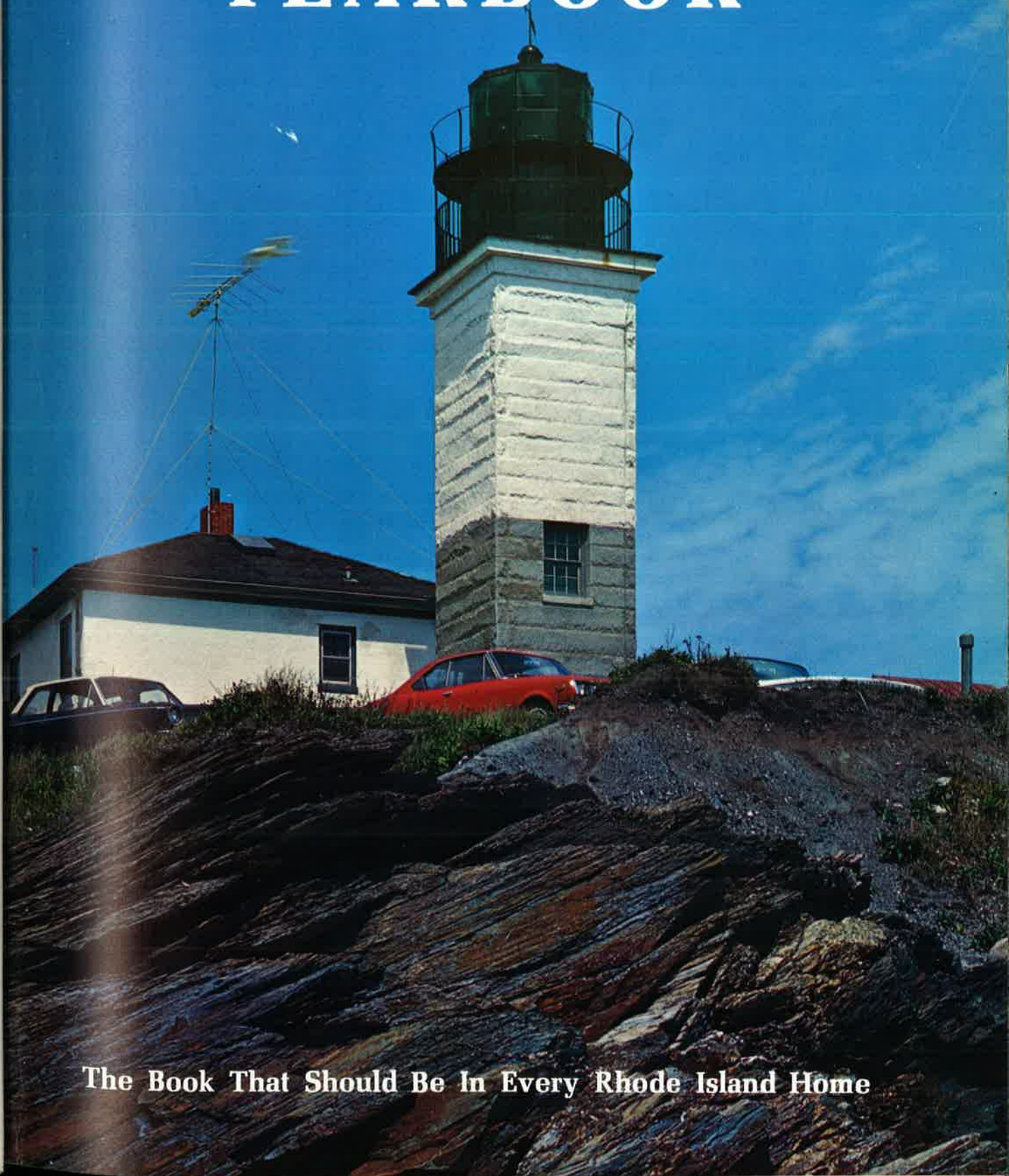


971

RHODE ISLAND YEARBOOK



The Book That Should Be In Every Rhode Island Home

Don't Bank On It

BY M. RANDOLPH FLATHER

BANK HOLIDAY FOR RHODE ISLAND FOR TODAY, MARCH 4 ORDERED BY ACTING GOVERNOR QUINN

(Providence Journal, Saturday, March 4, 1933)



Thomas H. West, Jr.

AT 4:30 a.m. on that March day, Thomas H. West, Jr., President of the Rhode Island Hospital Trust Company, was awakened at his George Street home in Providence by a telephone call from Mr. Roy A. Young, Governor of the Federal Reserve Bank of Boston.

