

CURRENT SCHOLARSHIP

Bank Supervision, the Great Depression, and the Creation of the New Deal

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The banking crises of 1930-1933 created the Great Depression and with it the momentum that remade American politics with the election of Franklin Roosevelt in 1932. Pivotal to Roosevelt's political success was the banking holiday of 1933, an event that restarted the financial system and became a keystone of 20th century political and financial history. In the conventional contemporaneous and historical narrative of these events the holiday represents the apotheosis of high politics and presidential power. Such accounts, however, say virtually nothing about what happened during the holiday itself. We reinterpret the banking crises of the 1930s—before and after Roosevelt's election—through the lens of bank supervision, an institutional arrangement whereby government actors structure private markets in direct, visceral, haphazard, technocratic, political, disciplined, and arbitrary ways. This reinterpretation illustrates how the union of FDR's inimitable political skills with the technocracy of bank supervision became key to the solving the banking crisis, jumpstarting the New Deal, and bringing the country back from the brink. Placing supervision at the center of this period of economic, political, and financial transition provides key insights into the exercise of government power, including the relationship between and among legitimacy, legality, politics, finance, and—perhaps especially—what it means for a government official to exercise discretion within a broad legislative mandate. This new approach, we argue, can provide an example of other reinterpretations of political history, from the New Deal and beyond, as an act of onsite government power,

interacting with but defined only partially by law and politics.

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