



Universität
Basel

Research Project

A Tale of Fire Sales and Liquidity Hoarding

Project funded by own resources

Project title A Tale of Fire Sales and Liquidity Hoarding

Principal Investigator(s) [Berentsen, Aleksander](#) ;

Project Members [Müller, Benjamin](#) ;

Organisation / Research unit

Departement Wirtschaftswissenschaften / Wirtschaftstheorie (Berentsen)

Project Website <https://ideas.repec.org/p/zur/econwp/139.html>

Project start 01.01.2012

Probable end 31.12.2027

Status Active

We extend the analysis of the interbank market model of Gale and Yorulmazer (2013) by studying a larger set of trading mechanisms. A trading mechanism, which allows for randomized trading, restores efficiency. In contrast to Gale and Yorulmazer, we find that fire-sale asset prices are efficient and that no liquidity hoarding occurs in equilibrium. While Gale and Yorulmazer find that the market provides insufficient liquidity, we find that it provides too much liquidity.

Financed by

University funds

Add publication

Add documents

Specify cooperation partners