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Nota di contenuto	Intro -- Contents -- I. Introduction -- II. Theory -- A. A Model Relating TFP and Financial Shocks -- B. Creative Destruction and the "Cleansing" Effect -- III. Empirical Strategy -- A. Dependence on External Finance -- B. Measuring Sectoral TFP Growth -- C. The Cost of Funds -- IV. Estimation Results -- A. Baseline Regressions -- B. Robustness Checks -- V. Changes in the Cost of Equity and TFP Growth -- A. Measuring the Cost of Equity -- B. Empirical Results -- VI. Discussion -- VII. Conclusion -- Appendices -- Appendix A-Tables -- Appendix B-Figures -- Appendix C-Calibration -- References.
Sommario/riassunto	The paper investigates how changes in industries' funding costs affect total factor productivity (TFP) growth. Based on panel regressions using 31 U.S. and Canadian industries between 1991 and 2007, and using industries' dependence on external funding as an identification mechanism, we show that increases in the cost of funds have a statistically significant and economically meaningful negative impact on TFP growth. This finding cannot be explained by either increasing returns to scale or factor hoarding, as results are not sensitive to controlling for industry size and our calculations account for changes in factor utilization. Based on a stylized theoretical model, the estimates suggest that financial shocks distort the allocation of factors across firms even within an industry, reducing its TFP. The decline in productivity growth accounts for a large fraction of the negative impact of funding costs on output.