JOURNAL ARTICLE

### Fear of Fire Sales, Illiquidity Seeking, and Credit Freezes Get access >

Douglas W. Diamond, Raghuram G. Rajan

The Quarterly Journal of Economics, Volume 126, Issue 2, May 2011, Pages 557– 591, https://doi.org/10.1093/qje/qjr012

Published: 01 May 2011

#### **Abstract**

Is there any need to clean up a banking system by closing some banks and forcing others to sell assets if the risk of a crisis becomes high? Impaired banks that may be forced to sell illiquid assets in the future have private incentives to hold, rather than sell, those assets Anticipating a potential fire sale, liquid buyers expect high returns, reducing their incentive to lend. Privately optimal trading decisions therefore lead to a worse fire sale and a larger drop in lending than is necessary. We discuss alternative ways of cleaning up the system and the associated costs and benefits.

© The Author(s) 2011. Published by Oxford University Press, on behalf of President and Fellows of Harvard College. All rights reserved. For Permissions, please email: journals.permissions@oup.com.

**Issue Section:** Articles

You do not currently have access to this article.

## Sign in

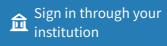


**1** Get help with access

#### Personal account

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

#### **Institutional access**



Sign in through your institution

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



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

Fear of Fire Sales, Illiquidity Seeking, and Credit Freezes \* - 24 Hours access

EUR €39.00

GBP £33.00

USD \$43.00

#### Rental



This article is also available for rental through DeepDyve.