

# Reconstruction Finance Corporation

---

The **Reconstruction Finance Corporation** (**RFC**) was a government corporation in the United States between 1932 and 1957 that provided financial support to state and local governments and made loans to banks, railroads, mortgage associations, and other businesses. Its purpose was to boost the country's confidence and help banks resume daily functions after the start of the Great Depression. The RFC became more prominent under the New Deal and continued to operate through World War II. It was disbanded in 1957, when the US government concluded that it no longer needed to stimulate lending.

The RFC was an independent agency of the United States government, and fully owned and operated by the government. The idea was suggested by Eugene Meyer of the Federal Reserve Board of Governors, recommended by President Hoover, and established by Congress in 1932. It was modeled after the War Finance Corporation of World War I. In total, it gave \$2 billion in aid to state and local governments and made a large number of loans, nearly all of which were repaid.

The agency played a major role in recapitalizing banks in the 1930s and it was effective in reducing bank failures and stimulating bank lending.<sup>[1]</sup> It also helped to set up relief programs that were taken over by the New Deal in 1933.<sup>[2]</sup>

## Contents

---

### History

#### Under President Herbert Hoover

#### Under President Franklin D. Roosevelt

#### World War II

World War II aircraft disposal

#### Disbanding

#### See also

#### References

#### Bibliography

#### External links

## History

---

Part of the Federal Reserve System's mission was to act as a lender of last resort to banks during financial panics. However, the Board of Governors did not have enough authority to mandate policies or act independently. Many of the governors, as well as members of Congress and the public, wanted the Federal Reserve to be more active as the Great Depression began—for instance, by increasing the amount of money in circulation and liquidating financial markets. Opponents of these proposals believed that they would eventually create high inflation, hurting the economy in the long term.

To address these problems, Congress passed the Reconstruction Finance Corporation Act of 1932 with broad bipartisan support. President Herbert Hoover signed into law on January 22.<sup>[3]</sup> Like the Federal Reserve, the RFC would loan to banks, but it was designed to serve state-chartered banks and small banks in rural areas that were not part of the Federal Reserve System. Another distinction was that the RFC could make loans on the basis of collateral that the Federal Reserve and other lenders would not accept. The related Banking Act of 1932, signed on February 27, broadened the Federal

Reserve's lending powers, and gave it the power to make national policy to mitigate the problems with the economy. Eugene Meyer, who had pushed for both pieces of legislation, after heading up an organization similar to the RFC during World War I, was a governor of the Federal Reserve, and Chairman of the Board of the RFC. Essentially, the RFC was the "discount lending" arm of the Federal Reserve.<sup>[3]</sup>

The initial funding for the RFC came from the sale of \$500 million worth of stock and bonds to the United States Treasury. To obtain more capital, it sold \$1.5 billion in bonds to the Treasury, which then sold them to the general public. In its first couple of years, the RFC needed a loan of \$51.3 billion from the Treasury and \$3.1 billion from the public.

The RFC lent to solvent institutions that could not be sold to repay their existing liabilities but would be able to do so in the long run. A main reason for such loans was to ensure that depositors got their money back. The Reconstruction Finance Corporation spent \$1.5 billion in 1932, \$1.8 billion in 1933, and \$1.8 billion in 1934 before dropping to about \$350 million a year. In August 1939, on the eve of World War II, it greatly expanded to build munitions factories. In 1941, it disbursed \$1.8 billion. The total loaned or otherwise disbursed by the RFC from 1932 through 1941 was \$9.465 billion.<sup>[2]</sup>

#### **Chairmen of the Board of Directors<sup>[4]</sup>**

| <b>Name</b>                 | <b>Dates of service</b>          |
|-----------------------------|----------------------------------|
| <u>Eugene Meyer</u>         | February 2, 1932 – July 31, 1932 |
| <u>Atlee Pomerene</u>       | August 1, 1932 – March 4, 1933   |
| <u>Jesse H. Jones</u>       | May 5, 1933 – July 15, 1939      |
| <u>Emil Schram</u>          | July 16, 1939 – June 29, 1941    |
| <u>Charles B. Henderson</u> | June 30, 1941 – April 9, 1947    |
| John D. Goodloe             | April 9, 1947 – April 30, 1948   |
| Harley Hise                 | August 5, 1948– October 9, 1950  |
| W. Elmer Harber             | October 11, 1950 – May 4, 1951   |

