Liquidity: Theory and Evidence
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Abstract

In the first part of the seminar I will present a model of liquidity with signaling, and in the second part I will present ongoing empirical work on liquidity. Regarding the first part of the seminar, Jorge and Kahn (2019) propose a theory of corporate liquidity management in which good entrepreneurs hold insufficient liquidity to signal their type. This causes ex post liquidation of worthy projects even when there are enough aggregate resources available for their continuation. We examine the policy remedies for this distortion and consider their consequences for the supply of liquidity, interest rate policy, and subsidies.

In the second part of the seminar, I will present an ongoing research project together with Sujiao Zhao, from the Banco de Portugal. I will list a number of empirical implications from the theoretical models, and explain how we test these implications using official credit guarantees and a regression discontinuity design. I will take this opportunity to present new publicly available datasets from BPLIM - Laboratório de Investigação em Microdados do Banco de Portugal.

Reference