Halle Institute for Economic Research
Member of the Leibniz Association

IWH Research Seminar in Economics

October 14, 2019, 14:15–15:45, conference room, ground floor

What happens in Vegas stays in Vegas: Proximity Bias in CSR

Dr Mogi Groen-Xu, London School of Economics

We study stock market reactions to negative corporate social responsibility (CSR) incidents concerning 7,000 multinational firms from 97 countries over the 2007-2015 period. CSR incidents are associated with negative abnormal returns, more so when they happen in firms' home country. Among foreign CSR events, the market responds less negatively when incidents occur in fast-growing economies with weaker trade relations. Returns to foreign CSR incidents are also lower when they occur in weakly governed countries. Our results are robust to including a battery of controls. Overall, our results indicate a proximity bias in valuing CSR incidents.

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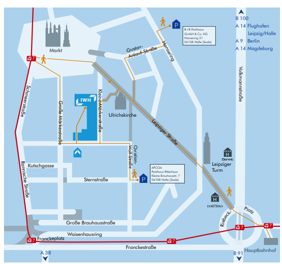

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