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TOPIC NR1: CEO Pay Incentives and Appetite for Corporate Risk

Advisor: Larissa Ginzinger

After the failures of Silicon Valley Bank, FTX, and Wirecard, the public debate on executive accountability has intensified. Critics argue that flawed CEO incentive structures may encourage excessive risk-taking, prioritizing short-term gains over long-term stability. A central question is whether the way top executives are paid directly shapes their willingness to engage in risky corporate policies.

Coles, Daniel, and Naveen (2006) provide empirical evidence of a strong causal relation between the structure of CEO compensation and corporate policy choices. In particular, they show that higher sensitivity of CEO wealth to stock volatility (vega) leads to riskier corporate policies: more investment in R&D, less investment in property, plant, and equipment, increased corporate focus, and higher leverage. This evidence supports the view that volatility-based pay incentives encourage managers to invest in riskier assets and adopt more aggressive financial policies.

Requirements:

The goal of this thesis is twofold. First, the student is expected to replicate the main findings of Coles, Daniel, and Naveen (2006). How does vega (as well as delta) influence firms' investment composition (R&D vs. capital expenditures), leverage, diversification, and risk? How does the feedback from these policy choices affect the structure of CEO incentives?

Second, the student should extend the analyses by (i) expanding the sample to include more recent years and (ii) examining whether vega/delta incentives are associated with ESG scores or climate-related risk metrics. This analysis may help assess whether ESG-oriented firms design incentives differently and whether risk-taking incentives are compatible with sustainability goals.

Executive compensation data are available from CRSP ExecuComp. Firm-level accounting data are available from CRSP/Compustat, while stock return data can be obtained from CRSP. These databases are freely accessible to affiliates of the University of Mannheim. ESG data can be sourced from LSEG Datastream (freely accessible via the UB Mannheim) or MSCI (can be provided by the supervisor). We recommend that the candidate has at least basic knowledge of a statistical software program (e.g., Stata, R, or Python) and econometrics.

Introductory Literature:

- Bolton, P., Mehran, H., & Shapiro, J. (2015). Executive compensation and risk taking. *Review of Finance*, 19(6), 2139-2181.
- Chesney, M., Stromberg, J., Wagner, A. F., & Wolff, V. (2020). Managerial incentives to take asset risk. *Journal of Corporate Finance*, 65, 101758.
- Coles, J. L., Daniel, N. D., & Naveen, L. (2006). Managerial incentives and risk-taking. *Journal of Financial Economics*, 79(2), 431-468.
- Core, J. E., Holthausen, R. W., & Larcker, D. F. (1999). Corporate governance, chief executive officer compensation, and firm performance. *Journal of Financial Economics*, 51(3), 371-406.
- Edmans, A., Gabaix, X., & Jenter, D. (2017). Executive compensation: A survey of theory and evidence. *The Handbook of the Economics of Corporate Governance*, 1, 383-539.
- Edmans, A., Gosling, T., & Jenter, D. (2023). CEO compensation: Evidence from the field. *Journal of Financial Economics*, 150(3), 103718.

TOPIC NR2: Sustainability Reporting and ESG Ratings: Evidence from a Corporate Governance Reform

Advisor: Larissa Ginzinger

Sustainability has become a central theme in corporate governance regulation. In 2022, the German Corporate Governance Code (DCGK) was reformed to strengthen the role of ESG considerations in board oversight, risk management, and disclosure. Reforms of this kind raise a fundamental question: do regulatory interventions targeting disclosure and oversight practices translate into observable changes in firm behavior, and are these changes reflected in how external stakeholders assess firms? ESG rating agencies are among the most influential stakeholders, yet prior literature documents that their assessments of the same firm frequently diverge substantially (Berg, Kölbel, & Rigobon, 2022; Christensen, Serafeim, & Sikochi, 2022). A growing literature examines the real effects of disclosure-oriented governance reforms, such as Fiechter, Hitz, and Lehmann (2022) on the EU's Non-Financial Reporting Directive and Krueger, Sautner, Tang, and Zhong (2024) on mandatory ESG disclosure regimes. Building on this literature, this thesis uses the 2022 DCGK reform as a setting to study whether a governance reform targeting ESG oversight and disclosure affects firm-level reporting behavior and the ratings assigned by external providers.

