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DISCUSSION OF *DISCRIMINATION, MANAGERS, AND FIRM PERFORMANCE: EVIDENCE FROM "ARYANIZATIONS" IN NAZI GERMANY*

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"Aryanization" of Jewish-owned businesses

"Aryanization" of Jewish-owned businesses: a formerly Jewish-owned store (Gummi Weil) that was expropriated and transferred to non-Jewish ownership (Stamm and Bassermann). Frankfurt, Germany, 1938.

Bildarchiv Preussischer Kulturbesitz

- Summary
- Main comments:
  - Managers: some were pushed out, other migrated abroad
  - Firm performance: effect beyond the average & spillover effects
  - Discrimination: predictions for inflows

❑ What the paper does:

It shows how the removal of senior managers with Jewish ancestry, caused by the rise of antisemitism in Nazi Germany, affected large corporations:

- large and persistent reductions in stock prices, dividends, and returns on assets, relative to unaffected firms after 1933
- managers who served as key connectors to other firms and managers who were highly educated were particularly important
- the estimated effect of losing Jewish managers remains large and significant in a sample of firms favored by the Nazi government
- a back-of-the-envelope calculation suggests that the aggregate market valuation of firms listed fell by 1.8 percent of German GNP

❑ Things to like about the paper:

1. The collected data:

- names & characteristics of individuals holding senior management positions in 655 German firms listed on the Berlin Stock Exchange
- the authors consult various sources to identify which managers were of Jewish origin and which firms were perceived as "Jewish"
- they also digitize daily stock prices from historic publication series by the Berlin Stock Exchange, dividends and returns on assets (subsample)

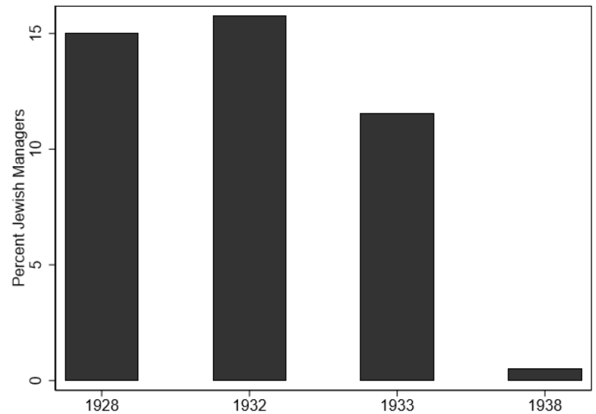
2. The quasi-experimental approach to estimate firm-level effects:

- firm-level variation in the fraction of Jewish managers in 1932

3. Taste-based discrimination can cause firms to underperform.

- "Jewish managers": only 0.8% of the German population were Jews in 1932, but they held 16% of senior management positions in listed firms.

Figure 1: PERCENTAGE OF JEWISH MANAGERS OVER TIME



Notes: The figure reports the percentage of senior management positions that were held by Jewish managers in the 655 firms that were listed on the Berlin Stock Exchange in 1932.

  - They worked in all types of firms, also not associated with Judaism
  - They were more experienced, educated, and connected
- Some were pushed out because non-Jews saw the political situation as an opportunity to further their own careers, others migrated abroad

- Identifying assumption: "firms with a higher fraction of Jewish managers would have evolved in parallel to other firms had the Jewish managers not been dismissed" (still in a setup with pervasive discrimination)
- The average effect on stock prices: effect beyond the average?
- The back-of-the-envelope calculation:
  - It assumes that removing Jewish managers had negligible spillover effects on firms that had not employed any Jewish managers in 1932 (but the best to replace them?)
  - It is a lower bound since Jews were also removed from lower-level positions, firms not listed in Berlin, positions in universities, law courts, hospitals, and cultural institutions

- Taste-based discrimination can cause firms to underperform:
  - The causal interpretation of the results combined with Becker's (1957) theory suggest that the underlying theoretical mechanisms may apply more generally: outflows of talented managers could have large economic consequences.
  - Prediction for inflows? (e.g. positive discrimination such as quotas)

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THANKS FOR THE OPPORTUNITY TO DISCUSS THIS PAPER