Inside and Outside Liquidity

. . .

Bengt Holmström and Jean Tirole

.

.

- -

The MIT Press Cambridge, Massachusetts London, England

Contents

.

	Acknowledgments vii
	Prologue: Motivation and Roadmap 1
I	Basics of Leverage and Liquidity 9
1	Leverage 15
2	A Simple Model of Liquidity Demand 27
II	Complete Markets 61
3	Aggregate Liquidity Shortages and Liquidity Premia 65
4	A Liquidity Asset Pricing Model (LAPM) 89
III	Public Provision of Liquidity 115
5	Public Provision of Liquidity in a Closed Economy 121
6	Liquidity Provision with Access to Global Capital Markets 145
IV	Waste of Liquidity and Public Policy 165
7	Financial Muscle and Overhoarding of Liquidity 169
8	Specialized Inputs and Secondary Markets 199

Epilogue: Summary and Concluding Thoughts on the Subprime Crisis 227

Bibliography 243 Index 251