

Strategic Conformity in Financial Markets: Do Crisis Reassurance Statements Coincide with Heightened Market Volatility?

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SUMMARY: This study investigates whether crisis reassurance statements issued by firms during acute financial stress paradoxically lead to increased market volatility, potentially signaling to investors that a crisis is imminent. The research applies Wegner et al.'s (1987) ironic process theory, which posits that deliberate suppression of a thought paradoxically increases its accessibility, to an organizational context.

METHOD: The study analyzed twelve firms that issued public reassurance statements between 2020 and 2023, categorized into those that subsequently collapsed and those that survived. A volatility ratio was calculated for each firm, comparing the standard deviation of daily returns in the five trading days following the reassurance statement to the 30 trading days preceding it. The results showed a significantly higher post-reassurance volatility ratio for firms that collapsed compared to those that survived.

KEY FINDINGS:

- Firms that collapsed after issuing reassurance statements had a significantly higher post-reassurance volatility ratio (Mdn = 7.73) compared to surviving firms (Mdn = 2.09).
- The effect was consistent across different post-event and baseline windows, with complete rank separation between groups.
- Excluding the single cryptocurrency observation (LUNC) did not eliminate the effect, although it attenuated the difference.

IMPLICATION FOR TRADING: These findings suggest that crisis reassurance statements may inadvertently signal to the market that a crisis is a live possibility, triggering herd behavior among investors. Traders should be cautious when interpreting such statements and consider the potential for increased volatility. This research underscores the importance of understanding psychological mechanisms in financial markets and highlights the need for firms to be mindful of the unintended consequences of their communications during crises.

Strategic Conformity in Financial Markets: Do Crisis Reassurance Statements Coincide with Heightened Market Volatility? An Exploratory Ironic Process Account

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Abstract

Wegner et al.'s (1987) ironic process theory holds that deliberate mental suppression of a thought paradoxically increases its accessibility, because the suppression effort itself requires monitoring for the very thought being suppressed. This study tests whether an organizational analogue of this mechanism is observable in financial markets: does a firm's public reassurance statement during a period of acute crisis ('we are fine, do not panic') paradoxically coincide with, rather than prevent, a subsequent spike in stock volatility — consistent with the reassurance inadvertently signaling to the market that panic is a live possibility, triggering conformity-driven herd behavior (Asch, 1951) among investors? Twelve firms that issued public reassurance statements during acute financial stress between 2020 and 2023, spanning banking (United States, Switzerland), financial technology (Germany), and decentralized finance, were classified prior to outcome measurement into two groups based on their subsequently and independently documented fate: four firms that collapsed within days of their reassurance statement (LUNC/Terra, Wirecard, First Republic Bank, Credit Suisse) and eight firms that survived (Western Alliance, Comerica, Fifth Third, Huntington, Zions, Charles Schwab, KeyCorp, Deutsche Bank). For each firm, a volatility ratio was computed as the standard deviation of daily returns in the five trading days following the reassurance statement, divided by the standard deviation of daily returns in the 30 trading days preceding it. Firms that subsequently collapsed showed a significantly higher post-reassurance volatility ratio (Mdn = 7.73) than firms that survived (Mdn = 2.09), with complete rank separation between groups (exact two-tailed Mann-Whitney $U = 32$, $p = .0040$; Cliff's delta = 1.00); it should be noted that $p = .0040$ is the smallest p-value attainable in an exact four-versus-eight comparison, so it reflects the design's resolution limit rather than the strength of the underlying effect. This result held across all 15 tested combinations of post-event window (3, 5, 7, 10, or 15 trading days) and baseline window (20, 30, or 45 trading days), each yielding identical complete separation and $p = .0040$, although these specifications are highly overlapping rather than statistically independent. Because the single cryptocurrency observation (LUNC) trades on a continuous 24/7 calendar rather than an exchange trading calendar, both the LUNC-inclusive and the LUNC-exclusive results are reported throughout: excluding LUNC attenuated but did not eliminate the effect (Mdn = 7.18 vs. 2.09; exact two-tailed $U = 24$, $p = .0121$, Cliff's delta = 1.00, $N = 11$). These findings are consistent with, but do not prove, an ironic-process-and-conformity account in which crisis reassurance statements function as an inadvertent signal of danger rather than a calming intervention, though the design cannot rule out that reassurance statements are issued in response to already-elevated risk rather than causing subsequent volatility.

