

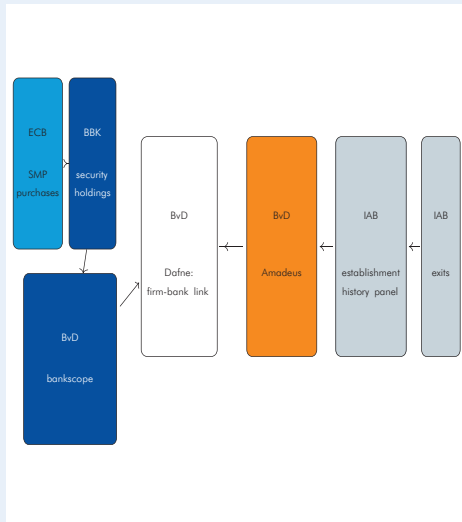
### Real and Financial Innovation

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**

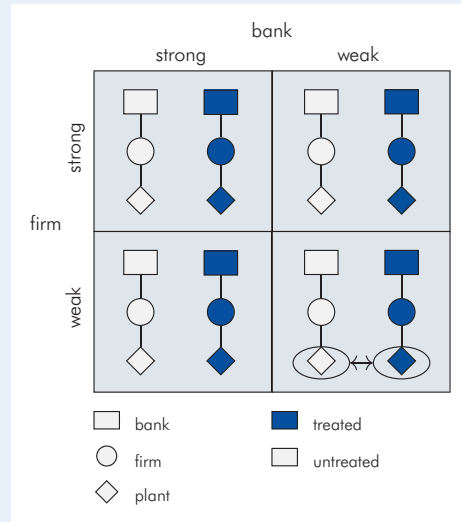
Data sources



Source: IWH illustration.

**Figure 2**

Identification



Source: IWH illustration.

### Team



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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-i-d analysis: control for industry, region, and firm-specific demand and unobservable effects with a linear probability model.

- Conduct a propensity score matching approach on bank, firm and plant level characteristics to ensure comparability across treatment and control group.

### 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 results 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