Essays on Economic Policy (ESPE in Spanish) - Monetary Transmission Under Competing Corporate Finance Regimes

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AUTHOR OR EDITOR Paul De Grauwe Eddie Gerba AUTHORS AND/OR EDITORS Paul De Grauwe Eddie Gerba Publication Date: Sunday, 30 of April 2017 Abstract
The behavioral agent-based framework of De Grauwe and Gerba (2015) is extended to allow for a counterfactual exercise on the role of corporate finance arrangements for monetary transmission. Two alternative firm financial frictions are independently introduced: market-based and bank-based. We find convincing evidence that the overall monetary transmission channel is stronger in the bank-based system compared to the market-based. While the growth in credit is larger in the market-based system, uncertainty originated from imperfect beliefs produce impulse responses in macroeconomic variables that are, on average, half of those in the bank-based model. At the same time we find mixed results on the conditional effectiveness of monetary policy to offset contractions. Conditional on being in a recession, a monetary expansion in a market-based system creates higher successive booms. That said, a monetary easing in the bank-based system is more effective in smoothening the financial-and business cycles.

Fuente: https://www.banrep.gov.co/en/publications-research/espe/monetary-transmission-under-competing-corporate-finance-regimes