

The Impact of the Financial Crisis on UK Company Performance

Bank of England/NIESR Special Session RES 2014 Annual Conference, Manchester Monday 7th April 2014

Organizers: Rebecca Riley (NIESR, CFM) and Garry Young (Bank of England, NIESR, CFM)

UK productivity fell sharply during the recession of 2008-9, and recovered only sluggishly after that. In levels terms, productivity is currently about 15 per cent below a simple extrapolation of its pre-crisis trend. This contrasts very sharply with the experience of other post-war recessions in the UK when the fall was less sharp and the recovery quicker; it is also very different from experience in the US, where productivity has held up quite well.

One factor that is likely to have contributed to the so-called ‘productivity puzzle’ is the impairment to the financial system caused by the banking sector crisis. It has been argued that this exacerbated financial frictions that prevented capital being allocated to companies where it could be most efficiently used.

This session intends to bring together economists from leading academic and policy-focused institutions to discuss empirical results from separate investigations exploring the contribution of financial market frictions to the productivity puzzle. This will cover theoretical explanations for aggregate productivity weakness following a banking crisis, a careful sifting of the facts on returns to capital in different parts of the economy, and a detailed company-level investigation of performance in firms distinguished by their bank dependence.

Chair: Amanda Rowlatt (BIS)

Each paper 15-20 minutes presentation plus 5-10 minutes for the discussant

Paper 1: **Capital Market Frictions and Productivity: Theory and Evidence**

Tim Besley (LSE), *Isabelle Roland* and John Van Reenen (Harvard, LSE)

Discussant: David Miles (MPC and Imperial College)

Paper 2: **Capital Reallocation and Productivity**

Alina Barnett (Bank of England), Ben Broadbent (MPC, Bank of England),
Adrian Chiu (Bank of England), Jeremy Franklin, and Helen Miller (IFS)

Discussant: Richard Harris (Durham)

Paper 3: **Bank Credit Conditions and UK Company Performance**

Rebecca Riley (NIESR, CFM), Chiara Rosazza-Bondibene and Garry Young
(Bank of England, NIESR, CFM)

Discussant: Andrew Gurney (HMT)