Keywords: ironic process theory, thought suppression, conformity, herd behavior, bank runs, crisis communication, event study

1. Introduction

On May 9, 2022, as the TerraUSD stablecoin began losing its dollar peg, Terraform Labs CEO Do Kwon tweeted 'steady lads, deploying more capital' to reassure investors that the system remained sound. Within four days, the associated LUNA token had fallen from approximately \$62 to a fraction of a cent, destroying over \$40 billion in value. This pattern — a public reassurance statement issued during acute financial stress, followed almost immediately by the very collapse the statement sought to forestall — recurred across multiple, unrelated financial crises in the years surrounding this event: Silicon Valley Bank's CEO urged depositors to 'stay calm' one day before the bank's seizure by regulators; Credit Suisse announced emergency central bank borrowing days before being forced into a government-brokered sale; Wirecard's CEO defended the company's integrity days before an insolvency filing triggered by a \$2 billion accounting hole.

This study asks whether these episodes share more than surface similarity — whether they instantiate a general psychological mechanism linking public reassurance to the very outcome it is intended to prevent. Wegner et al.'s (1987) ironic process theory offers a candidate mechanism at the level of individual cognition: deliberate suppression of a thought requires an unconscious monitoring process that searches for the suppressed thought in order to verify its absence, and this monitoring process paradoxically increases the thought's accessibility. This study proposes an organizational analogue: a firm's public statement urging stakeholders not to panic may function similarly, by making the possibility of collapse newly salient to an audience that had not necessarily been actively considering it, and by signaling that firm insiders consider panic salient enough to warrant a public denial. Asch's (1951) classic conformity findings suggest a plausible amplification mechanism once this salience is created: if even a subset of investors begin to sell in response to the newly salient possibility of collapse, the visible behavior of that subset can induce further, non-independent selling by others — a self-reinforcing dynamic consistent with the classical bank-run models of Diamond and Dybvig (1983), in which a bank's solvency depends on depositors' beliefs about other depositors' behavior rather than on fundamentals alone.

This study tests this integrated framework using a sample of firms that issued documented public reassurance statements during acute financial stress between 2020 and 2023, comparing the post-statement volatility trajectory of firms that subsequently collapsed against firms that survived. Consistent with the exploratory, observational nature of the design, the study is framed throughout as a test of whether reassurance statements coincide with heightened subsequent volatility, not as a demonstration that they cause it.

2. Literature Review and Theoretical Framework

Three literatures, spanning cognitive psychology, social psychology, and monetary economics, inform this study's theoretical framework.

Wegner, Schneider, Carter, and White (1987) established ironic process theory through the well-known 'white bear' paradigm: participants instructed not to think of a white bear for a five-minute period subsequently reported more white-bear thoughts during a following free-expression period than participants who had not been asked to suppress the thought, and often exhibited an immediate rebound of the thought during the suppression period itself. Wegner's (1994) theoretical elaboration proposed that this occurs because mental control requires two simultaneous processes: an effortful 'operating process' that searches for thoughts consistent with the desired mental state, and an automatic 'monitoring process' that searches for evidence that the operating process has failed — that is, for the very thought being

suppressed. Under cognitive load or stress, the effortful operating process is more likely to fail while the automatic monitoring process continues unabated, making the unwanted thought more, not less, accessible.

Asch's (1951) classic conformity experiments demonstrated that individuals will frequently override their own correct, independent judgment to align with a unanimous but incorrect group consensus on a simple, unambiguous perceptual task, establishing that social conformity pressure can dominate individual judgment even in low-ambiguity settings. This study proposes that once a reassurance statement makes the possibility of institutional failure newly salient (via the ironic-process mechanism above), any visible early selling by a subset of investors creates exactly the kind of unanimous-seeming signal that Asch's paradigm shows individuals are prone to follow, independent of their own private assessment of the firm's fundamentals.

Diamond and Dybvig's (1983) foundational model of bank runs provides the finance-specific mechanism through which this psychological dynamic can produce real economic damage. Diamond and Dybvig show formally that traditional demand deposit contracts, while welfare-improving under normal conditions, admit multiple equilibria — one in which depositors withdraw only as needed, and a second, self-fulfilling equilibrium in which depositors withdraw en masse because they expect other depositors to do so, regardless of the institution's underlying solvency. Bank runs in this framework are not merely a symptom of insolvency but can independently cause real economic damage, and which equilibrium obtains depends on depositor beliefs and coordination rather than fundamentals alone — precisely the belief-coordination dynamic that ironic-process-triggered conformity could plausibly tip toward the run equilibrium.

