

Firm Growth, Finance and Development

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Abstract

How important are financial markets for economic development? What are the cost of frictions in credit market for aggregate productivity? A recent literature stresses the role of the persistence of the exogenous process of firm's productivity in determining the answer to these question. If the productivity process is very persistent, then self-finance is a good substitute of external finance. Instead, we highlight the role of growth processes exhibiting a skewed distribution of firm growth, specially among young firms, a key feature of the data in developed countries.

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