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An Economic Geography of Global Finance: Ownership Concentration and Stock-Price Volatility in German Firms and Regions

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capital accumulation. More systematically, we report the results of statistical analyses of the volatility of daily stock-market prices for German DAX30 and DAX100 firms, arguing that their apparent characteristics have important lessons for the value and significance of bottom-up portfolio investment strategies. These results, combined with case studies of the two German firms, are used to suggest that the geography of finance remains a vital component of global investment strategies, an argument that has important implications for academic analysis inside and outside of geography.

Key Words:

- corporate governance
- Europe
- flows of information
- global finance

Notes

Source: Authors' calculations based on data from Centaurus Capital, London.

Note: Minimum, maximum, mean, and standard deviation expressed in basis points.

Source: Authors' calculations based on data from BaWe (Frankfurt), Centaurus Capital (London), and Höpner (2001).

Note: Sig

Source: Centaurus Capital (London)

Source: BaWe (London)



^aFor

1. See, for example, [\[reference\]](#) and [\[reference\]](#) on the geography of finance.

2. See, for example, [\[reference\]](#) on the role of electronic trading on the rise of global financial crisis. [\[reference\]](#) and [\[reference\]](#) (2001). [\[reference\]](#) is relevant to

3. See, for example, recent work on the implications of the harmonization of international accounting standards for the continuity of nation-state institutions and their matching social and economic relationships (e.g., [Clark, Mansfield, and Tickell 2002](#)).
4. "Abnormal return" is defined as the difference between the actual return on a security and the return implied by the level of market return (in this case, the return on the whole Swiss stock market) and the security's sensitivity to market return. For details see, for example, [Bodie, Kane, and Marcus \(2002\)](#).
5. Open-end mutual funds continually issue new shares as people invest their money. They also buy back these shares when investors wish to sell. This is in contrast to closed-end funds, which raise their initial capital by selling a fixed number of shares in a process similar to selling a new stock issue. After this initial offering, the fund is closed—hence its name.
6. The Amtlicher Handel is one of the four segments of the German stock market, along with the Geregelter Markt (regulated market), the Freiverkehr (over-the-counter market) and the Neuer Markt (new market, opened in 1997 and meant for young growth firms). Companies listed on the Amtlicher Handel have to comply with stricter disclosure requirements compared to the Geregelter Markt and the Freiverkehr. The shares are traded not only on the Frankfurt Stock Exchange, but also on the seven regional exchanges: Stuttgart, Düsseldorf, Frankfurt, Hamburg, Leipzig, Linz, and Vienna. The trading volume is significantly higher than in the other segments.
7. Rodríguez Domínguez, García-Sánchez, and López de Uralde (2006) find that the incidence of mergers and acquisitions is higher in the North (Germany, France, Italy, the Netherlands, and the UK) than in the South (Spain, Greece, and Portugal). This is due to the higher level of financial development and the higher level of corporate governance in the North.
8. For the incidence of mergers and acquisitions in the North, see [Berrone, Foscht, and Schmidt \(2008\)](#).
9. An illustration of the impact of the harmonization of international accounting standards on their total capitalization is provided in [Berrone, Foscht, and Schmidt \(2008\)](#).



10. Interestingly, in his study of forty top German firms, [Höpner \(2001\)](#), found a positive relationship between a company's exposure to international product market competition and shareholder value orientation.

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