Requirements:

The goal of this thesis is twofold. First, in the spirit of Fiechter et al. (2022) and Krueger et al. (2024), the student should examine three related aspects of the 2022 DCGK reform in the context of German listed firms (DAX, MDAX and SDAX): (i) whether the reform is associated with changes in ESG ratings, (ii) whether the reform is associated with changes in firms' sustainability reporting/disclosure behavior itself, independent of how this is rated, and (iii) whether reporting/disclosure behavior is systematically associated with ratings firms receive. Second, the student should extend the analysis to incorporate ESG rating disagreement. Since ratings from different providers diverge substantially (Berg, Kölbel, & Rigobon, 2022), the empirical analysis should draw on data from three major rating providers: MSCI, Sustainalytics, and LSEG. Beyond analyzing (i)–(iii) separately for each provider, the student is encouraged to investigate ESG Ratings Disagreement for the sample of German listed firms and whether the reform itself is associated with a change in the degree of disagreement between providers' assessments of the same firms.

The empirical analysis requires hand-collecting disclosure information from firms' Declarations of Conformity and annual reports surrounding the 2022 reform. MSCI ESG Ratings and Sustainalytics ESG Risk Ratings will be made available by the supervisor; LSEG ESG Scores and financial variables are freely accessible to University of Mannheim affiliates. German language skills or willingness to use AI-based translation tools are required. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g., Stata, R, or Python) and econometrics.

Introductory Literature:

- Berg, F., Kölbel, J. F., & Rigobon, R. (2022). Aggregate confusion: The divergence of ESG ratings. *Review of Finance*, 26(6), 1315–1344.
- Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory ESG disclosure and its consequences. *Review of Accounting Studies*, 26, 1176–1248.
- Christensen, D. M., Serafeim, G., & Sikochi, A. (2022). Why is corporate virtue in the eye of the beholder? The case of ESG ratings. *The Accounting Review*, 97(1), 147–175.
- Fiechter, P., Hitz, J.-M., & Lehmann, N. (2022). Real effects of a widespread CSR reporting mandate: Evidence from the European Union's CSR Directive. *Journal of Accounting Research*, 60(4), 1499–1549.
- Krueger, P., Sautner, Z., Tang, D. Y., & Zhong, R. (2024). The effects of mandatory ESG disclosure around the world. *Journal of Accounting Research*, 62(5), 1795–1847.

TOPIC NR3: ESG Investing and Stock Returns in Good and Bad Times

Advisor: Larissa Ginzinger

Whether socially responsible firms outperform their peers has long divided academics and practitioners alike. Some studies document superior returns for high-ESG firms (Kempf & Osthoff, 2007; Edmans, 2011), whereas Hong & Kacperczyk (2009) and Bolton & Kacperczyk (2021) find the opposite. Bansal, Wu, and Yaron (2022) offer a compelling explanation for this apparent inconsistency: rather than a stable relationship, the link between ESG ratings and stock returns may be time-varying, driven by how strongly investors' preference for sustainability shifts with the state of the economy. Using ESG ratings from MSCI KLD, firm announcements, and realized ESG incidents, they find that high-ESG stocks outperform low-ESG stocks during good economic times but underperform during bad times. They further show that negative ESG rating changes are associated with significantly lower cumulative abnormal returns, an effect that is more pronounced in good economic times.

Requirements:

The goal of this thesis is twofold. First, the student is expected to carefully replicate the main findings of Bansal, Wu, and Yaron (2022). Do high-ESG firms outperform low-ESG firms in good economic times and underperform in bad times? Are ESG rating downgrades penalized by the stock market, and does this effect depend on prevailing economic conditions? Second, the student should extend the results of Bansal, Wu, and Yaron (2022) by extending the sample period to examine whether the documented effects still hold in more recent years. Additionally, the student should incorporate alternative rating data, e.g., by examining whether the documented effects still hold with alternative rating data and/or examining whether ESG rating disagreement across providers moderates the relationship between ESG ratings, economic conditions, and stock returns.

Stock return data and firm-level accounting data are available from CRSP and Compustat, respectively, both accessible via WRDS to affiliates of the University of Mannheim. Fama/French factors and economic condition indicators are publicly available. MSCI ESG Ratings and Sustainalytics ESG Risk Ratings will be made available by the supervisor; LSEG ESG Scores are freely accessible to University of Mannheim affiliates. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g., Stata, R, or Python) and econometrics.

