

タイトル Bank Competition, Job Security, and Economic Growth

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報告要旨

We identify a new channel through which banks affect economic activity, namely, bank's monopolistic power over job security. We develop a simple theory, extending the hold-up problem associated with firm-specific investment to banks' influence over worker layoffs at distressed firms, to show how banks' power, depending on the industry, can enhance or reduce the productivity of firms. We test and confirm our predictions using quasi-natural experiments that increased employment protection and bank competition in the U.S. between the 1970s and 1990s. We find that greater employment protection increases industry output in knowledge-intensive industries, with this effect increasing with greater bank competition.