

CURRENT SCHOLARSHIP

The (impossible) repo trinity: the political economy of repo markets

Author: Daniela Gabor

In its capacity as debt issuer, the state has played a growing role in financial life over the last 30 years. To examine this role and connect it to shadow banking, the paper develops the concept of the 'repo trinity', which captures a set of policy objectives that central banks outlined after the 1998 Russian crisis, the first systemic crisis of collateral-based finance. The repo trinity connected financial stability with liquid government bond markets and free repo markets. It further reinforced the dominance of the US government bond market as institutional template for states adjusting to a world of independent central banks, market-based financing and global competition for liquidity. Central banks and the Financial Stability Board recognized the impossible nature of the trinity after 2008, attributing cyclical leverage (financial instability) and elusive liquidity in collateral markets to deregulated repo markets, markets systemic to shadow banking. The new approach triggered radical changes in crisis central banking but has not powered significant regulatory interventions in the absence of an alternative mode of organizing government bond markets.

Daniela Gabor (2016) The (impossible) repo trinity: the political economy of repo markets, *Review of International Political Economy*, 23:6, 967-1000

Available at:
<https://www.tandfonline.com/doi/full/10.1080/09692290.2016.1207699>

TWITTER