



OTTO VON GUERICKE  
UNIVERSITÄT  
MAGDEBURG

WW

FAKULTÄT FÜR  
WIRTSCHAFTSWISSENSCHAFT

# Forschungsbericht 2018

Forscherguppe IWH

# FORSCHERGRUPPE IWH

Standort Magdeburg:

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Fakultät für Wirtschaftswissenschaft

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## 1. LEITUNG

Prof. Reint E. Gropp, PhD (Präsident IWH)

## 2. HOCHSCHULLEHRER/INNEN

Prof. Reint E. Gropp, PhD (Professur "Volkswirtschaftslehre"; Präsident IWH)

Prof. Dr. Michael Koetter (Professur "Financial Economics"; Abt.leiter IWH)

Prof. Dr. Steffen Müller (Professur "Wirtschaftswissenschaft: Produktivität und Innovationen"; Abt.leiter IWH)

Jun.-Prof. Stefano Colonnello, PhD (Juniorprofessur "Financial Economics")

Jun.-Prof. Sabrina Jeworrek (Juniorprofessur "Angewandte Mikroökonomie")

Jun.-Prof. Dr. Felix Noth (Juniorprofessur "Banking and Financial Systems")

Jun.-Prof. Qizhou Xiong, PhD (Juniorprofessur "Financial Economics")

## 3. FORSCHUNGSPROFIL

Das Profil der Forschergruppe IWH und der ihr angehörenden Fakultätsmitglieder ist über die Homepage des Leibniz-Instituts für Wirtschaftsforschung Halle (IWH) verfügbar:

<http://www.iwh-halle.de/>

## 4. FORSCHUNGSPROJEKTE

**Projektleitung:** Prof. Dr. Reint E. Gropp  
**Förderer:** Stiftungen - Sonstige - 01.01.2014 - 31.12.2018

### **Public Soft information**

In their annual 10-K reports, the managers of public firms usually include forward-looking disclosures, i.e. public statements about their firms' expected future performance, like e.g. future profits or future revenues. Provided that such forward-looking disclosures contain additional information, their release might reduce the information asymmetry between firm insiders and outsiders, and result into better financing terms for a public firm. Prima facie, the information content of forward-looking disclosures is ambiguous, since they are non-verifiable at the moment they are made, and since managers might try to improve the financing terms for their firms via the release of overly optimistic statements. However, misleading external investors via overly optimistic disclosures is costly for a manager: If she fails to live up to investors' optimistic expectations, her firm underlies significant legal risks, potentially resulting into costly lawsuits. Further, since the manager repeatedly interacts with external investors, and since her forward-looking disclosures are verifiable ex post, misleading investors today harms the manager's reputation for making accurate public disclosures. Hence, a manager faces a tradeoff between the immediate gain from an overly optimistic statement today, and the loss in reputation which arises if she does not meet investors' expectations. Our research aims at uncovering the economic factors which affect this tradeoff, and to provide empirical evidence for our findings.

We use an infinitely repeated game-theoretic model with incomplete information in order to examine the economic mechanisms which underlie a manager's forward-looking disclosures. Our model is based on the framework used in Mathis et al (2009), and features as central agent the manager of a public firm who privately observes in each period the quality of a risky investment project. The manager can (but need not) make a forward-looking disclosure about the project's quality in order to attract external finance from imperfectly informed investors. Investors will use the firm's past disclosures for their assessment of the credibility of the manager's public statement. We derive the following results: If forward-looking statements are associated with legal costs, it is not possible to sustain an equilibrium where a manager's disclosures convey no information to investors (like a babbling equilibrium). Further, we find that the managers of opaque and profitable firms are more likely to release forward-looking statements to the public. Under certain conditions on model parameters, their disclosures will be accurate, i.e. they will never mislead external investors.

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**Projektleitung:** Prof. Dr. Reint E. Gropp  
**Förderer:** Stiftungen - Sonstige - 01.01.2014 - 31.12.2018

### **Bank financial distress and consumption expenditure**

Part 1. Examines the effect of banks financial distress on Canadian household consumption during the 2008/2009 financial crisis. The paper uses a unique identification strategy to show that distressed banks significantly reduced the supply of household non-mortgage credit. For high income/high wealth households this does not result in a reduction of consumption, because these households are able to compensate by drawing down liquid assets. Those households with low incomes or low liquid assets reduce consumption. On aggregate the credit supply effects can explain just over half of the dip in household consumption expenditures in Canada during the 2008/2009 financial crisis.

