

[Download This Paper \(Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1&type=2)[Add Paper to My Library](#)Share: [!\[\]\(56549452e01ca28bdf2500ced9653143_img.jpg\)](#) [!\[\]\(235f8f87c36d896db1ddff2848125c86_img.jpg\)](#) [!\[\]\(4c4afa2dcab95991c60f31fce713d641_img.jpg\)](#) [!\[\]\(1205f6f8a2eee5164f325ab7908828d5_img.jpg\)](#)

Labour Reallocation and Productivity Dynamics: Financial Causes, Real Consequences

BIS Working Paper No. 534

39 Pages

Posted: 6 Jan 2016

Claudio E. V. Borio (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=66911)

Bank for International Settlements (BIS) - Research and Policy Analysis

Enisse Kharroubi (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=395980)

Bank for International Settlements (BIS)

Christian Upper (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=220610)

Bank for International Settlements (BIS)

Fabrizio Zampolli (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=466824)

Bank for International Settlements (BIS) - Monetary and Economic Department

Date Written: January 2016

Abstract

We investigate the link between credit booms, productivity growth, labour reallocations and financial crises in a sample of over twenty advanced economies and over forty years. We produce two key findings. First, credit booms tend to undermine productivity growth by inducing labour reallocations towards lower productivity growth sectors. A temporarily bloated construction sector stands out as an example. Second, the impact of reallocations that occur during a boom, and during economic expansions more generally, is much larger if a crisis follows. In other words, when economic conditions become more hostile, misallocations beget misallocations. These findings have broader implications: they shed light on the recent secular stagnation debate; they provide an alternative interpretation of hysteresis effects; they highlight the need to incorporate credit developments in the measurement of potential output; and they provide a new perspective on the medium- to long-run impact of monetary policy as well as its ability to fight post-crisis recessions.

Keywords: Labour reallocation, productivity, credit booms, financial crises, hysteresis**JEL Classification:** E24, E51, O47[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2711258_code1109023.pdf?abstractid=2711258&mirid=1&type=2)

0 References

[Fetch References](#)

0 Citations

[Fetch Citations](#)

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](#) (<https://www.elsevier.com/legal/cookie-notice>)

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

[Place Job Opening \(https://www.ssrn.com/index.cfm/en/Announcements-jobs/\)](https://www.ssrn.com/index.cfm/en/Announcements-jobs/)[Cookie Settings](#)[Accept all cookies](#)

Accept all cookies

(http://www.relx.com/)

(https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true)

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](https://www.elsevier.com/legal/cookiepolicy) (https://www.elsevier.com/legal/cookiepolicy)

[Cookie Settings](#)

Accept all cookies