University of Zurich[UZH]

Agent-based Financial Economics
Lesson 10: Leverage

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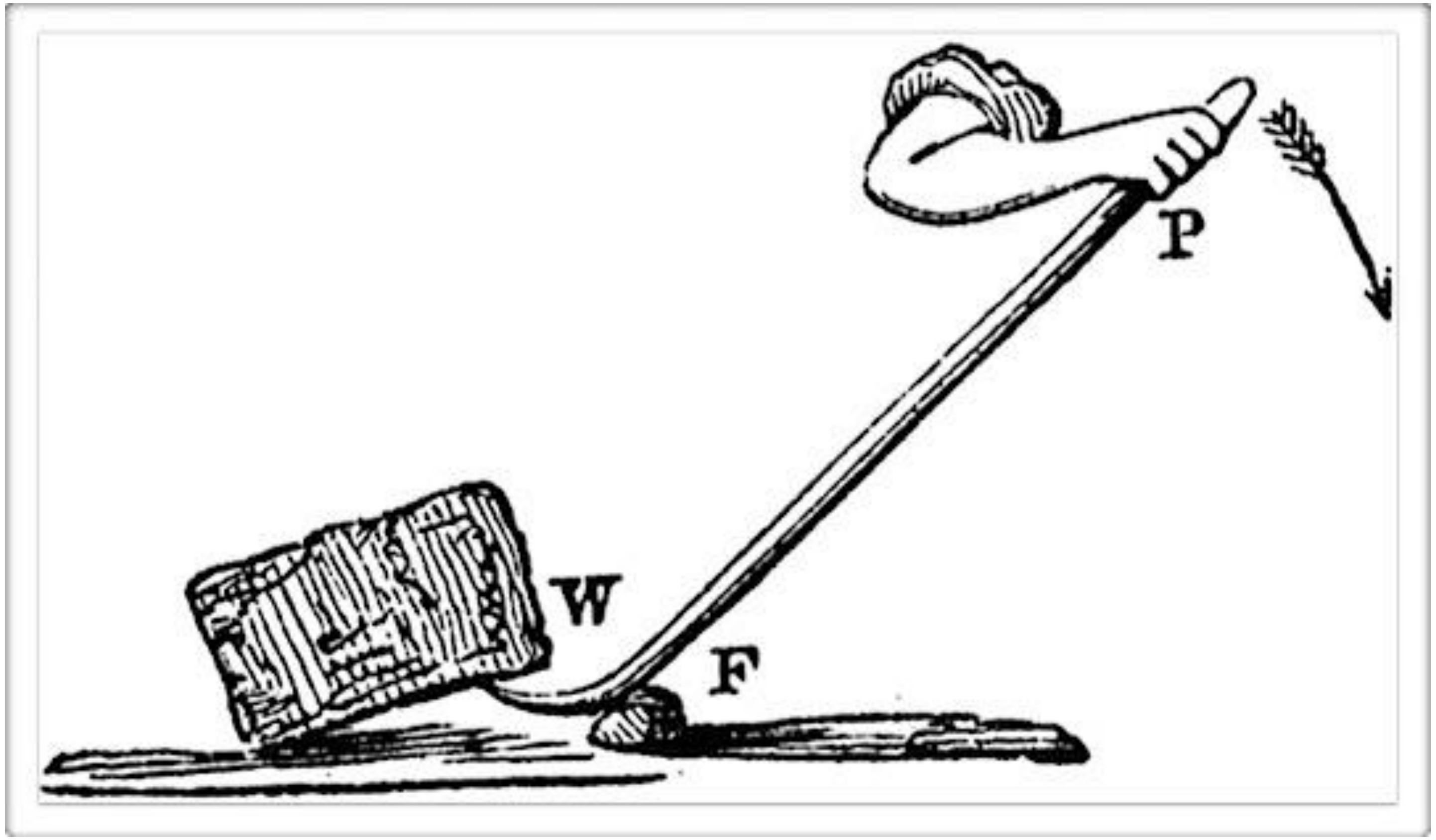
"What I cannot create, I do not understand."

