Discussion of
Dissecting Mechanisms of Financial Crises:
Intermediation and Sentiment
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introduction

a model of financial crises
- financial amplification
- time-varying beliefs/sentiments

financial amplification
- matches crisis objects
- comes from variation in wealth-share of intermediaries

time-varying beliefs
- low credit spreads + high credit/GDP pre-crisis
- yet leverage predicts crisis
- neglected crash risk in GE
financial crises with low intermediary capital

low \(w\) + high leverage \(\rightarrow\) high vulnerability
\(\rightarrow\) reflected in credit spreads ex-ante with static beliefs
dynamics around crises
beliefs on exogenous objects
  (Rognlie Shleifer Simsek 2017, Beaudry Portier 2020,...
  DE on endog variables in linear setting -> L’Huillier Singh Yoo 2021)

does low bank capital predict crises in the model?
  (Jordá Richter Schularick Taylor 2021)

policy: transfer wealth from households to bankers
  (no perverse side-effects of such policies?)

financial crises seem equally likely to occur with
  Static/Bayesian/Diagnostic beliefs?
  (Maxted 2020, Camous & Van der Ghote 2021)

more generally, how to do welfare with belief distortions
  (Brunnermeier Simsek Xiong 2014 perhaps?)