"Tom," said a tense voice, "the Governors of New York and Massachusetts have issued proclamations closing the banks in their states. We think Rhode Island should follow suit because balances in your account here at the Fed. will be tied up as will the deposits in most of your correspondents. Check collections will, of course, be stopped. As you know, thirty-two states are now closed. While the Rhode Island banks probably are sound, when the public learns about the closings in New York and Massachusetts you're pretty sure to get some runs if you try to stay open."

Mr. West took a deep breath, "I'm not too surprised, Roy, in fact I have been expecting something like this, but we'll have to work quickly to get a proclamation in the morning papers. Governor Green is in Washington for Franklin Roosevelt's inauguration and Lieutenant Governor Quinn is Acting Governor. I'll call him immediately."

Now wide awake, Mr. West placed his call. "Governor, this is Tom West. I just received a call from the Federal Reserve Bank of Boston. New York and Massachusetts banks will be closed today and they strongly advise that Rhode Island banks close too. Mr. Roosevelt is going to declare a national bank holiday soon after he is inaugurated this noon. In Theodore's absence the only one who can close our banks by proclamation is you. I don't want to ask this on my own, so I'll call Florrie Howe, Walter Farrell and others but actually, Bob, we don't have any choice. I'll call you back in a few minutes."

Mr. Quinn: "Tom, I agree we have to do it. I'll call the papers and ask them to hold up the first edition or get out an extra. Then I'll draft up some sort of proclamation."

The extra edition of the Providence Journal that morning carried this story:

For protection of Rhode Island depositors leading Providence bankers at 5:15 this morning asked Acting Governor Robert E. Quinn to declare a bank holiday in Rhode Island for today, Saturday, March 4, in view of the actions of the Federal Reserve Boards (sic) of New York and Boston. Such action in Rhode Island was last taken on Armistice Day 1918. The holiday for Rhode Island was declared for one day only, until information could be obtained on the situation in New York and Boston. The need for action, it was said, was solely because of the situation in those cities. Acting Governor Quinn's proclamation follows:

The States of New York and Massachusetts have declared a bank holiday. The interests of the people of Rhode Island make it necessary for me, temporarily at least, to follow their lead.

Now, therefore I, Robert E. Quinn, Acting Governor of the State of Rhode Island and Providence Plantations, do hereby order all banks and banking institutions to close and remain closed on Saturday, March 4, 1933.

H-198



Robert E. Quinn

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Well, there it was. The banks were closed. But why? What had happened? To answer this it's necessary to leave Rhode Island and to consider what had occurred in the United States and the world in 1924, when Calvin Coolidge was elected President of the United States. Soon after this the great Coolidge Bull Market started. Up, up, up the stock market went year after year for almost five years. True, there were minor recessions and flat periods, but after each, the speculative fever took hold again pushing the market into successively new high levels.

Who were the participants? Everybody, highly placed brokers and experienced industrialists as well as shoe-shine boys and waiters who had no business being in the market. But at whatever level, all were convinced the country was in a period of never-ending prosperity. Most had made money, at least on paper, and all warnings by astute men either fell on deaf ears or were ridiculed. So the boom went on until September 3, 1929.

What about September 3, 1929? It was a Tuesday, the day after Labor Day. A heat wave spread from the coast of Maine to the wheatfields of Nebraska. Sunburned vacationists were struggling to get home over roads clogged with traffic (no super-highways then). The newspapers carried no startling stories. Prime Minister Ramsay MacDonald delivered a speech before the Assembly of the League of Nations at Geneva; Bobby Jones played in the National Golf Championship at Pebble Beach, California; the Graf Zeppelin after circling the world, was on its way home from Lakehurst to Friedrichshafen; Commander Byrd was waiting in the snows of Little America for his flight over the South Pole.

The most important event never reached the headlines: It would have read: "Big Bull Market Reaches Climax." On that day, September 3, 1929, the Dow Jones Industrial Stock Average reached 386.17, a peak it wouldn't again touch for 30 years.

