Impulse Responses to a Negative Technology Shock in Normal Times Y_t , Output q_t , Price of Capital I_t , Investment 0.5 %, deviation from SS 0, 10 cl %, deviation from SS 9 %, deviation from SS -1.5 -15 -8 25 30 0 5 10 15 20 25 30 35 40 5 10 15 20 25 30 35 40 0 5 10 20 35 0 15 Quarters Quarters Quarters N_t , Entrepreneurial Net Worth Γ_t , Bank Default Probability μ_t Monitoring Intensity 0.05 0.25 0.04 0.2 %, deviation from SS % %, deviation from SS %, deviation from SS 0.03 0.15 0.02 0.01 0.05 -0.05 -0.01 -5 25 0 5 10 15 20 25 30 35 40 5 10 15 20 25 30 35 40 0 5 10 15 20 30 35 0 Quarters Quarters Quarters $I_t - N_t$, Total Lending A_t , Bank Capital γ_t , Regulatory Capital Ratio 12 -0.05 10

