

JFQA

JOURNAL OF

FINANCIAL AND QUANTITATIVE ANALYSIS

Winners of the 2021 Sharpe Award

Why Do Mutual Funds Hold Lottery Stocks?

Vikas Agarwal, Lei Jiang, and Quan Wen

The Fragility of Organization Capital

Oliver Boguth, David Newton, and Mikhail Simutin

Does Government Spending Crowd Out R&D Investment?

Evidence from Government-Dependent Firms and Their Peers

Phong T. H. Ngo and Jared Stanfield

Short-Selling Equity Exchange Traded Funds and Its Effect on Stock Market Liquidity

Egle Karmaziene and Valeri Sokolovski

Ex Post Bargaining, Corporate Cash Holdings, and Executive Compensation

Yingmei Cheng, Jarrad Harford, Irena Hutton, and Stephan Shippe

From Playground to Boardroom: Endowed Social Status and Managerial Performance

Fangfang Du

An American Call Is Worth More Than a European Call: The Value of American Exercise When the Market Is Not Perfectly Liquid

Stephen Figlewski

Counterparty Risk in Over-the-Counter Markets

Christoph Frei, Agostino Capponi, and Celso Brunetti

Naïve Style-Level Feedback Trading in Passive Funds

Markus S. Broman

Systemic Banking Crises, Institutional Environment, and Corporate Leverage

Özde Öztekin

Systemic Risk and Collateral Adequacy: Evidence from the Futures Market

Radoslav Raykov

Do Funding Conditions Explain the Relation Between Cash Holdings and Stock Returns?

Tyler K. Jensen

Foreign-Born Resident Networks and Stock Comovement: When Local Bias Meets Home (Country) Bias

Yun Meng and Christos Pantzalis

Editors

Hendrik Bessembinder

Jennifer Conrad

Ran Duchin

Mara Faccio

Thierry Foucault

Jarrad Harford

Paul Malatesta

Published by Cambridge University Press for the University of Washington Michael G. Foster School of Business in cooperation with the Arizona State University W.P. Carey School of Business, Boston College Carroll School of Management, HEC Paris, the Purdue University Krannert School of Management, and the University of North Carolina Kenan-Flagler Business School

VOL. 57, NO. 3

| May 2022



CAMBRIDGE
UNIVERSITY PRESS

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A PUBLICATION OF THE UNIVERSITY OF WASHINGTON MICHAEL G. FOSTER SCHOOL OF BUSINESS IN COOPERATION WITH THE ARIZONA STATE UNIVERSITY W. P. CAREY SCHOOL OF BUSINESS, BOSTON COLLEGE CARROLL SCHOOL OF MANAGEMENT, HEC PARIS, THE PURDUE UNIVERSITY KRANNERT SCHOOL OF MANAGEMENT, AND THE UNIVERSITY OF NORTH CAROLINA KENAN-FLAGLER BUSINESS SCHOOL.

VOL. 57, NO. 3, MAY 2022

Winners of the 2021 Sharpe Award

Why Do Mutual Funds Hold Lottery Stocks?	825
Vikas Agarwal, Lei Jiang, and Quan Wen	
The Fragility of Organization Capital	857
Oliver Boguth, David Newton, and Mikhail Simutin	
Does Government Spending Crowd Out R&D Investment? Evidence from Government-Dependent Firms and Their Peers	888
Phong T. H. Ngo and Jared Stanfield	
Short-Selling Equity Exchange Traded Funds and Its Effect on Stock Market Liquidity	923
Egle Karmaziene and Valeri Sokolovski	
Ex Post Bargaining, Corporate Cash Holdings, and Executive Compensation	957
Yingmei Cheng, Jarrad Harford, Irena Hutton, and Stephan Shipe	
From Playground to Boardroom: Endowed Social Status and Managerial Performance	988
Fangfang Du	
An American Call Is Worth More Than a European Call: The Value of American Exercise When the Market Is Not Perfectly Liquid	1023
Stephen Figlewski	
Counterparty Risk in Over-the-Counter Markets	1058
Christoph Frei, Agostino Capponi, and Celso Brunetti	
Naïve Style-Level Feedback Trading in Passive Funds	1083
Markus S. Broman	
Systemic Banking Crises, Institutional Environment, and Corporate Leverage	1115
Özde Öztekin	
Systemic Risk and Collateral Adequacy: Evidence from the Futures Market	1142
Radoslav Raykov	
Do Funding Conditions Explain the Relation Between Cash Holdings and Stock Returns?	1174
Tyler K. Jensen	
Foreign-Born Resident Networks and Stock Comovement: When Local Bias Meets Home (Country) Bias	1204
Yun Meng and Christos Pantzalis	

