



You are cordially invited to

## **UCLouvain Economics Seminar**

**On Thursday November 22, 2018, from 12:45 to 14:00**  
**Doyen 22, Place des Doyens, 1**

**Nuno Coimbra**  
(PSE, Paris)

Will give a presentation on

### **Financial Cycles with Heterogeneous Intermediaries**

**Abstract:** This paper develops a dynamic macroeconomic model with heterogeneous financial intermediaries and endogenous entry. It features time-varying endogenous macroeconomic risk that arises from the risk-shifting behaviour of financial intermediaries combined with entry and exit. We show that when interest rates are high, a decrease in interest rates stimulates investment and increases financial stability. In contrast, when interest rates are low, further stimulus can increase systemic risk while inducing a fall in the risk premium. In this case, there is a trade-off between stimulating the economy and financial stability.

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