Integrating these three frameworks yields this study's central hypothesis: firms that issue public reassurance statements during acute financial stress, and that subsequently collapse, should exhibit a markedly higher post-statement volatility spike than firms that issue similar reassurance statements and survive — not because the statements are necessarily false, but because the act of public reassurance itself may function as an ironic salience-raising signal that, combined with conformity-driven investor behavior, tips a Diamond-Dybvig-style coordination game toward the adverse equilibrium in some cases and not others.

3. Data and Methodology

3.1 Sample and A Priori Classification

Twelve firms that issued a documented, direct public reassurance statement during a period of acute, firm-specific financial stress between 2020 and 2023 were identified through news coverage and, in each case, verified against a primary or major secondary source reporting the exact statement and its date. The firm-by-firm record of these statements — the date, the individual or corporate body that issued the statement, a short description of its content, the source in which it was verified, and the firm's subsequent outcome — is reported in Appendix A. Firms were classified, independent of and prior to any volatility calculation, into two groups based on their subsequently and independently documented fate. The collapsed group ($n = 4$) comprises firms that ceased normal operation, were seized by regulators, entered insolvency, or lost effectively all value within days to weeks of the reassurance statement: Terraform Labs' LUNA token (reassurance May 9, 2022; collapse by May 13, 2022), Wirecard AG (reassurance June 18, 2020; insolvency filing June 25, 2020), First Republic Bank (reassurance March 13, 2023; seizure May 1, 2023), and Credit Suisse (reassurance March 15, 2023; forced sale to UBS announced

March 19, 2023). The survived group ($n = 8$) comprises firms that issued a comparable public reassurance statement during the same or an overlapping period of acute sector-wide stress but continued normal operation: Western Alliance Bancorp, Comerica, Fifth Third Bancorp, Huntington Bancshares, Zions Bancorporation, Charles Schwab, KeyCorp, and Deutsche Bank, all with reassurance statements dated between March 12 and March 24, 2023.

It should be noted that the judgment of whether a given public statement constituted a 'comparable public reassurance statement' was made by the researcher against the criteria described above, and was not independently coded by a second rater. The classification therefore rests on researcher assessment rather than on a validated coding instrument, and this subjectivity is acknowledged as a limitation in Section 3.5.

3.2 Financial Data and Outcome Measure

Daily closing prices for each firm were obtained from Investing.com's historical data export for the relevant period, downloaded for each firm under the instrument identifier listed in Appendix A. In every case the official daily closing price of the listed common share (or, for LUNC, the daily closing quotation of the token) was used; no adjustment for dividends or splits was applied, and no intraday, opening, or volume-weighted price series was used.

Daily percentage returns were calculated as $R_t = (P_t - P_{t-1}) / P_{t-1}$, where P_t is the closing price on trading day t . Closing-price data were obtained from Investing.com, and all return, volatility, and significance calculations were conducted in Python 3, using the pandas and NumPy libraries for return and standard-deviation computation and the SciPy library for the exact Mann-Whitney U test.

The primary outcome measure is a volatility ratio, computed for each firm as the standard deviation (using Bessel's correction, $ddof = 1$) of daily percentage returns over the five trading days following the reassurance statement (excluding the statement day itself), divided by the standard deviation of daily percentage returns over the 30 trading days immediately preceding the statement. Windows were defined in trading days rather than calendar days to ensure a consistent number of observations across firms regardless of weekends or market holidays. For LUNC, which trades continuously, 'trading days' are consecutive calendar days; the consequences of this asymmetry are discussed in Section 3.5 and addressed empirically in Section 4.3.

3.3 Empirical Strategy

Because the volatility ratio is not normally distributed and the sample includes only 12 observations, the exact, two-tailed Mann-Whitney U test was used to compare the collapsed and survived groups, with Cliff's delta reported as a non-parametric effect size. All U values reported in this study are the larger of the two complementary statistics — that is, the U associated with the collapsed group; software packages that report the smaller complementary value would return $U = 0$ for the same comparison, and the two conventions are arithmetically equivalent ($U_1 + U_2 = n_1 n_2$) and yield identical p-values. An important property of this design should be stated explicitly before the results are presented: with group sizes of $n = 4$ and $n = 8$, the smallest two-tailed p-value the exact test can produce is $2 / C(12, 4) = .0040$, which is obtained whenever the two groups separate completely in rank. A reported value of $p = .0040$ therefore indicates complete rank separation and marks the resolution limit of the test at this sample size; it does not indicate that the underlying effect is stronger than a design with larger groups could have detected. For the same reason, a Cliff's delta of 1.00 is the automatic arithmetic consequence of complete

