

# Contents

<b>1</b>	<b>An Introduction to Liquidity and Crises</b>	<b>3</b>
	<i>Franklin Allen, Elena Carletti, Jan Pieter Krahenen, and Marcel Tyrell</i>	
<b>Section 1</b>	<b>Liquidity and Interbank Markets</b>	<b>33</b>
<b>2</b>	<b>Preference Shocks, Liquidity, and Central Bank Policy</b>	<b>35</b>
	<i>Sudipto Bhattacharya and Douglas Gale</i>	
<b>3</b>	<b>Endogenous Liquidity in Asset Markets</b>	<b>51</b>
	<i>Andrea L. Eisfeldt</i>	
<b>4</b>	<b>Financial Intermediaries and Markets</b>	<b>78</b>
	<i>Franklin Allen and Douglas Gale</i>	
<b>5</b>	<b>Financial Fragility, Liquidity, and Asset Prices</b>	<b>111</b>
	<i>Franklin Allen and Douglas Gale</i>	
<b>6</b>	<b>Interbank Market Integration under Asymmetric Information</b>	<b>139</b>
	<i>Xavier Freixas and Cornelia Holthausen</i>	
<b>7</b>	<b>Banks as Monitors of Other Banks: Evidence from the Overnight Federal Funds Market</b>	<b>168</b>
	<i>Craig H. Furfine</i>	
<b>Section 2</b>	<b>Public Provision of Liquidity and Regulation</b>	<b>189</b>
<b>8</b>	<b>Private and Public Supply of Liquidity</b>	<b>191</b>
	<i>Bengt Holmström and Jean Tirole</i>	
<b>9</b>	<b>Liquidity, Efficiency, and Bank Bailouts</b>	<b>221</b>
	<i>Gary Gorton and Lixin Huang</i>	

10	<b>Financial Crises, Payment System Problems, and Discount Window Lending</b>	252
	<i>Mark J. Flannery</i>	
11	<b>Liquidity, Risk Taking, and the Lender of Last Resort</b>	270
	<i>Rafael Repullo</i>	
12	<b>Coordination Failures and the Lender of Last Resort: Was Bagehot Right After All?</b>	293
	<i>Jean-Charles Rochet and Xavier Vives</i>	
13	<b>Competition among Regulators and Credit Market Integration</b>	320
	<i>Giovanni Dell’Ariccia and Robert Marquez</i>	
<b>Section 3</b>	<b>Money, Liquidity Crises and Asset Prices</b>	<b>347</b>
14	<b>Money in a Theory of Banking</b>	349
	<i>Douglas W. Diamond and Raghuram G. Rajan</i>	
15	<b>Liquidity and Asset Prices</b>	377
	<i>Nobuhiro Kiyotaki and John Moore</i>	
16	<b>Collateral Constraints in a Monetary Economy</b>	406
	<i>Juan Carlos Cordoba and Marla Ripoll</i>	
17	<b>Inefficient Credit Booms</b>	436
	<i>Guido Lorenzoni</i>	
<b>Section 4</b>	<b>Contagion Effects in Financial Crises</b>	<b>465</b>
18	<b>Financial Contagion through Capital Connections: A Model of the Origin and Spread of Bank Panics</b>	467
	<i>Amil Dasgupta</i>	
19	<b>Information Contagion and Bank Herding</b>	497
	<i>Viral V. Acharya and Tanju Yorulmazer</i>	
20	<b>Cash in-the-Market Pricing and Optimal Resolution of Bank Failures</b>	512
	<i>Viral V. Acharya and Tanju Yorulmazer</i>	
21	<b>Credit Risk Transfer and Contagion</b>	544
	<i>Franklin Allen and Elena Carletti</i>	
22	<b>Estimating Bilateral Exposures in the German Interbank Market: Is There a Danger of Contagion?</b>	566
	<i>Christian Upper and Andreas Worms</i>	

<b>Section 5</b>	<b>Financial Crises and Currency Crises</b>	<b>587</b>
<b>23</b>	<b>Asset Market Linkages in Crisis Periods</b> <i>Philipp Hartmann, Stefan Straetmans, and Casper de Vries</i>	<b>589</b>
<b>24</b>	<b>Strategic Complementarities and the Twin Crises</b> <i>Itay Goldstein</i>	<b>614</b>
<b>25</b>	<b>Inefficient Foreign Borrowing: A Dual- and Common-Agency Perspective</b> <i>Jean Tirole</i>	<b>635</b>
<b>26</b>	<b>Exchange Rate Volatility and the Credit Channel in Emerging Markets: A Vertical Perspective</b> <i>Ricardo Caballero and Arvind Krishnamurthy</i>	<b>666</b>
<b>Index</b>		<b>693</b>