



Finance and Economics Discussion  
Series: Bank Capital Ratios and the  
Structure of Nonfinancial Industries

United States Federal Reserve Board,  
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## Finance and Economics Discussion Series: Bank Capital Ratios and the Structure of Nonfinancial Industries (Paperback)

By Seung Jung Lee, Viktors Stebunovs

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book \*\*\*\*\* Print on Demand \*\*\*\*\*.We exploit variation in commercial bank capital ratios across states to identify the impact of commercial bank balance sheet pressures manifested through changes in capital ratios on employment in the manufacturing sector. For industries dependent on external finance, we find that an increase in the capital ratio has no statistically significant effect on net firm creation, but has an economically significant impact on average firm size, as measured in the number of employees. Our findings indicate a lack of substitutes for bank funding both in the short and long run. This lack of substitutes implies a notable adverse impact of balance sheet pressures on employment in industries dependent on external sources of funding. Our results highlight the potential effects that bank balance sheet pressures, for example, from tightening capital adequacy standards, such as Basel III, may have on nonfinancial firm dynamics.



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