Bank Failures and Elite Democratic Consent

An Exploration with Individual Panel Data

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Abstract

Do economic shocks influence elite democratic attitudes and commitment? Elites play a crucial role in shaping democratization processes and their consent is oftentimes thought of as a necessary condition to consolidate democratic political institutions (Acemoglu & Robinson, 2006; Boix, 2003). Yet, this theory has never been tested at the micro-level with individual data. In this paper we exploit the failure of a large bank in Catalonia in 1931 to assess the impact in democratic support held by individuals exposed and unexposed to this financial shock. We use a novel individual-level database that assembles the amounts lost by each individual depositor of the bank, and then we match individuals to their electoral turnout behavior in different elections from individual voting roll calls. We specially focus on the last elections before the outbreak of the Spanish Civil War to capture support for democracy because in this election elites were divided and part of the political parties boycotted the elections, hence making turnout a *de facto* signal of support for democracy. This unique setting allows us to test whether economic interests are indeed influential on democratic consent at the individual-level. The individual panel structure of the data allows the inclusion of individual FEs and a difference-in-difference identification strategy that exploits individuals' differential turnout rates across several elections. Preliminary results indicate that, as expected, individuals exposed to financial losses were less likely to turnout in the last elections before the Spanish Civil War. We interpret this differential abstention rates among individuals exposed to the bank collapse as evidence of a loss in democratic consent of these individuals. To explore further the mechanisms at play, we match the individual depositors lists and the individual voting roll calls with individual registers of political associations and clubs. We show that the differential abstention rates among depositors exposed to the bank collapse are driven by individual members of associations and clubs that explicitly supported the boycott of the last democratic elections. Overall, we provide the first ever individual-level evidence from the interwar period that shows that individual elites' exposure to financial shocks during the 1930s caused the abandonment of individual democratic consent.

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1 Motivation

Do economic or financial shocks influence democratic attitudes and commitment? Most important, how do individuals react to economic turmoil in early democratization periods? Periods of democratic transition and young democratic polities are very delicate, especially if they coincide with economic crises or economic instability, because these elements can easily spill over into political instability (Linz, 1978; Przeworski, 1991; Schumpeter, 1942). Democratic commitment in these contexts is still in formation, individuals are still learning whether democracy is their preferred governance system and individual economic situations can influence political attitudes and behaviors (Anderson, 2000; Fiorina, 1981; Lewis-Beck & Stegmaier, 2000). While the relationship between economic hardships and democratic commitment has been contested (Duch, 1995), this paper brings new evidence on the importance of individual economic conditions on the democratic commitment of individuals in young democracies experiencing hard economic times. Learning about this relationship is crucial in these fragile contexts, as in regime transition periods commitment can have a greater impact on the survival of democracies.

Beyond individuals, we know that elites play a crucial role in shaping democratization processes and that their support is generally thought of as a necessary condition to consolidate democratic political institutions (Luebbert, 1991; Moore, 1966). In fact, canonical contributions have highlighted the importance of elites economic interests, the types of assets in hands of elites (Boix, 2003), or the perception of an economic threat (Acemoglu & Robinson, 2006) to explain when and why elites accept democracy and commit to democratic procedures. Not only that, but also that elite disagreements can sparkle reforms towards democratization (Ansell & Samuels, 2014; Lizzeri & Persico, 2004) and that elites capacity to effectively compete in elections can determine successful democratic transitions (Ziblatt, 2017). Given the crucial role of elites under early democratic consolidation periods, economic instability can lead a withdrawal of elites' democratic consent if they consider their economic interests would be better off under a non-democratic regime. Economic conditions, levels of unrest, and similar factors are proxies employed by these elites to assess which regime would they prefer. In this paper we focus on the role financial crises play on the elites willingness to withdraw support to democratic institutions.

Financial crises are events that can have asymmetric wealth implications for different individuals or groups. While economic recessions have an impact on everyone, financial crises embed a more acute distributive conflict between debtors and creditors, and create a large gap between those affected by economic losses and those who maintain their savings. In banking systems without deposit insurance schemes, banking crises tend to cause real losses to depositors, as banks fail to convert their liabilities at par. This differential nature makes these episodes more prone to have political implications in their aftermaths. Particularly, previous evidence has shown that financial crises affect political polarization (Jha et al., 2023) and the rise of extreme political options (Doerr et al.,

2022; Gyöngyösi & Verner, 2022; Pizzigolotto & Fraccaroli, 2023), including support for non-democratic regimes (Frieden, 2015; Funke et al., 2016; Mian et al., 2014).

However, the political consequences of economic shocks can be molded by the mobilization capacities of political actors (Vall-Prat, 2023). Social capital, for instance, was usually thought to have have a positive impact on individual democratic attitudes (Putnam, 1993), but it can also backfire and contribute to democratic drifts if this social capital is oriented towards authoritarian attitudes (Satyanath et al., 2017). Political organizations and networks can contribute to (de)mobilize voters' support for certain political parties and/or to express support for different political choices, like new parties or democratic support (Amat et al., 2020; Boix, 2009; Kalyvas, 1996). Therefore, the mobilization capacities under periods of financial stress is paramount and it is especially relevant to consider democratic commitment of right-wing political parties (Ziblatt, 2017). The mobilization capacity of these organizations becomes a key factor to understand whether elites and voters who suffered economic losses remain democratically committed.

In this paper we focus on how financial uncertainty in the aftermath of a bank failure affected the democratic support of individuals exposed to financial turmoil. We use the unique setting of the Spanish case that experienced a democratic transition in 1931 and maintained vulnerable democratic institutions until the outbreak of the Civil War in July 1936. We draw on an uncommon data source that allows us to identify individual-level exposure to a bank failure and the subsequent shocks during the asset liquidation process. We are also able to match bank depositors with another singular data source: individual roll-call voting data, capturing whether these individuals turned out to vote or not. In particular, we test whether depositors changes in expectations of repayment of their outstanding balances with the bank caused changes in turnout. To do so, we focus on two key elections: the General Election of February 1936 and the Presidential election in April 1936. The latter election is key to our identification because it was boycotted by *part* of the right-wing parties and thus turnout can be directly interpreted as a signal of support towards democracy. By using this specific setting we can test the effect of a banking crisis on democratic support at the individual-level.

This paper is structured as follows. Section 2 discusses the existing literature on democratization and financial shocks and examines the likely mechanisms relating economics, democratic attitudes, and political mobilization. Section 3 contextualizes the empirical setting and presents the political, economic, and financial characteristics of Catalan society during the Spanish Second Republic. Section 4 presents the data and research design employed in this study. Section 5 presents the main results of the analysis and displaying under what conditions do financial crisis condition individual democratic commitment. Finally, Section 6 concludes the manuscript by discussing the main results.

2 Theory

2.1 Democratic Transitions and Consolidation

Although democratic polities are not exclusive from the contemporary world (Stasavage, 2020), the diffusion of democratic governance at a large scale mostly unfolded in the 19th and 20th century. The question of why democracies emerged has been addressed by several authors, who have pinpointed to the role of the bourgeoisie (Moore, 1966), the organization of the working class (Rueschemeyer et al., 1992), or its alliances (Luebbert, 1991) as the main engine of democratization. Yet, a more recent strand in the democratization literature has rather focused on the actors with "veto power" on democratization: the elites—wealthy individuals who have a large and prominent influence to shape political decisions (Keller, 1963; Putnam, 1976). The main puzzle for these authors is to understand why the elites in power before democratization agreed to share power with non-elites through democratization. Either be it because of economic considerations and taxation (Boix, 2003), to appease revolutionary threats (Acemoglu & Robinson, 2006), or as a way to strengthen the power of certain elite factions vis-à-vis other elites Ansell and Samuels (2014), the role of elites has become central in the democratization literature. There is a consensus that democracy can only survive when elites accept democracy and build political organizations to effectively compete in elections (Ziblatt, 2017), while the presence of non-democratic right-wing parties can derail democracy (Boix & Lacroix, in preparation).

Most of the previous arguments have emphasized how democracies come to live and do not explain under what conditions does democracy breakdown. Classic accounts of democratic survival argue that democracy persists when there is economic development and legitimacy (Lipset, 1959; Przeworski et al., 2000). Recent studies, have also shown that "long-term economic development could make people less inclined to support actors inclined to derail democracy but once autocratization has started, economic factors are less relevant" (Boese et al., 2021, pp. 897–899).

However, not only economic development matters but also whether the regime incarnates the needs and preferences of society; if democratic polities do not fit into this category it is likely that democracy will break down. Precisely along these lines, an important element outlined by Linz (1978) regarding the survival of democracy is the loyalty of the opposition. Democracies can only survive when oppositions remain loyal to the regime, otherwise political tensions will lead to a democratic delegitimation and it will speed up a process of democratic breakdown. Among the factors that can lead the opposition to become disloyal to the regime, polarization is a crucial one (Sani & Sartori, 1983, p. 337)

Few works in the field of democratic breakdowns have focused on the role individual citizens play in these processes—a critique made by Welzel and Inglehart (2008) to the theories of democratic transition described by Acemoglu and Robinson (2006) and Boix (2003). Some canonical works point to some key factors that might lead some individuals to shift from a democratic allegiance to support an autocratic solution. Lipset (1960) for

instance, argued that extremist authoritarian attitudes were more likely to be activated in times of "crisis" and "displacement" among any social group—although he specially warned of the dangers of isolation and losses among working classes. Linz, in turn, warned that the fall of democratic polities was a consequence of shifts in "loyalty by citizens of weak commitment [sic] . . . as a result of crisis of legitimacy , efficacy or effectiveness" (1978, p. 44). Unfortunately, none of the previous authors was able to show, empirically, that those factors of "crisis"—related to material losses or to the delegitimization by governments actions—was behind a turn in individuals' democratic attitudes and behaviors.

A first attempt to understand the role played by individuals in a democratic breakdown process was made by Bermeo (2003), who traced the stances of civil society in countries that would later experience a turn towards an autocratic regime. The data she employed, however, does not allow to understand what was the individual logic leading some individuals to support autocratization. Svolik (2023), in turn, shows using individual survey data that some voters in democracies punish incumbents who try to subvert democracy. Although it takes different forms (vote switching, backlash, and disengagement), Svolik (2023) shows that some individuals react to incumbent attempts to break down democratic institutions. What we do not know yet is, when it is the opposition who threatens democracy, when do individuals side with autocratic proposals? Flipping Svolik's argument, the main goal of this paper is to understand who were the supporters of an autocratic turn and their motivations.

2.2 Financial Shocks to Democracy

One of the main "crisis" facing a democracy on its regime stability is an economic downturn. The modernization literature (e.g., Boix & Stokes, 2003; Huntington, 1968; Lipset, 1959; Przeworski et al., 2000) has contended from different perspectives to what extent there is a relation between economic factors and democracy. The current state of the art is that economics matters to understand regime transitions. Poorer democracies are more likely to see a democratic downturn and economic growth conduces, in the long run, towards the stability of democratic regimes.

Beyond general economic growth trends, recent studies have focused on how specific economic asymmetric characteristics within countries can shape different political attitudes, especially regarding extremist parties and affecting relevant democratic outcomes (Autor et al., 2020; Colantone & Stanig, 2018). Similarly, a growing empirical literature in historical political economy has revisited the links between banking crises and the rise of extreme political parties, a core aspect on the rise in the levels of political polarization that erode democracies. The 2008 financial crisis and the perceived erosion of democratic institutions have motivated an increasing research interest towards the numerous episodes of bank failures that characterized the Great Depression and how this shaped politics in the 1930s.

This literature has studied the impact of the decisions resulting from the trade-offs governments faced between sustaining external balance and engaging in domestic monetary policy autonomy to arrest banking panics during the 1930s (Eichengreen, 1992; Simmons, 1994; Wandschneider, 2008). For instance, a number of recent works have found causal evidence linking the impact of the German banking, currency and debt crisis of July 1931 to increases in support for the Nazi party in Germany at the local level. Doerr et al. (2022), for instance, found a link between the failure of Danatbank and Darmsdater und Nationalbank and local support for the NSDAP. Moreover, the links between fiscal austerity measures to contain exchange rate depreciation and capital flight introduced by Chancellor Brüning in 1930 and their contribution to growth in NSDAP vote have been examined by Ferguson and Temin (2001) and Galofré-Vilà et al. (2021), and Straumann (2019) has examined the connection between the large public debt default in Germany in 1931 and the ascent of Hitler to power.

These results are not idiosyncratic of a specific time-period in the 1930s. Using a panel dataset spanning more than 140 years, Funke et al. (2016) found that the levels of political uncertainty rise largely after financial crises—but not other sorts of economic crises— and the consequence is an increasing political fragmentation and polarization hindering the construction of governmental majorities—see also Frieden (2015) and Mian et al. (2014). In addition, recent studies have also delved into the contemporary relationship between financial crises and the rise of extreme political options in the cases of Hungary (Gyöngyösi & Verner, 2022) and Germany (Pizzigolotto & Fraccaroli, 2023).

