

Quantities in turbulent times

- I Theory: “Bottleneck approach” sectorally impaired
- Identify bottleneck
 - Sectors: Banking vs. insurance, SMEs, corporate sector, household,...
- “Stealth” recapitalization of impaired sector
 - Interest policy and OMO affect asset prices
 - i-cut: increases value of long-term assets relative to short-term money
 - Steepens yield curve
 - QE increases value of particular asset
 - Flattens yield curve
 - Ex-post: Redistributes wealth/risk
 - Reduces endogenous risk (premium)– additional element to FTPL