



## 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”). The asset pricing literature primarily studies the price implications of time-varying 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 or regulator as well as an academic will discuss 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 Business School  
Discussant: Lasse Pedersen, New York University  
Practitioner view: Ulrike Hoffmann-Burchardi, Tudor Investment
- 1:30 p.m. **Episodic Liquidity Crises**  
Bruce Carlin, Muiguel 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 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: Nobu 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: Kenneth Abbott, Bank of America

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