All in all, these studies show that financial crises can have an important impact in the configuration of politics. Financial crises are important events to take into consideration because can create times of "crisis" Lipset (1960) and can do this asymmetrically for different individuals or social groups. Financial crises embed a distributive conflict, and create a large gap between those affected by economic losses and those who maintain their savings. Thus, financial crises become a perfect setting to test the individual reaction of personal displacements in the social structure that can influence individual political attitudes, especially towards political regimes that might be seen as ineffective to deal with the existing problems (Linz, 1978), thus eroding the legitimacy of these regimes. However, all the previously outlined studies rely on the assumption that experiencing a financial crisis can lead to an individual shift in the political attitudes and behaviors while relying on aggregate level data—being exposed into an ecological fallacy trap.

We know from classical electoral behavior studies that votes are influenced by the general economic situation (Fiorina, 1981; Lewis-Beck & Stegmaier, 2000) and that individual economic conditions are an important predictor of electoral outcomes (Duch & Stevenson, 2008; Lewis-Beck & Stegmaier, 2000). Yet, there has been less attention to how individual conditions influence, more broadly speaking, systemic and broad attitudes towards democracy. This paper seeks to provide evidence that financial crises do not only shift political preferences from one party to another, or towards more populist parties, but that this shift

is related to changes in more profound regime considerations. Hence, and departing from the existing literature we pose that individuals—and especially the elites—who directly suffered financial losses or were at risk of losing their money should be, in a context of economic and political instability, more more prone to defect from democratic participation.

Hypothesis 1 *Experiencing financial losses reduces democratic consent*

2.3 Organizations and Ideas Also Mold Democracy

Individual attitudes towards democracy are not only shaped by material interests. Social connections, belonging to organizations, social capital, and preexisting ideas should also play an important role when defining the democratic attitudes of individuals. A strong civic society is usually seen as a bulwark against oppression and has been conceptualized as a defining factor in any democratic society (Almond & Verba, 1963; de Tocqueville, 1838; Putnam, 1993). Lipset (1960) even argued that democratically structured organizations "influence political behavior more than underlying personal values, no matter how authoritarian" (p.90).

Yet, other authors also warned that the influence of civil society is not unequivocally favorable to democratic interests. In fact, civil society "is not an unmitigated blessing for democracy ...[and can] affect the consolidation and subsequent functioning of democracy in a number of negative ways" (Schmitter, 1993, p. 14). Satyanath et al. (2017), for instance, have found that certain types of social capital contributed rather than deterred the electoral growth of the Nazi party in the 1930s.

Not all organizations can have the same political influence on individuals. Parties are the crucial organization that can link individuals to governments and that can shape individual attitudes and behaviors, especially when democratic regimes are not fully consolidated (Torcal & Montero, 2006). Party identification or being close to partisan networks can shape one's individual reaction to certain events. In fact, according to Lipset (1994, p. 14) "having at least two parties with an uncritically loyal mass base comes close to being a necessary condition" for democracy. If partisan elites choose to organize the party along certain lines, individual attitudes given individual experiences might be moderated by the party ideology dictated by certain elites (Ash et al., 2021).

A growing number of studies are starting to consider the importance of ideas, not only in the decision-making processes but also on shaping preferences, attitudes, and behavior of networks. Ideas tend to be individual, yet some particular ideas from certain relevant individuals travel faster and more confident than others. The ideas of powerful individuals matter more (Acemoglu et al., 2022), and as Mokyr (2016) defends under the label of "cultural entrepreneurs", individuals with larger reputation also have a larger capacity to extend their ideas to a larger public. Networks, the position of given individuals, and the relevance of certain organizations should matter to understand why, in a given scenario, some attitudes prevail over other attitudes. Yet, it is still unknown what contexts ideas can

be strong enough to trump the existing individuals reactions towards material losses, such as in the case of an economic (or financial) crisis.[1]

Hence, a second aim in this paper is to show that there is a political mechanism that can shape the impact of material losses on regime disaffection. Individuals equally affected by a financial shock who have different social and political networks should react different to their economic losses. If they are members or are close to political organizations that push for regime changes this should accentuate the impact of their economic losses into a larger loss of democratic consent. In turn, being socially connected to individuals and political leaders who concede electoral defeats and abide by the rules of democracy can become a bulwark against a democratic breakdown among those people subject to economic losses.

Hypothesis 2 *Financial losses are less (more) damaging for democratic commitment if individuals are connected to liberal (illiberal) political / social organizations*

3 Historical Background

We test these two hypotheses using data from the city of Barcelona during the Spanish Second Republic, the first time in history Spain became a (fragile) democracy. The Spanish Second Republic is an ideal setting to test the relationship between financial turmoil and democratic consolidation since its short lifespan was full of economic and political uncertainties.Two main reasons justify the selection of the case: first, because Barcelona was characterized by a diverse political competition dynamic and, second, because it was affected by a specific source of financial instability. In this paper we leverage both factors to better understand the impact of individual-level financial plights on voters' political behavior, taking a closer look on a very specific election that was a *de facto* measure of support towards the democratic regime.

3.1 Political Context: Spanish Second Republic

3.1.1 Political Instability of the Regime

In 1931, the autocratic military regime blessed by the monarchy collapsed after the electoral victory of republican parties in local elections. The regime change was not contested by the elites, who abided by the new rules that were to be implemented. Albeit the transition towards the republican regime quick and peaceful, the first weeks were full of uncertainties until the first elections took place (Carr, 2009),[2] and center-left and left-wing republican parties won a large majority of the seats.

The new parliament passed a new constitution with a clear left-wing orientation to undertake reforms in several fronts: land ownership and agrarian production, religious laws,

[1] A first step along this line is made by Ash et al. (2021).

[2] We will show that it was especially associated with increasing levels of economic uncertainty (see section 3.2).

military reform, female enfranchisement, public education, and territorial governance and devolution of powers to regions such as Catalonia. Once the new Constitution was enacted, the left-wing cabinet started implementing new policies. These reforms gradually polarized Spanish society (García-Uribe et al., 2024) and, while conservative forces were more mobilized and united against the government, the sluggishness of the reforms, for instance in land ownership (Simpson & Carmona, 2020), increased the tensions in the ruling coalition.

One of the consequences of these opposite forces was the erosion of the government's position. There was an attempt in 1932 to make a right-wing coup but it was quickly dismantled and it did not pose a real threat to the democracy. Yet, a political conservative turn was growing and materialized in 1933 when conservative forces won the general elections. Right-wing political parties, despite accepting the democratic regime, were against most of the social reforms and the new cabinet either halted the policies developed by the previous cabinet or reverted some of the laws. This was seen as a counter-revolution by most of the leftist sectors, and political tensions and polarization continued to increase, reaching its peak in 1934, when three members of largest right-wing and catholic party (CEDA) were appointed as ministers. The democratic commitment of this party was under suspicion and it was considered as a real threat for democracy by the left (Preston, 1978).

As a consequence, a revolutionary strike was organized in October 1934 against the new cabinet by different leftist sectors, especially in the areas of Asturias and in Catalonia. The revolution was unsuccessful since the army, following the government's orders, was able to quickly dismantle the revolt and a period of harsh repression ensued: there were thousands of arrests and the Catalan regional government was suspended. Yet, during 1935 internal dissents within the right-wing parties led to a cabinet crisis and to the call for new elections in February 1936.

3.1.2 1936: Increasing Political Polarization

The February 16, 1936 elections were the most polarized elections that took place in the Spanish Second Republic. Two fronts large blocs were formed. All left-wing republicans, socialists, and communists were united in the *Frente Popular* (*Front d'Esquerres* in Catalonia), and most right-wing republicans, the CEDA, monarchists, and Catholic parties united under the *Frente Nacional* (*Front Català d'Ordre* in Catalonia).The electoral campaign was very intense, with even a few examples of violence and coercion (Villa García, 2016), and results were uncertain and unpredictable. The final results, with a large turnout ($\approx$74%), benefited the leftist coalition by a narrow margin but the majoritarian electoral system granted them a large majority of seats. Right-wing politicians saw these results as a real threat and the rumours about a military coup started to spread while the new left cabinet amnestied those who revolted in 1934.

However, the attitude of the conservative parties after the elections was not homogeneous all over Spain. Most Spanish conservative parties claimed the new government to be illegitimate—talks between CEDA leaders and military high-rank officers started (Preston,

1978)—and its leader, Gil-Robles, "predicted" in parliament that a their followers might have no other choice than to embrace violence.[3] In turn, Lliga Catalana—the conservative Catalan party—publicly accepted the defeat, conceded the election, and even committed to cooperate with the government in loyal opposition—while asking for a reestablishment of public order—to contribute to stabilize the democratic regime.[4] This party even asked its core constituency—industrialists, businessmen...—to support a larger provision of public goods and redistribution to appease tensions with the working class (Molas, 1973).

These distinct attitudes towards the republican regime within right parties materialized in the April 1936 presidential elections.These were indirect elections, where voters would select delegates whose sole function was to vote—together with elected MPs—for a new president. While the CEDA and most Spanish right-wing parties chose to boycott the elections, Lliga Catalana filed candidates and called their supporters to vote, hence splitting the right supporters between those boycotting democracy and those abiding by the democratic rules. Turning out to vote in these elections can be interpreted, we argue, as a signal of democratic commitment. Moreover, due to the boycott of the Spanish conservative parties, it was unlikely that the results of these elections could contribute to appoint as President a right-wing candidate, which even makes more expressive and valuable the act of turning out to vote. In Catalonia, turnout was the lowest of all elections taking place in the 1930s (Vilanova, 1986), but turnout decreased less than in other areas of Spain. These were the last elections that would take place in Spain before the outbreak of the Civil War and these elections are extremely valuable to assess the levels of democratic support shortly before a democratic breakdown.

3.2 Financial and Banking Instability, 1931–1936

The birth of the Spanish Second Republic was accompanied by financial instability (Battilossi et al., 2021; Jorge-Sotelo, 2019; Martín-Aceña, 1984). Capital flight accelerated—worsening an ongoing currency crisis—and cash hoarding and a bank run ensued. Banks suffered a severe liquidity stress and there was a sharp contraction in bank lending, despite the intervention of the Spanish central bank (Jorge-Sotelo, 2020). Stock markets plunged as investors flew into cash and safe securities, namely public debt.In order to prevent widespread capital losses and a round of insolvencies, Spanish authorities introduced changes in accounting regulation and this measures minimized the overall impact of banking distress, avoided a widespread round of insolvencies, but could not avoid a sharp contraction in financial intermediation (Jorge-Sotelo, 2019).

[3] *Diario de Sesiones del Congreso de los Diputados*, April 15, 1936, p. 300.

[4] Ventosa i Calvell discourse in Parliament on April 15, 1936. *Diario de Sesiones del Congreso de los Diputados*, April 15, 1936, pp. 301, 303–304.

Table 1: Timing of Banc de Catalunya liquidation

		Depositors (per bank account)			Stock Depositors
Liq. year	Payment	<100 ptas	<1,000 ptas	>1,000 ptas	All
1932	Feb. 1933	100%	100 ptas + 20%	100 ptas + 10%	10%
1933	Dec. 1933		5%	5%	5%
1934	Feb. 1935		5%	5%	5%
1935	Dec. 1935		5%	5%	5%
	Cummulative	100%	100 ptas + 35%	100 ptas + 25%	25%

3.2.1 The Failure of Banc de Catalunya

During the banking crisis, three regionally important banks failed in Catalonia: Banc de Catalunya, a bank headquartered in Barcelona, and its two smaller subsidiary institutions. By the time of its failure, on 7 July 1931, Banc de Catalunya was the eighth largest bank in Spain and the largest in Catalonia, after having experienced two years of a very fast expansion. The failure caused the bank to default on its deposits, which amounted to 18% of total deposits in banks headquartered in Catalonia and more than 20% held in banks headquartered in Barcelona. The failure caused a run on another bank in Barcelona (Banca Arnús), but the latter was able to convert its deposits to cash on demand and contagion ended there. In the end, Banc de Catalunya was the only banking institution that closed its doors in Barcelona and its depositors were the only ones directly affected by the financial shock (Cabana, 1965; Jorge-Sotelo, 2022, 2023).