Slowly at first, then with increasing speed stock prices receded through September and October until October 29. Then an avalanche of selling (sales that day were 16,410,030 shares) hit the market and panic developed. Here are a few examples of the decline:

	1929 High	Oct. 29 Close	Net Change
Allied Chemical	354 ³ / ₄	210	-144 ³ / ₄
DuPont	231	116	-115
Electric Auto-Lite	174	50	-124
General Motors	91 ³ / ₄	40	-51 ³ / ₄

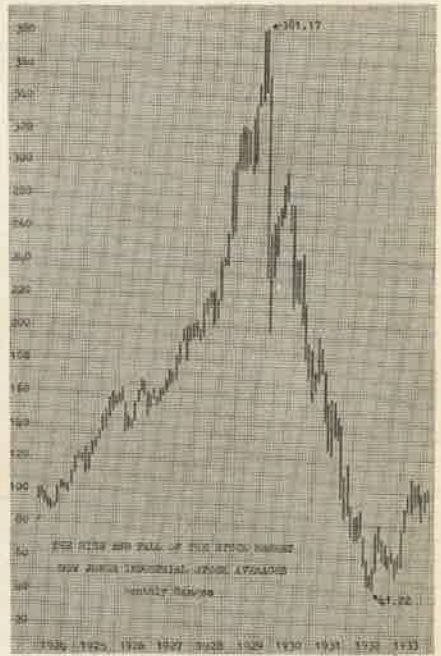
Day after day prices retreated and not until November 13 did the market hit its bottom for 1929. Since September 3rd *thirty billion dollars* had evaporated—almost as much as World War I had cost the United States and nearly twice the existing national debt. A Little Bull Market followed, but this was of short duration and down, down again went stock prices. On July 8, 1932, about the nadir, the same four stocks sold at:

Allied Chemical	45 ¹ / ₂
DuPont	22 ³ / ₈
Electric Auto-Lite	9
General Motors	7 ³ / ₄

As the months and years rolled on it became apparent to the American public that what had gone on was more than a stock market crash in which speculators were wiped out. This was a depression, in fact it was **THE GREAT DEPRESSION**. People economized, countless businesses failed or at best came to a standstill. By mid-1930 one out of every four factory workers was out of a job. In 1932 various estimates placed the unemployed at from 8¹/₂ to 17 million. Probably 12¹/₂ to 13 million was correct. Breadlines in the poorer districts appeared and "Hoovervilles," bleak settlements of groups of makeshift shacks constructed of packing boxes, scrap iron or whatever grew up. The International Apple Shippers' Association, faced with an oversupply of apples, sold them on credit to unemployed men, at wholesale prices,



G. Burton Hibbert



Graph showing rise and fall of stock market, 1924-1933

for resale at 5 cents each — and suddenly there were apple salesmen shivering on street corners.

Meanwhile the situation abroad worsened. The biggest bank in Austria was in tight straits and appealed to the government for aid. A near-panic developed which quickly spread to Germany. Capital was fleeing both countries, foreign loans were being withdrawn and a general collapse seemed imminent. In 1929 what had been a small cloud on the horizon, Hitler's Brown Shirts, was now becoming larger.

When the big German Danat Bank closed panic spread to England, endangering the pound sterling. The National Government under MacDonald tried to save the pound but it was too late. England went off the gold standard (as did other nations) and into the new adventure of "managed currency."

The shock in the United States was sharp. Nationwide, banks were collapsing — banks, which had invested heavily in bonds and mortgages, now found the prices of their foreign bonds declining rapidly, the prices of their domestic bonds sliding down in the general rush of liquidation and their mortgages frozen solidly. In the month of September 1931, a total of 305 American banks closed; in October, 522. Hoarding of gold became widespread for fear the United States would go off the gold standard. Many safe deposit boxes and less secure places were crammed with gold certificates and coins.

So the Depression went on, with few signs of lifting, but now to return to that momentous day, March 4, 1933. At noon Franklin Delano Roosevelt became President of the United States. Parts of his inaugural address are worth quoting:

"This is preeminently the time to speak the truth, the whole truth, frankly and boldly. Nor need we shrink from honestly facing conditions in our country today. This great nation will endure as it has endured, will revive and will prosper. So first of all let me assert my 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."

The new President went on:

"We must make income balance outgo."

"We must have an adequate and sound currency."

"We must have a good neighbor policy in foreign affairs but domestic affairs come first."

"I will ask the Congress for broad executive power to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe."

On Sunday, March 5, the day after the inauguration, the President issued a proclamation putting the bank holiday on a national basis and prohibiting the export of gold and all dealings in foreign exchange.

These then were some of the events leading to the early morning telephone call to Thomas West. There was more, much more, but now it is time to return to Rhode Island.