Introductory Literature:

- Bansal, R., Wu, D., & Yaron, A. (2022). Socially responsible investing in good and bad times. *The Review of Financial Studies*, 35(4), 2067–2099.
- Berg, F., Kölbel, J. F., & Rigobon, R. (2022). Aggregate confusion: The divergence of ESG ratings. *Review of Finance*, 26(6), 1315–1344.
- Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? *Journal of Financial Economics*, 142(2), 517–549.
- Gibson Brandon, R., Krueger, P., & Schmidt, P. S. (2021). ESG rating disagreement and stock returns. *Financial Analysts Journal*, 77(4), 104–127.
- Hong, H., & Kacperczyk, M. (2009). The price of sin: The effects of social norms on markets. *Journal of Financial Economics*, 93(1), 15–36.
- Kempf, A., & Osthoff, P. (2007). The effect of socially responsible investing on portfolio performance. *European Financial Management*, 13(5), 908–922.
- Pástor, L., Stambaugh, R. F., & Taylor, L. A. (2022). Dissecting green returns. *Journal of Financial Economics*, 146(2), 403–424.

TOPIC NR4: The Regional Economic Impact of Wildfires in the European Union

Advisor: Sehrish Usman

Climate change is increasing the frequency and intensity of extreme weather events, and wildfires are among the fastest-growing risks in this category. Europe is the fastest-warming continent, and 2024 was its warmest year on record, marked by widespread floods, storms, and heatwaves (IPCC, 2021; WMO & Copernicus, 2025). These climate extremes significantly affect regional economies by disrupting labor productivity, investment, and population dynamics (Usman et al., 2025). Wildfires specifically have been shown to generate measurable regional economic damage: Meier, Elliott & Strobl (2023) match Eurostat regional economic data with satellite-derived burned-area perimeters for EU regions in Portugal, Spain, Italy, and Greece (2011–2018), finding that wildfire exposure lowers annual regional GDP growth by 0.11–0.18 percentage points and produces heterogeneous employment effects such as declines in retail- and tourism-related sectors offset by gains elsewhere. However, their sample is restricted to four Southern European countries and to a relatively short (2011–2018) window, leaving open the question of how wildfire damage translates into labor market outcomes including employment, wages, and labor costs across the wider EU and in more recent years, when wildfire activity has become both more frequent and more geographically dispersed.

Requirements:

The goal of this thesis is to empirically reassess and extend the regional labor market impact of wildfires in the EU, using an updated and broader disaster dataset than the satellite burned-area data used in the original study. First, the student will conduct a literature review addressing: (1) how wildfires and other natural disasters affect regional labor markets including employment, wage growth, and labor costs through channels such as capital destruction, sectoral reallocation (tourism, agriculture, construction), and out-migration (2) what determines heterogeneity in these effects across regions (e.g., sectoral composition, insurance penetration, institutional quality). Second, the student will conduct an empirical analysis testing whether European regions affected by wildfires experience a change in labor market outcomes (employment growth, unemployment rate, nominal/real labor costs) relative to unaffected or neighboring regions. The student will use the EM-DAT international disaster database to identify and date wildfire events by country/region, and Eurostat regional (NUTS3) data for labor market variables (employment, unemployment, labor cost index, compensation of employees). Both datasets are freely and immediately accessible. The thesis requires the use of statistical software data and prior experience with panel data is helpful.

Introductory Literature:

- IPCC. (2021). Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the IPCC. Cambridge University Press. <https://doi.org/10.1017/9781009157896>
- WMO & Copernicus. (2025). European State of the Climate 2024. World Meteorological Organization and Copernicus Climate Change Service. <https://climate.copernicus.eu>
- Usman, S., González-Torres Fernández, G., & Parker, M. (2025). Going NUTS: The regional impact of extreme climate events over the medium term. *European Economic Review*, 178, 105081.
- Meier, S., Elliott, R. J. R., & Strobl, E. (2023). The regional economic impact of wildfires: Evidence from Southern Europe. *Journal of Environmental Economics and Management*, 118, 102787.

TOPIC NR5: Firm Financial Performance in Disaster-Prone Regions

Advisor: Sehrish Usman

The increasing frequency and severity of climate-related shocks is one of the most important economic challenges of our time, and recent research shows these shocks adversely affect firms' operations and financial performance (Kamal, Paul & Bansal, 2026). Because insurance markets for climate risk remain incomplete, and access to credit and relief is often geographically or institutionally uneven, firms located in disaster-exposed regions may experience persistent financial strain relative to firms elsewhere. Using granular flood-risk data matched to firm balance sheets, Fatica, Kátay & Rancan (2022) show that European manufacturing firms hit by floods see total assets fall by roughly 2% the year after the event and up to 5% seven years later, with comparable declines in sales and employment. Tarsia (2024) extends this to temperature shocks more broadly, finding that the impact on firm performance is highly heterogeneous where smaller and less productive firms are hit hardest, while larger, high-productivity firms are largely shielded. Much of this literature, however, relies on proprietary hazard-mapping or loan-level data (e.g., Kamal, Paul & Bansal, 2026, who study firms' banking relationships using non-public data).