A year after the failure, on 2 July 1932 a Liquidation Committee (*Comité Liquidador del Banco de Cataluña*) was appointed to conduct the liquidation of the bank. A formula and schedule for payments to depositors was approved. Given the overall adverse financial conditions that persisted after 1931, the committee agreed on a conservative and slow-paced liquidation schedule to secure repayment. The Committee's liquidation activity and depositor repayment operated with a variable lag. While actual liquidation of the bank's assets began right after the approval of the plan in July 1932, the first payment was announced in February 1933 and two biannual payments to creditors were planned from cash raised in the liquidation. As presented in Table 1, depositors were announced a total of four payments until 1936, once enough assets had been liquidated in the preceding period (Cabana, 1965, pp. 159–160). In turn, each March the Committee would hold an annual meeting in order to present the amounts and details of the previous year's liquidation and the prospects for the ongoing year.[5] In order to illustrate this, Figure 1 summarizes the main political events and the Banc de Catalunya repayment process during the Spanish Second Republic.

[5] Only depositors with balances over 25.000 pesetas could attend this annual meeting.

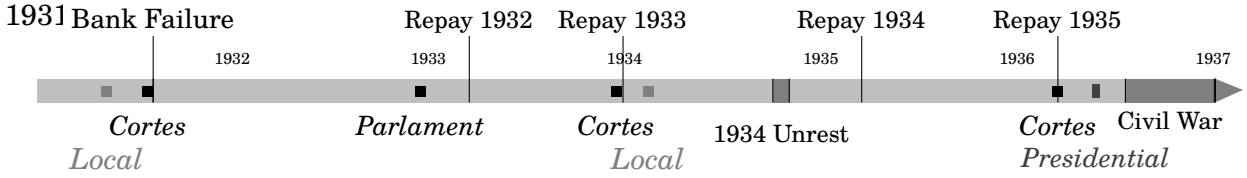


Figure 1: Timeline of financial (top) and political/*electoral* (bottom) events, 1930s

3.2.2 Political Uncertainty and Feasibility of the Liquidation

Because of the exceptional business model of Banc de Catalunya, around two thirds of its portfolio of securities consisted of private equity, i.e. the asset liquidation process relied strongly on stock market conditions.[6] Accordingly, in 1932, when assessing a feasible pace for liquidating the bank's assets, the Liquidation Committee warned that "(. . .) *because they are large amounts, it is difficult to liquidate them given the overall stock market contraction and the weakness in trading in stock markets*".[7] In almost all meetings of the Liquidation Committee, the meeting minutes reflect the concern regarding the close link between fluctuating asset prices and the viability of repayment.[8]

Throughout the 1930s, as in most countries, economic expectations in Spain depended strongly on political developments. As forward-looking agents, creditors, bank depositors and stock market participants reacted to changes in their expectations about future political developments and their impact on future earnings and risk. That said, from April 1931 until February 1936, despite the critical events that took place in 1932 (coup attempt) and in 1934 (revolutionary and secessionist threats), financial markets did not price in the possibility of a complete upheaval of the political system or a Soviet-style revolution that could cause an entire collapse of the financial system.[9] Crucially, while markets initially reacted to these developments and asset prices fell, the quick reaction of the republican authorities and repression of these events—involving military intervention—restored market confidence rapidly and the financial press described it accordingly.[10]

Quantitative evidence confirms the accounts of the contemporary financial press. The stock market and the banking sector did only suffer sharp shocks between April and September 1931 and from February 1936 onward. In between these periods, including the aforementioned episodes of short-lived political instability of 1932 and 1934, financial market participants did not price in any existential threat to the prevailing political order. Trust

[6] See Jorge-Sotelo (2022) for a comparative with the rest of the banking sector.

[7] *Memoria del ejercicio de 1932 que el Comité Liquidador del Banco de Cataluña presenta a la Junta General de Acreedores*.

[8] More details in Appendix **??**.

[9] On the contrary, investors flew to public debt in moments of high political uncertainty (Battilossi et al., 2021) and hoarded deposits returned steadily (Jorge-Sotelo, 2020), suggesting that investors ruled out revolutionary regime-changing events.

[10] See Appendix **??** for some excerpts of the financial press aroun two main events of political uncertainty: the 1932 coup and the 1934 revolution.

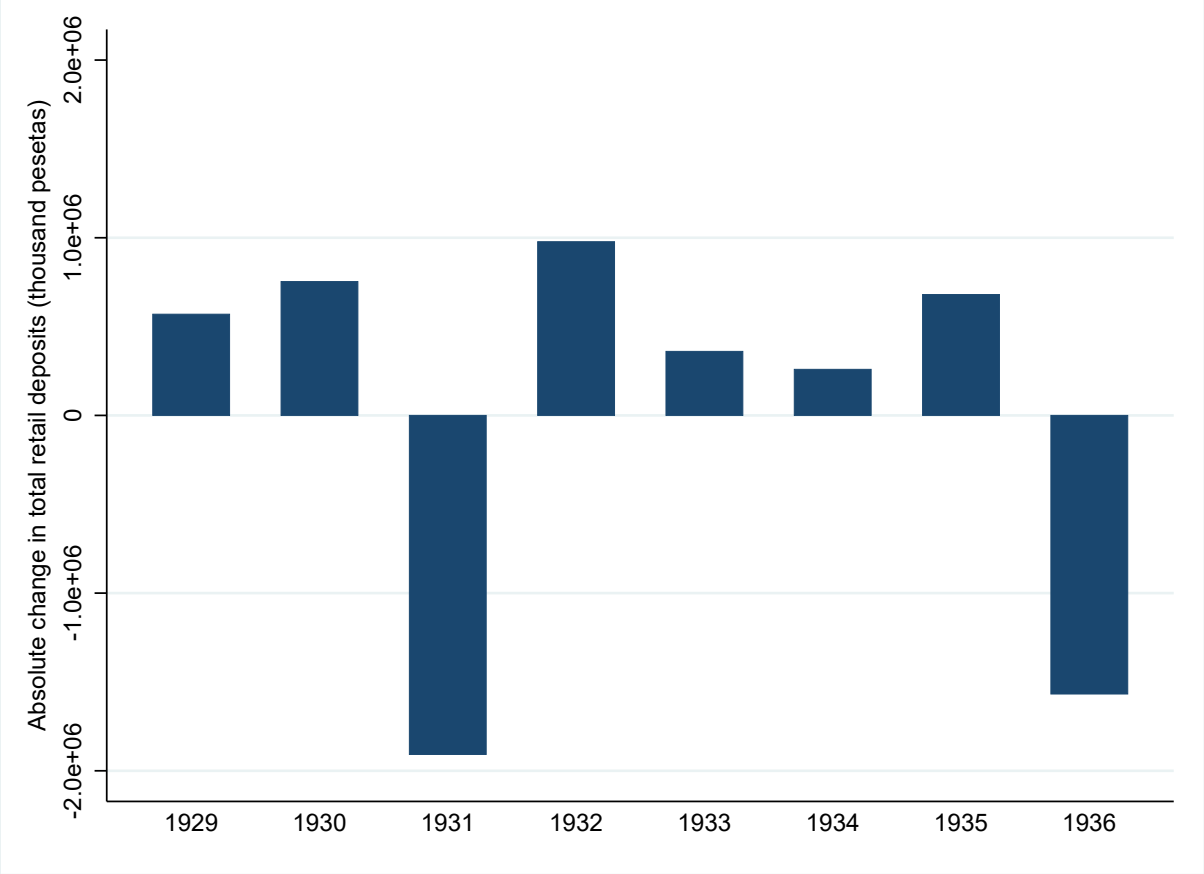


Figure 2: Absolute deposit losses, 1928-1936

Note: absolute changes are calculated over the average deposits for each year, obtained from quarterly data. For 1935, there is no data for 1935q1, 1935q2 and 1935q3, so the reported value is end of period. For 1936 there is only one observation, 1936q1. Source: Jorge-Sotelo (2019).

in the ability of incumbent republican authorities to control potential threats to the political order, is reflected in the behaviour of bond markets. Indexes of government bonds show that it was only in April-September 1931 and in February-July 1936, when investors seem to have priced the likelihood of a social revolution that could cause an upheaval of the political regime (Battilossi et al., 2021). The same is true for the banking sector. Figures 2 to **??** plot the evolution of bank deposits in Spain between 1929 and 1936. Overall, after the 1931 sudden political regime change that brought about the proclamation of the Republic, events taking place in 1932 and 1934 were not accompanied by bank runs or sharp and persistent stock market volatility.

However, following the general election of 16 February 1936 in which the left coalition unexpectedly won a majority of seats political and financial uncertainty ensued again.Stock markets plunged right after the February general election (Figure **??**) and investors reacted to the electoral result by flying from equities *and* government bonds (Battilossi et al., 2021, p. 440). The simultaneous collapse in equity and government bond prices signalled that financial actors priced in a credible threat to existing political institutions. In fact, weeks

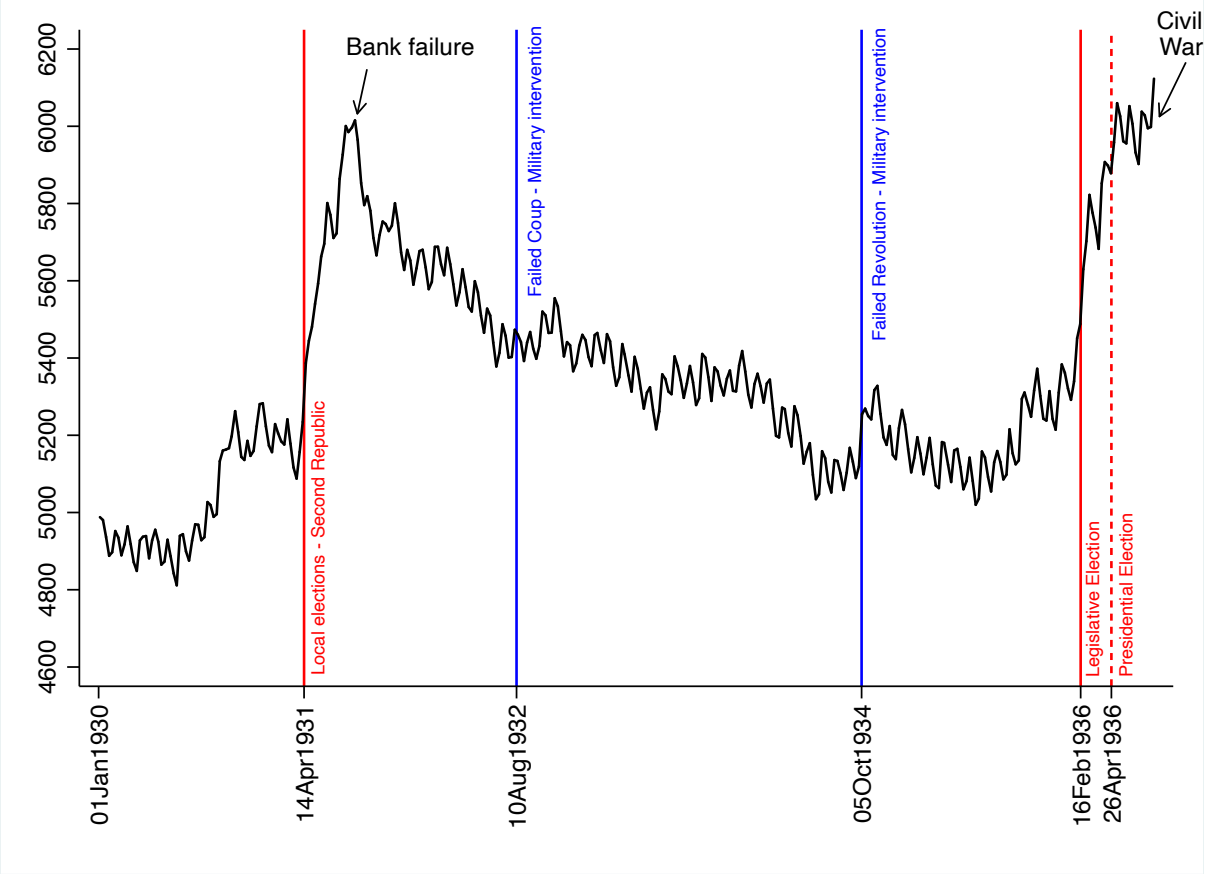


Figure 3: Cash in circulation, January 1930 - July 1936 (monthly, million pesetas)
Source: Martínez Mendez (2005).

after the election, the Government had to step in to introduce a floor to government bond prices in order to prevent the complete collapse of the financial system, a policy that had also been used in 1931 (but not in 1932 or 1934) (Battilossi et al., 2021, p. 428).

The shock to the banking system from February 1936 was only comparable to the one suffered right after the proclamation of the Second Spanish Republic in April 1931. Both shocks were comparable in size (Figure 2), but the run that started in February 1936 affected a wider population of banks, as indicated by the weighted and unweighted bars in Figure **??**. In turn, Figure **??** shows a different reaction of call and time deposits. In 1931, the run on call deposits was stronger than in time deposits, but from February 1936, bank depositors run equally on call and time depositors, suggesting an even stronger change in expectations. As banks became under liquidity stress, they turned to the central bank to ask for the provision of emergency liquidity, causing a sharp increase in the amount of cash in circulation as banks used emergency liquidity provision to liquidate clients' deposits (Figure 3). As with the rest of indicators, demand for cash did also not increase significantly during the 1932 and 1934 episodes. In contrast, financial market expectations deteriorated permanently after February 1936.

