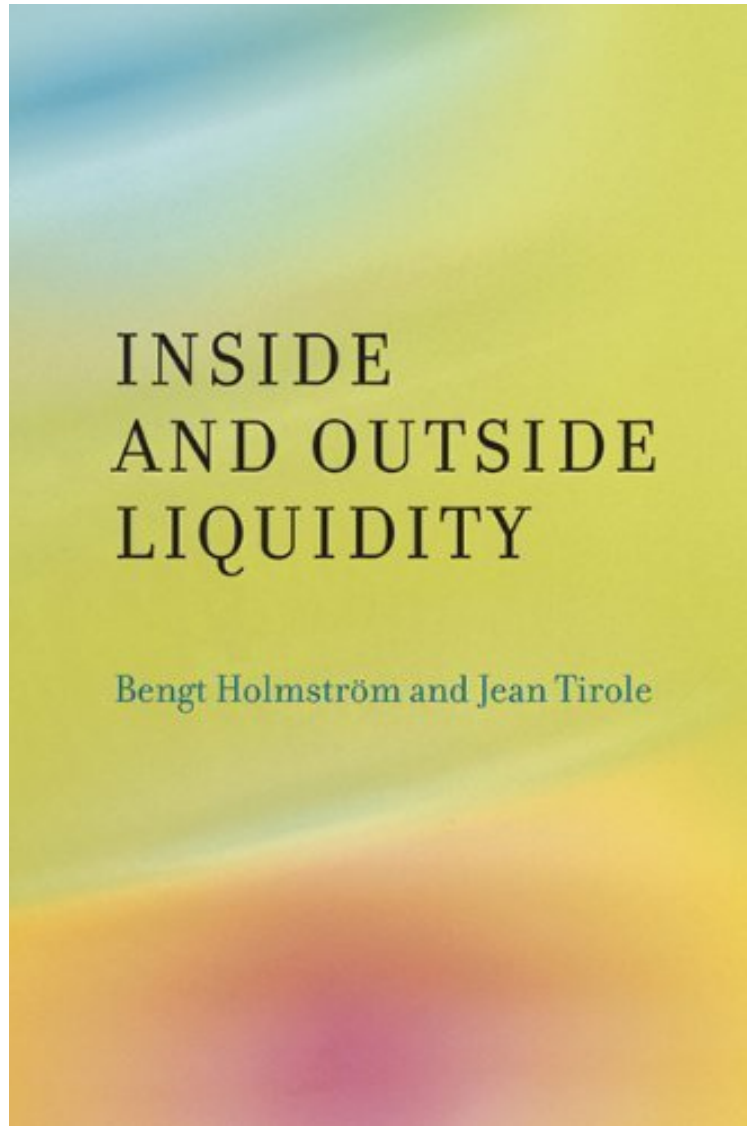


(Read free ebook) Inside and Outside Liquidity (MIT Press)

Inside and Outside Liquidity (MIT Press)

Bengt Holmström;m
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Bengt Holmström;m : **Inside and Outside Liquidity** (MIT Press) before purchasing it in order to gauge whether or not it would be worth my time, and all praised *Inside and Outside Liquidity* (MIT Press):

1 of 1 people found the following review helpful. BetwixtBy Vodill took economics as an undergraduate, but the details were quite a slog for me. So this is not for the faint of heart. The equations in the Kindle version are almost unreadable, but in most cases they are not really necessary. Nevertheless I found the core concepts and implications very interesting and helpful. Most people may want to wait for the Cliffsnotes or the *Liquidity for Dummies* version. 0 of 1 people found the following review helpful. ... mathematics was hard to follow but it is a great book. By Sidney

Tran A lot of the mathematics was hard to follow but it is a great book.

Why do financial institutions, industrial companies, and households hold low-yielding money balances, Treasury bills, and other liquid assets? When and to what extent can the state and international financial markets make up for a shortage of liquid assets, allowing agents to save and share risk more effectively? These questions are at the center of all financial crises, including the current global one. In *Inside and Outside Liquidity*, leading economists Bengt Holmstrom and Jean Tirole offer an original, unified perspective on these questions. In a slight, but important, departure from the standard theory of finance, they show how imperfect pledgeability of corporate income leads to a demand for as well as a shortage of liquidity with interesting implications for the pricing of assets, investment decisions, and liquidity management. The government has an active role to play in improving risk-sharing between consumers with limited commitment power and firms dealing with the high costs of potential liquidity shortages. In this perspective, private risk-sharing is always imperfect and may lead to financial crises that can be alleviated through government interventions.

In this excellent book, Holmstrom and Tirole put together a unified theory of liquidity, with applications ranging from the impact of liquidity on asset prices to the liquidity enhancing role of government debt, and the importance of international liquidity. In addition to academics and students of economics, it will appeal to people who work at central banks and international organizations. It is an important contribution. (Franklin Allen, Nippon Life Professor of Finance and Professor of Economics, The Wharton School, University of Pennsylvania) The Holmstrom-Tirole view of liquidity creation, pricing, and management has had a profound impact on a wide variety of fields, ranging from macroeconomics to corporate finance. This book is assured to become an instant classic. (Ricardo Caballero, Ford International Professor of Economics, MIT) The policy discussions surrounding the recent financial turmoil highlight our crucial need for a unified theoretical framework within which to analyze the asset price impact of liquidity, its macroeconomic consequences, and the role of government intervention. This book simultaneously answers these three questions and is a landmark contribution. It is likely to inspire much subsequent research in both macroeconomics and finance. (Pierre-Olivier Weill, UCLA) This is a very insightful book on a difficult and poorly understood topic at the center of the current financial crisis. It benefits from a unified approach, based on incentive theory, that delivers a coherent perspective on the elusive concept of liquidity. (Xavier Vives, IESE Business School, Barcelon) About the Author Bengt Holmstrom is Paul A. Samuelson Professor of Economics at MIT, where he was Head of the Economics Department from 2003 to 2006. Jean Tirole is Scientific Director of IDEI (Institut d'Economie Industrielle), Chairman of the Board of TSE (Toulouse School of Economics), and Annual Visiting Professor of Economics at MIT.