



Liquidity Conference

A conference jointly sponsored by the Federal Reserve Bank of New York
and the Bendheim Center for Finance of Princeton University.

Federal Reserve Bank of New York, 33 Liberty Street, New York , NY 10045

October 6 – October 7, 2005

Organizers

Tobias Adrian, Federal Reserve Bank of New York
Markus K. Brunnermeier, Princeton University
Jiang Wang, Massachusetts Institute of Technology

Overview

Liquidity is essential for the working of financial markets but can dry up periodically, posing the risk of a financial crisis. To avoid a crisis, a comprehensive understanding of the forces that affect liquidity is needed. There are multiple facets to liquidity. The macroeconomic, corporate finance, and banking literatures approach liquidity as ease of accessing funds (funding liquidity), while researchers specializing in market microstructure focus on the ease of trading assets (market liquidity). This conference aims to bridge the gap between different liquidity concepts and to stimulate an exchange among researchers working on different aspects of liquidity. To highlight the practical relevance of the papers, a practitioner as well as an academic is discussing each paper.

Agenda

Thursday, October 6

- 11:00 a.m. Registration and buffet lunch
- 12:15 p.m. Welcome remarks by Timothy Geithner, President, Federal Reserve Bank of New York
- 12:30 p.m. **Asset Fire Sales (and Purchases) in Equity Markets**
Joshua Coval and Erik Stafford, Harvard University
Discussant: Lasse Pedersen, New York University
Practitioner view: Ulrike Hoffmann-Burchardi, Tudor Investment
- 1:30 p.m. **Episodic Liquidity Crises**
Bruce Carlin, Miguel Lobo, and S. Viswanathan, Duke University
Discussant: Matthew Pritsker, Board of Governors of the Federal Reserve System
Practitioner view: Louis Scott, Morgan Stanley
- 2:30 p.m. Break
- 3:00 p.m. **Cross-Sectional Variation in Stock Returns: Liquidity and Idiosyncratic Risk**
Matthew Spiegel and Xiatong Vivian Wang, Yale University
Discussant: Robert Stambaugh, University of Pennsylvania
Practitioner view: Russell Fuller, Fuller and Thaler Asset Management

4:00 p.m. **Financial System Risk and Flight to Quality**
Ricardo Caballero, Massachusetts Institute of Technology; and Arvind Krishnamurthy, Northwestern University
Discussant: Dimitri Vayanos, London School of Economics
Practitioner view: Mike Rashes, Bracebridge Capital

Friday, October 7

8:00 a.m. Breakfast

8:30 a.m. **Asset Prices and Liquidity in an Exchange Economy**
Ricardo Lagos, Federal Reserve Bank of Minneapolis and New York University
Discussant: Nobuhiro Kiyotaki, Federal Reserve Bank of New York and London School of Economics
Practitioner view: David Mordecai, Risk Economics

9:30 a.m. **Firms as Buyers of Last Resort**
Harrison Hong, Princeton University; Jiang Wang, Massachusetts Institute of Technology; and Jialin Yu, Columbia University
Discussant: Ronnie Sadka, University of Washington
Practitioner view: Paul Bennett, New York Stock Exchange

10:30 a.m. Break

11:00 a.m. **Credit Risk Transfer**
Christine Parlour and Guillaume Plantin, Carnegie Mellon University
Discussant: Viral Acharya, London Business School
Practitioner view: Rupert Cox, Bear Stearns

12:00 noon **Public Provision of Private Liquidity Prior to the Millenium Date Change**
Suresh Sundaresan, Columbia University; and Zhenyu Wang, Federal Reserve Bank of New York
Discussant: Bengt Holmstrom, Massachusetts Institute of Technology
Practitioner view: Spence Hilton, Federal Reserve Bank of New York

1:00 p.m. Lunch

2 p.m. **Panel Discussion: Liquidity, Financial Institutions, and Economic Policy**
Franklin Allen, University of Pennsylvania
Bengt Holmstrom, Massachusetts Institute of Technology
Chi-Fu Huang, Oak Hill Platinum Partners
Albert “Pete” Kyle, Duke University
Maureen O’Hara, Cornell University

3.30 p.m. Adjourn