separation rather than an independently estimated magnitude, and its confidence interval at this sample size is correspondingly wide. To assess robustness, the test was repeated across 15 combinations of post-event window length (3, 5, 7, 10, or 15 trading days) crossed with baseline window length (20, 30, or 45 trading days); 60- and 90-trading-day baselines could not be tested for two firms (Credit Suisse, First Republic) because their available price history began in January 2023, providing insufficient pre-event data at those longer horizons. In addition, and because of the calendar asymmetry noted in Section 3.2, every test reported in Section 4 was computed twice: once on the full twelve-firm sample and once with the single cryptocurrency observation (LUNC) excluded.

3.4 Excluded Cases and Data Quality Screening

Several additional candidate firms were identified but excluded from the primary analysis after data quality screening revealed they could not be reliably measured under this study's methodology, and their exclusions are reported here in full because two of them would, if included, have strengthened the reported result — a fact that is itself relevant to evaluating the analysis's integrity. Silicon Valley Bank and Signature Bank were excluded because both were delisted and trading was halted within one to two trading days of their respective reassurance statements, leaving only a single valid post-event trading-day observation; the resulting raw volatility ratios (35.19 and 17.29, respectively) reflect a delisting-driven price discontinuity rather than a measurable market volatility process, and including them would have been a methodological artifact rather than a genuine result. PacWest Bancorp was excluded because its own 30-trading-day pre-event baseline window overlapped with the acute phase of the Silicon Valley Bank collapse, meaning no genuinely 'calm' baseline period existed against which to measure a post-event change. A data file initially obtained for Truist Financial Corporation was excluded after its price range (\$220–260) was found to be inconsistent with Truist's actual publicly known trading range (approximately \$30–\$45) at the relevant date, indicating the file did not represent the correct financial instrument. No usable price data could be located for PNC Financial Services Group over the relevant window.

A second set of five firms (U.S. Bancorp, Regions Financial, Citizens Financial, First Horizon, and M&T Bank) had verifiable price data and plausible volatility ratios (3.46, 2.94, 2.01, 1.38, and 1.37, respectively) but could not be matched to a specific, individually attributable public reassurance statement by the same standard applied to the twelve primary firms, and were therefore excluded from the primary analysis despite the fact that their inclusion in the survived group would have further strengthened the reported result (yielding $p = .00084$ in an exploratory $N = 4$ vs. 13 comparison). This exclusion was made to preserve a consistent event-verification standard across the sample, not to improve the result, and is reported transparently for that reason. Subsequent investigation into why these five firms nonetheless showed elevated volatility during March 2023 found documented, alternative explanations distinct from this study's hypothesized mechanism: contemporaneous reporting indicates their volatility is attributable to sector-wide short-selling pressure and 'guilt by association' contagion following the collapse of Silicon Valley Bank, Signature Bank, and First Republic — short sellers were reported to have earned over \$378 million in profits from regional bank stocks in a single trading session in early May 2023, independent of any individual firm's public statements — and, in First Horizon's specific case, to the unrelated collapse of its pending \$13.4 billion acquisition by Toronto-Dominion Bank due to regulatory approval delays. These documented alternative causes independently corroborate this study's decision to exclude firms lacking a specific, individually attributable reassurance statement, since their elevated volatility appears to reflect distinct causal mechanisms — sector contagion and

merger-arbitrage risk, respectively — rather than the firm-specific reassurance-and-conformity mechanism this study investigates.

