Abstract

What does liquidity mean in the context of bank runs? Does it mean flexible goods (that can be used for consumption or investment)? Or, does it mean currency? Can additional liquidity be provided at reasonable cost? Is the nature of the monetary regime (Gold Standard, fiat money, etc.) relevant? If the central bank is an efficient public body, and is required to target inflation rate or price level, would it choose to sell a line of credit (LOC) to commercial banks? Or, should the central bank be required to fulfill a social obligation and act as the lender of last resort? Is an LOC from one bank to another bank different from an LOC that is sold by a bank to a (non-banking) firm? Given inflation targeting, can other macroeconomic objectives be taken care of? What is the rationale for deposit insurance at present? What was it in the past? These are the questions that we will attempt to answer.

Speaker's Profile

Dr. Gurbachan Singh is Associate Professor at the Centre for International Trade and Development, School of International Studies, Jawaharlal Nehru University. He received his MA from Delhi School of Economics, and PhD from Indian Statistical Institute. He teaches Financial Economics and Macroeconomics. His main research interest is financial stability. He has published research papers in journals like Journal of Banking and Finance, Economics of Transition, Journal of Emerging Market Finance, Economic and Political Weekly, and Review of Market Integration. He is currently working on banking cum fiscal crisis. He is writing a book on Banking Crisis and Liquidity. He is interested in possible real estate price fluctuations in India.