 Download This Paper (Delivery.cfm/SSRN\_ID1754660\_code357812.pdf?abstractid=1754660&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN\_ID1754660\_code357812.pdf?abstractid=1754660&mirid=1&type=2)

★ Add Paper to My Library

Share:    

## Financial Policies, Investment, and the Financial Crisis: Impaired Credit Channel or Diminished Demand for Capital?

*Fisher College of Business Working Paper No. 2011-3*

*Charles A. Dice Center Working Paper No. 2011-03-003*

58 Pages

Posted: 6 Feb 2011

Kathleen M. Kahle ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=14305](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=14305))

University of Arizona - Department of Finance; European Corporate Governance Institute (ECGI)

René M. Stulz ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=17753](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=17753))

Ohio State University (OSU) - Department of Finance; National Bureau of Economic Research (NBER); European Corporate Governance Institute (ECGI)


Date Written: February 3, 2011

### Abstract

Though much of the narrative of the financial crisis has focused on the impact of a bank credit supply shock, we show that such a shock cannot explain important features of the financial and investment policies of industrial firms. These features are consistent with a dominant role for the increase in risk and the reduction in demand for goods that occurred during the crisis. The net equity issuance of small firms and unrated firms is abnormally low throughout the crisis, whereas an impaired credit supply by itself would have encouraged these firms to increase their net equity issuance. After September 2008, firms increase their cash holdings rather than use them to mitigate the impact of the credit supply shock. Firms that are more bank-dependent before the crisis do not reduce their capital expenditures more than other firms during the crisis. Finally, the evidence is strongly supportive of theories that emphasize the importance of collateral and corporate net worth in financing and investment policies, as firms with stronger balance sheets reduce capital expenditures less after September 2008.

[Suggested Citation](#) >


[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN\_ID1754660\_code357812.pdf?abstractid=1754660&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN\_ID1754660\_code357812.pdf?abstractid=1754660&mirid=1&type=2)

## 12 References

1. Venkat Kuppuswamy ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=655343](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=655343)), Belen Villalonga ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=229639](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=229639))  
Does Diversification Create Value in the Presence of External Financing Constraints? Evidence from the 2008–2009 Financial Crisis ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1569546](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1569546))  
Harvard Business School Finance Working Paper No. 1569546 Pages: 59 Posted: 15 Mar 2010

Download PDF ([https://papers.ssrn.com/sol3/Delivery.cfm/SSRN\\_ID1569546\\_code229639.pdf?abstractid=1569546](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1569546_code229639.pdf?abstractid=1569546))  Add Paper to My Library

2. Edward E Leamer  
Housing is the business cycle, NBER working paper Posted: 2007

### 3. Mark T Leary

Bank loan supply, lender choice, and corporate capital structure

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

[Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

4. Mark T Leary, Michael R Roberts

[Cookie Settings](#)

Accept all cookies

Load more

## 0 Citations

Fetch Citations

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

## Paper statistics

DOWNLOADS	891
ABSTRACT VIEWS	5,105
RANK	53,461

7 Citations

12 References

PlumX Metrics



([https://plu.mx/ssrn/a/?ssrn\\_id=1754660](https://plu.mx/ssrn/a/?ssrn_id=1754660))  
Related eJournals

Ohio State University, Fisher College of Business Research Paper Series ([https://papers.ssrn.com/sol3/JELJOUR\\_Results.cfm?form\\_name=journalBrowse&journal\\_id=917143](https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=917143))

Follow



Financial Accounting eJournal ([https://papers.ssrn.com/sol3/JELJOUR\\_Results.cfm?form\\_name=journalBrowse&journal\\_id=1508710](https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1508710))

Follow



View more >

## Recommended Papers

International Contagion Through Leveraged Financial Institutions ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1976482&rec=1&srcabs=1754660&pos=1](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1976482&rec=1&srcabs=1754660&pos=1))  
By Eric Van Wincoop ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=49852](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=49852))


Leverage Constraints and the International Transmission of Shocks ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1651411&rec=1&srcabs=1754660&pos=2](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1651411&rec=1&srcabs=1754660&pos=2))  
By Michael B. Devereux ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=34953](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=34953)) and James Yetman ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=1032919](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1032919))

International Recessions ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1882169&rec=1&srcabs=1754660&pos=3](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1882169&rec=1&srcabs=1754660&pos=3))  
By Fabrizio Perri ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=1598327](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1598327)) and Vincenzo Quadrini ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=128009](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=128009))

View more >

Feedback

[Submit a Paper > \(https://hq.ssrn.com/submission.cfm\)](https://hq.ssrn.com/submission.cfm)

[SSRN Quick Links](#) 

[SSRN Rankings](#) 

[About SSRN](#) 

 [\(https://www.facebook.com/SSRNcommunity/\)](https://www.facebook.com/SSRNcommunity/)

 [in](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3) [trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany\\_493409%2Cidx%3](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany\\_493409%2Cidx%3](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3)

 [\(https://twitter.com/SSRN\)](https://twitter.com/SSRN)

[\(http://www.elsevier.com/\)](http://www.elsevier.com/)

[Copyright \(https://www.ssrn.com/index.cfm/en/dmca-notice-policy/\)](https://www.ssrn.com/index.cfm/en/dmca-notice-policy/)

[Terms and Conditions \(https://www.ssrn.com/index.cfm/en/terms-of-use/\)](https://www.ssrn.com/index.cfm/en/terms-of-use/)

[Privacy Policy \(https://www.elsevier.com/legal/privacy-policy\)](https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



[\(http://www.relx.com/\)](http://www.relx.com/)

<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>