Mr. West, when he finished his talk with Acting Governor Quinn, called other bank presidents and outlined the situation. All agreed bank closing was not only the most sensible course but very necessary. Mr. West invited them to his home immediately for an emergency session which invitation they accepted. He then called Mr. Quinn and the Acting Governor released his proclamation. Later, he issued a second proclamation, substantially the same in effect but expanding and clarifying the earlier hurriedly written one.

The meeting at Mr. West's house was brief, dramatic and in a way, comical. Usually well-groomed bankers arrived by taxicab, some with shirts unbuttoned and clutching their neckties. None had much money in his pocket but a collection was taken so one banker could buy a train ticket for Boston later that morning. When they settled down to business a rough plan of procedure was sketched out, all agreed



Thomas L. Pierce



Walter F. Farrell

unified action was essential and all expressed a desire to cooperate. The meeting then adjourned until 10 a.m.

The next meeting was held on schedule in the Directors' Room of the Rhode Island Hospital Trust Company where it was voted that the Providence Clearing House Association would be the body to represent all banks in matters connected with the Holiday and that the Clearing House Committee plus three others be empowered to take all necessary action. The Committee was composed of: G. Burton Hibbert, *Chairman*, Vice President, Rhode Island Hospital Trust Company; Ernest Clayton, Vice President and Treasurer, Industrial Trust Company, (serving in place of George W. Gardiner, Vice President, Industrial Trust Company, who was ill); Earl G. Batty, Vice President, Providence National Bank; Walter F. Farrell, President, Union Trust Company; Victor H. Frazier, Cashier, High Street Bank & Trust Company; Henry L. Wilcox, President, National Bank of Commerce & Trust Company and President of the Clearing House Association; Albert R. Plant, President, Blackstone Canal National Bank and Secretary of the Clearing House Association; Wilson G. Wing, President, Providence Institution for Savings.

This group, known as the Bankers' Committee, faced immediate and puzzling problems. No one of the committee, nor any one else for that matter, had ever before been in a similar situation and there were no precedents. Obviously the first step was to effect legality. A bank, unlike most other businesses, cannot open or close at will; clearly defined banking hours are established by law and to vary from these hours can invite serious trouble. No problem existed for March 4 because the acting governor, under emergency powers granted to him by law, had taken care of this. He also by subsequent proclamation made Monday, March 6, a legal holiday and the President, also acting under emergency powers, had made Monday, March 6, through Thursday, March 9, holidays.

However, no one knew how long it would be before matters could be straightened out. New legislation was required and through that weekend lawyers struggled to draft an act for the legislature. On Tuesday, March 7 a completed draft was submitted at a conference presided over by Governor Theodore Francis Green. The Act vested in the governor the power to declare the existence, and to declare subsequently the termination of a banking emergency. Governor Green met with a group of political leaders at 5 p.m., the Act was passed by the State Legislature and signed into law that same evening.

On Wednesday, March 8, Governor Green declared the existence of a banking emergency, and Latimer W. Ballou, the Bank Commissioner, issued Order No. 1 suspending the payment by banks of any of their liabilities. Next day, Order No. 2 permitted the issuance of scrip certificates.

Because the bank holidays came without warning, many businesses and individuals were caught with little cash in their tills or pockets. On Monday, March 6, the United Electric Railways donated its office at 69 Mathewson Street as a money changing center and another one was opened in East Greenwich. Actual cash, however, was scarce and many transactions were handled by informal I.O.U.'s and payments by goods in kind were common.

A medium to replace cash was needed and the Bankers' Committee took up the matter of issuing scrip. A difference of opinion about the necessity for scrip arose. Ernest Clayton of the Industrial Trust Company was against its issuance. He felt certain that with vigorous action taking place in Washington the banks would be in operation in a few days. However, he was outvoted and scrip was issued.

A special scrip committee consisting of Florrison M. Howe, Thomas H. West, Jr., and Thomas L. Pierce was appointed to handle issuance. They engaged the J. C. Hall Company of Pawtucket to do the printing. A large group of bank employees, supervised by Lincoln E. Barber, Assistant Secretary of the Rhode Island Hospital Trust Company and Howard H. Wilkinson, Assistant Secretary of



Ernest Clayton



Florrison M. Howe



Script issued by Providence Clearing House

the Industrial Trust Company, went on duty around the clock watching over the mechanical operations. State and city police stood guard.

Once printed, the scrip was transported by Brink's Express to the vaults of the Industrial Trust Company where it was put in charge of Elmer F. Seabury, Vice President, and his crew. Again the scrip was counted, then delivered to various banks under requisition in accordance with newly promulgated regulations.