Crucially for our story, the Liquidation Committee of Banc de Catalunya *had to sell* assets to keep repaying depositors. Therefore, it was disproportionately affected by the sudden and rapid deterioration in financial conditions from February 1936. While depositors in other banks still had the option of asking for their money back, Banc de Catalunya depositors could only rely on the asset liquidation made by the committee. In previous occasions where market conditions temporarily worsened, the committee warned that this might endanger repayment, thus when Banc de Catalunya depositors saw the rising economic stability, they should have been aware that there was more risk of not being paid back. In February 1936 not only the political conditions changed but, for the Banc de Catalunya depositors, it also completely altered their repayment expectations.

3.3 Political Organizations and Networks

Socially speaking, the early 20th century was a period of growth in membership rates in social organizations in Catalonia (Arnabat & Duch Planas, 2014). On the one hand, the working classes created several organizations (*ateneus*, *casals*, *casas del pueblo*), usually affiliated to an specific political organization. On the other hand, the elites and upper-classes also had their own organizations and, in times of increasing class-conflict, promoted inter-class organizations, especially in rural areas. Individuals of all political orientations were connected through multiple organizations and social networks in the 1930s.

During the 1930s conservative and right-wing elites in Barcelona were politically organized, mostly, around the Lliga. Yet, in Barcelona, elites organized around multiple economic, business, cultural organizations, or interest groups. Among those organizations the most important were the Ateneu Barcelonès, Foment del Treball Nacional, the Societat Econòmica Barcelonesa d'Amics del País (SEBAP), the Cercle del Liceu, Conferentia Club, and many others. Some of these organizations were politically neutral, for instance, the Cercle del Liceu was an organization for members who enjoyed attending opera plays. Others were—more or less openly—politically aligned. For instance, the Ateneu Barcelonès was one of the organizations supporting the revitalization of Catalan cultural identity, hence being aligned with pro-Catalan identity but it was more neutral in terms of class-orientation—you could come across both republicans and bourgeois in its salons. Foment del Treball was the main lobbyist for the industrialists and had generally been aligned with the Lliga, this is pro-Catalan identity and right-wing oriented. The Institut Agrícola Català de Sant Isidre (IACSI), which had historically been one of the main promoters of the Lliga, as a consequence of the mild stance of the Lliga in the agrarian conflict gradually turned towards extremely conservative positions closer to the CEDA after 1934 (Planas, 2006). The SEBAP had also been close to the Lliga but by the 1930s was a relatively politically-neutral institution. Other organizations were even promoted by the Lliga's leader, Francesc Cambó, for instance the Conferentia Club—a society to discuss the most recent scientific advancements or cultural trends in Europe (Balcells, 2017; de Riquer, 2022).

Finally, other organizations were non-existing anymore but had had an important role in the past such as the *sometent*. The *sometent* was an armed 'civic militia' with roots in the Middle Ages, that was active in rural areas and was "ressucitated" in 1919 in the city of Barcelona to support the public forces in their fight against left-wing strikes and violence (González Calleja & del Rey Reguillo, 1995; Quiroga, 2007). It was promoted by all right-wing forces—including the Lliga—but with the advent of the Primo de Rivera dictatorship, the authoritarian regime made it a role model and promoted its expansion across all Spain. Hence, it became an important tool in the hands of the authoritarian forces and it was banned with the turn to democracy in 1931. According to González Calleja and del Rey Reguillo (1995), members of these civic militias had been socialized in authoritarian attitudes.

Overall, in the city of Barcelona, coexisted several organizations connecting the elites, modifying their political stances, and, we hypothesize, shaping their reactions to financial shocks. In this work we are interested to identify the most prominent conservative and right-wing organizations and to establish individual-level connections between those members to understand to what extent political organizations could become bulwarks against the negative political consequences of financial shocks. Similar to other works that have investigated elite connections (e.g., Klor et al., 2021), elite networks can be informative on the mobilization capacities of politically motivated elites. Besides membership to political organizations such as the Lliga, membership to any of these other associations, can still be important to capture different pro- or anti-democratic attitudes that could be spread among by their peers.

4 Research Strategy

Our causal identification strategy relies on the shift in repayment expectations that followed the leftist victory in the February 16, 1936 elections. We expect that this event, which was largely unpredictable, and the following increase in perceived economic risks, affected individuals support to democracy. We test the previously outlined expectations using individual-level data on turnout in different elections and exploiting the shift in conditions that took place between February and April 1936. In this section we describe the different types of data we employ, how do we combine them, and we outline in detail our research design.

4.1 Data

We collect a novel individual-level data comprising individuals who were registered to vote in the city of Barcelona in three different elections taking place in the 1930s. These data come from three different archival sources that had never been combined before: Banc de Catalunya depositors data, electoral census data, and individual turnout data. We also com-

bine these data with other sources providing complementary individual-level information. In the following sections we provide more details on each data source.

4.1.1 Banc de Catalunya Depositor's Data

Depositors data are collected from the publications of the committee in charge of the liquidation of the bank (*Comité Liquidador del Banco de Cataluña*), which was published in March 1932. This includes the amount of deposits held by each individual at the date the bank failed and it provides the full name of the depositor(s) and, most of the times, their address. This source allows to distinguish by type of deposit and by the geographical distribution of depositors in each agency/branch the bank had.

We consider two different types of bank deposits. On the one hand, we can observe bank deposits that are convertible at par and that are part of regular liabilities (i.e. retail bank deposits). This section of data is also dis-aggregated by different maturities and currency composition (call deposits, one month deposits, term deposits, foreign exchange call deposits, foreign exchange time deposits, other foreign exchange balances). This part of data covers 99.73% of the bank's regular liabilities (excluding capital and reserves) at the date of failure. On the other hand, there are also bank deposits for which convertibility at par was not granted. These were so-called "stock current accounts" (*cuenta corriente de valores*) through which clients deposited a fixed or variable income security with the bank. The bank could use these securities to operate in stock markets (buy or sell the stock) as it was not required to hold the very same stock with the same registration number and could just redeem the deposit with the client with the same stock but with a different registration number.

At the time of failure, the bank had 64 branches and agencies distributed across Catalonia, the Canary Islands, and Madrid. In order to be able to match depositor data with electoral and census data, we need to restrict our analysis to the agencies that the bank had in the city of Barcelona, where it operated through 12 agencies. From these, in this paper we restrict our selection to the two main (and largest) ones: the Headquarter Office (*Oficina Central*) and the Gràcia Office (*Agència 3*). From a total of around 11,000 individual deposit accounts held by the bank, these two agencies represent around 7,500 individual/regular deposit observations, which correspond to almost 70% of all depositors. This does not only allow us to capture a largest amount of deposits and depositors, but also, most likely, the clients with largest deposit accounts.

4.1.2 Census Data

Electoral census for the whole Second Republic period are available in the Barcelona City Council archives. These sources provide details on individual characteristics of all individuals registered to vote during this period. We rely primarily on the 1934 electoral census, which was the baseline census employed for the 1936 elections. The census includes several pieces of information for each individual: a unique census id, full name (given name and

the two family names),[11] gender, age, address, occupation, and literacy. Since we also use pre-1936 elections, we combine the 1934 census data with the previous existing census, the 1932 census, which was used in the 1933 general elections and in the 1934 local elections.[12]

We also employ information in the census data to build proxies for family relations among individuals. By exploiting naming patterns,[13] address, and age differences, we are able to reconstruct family relations. While this method does not allow to capture all households—e.g., couples without children, or whose children already moved out of the house, or remarriages are impossible to identify—, it maximizes the identification of households with large certainty. Given the available data, we employ this to expand exposure to the financial shock by taking into account close relatives of bank depositors, who we assume would also be indirectly affected by changes in repayment expectations.

4.1.3 Electoral Turnout Data

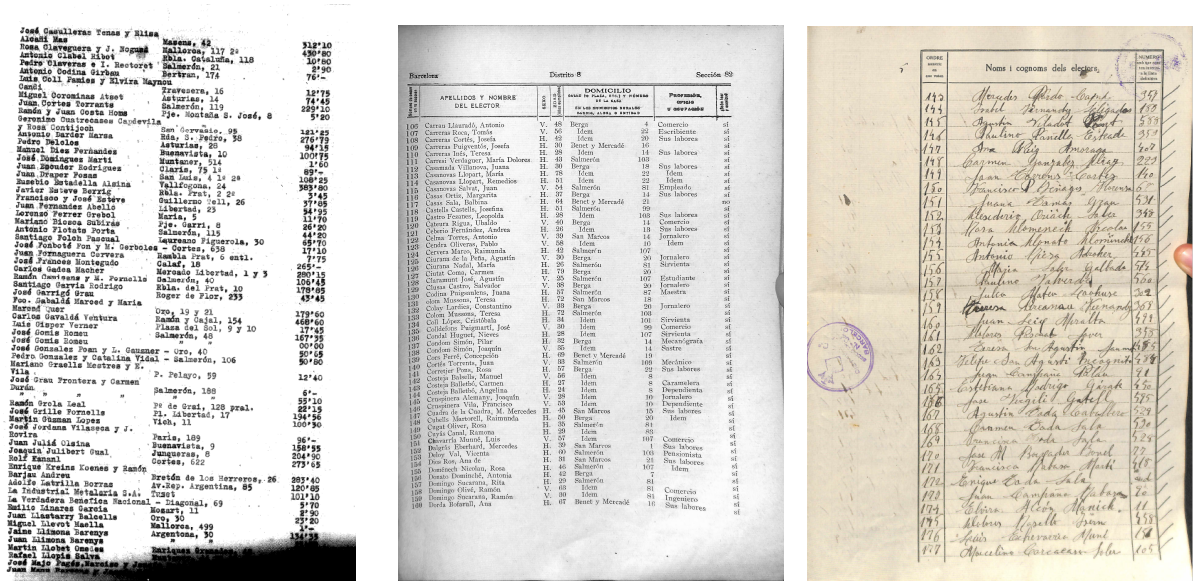
Finally, the third main data source we use to build our database corresponds to electoral information produced during the election day. In general, electoral records are very rich and very well preserved in Catalonia. The archival records in the city of Barcelona provide electoral data on (almost) all the tallies for the local elections in January 1934 and the two elections that took place in 1936 (legislative and presidential). On top of the tallies summarizing the main electoral results at the census tract level,[14] there exist handwritten voting roll-call lists. These lists contain information recording all voters who cast their vote in each election. These lists include information on the voting order for each individual, their full name, and their census id. Despite being a handwritten—and more difficult to process—source, the unique numeric census id associated to each registered voter facilitated the process of matching individuals to their turnout behavior.

4.1.4 Other Data

First, we use aggregate electoral results to take into account contextual information regarding the political dynamics at very small aggregate units from Vilanova (1986). These data include information regarding aggregate levels of turnout and average support for each party/coalition. We also take advantage of the digitized maps delimiting the geographical scope for each census tract (Amat et al., 2020; Vilanova, 1986).

Second, we consider individual membership and affiliation data to provide a more complete picture of the individual political allegiances and membership on different social organizations. Among the different organizations, we included: political party membership to the conservative right-wing party Lliga in 1911 and (partially) in 1933 (Lliga Catalana, 1933; Lliga Regionalista, 1911), to the Institut Agrícola Català de Sant Isidre in 1933

[11] Less than 2% of all observations in our sample have only one family surname.
[12] More details in section 4.1.5.
[13] It is customary that children always share the first surname with their fathers and the second surname matches the first surname of their mothers
[14] Full results summarized by Vilanova (1986).



(a) Bank depositors' lists (b) Census (c) Voters' lists. February, 1936

Figure 4: Data Sources

(IACSI, 1933), to the Ateneu Barcelonès in 1917 (Ateneu Barcelonès, 1917), to the SEBAP in 1934 (SEBAP, 1934), to the Conferentia Club in 1931 (Conferentia Club, 1931), and to the sometent in 1930 (just before its dissolution) (García Castaño, 1930).

