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Close but not a Central Bank: The New York Clearing House and Issues of Clearing House Loan Certificates

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Summary

The paper examines the New York Clearing House (NYCH) as a lender of last resort by looking at clearing-house-loan-certificate borrowing during five banking panics of the National Banking Era (1863–1913). In that system, adequate aggregate liquidity provision was passive and dependent upon member bank borrowing. We document bank borrowing behavior using bank-level data for clearing-house loan certificates issued to NYCH member banks. The historical record reveals that the large New York City banks behaved in ways that resembled those of a central bank in 1884 and in 1890, but less so in the more severe crises.

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