

An Academic Review of Liquidity and Capital

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Charles Calomiris, Murillo Campello, Mark Lang, Florin Vasvari

- Academic (review)

- Liquidity.
 - Primary concept.
 - Your ability to moves stocks of “capital” around.

- Capital.
 - Secondary concept.





Web

Related phrases: [liquidity risk](#) [liquidity preference](#) [liquidity crisis](#) [liquidity trap](#) [liquidity premium](#) [liquidity ratios](#) [market liquidity](#) [liquidity event](#)
[liquidity provider](#) [flight to liquidity](#)

Definitions of liquidity on the Web:

- liquid: the state in which a substance exhibits a characteristic readiness to flow with little or no tendency to disperse and relatively high incompressibility
- fluidity: the property of flowing easily; "adding lead makes the alloy easier to cast because the melting point is reduced and the fluidity is increased"; "they believe that fluidity increases as the water gets warmer"
- being in cash or easily convertible to cash; debt paying ability
wordnetweb.princeton.edu/perl/webwn
- In business, economics or investment, market liquidity is an asset's ability to be sold without causing a significant movement in the price and with minimum loss of value. Money, or cash on hand, is the most liquid asset. ...
en.wikipedia.org/wiki/Liquidity
- The state or property of being liquid; An asset's property of being able to be sold without affecting its value; the degree to which it can be easily converted into cash; Availability of cash over short term: ability to service short-term debt
en.wiktionary.org/wiki/liquidity
- Liquidity refers to how actively traded a certain contract or market is ie how many buy/sell prices are seen on-screen and how easy and quick it is to close your trade by buying or selling at a certain price.
www.dgcx.ae/content/Home.en>About_Us.Glossary.aspx

Liquidity (*hopefully* some structure)

- Macro (“Systemic Liquidity Risk”)
 - Liquidity risk arising from causes external to the entity.
 - Examples include capital market distortions through inter-bank lending freezes, payment systems disruptions, and credit squeezes.
 - Professor Charles Calomiris

- Micro
 - Ability of a firm to fund its operating and investing activities.
 - Professor Murillo Campello

- Trading (capital markets)
 - A company’s securities are liquid to the extent they can be traded quickly and at low cost (Amihud and Mendelson 2008).
 - Professor Mark Lang for equity markets
 - Professor Florin Vasvari for debt markets

- Macro/Systemic.
 - How transparent is/should be inter-bank lending?
 - What are the sources of contagion?
 - What is your greatest fear as a regulator?

- Micro.
 - How much cash should firms have on hand?
 - Are there real capital market imperfections?
 - Was the GFC a useful natural experiment?

- Trading
 - Ability to convert to cash is often implicit in these definitions.
 - What is “cash” during a crisis period?

- Any help/suggestions with financing?

