Essays on Banking Regulation, Misallocation, and Structural Change

PRACHAKSERANEE Attavit

Abstract

This dissertation consists of three essays on how banking regulation, productivity improvements, and structural change affect economic outcomes. The essays study different settings and use different methods, but they share a common emphasis on the mechanisms that connect an initial economic change to its observed consequences. In each case, those consequences depend on the composition of exposure, the margins through which economic agents adjust, and the way the resulting reallocation is transmitted to the final outcome of interest.

The first essay studies the effects of the domestic systemically important bank (D-SIB) capital buffer on lending in Thailand using synthetic controls. The results show heterogeneous responses across D-SIBs that are related to loan-portfolio composition. The bank with the highest share of business lending, an asset class with relatively high risk weights, reduces lending growth more than the banks with a greater orientation toward other lending categories. The decline is driven mainly by business loans, while the study finds no significant short-run effects on overall capital or risk-weighted assets.

The second essay studies what happens after an efficiency gain from misallocation reduction is realized. It extends a structural-change model with separate consumption and investment systems to the subsector level and traces productivity improvements through relative prices, consumption, investment, capital accumulation, output, and discounted lifetime utility. A productivity improvement in manufacturing initially disproportionately directs resources toward investment and raises future capital and consumption, which also raises lifetime welfare. Applying the same proportional productivity improvement to construction, business services, trade, and agriculture produces different dynamic responses because subsectors have different exposures to consumption and investment and because those exposures change with development. Additional experiments show that the persistence of the productivity improvement also shapes the response.

The third essay, a joint work with Associate Professor Hisaki Kono as the first author, studies agricultural productivity gaps, structural change, and distributional outcomes. A conceptual framework shows that once workers differ in what they can produce outside agriculture, selection enters the measured productivity gap and can offset the apparent gain from reallocating the marginal worker. The empirical analysis uses 109 comparable survey intervals in 44 economies during 1990–2018 and examines bottom-40 welfare growth, poverty reduction, and Gini reduction. The estimated interaction between the employment shift and the initial productivity gap is imprecise, as is the association between subsequent gap narrowing and welfare improvement. The analysis therefore cautions against treating the level or convergence of an agricultural productivity gap as a sufficient guide to the distributional gains from structural change.

Taken together, the essays show that economic evaluation should distinguish the initial change, the mechanism through which agents adjust, and the final outcome of interest. A common regulation or productivity improvement can produce heterogeneous effects when exposure differs, while a common aggregate indicator can combine economically distinct mechanisms.