1 The Collateral Channel: Real Estate Prices and Firm Leverage (Job Market Paper)

Through the collateral channel, shocks to the value of real estate can have a significant impact on the firms’ borrowing capacity. In this paper, I provide evidence on this mechanism by using LTV ratio caps on mortgages in a number of European countries as policy shocks that affect real estate prices. I conduct a difference-in-difference exercise using a unique and comprehensive micro panel data covering both large firms and SMEs. This allows me to better identify and quantify the effects of policy shocks to the value of firm collateral by distinguishing them from local demand shocks and local general equilibrium effects. I find a significant collateral damage on firms’ balance sheets, a consequence of LTV policy shock, which in turn caused i) secured debt to decrease in firms with high collateral value more than in firms with low collateral value, and ii) trade credit use to increase in firms with high collateral value more than in firms with low collateral value. These findings document a new evidence on how firms adjust to shocks to the value of collateral through trade credit use. These findings also highlight that macroprudential policies in one sector—such as LTV ratio caps targeting household sector—might result in an unintentional consequence in another sector—such as collateral damage in corporate sector. This is an important caveat that policy makers should consider when implementing macroprudential policy.

2 Financial Shocks in Production Chains (with Şebnem Kalemli-Özcan, Hyun Song Shin, Se-Jik Kim and Bent Sorensen)

Interlocking balance sheets through accounts receivable and accounts payable provides incentives necessary to sustain long production chains. We construct a model of incentives in production chains which has the implication that upstream firms in the chain have higher accounts receivable. Further, the working capital of upstream firms are relatively more sensitive to the availability of credit. Using a large firm-level dataset for 15 European OECD countries and the United States, 2000–2009, combined with sector-level measures of relative position in production chains (“upstreamness”), we find strong empirical support for the model. Lack of credit matters for amplifying recessions in economies with long production chains.

3 How to Construct Nationally Representative Firm Level Data from ORBIS Global Database (with Şebnem Kalemli-Özcan, Bent Sorensen, Carolina Villegas-Sanchez, and Vadym Volosovych)

Firm-level data on productivity, financial activity and firms’ international linkages have become essential for research in the fields of macro, international finance and growth. This paper describes the development of a firm-level global panel dataset for public and private companies based on the administrative micro-dataset ORBIS, provided commercially by Bureau van Dijk Electronic Publishing (BvD). We give detailed instructions on the data gathering process from ORBIS in terms of downloading methodology and cleaning procedure so that a researcher can construct a database that is nationally representative with minimal missing information. We provide examples from several European countries to present the process and discuss the resulting dataset in detail.