

FDR and the Markets

Franklin Delano Roosevelt, in his first inaugural address on March 4, 1933, stated “that the only thing we have to fear is fear itself.” I cannot think of a more appropriate phrase right now given the market action we have seen over the past several days. Fear and panic have gripped equity and credit markets. In many cases, there appears to be no rational explanation for the moves we have seen in otherwise healthy companies. We have a crisis of confidence and it is difficult to survey the landscape and determine what changes the tide. Strangely enough, some of FDR’s words from the inaugural address referenced above seem insightful.

“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. In every dark hour of our national life a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days.”

Some would focus on the fact that these references come from a very bleak period in our country’s history during the 1930’s. Many talking heads have tried to draw the parallels between this era and today’s marketplace. While not entirely misplaced, I do believe that the policy responses to date have been more aggressive than those taken in the early 30’s, leading to the election of FDR and the implementation of his now famous New Deal. One missing component that I believe would help the current environment is a more coordinated effort from policy makers around the world. Central bankers in Europe and other countries need to loosen monetary conditions ASAP in order to unlock the credit markets.

No doubt, times like these shake your confidence in the system and the markets; however, just as “irrational exuberance”, to borrow from Alan Greenspan’s phrase, cannot last forever, neither can this irrational pessimism that permeates the current market environment. Finally, I leave you below with one last quote from FDR’s speech. I think his phrase in the last sentence of the “unscrupulous money changers” fits the bill for some of the Wall Street executives today.

“Yet our distress comes from no failure of substance. We are stricken by no plague of locusts. Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply. Primarily this is because the rulers of the exchange of mankind’s goods have failed, through their own stubbornness and their own incompetence, have admitted their failure, and abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men.”

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