin D. Roosevelt restarted the banking system as the first step toward national recovery from the global Great Depression. In the conventional narrative, the holiday succeeded because Roosevelt used his political talents to restore public confidence in the nation's banks. However, such accounts say virtually nothing about what happened during the holiday itself. We reinterpret the banking crises of the 1930s and the 1933 holiday through the lens of bank supervision, the continuous oversight of commercial banks by government officials. Through the 1930s banking crises, federal supervisors identified troubled banks but could not act to close them. Roosevelt empowered supervisors to act decisively during the holiday. By closing some banks, supervisors made credible Roosevelt's claims that banks that reopened were sound. Thus, the union of FDR's political skills with the technical judgment of bank supervisors was the key to solving the banking crisis. Neither could stand alone, and both together were the vital precondition for further economic reforms—including devaluing the dollar—and, with them, Roosevelt's New Deal.

“I want to talk for a few minutes with the people of the United States about banking.” With that line, Franklin D. Roosevelt began one of the most ambitious political experiments in U.S. history. Historians

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