Requirements:

The goal of this thesis is to empirically assess whether firms located in climate-disaster-prone European regions exhibit systematically different financial performance than firms in non-affected regions. First, the student will conduct a literature review addressing: (1) the channels through which climate shocks affect firm-level financial performance (2) what is known about heterogeneity in these effects across firm size, sector, and financial health. Second, the student will conduct an empirical analysis comparing the financial performance (e.g., profitability, sales growth, leverage, total assets) of firms located in disaster-prone to firms in non-affected (e.g., neighboring) regions, using a difference-in-differences or panel local-projection design around the timing of disaster events. The student will identify disaster events and their regional/temporal location using the EM-DAT international disaster database and will obtain firm-level financial statement data from Orbis (accessible via the University library). The student should plan early for the geocoding step, matching EM-DAT country/subnational disaster records to firms' regional location in Orbis. The thesis requires the use of statistical software, substantial data cleaning and merging across sources, and panel econometric methods. Prior experience with firm-level or panel data is helpful.

Introductory Literature:

- Kamal, H., Paul, S., & Bansal, A. (2026). Does an exclusive relationship with government banks matter during climate shock? *Review of Finance*, 30(3), 949–994. <https://doi.org/10.1093/rof/rfaf073>
- Fatica, S., Kátay, G., & Rancan, M. (2022). Floods and firms: Vulnerabilities and resilience to natural disasters in Europe. JRC Working Papers in Economics and Finance, No. 2022/13, European Commission Joint Research Centre.
- Tarsia, R. (2024). Heterogeneous effects of weather shocks on firm economic performance. Grantham Research Institute on Climate Change and the Environment Working Paper 414, London School of Economics and Political Science.
- WMO & Copernicus. (2025). European State of the Climate 2024. World Meteorological Organization and Copernicus Climate Change Service. <https://climate.copernicus.eu>

TOPIC NR6: Geographical Concentration and Agglomeration Patterns of FinTech Companies

Advisor: Sehrish Usman

Fintech (technology-enabled innovation in financial services) has grown rapidly across the EU since the mid-2010s, and this growth has been spatially uneven: Fintechs tend to cluster in and around established financial centers, with over half of EU Fintechs located in a top-50 global financial center (ECB, 2024). Existing research offers two, largely separate, explanations for this pattern. One strand emphasizes proximity to financial centers and the resulting easier access to equity finance (ECB, 2024) and self-reinforcing cluster dynamics, where larger Fintech clusters and the presence of incubators attract further entry (Gazel & Schwienbacher, 2021). A second, more general strand of the regional economics literature decomposes industry clustering into distinct underlying forces for instance, Ellison, Glaeser & Kerr (2010) show that co-location patterns across industries can be attributed to specific Marshallian channels (labor pooling, input-sharing, knowledge spillovers), and Kalathil, Lanahan, Feldman & Fuchs (2025) formalize this further by decomposing regional agglomeration into a horizontal component (co-location with peer/competitor firms) and a vertical component (co-location with upstream supplier industries). To date, this horizontal/vertical decomposition has not been applied to FinTech, even though the sector plausibly experiences both forces simultaneously: horizontal clustering among competing Fintechs (talent pooling, knowledge spillovers) and vertical clustering near the traditional financial institutions Fintechs partner with, supply, or emerge from.

Requirements:

There are two goals of this thesis. First, the student will conduct a literature review addressing: (1) the theoretical and empirical drivers of Fintech geographic clustering, distinguishing agglomeration-economy channels (labor pooling, access to finance, knowledge spillovers, supplier linkages) (2) how regional clustering has been measured in the prior Fintech and broader industrial-agglomeration literature. The student will then construct a firm-level dataset of German Fintech companies using Orbis and measure spatial concentration using location and/or a Herfindahl-Hirschman index across Kreise, benchmarked against distance to Germany's financial centres (Frankfurt, Berlin, Munich). The dataset for fintech firms will be provided. Second, building on Kalathil et al. (2025), the student will decompose Fintech agglomeration into: (a) a horizontal component, measuring co-location of Fintech firms with each other and with peer/competitor industries and (b) a vertical component, measuring co-location of FinTech firms with upstream supplier industries (traditional banking, IT/software services, professional services), using linkage weights derived from Germany's national input-output tables. This tests whether FinTech clustering near financial centres is better explained by proximity to competitors/peers or by proximity to the traditional financial-sector supply chain.

