

# Department of Economics Seminar

## Monday, November 16

### ABSTRACT

Authors: Athanasios Geromichalos (University of California, Davis) and Lucas Herrenbrueck (Simon Fraser University)



We investigate the question of the optimal level of bond issue when the liquidity of these bonds (and therefore their price) depends on financial market conditions. In our model, the bonds are imperfect substitutes for money and have downward sloping demand curves. Issuers of potentially liquid bonds seek to profit from the liquidity rent their bonds can earn. Secondary markets are segmented and agents will choose to trade in the market where they expect to find better conditions. As a result, the oligopoly game of the two issuers can become very complex. We characterize this game and how it depends on aggregate conditions, such as the level of inflation.

**Speaker:** Lucas Herrenbrueck, Simon Fraser University

**Seminar Title:** “The Strategic Determination of the Supply of Liquid Assets”

**Location:** Arts 102

**Time:** 4:00 pm

For more information contact: Mary Jane Hanson, 306-966-5197,  
[mj.hanson@usask.ca](mailto:mj.hanson@usask.ca).