

Households

$$w_t = \chi \frac{R_t^d H_t^\eta}{C_t^{-\sigma}} \quad (1)$$

$$C_t^{-\sigma} = \beta \mathbb{E}_t C_{t+1}^{-\sigma} R_t^D \quad (2)$$

$$(1 + \pi_{t+1}) m_{t+1} = w_t H_t + R_t^D d_t + \Pi_t^s + \Pi_t^{bk} \quad (3)$$

$$C_t = m_t - d_t \quad (4)$$

Small Firms

$$Y_t^s = z_t (H_t^s)^{1-\alpha} (K_t^s)^\alpha \quad (5)$$

$$K_{t+1}^s = (1 - \delta) K_t^s + I_t^s \quad (6)$$

$$l_t = w_t H_t^s + P_t^s I_t^s \quad (7)$$

$$(1 - \alpha) z_t \left(\frac{K_t^s}{H_t^s} \right)^\alpha = R_t^L w_t (1 + \mu_t) \quad (8)$$

$$\alpha \beta z_{t+1} \left(\frac{H_{t+1}}{K_{t+1}} \right)^{1-\alpha} = R_t^L - R_{t+1}^L \beta (1 - \delta)$$

Financial Intermediaries

$$d_t + x_t = r_t + l_t \quad (9)$$

$$R_t^l = R_t^d + \psi (R_t^l - 1) \quad (10)$$

$$r_t = \psi (d_t + x_t) \quad (11)$$

$$\Pi_t^{bk} = (R_t^l - \psi (R_t^l - 1)) x_t \quad (12)$$

Equilibrium Conditions

$$m_{t+1} = \frac{m_t + x_t}{1 + \pi_{t+1}} \quad (13)$$

Exogenous Processes

$$x_t = \rho_x x_{t-1} + \varepsilon_{x,t} \quad (14)$$

$$\ln(z_t) = \rho_z \ln(z_{t-1}) + \varepsilon_{z,t}. \quad (15)$$