Author's Accepted Manuscript

www.elsevier.com/locate/jedc

The role of financial intermediaries in monetary policy transmission

Thorsten Beck, Andrea Colciago, Damjan Pfajfar

PII: S0165-1889(14)00098-0
DOI: http://dx.doi.org/10.1016/j.jedc.2014.04.010
Reference: DYNCON2990

To appear in: *Journal of Economic Dynamics & Control*

Received date: 9 April 2014
Accepted date: 10 April 2014

Cite this article as: Thorsten Beck, Andrea Colciago, Damjan Pfajfar, The role of financial intermediaries in monetary policy transmission, *Journal of Economic Dynamics & Control,* http://dx.doi.org/10.1016/j.jedc.2014.04.010

The Role of Financial Intermediaries in Monetary Policy Transmission☆

Thorsten Beck[1,*]

Cass Business School, City University London, CentER and Economics Department,Tilburg University, and CEPR

Andrea Colciago[2,*]

De Nederlandsche Bank and University of Milano Bicocca

Damjan Pfajfar[3,*]

EBC, CentER and Economics Department, Tilburg University

Abstract

The recent financial crisis has stimulated theoretical and empirical research on the propagation mechanisms underlying business cycles, in particular on the role of financial frictions. Many issues concerning the interactions between banking and monetary policy forced policy makers to redefine economic policies, and motivated macroeconomists to focus on the implications of financial intermediation constraints on asset price fluctuations, the behavior of non-financial firms, households, governments and in turn for real macroeconomic performance. This paper surveys research on the role of financial intermediaries and financial frictions in the transmission of monetary policy and discusses how to design both the new banking regulatory and supervisory structures and monetary policy in order to stabilize the economy. It also serves as an introduction to this special issue.

Keywords: Financial Intermediation, DSGE models, Financial Frictions JEL code: E40, E50, G20

☆We would like to thank conference keynote speakers Anil Kashyap and Frank Smets and conference program committee Tobias Adrian, Hyun Song Shin, Oreste Tristani, Emmanuel de Veirman, Wolf Wagner and Egon Zakrajšek and especially Jakob de Haan for encouraging us to organize this conference. We would also like to thank the sponsors of the conference De Nederlandsche Bank and the European Banking Center at Tilburg University. The conference was hosted at the De Nederlandsche Bank on June 19-20, 2013. Any remaining errors are our own.

*Corresponding author

Email addresses: TBeck@city.ac.uk (Thorsten Beck), A.Colciago@dnb.nl (Andrea Colciago), D.Pfajfar@uvt.nl (Damjan Pfajfar)

URL: http://www.thorstenbeck.com (Thorsten Beck), https://sites.google.com/site/andreacolciago/ (Andrea Colciago), https://sites.google.com/site/dpfajfar/ (Damjan Pfajfar)

[1]Department of Economics, Tilburg School of Economics and Management, P.O. Box 90153, NL-5000 LE Tilburg, Netherlands.

[2]De Nederlandsche Bank, Postbus 98, NL-1000 AB Amsterdam, Netherlands.

[3]Department of Economics, Tilburg School of Economics and Management, P.O. Box 90153, NL-5000 LE Tilburg, Netherlands.