Business & Economic Article Links (April 2015)

1.

Title: Adam Smith on markets, competition and violations of natural liberty
Author: Kurz, Heinz D.
Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: March 12, 2015
Abstract: According to Adam Smith, markets and trade are, in principle, good things—provided there is competition and a regulatory framework that prevents ruthless selfishness, greed and rapacity from leading to socially harmful outcomes. But competition and market regulations are always in danger of being undermined and circumnavigated, giving way to monopolies that are very comfortable and highly profitable to monopolists and may spell great trouble for many people. In Smith's view, political economy—as an important, and perhaps even the most important, part of a kind of master political science, encompassing the science of the legislator—has the task to fight superstition and false beliefs in matters of economic policy, to debunk opinions that present individual interests as promoting the general good and to propose changing regulatory frameworks for markets and institutions that help to ward off threats to the security of society as a whole and provide incentives such that self-seeking behaviour has also socially beneficial effects. The paper shows that the ideas of Adam Smith still may resonate and illuminate the problems of today and the theories that try to tackle them.
Note: doi: 10.1093/cje/bev011
Database: Oxford Journals Online

2.

Title: Economic stabilization in the post-crisis world: Are fiscal rules the answer?
Author: Bergmana, U. Michael and Hutchisonb, Michael
Source: Journal of International Money and Finance; Apr 2015, Vol. 52, Pp 82–101
Abstract: We investigate whether fiscal rules help to reduce the extent of policy procyclicality—how government expenditure policy responds to GDP-- in a dynamic panel framework with 81 advanced, emerging and developing countries over 1985–2012. We construct two new fiscal rule indices and investigate whether rules help to dampen procyclical policies. We condition our empirical specifications on the degree to which governments appear able to manage and enforce fiscal rules. We find that fiscal rules are very effective in reducing procyclicality of policy once a minimum threshold of government efficiency/quality has been reached. Government efficiency alone is not enough to reduce procyclicality of fiscal policy. However, high government efficiency combined with strong fiscal rules is a potent combination facilitating counter-cyclical policy responses to GDP movements.
Note: doi:10.1016/j.jimonfin.2014.11.014
Database: ScienceDirect

3.

Title: Economic Development and Business Groups in Asia: Japan's Experience and Implications
Author: Nakamura, Masao
Source: International Advances in Economic Research; Mar 2015, Vol. 21, Issue 1, Pp. 81-103

Abstract: Large, extensively diversified pyramidal business groups of listed firms dominate the histories of developed economies and the economies of developing economies. While such groups (called zaibatsu in Japan) are thought to have provided coordination for big push growth successfully in pre-second-world-war Japan after a state-run big push failed, it is still being debated whether such a pyramidal business group driven big push coordination exists in developing countries elsewhere in Asia. We hypothesize that pyramidal business groups can be private-sector mechanisms for coordinating big push growth, provided that first, competition between rival groups induces a sufficiently high level of coordination efficiency, and second, conditions exist for maintaining economic openness and basic infrastructure and legal institutions. Another condition that must be satisfied for a country to sustain economic growth after its big push phase is complete is a timely demise of business groups. Where these criteria are not met, growth stalls and the few pyramidal business groups become too powerful to dislodge.
Note: http://dx.doi.org/10.1007/s11294-014-9508-6
Database: SpringerLink

4.

Title: Regulatory framework and deposit – investment guarantee fund in Greece
Author: Spyridon, Repousis
Source: Journal of Financial Regulation and Compliance; 2015, Vol. 23 Issue 1, Pp.18 - 30
Abstract: Purpose – The purpose of this paper is to examine the current regulatory framework of Greek Deposit and Investment Guarantee Fund, trying to show solutions for strengthening it. Design/methodology/approach – This paper aims to investigate the deposit and investment guarantee fund in Greece by identifying new problems and developing solutions. Findings – The main finding is that the deposit and investment guarantee fund contributes to the stability of the Greek banking sector and also offers practical solutions to strengthen it. Greek Deposit and Investment Guarantee Fund has an important feature, which is the speed of a decision about a bank failure resolution (in five working days), but needs immediately strengthening and increasing its funds to cope with the resolution of non-viable banks and undertaking for costs. There should be an appropriate ratio between the size of total assets (especially cash and cash equivalents) of Greek Deposit and Investment Guarantee Fund and the amount of total guaranteed deposits, which is now below 2 per cent. Regulatory framework needs revising and fees must be increased if its funds fall below a certain level of coverage of guaranteed deposits. Also, a guarantee premium, not only a flat rate premium, should be implemented for all banks. An additional risk-adjusted premium varying according to Greek banks’ risks of their portfolios would be better to increase funds of deposit guarantee fund and reduce moral hazard of bank manager by increasing costs. They must ensure an adequate diversification of re-deposits of Greek Deposit and Investment Guarantee Fund funds and must limit and avoid a conflict of interest of its board membership for individuals who are actively involved in Greek commercial banks by implementing framework and rules about it. Also, as a consequence of obeying the regulatory framework, it is necessary to include as board members of Greek Deposit and Investment Guarantee Fund only those banks that are subject to strong prudential supervision and regulation. Practical implications – As a result of research, changes are necessary to immediately be made to cope with current financial crises and problems of Greek banking sector. Originality/value – The originality of this paper is that it is the first description of the Greek Deposit and Investment Guarantee Fund and its results are important for economists, politicians and international community, who evaluate the regulatory framework of Greek Deposit and Investment Guarantee Fund, especially at the current time when the Greek economy and the Greek banking sector are in a very weak fiscal position.
Note: http://dx.doi.org/10.1108/JFRC-07-2013-0023

