Figure 1: The Credit Market Equilibrium

\[ r_{t+1} = \Pi(k_{t+1}) \]

- **a: \((k_t < k_c)\)**
  - All the credits go to the Good.

- **b: \((k_c < k_t < k_{cc})\)**
  - Some credits go to the Bad.
Figure 2: Phase Diagrams

a: \( k_c \geq K \)  
Monotone Convergence

b: \( k_c < k < K \)  
Monotone Convergence

c: \( k < k_c \leq k^* = \Pi^{-1}(R) \)  
Over-shooting
Figure 2: Phase Diagrams (Continue…)

d: \(k_c < k^* < k_\lambda\) with the stable steady state

(Locally) Oscillatory Convergence

e: \(k_c < k^* < k_\lambda\) with the unstable steady state

Endogenous Fluctuations
Figure 3: Parameter Configuration ($K < m < K\phi(1/K)$)

\[ R = \Pi((1-\lambda)m) \]

\[ R = \Pi(W^{-1}((1-\lambda)m)) \]

\[ \lambda R = \Pi(h(m))[1-W(h(m))/m] \]

\[ \lambda R = \Pi(K)[1-K/m] \]
Figure 4: Pledgeable returns by the Good and the Bad

\[ \lambda_i \Pi(W(k_i)) \]
\[ \frac{1}{1-W(k_i)} \]

\[ \lambda_2 R \]
\[ \frac{1-W(k_i)}{m} \]

\[ \Pi(W(k_i)) \]

\[ R \]

\[ k_c \]
\[ k_\lambda \]

a: \((k_\lambda > k_c)\)

b: \((k_\lambda < k_c)\)
Figure 5: Pledgeable returns by the Good and the Bad in the presence of the Ugly
Figure 6: The Good, The Bad, and The Ugly: Intermittency and Asymmetric Fluctuations

\[
k_{t+1} \quad W(k_t) \quad 45^\circ
\]

\[
\begin{align*}
W(k_c) & = W(k_t) \\
\psi(k_\rho) & = \psi^2(k_\rho) \quad k^* \\
\end{align*}
\]

\[
I \quad k' \quad \psi^2(k_\rho) \quad k_\lambda \quad k_\rho \quad \psi(k_\rho) \quad O
\]

- credit multiplier
- credit reversal

\[
\begin{align*}
\psi^2(k_\rho) & = k_0 h(1) \\
k_\lambda & = k_\lambda \\
k_\rho & = k_\rho \\
\psi(k_\rho) & = \psi(k_\rho) \\
\end{align*}
\]

- credit multiplier
- credit reversal