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1 Introduction

What are the effects of barriers to financial integration on the real economy? In the aftermath of the 2008 financial crisis and of the 2013 European sovereign debt crisis, this is a question of primary importance to economists and policy-makers.

Previous literature mostly addressed this question following a reduced-form approach, identifying mechanisms of shocks transmission from banks to the real economy by exploiting variation within extremely disaggregated datasets¹. These studies provide great insights into specific episodes of financial distress, but entail large data requirements (bank-level and firm-level balance sheet information, possibly linked). Moreover, from the perspective of normative policy-making, reduced-form studies do not allow the researcher to conduct counterfactual exercises on alternative economic scenarios. Conversely, starting from a model-driven

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¹Khwaja and Mian (2008) study the transmission of bank shocks to firms in Pakistan. The shock transmission channel is analyzed also by Jiménez et al. (2014) and Bottero, Lenzu, and Mezzanotti (2016), who use matched bank-firm data from Spain and Italy, respectively. For the U.S. case, Greenstone, Mas, and Nguyen (2014) use confidential microdata from the Longitudinal Business Database (LBD), while Chodorow-Reich (2014) merges bank information from the Thomson Reuters Dealscan database and the FED Consolidated Financial Statements for Bank Holding Companies with firm-level data from the LBD.

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