Part 2: Examines the effect of the real estate bust in the U.S. after the financial crisis on consumption expenditures. The literature has argued that consumption in 2010-2013 did not pick up in the recovery, because households were deleveraging, i.e. reducing their exposure to debt. This is a demand effect. In the paper we show that a supply effects was also at work. We take advantage of the fact that renters were not exposed to the adverse real estate wealth shock to identify supply effects.

**Projektleitung:** Jun.-Prof. Dr. Sabrina Jeworrek  
**Förderer:** Haushalt - 01.10.2016 - 30.09.2019

### **Arbeitgeberverhalten und Arbeitsmoral der Mitarbeiter**

Aus Unternehmenssicht sind Entlassungen auf den ersten Blick vorteilhaft: Entlassungen reduzieren Personalkosten und steigern die Flexibilität innerhalb des Unternehmens. Die psychologische Forschung macht allerdings auch auf potentielle Kosten von Entlassungen aufmerksam, die vor allem durch eine sinkende Arbeitsmoral der im Unternehmen verbleibenden Mitarbeiter hervorgerufen werden können (das sogenannte Survivor-Syndrom). Zwar berichten Arbeitnehmer, die Entlassungen in ihrem Betrieb erlebt haben, beispielsweise von einer geringeren Bindung an das Unternehmen oder höherem Absentismus, eine geeignete Kontrollgruppe zur Identifizierung kausaler Effekte fehlt in diesen Umfragen jedoch. Ein Feldexperiment mit gut 200 Aushilfskräften schließt diese Forschungslücke nun und zeigt, dass die die Arbeitsmotivation der Arbeitnehmer von Entlassungen der Kollegen signifikant beeinträchtigt wird. Weitere Experimente sollen nun untersuchen, ob auch weniger gravierende Verletzung sozialer Normen die Arbeitsmoral der Mitarbeiter derart beeinflusst und ob die Gruppenzugehörigkeit der von der Normverletzung betroffenen Personen (Ingroup vs. Outgroup) dabei eine Rolle spielt.

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**Projektleitung:** Jun.-Prof. Dr. Sabrina Jeworrek  
**Förderer:** Haushalt - 01.10.2016 - 30.09.2019

### **Auswirkungen von (wahrgenommener) Bedeutung und Sinnhaftigkeit der Arbeit**

Im Fokus dieses Forschungsprojekts steht die Untersuchung sinnstiftender Tätigkeiten. Arbeitnehmer scheinen in hohem Maße auch durch die Bedeutung und Sinnhaftigkeit, die sie ihrer Arbeitsaufgabe beimessen, motivierbar. Hierbei ist bislang allerdings unklar, inwiefern dieser Zusammenhang als kausal aufzufassen ist: Motiviert eine sinnstiftende Aufgabe an sich Mitarbeiter zu höherer Leistung oder selektieren sich doch eher produktivere Mitarbeiter in entsprechende Berufe? Im Rahmen eines aktuellen Feldexperiments mit knapp 270 Aushilfen deutet die Evidenz klar auf einen Selektionseffekt hin allerdings scheint es ein spezifischer Aspekt der Selbstselektion zu sein, nämlich die aktive und bewusste Entscheidung für eine bedeutsame Tätigkeit, die Mitarbeiter vermutlich zu besonders hoher Anstrengung verpflichtet. Zukünftig soll untersucht werden, ob sich Mitarbeiter durch eine solche Entscheidung nicht nur für das aktuelle Projekt besonders verpflichtet fühlen, sondern auch zukünftige Projekte durch die Veränderung individueller sozialer Präferenzen betroffen sind. Außerdem soll untersucht werden, inwiefern die Arbeitsmotivation von Mitarbeitern gefördert werden kann, welche ihre Arbeit als nur wenig sinnvoll wahrnehmen. Können in einem solchen Fall monetäre Anreize die mangelnde Arbeitsmotivation kompensieren oder Bedarf es hier vielmehr des Einsatzes anderer nicht-monetärer Mechanismen wie beispielsweise der Mitsprache der Arbeitnehmer am Arbeitsplatz? Diese und weitere Fragen sollen vor allem mittels der Durchführung von Labor- und Feldexperimenten beantwortet werden.