#### **Administrators and Deputy Administrators<sup>[4]</sup>**

| <b>Name and position</b>                   | <b>Dates of service</b>               |
|--|---------------------------------------|
| <u>W. Stuart Symington</u> , Administrator | May 4, 1951 – February 15, 1952       |
| Peter I. Bukouski, Deputy Administrator    | June 20, 1951 – December 31, 1951     |
| Leo Nielson, Acting Administrator          | February 15, 1952 – February 26, 1952 |
| Harry A. McDonald, Administrator           | February 26, 1952 – May 1, 1953       |
| Clarence A. Beutel, Deputy Administrator   | September 10, 1952 – June 1, 1953     |
| Kenton R. Cravens, Administrator           | May 1, 1953 – March 31, 1954          |
| Laurence B. Robbins, Deputy Administrator  | December 10, 1953 – March 31, 1954    |
| Laurence B. Robbins, Acting Administrator  | March 31, 1954 – April 26, 1954       |
| Laurence B. Robbins, Administrator         | April 26, 1954 – June 30, 1954        |

## **Under President Herbert Hoover**

---

The first RFC president was a former vice president named Charles Dawes. He soon had to resign to attend to his bank in Chicago, and President Herbert Hoover appointed Atlee Pomerene of Ohio to head the agency in July 1932. The presidency of the RFC thus switched from a Republican to a Democrat. Hoover's reasons for reorganizing the RFC included: the broken health and resignations of Eugene Meyer, Paul Bestor, and Charles Gates Dawes; the failure of banks to perform their duties to their clientele or to aid American industry; the country's general lack of confidence in the current board; and Hoover's inability to find any other man who had the ability and was both nationally respected and available. (Shriver 1982)

Like the Federal Reserve, the RFC tended to bail out the banks that benefited the government the most. Butkiewicz (1995) shows that the RFC initially succeeded in reducing bank failures, but the publication of the names of loan recipients beginning in August 1932 (at the demand of Congress) significantly reduced its effectiveness, because it appeared that political considerations had motivated certain loans. Partisan politics hindered the RFC's efforts, though in 1932, monetary conditions improved because the RFC slowed the decline in the nation's money supply.

The original legislation establishing the RFC did not limit it to lending to financial institutions; it was also authorized to provide loans for railroad construction and crop lands. An amendment passed in July 1932 allowed the RFC to provide loans to state and municipal governments. The purpose of these loans was to finance projects like dams and bridges, and the money would be repaid by charging fees to use these structures. To help with unemployment, a relief program was created that would be repaid by tax receipts.

## **Under President Franklin D. Roosevelt**

---

President Franklin D. Roosevelt, who took office in 1933, increased the RFC's funding, streamlined the bureaucracy, and used it to help restore business prosperity, especially in banking and railroads. He appointed Texas banker Jesse H. Jones to lead the agency, and Jones turned the RFC into an empire with loans made in every state.<sup>[5]</sup>

Under the New Deal, the powers of the RFC were greatly expanded. The agency now purchased bank stock and extended loans for agriculture, housing, exports, businesses, governments, and disaster relief. Roosevelt soon directed the RFC to buy gold to change its market price. The original legislation did not call for identities of the banks receiving loans nor of any reports to Congress. This, however, was changed in July 1932 to make the RFC transparent. Bankers soon were hesitant to ask the RFC for a loan since the public would become aware and begin to consider the possibility of their bank failing causing them to withdraw their deposits.

