

In this paper, I present a parsimonious New-Keynesian DSGE model to study the effects of several macroprudential policies introduced after the Global Financial Crisis of 2007-2008. My model combines Gertler & Karadi (2011) style banks with Jermann & Quadrini (2012) style non-financial firms, and therefore rich enough to distinguish the effects of financial frictions affecting these sectors. The contributions of the paper are twofold: First, the model is able to replicate moments and IRFs of several financial variables better with the introduction of procyclical frictions; and second, there is a clear trade-off between financial stability and economic growth when the macroprudential policies are used single-handedly. Hence, a combination of the conventional monetary tools and macroprudential policies have to be considered.