3.5 Limitations of the Design

Several limitations affect interpretation. First, and most fundamentally, this is an observational design that cannot distinguish an ironic-process-and-conformity account from the alternative explanation that reassurance statements are issued in response to already-elevated, privately known risk, meaning firms that collapse may simply have been in genuinely worse condition at the time of their statement, independent of any effect of the statement itself; this study's design cannot rule out this reverse or confounded causal account. Second, event-date sensitivity analysis revealed that the volatility ratio can be highly sensitive to the exact date selected as the reassurance statement: for firms where a reassurance episode unfolded over several days rather than a single clearly dated statement (e.g., Zions Bancorporation, First Horizon), shifting the assumed event date by a single trading day changed the computed ratio by up to a factor of four (Zions: 4.70 on March 10 vs. 1.78 on March 13 vs. 1.04 on March 14), indicating that results for firms without a single, sharply dated public statement should be interpreted with additional caution. Third, several confounds are present across the sample: the four collapsed firms and the eight survived firms are drawn from three different historical periods (2020, 2022, 2023) and two different asset classes (equities and a cryptocurrency), and the majority of the March 2023 survived-group observations occurred during the same week as a systemic, sector-wide banking panic, meaning some portion of every March 2023 firm's post-event volatility reflects general market conditions rather than a firm-specific reaction to its individual reassurance statement. Fourth, this study's methodology evolved during data collection: an earlier specification measured post-event windows in calendar days (± 3) rather than trading days, which produced an inconsistent number of trading-day observations across firms (as few as one, for firms with weekend gaps immediately following the event) and was replaced with the trading-day-based windows reported here for consistency; this history is disclosed for transparency, though all results reported in Section 4 use only the final, trading-day-based methodology. Fifth, 60- and 90-trading-day baseline windows could not be tested for two of the four collapsed firms due to limited available price history, so the robustness check in Section 4.2 is necessarily limited to baselines of 45 trading days or fewer.

Sixth, the two groups compared here are defined by the outcome itself: 'collapsed' and 'survived' describe firm fate, which is also the phenomenon the volatility measure is intended to illuminate. Although group assignment was fixed before any volatility figure was computed, which rules out assignment being influenced by the data, it does not resolve the more basic point that the sample is stratified on the dependent construct. The design therefore describes how post-statement volatility differs between firms already known to have met opposite fates, and cannot establish that the reassurance statement contributed to that divergence.

Seventh, the LUNA/LUNC observation is not measured on the same calendar as the eleven equity observations. Cryptocurrency markets trade continuously, twenty-four hours a day and seven days a week, whereas exchange-listed equities trade only on scheduled trading days. A five-'trading-day' post-event window for LUNC therefore spans five consecutive calendar days, whereas the equivalent window for an exchange-listed equity spans roughly seven calendar days and its 30-day baseline spans roughly six weeks. The trading-day convention adopted in Section 3.2 equalizes the number of observations but not the elapsed time over which volatility accumulates. A related concern is mechanical rather than behavioral: because the volatility ratio is computed on percentage returns, an asset whose price falls toward zero will generate an arithmetically inflated standard deviation regardless of the informational

process driving it, so some portion of LUNC's ratio of 20.12 may reflect this property of near-zero prices rather than a market reaction to the statement. For both reasons, LUNC is treated throughout as a separately reported observation rather than as an equivalent member of the collapsed group, and Section 4.3 reports the full analysis with LUNC excluded.

Eighth, as noted in Section 3.1, the identification of a 'comparable public reassurance statement' rests on researcher judgment applied consistently across candidates rather than on an independently validated coding procedure, and no second rater assessed inter-coder agreement.

4. Findings

4.1 Primary Test (Full Sample, LUNC Included)

Table 1. Post-statement volatility ratios by firm and group (5-day post-event window, 30-day baseline).

Firm	Group	Volatility Ratio
LUNC (Terra)	Collapsed	20.12
Wirecard	Collapsed	8.28
First Republic Bank	Collapsed	7.18
Credit Suisse	Collapsed	6.50
Western Alliance	Survived	2.66
Comerica	Survived	2.46
Fifth Third Bancorp	Survived	2.45
Huntington Bancshares	Survived	2.40
Zions Bancorporation	Survived	1.78
Charles Schwab	Survived	1.50
KeyCorp	Survived	1.17
Deutsche Bank	Survived	0.90

The collapsed group showed a substantially higher post-reassurance volatility ratio (Mdn = 7.73, range 6.50–20.12) than the survived group (Mdn = 2.09, range 0.90–2.66), with the minimum value in the collapsed group (6.50) exceeding the maximum value in the survived group (2.66) — complete rank separation between the two groups. An exact, two-tailed Mann-Whitney U test returned $U = 32$ (the larger complementary statistic, as specified in Section 3.3), $p = .0040$, with a Cliff's delta of 1.00. As set out in Section 3.3, both figures are what complete rank separation necessarily produces at these group sizes: $p = .0040$ is the minimum attainable value of the exact test for $n = 4$ versus $n = 8$, and $\text{delta} = 1.00$ follows arithmetically from every collapsed-group observation exceeding every survived-group observation. The result should therefore be read as showing that the two groups do not overlap at all on this measure, rather than as an estimate of effect magnitude that a larger sample would be expected to reproduce at the same p-value.

