

You are kindly invited to attend an online Joint Macroeconomic Seminar co-organised by the National Bank of Belgium and the Belgian universities (KU Leuven, UAntwerpen, UCLouvain, UGent, ULB, ULiège, UNamur and VUB).

by

Morten Ravn (University College London)

on

Financial Frictions: Macro vs Micro Volatility
(co-authored with Seungcheol Lee and Ralph Luetticke)

Abstract

We examine the impact of frictional financial intermediation in a HANK model. An incentive problem restricts banking sector leverage and gives rise to an equilibrium spread between the returns on savings and debt. The size of this spread impacts on the wealth distribution and movements in it subject borrowers and savers to different intertemporal prices. The model generates a financial accelerator that is larger than in a representative agent setting, derives mainly from consumption rather than investment, and works through a countercyclical interest rate spread. Credit policy can mute this mechanism while stricter regulation of banking sector leverage inhibits households' ability to smooth consumption in response to idiosyncratic risk. Thus, although leverage restrictions stabilize at the aggregate level, we find substantial welfare costs.

The webinar will take place on **Thursday, April 29th, 2021** from **16:30** until **18:00** via a Microsoft Teams meeting.

Please reply by email to nbbmacro.seminar@nbb.be if you wish to participate to this webinar or if you want to have an appointment with the speaker. After registration you will receive a confirmation email with *the link to join the webinar*.

Kind regards,

Peter Claeys (VUB), Pierrick Clerc (ULiège), Ferre De Graeve (KU Leuven), Romain Houssa (UNamur), Robert Kollmann (ULB), Yasin Kursat Önder (UGent), Luca Pensieroso (UCLouvain), Roland Winkler (UAntwerpen) and Raf Wouters (NBB)