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**Projektleitung:** Jun.-Prof. Dr. Felix Noth  
**Förderer:** Stiftungen - Sonstige - 01.12.2015 - 28.11.2020

### **Relationship lenders and unorthodox monetary policy: Investment, employment, and resource reallocation effects**

We combine a number of unique and proprietary data sources to measure the impact of relationship lenders and unconventional monetary policy during and after the European sovereign debt crisis on the real economy. Establishing systematic links between different research data centers ( Forschungsdatenzentren , FDZ) and central banks with detailed micro-level information on both financial and real activity is the stand-alone proposition of our proposal. The main objective is to permit the identification of causal effects, or their absence, regarding which policies were conducive to mitigate financial shocks and stimulate real economic activities, such as employment, investment, or the closure of plants.

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**Projektleitung:** Jun.-Prof. Dr. Felix Noth  
**Förderer:** Deutsche Forschungsgemeinschaft (DFG) - 01.01.2015 - 31.12.2018

### **Interactions between bank-specific risk and macroeconomic performance**

The global financial crisis has demonstrated that financial markets and the real economy are closely related. We have learned that risk at the level of individual financial institutions can harm the stability of the financial system as a whole. This, in turn, affects macroeconomic performance and potentially slows down economic recovery. In this project, we will investigate how risk at the level of large banks and macroeconomic performance, as measured by GDP growth or volatility, are related. To that goal, we will build on the theory of granularity. This theory reveals that volatility at the level of individual firms can translate into macroeconomic fluctuations if market concentration is high. Moreover, we will explore how regulatory policy affects the link between bank-level and systemic risk. In order to analyze how bank-specific shocks, financial regulation and macroeconomic performance are interrelated, we will address the following research questions:

1. How do credit supply shocks at the bank-level contribute to systemic risk at the regional, country and international level (Module 1)?
2. How does a regulatory change that affects the competitive environment of banks impact bank risk and macroeconomic performance (Module 2)?
3. What role does bank size play for risk at the bank-level and how is this link affected by financial regulation (Module 3)?

Our project results will provide evidence to inform the current debate on micro- and macroprudential regulation. According to the concept of granularity, macroeconomic volatility can be reduced via two channels. On the one hand, microprudential regulation, i.e. regulation at the level of individual (large) banks, can reduce macroeconomic instability: If large banks get less risky, macroeconomic volatility is *ceteris paribus* mitigated. Our research aims at identifying specific policy tools that help to mitigate the volatility (or risk) at the bank-level. On the other hand, macroprudential policies that monitor the development of bank market structures like concentration are important; the higher concentration, the stronger gets the transmission of bank-level shocks to the aggregate economy. Moreover, concentration and competitive pressures in the banking system impact banks risk-taking behavior and hence bank-specific volatility. Consequently, micro- and macro-prudential regulation should be coordinated in order to address possible trade-offs between stability at the micro- and macroeconomic level. In this project, we aim at addressing these inter-linkages between bank-specific risk, the competitive environment and macroeconomic performance.

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**Projektleitung:** Ph. D. Stefano Colonnello  
**Förderer:** Stiftungen - Sonstige - 01.12.2015 - 28.11.2020

### **Law and finance: Firm-creditor relationships, legal institutions, and corporate policies**

This research project aims at studying how corporate governance affects firm value and policies, with a focus on firm-creditor relationships and legal institutions. Traditionally, finance-oriented empirical corporate governance research has focused on mechanisms aimed at reducing conflicts between management and shareholders. Interestingly, a large theoretical literature shows that creditors may play an important role in corporate governance even outside of default states. Yet, despite receiving more attention recently, the issue remains relatively underexplored on the empirical side. Another form of governance that remains underexplored is the court system. A well-functioning court system is deemed to be of primary importance for businesses and the economy as a whole by providing timely, competent and unbiased resolution of legal disputes. The goal is thus to understand the role of these governance mechanisms and how recent legal and financial developments interact with them. We plan to investigate these issues along three lines of research.