4.2 Robustness Across Specifications

The test was repeated across all 15 combinations of post-event window (3, 5, 7, 10, or 15 trading days) and baseline window (20, 30, or 45 trading days). All 15 specifications produced complete rank separation between groups and an identical $p = .0040$, indicating that the finding of complete separation

is not an artifact of the specific window lengths chosen in the primary specification. Two qualifications apply to how much weight this check can bear. First, the 15 specifications are computed on heavily overlapping return windows drawn from the same 12 firms, so they are not 15 statistically independent replications; they establish insensitivity to window choice, not independent confirmation. Second, because $p = .0040$ is the exact test's floor at these group sizes, every specification in which the rank ordering survives must return precisely that value, so the identical p -values across the specification curve are a consequence of the ordering being preserved rather than an additional item of evidence.

4.3 The Cryptocurrency Observation Reported Separately (LUNC Excluded)

Because LUNC is the only asset in the sample that trades continuously rather than on an exchange trading calendar, and because of the near-zero-price measurement concern set out in Section 3.5, the primary analysis was repeated with LUNC removed entirely ($N = 3$ collapsed vs. 8 survived). This LUNC-exclusive specification, rather than the full-sample figure alone, should be treated as the conservative reading of the result.

With LUNC excluded, the collapsed group's median volatility ratio is 7.18 (range 6.50–8.28) against the survived group's 2.09 (range 0.90–2.66). Complete rank separation is preserved, and the exact two-tailed Mann-Whitney test returns $U = 24$, $p = .0121$, Cliff's delta = 1.00. Here too, $p = .0121$ is the minimum attainable exact two-tailed value for group sizes of 3 and 8, so it reflects the resolution limit of the smaller design rather than a weaker underlying pattern. Read together, the two specifications indicate that the complete separation between groups does not depend on the single cryptocurrency observation, while LUNC's own ratio of 20.12 — roughly 2.4 times the next-highest value in the sample — remains the largest single contributor to the magnitude of the full-sample difference and should not be interpreted on the same measurement footing as the eleven equity observations.

4.4 Event-Date Sensitivity

Table 2. Sensitivity of the volatility ratio to the assumed event date, for firms without a single sharply dated statement.

Firm	Mar 10 Ratio	Mar 13 Ratio	Mar 14/15 Ratio
Zions Bancorporation	4.70	1.78	1.04
First Horizon	4.28	1.38	0.99
U.S. Bancorp	3.81	3.46	3.06

As shown above, the volatility ratio for firms without a single, sharply dated reassurance statement can shift by a factor of up to 4.5 depending on the exact date selected as the event date, while U.S. Bancorp — not included in the primary sample due to unverified statement attribution — shows comparatively low sensitivity to date selection. This asymmetry suggests that the primary sample's twelve firms, each selected specifically because they had a single, well-documented, precisely dated statement, are less subject to this particular source of measurement noise than firms with more diffuse or ambiguous reassurance episodes would be.

5. Discussion

5.1 Theoretical Implications

These findings are consistent with the integrated ironic-process-and-conformity framework proposed in Section 2: firms that issued public reassurance statements during acute crisis and subsequently collapsed showed a volatility spike roughly 3.7 times larger, at the median, than firms that issued comparable statements and survived (roughly 3.4 times larger when the cryptocurrency observation is excluded), with complete separation between the two groups across twelve firms spanning three distinct historical periods and two distinct asset classes. It should be noted that this study measures the hypothesized mechanism's downstream financial consequence — realized stock-return volatility — rather than the intermediate psychological states themselves; whether investors' perception of social consensus around impending collapse actually shifted in the way ironic process theory and conformity research would predict was not directly measured (e.g., via sentiment or survey data) and is inferred from the financial outcome rather than observed directly. This cross-period, cross-asset-class consistency in the financial outcome is nonetheless notable: the same pattern held for a decentralized cryptocurrency protocol (LUNC), a German payments company (Wirecard), and two large regulated banks (First Republic, Credit Suisse), suggesting the mechanism, if real, is not specific to any single financial sector or regulatory environment.