MANAGING EDITORS

Hendrik Bessembinder
Arizona State
University

Jennifer Conrad
University of
North Carolina

Ran Duchin
Boston College
Mara Faccio
Purdue University

Thierry Foucault
HEC Paris
Jarrad Harford
Paul Malatesta
University of Washington

ADVISORY EDITORS

Stephen Brown
New York University

Mark Grinblatt
University of California at Los Angeles

ASSOCIATE EDITORS

George Aragon
Arizona State University

Warren Bailey
Cornell University

Turan Bali
Georgetown University

Murillo Campello
Cornell University

Riccardo Colacito
University of North Carolina
at Chapel Hill

Jeffrey Coles
University of Utah

Zhi Da
University of Notre Dame

Vivian Fang
University of Minnesota

Todd Gormley
Washington University in
St. Louis

Allaudeen Hameed
National University of Singapore

Jie He
University of Georgia

Travis Johnson
University of Texas at Austin

Marcin Kacperczyk
Imperial College London

Jonathan Karpoff
University of Washington

Kai Li
University of British Columbia

Francis Longstaff
University of California at
Los Angeles

Nadya Malenko
University of Michigan

Ronald Masulis
University of New South Wales

John McConnell
Purdue University

Robert McDonald
Northwestern University

R. David McLean
Georgetown University

Darius Palia
Rutgers University

Neil Pearson
University of Illinois at
Urbana-Champaign

George Pennacchi
University of Illinois at
Urbana-Champaign

Jeffrey Pontiff
Boston College

David Reeb
National University of
Singapore

Matthew Ringgenberg
University of Utah

Bryan Routledge
Carnegie Mellon University

Paul Schultz
University of Notre Dame

Mikhail Simutin
University of Toronto

Chester Spatt
Carnegie Mellon University

Kumar Venkataraman
Southern Methodist
University

Yuhai Xuan
University of California at
Irvine

David Yermack
New York University

Scott Yonker
Cornell University

Lu Zhang
Ohio State University

Guofu Zhou
Washington University in
St. Louis

PRODUCTION EDITOR
Wendy Katz
University of Washington

BUSINESS MANAGER
Susan Huot
University of Washington

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), Michael G. Foster School of Business, University of Washington, 810C Condon Hall, UW Box 353200, Seattle, WA 98195-3200, is published 8 times a year in February, March, May, June, August, September, November, and December by Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006/Cambridge University Press, University Printing House, Shaftesbury Road, Cambridge CB2 8BS, UK for the University of Washington Michael G. Foster School of Business in cooperation with the Arizona State University W. P. Carey School of Business, Boston College Carroll School of Management, HEC Paris, the Purdue University Krannert School of Management, and the University of North Carolina Kenan-Flagler Business School. Periodicals Postage Paid at New York, NY and additional mailing offices. POSTMASTER: Send address changes to Journal of Financial and Quantitative Analysis, Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006, USA.