Lack of space prevents a day by day account of all the events of the ten or eleven days from the time the banks closed on March 4 until they reopened on March 14 and 15, 1933. Perhaps some of the headlines of the *Providence Journal* covering the period will suffice:



Wilson G. Wing

Sunday, March 5

GREEN SEES NO CALL FOR ALARM

CLEARING HOUSE TO ISSUE OWN CERTIFICATES

BISHOP HICKEY HAS FAITH IN R. I. BANKS

Monday, March 6

ROOSEVELT PROCLAIMS NATIONAL BANK HOLIDAY

PLACES IMMEDIATE EMBARGO ON EXPORT OF GOLD OR CURRENCY

QUINN PROCLAIMS HOLIDAY TODAY FOR R. I. BANKS

Tuesday, March 7

FAITH, GOOD CHEER MARK BANK CRISIS

RHODE ISLANDERS REVEAL SENSE OF FRATERNALISM

MONEY CHANGING CENTERS KEEP BUSINESS FUNCTIONING

BROWN STUDENTS TO EAT ON MEAL TICKETS WHILE BANKING CRISIS EXISTS

Wednesday, March 8

GREEN GETS FULL BANKING CONTROL

R. I. LAW PREPARES FOR BANK OPENING

SCRIP WILL APPEAR IN DAINTY COLORS

ARMORED CARS, POLICE CARRY MILLIONS IN NEW CURRENCY TO INDUSTRIAL TRUST COMPANY

HOARDERS OF GOLD BULLION THREATENED WITH EXPOSURE

Postal Telegraph
THE INTERNATIONAL SYSTEM

Commercial Cables All America Cables

Mackay Radio

BA 66 1 EXA Q BOSTON MASS 14 232A 1933 MAR 14 AM 2. 41

PROVIDENCE NATIONAL BANK
PROVIDENCE RI

P16 357 Mr. Trotter
Oarr

YOUR INSTITUTION LICENSED TO REOPEN TUESDAY MORNING MARCH 14
AT YOUR HEAD OFFICE AND AT YOUR BRANCH IN PROVIDENCE
RHODE ISLAND WITHOUT ANY RESTRICTIONS EXCEPT THOSE IN THE
PRESIDENTS PROCLAMATION AGAINST PAYMENT OF GOLD OR GOLD
CERTIFICATES OR BULLION OR PAYMENT OF CURRENCY FOR HOARDING
PURPOSES AND FOREIGN EXCHANGE TRANSACTIONS WHICH APPLY TO ALL
BANKING INSTITUTIONS UNTIL FURTHER NOTICE LICENSE MAILED TO
YOU SPECIAL DELIVERY

R A YOUNG GOVERNOR FEDERAL RESERVE BANK OF BOSTON

Telegram authorizing Providence National Bank to reopen on March 14, 1933

Thursday, March 9

CLEARING HOUSE OFFICIALS REPORT SCRIP READY

R. I. BANKS OPEN TOMORROW WITH SCRIP

Friday, March 10

**\$10 SCRIP FOR EACH DEPOSITOR AND PAYROLL EMPLOYE AVAILABLE AT R. I. BANKS TODAY
SHAMED HOARDERS DISGORGE MILLIONS**

Saturday, March 11

BANKS HAVE BUSY DAY AS FIRST SCRIP IS GIVEN OUT

Sunday, March 12

BANKS TO START REOPENING TOMORROW

Monday, March 13

ROOSEVELT SAYS BANKS CAN MEET ALL NEEDS; SAYS BIG LOSS HAS BEEN AVERTED

Tuesday, March 14

**EIGHT RESERVE MEMBER BANKS IN PROVIDENCE GIVEN LICENSES FOR FULL RESUMPTION TODAY
SAVINGS INSTITUTIONS WILL OPEN BUT WITH \$20 LIMIT ON WITHDRAWALS
DEPOSITORS FLOCK IN WITH MONEY AS BANKING BAN LIFTS**

Wednesday, March 15

BANKS OUTSIDE CITY WILL REOPEN TODAY "ERA OF FEAR" AT END

Thursday, March 16

BANKING HOLIDAY VIRTUALLY ENDED

And so the Bank Holidays came to an end. Business and industry soon improved and unemployment declined. Before long people were singing that again popular song:

"HAPPY DAYS ARE HERE AGAIN!"



Raymond H. Trott

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