Introductory Literature:

- European Central Bank. (2024). Rapid growth and strategic location: Analysing the rise of FinTechs in the EU. Financial Integration and Structure in the Euro Area 2024. https://www.ecb.europa.eu/press/fie/box/html/ecb.fiebox202406_08.en.html
- Gazel, M., & Schwienbacher, A. (2021). Entrepreneurial fintech clusters. *Small Business Economics*, 57, 883–903. <https://doi.org/10.1007/s11187-020-00331-1>
- Laidroo, L., & Avarmaa, M. (2020). The role of location in FinTech formation. *Entrepreneurship & Regional Development*, 32(7–8), 555–572. <https://doi.org/10.1080/08985626.2019.1675777>
- Ellison, G., Glaeser, E. L., & Kerr, W. R. (2010). What causes industry agglomeration? Evidence from coagglomeration patterns. *American Economic Review*, 100(3), 1195–1213.

- Kalathil, N., Lanahan, L., Feldman, M., & Fuchs, E. R. H. (2025). Varieties of agglomeration: Disentangling horizontal and vertical agglomeration within the manufacturing sector in the United States. *Research Policy*, 54(7), 105272. <https://doi.org/10.1016/j.respol.2025.105206>

TOPIC NR7: Momentum Has Its Moments

Advisor: Lukas Mertes

Momentum – the tendency of past winners to outperform past losers – is one of the most persistent and widely documented anomalies in asset pricing (Jegadeesh and Titman, 1993). However, it is prone to rare but severe crashes that typically occur when the market rebounds sharply after a downturn. In these instances, prior losers sharply outperform prior winners, bearing a significant risk to a momentum strategy (Daniel and Moskowitz, 2015).

Barroso and Santa-Clara (2015) show that, unlike momentum's expected return, its risk is highly predictable using the strategy's own recent realized variance. By scaling the momentum position by the inverse of its forecasted variance crash risk is reduced and the corresponding Sharpe ratio nearly doubled, without relying on any market-timing information.

The COVID-19 market crash and its subsequent rebound in 2020 as well as the 2022 rate-hiking cycle produced sharp reversals in prior winners and losers. This raises the question of whether the volatility-managed momentum strategy still delivers its documented benefits in this more recent, more volatile, and more heavily arbitrated period, and whether the approach generalizes beyond the U.S. equity market.

Requirements:

The goal of this thesis is to empirically test the risk-managed momentum strategy proposed by Barroso and Santa-Clara (2015). First, the student is expected to broadly replicate the main results (Tables 1 to 3) of Barroso and Santa-Clara (2015). Second, the student is expected to extend the sample through the most recent data, explicitly examining the 2020 and 2022 episodes as out-of-sample tests of the risk-management approach. Finally, the student is expected to assess the generality of the mechanism by extending the analysis to German equity markets.

The empirical work requires individual stock return data and factor portfolios. U.S. stock return data is available from CRSP (via WRDS). The momentum and other factor portfolios can be obtained from Kenneth French's data library. German equity data can be obtained via Datastream. Empirical work on this topic requires the use of statistical software (e.g. Stata or Python) manipulation of data, and the application of econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Barroso, P. & Santa-Clara, P. (2015). Momentum Has Its Moments. *Journal of Financial Economics*, 116(1), 111-120.
- Daniel, K. & Moskowitz, T. J. (2016). Momentum Crashes. *Journal of Financial Economics*, 122(2), 221-247.
- Grundy, B. D. & Martin, J. S. (2001). Understanding the Nature of the Risks and the Source of the Rewards to Momentum Investing. *Review of Financial Studies*, 14(1), 29-78.
- Jegadeesh, N. & Titman, S. (1993). Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency. *Journal of Finance*, 48(1), 65-91.

TOPIC NR8: Mental Models of Risk

Advisor: Lukas Mertes

Standard asset pricing theory claims that riskier assets must offer higher expected returns to compensate investors for bearing risk. However, a growing literature on subjective mental models suggests that laypeople and even professional investors do not reason about stock returns the way economists do. Andre, Schirmer, and Wohlfart (2026) survey the general population, retail investors, financial professionals, and academic experts and find that most non-experts engage in "expected earnings reasoning". They directly equate higher expected future earnings with higher expected returns, thereby ignoring the offsetting role of current prices and representing a mental model that is fundamentally at odds with market efficiency.