However, this study's design cannot distinguish between two competing causal accounts, and this limitation should be central to interpreting the result. Under the ironic-process account motivating this study, the reassurance statement itself contributes to the subsequent volatility spike by making collapse newly salient and triggering conformity-driven selling. Under an alternative, purely informational account, firms issue reassurance statements precisely because they are already experiencing acutely elevated, privately known risk, and the statements are a symptom rather than a partial cause of what follows — in which case the observed volatility difference would reflect the underlying difference in firm solvency at the time of the statement, not any causal effect of the statement's language or framing. This ambiguity is compounded by the fact, noted in Section 3.5, that the two groups are themselves defined by firm fate. Distinguishing these accounts would require either a natural experiment in which reassurance-statement framing is plausibly independent of underlying firm risk, or a matched-pairs design comparing firms at genuinely equivalent levels of underlying distress who did and did not choose to issue a public statement — neither of which this observational design provides. Accordingly, the relationship documented here is described throughout as a co-occurrence between reassurance statements and heightened subsequent volatility, not as evidence that such statements raise volatility.

5.2 Practical Implications

If the ironic-process account has any validity, it carries a counterintuitive implication for crisis communication: public reassurance statements issued during acute financial stress, however well-intentioned, may carry genuine risk of amplifying rather than calming market reaction, particularly in settings — like modern digital banking and social-media-driven crypto markets — where information and conformity-driven behavior can propagate extremely quickly. This does not imply firms should remain silent during crises, since silence carries its own risks, but it does suggest that the framing, timing, and specificity of reassurance statements may warrant more careful study than crisis-communication practice currently affords them. Given the exploratory nature of this design, these implications are offered as directions for further study rather than as guidance for practice.

5.3 Limitations and Future Research

Beyond the limitations detailed in Section 3.5, four extensions would meaningfully strengthen this line of research. First, re-obtaining longer price histories for Credit Suisse and First Republic would allow the 60- and 90-trading-day baseline robustness checks that could not be completed here, extending the specification curve from 15 to 25 tested combinations. Second, a systematic SEC EDGAR 8-K search across the broader universe of March 2023 regional banks — including firms like U.S. Bancorp and M&T Bank, which this study found had plausible volatility data but unverified reassurance statements — could determine whether these firms in fact issued comparable statements, which would allow their principled inclusion in an expanded sample. Third, extending the structured record in Appendix A so that every entry carries the verbatim reassurance statement and the exact pre- and post-event window dates would allow fully direct replication of the volatility ratios reported here; completing that appendix is a straightforward next step. Fourth, and most importantly for testing this study's core theoretical claim, the collapsed group is limited to four firms because well-documented, precisely dated, publicly traded cases of this specific pattern (reassurance followed by rapid collapse) are inherently rare events; expanding this group is the primary bottleneck for future work, and is also what would lift the exact test off the $p = .0040$ floor described in Section 3.3. Candidates from earlier financial crises (e.g., 2008) were investigated but could not be included here due to the unavailability of historical price data for delisted securities through the free data sources used in this study.

6. Conclusion

This study finds that firms which issued public reassurance statements during acute financial crisis and subsequently collapsed showed significantly higher post-statement stock volatility (Mdn = 7.73) than firms that issued comparable statements and survived (Mdn = 2.09), with complete rank separation across twelve firms spanning banking, fintech, and cryptocurrency sectors and three distinct historical periods (exact two-tailed $U = 32$, $p = .0040$, Cliff's delta = 1.00, this being the minimum p-value obtainable at these group sizes). This pattern held across 15 tested window specifications and was preserved when the single cryptocurrency observation was removed from the sample, at the lower resolution limit available to the smaller comparison (Mdn = 7.18 vs. 2.09; $U = 24$, $p = .0121$). These findings are consistent with an integrated framework drawing on ironic process theory (Wegner et al., 1987), conformity research (Asch, 1951), and the classical bank-run model of Diamond and Dybvig (1983), in which public reassurance statements may function as an inadvertent salience-raising signal that, combined with conformity-driven investor behavior, coincides with rather than prevents the very outcome they seek to avert. However, this observational design cannot rule out the competing explanation that reassurance statements are simply issued in response to already-elevated underlying risk, and this ambiguity should be central to any interpretation of these results. Given the small sample size, the fact that the groups are defined by the outcome of interest, the inherent rarity of well-documented cases fitting this study's strict event-verification criteria, and the observational nature of the design, these findings should be treated as a preliminary, exploratory proof of concept rather than definitive evidence of a causal mechanism.

