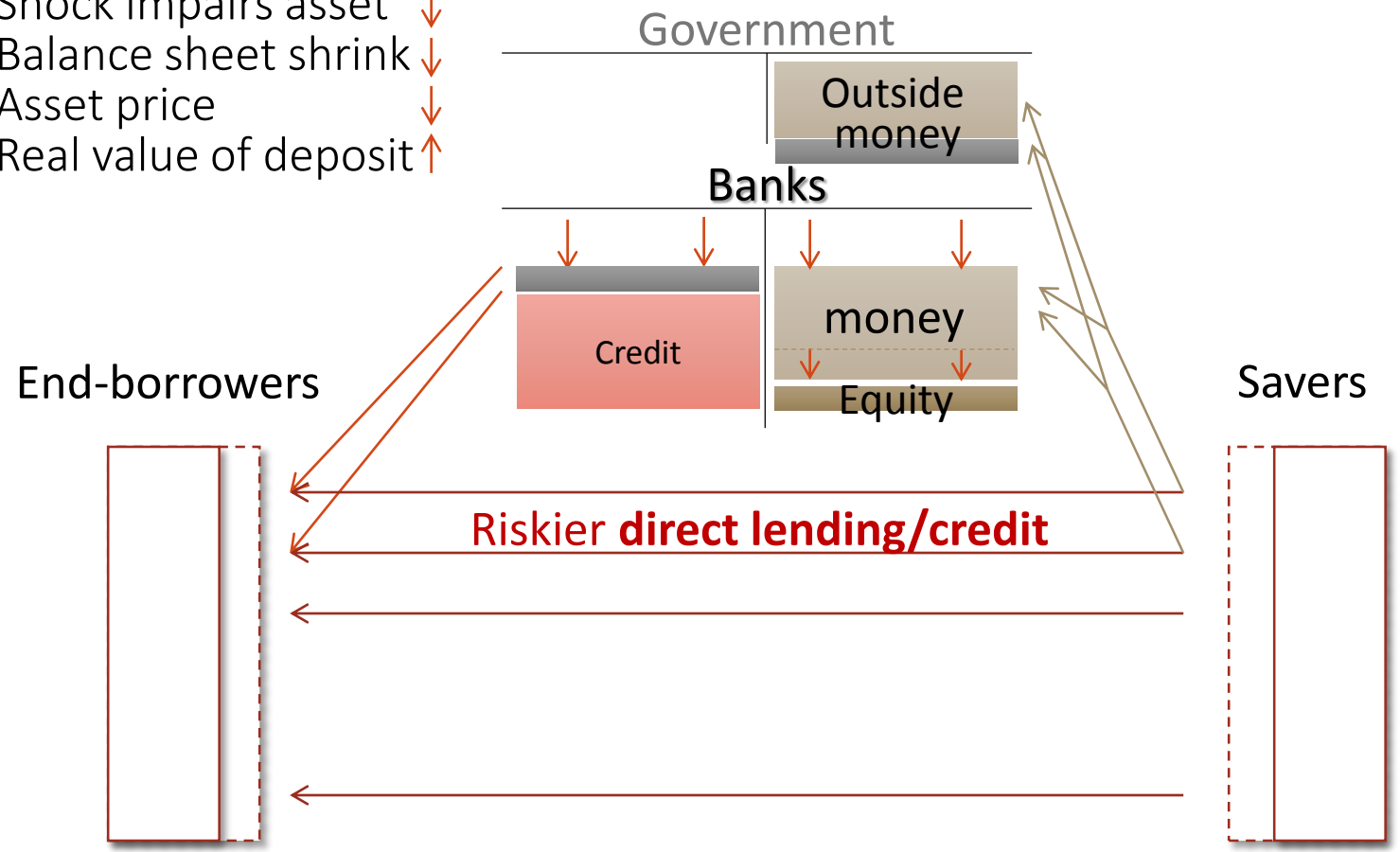


4. Deflation spiral: value of liability expand

- 1. Shock impairs asset ↓
- 2. Balance sheet shrink ↓
- 3. Asset price ↓
- 4. Real value of deposit ↑



Small shock has large effect and redistributes wealth