Database: Emerald Management

5.

Title: The impact of government debt on economic growth: An empirical investigation of the Greek market
Author: Spilioti, Stella and Vamvoukas, George
Source: The Journal of Economic Asymmetries; Jun 2015, Vol. 12, Issue 1, Pp 34–40
Abstract: This paper investigates the relationship between the government debt and economic growth using Greek data for about 40 years starting in 1970, taking into consideration the different levels of economic growth in Greece during the examined period. The empirical results suggest a positive and statistically significant impact of debt on GDP growth. In our estimation of the growth equation we also include other variables such as: 1) the fiscal policy indicators affecting economic growth, 2) the indicators of the openness of the economy and the external competitiveness and 3) other control variables related to the demographic characteristics of the economy as well as indicators of its ability to invest and in the short run finance its expenses.
Note: doi:10.1016/j.jeca.2014.10.001
Database: ScienceDirect

6.

Title: External conditionality and the debt crisis: the 'Troika' and public administration reform in Greece
Author: Featherstone, Kevin
Source: Journal of European Public Policy; Mar 2015, Vol. 22 Issue 3, Pp 295-314
Abstract: Levering domestic reform via external conditionality has become crucial to the rescues of European Union member states in the context of the eurozone crisis. This article examines a critical case – Greece – and a problematic sector – reform of the central state administration – to assess the applicability of three hypotheses advanced by Schimmelfennig and Sedelmeier. New data on the trends in reform activity before and during Greece's debt crisis are assessed, as well as their content and paradigmatic frames, to assess the extent of a break with the inherited domestic model. They highlight the contrast between aggregate activity and the substance of reform in sensitive areas. They attribute reform failures to the crafting of the conditionality strategy and to conflicting interests, administrative traditions and cultural norms. The case highlights key challenges for the EU in its handling of the diversity of administrative systems across the eurozone, an agenda neglected at Maastricht.
Note: doi: 10.1080/13501763.2014.955123
Database: Business Source Complete

7.

Title: How party linkages shape austerity politics: clientelism and fiscal adjustment in Greece and Portugal during the eurozone crisis
Author: Afonso, Alexandre, Zartaloudis, Sotirios and Papadopoulos, Yannis
Source: Journal of European Public Policy; Mar 2015, Vol. 22 Issue 3, Pp315-334
Abstract: Drawing on an analysis of austerity reforms in Greece and Portugal during the sovereign debt crisis from 2009 onwards, we show how the nature of the linkages between parties and citizens shapes party strategies of fiscal retrenchment. We argue that parties which rely to a greater extent on the selective distribution of state resources to mobilize electoral support (clientelistic linkages) are more reluctant to agree to fiscal retrenchment because their own electoral survival depends on their ability to control state budgets to reward

clients. In Greece, where parties relied extensively on these clientelistic linkages, austerity reforms have been characterized by recurring conflicts and disagreements between the main parties, as well as a fundamental transformation of the party system. By contrast, in Portugal, where parties relied less on clientelistic strategies, austerity reforms have been more consensual because fiscal retrenchment challenged to a lesser extent the electoral base of the mainstream parties.
Note: doi: 10.1080/13501763.2014.964644
Database: Business Source Complete

8.

