Accepted Manuscript

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PII: S0304-405X(18)30156-9
DOI: 10.1016/j.jfineco.2017.05.014
Reference: FINEC 2914

To appear in: *Journal of Financial Economics*

Received date: 16 May 2016
Revised date: 17 April 2017
Accepted date: 1 May 2017

Please cite this article as: Sriya Anbil, Managing Stigma during a Financial Crisis, *Journal of Financial Economics* (2018), doi: 10.1016/j.jfineco.2017.05.014

Managing Stigma during a Financial Crisis

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Abstract

How should regulators design effective emergency lending facilities to mitigate stigma during a financial crisis? I explore this question using data from an unexpected disclosure of partial lists of banks that secretly borrowed from the lender of last resort during the Great Depression. I find evidence of stigma in that depositors withdrew more deposits from banks included on the lists in comparison with banks left off the lists. Overall, the results suggest that an emergency lending facility that never reveals bank identities would mitigate stigma. (*JEL* Codes: G01, G21, G28)

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†This paper is part of my dissertation at Yale University. I thank Heather Tookes (co-chair), Gary Gorton (co-chair), Andrew Metrick, and Justin Murfin for valuable advice and comments. I would also like to thank seminar participants at the Yale SOM, Federal Reserve Board, Olin Business School, FRB Cleveland, Anderson School of Management, Kelley School of Business, Columbia Business School, OFR, FRBNY, Wharton School of the University of Pennsylvania, Leeds Business School, McCombs Business School, Scheller College of Business, FDIC, Carlson School of Management, and the Federal System Conference on Financial History for their useful comments. This paper has also benefited from discussions with Claire Brenneke, Julia Garlick, Sean Hundofte, Wenxi Jiang, Steve Karolyi, Elizabeth Klee, Toomas Laarits, Margaret Leighton, Steve Malliaris, Corina Mommaerts, Marina Niessner, Zeynep Senyuz, Andrew Sinclair, and Jacqueline Yen. I also thank Michaela Pagel, Nikhil Seval, Angela Vossmeyer, and Chen Wang for crucial data access. I thank the FRB, the Yale International Center for Finance, and Whitebox Advisors for research funding. Finally, I thank Natasha Armstrong, Grant Carney, Haruna Fujita, Maher Latif, and William Longinotti for excellent research assistance. All remaining errors are my own. The views expressed in this paper are solely the responsibility of the author and should not be interpreted as reflecting the views of the Federal Reserve Board, its staff, or any other person associated with the Federal Reserve System.