

Some Literature ... on amplification

- Bernanke-Gertler (1989)
 - Overlapping generations model, but with **persistence**
 - Bad shocks erode net worth of young entrepreneurs, who cut back on investments, leading to low productivity and low net worth of entrepreneurs in the next period
- Kiyotaki-Moore (1997), BGG (1999)
 - Infinitely-lived agents
 - KM: Leverage bounded by margins-KM; BGG: bankruptcy costs
 - Stronger **amplification** effects through **prices** (low net worth reduces leveraged institutions' demand for assets, lowering prices and further depressing net worth)
- Brunnermeier-Pedersen (2009)
 - Volatility effect due to higher margins/haircuts