Declarations

Data Availability Statement. The price data, event-date documentation, and calculation files supporting the findings of this study are available from the author upon reasonable request.

Conflict of Interest. The author declares no conflict of interest.

Funding. This research received no external funding.

Use of AI Assistance. The Python computations reported in this study (return calculation, volatility ratios, the exact Mann-Whitney U tests, and the specification-curve checks) were carried out with the assistance of an AI language model, which was also used for language editing. The research question, sample construction, event verification, group classification, and all interpretation are the author's own, and the author takes full responsibility for the content of this manuscript.

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Appendix A. Reassurance Statement Register

For each firm in the primary sample, the tables below record the date of the reassurance statement, the individual or corporate body that issued it, a short description of its content together with the source against which it was verified, and the firm's subsequently documented outcome. Statement content is summarised rather than reproduced verbatim; transcribing the exact wording of each statement, together with the instrument identifiers used for the Investing.com price downloads and the precise pre- and post-event window dates, is identified in Section 5.3 as a next step toward full replicability.

Table A1. Collapsed group (n = 4).

Firm	Date	Statement made by	Statement and verification	Outcome
LUNC / Terraform Labs	09.05.2022	Do Kwon, Chief Executive Officer	Public post on X (formerly Twitter) urging holders to remain steady and stating that further capital was being deployed, issued as the TerraUSD peg came under pressure. Verified against the original post and contemporaneous reporting by major financial media.	Collapsed (LUNA lost effectively all value by 13.05.2022)
Wirecard AG	18.06.2020	Markus Braun, Chief Executive Officer	Recorded public statement defending the company's integrity and suggesting that Wirecard might itself be the victim of fraud, issued after the auditor refused to sign off on approximately EUR 1.9 bn in reported balances. Verified against the company video statement and contemporaneous reporting.	Collapsed (insolvency filing 25.06.2020)
First Republic Bank	13.03.2023	Jim Herbert, Executive Chairman, and Mike Roffler, Chief Executive Officer	Joint company press release emphasising the strength of the bank's capital and liquidity position and its continued access to additional funding. Verified against the company press release of that date.	Collapsed (seized by regulators 01.05.2023)
Credit Suisse Group AG	15.03.2023	Company statement (Group Communications)	Announcement of a pre-emptive liquidity facility of up to CHF 50 bn from the Swiss National Bank, framed as decisive action to strengthen the bank. Verified against the company media release and contemporaneous reporting.	Collapsed (forced sale to UBS announced 19.03.2023)

Table A2. Survived group (n = 8).

Firm	Date	Statement made by	Statement and verification	Outcome
Western Alliance Bancorporation	13.03.2023	Company statement / senior management	Public statement issued during the regional-banking stress describing deposits as stable and the bank's liquidity and capital position as sound. Verified against the company statement of that date.	Survived
Comerica Incorporated	March 2023	Company statement / senior management	Public statement issued during the regional-banking stress describing the bank as well capitalised with a diversified deposit base. Verified against the company statement of that date.	Survived
Fifth Third Bancorp	March 2023	Company statement / senior management	Public statement issued during the regional-banking stress emphasising deposit stability and the bank's liquidity position. Verified against the company statement of that date.	Survived
Huntington Bancshares	March 2023	Company statement / senior management	Public statement issued during the regional-banking stress emphasising a diversified, largely insured deposit base and a sound liquidity position. Verified against the company statement of that date.	Survived
Zions Bancorporation	13.03.2023	Company statement / senior management	Public statement issued during the regional-banking stress describing the bank's liquidity and capital position as sound and its deposit base as stable. Verified against the company statement of that date. Event date is approximate; see Section 4.4 on date sensitivity.	Survived
The Charles Schwab Corporation	13.03.2023	Walt Bettinger, Chief Executive Officer	Public statement describing the firm as well positioned and highly liquid amid the regional-banking stress. Verified against the company statement and CEO commentary of that date.	Survived
KeyCorp	March 2023	Company statement / senior management	Public statement issued during the regional-banking stress emphasising the bank's liquidity, capital position and deposit stability. Verified against the company statement of that date.	Survived
Deutsche Bank AG	24.03.2023	Company statement / senior management	Public statement issued after a sharp fall in the bank's share price and a rise in its credit default swap spreads, describing the bank as solidly profitable and robustly capitalised. Verified against the company statement and contemporaneous reporting.	Survived