

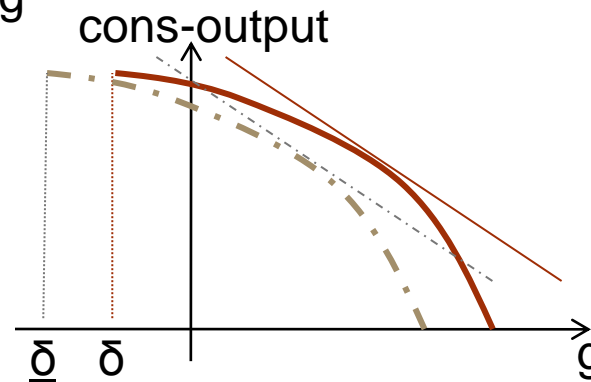
Model details

- Preferences
 - Risk neutral but consumption ≥ 0 for all agents
 - Discount rate: r for households, $\rho \geq r$ for experts

■ Output $y_t = a k_t$ (easily manipulated)

■ Capital $dk_t = \underbrace{(\Phi(i_t/k_t) - \delta)}_{=g} k_t dt + \sigma k_t dZ_t$

Brownian macro shock (exogenous risk)



■ Investment

- Internal: i_t positive or negative (partial reversibility= technological liquidity)
- External: purchase or sell capital k_t at price p_t

■ Endogenous price process for capital

$$dp_t/p_t = \mu_t^p dt + \sigma_t^p dZ_t$$