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Dynamic Shock Bank Liquidity Analysis

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Abstract : Simulations are developed in this paper with usual DSGE model equations. The model is based on simplified version of Smets-Wouters equations in use at European Central Bank which implies 10 macro-economic variables: consumption, investment, wages, inflation, capital stock, interest rates, production, capital accumulation, labour and credit rate, and allows take into consideration the banking system. Throughout the simulations, this model will be used to evaluate the impact of rate shocks recounting the actions of the European Central Bank during 2008.

Keywords : CC-LM, Central Bank, DSGE, liquidity shock, non-standard intervention
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