Real and Financial Innovation
Unconventional monetary policy may have unintended side effects. We use multiple methods and granular micro-level data on unconventional monetary policy, firm-level productivity, and plant-level exits to shed light on the effects of asset purchase programmes on (the lack) of Schumpeterian destruction.

Do Asset Purchase Programmes Prevent Plant Exits?

Figure 1
Data sources

Figure 2
Identification

Source: IWH illustration.

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Research Question
We analyse the impact of the first large scale asset purchase programme (SMP), which the ECB introduced in 2010, on German plants that have a link to affected banks.

Do unproductive plants that are linked to weak banks affected by the programme show lower probability of exit?

Data and Empirical Approach
Micro-level data for German plants combined with data on security holdings by German regional banks and information on whether these securities were purchased by the ECB during the SMP.

Two econometric approaches to test for reduced Schumpeterian attrition:

- Duration analysis: compare and (Log rank) test if the survivor functions of treatment and control group differ after the start of the SMP.
- D-in-d analysis: control for industry, region, and firm-specific demand and unobservable effects with a linear probability model.

Results
- Mortality rates are lower for plants that exhibit low labour productivity in 2007 and are connected to treated weak banks.
- The results hold for various measures of productivity, such as turnover per employee, earnings, or risk adjusted return on assets.
- Affected weak plants connected to weak banks grow in size, which is also correlated with increased spending on wages.

Further Findings/Impact
- Multi-plant result corroborate that weak firms tied to weak banks obstruct the exit
- Banks exposed to larger volumes of the SMP shock subdue plant exits even more
- Upcoming presentation: 7th FINEST conference at University of Rome III