4.1.5 Matching Process

All these different data sources contain individual-level information. To combine all the data we depart from the main information of interest: depositors lists (Figure 4a). We initially matched the depositors full name to the full name in the census data, relying on the 1934 census (Figure 4b). This matching process was automatized using Google's Document AI tools to implement optical recognition character (OCR) in typeset data sources—census and depositors names. After a manual revision on the resulting data, these two sources were matched based on the similarity in full names across the two data sources based on distance similarity above a 90% threshold in the generalized Levenshtein edit distance. To avoid mismatches, all matched names were manually verified and there was a very low error rate. Taking into account that we also have the address of the depositor, we used this information to double check dubious cases—e.g., if the depositor only had one surname.[15]

Once census data was linked to bank depositors, we then matched all individuals in the census lists to their turnout behavior (Figure 4c) in the 1936 legislative and presidential elections using the unique census id associated to each individual. To match census and voters lists data, we mostly relied on the individual census id listed in voting roll calls, based on a manual coding procedure. Then, we double checked whether the handwritten name associated with the census id matched the name associated with the same id in the

[15] As much as possible, we have tried to adapt Abramitzky et al. (2021) best practices.

census data. This double checked allowed us to detect errors made either by our RAs or by members of the polling stations in the 1930s. In most of the cases it was possible to match the handwritten name to the correct id.

For example, Figure 4 depicts the same individual being identified in all three sources. The 8th depositor in Figure 4a, Juan Cortés Torrents, who lived in Salmerón street, number 19 and held a 229.10 pesetas deposit, had the census id 140 (1934 census, Figure 4b) in the census tract 8-82. This man was the 149th individual to vote—according to information in the first column—in the February 16, 1936 elections (Figure 4c). In fact, we are able to correctly identify him as his name appears handwritten in the second column and, crucially, his unique id appears in the third column.

To capture the voting behavior of these same individuals in the 1934 local elections, we matched individuals in the 1934 census to individuals in the 1932 census based on their full name. We restricted name matching on individuals registered in the same census tract, to avoid mismatches between individuals with same names. Again, considering that there might be some mistakes on how names are spelled, we employ distance similarity above a 90% threshold in the generalized Levenshtein edit distance. We keep all names whose match is perfect, verify duplicate names, and manually check names similar below a 95% distance similarity to make sure there are no wrong matches. Once the 1932 census id was retrieved for the maximum number of individuals in the 1934 census (we are able to match around 90% of all individuals), it was possible to match this information with turnout behavior in the 1934 local elections using the census id's in voters lists.

Finally, to match these individuals to other individual-level information such as membership to other organizations, we mostly relied on their full name. To avoid mismatches, the address of the individuals was checked—whenever possible—with the address stated in different sources. Yet, it is important to mention that in most of the cases we relied on the coincidence of name *and* the two surnames. The existence of two surnames for each individual makes more difficult the possibility of mismatches. To illustrate this, in the randomly sampled census tracts around the Gràcia Office in the 1934 census, around 75% of all the individuals in the sample had distinct two surnames (the rest were, most likely, siblings or relatives) and less than 0.5% of our sample is comprised of individuals with the same name and two surnames. The most common surname in our sample was only present in 2% of the individuals in our census, either as a first or a second surname. All in all, this gives us confidence that matching using the name and two surnames should lead to a very low number of repeated full names and, accordingly, to a very low rate of mismatches.

4.2 Research Design

The electoral census in the city of Barcelona comprised more than 600,000 individuals after female enfranchisement in 1932. Census data in the city have not been systematically digitized and the most usual strategy to analyze these data so far has been to randomly select census tracts and extract the information for all individuals. We follow a similar

approach as followed by previous research studies in this area (see Amat et al., 2020; Boix & Vilanova, 1992) and we also resort to a randomization strategy. Yet, the goal here is to both maximize the number of bank depositors and to minimize bias in our the data. We proceeded in several steps.

First, we geolocated the main branches of Banc de Catalunya and we built a 500m radius around the branches. Then we randomly selected 50% of all the census tracts within this radius. This has two advantages. On the one hand, we could maximize the number of depositors because these individuals generally lived close to the bank offices.[16] Randomization contributes to minimize problems related to spatially related unobservable covariates. We draw these radius for census tracts around the two main branches of interest: Central and Gràcia, and we a added a third radius around what it is called *Quadrat d'Or*. This area was characterized by being the wealthiest area in the city of Barcelona and most of the bourgeoisie built their new residencies in modernist style buildings there. According to Oyón et al. (2001) and from our own data on the location of elites in Barcelona,[17] the radius around the *Quadrat d'Or* was important to ensure we were capturing the electoral behavior of wealthy individuals. Figure 5 shows the census tract division in the city center of Barcelona and depicts the location of bank branches and the randomly selected census tracts.

4.2.1 Control and Treatment Groups

Once we randomly selected the aggregate level units from which we collect the data, we need to provide some more details on how do we specify the treatment variable. On the one hand, an extensive margin treatment can be to consider as treated all individuals who had deposits at the Banc de Catalunya, regardless of whether they had been repaid. This would mean than anyone who had experienced financial uncertainty in the recent times would be more exposed and more sensitive to any sudden increases in financial uncertainty.

Another way—intensive margin—to consider the treatment is to only consider as treated those depositors that by February 1936 had not yet fully recovered their deposits through the liquidation process. Given different types of depositors and payment schedules depending on the total amount of the outstanding debt at the time of the bank failure, we can explore the intensity of the treatment. In this case our control group would comprise those depositors who were repaid in full before the General Election of 1936.

Because economic uncertainty increased rapidly after February 1936, we expect depositors who had outstanding balances with the failed bank to have been exposed to a differential impact by the sudden change in expectations. In particular, we argue that the General Election of February 1936 increased the uncertainty in the ability of the Liquidation Committee to execute the scheduled payments for which a liquidation had not been yet conducted. This revision in expectations should have not affected depositors who had

[16] We geolocated the addresses of depositors in the Gràcia branch and Figure **??** clearly shows how there was a larger concentration of depositors around the bank branch; Figure **??** shows the selected precincts.

[17] See Figure **??**.

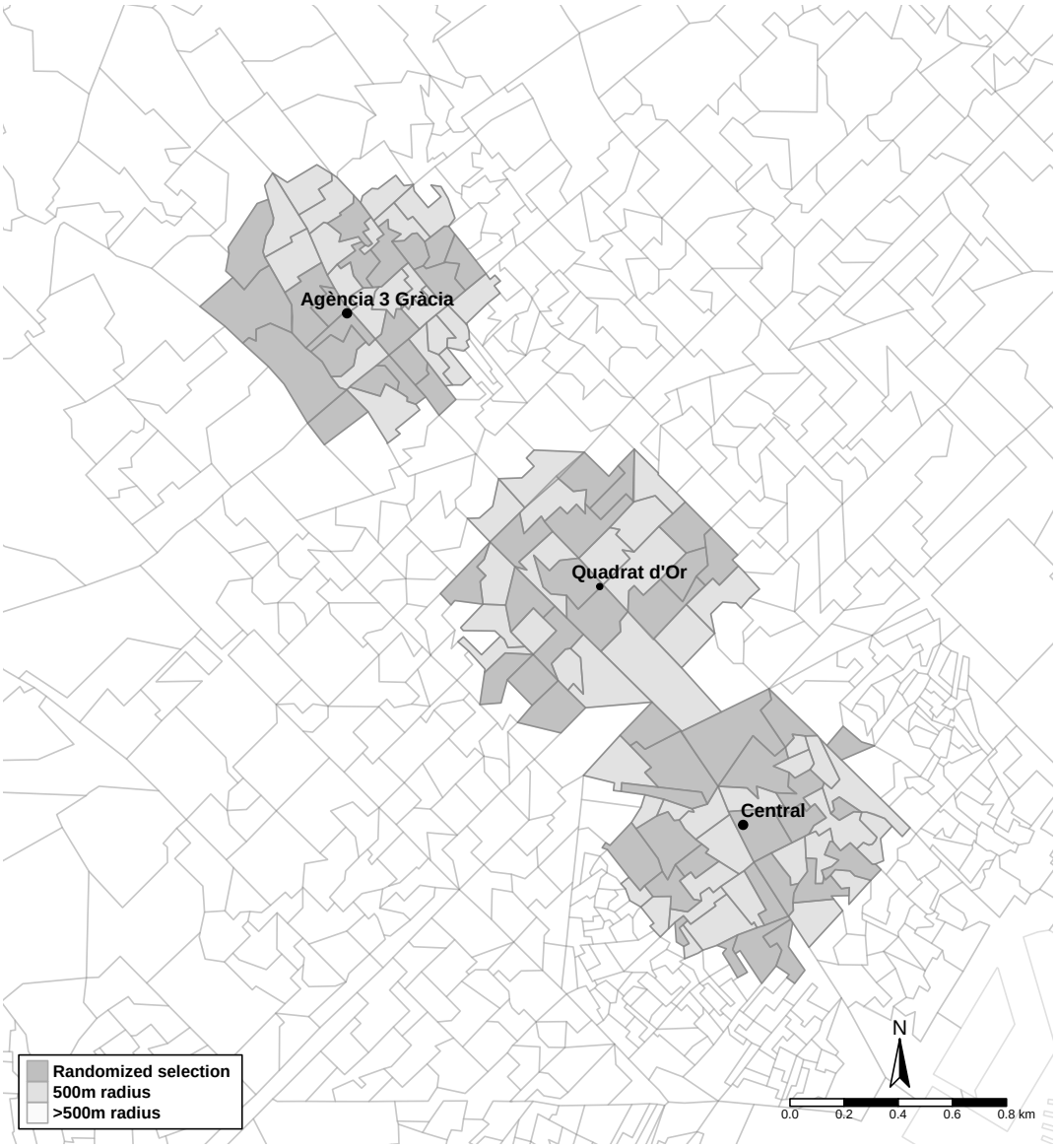


Figure 5: Randomized census tract selection

already been repaid by then. Moreover, we also have data on all other individuals without deposits at the Banc de Catalunya, which we can use as a baseline to assess the impact of the bank failure.

4.2.2 Individual DiD Panel Models

We exploit our rich individual-level panel data through a difference-in-differences research design in which we exploit the sudden change in financial expectations between February and April 1936. We are interested in observing whether the turnout decisions between treated (depositors) and untreated (repaid depositors and/or non-depositors) changed in the April 1936 presidential elections compared to the previous elections in January 1934

(local) and February 1936 (general). The panel structure of the data allows us to include individual-level fixed effects, which means that we can take into account most of differences across individuals and learn to what extent an increase in financial uncertainty contributed to democratic backsliding in a context of rampant political polarization.

The idiosyncratic characteristics of the April 1936 elections, can help us to infer from turnout not only regular political participation attitudes, but also attitudes towards democracy. As mentioned before these were the last elections before the start of the civil war and some right-wing parties already boycotted these elections. Voting in April 1936 was a clear sign of democratic commitment, while abstention could also be interpreted as a boycott towards the democratic regime. Hence, the DiD strategy under these circumstances can be very informative of the impact of financial and political uncertainty on democratic attitudes.

5 Empirical Analyses

5.1 Descriptive Turnout Patterns

We start the empirical exploration by providing some basic descriptives using the randomized census data from 58 precincts around the two main agencies of the bank (Central and Gràcia) and an additional set of precincts located in Quadrat d'Or, as explained above (Figure 5). Precincts are selected within a 500m radius from the bank agency location and the centroid of Quadrat d'Or. For all precincts we collected data for all the individuals registered to vote in the 1934 census. Table 2 shows descriptive statistics on the main variables to be employed in this analysis. Our data comprises more than 30,000 individuals

Table 2: Summary Statistics (individuals)

	Obs	Mean	SD	Min.	Max.
Voted 1934	26454	0.62	0.48	0.00	1.00
Voted 1936 Feb.	33577	0.65	0.48	0.00	1.00
Voted 1936 Apr.	32083	0.32	0.47	0.00	1.00
Age	34304	43.40	15.17	20.00	112.00
Woman	34400	0.59	0.49	0.00	1.00
Literacy	34164	0.91	0.28	0.00	1.00
Bank client	34401	0.02	0.13	0.00	1.00
Total amount (ptas)	1067	126244.69	906006.08	0.00	8189195.29
Real bank losses	1066	0.66	0.47	0.00	1.00
Bank client relative	34401	0.03	0.17	0.00	1.00
Lliga ties	34401	0.00	0.06	0.00	1.00
Liberal assoc. ties	34401	0.01	0.11	0.00	1.00
Sometent ties	34401	0.05	0.22	0.00	1.00
Illiberal assoc. ties	34401	0.06	0.23	0.00	1.00

Bank information at the family level

and their turnout data in three different elections. There is some gender imbalance (more women than men), and most individuals were literate. Around 2% of our sample were bank clients, and this figure rises to 3% when considering family relatives. Among those related to the bank around two thirds were still awaiting to be repaid. Finally, regarding ideology ties, around 1% of our sample were related to liberal associations while around 6% in our sample were related to illiberal organizations.

As explained above, our preliminary analysis exploits unique individual roll-call data matched with individual census data and individual financial information from clients of the failed bank. This enables us to specify panel data models with individual FEs. Most importantly, such models are useful to explore differential individual propensities to turn out to vote across several elections by exploiting within individual changes.

