The Safer, the Riskier: A Model of Bank Leverage and Financial Instability*

Ryo Kato[†] and Takayuki Tsuruga[‡]

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Abstract

This note provides an example of a case where financial instability can be amplified by stable fundamentals rather than risky fundamentals, using a variation of Diamond and Rajan (2009).

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Bank of Japan; e-mail: ryou.katou@boj.or.jp

[‡]Graduate School of Economics, Kyoto University; e-mail: tsuruga@econ.kyoto-u.ac.jp