The RFC also had a division that gave the states loans for emergency relief needs. In a case study of Mississippi, Vogt (1985) examined two areas of RFC funding: aid to banking, which helped many Mississippi banks survive the economic crisis, and work relief, which Roosevelt used to pump money into the state's relief program by extending loans to businesses and local government projects. Although charges of political influence and racial discrimination were levied against RFC activities, the agency made positive contributions and established a federal agency in local communities which provided a reservoir of experienced personnel to implement expanding New Deal programs.

Roosevelt saw this corporation as an advantage to the government. The RFC could finance projects without Congress approving them and the loans would not be included in budget expenditures. Soon the RFC was able to buy bank preferred stock with the Emergency Banking Act of 1933. Buying stock would serve as collateral when banks needed loans. This, however, was somewhat controversial because if the RFC was a shareholder than it could interfere with salaries and bank management. The Federal Deposit Insurance Corporation (FDIC) was later created to help decrease bank failures and insure bank deposits. The second main assistance was to farmers and their crop lands. The Commodity Credit Corporation was established to provide assistance. The agriculture was hit hard with a drought and machinery like the tractor. One benefit it provided to these rural cities was the Electric Home and Farm Authority, which provided electricity and gas and assistance in buying appliances to use these services.

# World War II

PROPERTY OF  
DEFENSE PLANT CORPORATION  
AN INSTRUMENTALITY OF THE  
UNITED STATES GOVERNMENT

DPC- 2606-A-08792

|  |   |
|--|---|
| Form No. 101-107 <b>SSS</b><br>(Rev. 1-25-59)  | <b>WAL DAMAGE CORPORATION</b> Washington, D. C.<br>101-107-101 <b>101-107-101</b>   |
| <h2 style="text-align: center;">WAL Damage Corporation</h2> <p style="text-align: center;">101-107-101</p> | 1. Name of the person or organization to whom the report is being made: <b>WAL DAMAGE CORPORATION</b><br>2. Address of the person or organization to whom the report is being made: <b>101-107-101</b><br>3. Name of the person or organization making the report: <b>WAL DAMAGE CORPORATION</b><br>4. Address of the person or organization making the report: <b>101-107-101</b><br>5. Date of the report: <b>101-107-101</b><br>6. Name of the person or organization to whom the report is being made: <b>WAL DAMAGE CORPORATION</b><br>7. Address of the person or organization to whom the report is being made: <b>101-107-101</b><br>8. Name of the person or organization making the report: <b>WAL DAMAGE CORPORATION</b><br>9. Address of the person or organization making the report: <b>101-107-101</b><br>10. Date of the report: <b>101-107-101</b> |
| 11. Name of the person or organization to whom the report is being made: <b>WAL DAMAGE CORPORATION</b>     | 12. Address of the person or organization to whom the report is being made: <b>101-107-101</b>  |
| 13. Name of the person or organization making the report: <b>WAL DAMAGE CORPORATION</b>                    | 14. Address of the person or organization making the report: <b>101-107-101</b>   |
| 15. Date of the report: <b>101-107-101</b>   | 16. Name of the person or organization to whom the report is being made: <b>WAL DAMAGE CORPORATION</b>  |
| 17. Address of the person or organization to whom the report is being made: <b>101-107-101</b>             | 18. Name of the person or organization making the report: <b>WAL DAMAGE CORPORATION</b>   |
| 19. Address of the person or organization making the report: <b>101-107-101</b>                            | 20. Date of the report: <b>101-107-101</b>  |
| 21. Name of the person or organization to whom the report is being made: <b>WAL DAMAGE CORPORATION</b>     | 22. Address of the person or organization to whom the report is being made: <b>101-107-101</b>  |
| 23. Name of the person or organization making the report: <b>WAL DAMAGE CORPORATION</b>                    | 24. Address of the person or organization making the report: <b>101-107-101</b>   |
| 25. Date of the report: <b>101-107-101</b>   | 26. Name of the person or organization to whom the report is being made: <b>WAL DAMAGE CORPORATION</b>  |
| 27. Address of the person or organization to whom the report is being made: <b>101-107-101</b>             | 28. Name of the person or organization making the report: <b>WAL DAMAGE CORPORATION</b>   |

From 1941 through 1945, the RFC authorized over \$2 billion of loans and investments each year, with a peak of over \$6

billion authorized in 1943. The magnitude of RFC lending had increased substantially during the war.<sup>[9]</sup>

The Petroleum Reserves Corporation was transferred to the Office of Economic Warfare, which was consolidated into the Foreign Economic Administration, which was transferred to the Reconstruction Finance Corporation and changed to the War Assets Corporation. The War Assets Corporation was dissolved after March 25, 1946. Most lending to wartime subsidiaries ended in 1945, and all such lending ended in 1948.