First, we will look at how financial and legal innovations impact firm-creditor relationships. We plan to empirically examine how the possibility to hedge against credit risk on a firm's debt through credit default swaps (CDS) may alter such relationships by reducing creditors' incentives to monitor the firm. The goal is to understand if creditors reduce their involvement in internal governance and if shareholders adjust other governance mechanisms as a consequence. Moreover, we intend to analyze the real effects of credit

derivatives by studying how the availability of CDSs affects corporate investment depending on the ex ante shareholder-creditor balance of power. We will also study the real effects of the changes in firm-creditor relationships induced by the formation of universal banks. If market imperfections make the supply of capital not perfectly elastic, then the formation of universal banks will affect borrowing firms' investment through its impact on the availability of external finance. A positive effect on investment should be observed if universal banks improved firms' access to finance. On the other hand, once they become universal, commercial banks may transition from relational to transactional lending, thus weakening existing bank-firm relationships. Such a transition could be particularly detrimental to opaque borrowers, which rely more on relationship lending. We therefore analyze the immediate effect of the formation of universal banks on the investment policy of non-financial public corporations, paying particular attention to firms that do not access the public debt market.

The second line of research will explore theoretically and empirically how the dynamics of debtor-creditor conflicts shape managerial incentives, and how these in turn influence the firm's cost of debt. We will examine how a firm's exposure to the business cycle influences debtor-creditor conflicts and managerial equity-based incentives. Then, we will study how the composition of managerial compensation affects risk-taking incentives and, in turn, the firm's credit risk. More precisely, we plan to investigate the effect on credit spreads of managerial debt-like compensation, a form of compensation that is deemed to mitigate debtor-creditor conflicts.

The third line of research relates to the role of the court system for firms. The outcome of a legal dispute has two main sources: The applicable laws and the courts that enforce them. A particular challenge in comparing legal systems across countries (or states within federal systems) is that any two countries (or states) will not just feature different court systems but will necessarily also enforce different laws. We aim to overcome this issue by designing empirical strategies that will allow us to identify the effect of courts on firm value and real corporate policies.

## 5. VERÖFFENTLICHUNGEN

### BEGUTACHTETE ZEITSCHRIFTENAUFsätze

**Goerke, Laszlo; Jeworrek, Sabrina**

Paid vacation use - the role of works councils  
Economic and industrial democracy - London [u.a.]: Sage, 2018;  
[Imp.fact.: 1.361]

**Gropp, Reint; Guettler, Andre**

Hidden gems and borrowers with dirty little secrets - investment in soft information, borrower self-selection and competition  
Journal of banking and finance - Amsterdam: Elsevier North-Holland, Bd. 87.2018, S. 26-39;

**Müller, Carola; Noth, Felix**

Market power and risk - evidence from the U.S. mortgage market  
Economics letters - Amsterdam [u.a.]: Elsevier, Bd. 169.2018, S. 72-75;

**Noth, Felix; Rehbein, Oliver**

Badly hurt? - natural disasters and direct firm effects  
Finance research letters - New York: Elsevier Science, 2018;  
[Online first]  
[Imp.fact.: 1.085]

**Schüwer, Ulrich; Lambert, Claudia; Noth, Felix**

How do banks react to catastrophic events? - evidence from hurricane Katrina  
Review of finance: journal of the European Finance Association - Oxford: Oxford University Press, 2018;  
[Online first]  
[Imp.fact.: 2.023]

### DISSERTATIONEN

**Horn, Fabian; Paqué, Karl-Heinz [GutachterIn]; Noth, Felix [GutachterIn]**

The costs of sovereign defaults - odious debt, migration and policies  
Magdeburg, 2018, XVII, 295 Seiten, Diagramme, 30 cm;  
[Literaturverzeichnis: Seite 230-262]

**Krause, Thomas; Koetter, Michael [GutachterIn]**

Four essays on financial stability and the housing market  
Magdeburg, 2018, 196 Seiten, Tabellen, Diagramme;  
[Literaturverzeichnis: Seite 183-196]

**Müller, Carola; Gropp, Reint E. [GutachterIn]; Koetter, Michael [GutachterIn]; Noth, Felix [GutachterIn]**

Four essays on financial stability and competition with heterogeneous banks  
Magdeburg, 2018, 138 Seiten, Tabellen, Diagramme;  
[Literaturverzeichnis: Seite 129-138]