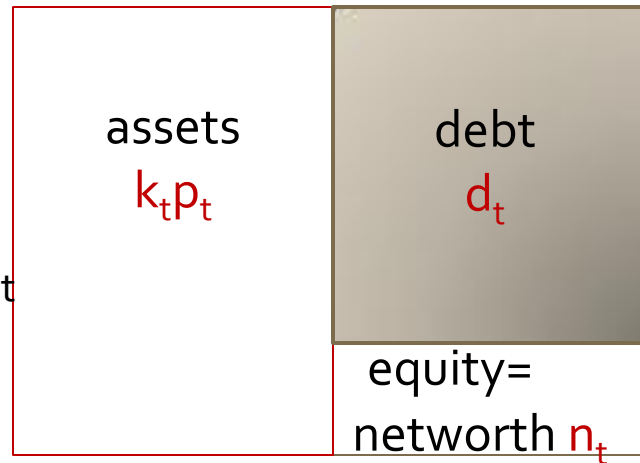


Balance sheet dynamics

▪ Productive

▪ Intermediary

▪ Less productive



$$dk_t/k_t = (\Phi(i_t/k_t) - \delta)dt + \sigma dZ_t$$

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

$$d(k_t p_t) = (\Phi(i_t/k_t) - \delta + \mu_t^p + \sigma \sigma_t^p) (k_t p_t) dt + (\sigma + \sigma_t^p) (k_t p_t) dZ_t$$

$$dd_t = (r d_t - a k_t + i_t) dt + dc_t$$

$$dn_t = d(k_t p_t) - dd_t =$$

$$dn_t = rn_t dt + ak_t dt - i_t dt - k_t p_t [(\Phi(i_t/k_t) - \delta + \mu_t^p + \sigma \sigma_t^p) dt + (\sigma + \sigma_t^p) dZ_t] - dc_t$$

exogenous risk endogenous risk