

## **Vorlesung: Liquidity and Crises in Financial Markets**

Wann:	Donnerstags, 18:00 – 20:00
Wo:	WWZ, S15
Ausnahmen:	11. & 18. Oktober
Sprechstunden:	Donnerstags, 16:00 – 18:00 oder nach Vereinbarung
Kontakt:	<a href="mailto:thor@econ.queensu.ca">thor@econ.queensu.ca</a>
Pruefungstermin:	13. Dezember, 18:00 – 20:00

### **Slides:**

[www.econ.queensu.ca/thor/LiqCrises](http://www.econ.queensu.ca/thor/LiqCrises)

### **Overview and Readings:**

1. Introduction
2. OTC Markets: Trading, Liquidity and Information
3. Risk Management and Liquidity
4. Amplification Mechanisms
5. Dynamic Liquidity Linkages

Main papers likely to be covered in the course are identified by (\*). These papers are required reading. All other papers are recommended for reading. This reading list is likely to be updated as the semester progresses.

### **Introduction**

Gorton and Metrick (WP)\*-- Getting up to Speed on the Financial Crisis

Blanchard (WP) -- The Crisis: Basic Mechanisms, and Appropriate Policies

Brunnermeier (JEP) -- Deciphering the 2007-08 Liquidity and Credit Crunch

Reinhart and Rogoff – This Time is Different

### OTC Markets

Duffie, Garleanu and Pedersen (ECON)\* -- Over-the-counter Markets

Weill (RES)\* -- Leaning Against the Wind

Chiu and Koepl (WP)\* -- Trading Dynamics with Adverse Selection and Search

Guerreri and Shimer (WP) – Dynamic Adverse Selection

Lagos, Rocheteau and Weill (JET) – Crisis and Liquidity in OTC Markets

Tirole (AER) – Overcoming Adverse Selection

Dang, Gorton and Holmstrom (WP) -- Opacity and the Optimality of Debt for Liquidity Provision

### Risk Management and Liquidity

Brunnermeier and Pedersen (RFS)\* -- Market and Funding Liquidity

Garleanu and Pedersen (AER)\* -- Liquidity and Risk Management

Morris and Shin (WP)\* -- Illiquidity Component of Credit Risk

Koepl (WP)\* -- CCP clearing: Incentives, Market Discipline and the Cost of Collateral

Koepl and Monnet (WP) – The Emergence and Future of CCPs

Adrian and Brunnermeier (WP) - CoVaR

### Amplification Mechanisms

Krishnamurty (AEJ – Macro)\* -- Amplification Mechanisms in Liquidity Crises

Gorton and Ordonez (WP)\* -- Collateral Crises

### Dynamic Liquidity Linkages

Fahri and Tirole (RES)\* -- Bubbly Liquidity

Archaya, Shin and Yorulmazer (RFS)\* -- Crisis Resolution and Bank Liquidity

Archaya and Yorulmazer (JF) – Rollover Risk and Market Freezes

Fahri and Tirole (AER) – Collective Moral Hazard, Maturity Mismatch and Systemic Bailouts

Fahri, Golosov and Tsyvinski (RES) – A Theory of Liquidity and Regulation of Fin. Intermediation

Martin, Skeie and von Thadden (WP) – Repo Runs