



Leibniz-Institut für
Wirtschaftsforschung Halle

IWH Research Seminar in Economics

Montag, 4. Juli 2016, 14:15–15:45 Uhr, Konferenzsaal im Erdgeschoss



Financial Constraints and Nominal Price Rigidities

Professor Dr. Almut Balleer, Rheinisch-Westfälische Technische Hochschule Aachen

This paper investigates how financial market imperfections and nominal rigidities interact. Based on new firm-level evidence for Germany, we document that financially constrained firms adjust prices more often than their unconstrained counterparts, both upward and downward. We show that these empirical patterns are consistent with a partial equilibrium menu-cost model with a working capital constraint. Our results suggest that tighter financial constraints are associated with lower nominal rigidities, higher prices and lower output. Furthermore, the presence of financial constraints results in changing nominal rigidities over the business cycle: Firms adjust prices less often in a recession and more often in a boom.

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