## World War II aircraft disposal

After the war, the Reconstruction Finance Corporation established five large storage, sales, and scrapping centers for Army Air Forces aircraft. These were located at Kirtland Air Force Base in Albuquerque, New Mexico; Altus Air Force Base in Oklahoma; Kingman Air Force Base in Arizona; Ontario Air Force Base in California; and Walnut Ridge Air Force Base in Arkansas. A sixth facility for storing, selling, and scrapping Navy and Marine aircraft was located in Clinton, Oklahoma.

Estimates of the number of excess surplus airplanes ran as high as 150,000. By the summer of 1945, at least 30 sales-storage depots and 23 sales centers were in operation. In November 1945, it was estimated that a total of 117,210 aircraft would be transferred as surplus.

Between 1945 and June 1947, the RFC, the War Assets Corporation, and the War Assets Administration (the disposal function of the RFC was transferred to WAC on January 15, 1946, and to the WAA in March 1946) processed approximately 61,600 World War II aircraft, of which 34,700 were sold for flyable purposes and 26,900, primarily combat types, were sold for scrapping.

Most of the transports and trainers could be used in the civil fleet, and trainers were sold for \$875 to \$2,400. The fighters and bombers were of little peacetime use, although some were sold. Typical prices for surplus aircraft were:

- Vultee BT-13 Valiant \$450
- Lockheed P-38 Lightning \$1,250
- North American AT-6 \$1,500
- Douglas A-26 Invader \$2,000
- North American P-51 Mustang \$3,500
- North American B-25 Mitchell \$8,250
- Boeing B-17 Flying Fortress \$13,750
- Consolidated B-24 Liberator \$13,750
- Consolidated B-32 Dominator \$32,500

Many aircraft were transferred to schools, and to communities for memorial use for a minimal fee. A Boy Scout troop bought a B-17 Flying Fortress for \$350.

General sales were conducted from these centers; however, the idea for long term storage, considering the approximate cost of \$20 per month per aircraft, was soon discarded, and in June 1946, the remaining aircraft, except those at Altus, were put up for scrap bid.



Acres of World War II aircraft in storage, awaiting their fate at Kingman, 1946

## Disbanding

---

After World War II ended, the type of loans provided by the RFC were no longer in demand. President Dwight D. Eisenhower was in office when legislation terminated the RFC. It was "abolished as an independent agency by act of Congress (1953) and was transferred to the Department of the Treasury to wind up its affairs, effective June 1954. It was totally disbanded in 1957."<sup>[10]</sup> The Small Business Administration was established to provide loans to small business, and training programs were created. Government agencies took over RFC assets, and the tin and abaca programs were handled by General Services Administration. The Commodity Credit Corporation, which was created to help farmers, remained in operation. Another establishment kept in operation is the Export–Import Bank, which encourages exports.

In 1991, Rep. Jamie L. Whitten (Democrat of Mississippi) introduced a bill to reestablish the RFC, but it did not receive a hearing by a congressional committee,<sup>[11]</sup> and he did not reintroduce the bill in subsequent sessions.

