

Modification 1: speculative households

- So far fixed liquidation value at $\underline{p} = a/(r + g)$...
now households can **sell back** to experts

c-earnings

- Break even for HH

$$p_t \geq \frac{a - \underline{i}^*}{\underbrace{\left(r - \underline{g}(\underline{p}) \right) - \mu_t^p - \sigma \sigma_t^p}}_{\text{quality when experts hold fraction } \psi_t < 1 \text{ of assets}}$$

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capital gains/losses, $E[d(k_t p_t)]$

- depreciation rate is $\underline{\delta} > \delta$
- $p_t \geq \underline{p}(\eta)$

- In equilibrium households pick up assets when financial sector suffers losses, i.e. η_t becomes small
- Introduce: "Some" households with limited capital, s.t. $f > 1$
- Fire sale externalities (within financial sector) – when levering up, experts hurt prices that other experts can sell to households in the event of a crisis