

**Department of Economics**  
**2024-2025**  
**Seminar Series**



Monday, November 11, 2024  
12:30 PM-1:50 PM  
SBS, Room N603

**David Rivers**

Associate Professor  
University of Western Ontario

***Financial Shocks, Productivity, and Prices***

**Abstract:** We study the interconnection between the productivity and pricing effects of financial shocks. Combining administrative records on firm-level output prices and quantities with quasi-experimental variation in credit supply, we show that a tightening of credit conditions has a persistent, yet delayed, negative effect on firms' long-run physical productivity growth (TFPQ) but also induces firms to change their pricing policies. As a result, commonly used revenue-based productivity measures (TFPR)—which conflate the pricing and productivity effects—offer biased predictions regarding the consequences of financial shocks for firms' productivity growth, underestimating the long-run elasticity of physical productivity to credit supply by almost half. Moreover, we show that the pricing adjustments themselves also have productivity implications. Firms coping with a contraction of credit use low pricing as a source of internal financing, allowing them to avoid cutting expenditures on productivity-enhancing activities, thereby softening the impact of financial shocks on long-run productivity growth.

**Authors:** Simone Lenzu, David A. Rivers, Joris Tielens, Shi Hu

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Chang Liu & Eva Carceles-Poveda. Visit our webpage for additional information: [stonybrook.edu/economics](http://stonybrook.edu/economics).

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