

Liquidity and Financial Market Runs

[Get access >](#)

The Quarterly Journal of Economics, Volume 119, Issue 1, February 2004, Pages 135–158, <https://doi.org/10.1162/003355304772839542>

Published: 01 February 2004

Abstract

We model a run on a financial market, in which each risk-neutral investor fears having to liquidate shares *after* a run, but *before* prices can recover back to fundamental values. To avoid having to possibly liquidate shares at the *marginal* postrun price—in which case the risk-averse market-making sector will already hold a lot of share inventory and thus be more reluctant to absorb additional shares—each investor may prefer selling today at the *average* in-run price, thereby causing the run itself. Liquidity runs and crises are not caused by liquidity shocks per se, but by the *fear of future* liquidity shocks.

This content is only available as a PDF.

© 2004 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology

Issue Section: [Articles](#)

You do not currently have access to this article.

Sign in

 [Get help with access](#)

Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches

Institutional access



Sign in through your institution

[Sign in through your institution](#)

- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

[Register](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Liquidity and Financial Market Runs* - 24 Hours access

EUR €39.00

GBP £33.00

USD \$43.00

Rental



This article is also available for rental through DeepDyve.