Title: The Global Financial Crisis: what have we learned so far?
Author: Neuhauser, Karyn L.
Source: International Journal of Managerial Finance; 2015, Vol. 11 Issue 2, Pp. 134 - 161
Abstract: Purpose – The purpose of this paper is to provide a cohesive review of the major findings in the literature concerning the Global Financial Crisis. Design/methodology/approach – Papers published in top-rated finance and economics journal since the crisis up to the present were reviewed. A large number of these were selected for inclusion, primarily based on the number of citations they had received adjusted for the amount of time elapsed since their publication, but also partly based on how well they fit in with the narrative. Findings – Much has been done to investigate the causes of the Global Financial Crisis, its effects on various aspects of the financial system, and the effectiveness of regulatory measures undertaken to restore the financial system. While more remains to be done, the existing body of research paints an interesting picture of what happened and why it happened, describes the interrelationships between the mortgage markets and financial markets created by the large scale securitization of financial assets, identifies the problems created by these inter-linkages and offers possible solutions, and assesses the effectiveness of the regulatory response to the crisis. Originality/value – This study summarizes a vast amount of literature using a framework that allows the reader to quickly absorb a large amount of information as well as identify specific works that they may wish to examine more closely. By providing a picture of what has been done, it may also assist the reader in identifying areas that should be the subject of future research.
Note: doi: http://dx.doi.org/10.1108/IJMF-02-2015-0014
Database: Emerald Management

9.

Title: Everyday family experiences of the financial crisis: getting by in the recent economic recession
Authors: Hall, Sarah Marie
Source: Journal of Economic Geography; 2015. Advance Access. First published online: March 17, 2015
Abstract: Literature within economic geography on the financialisation of everyday life has so far overlooked the role of family. Using data collected from ethnographic research with six families in the UK before and during the recent financial crisis, this article argues the case for using family as a lens through which to conceptualise everyday experiences of recession and finance. The findings highlight interpersonal family relationships, inter- and intra-generationality, gender responsibilities, reciprocity, shared experiences and memories as essential to conceptualising how people get by in times of financial crisis and relate to finance in everyday life. The conclusions outline the key contributions of the article to literatures on geographies of finance and family.
Note: doi: 10.1093/jeg/lbv007

Database: Oxford Journals Online

10.

Title: Personal income inequality and aggregate demand
Authors: Carvalho, Laura and Rezai, Arman
Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: March 20, 2015
Abstract: This paper presents a theoretical and empirical investigation of how changes in the size distribution of income can affect aggregate demand and the demand regime of an economy. After presenting empirical evidence for the US economy that the propensity to save increases significantly from the bottom to the top quintile of wage earners, we demonstrate that more equal distributions always lead to higher output in the traditional neo-Kaleckian macroeconomic model. We also present conditions under which a reduction of income inequality among workers results in demand becoming more wage led. This view is supported by the results of an econometric study for the USA (1967–2010), which show that the rise after 1980 in income inequality has made the US economy more profit led.
Note: doi: 10.1093/cje/beu085
Database: Oxford Journals Online

11.

Title: Production standards, competition and vertical relationship
Authors: Yu, Jianyu and Bouamra-Mechemache, Zohra
Source: European Review of Agricultural Economics; 2015. Advance Access. First published online: March 18, 2015
Abstract: This article investigates the collective choice of production standards by farmer and processor groups within a vertical food supply chain, taking into account their competition behaviours. We develop a general model to analyse the strategic motive of using standards to limit supply and shift rents between farmers and processors in the vertical chain. We find that a stringent standard can raise farmers' profit, but at the expense of processors. This is the case when the standard affects more variable costs than fixed cost of production, when the demand for the final product is inelastic, and when processors have a high degree of oligopoly power.
Note: doi: 10.1093/erae/jbv004
Database: Oxford Journals Online

12.

Title: On equity markets, long-term decision making and performance metrics
Authors: Woods, J. E.
Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: March 16, 2015
Abstract: The 2012 Kay Review of UK Equity Markets and Long-term Decision Making confirmed that short-termism was a problem. Identifying asset managers as the dominant players in the investment chain, Mr Kay concluded that their appointment and monitoring was too often based on short-term relative performance and recommended an examination of the metrics employed. Using as conceptual framework the Keynes–Graham schema proposed by Woods in 2013, we demonstrate that the most commonly employed measure, the time-weighted rate of return, is inappropriate and inaccurate as a performance metric and should be replaced by the familiar, but generally ignored, money-weighted rate of return. Hitherto there have been three strands to the economics and finance literature on portfolio

management, namely with reference to the efficient markets hypothesis, the selection of optimal portfolios in a mean–variance context using quadratic optimisation techniques and principal–agent issues that exist between portfolio managers and their clients. In this article, we initiate a new strand in the literature by focusing on the metric used to measure the performance of a portfolio manager, incidentally showing that our approach has immediate implications for the three existing strands.
Note: doi: 10.1093/cje/bev013
Database: Oxford Journals Online

13.