We first specify individual-level panel models with individual FEs where indivdual turnout is the outcome variable. Results are reported in Table 3. These models always include covariates identifying whether turnout occurred in the January 1934 municipal elections, the February 1936 legislative elections, or the April 1936 presidential elections; standard errors are always clustered at the individual level. We can observe in Table 3 that the average turnout rate in the February 1936 legislative elections was higher than the one in the municipal elections of January 1934. But crucially for our purposes, the average turnout rate in the April 1936 elections was much lower than the one in the two previous elections. The decrease in turnout in April 1936 vis-à-vis February 1936 is almost five times larger than the increase in turnout between February 1936 and January 1934.

However, the main objective of Table 3 is to illustrate that a reverse income gradient in electoral turnout was particularly relevant in the April 1936 presidential elections. Specifically, individual abstention rates are expected to be higher among the upper skills occupational categories in the April 1936 presidential elections—because the elections were boycotted by the right-wing parties. In Table 3, we introduce an interaction between elections and occupational categories—we leave unskilled manual workers as the base category. An income gradient clearly emerges in the boycotted elections in April 1936, since individuals in the upper skill categories were significantly less likely to participate compared to unskilled manual workers.[18] Low and medium skilled non-manual and high-skilled non-manual workers were less likely to vote in April 1936, while this does not hold for lower skilled categories. In addition, individuals that do not work also exhibit lower participation rates (individual attribute fixed effects include sex). Importantly, low-med skilled non-manual workers also exhibited lower turnout rates in February 1936, they continued to do so in April 1936. However, the large differential abstention in April is mostly visible among the higher levels of occupations, which participated in line with the average in February, but their turnout declined in April. This confirms our expectation that the April 1936 pres-

[18] This goes clearly against the classic theories of political participation highlighting that resources, such as skills or money, explains why some people participate more in politics. See, for instance, the classic work by Verba and Nie (1972).

Table 3: Individual Turnout by Occupation. Panel Models with Individual FEs

	(1) Individual Turnout	(2) Individual Turnout	(3) Individual Turnout
Feb. 1936	0.05***	0.05***	0.05***
	(0.01)	(0.01)	(0.01)
Apr. 1936	-0.23***	-0.23***	-0.23***
	(0.01)	(0.01)	(0.01)
Feb. 1936 × Low-Med. skill, manual	0.00	0.00	0.00
	(0.01)	(0.01)	(0.01)
Feb. 1936 × Low-Med. skill, non-manual	-0.03***	-0.03***	-0.03***
	(0.01)	(0.01)	(0.01)
Feb. 1936 × High skill, non-manual	-0.02	-0.02	-0.02
	(0.01)	(0.01)	(0.01)
Feb. 1936 × Do not work	0.00	0.00	0.00
	(0.01)	(0.01)	(0.01)
Apr. 1936 × Low-Med. skill, manual	-0.02	-0.02	-0.02
	(0.02)	(0.02)	(0.02)
Apr. 1936 × Low-Med. skill, non-manual	-0.05***	-0.05***	-0.05***
	(0.01)	(0.01)	(0.01)
Apr. 1936 × High skill, non-manual	-0.08***	-0.08***	-0.08***
	(0.02)	(0.02)	(0.02)
Apr. 1936 × Do not work	-0.08***	-0.08***	-0.08***
	(0.01)	(0.01)	(0.01)
Individual FEs	Yes	Yes	Yes
Elec.D × Indiv.Attrib.	No	Yes	Yes
Elec.D × Precinct	No	No	Yes
Mean Dep. Var	0.53	0.53	0.53
R^2	0.66	0.66	0.66
N	78369	78367	78367
Number of individuals	26123	26122	26122

Standard errors clustered at the individual level in parentheses.

* p<0.10, ** p<0.05, *** p<0.01.

idential elections offer a unique setup to test empirically the degree of democratic commitment among the elites.

Table 4: Baseline Models. Panel Models with Individual FEs

	Full Sample			High Skill Sample		
	(1) Individual Turnout	(2) Individual Turnout	(3) Individual Turnout	(4) Individual Turnout	(5) Individual Turnout	(6) Individual Turnout
February 1936	0.04***	0.04***	0.05***	0.02***	0.02***	0.02***
	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
April 1936	-0.29***	-0.29***	-0.28***	-0.28***	-0.28***	-0.28***
	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
February 1936 ×	-0.03**	-0.03**	-0.04**	-0.04	-0.04	-0.04
Bank Client Family	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Apr. 1936 ×	-0.07***	-0.07***	-0.08***	-0.07**	-0.07**	-0.07**
Bank Client Family	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
Individual FEs	Yes	Yes	Yes	Yes	Yes	Yes
Elect. D.×Indiv. Attrib.	Yes	Yes	Yes	Yes	Yes	Yes
Elect. D.×Indiv. Occup.	No	Yes	Yes	No	Yes	Yes
Elect. D.×Precinct	No	No	Yes	No	No	Yes
Mean Dep. Var	0.53	0.53	0.53	0.54	0.54	0.54
Observations	90018	90018	77768	25824	25824	25824
R^2	0.66	0.66	0.66	0.66	0.66	0.66

Standard errors clustered at the individual level

* p<0.10, ** p<0.05, *** p<0.01

5.2 Exposure to Financial Losses

Once we have shown that the upper classes were more likely to abstain in the April 1936 elections, we continue the exploration of the data by exploring the impact of financial exposure on turnout differentials. We specify our baseline models in Table 4. This table reports similar panel models with individual FEs and individual turnout as the outcome variable. The novelty in this table is the inclusion of a set of interaction terms between election dummies and a dummy that takes value 1 for Banc de Catalunya clients and 0 otherwise. As such, these models estimate the differential turnout rates by the bank clients compared no non-bank clients across elections by exploiting changes within individuals over time. In essence, such models can be thought of as diff-in-diff models that employ the election dummies to compare differential turnout rates among different individual types. Therefore, the main quantities of interest are the estimated coefficients for the interaction terms between the election dummies and the individual bank membership—i.e., exposure to the financial shock.

In columns (1) to (3) in Table 4 we can again observe that on average turnout increased in the February 1936 elections and declined dramatically in the April 1936 presidential elections. However, with the full sample we also observe that individuals from a household where there was a bank client, diferentially abstained in both the February and April elections. In other words, individuals within a household exposed to the bank failure were more likely to abstain than the non-bank clients in both elections. It is also true, however, that

according to our expectations the magnitude of the coefficient for the interaction between the April 1936 elections and bank client household is higher. Models from columns (1) to (3) incorporate controls for individual attributes (gender, age and individual literacy), individual occupational categories according to the HISCO classification and precinct fixed effects—all interacted with the election dummies.

To explore further our hypotheses, in columns (4) to (6) of Table 4 we estimate again the baseline models but only with the high skill sample. Here our estimated parameter of interest is again the coefficient for the interaction term between the bank client dummy and the April 1936 election dummy. Importantly, we can observe a significant differential abstention rate among the bank client households within the high skill sample only in the April 1936 elections. Note that the estimated coefficient for the interaction term between the February 1936 election dummy and the bank client dummy it is not statistically significant any more. This means that highly skilled individuals within household bank clients were not less likely to participate in the February 1936 elections than other high skilled citizens. In other words, among the high occupation categories, we observe a statistically significant differential abstention rate for the bank clients only in the April 1936 elections.[19]

5.2.1 Real Financial Losses

One important concern is individual self-selection into being a client of Banc de Catalunya. In Table 5 we address this concern by exploiting the structure of repayments that followed the collapse of the bank in 1931. Bank clients were not granted the repayment of their savings but there was a “liquidation committee" that would manage the bank assets and a gradual repayment timeline was scheduled. Every year, if economic and financial made it possible bank clients would receive part of their money. By February 1936 all individuals who had less than 100 pesetas in deposits had recovered all their savings but those individuals with more, initially regained 100 pesetas and were being repaid a 5% of their total amount every year (see Table 1). By February 1936 only those individuals with initial deposits of less than 150 pesetas (aprox.) had recovered all their money, but those above that amount were still pending on future repayment and observed a sudden increase in political and economic uncertainty following the 1936 February elections.

We create a dummy variable (‘Losses’) to distinguish bank clients who, by February 1936 had been fully repaid and those who were still awaiting future repayments, and thus experiencing financial losses. On top of that, we also distinguish bank clients according to the share of their money that was still pending to be repaid. Then, we estimate the models considering these two variables interacted with election dummies for the full sample, but also to more restricted groups, according to the amount deposited at the bank; in models 2 and 5 we only consider those savings below 4,000 pesetas and in models 3 and 6 only savings below 2,000 pesetas. Finally, Table 5 also distinguishes between individual losses

[19] See also Figure **??**

Table 5: Bank Clients Only. Panel Models with Individual FEs

	Bank Clients			Bank Clients + Family		
	(1) Full	(2) <4k	(3) <2k	(4) Full	(5) <4k	(6) <2k
Feb. 1936	-0.184	-0.210	-0.227	0.109	0.099	0.062
	(0.162)	(0.170)	(0.176)	(0.132)	(0.152)	(0.156)
Apr. 1936	-0.140	-0.083	-0.107	-0.057	-0.039	-0.064
	(0.205)	(0.213)	(0.218)	(0.133)	(0.149)	(0.151)
Feb. 1936 × Losses	-0.164	-0.144	-0.179	-0.073	-0.134	-0.133
	(0.117)	(0.129)	(0.147)	(0.090)	(0.102)	(0.111)
Apr. 1936 × Losses	-0.236*	-0.223*	-0.277*	-0.168*	-0.223**	-0.263**
	(0.121)	(0.130)	(0.143)	(0.094)	(0.106)	(0.115)
Feb. 1936 × % losses	0.001	0.000	0.001	-0.000	0.002	0.002
	(0.002)	(0.002)	(0.003)	(0.001)	(0.002)	(0.002)
Apr. 1936 × % losses	0.003*	0.003	0.004	0.002*	0.004**	0.005**
	(0.002)	(0.002)	(0.003)	(0.001)	(0.002)	(0.002)
Indiv. FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank Branch FE	Yes	Yes	Yes	Yes	Yes	Yes
Sample FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1392	1066	950	2479	1818	1636
R^2	0.608	0.612	0.614	0.616	0.624	0.625
Adjusted R^2	0.371	0.374	0.375	0.389	0.399	0.400

Standard errors clustered at the individual level

* p<0.10, ** p<0.05, *** p<0.01

and household losses. In Models 4–6 we consider not the individual financial losses but we consider all members in a family unit to be exposed to the bank collapse by combining all the deposits and stocks in the household. This allows us to increase by almost 50% the number of individuals exposed to the financial shock.

Results in Table 5 show a systematic reduction in turnout in April 1936 elections among those individuals who still experienced financial losses as a result of the collapse of the Banc de Catalunya failure. Coefficients of the 'Apr. 1936 × Lossses' are systematically negative and statistically significant. This remains even in the models where the amount saved in the bank is smaller, allowing us to compare more similar profiles of bank clients. It is also interesting to see that the coefficients for the % of losses is positive and statistically significant in most of the models. This indicates that, among those who suffered losses the effect was not homogeneous, but rather those who suffered larger losses were less likely to defect from democracy and boycott elections in April 1936. It is important to note that this result, which might seem a bit puzzling, implies that only those individuals who lost more than

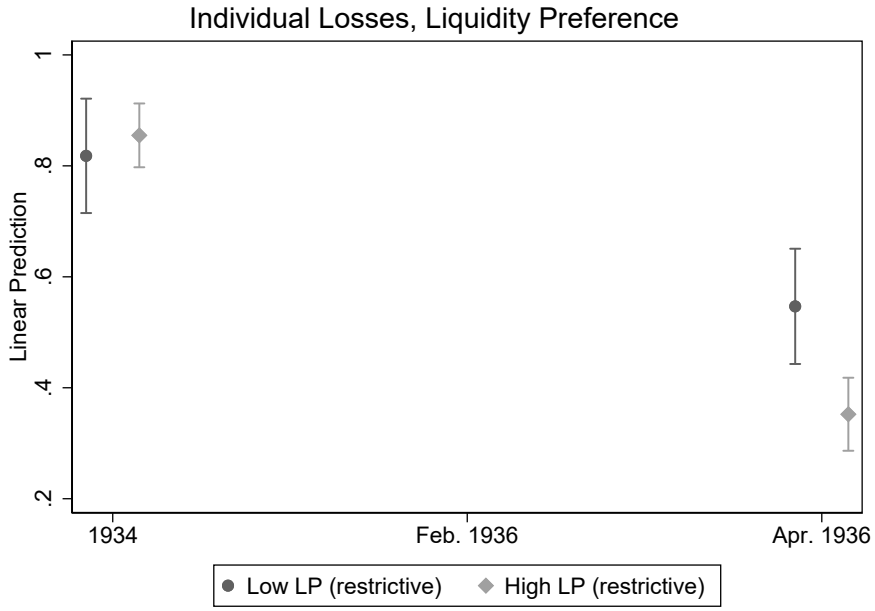


Figure 6: Turnout by liquidity preferences

50–80% of their losses were expected to turnout at similar rates than those who were fully repaid. The effect of suffering financial losses was not equal among all depositors. In the next section we provide evidence on what might be the reason behind this result.

