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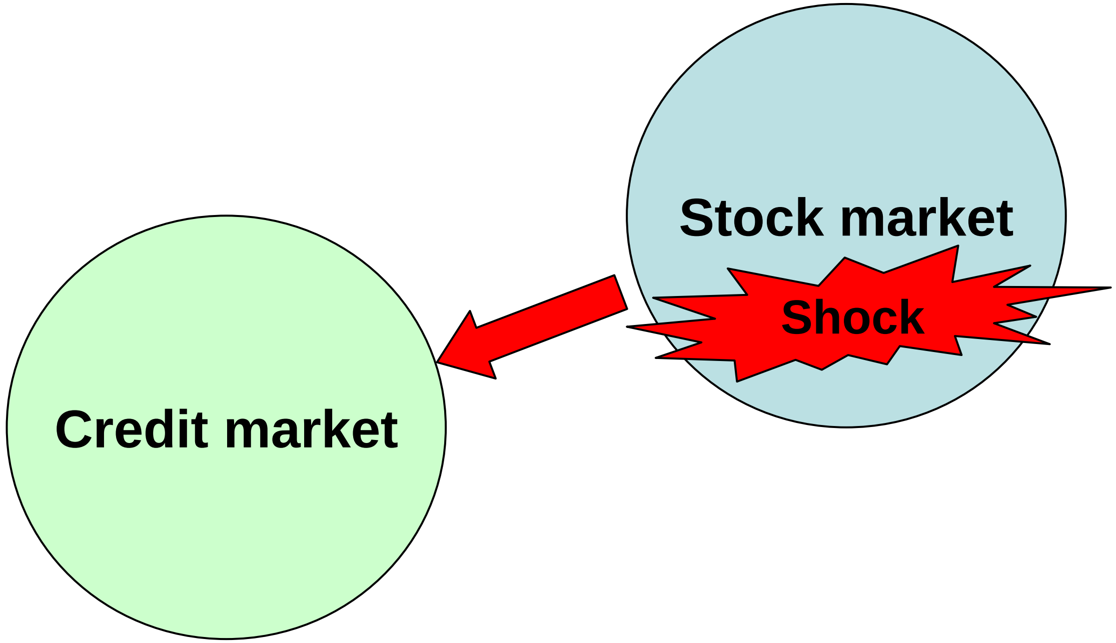
- **Partial Equilibrium Analysis**
- **General Equilibrium Analysis**

Partial Equilibrium Analysis



Banks' capital↓→Cut credit to firms→Amplify the shock

⇒Procyclicality

The Question

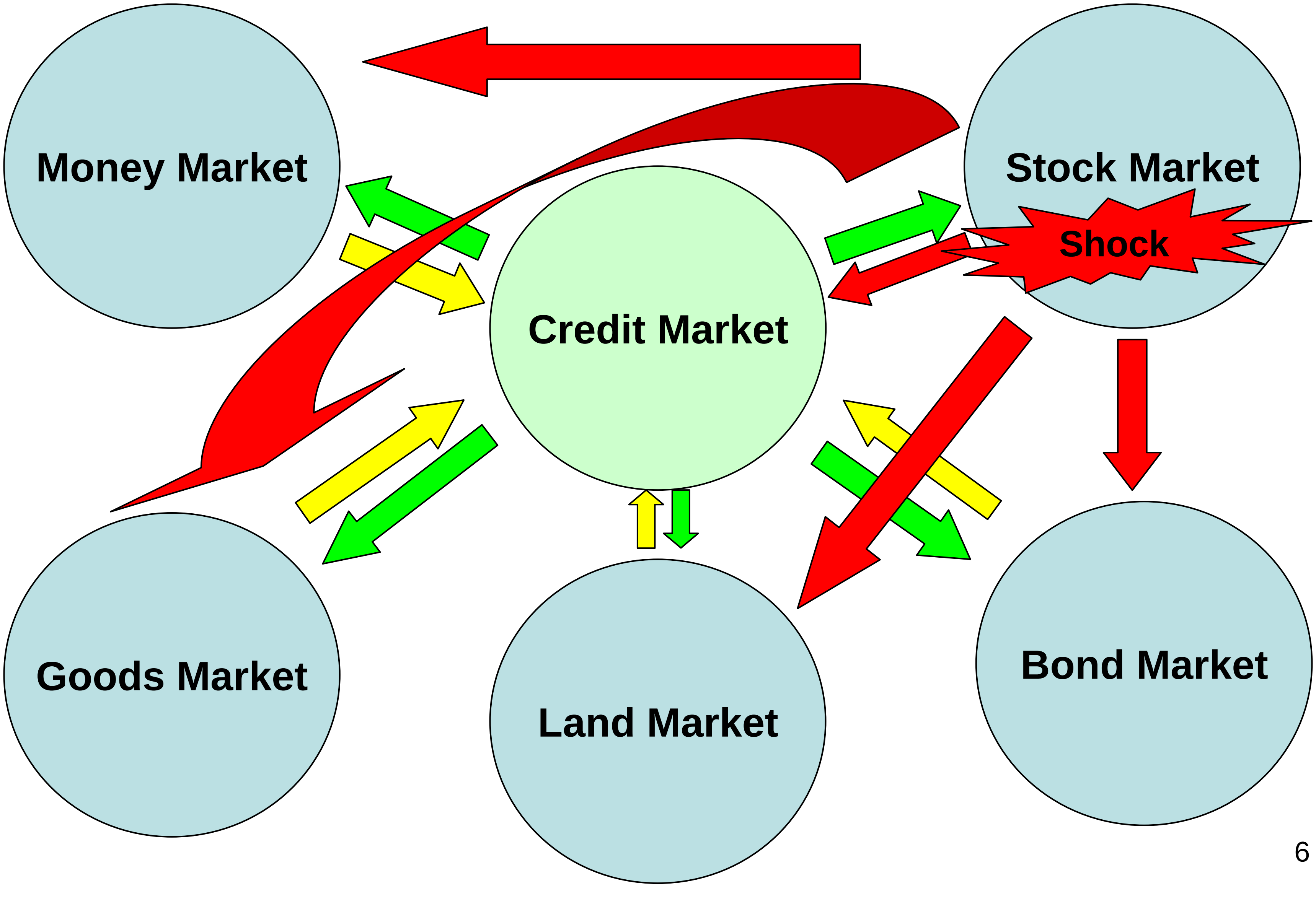
What kinds of capital regulations would be better to reduce procyclicality?

Mr. Himino proposes that

θ should depend upon stock prices.

- **Θ should be higher during a boom period.**
- **Θ should be lower during a recession period.**

General Equilibrium Analysis



θ depends upon not only stock prices, but also land prices, GDP, and the interest rate.