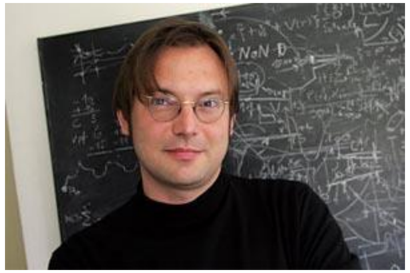
\- Richard Feynman

Today



- Discussion of leverage paper by Farmer et al.
- Diving into the code, discussing ideas for your agents

Leverage: single slide overview



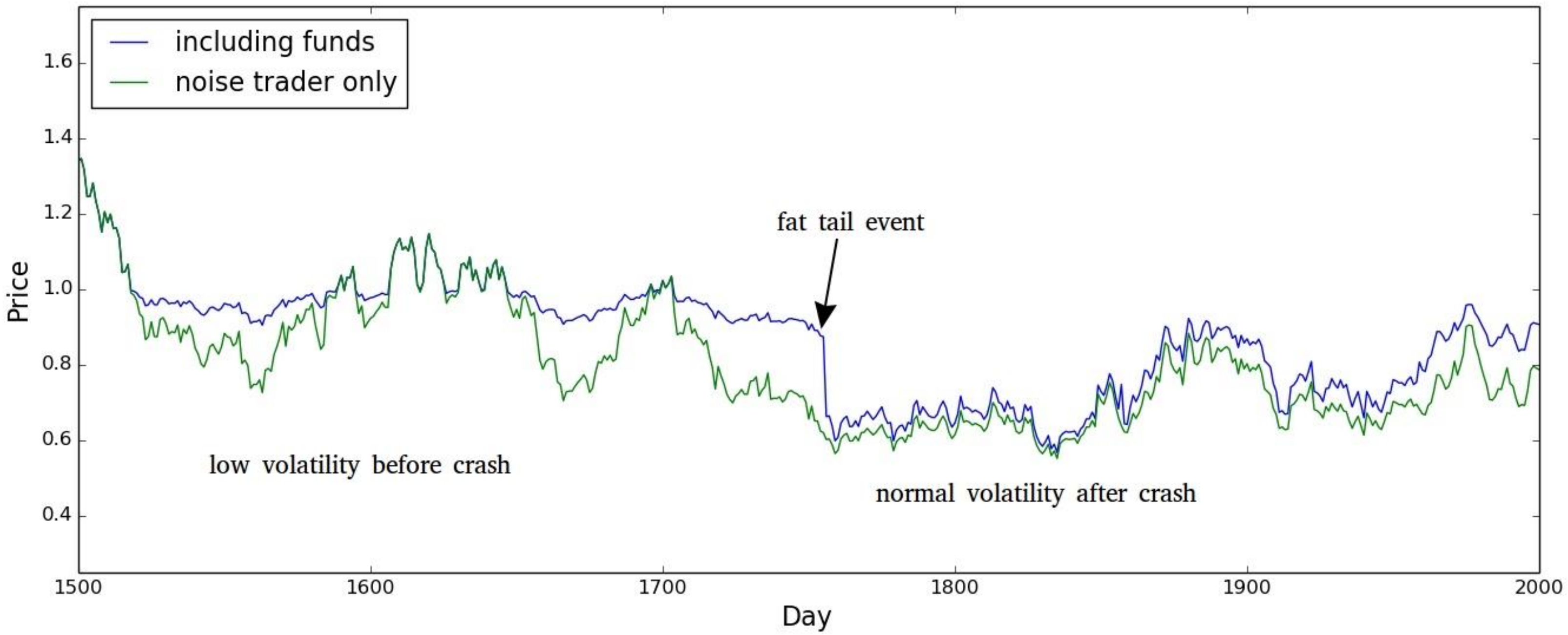
Stefan Thurner

Doyne Farmer

John Geanakoplos

"The market can stay irrational longer than you can stay solvent." - Keynes

- Leverage can cause fat tail events through cascade of margin calls.
- Two active types of investors:
  - Noise traders
  - Leveraged, fundamentalist funds



See separate presenation for further information.

Code Dive

- See source code…