5.2.2 Liquidity preferences

To show how economic losses had an impact on turnout in April 1936, we focus on the differential behavior between those individuals and families affected who had not been fully repaid by February 1936. We have seen that real financial losses influenced turnout decisions and the support of an election boycott, yet the specific channel through which these losses shaped political preferences is not clear. To disentangle to what extent the repayment was harmful for their day-to-day economies we lack a denominator on their total financial assets—e.g., some families might have savings in other banks. Yet, from the information on the financial assets each individual/family had in the Banc de Catalunya, we can distinguish bank clients between those who had high and low liquidity preferences. Clients with high liquidity preferences were those individuals whose financial assets were mostly call deposits (highly liquid), and those whose assets were mostly term deposits or stocks (low liquidity). The former were deposits that bank clients expected to be able to convert into cash at any time, while for the latter, clients usually had larger time-horizons and were probably financial resources less necessary for their day-to-day lives.

Liquidity vs. no liquidity Figure 6 shows how the largest drop in turnout in April 1936 among those who suffered real losses took place mostly among those individuals who had high liquidity preferences. This means that, among those who had not been fully repaid,

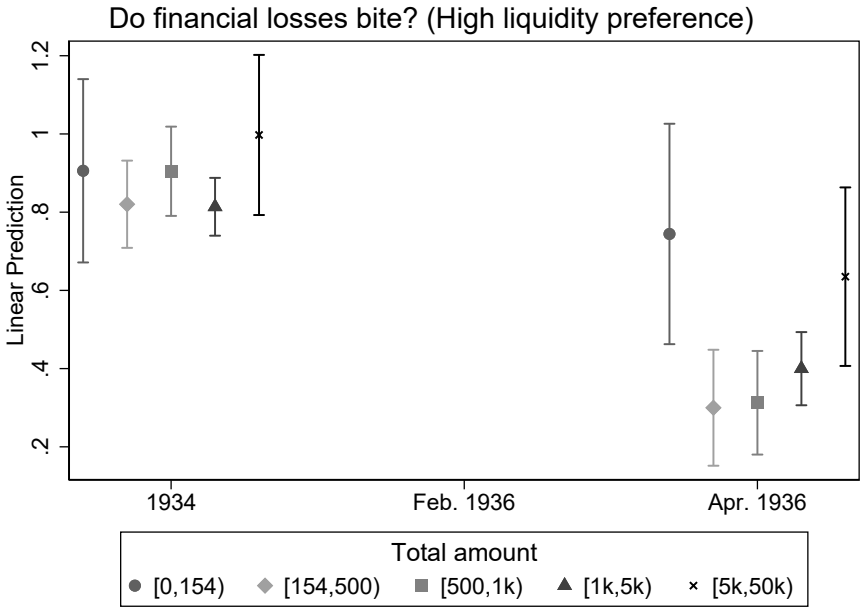


Figure 7: Turnout by liquidity preferences (amount groups)

those who relied more on those savings deposited at the Banc de Catalunya—who had been unable to access their money—were those who were more politically discontent and they were more likely to boycott the April 1936 elections.

Variation within high liquidity preferences Moreover, this effect is especially relevant among those individuals whose amount of savings in the Banc de Catalunya was not especially large. Figure 7 shows how the decrease in turnout among those who had high liquidity preferences was especially pronounce among those individuals/families whose saving were not especially large. This is indicative that, when the non-repayment affected families whose savings were not large (but probably this was also related for a higher need to convert this savings into cash), the financial shock translated into a direct political consequence. The April 1936 election boycott was rooted on the financial shock.

5.3 Mechanisms

5.3.1 Elite Mobilization and liberal ideas

We now turn to test whether individuals affiliation with either political parties or associations that spread liberal or illiberal ideas modulate the effects of being exposed to the bank shock in electoral participation. As explained before, the right-wing parties in Catalonia were divided in the April 1936 elections. Thus, we begin by testing affiliation to democratically committed right, the Lliga; after February, the party decided to actively participate in the elections and to encourage electoral turnout. They filed candidates and sent electoral controllers to polling stations to supervise the count and verify the elections. However, the

non-disciplined right, mainly the monarchic groups and the CEDA party, actively boycotted the April 1936 presidential elections. This split resulted in the breakup of the right-wing coalition (Front Català d'Ordre) that was formed for the February 1936 elections between the right aligned with democratic consent ideas, and the right that was starting to set the field for an autocratic turn. The boycotting right-wing parties intentionally deterred political participation among their followers in the presidential elections as a way to delegitimize the elections and the republican regime. In practice, the Lliga was the only right-wing party in Catalonia that actively campaigned and contributed to make these elections as democratically as possible. Hence, we can test whether individuals affiliated to the LLiga followed the party cues of participating to counter the boycott or instead abstained. We do this in Table 6 we can test to what extent political mobilization by the still democratic right (i.e. loyal opposition) was able to counterbalance the democratic disenchantment or the drop in democratic commitment among bank clients who suffered losses. We interact a dummy called $Lligafamily$ with the election dummies and the bank client dummies. $Lligafamily$ takes value 1 if a member of the family to which an individual belongs is affiliated to the Lliga. We run four models, two at the individual level (columns 1 and 2) and two with the family as the unit of analysis (columns 3 and 4). Results show that individuals and families with ties to Lliga reacted to the party cue and exhibit a higher turnout in April, compared to the rest. These results also hold and are stronger when introducing the triple interaction that includes bank client.

Despite Lliga members seem to have followed the party cue and continued to participate despite the ongoing boycott. However, we are interested in learning whether the opposite was true, that is, individuals affiliated with associations that spread illiberal ideas were more likely to endorse the boycott and show higher abstention rates. We tackle this question in Table 7. Here we exploit the individual registers for different associations detailed in Section 3.3, which we divide in liberal and illiberal. In this case we introduce a triple interaction again but this time instead of Lliga affiliation, we expand this criteria by including other liberal associations. We do the same for illiberal associations. Hence, we can test whether individuals that were members of either type of association exhibited differential participation rates with respect to those that had no affiliation (the base category). We run four specifications. The first one (column 1) is a baseline model without bank client interactions. The second one includes the bank client interaction measured as being or not being a bank client (column 2) and measured as suffering real losses (column 3). Finally, column 4 is a model only within bank clients. For models including the full sample, we find that individuals affiliated with institutions spreading liberal ideas abstained less, while those affiliated with institutions spreading illiberal ideas abstained more. Thus, without taking into account exposure to the bank, the broader spread of ideas seems to have mattered, beyond Lliga membership. The triple interaction also provides an interesting result, that is, that liberal ideas moderated abstention for individuals affected by the bank failure. This holds for individuals suffering real losses and for bank clients suffering real losses. Results

Table 6: Lliga Partisanship

	Individual		Family	
	(1)	(2)	(3)	(4)
1934	-0.05***	-0.03	-0.05***	
	(0.00)	(0.04)	(0.00)	
Apr. 1936	-0.33***	-0.39***	-0.33***	-0.40***
	(0.00)	(0.04)	(0.00)	(0.03)
1934 × Bank Client	0.07***		0.04**	
	(0.02)		(0.02)	
Apr. 1936 × Bank Client	-0.01		-0.04**	
	(0.03)		(0.02)	
1934 × Lliga Family	0.04	0.03	0.01	
	(0.05)	(0.04)	(0.05)	
Apr. 1936 × Lliga Family	0.12**	0.39***	0.10**	0.40***
	(0.05)	(0.04)	(0.05)	(0.03)
1934 × Bank Client × Lliga Family	-0.06		0.16	
	(0.05)		(0.12)	
Apr. 1936 × Bank Client × Lliga Family	0.22***		0.23***	
	(0.05)		(0.06)	
1934 × Financial Losses (%)		0.00*		
		(0.00)		
Apr. 1936 × Financial Losses (%)		0.00*		0.00*
		(0.00)		(0.00)
1934 × Lliga Family × Financial Losses (%)		-0.00*		
		(0.00)		
Apr. 1936 × Lliga Family × Financial Losses (%)		-0.00*		-0.00*
		(0.00)		(0.00)
Indiv. FE	Yes	Yes	Yes	Yes
Occupation FE	Yes	Yes	Yes	Yes
Sex	Yes	Yes	Yes	Yes
Literacy	Yes	Yes	Yes	Yes
Observations	77937	1392	77937	1714
R^2	0.658	0.602	0.658	0.700
Adjusted R^2	0.46	0.37	0.46	0.39

Standard errors clustered at the individual level

* p<0.10, ** p<0.05, *** p<0.01

in Table 7 show that liberal ideas attenuated the boycott of the presidential election in general, but in particular for individuals whose deposit repayments were on the line.

Table 7: Liberal vs. Illiberal

	Baseline	Full sample		Bank Clients
	(1)	(2) Bank Client	(3) Bank Losses	(4) Real Losses
1934	-0.05***	-0.05***	-0.05***	-0.06
	(0.00)	(0.00)	(0.00)	(0.03)
Apr. 1936	-0.33***	-0.32***	-0.32***	-0.39***
	(0.00)	(0.00)	(0.00)	(0.03)
1934 × Illiberal	0.05***	0.05***	0.05***	-0.00
	(0.01)	(0.01)	(0.01)	(0.08)
1934 × Liberal	0.02	0.01	0.01	-0.00
	(0.03)	(0.03)	(0.03)	(0.05)
Apr. 1936 × Illiberal	-0.07***	-0.07***	-0.07***	-0.04
	(0.01)	(0.01)	(0.01)	(0.09)
Apr. 1936 × Liberal	0.09***	0.08***	0.07**	-0.18
	(0.03)	(0.03)	(0.03)	(0.23)
1934 × Bank		0.04*	0.06**	0.07
		(0.02)	(0.03)	(0.04)
Apr. 1936 × Bank		-0.04*	-0.02	0.05
		(0.02)	(0.03)	(0.04)
1934 × Bank × Illiberal		-0.02	-0.02	0.04
		(0.05)	(0.05)	(0.10)
1934 × Bank × Liberal		0.04	0.04	0.06
		(0.08)	(0.10)	(0.11)
Apr. 1936 × Bank × Illiberal		-0.02	-0.04	-0.07
		(0.05)	(0.06)	(0.11)
Apr. 1936 × Bank × Liberal		0.14	0.19**	0.45*
		(0.09)	(0.09)	(0.24)
Precinct FE	Yes	Yes	Yes	Yes
Indiv. FE	Yes	Yes	Yes	Yes
Occupation FE	Yes	Yes	Yes	Yes
Sex	Yes	Yes	Yes	Yes
Literacy	Yes	Yes	Yes	Yes
Observations	77937	77937	77937	2479
R^2	0.659	0.659	0.659	0.617
Adjusted R^2	0.46	0.46	0.46	0.37

Standard errors clustered at the individual level

* p<0.10, ** p<0.05, *** p<0.01

In Tables 6 and 7 we compared abstention rates among individuals with ties to the political party who actively called for participation and between members of associations that spread liberal and illiberal ideas. Finally, in Table 8 we aim at testing the role of ideas in abstention for individuals affiliated to the *sometent*. As explained above, *sometent* operated as a civilian militia that grew substantially during the Primo de Rivera dictatorship (1923-1930), thus we expect members of *sometent* to be more inclined to concede to authoritarian rule in order to restore financial market stability and curb social unrest. Table 8 shows the results of the same specifications as done in previous tables, but with two particularities. First, this is only done for men, as Sometent members were virtually all men between 16 and 60 years old. Second, we run different specifications for different subsamples: full, Central, Gràcia and Quadrat d'Or, both for the full sample and within bank clients. We find a differential abstention for sometent members exposed to losses in April, which is mostly driven by the subsample of Quadrat d'Or, where the highest share of the elites lived. Again, we find a moderating effect for abstention among individuals affiliation to liberal associations, in this case not only in Quadrat d'Or, but also in the Gràcia neighborhood. Results hold when we control for selection by limiting the sample to bank clients (Columns 5 to 8), and in the case of *sometent* members exposed to financial losses, the coefficient is larger and more significant.

