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

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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.

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