



From Financial Crisis to Great Recession: The Role of Globalized Banks

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AMERICAN ECONOMIC REVIEW
VOL. 102, NO. 3, MAY 2012
(pp. 225-30)

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Abstract

This paper provides evidence of the role of globalized banks in transmitting financial stresses to the real economy during the global financial crisis. A novel dataset is constructed from quarterly balance sheet reports provided by all UK-resident banks to the Bank of England. I find that the shock to bank funding from non-resident creditors was transmitted domestically through a significant reduction in bank credit supply. Resident subsidiaries and branches of foreign-owned banks reduced lending by a larger amount than domestically-owned banks, while the latter calibrated the reduction in domestic lending more closely to the size of the funding shock.

Citation

Aiyar, Shekhar. 2012. "From Financial Crisis to Great Recession: The Role of Globalized Banks." *American Economic Review*, 102 (3): 225-30.

DOI: 10.1257/aer.102.3.225

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