The Financial Sector and its role for Growth in US.

Francesco Franco*Thomas Philippon
Universidade Nova de Lisboa, New York University, NBER, CEPR

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Abstract

The share of finance in U.S. GDP displays large historical variations. Corporate finance is a key factor behind these evolutions. Corporate demand for intermediation depends crucially on the relative investment opportunities of firms with low cash flows (young firms) and firms with high cash flows (incumbents). An endogenous growth general equilibrium model is developed in order to separate demand and supply factors in the market for financial intermediation.

Keywords: Financial development, corporate finance, financial intermediation, functional analysis, moral hazard, structural change.
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*Contact author: francesco_franco@fe.unl.pt