IWH
Leibniz-Institut für
Wirtschaftsforschung Halle

IWH Research Seminar in Economics

Freitag, 8. Dezember 2017, 10:00 – 12:00 Uhr, Konferenzsaal im Erdgeschoss

The Long-Run Real Effects of Banking Crises: Firm-Level Investment Dynamics and the Role of Wage Rigidity

Carlo Wix, LOEWE-Zentrum SAFE, House of Finance, Goethe-Universität Frankfurt

This paper studies the long-run effects of credit market disruptions on real firm outcomes and how these effects depend on nominal wage rigidities at the firm level. I trace out the long-run investment and growth trajectories of firms which are more adversely affected by a transitory shock to aggregate credit supply. Affected firms exhibit a temporary investment gap for two years following the shock, resulting in a persistent accumulated growth gap. I show that affected firms with a higher degree of wage rigidity exhibit a steeper drop in investment and grow more slowly than affected firms with more flexible wages.

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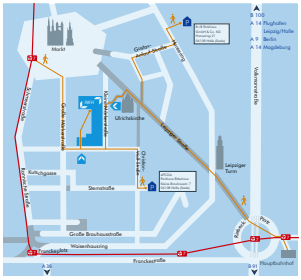

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