Evolution of Key Model Variables at the ZLB and in Normal Times

1. $R_{d,t}$, Policy Rate

2. A_t, Bank Capital

3. I_t, Investment

4. π_t, Inflation

5. QE_t, Asset Purchases

6. q_t, Real Price of Capital

7. Γ_t, Bank Default Probability

8. γ_t, Regulatory Capital Ratio

9. R_t^b/R, Banks' Profit Share

10. $E_t[\pi_{t+1}]$, Inflation Expectations

—— No ZLB, no QE   - - - ZLB, no QE