<u>April 19, 1933</u>

On this day 75 years ago FDR took the United States off the Gold Standard.

The Gold Standard was a monetary system that participating governments used to fix the prices of their domestic currencies. Under the Gold Standard national money and other forms of money (bank deposits, and notes) were redeemed on demand in a specific amount of gold.

At the time that FDR took office on March 4, 1933, the U.S. economy's output of goods and services (gross national product) was at 30 percent. Prices of almost everything (farm products, raw materials, industrial goods, and stocks) fell dramatically, and world trade was drastically down.

The country was trapped in a deflationary tailspin that threatened economic recovery. Farmers needed higher prices to make profits. Economists were looking for ways to end deflation. Taking the U.S. off the gold standard meant that money would no longer be converted to gold on demand, giving the government more flexibility.

In June, Congress passed joint resolution abolishing the gold clause. With this in place, payments could now be made in U.S. coins or cash. No longer linked to gold, the dollar value could now be regulated.

FDR hoped that reducing the dollar’s worth would increase domestic prices and stimulate the economy.

References sources:
FDR Library exhibit, Action to Action
The Concise of Encyclopedia of Economics, Great Depression, Robert J. Samuelson

STOPPING A RUN ON AN OLD FINANCIAL INSTITUTION