This raises a natural follow-up question: if investors misjudge how earnings news maps into returns, do they also misjudge how firm risk maps into returns? A large body of work on retail investors' risk perceptions (e.g., Weber, Weber and Nosić, 2013) suggests that risk and expected return are often perceived as negatively, rather than positively, related in people's minds. Riskier firms are seen as "bad" firms with worse prospects rather than as firms requiring additional compensation.

Requirements:

The goal of this thesis is to experimentally examine mental models of the stock market, with a focus on risk. First, the student is expected to broadly replicate the core design and main results (Figure 1 and 3) of Andre et al. (2026) using a convenience sample of colleagues, friends, and family. Second, the student is expected to extend the design by additionally manipulating the riskiness of the company described in the scenario (e.g., varying the volatility, leverage, or business risk of the firm) while holding expected earnings news constant. The central questions are whether subjects' return expectations respond to risk at all, and, if so, whether they respond in the theoretically expected direction (higher risk associated with higher expected return) or instead treat risk as a negative signal about firm quality, consistent with a risk-return misperception.

The implementation of the experiment requires the use of appropriate software and programming languages (e.g. oTree (Python-based), SoSciSurvey (PHP-based)), which are freely available and well-documented. The analysis requires the use of statistical software (e.g. Stata) and the application of basic econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Andre, P., Schirmer, P. & Wohlfart, J. (2026). Mental Models of the Stock Market. Quarterly Journal of Economics (forthcoming).
- Giglio, S., Maggiori, M., Stroebe, J. & Utkus, S. (2021). Five Facts About Beliefs and Portfolios. American Economic Review, 111(5), 1481-1522.
- Weber, M., Weber, E. U. & Nosić, A. (2013). Who Takes Risks When and Why: Determinants of Changes in Investor Risk Taking. Review of Finance, 17(3), 847-883.

TOPIC NR9: Public Disclosure and the Escalation of Commitment

Advisor: Lukas Mertes

Fund managers often justify their investment decisions to investors in shareholder letters, explaining not only what they bought but also why they bought it. Empirical evidence by Alexander Hillert and myself shows that this communication choice has real consequences. Fund managers who publicly mention and explain a stock purchase in a shareholder letter are subsequently less likely to sell that stock compared to fund managers who bought the same stock but did not disclose the purchase. This is consistent with a large psychological literature on commitment and consistency (Gawronski and Brannon, 2019). Once people publicly commit to a decision and articulate reasons for it, they become more motivated to defend it and more reluctant to revising it in light of disconfirming information (Cialdini, 1984; Staw, 1976). Hillert, Niessen-Ruenzi, and Ruenzi (2025) show that shareholder letters are far from cheap talk and are associated with subsequent flows and performance, hence raising managers' incentives to remain consistent with their earlier communication.

However, the empirical evidence is only correlational. Managers might selectively write about their highest-conviction purchases, which they would hold longer regardless of disclosure. Isolating the causal effect of public disclosure on subsequent behavior therefore requires an experiment.

Requirements:

The goal of this master thesis is to experimentally examine how public disclosure of a stock purchase and the underlying rationale affects subsequent learning (i.e., belief updating) and behavior (i.e., trading decisions). The student is expected to design and implement an experiment (building on the empirical evidence and related experimental work, e.g., by Kuhnen (2015)), as well as to conduct the experiment using a convenience sample of colleagues, friends, and family.

The implementation of the experiment requires the use of appropriate software and programming languages (e.g. oTree (Python-based), SoSciSurvey (PHP-based)), which are freely available and well-documented. The analysis requires the use of statistical software (e.g. Stata) and the application of basic econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Cialdini, R. B. (1984). *Influence: The Psychology of Persuasion*. New York: William Morrow.
- Gawronski, B. & Brannon, S. (2019). What is Cognitive Consistency and Why Does It Matter? In E. Harmon-Jones (Ed.): *Cognitive Dissonance: Reexamining a pivotal theory in psychology*, 2nd edition, 91-116.
- Hillert, A., Niessen-Ruenzi, A. & Ruenzi, S. (2025). Mutual Fund Shareholder Letters: Flows, Performance, and Managerial Behavior. *Management Science*, 71(5), 3641-4531.
- Kuhnen, C. (2015). Asymmetric Learning from Financial Information. *Journal of Finance*, 70(5), 2029-2062.