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Financial Intermediation and Macroeconomic Analysis

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Abstract

Understanding phenomena such as the recent financial crisis, and possible policy responses, requires the use of a macroeconomic framework in which financial intermediation matters for the allocation of resources. Neither standard macroeconomic models that abstract from financial intermediation nor traditional models of the "bank lending channel" are adequate as a basis for understanding the recent crisis. Instead we need models in which intermediation plays a crucial role, but

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used to analyze the macroeconomic consequences of the recent financial crisis and conclude with a discussion of some implications of the model for the conduct of monetary policy.

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