Working Papers: Abstract
Christopher Hoag

Paper: Liquidity and Borrowing from a Lender of Last Resort during the Crisis of 1884
First Version: May 2019 Revised: June 2019

Abstract: This paper investigates the relationship between bank liquidity and borrowing from a lender of last resort on a high frequency basis during a financial crisis. The paper evaluates weekly observations of individual bank borrowing of clearinghouse loan certificates by a panel of New York Clearing House member banks during the crisis of 1884. Naturally, banks with higher reserve ratios borrowed lower amounts, but banks did not replace a dollar of reserves with a dollar of borrowing. Stricter regulatory mandates for higher bank liquidity probably would not prevent the need to borrow from a lender of last resort in a crisis.