## See also

---

- Resolution Trust Corporation
- Federal Emergency Management Agency
- Emergency Relief and Construction Act

## References

---

1. Vossmeier, Angela (May 2014). "Treatment Effects and Informative Missingness with an Application to Bank Recapitalization Programs". *The American Economic Review*. **104** (5): 212–217. doi:10.1257/aer.104.5.212 (https://doi.org/10.1257%2Faer.104.5.212).
2. Sprinkel, Beryl Wayne (October 1952). "Economic Consequences of the Operations of the Reconstruction Finance Corporation". *The Journal of Business of the University of Chicago*. **25** (4): 211–224. doi:10.1086/233060 (https://doi.org/10.1086%2F233060). JSTOR 2350206 (https://www.jstor.org/stable/2350206).
3. "'Banking Acts of 1932' - A detailed essay on an important event in the history of the Federal Reserve" (http://www.federalreservehistory.org/Events/DetailView/12). *www.federalreservehistory.org*. Retrieved 2016-05-27.
4. Preliminary inventory of the records of the Reconstruction Finance Corporation, 1932–1964 (PI 181, Record Group 173), National Archives and Records Service, 1973.
5. Herman, Arthur. *Freedom's Forge: How American Business Produced Victory in World War II*, pp. 73–4, 100, 210, 255, 258, Random House, New York, NY, 2012. ISBN 978-1-4000-6964-4.
6. Herman, Arthur. *Freedom's Forge: How American Business Produced Victory in World War II*, pp. 74, 207–8, 278, Random House, New York, NY. ISBN 978-1-4000-6964-4.
7. *Matlaw Corporation vs. War Damage Corporation* (https://law.justia.com/cases/federal/appellate-courts/F2/164/281/1481180/) 164 F.2d 281 (7th Cir. 1947)
8. *U.S. Government Manual 2012* p. 595
9. Herman, Arthur. *Freedom's Forge: How American Business Produced Victory in World War II*, pp. 73–4, 100, 210, 255, Random House, New York, NY, 2012. ISBN 978-1-4000-6964-4.
10. "Reconstruction Finance Corporation" (http://www.encyclopedia.com/doc/1E1-ReconFin.html). *The Columbia Encyclopedia* (Sixth ed.). Encyclopedia.com. 2008. Retrieved October 9, 2010.
11. Whitten, Jamie L. (March 19, 1991). "H.R.1462, Reconstruction Finance Corporation Act of 1991" (http://thomas.loc.gov/cgi-bin/query/z?c102:h.r.1462:). Library of Congress. Retrieved June 29, 2012.

## Bibliography

---

- Barber, William J. (1985). *From New Era to New Deal: Herbert Hoover, the Economists, and American Economic Policy, 1921–1933*. Cambridge: Cambridge University Press. ISBN 9780521305266.

