Explorations in Economic History

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The Impact of a Lender of Last Resort during the Great Depression: The Case of the Reconstruction Finance Corporation  
James L. Butkiewicz

**Summary**

“This paper investigates the impact of the RFC′s (Reconstruction Finance Corporation) lending to banks prior to the financial crisis of 1933. The RFC is found to have played a positive role in reducing bank failures and improving monetary conditions prior to the financial collapse. However, publication of the names of RFC loan recipients beginning in late August 1932 is found to offset the positive impact of the initial RFC lending. Empirical evidence also shows that RFC loans reduced bank failures independent of the monetary expansion that occurred in mid-1932. The RFC experience demonstrates the value of a lender of last resort during a financial crisis.” (Butkiewicz)

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