

Volume III

After the Gold Standard, 1931-1999

1933 May 7

Excerpt from United States President Franklin D. Roosevelt's second 'Fireside Chat' of 1933: 'What we have been doing and what we are planning to do'. US President Roosevelt's national address on his economic policy and how it related to the gold standard.

Much has been said of late about Federal finances and inflation, the gold standard, etc. Let me make the facts very simple and my policy very clear. In the first place, the Government credit and Government currency are really one in the same thing. Behind Government bonds there is only a promise to pay. Behind Government currency we have, in addition to the promise to pay, a reserve of gold and a small reserve of silver. In this connection it is worth while remembering that in the past the Government has agreed to redeem nearly thirty billions of its debts and its currency in gold, and private corporations in this country have agreed to redeem another sixty or seventy billions of securities and mortgages in gold. The Government and private corporations were making these agreements when they knew full well that all of the gold in the United States amounted to only between three and four billions and that all of the gold in all of the world amounted to only about eleven billions.

If the holders of these promises to pay started in to demand gold the first comers would get gold for a few days and they would amount to about one-twenty-fifth of the holders of securities and currency. The other twenty-four people out of twenty-five, who did not happen to be at the top of the line, would be told politely that there was no more gold left. We have decide to treat all twenty-five in the same way in the interest of justice and the exercise of constitutional powers of this Government. We have placed everyone on the same basis in order that the general good may be preserved.

Nevertheless, gold, and to a partial extent silver, are perfectly good bases for currency, and that is why I decided not to let any of the gold now in the country to go out of it.

A series of conditions arose three weeks ago which very readily might have meant, first, a drain on our gold by foreign countries, and second, as a result of that, a flight of American capital, in the form of gold, out of our country. It is not exaggerating the possibility to tell you that such an occurrence might well have taken from us the major part of our gold reserve and resulted in such a further

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weakening of our Government and private credit as to bring on actual panic conditions and the complete stoppage of the wheels of industry.

The Administration has the definite objective of raising commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money on the same kind of dollar which they borrowed. We do not seek to let them get such a cheap dollar that they will be able to pay back a great deal less than they borrowed. In other words, we seek to correct a wrong and not to create another wrong in the opposite direction. That is why powers are being given to the Administration to provide, if necessary, for an enlargement of credit, in order to correct the existing wrong. These powers will be used when, as, and if it may be necessary to accomplish the purpose.

Source: Roosevelt, 1938a, no. 50, pp. 160-168, esp. 165-166.