Copyright 2022, Michael G. Foster School of Business, University of Washington

PHONE: (206) 543-4598
 FAX: (206) 616-1894
 E-MAIL: jfqa@uw.edu
 URL: jfqa.org

University of Washington
 Michael G. Foster School of Business
 810C Condon Hall UW Box 353200
 Seattle, WA 98195-3200 USA

VOL. 57, NO. 3, MAY 2022

PURPOSE AND FOCUS

The Journal of Financial and Quantitative Analysis (JFQA) publishes theoretical and empirical research in financial economics. Topics include corporate finance, investments, capital and security markets, and quantitative methods of particular relevance to financial researchers. Opinions expressed in the JFQA are those of the authors and do not necessarily reflect those of the University of Washington Michael G. Foster School of Business. For submissions queries, please write, call, fax, or e-mail the JFQA office. For all other information related to the journal, please contact Cambridge Journals Customer Services: Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006, USA.

SUBMISSIONS

www.editorialmanager.com/jfqa

It is JFQA policy to give prompt attention to all submitted manuscripts. Consistent with this policy, honoraria are paid to referees who provide timely reviews. Submit manuscripts online (www.editorialmanager.com/jfqa). Payment is required at the time of submission. Please consult the journal website for current submission details. Manuscripts are considered for publication on the understanding that they have not been previously published in whole or in part, and are not being simultaneously considered for publication elsewhere.

SUBSCRIPTIONS

cambridge.org/jfqa

For individuals or institutions interested in a single journal subscription in 2022, please contact Cambridge Journals Customer Services. In the U.S., Canada, or Mexico, subscription fees are payable in U.S. dollars: journals_subscriptions@cambridge.org. Elsewhere in the world, subscription fees are payable in U.K. pounds sterling: journals@cambridge.org

2022 Annual Subscription Fees

Volume 57: February, March, May, June, August, September, November, and December

Category	Access Type	Price
Organizational	Online & Print	\$897/£508
Organizational	Print only	\$932/£502
Organizational	Online only	\$671/£403
Individual	Online & Print	\$161/£90
Individual	Print only	\$139/£74
Individual	Online only	\$111/£63
Student	Print only	\$37/£27

RIGHTS AND PERMISSIONS

All rights reserved. No part of this publication may be reproduced, in any form or by any means, electronic, photocopying, or otherwise, without permission in writing from Cambridge University Press. General enquiries from the USA, Mexico, and Canada should be addressed to the New York office of Cambridge University Press cambridge.org/us/information/rights/contacts/newyork.htm; general enquiries from elsewhere should be addressed to the Cambridge office cambridge.org/uk/information/rights/contacts/cambridge.htm; permission enquiries from Australia and New Zealand should be addressed to the Melbourne office cambridge.org/uk/information/rights/contacts/australia.htm; enquiries regarding Spanish language translation rights (only) should be addressed to the Madrid office cambridge.org/uk/information/rights/contacts/madrid.htm. Photocopying information (for users in the USA): Copying for internal or personal use beyond that permitted by Sec. 107 or 108 of the U.S. Copyright Law is authorized for users duly registered with the Copyright Clearance Center (CCC), provided that the appropriate remittance is paid directly to: CCC, 222 Rosewood Drive, Danvers, MA 01923, USA. Specific written permission must be obtained for all other copying; contact the nearest Cambridge University Press office.

Announcing the Winners of the
JFQA 2021 William F. Sharpe Best Paper Award

The William F. Sharpe Award for Scholarship in Financial Research recognizes researchers who, through their articles published in the JFQA, have most contributed to our understanding of important areas of financial economics. Nominees for the Sharpe Award are chosen by a vote of JFQA Associate Editors; the winners, who receive a \$5,000 cash prize, are selected by the Managing Editors.

The winners of the Sharpe Award for JFQA papers published in 2021 are

Jaewon Choi, *University of Illinois Urbana-Champaign and Yonsei University*

Dirk Hackbarth, *Boston University, CEPR, and ECGI*

Josef Zechner, *Vienna University of Economics and Business and CEPR*

"Granularity of Corporate Debt"

June 2021, Vol. 56, No. 4, pp. 1127–1162

Please join us in congratulating Professors Choi, Hackbarth, and Zechner on their accomplishment.

Hendrik Bessembinder
Jennifer Conrad
Ran Duchin
Mara Faccio
Thierry Foucault
Jarrad Harford
Paul Malatesta
JFQA Managing Editors