5.3.2 Sometent vs. Liberal

5.3.3 Dependence on repayment

Depositors might have reacted differently to the change in repayment expectations after February 1936 depending on their liquidity needs and their relative exposure to the bank failure. It is plausible to think that some depositors might have diversified their savings across different banks or savings banks, while others might have deposited the entirety of their cash balances with Banc de Catalunya. Data on depositors' balances with the bank allows for distinguishing by type of deposit, depending on its maturity. So-called "call deposits" operated as checking accounts, while "time deposits" could only be withdrawn with advanced notification to the bank and were, therefore, less liquid as they responded to different types of demand for money. In all previous models we use total deposits at the individual level, but the sources allow for exploiting this variation in order to learn about the relative exposure of individuals to the failure of the bank, assuming that those with larger share of call deposits depended more on the evolution of repayment than those with a larger share of time deposits. To capture this, we create a variable that measures individuals dependence on repayment. We do this by creating a dummy variable that takes value 1 when more than 50% of deposits held by an individual are callable (high dependence) and 0 otherwise (low dependence)[20]. First, in Table 10, we test whether the dependence on

[20] The distribution of the share of call deposits over total deposits is bymodal, with around half of depositors holding 100% call deposits and the other half holding 100% time deposits. This suggests that a dummy is appropriate and results in little loss of variation.

Table 8: Sometent vs. Liberal

	Full sample				Within Bank Clients			
	(1) Full	(2) Central	(3) Gràcia	(4) Qd'O	(5) Full	(6) Central	(7) Gràcia	(8) Qd'O
1934	-0.04***	-0.05***	-0.03***	-0.06***	-0.07	-0.11	0.11**	-0.22***
	(0.00)	(0.01)	(0.01)	(0.01)	(0.04)	(0.08)	(0.06)	(0.08)
Apr. 1936	-0.30***	-0.29***	-0.27***	-0.34***	-0.38***	-0.35***	-0.35***	-0.44***
	(0.00)	(0.01)	(0.01)	(0.01)	(0.04)	(0.08)	(0.07)	(0.08)
1934 × Losses	0.06**	0.01	0.10**	0.04	0.09*	0.07	-0.04	0.21**
	(0.03)	(0.06)	(0.05)	(0.05)	(0.05)	(0.10)	(0.07)	(0.09)
Apr. 1936 × Losses	-0.00	-0.01	-0.01	0.02	0.09	0.04	0.06	0.13
	(0.03)	(0.05)	(0.05)	(0.07)	(0.05)	(0.10)	(0.08)	(0.10)
1934 × Sometent	0.04**	0.06**	-0.02	0.05*	0.04	0.07	-0.18	0.23***
	(0.02)	(0.03)	(0.03)	(0.03)	(0.05)	(0.09)	(0.12)	(0.08)
Apr. 1936 × Sometent	-0.05***	-0.04	-0.10***	-0.02	0.07	-0.40*	-0.13	0.32***
	(0.02)	(0.03)	(0.04)	(0.03)	(0.10)	(0.23)	(0.18)	(0.11)
1934 × Losses × Sometent	-0.04	0.07	-0.08	-0.04	-0.05	0.06	0.09	-0.22*
	(0.06)	(0.16)	(0.09)	(0.11)	(0.08)	(0.18)	(0.15)	(0.13)
Apr. 1936 × Losses × Sometent	-0.11*	0.07	-0.09	-0.24**	-0.24**	0.43	-0.07	-0.58***
	(0.07)	(0.16)	(0.11)	(0.11)	(0.12)	(0.29)	(0.21)	(0.16)
1934 × Lib. Assoc.	-0.00	0.05	-0.00	-0.02	0.00	0.11	0.04	0.15*
	(0.04)	(0.04)	(0.21)	(0.05)	(0.06)	(0.09)	(0.07)	(0.09)
Apr. 1936 × Lib. Assoc.	0.11***	0.20***	-0.10	0.10**	-0.09	0.30	0.45***	-0.03
	(0.03)	(0.04)	(0.17)	(0.05)	(0.21)	(0.23)	(0.08)	(0.22)
1934 × Losses × Lib. Assoc.	0.10	0.06	0.04	0.20	0.10	0.00	0.00	0.02
	(0.09)	(0.10)	(0.22)	(0.16)	(0.10)	(.)	(.)	(0.17)
Apr. 1936 × Losses × Lib. Assoc.	0.21*	0.10	0.55***	0.32**	0.41*	0.00	0.00	0.45*
	(0.12)	(0.23)	(0.19)	(0.16)	(0.24)	(.)	(.)	(0.27)
Indiv. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	37571	14726	12915	9930	1651	417	692	542
R^2	0.642	0.652	0.642	0.628	0.614	0.614	0.644	0.594
Adjusted R^2	0.44	0.45	0.43	0.42	0.39	0.38	0.42	0.34

Standard errors clustered at the individual level

Models restricted to men only

* p<0.10, ** p<0.05, *** p<0.01

Banc de Catalunya correlates with the total size of individual deposits, for it is plausible to think that diversification of savings across different institutions is more likely to happen for higher levels of wealth. However, Banc de Catalunya being a relatively young bank when it failed–it was founded in 1920 and failed in 1931–, it could be the case that some depositors transferred their whole savings to the bank and some only part of them. To test this, we run a probit estimation in order to use the total size of individuals' deposits with the bank to predict their dependence, that is, the share of call or time deposits. Column 1 in Table 10 shows that depositors holding mostly call deposits held smaller total deposits overall. However, in Column 2 we introduce dummies corresponding to different brackets of total deposits and results show that the correlation is driven by the very large depositors

at the top of the distribution. Overall, the correlation does not hold among individuals with total deposits below 5000 pesetas, which represent 82% of the sample of 562 bank clients.

Table 10: Probit: predicting depositors' dependence on the bank

	(1)	(2)
ln(total dep)	-0.09***	
	(0.02)	
$[100, 500)$		-0.11
		(0.16)
$[500, 1000)$		0.13
		(0.18)
$[1000, 5000)$		-0.05
		(0.15)
$[5000, 10000)$		-0.68**
		(0.24)
> 10000		-1.49***
		(0.22)
Observations	562	565
Preudo R^2	0.03	0.09
Controls	Yes	Yes

Standard errors clustered at the individual level
* p<0.10, ** p<0.05, *** p<0.01

Having tested whether dependence on the bank correlates with total deposit size, in Table 12 we run a model that introduces a triple interaction between the variable $Dependence$, the elections and the ideas variables exploited in the rest of regressions. We run this model for three different subsamples: one with all depositors, a second one with depositors with balances below 5000 pesetas and a third one for those with balances below 50000. Here, the coefficient of interest is the one on the interaction $Apr.1936 \times Liberal \times Dependent$, which can be interpreted as expressing the limits to the spread of liberal ideas from political elites among individuals affected by the bank failure. For all the subsamples, the coefficient is negative, significant and stable, suggesting that for individuals that fully relied on repayment of their deposits, the moderating effect of belonging to institutions that spread liberal ideas and actively called for electoral participation in April 1936 is lower, compared to those that belonged to the same institutions but were not as dependent on the bank. For example, for the sample on depositors with less than 5000 pesetas being fully dependent on the bank eliminates all the modulating effect of belonging to a social or political circle where liberal ideas dominated (i.e. the coefficient on liberal individuals exposed to the bank failure in Table 7).

Figure 8 presents the marginal coefficients from the first column in Table 12. In February 1936, all groups were equally likely to turn out to vote. However, after the rapid change in expectations of repayment following the February elections, there was a split among individuals with liberal ideas. Hence, asset diversification seems to have played a role. Lib-

eral ideas enshrined participation (i.e. democratic commitment) among those that were financially more diversified than among those that had put all their eggs in one basket. For those belonging to associations that spread illiberal ideas, there also seems to be a negative gradient regarding dependence on the failed bank, but the difference is not significant. Therefore, results from exploring individuals' diversification of savings and their relative dependence on the failed bank suggest that democratic commitment for individuals to whom the financial shock bite more was less sensitive to the spread of ideas.

Table 12: Dependence on the bank and ideas

	(1)	(2)	(3)	(4)
	Full	<1000 pesetas	<5000 pesetas	<50000 pesetas
1934	0.02	0.04	0.03	0.04
	(0.04)	(0.06)	(0.05)	(0.04)
Apr. 1936	-0.32***	-0.35***	-0.32***	-0.31***
	(0.04)	(0.06)	(0.05)	(0.04)
1934 × Lib.	0.06	0.02	0.22	0.09
	(0.09)	(0.04)	(0.19)	(0.12)
1934 × Illib.	0.06	0.17	0.24	0.02
	(0.10)	(0.20)	(0.17)	(0.13)
Apr. 1936 × Lib.	0.49**	1.35***	0.82*	0.56*
	(0.17)	(0.06)	(0.38)	(0.23)
Apr. 1936 × Illib.	0.06	0.23	0.20	0.16
	(0.11)	(0.22)	(0.23)	(0.13)
1934 × Dep.	-0.02	-0.06	-0.04	-0.04
	(0.06)	(0.07)	(0.06)	(0.06)
Apr. 1936 × Dep.	-0.03	-0.01	-0.04	-0.04
	(0.06)	(0.07)	(0.07)	(0.06)
1934 × Lib. × Dep.	-0.06		-0.21	-0.09
	(0.10)		(0.20)	(0.13)
1934 × Illib. × Dep.	0.01	-0.10	-0.18	0.05
	(0.13)	(0.22)	(0.18)	(0.15)
Apr. 1936 × Lib. × Dep.	-0.80*	-1.99***	-1.12*	-0.88*
	(0.33)	(0.07)	(0.48)	(0.37)
Apr. 1936 × Illib. × Dep.	-0.15	-0.40	-0.30	-0.25
	(0.14)	(0.25)	(0.24)	(0.16)
Precinct FE	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes
Occupation FE	Yes	Yes	Yes	Yes
Sex	Yes	Yes	Yes	Yes
Literacy	Yes	Yes	Yes	Yes
Observations	1388	860	1133	1330
R^2	0.60	0.63	0.61	0.60

Standard errors clustered at the individual level

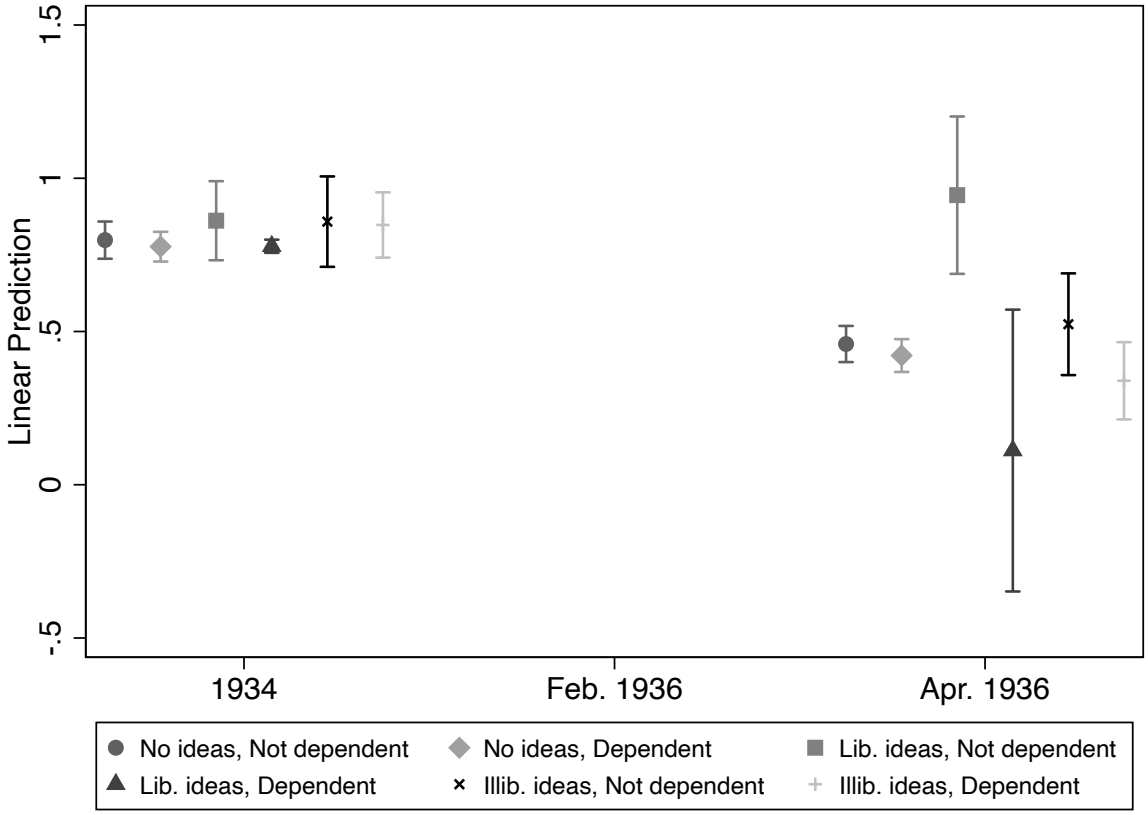


Figure 8: Dependence on the bank and ideas

6 Conclusions

TBD

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