



CERF Cavalcade

15th May 2024, 2.30 pm, in-person Room W201, CJBS

14.30-14.40	Welcome and Introduction - Bart Lambrecht, CERF Director
14.40-14.55	<i>The Network Effects of Deforestation in Brazil</i> <i>Kilian Kamkar, CERF Scholar, Faculty of Economics</i> In this research, I aim to estimate Brazil's aggregate macroeconomic consequence of agricultural deforestation in the Amazon. By leveraging data on firm-level transactions from the Brazilian Central Bank, I intend to trace the impact of deforestation through all supplier-customer relations between the agricultural sector in the Amazon and the rest of the economy. This is to investigate whether or not deforestation (or conservation) in the Amazon contributes to Brazil's economic development.
14.55-15.10	Production Based Asset Pricing Without Investment Returns <i>Kevin Schneider, CERF Research Associate, CJBS</i> We develop a general equilibrium model with external habit utility and capital adjustment costs and show that the consumption surplus predicts stock returns to the same extent as the investment to capital ratio predicts investment returns. If investment returns equal stock returns it is necessary that the investment to capital ratio predicts stock returns in the same way as the consumption surplus. Using this testable insight, we find strong empirical support for the implications of the production based model without encountering the difficulties of calculating investment returns.
15.10-15.25	The Human Capital Reallocation of M&As: Inventor-level Evidence <i>Lucy Wang, CERF research Associate, CJBS</i> Mergers and acquisitions (M&As) of innovative firms lead to a significant restructuring of the inventor labor force driven by abnormally high turnover for target firm inventors. Following the merger, inventors in the combined entity (primarily inventors from acquiring-firms and newly-hired inventors) file more citation-weighted patents. Departing inventors also increase patenting productivity significantly. Employer-employee skillset match play a crucial role in restructuring the inventors. Overall, these findings suggest that mergers reduce labor market frictions for inventors both within and beyond merging firms, reallocating these inventors to better valued uses.
15.25-15.40	<i>What can we Learn from the UK and Dutch Experiences of SPACs?</i> <i>Bobby Reddy, CERF Fellow, Faculty of Law</i> The Special Purpose Acquisition Company (SPAC) is a cash-shell listed with the sole purpose of acquiring an operating business. Although SPACs, in a high interest rate environment, may have recently fallen out-of-favor, it was not long ago when they dominated the US markets. SPACs did not, though, come without controversy. Arguably the incentives ingrained in typical SPACs make them poor investments for long-term shareholders, while lucrative for their sponsors and shareholders seeking to exit prior to an acquisition. Europe was not immune to the SPAC craze, but London and Amsterdam took differing approaches. While London SPACs (to avoid a trading suspension upon announcement of an acquisition) must adopt specific terms, Amsterdam gives market participants broad scope to implement any SPAC terms that they see fit. We find that many of the terms mandated by London's regulatory rules are also found in Amsterdam-listed SPACs. However, many of those London- and Amsterdam-listed SPACs also display many of the qualities seen in the US which have caused so much consternation. Even though London and Amsterdam took different paths, they both seem to have led to the same destination. Policymakers should take notice when developing SPAC regulations.

<p>15.40- 15.55</p>	<p><i>The Legal Framework for Venture Capital in Ukraine</i> <i>Simon Deakin, CERF Grant Holder, Director Centre for Business Research</i> With reference to the role venture capital (VC) can play in Ukraine’s post-war reconstruction, we explore how far Ukraine’s legal framework supports VC funds and start ups. We use a multi-methods approach, combining a quantitative (‘leximetric’) review of the operation of legal norms, with qualitative evidence based on interviews with industry participants. In the leximetric part of our study, we observe a recent strengthening of formal legal protection for shareholders and creditors, of the kind which is consistent with VC, and brings Ukrainian law into line with the norms for other developed countries. Our interviews suggest that Ukraine-based funds and start ups are able to use overseas legal systems (mainly Delaware law and English law) to structure entities and transactions, and that this can be important for maintaining investor confidence. Reliance on foreign law may not, however, be a long-term solution if the aim is to build an indigenous VC ecosystem. The example of other countries in East Central Europe, including Estonia and Romania, suggests that civil law legal origin need not be an obstacle to the use of domestic laws to support VC. Our interviews also stress the importance of reducing corruption and building trust in public institutions as elements in Ukraine’s sustainable development.</p>
<p>15.55- 16.10</p>	<p><i>The Labor Market Effects of Marijuana Legalization on Firms' Cost of Equity</i> <i>Scott Guernsey, CERF Alumni, University of Tennessee</i> We investigate the impact of medical marijuana legalization (MML) on firms' cost of equity (COE). Exploiting the staggered implementation of MML across U.S. states and accounting for potential biases in difference-in-differences estimators with two-way fixed effects, we find that firms experience a significant decline in their COE following MML. Drawing from theoretical models linking asset prices to labor market frictions, we hypothesize that this effect is driven by MML easing labor search frictions and increasing worker supply. Corroborating the theory's predictions, the impact of MML is stronger for firms with greater growth potential and those that employ more skilled workers. Providing more direct evidence of this channel, we document an increase in the migration rates of inventors and highly skilled and educated workers to states post-legalization, which is also associated with improved innovation productivity. Increased home prices and homeownership rates after MML are further consistent with an increase in labor supply demanding more local housing.</p>
<p>16.10- 16.25</p>	<p>Questions and Closing of the Cavalcade</p>