



## NEWSLETTER 2019-15

### CALENDAR:

#### Departmental Seminar

Matthias Bühlmaier (University of Hong Kong):  
*Are Financial Constraints Priced? Evidence from Textual Analysis*

Monday, July 01  
16:30–18:00  
H25

#### IOS Seminar

Astghik Mavisakalyan (Curtin University, Perth):  
*The role of conflict in sex discrimination: The case of missing girls*

Tuesday, July 02  
13:30–15:00  
WiOS 109 (Landshuter Str. 4)

#### Special Talk

Alexander Rossner and Veronika Peschke (GWÖ Bayern):  
*Wirtschaft neu denken: Vorstellung der Gemeinwohl-Ökonomie*

Tuesday, July 02  
18:00–19:00  
H2

#### Lunch Seminar

Moritz Janas (University of Konstanz):  
*Delegation to a Group*

Wednesday, July 03  
12:00–13:30  
VG 2.35

#### Special Talk

Matthias Bühlmaier (University of Hong Kong):  
*Should Investors Join the Index Revolution?"*

Wednesday, July 03  
13:30–15:00  
VG 2.35

## ABSTRACTS:

### Departmental Seminar

Matthias Bühlmaier:

*Are Financial Constraints Priced? Evidence from Textual Analysis*

*Abstract:* We construct novel measures of financial constraints using textual analysis of firms' annual reports and investigate their impact on stock returns. Our three measures capture access to equity markets, debt markets, and external financial markets in general. In all cases, constrained firms earn higher returns, which move together and cannot be explained by the Fama and French (2015) factor model. A trading strategy based on financial constraints is most profitable for large, liquid stocks. Our results are strongest when we consider debt constraints. A portfolio based on this measure earns an annualized risk-adjusted excess return of 6.5%.

### IOS Seminar

Astghik Mavisakalyan:

*The role of conflict in sex discrimination: The case of missing girls (joint work with Anna Minasyan)*

*Abstract:* The role of ethnic intergroup conflict has been scarcely studied in the literature on "missing girls" and son preference. We argue that the threat of war between two groups can be perceived as a menace for group survival, where societal preference for male births is reinforced at the individual level based on gender biased perceptions about group-defenders. We use ceasefire violations in the Nagorno Karabakh conflict between Armenia and Azerbaijan as a natural experiment to explain preferences for sons in Armenia, which has one of the world's highest sex ratios at birth, achieved through sex-selective abortions. Using census data from Armenian municipalities in a difference-in-differences analysis, we show that in the period of intense ceasefire violations the sex ratios at birth increased in the municipalities closer to the conflict epicenter in Nagorno Karabakh. We investigate the underlying mechanism based on household survey data and show that fear of war is associated with son preference.

### Special Talk

Alexander Rossner and Veronika Peschke

*Wirtschaft neu denken: Vorstellung der Gemeinwohl-Ökonomie*

*Abstract:* Unser Handeln und die Dynamik in der Gesellschaft werden maßgeblich von der Wirtschaft bestimmt. Bei der Rolle, welche die Wirtschaft global und lokal einnimmt, liegt im Aspekt „Nachhaltigkeit und Fairness“ enormes Verbesserungspotential. Es ist gut und wichtig, dass derzeit im Kleinen viel in dieser Richtung passiert – doch genauso wichtig für eine nachhaltige Verbesserung ist die Veränderung des Systems. Die Gemeinwohl-Ökonomie steht für ein Wirtschaftskonzept, das neben dem Wettbewerb Werte wie Solidarität, ökologische und partnerschaftliche Nachhaltigkeit und Menschenwürde nicht vernachlässigt.

### Lunch Seminar

Moritz Janas

*Delegation to a Group (joint work with Sebastian Fehrl)*

*Abstract:* We study the choice of a principal to either delegate a decision to a group of careerist experts, or to consult them individually and keep the decision-making power. The experts have access to information of different levels of competence-dependent accuracy, at cost  $C \geq 0$ , and benefit from being perceived as competent. Our model predicts a trade-off between information acquisition and information aggregation. On the one hand, the expected benefit from being informed is larger in case the experts are

consulted individually, so the experts, depending on  $C$ , either acquire the same or a larger amount of information than in case of delegation of decision-making. On the other hand, any acquired information is better aggregated in case of delegation, where experts can deliberate secretly. To test the key predictions, we run an experiment, varying  $C$  across treatments. The results confirm the predicted trade-off. However, we find that many experts overinvest in information, which makes delegation optimal even where theory predicts better outcomes in case the experts are consulted individually. Nevertheless, the principals in our experiment are very reluctant to delegate decisions.

### Special Talk

Matthias Bühlmaier:

*Should Investors Join the Index Revolution ?*

*Abstract:* Over the past fifteen years, passive investing has seen 1.5 trillion dollars of fund inflows while active investing has seen 500 billion of outflows. These numbers are in line with the tenets of passive investing, which assert it is close to impossible to consistently outperform the market. We therefore ask in this paper whether there are truly no viable alternatives to indexing and passive investing. We devise a simple actively-managed strategy based on a new version of the minimum variance portfolio that outperforms comparable stock indices around the world with on average 20.2% higher raw returns, 46.7% higher risk-adjusted returns, and 28.4% smaller drawdowns. Furthermore, it exhibits 32.4% lower portfolio turnover than the 1/N strategy of DeMiguel et al. (2009) around the world. Not only does this actively-managed portfolio have higher returns at lower risk, it also displays higher returns at higher skewness levels (i.e. lower downside risk). Our evidence thus suggests that the principles of passive investing should be questioned and that more effort in the actively-managed fund industry should be devoted to the exploration and application of similar strategies to overcome the industry's decades-long underperformance.

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