

Working Papers: Abstracts

Christopher Hoag

Paper: Clearinghouse Loan Certificates during the Panic of 1893

First Version: May 2004

Revised: July 2007

Abstract: Liquidity provision by a lender of last resort suffers from a moral hazard problem when liquidity available during panics causes banks to assume additional risk before the panic strikes. This paper considers the example of clearinghouse loan certificates held by New York Clearing House member banks during the panic of 1893. The paper attempts to link loan certificate borrowing to pre-panic risk factors. Participation in asset markets and exposure to seasonal currency withdrawals do not explain loan certificate borrowing for national banks. Hence, loan certificate borrowing did not suffer from a moral hazard problem during this panic.

Paper: Clearinghouse Membership and Deposit Contraction during the Panic of 1893

First Version: July 2005

Revised: June 2007

Abstract: Moen and Tallman (2000) argue that clearinghouse membership reduced deposit contraction of commercial banks and trusts during the panic of 1907. This paper reexamines Moen and Tallman's result using analogous data on New York banks during the panic of 1893. In contrast to the previous results, clearinghouse membership does not substantially alleviate deposit contractions in 1893.

Paper: National Bank Window Dressing, 1867-69

First Version: May 2001

Revised: July 2006

Abstract: Market observers accused national banks of window dressing after the Civil War. Window dressing is a temporary change in portfolio designed to produce a more appealing report to regulators or to the public. This paper attempts to determine whether or not postbellum Philadelphia banks window dressed their balance sheets. A test compares two distinct series of legal tender reserves of Philadelphia banks. The test suggests that the banks did not appreciably window dress reserves in the aggregate.

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Paper: Aldrich-Vreeland Emergency Currency as a Lender of Last Resort

First Version: September 2007

Revised: July 2008

Abstract: This paper uses data from a pre-Federal Reserve lender of last resort program, the Aldrich-Vreeland Emergency Currency Act of 1908, to investigate borrowing from a lender of last resort at the individual bank level. Contrary to the reluctance to borrow hypothesis, banks with lower capital/asset ratios were more likely to borrow. Banks with a higher reserve ratio borrowed less.

Paper: National Bank Window Dressing and the New York Call Loan Market, 1866-72

First Version: August 2009

Revised: August 2009

Abstract: After the American Civil War, market observers attributed increases in interest rates around quarterly reporting dates to window dressing by national banks. This paper uses a natural experiment, a change in the reporting law, to test for increases in interest rates at quarter end. Using daily data on the call loan rate in New York City, we find no evidence of systematic increases in the call loan interest rate just before the quarterly reporting dates of national banks.