- Butkiewicz, James L. (April 1995). "The Impact of a Lender of Last Resort During the Great Depression: the Case of the Reconstruction Finance Corporation". *Explorations in Economic History*. **32** (2): 197–216. doi:[10.1006/exeh.1995.1007](https://doi.org/10.1006/exeh.1995.1007) (<https://doi.org/10.1006%2Fexeh.1995.1007>). ISSN 0014-4983 (<https://www.worldcat.org/issn/0014-4983>).
- Butkiewicz, James (July 19, 2002). "Reconstruction Finance Corporation". In Whaples, Robert. *EH.Net Encyclopedia* (<https://web.archive.org/web/20131029205418/http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction>). Archived from the original (<http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction>) on October 29, 2013. Retrieved August 5, 2009.
- Folsom, Burton (November 30, 2011). "The First Government Bailouts: The Story of the RFC". *Fee.org* ([http://www.fee.org/the\\_freeman/detail/the-first-government-bailouts-the-story-of-the-rfc](http://www.fee.org/the_freeman/detail/the-first-government-bailouts-the-story-of-the-rfc)). Retrieved March 16, 2014.
- Gou, Michale; Richardson, Gary; Komai, Alejandro; Daniel, Daniel (November 22, 2013). "Banking Acts of 1932 – A detailed essay on an important event in the history of the Federal Reserve". *Federalreservehistory.org* (<https://web.archive.org/web/20131029205418/http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction>). Archived from the original (<http://eh.net/encyclopedia/article/butkiewicz.finance.corp.reconstruction>) on October 29, 2013. Retrieved March 16, 2014.
- Jones, Jesse H.; Pforzheimer, Carl H. (1951). *Fifty billion dollars: My thirteen years with the RFC, 1932–1945*. New York: Macmillan. OCLC 233209 (<https://www.worldcat.org/oclc/233209>). detailed memoir by longtime chairman
- Koistinen, Paul A. C. (2004). *Arsenal of World War II: The Political Economy of American Warfare, 1940–1945*. Lawrence, KS: University Press of Kansas. ISBN 9780700613083. shows how RFC financed many war plants
- Mason, Joseph R. (April 2003). "The Political Economy of Reconstruction Finance Corporation Assistance During the Great Depression". *Explorations in Economic History*. **40** (2): 101–121. doi:[10.1016/S0014-4983\(03\)00013-5](https://doi.org/10.1016/S0014-4983(03)00013-5) (<https://doi.org/10.1016%2FS0014-4983%2803%2900013-5>). ISSN 0014-4983 (<https://www.worldcat.org/issn/0014-4983>).
- Nash, Gerald D. (December 1959). "Herbert Hoover and the Origins of the Reconstruction Finance Corporation". *The Mississippi Valley Historical Review*. **46** (3): 455–468. doi:[10.2307/1892269](https://doi.org/10.2307/1892269) (<https://doi.org/10.2307%2F1892269>). ISSN 0161-391X (<https://www.worldcat.org/issn/0161-391X>). JSTOR 1892269 (<https://www.jstor.org/stable/1892269>).
- Olson, James S. (1977). *Herbert Hoover and the Reconstruction Finance Corporation, 1931–1933* (1st ed.). Ames, IA: Iowa State University Press. ISBN 9780813808802.
- Olson, James S. (1988). *Saving Capitalism: The Reconstruction Finance Corporation and the New Deal, 1933–1940*. Princeton, NJ: Princeton University Press. ISBN 9780691047492.
- Vossmeier, Angela (2014). "Treatment Effects and Informative Missingness with an Application to Bank Recapitalization Programs". *American Economic Review*. **104**: 212–217. doi:[10.1257/aer.104.5.212](https://doi.org/10.1257/aer.104.5.212) (<https://doi.org/10.1257%2Faer.104.5.212>).
- Shriver, Phillip R. (1982). "A Hoover Vignette". *Ohio History*. **91**: 74–82. ISSN 0030-0934 (<https://www.worldcat.org/issn/0030-0934>).
- Vogt, Daniel C. (1985). "Hoover's RFC in Action: Mississippi, Bank Loans, and Work Relief, 1932–1933". *Journal of Mississippi History*. **47** (1): 35–53. ISSN 0022-2771 (<https://www.worldcat.org/issn/0022-2771>).
- White, Gerald Taylor (1980). *Billions for Defense: Government Financing by the Defense Plant Corporation During World War II*. University, AL: University of Alabama Press. ISBN 9780817300180.
- Strange, Eric, prod. (1999). *Brother, Can You Spare a Billion? The Story of Jesse H. Jones* (Color and black and white video). Houston, TX: Houston Public Television.

---

## External links

- Oral History Interview with Hubert F. Havlik (<http://www.trumanlibrary.org/oralhist/havlik.htm>), Truman Presidential Library, June 20, 1973.
  - Records of the Reconstruction Finance Corporation (<https://www.archives.gov/research/guide-fed-records/groups/234.html>)
- 

Retrieved from "[https://en.wikipedia.org/w/index.php?title=Reconstruction\\_Finance\\_Corporation&oldid=822459166](https://en.wikipedia.org/w/index.php?title=Reconstruction_Finance_Corporation&oldid=822459166)"

---

**This page was last edited on 26 January 2018, at 14:08.**

Text is available under the [Creative Commons Attribution-ShareAlike License](#); additional terms may apply. By using this site, you agree to the [Terms of Use](#) and [Privacy Policy](#). Wikipedia® is a registered trademark of the [Wikimedia Foundation, Inc.](#), a non-profit organization.