Title: Fiscal federalism in monetary unions: hypothetical fiscal transfers within the Euro-zone
Authors: Dreyer, Johannes Kabderian & Schmid, Peter Alfons

Source: International Review of Applied Economics; 2015. Latest article. Published online: 09 Mar 2015
Abstract: Net fiscal transfers are commonly seen as a possible means to ensure the well-functioning of a currency area. We show that US net fiscal transfers, measured as the difference between gross federal revenues and federal expenditures per state, are enormous. Moreover, we run panel regressions that suggest their dependence on relative GDP and relative GDP growth during crisis periods, evidence of net fiscal transfers from relatively rich to relatively poor states (redistributive effect) and to states with an underperforming economic development (stabilization effect). The Euro-zone (EZ) lacks a system of fiscal federalism, which raises the question of whether it should be established in the medium- and long-run. If so, which should be the magnitude of net fiscal transfers? We calculate these transfers hypothetically for 1999–2010, using a relative volume comparable to the one in the USA.
Note: DOI:10.1080/02692171.2015.1016407
Database: Taylor & Francis Online

14.

Title: Downside business confidence spillovers in Europe: evidence from causality-in-risk tests
Authors: Atukeren, Erdal, Çevik, Emrah İ. & Korkmaz, Turhan
Source: Journal of Economic Policy Reform; 2015. Latest article. Published online: 19 Mar 2015
Abstract: This paper employs an extreme risk spillovers test to investigate the bilateral business confidence spillovers between Greece, Italy, Spain, Portugal, France, and Germany. After controlling for domestic economic developments in each country and common international factors, downside risk spillovers are detected as a causal feedback between Spain and Portugal and unilaterally from Spain to Italy. Extremely low business sentiments in France, Germany, and Greece are mostly due to the common adverse economic environment and to each country's own domestic economic developments.
Note: DOI:10.1080/17487870.2014.977902
Database: Taylor & Francis Online

15.

Title: The Euro Effect on Eurozone Exports
Authors: Bouchoucha, Meriem
Source: International Economic Journal; 2015. Latest article. Published online: 23 Mar 2015
Abstract: In this article, we examine the impact of the real effective exchange rate for several countries in the Euro area over the period before and after the introduction of the euro. Based

on ARDL modeling techniques, we estimate the long-run and short-run relationships between exports volumes and a number of key variables, namely Real Effective Exchange Rate, weighted GDP and Output Gap. This article is particularly oriented towards the study of long-term relationships between the exchange rate and global exports performance, on the one hand; and between exchange rates and intra-European exports performance, on the other. Two measures of exchange rate are considered: a global real exchange rate to investigate the impact of exchange rates on overall exports and an intra European real exchange rate calculated to detect its effect on intra-European trade. The study shows that there is a big difference between the impact of exchange rates on exports before and after the establishment of the European Monetary Union on the one hand, and between the impacts of exchange rates on intra-European global exports on the other hand.
Note: DOI:10.1080/10168737.2015.1020324
Database: Taylor & Francis Online

16.

Title: Income, democracy and European colonization
Authors: Posso, Alberto & Feeny, Simon
Source: Applied Economics Letters; 2015. Latest article. Published online: 12 Mar 2015
Abstract: The Modernization Hypothesis states that economic development drives democracy within countries. Until recently, this view was widely accepted by scholars, with cross-country regressions indicating that higher per capita incomes are indeed associated with higher levels of democracy. However, recent empirical work has shown that the positive effect of per capita income on democracy disappears with the inclusion of country fixed effects. Moreover, a heterogeneous effect of income on democracy has been found for countries that were colonized relative to those that were not. This article revisits the issue by examining whether the identity of the colonizer matters. Results reveal a negative association between income and democracy for former British colonies. The formation of the Commonwealth of Nations together with Dependency Theory is used to explain this finding.
Note: DOI:10.1080/13504851.2015.1023932
Database: Taylor & Francis Online

17.

Title: Investment evaluation of cloud computing in the European business sector
Authors: Maresova, Petra & Klimova, Blanka
Source: Applied Economics; 2015. Latest article. Published online: 02 Mar 2015
Abstract: The importance of cloud computing is acknowledged both at national and entrepreneurial level. Its potential in business has been already described in many studies (Dillon *et al.*, 2010; Bayrak *et al.*, 2011; Nuseibeh, 2011; Repschlaeger *et al.*, 2013). However, many European countries do not exploit it much in spite of many positive responses made by respected consulting companies. The reasons for this are a very low level of changes in companies, ignorance of opportunities of the given technology and, consequently, an inability to count the return of investment. Therefore, the aim of this article is to introduce a tool for the investment evaluation of cloud computing, which corresponds to the needs of the European business environment and to the properties of this technology. Furthermore, the cost Benefit Analysis (CBA) method is explored. This method is adjusted for cloud computing on the basis of companies' requirements, which were collected from quantitative and qualitative surveys and from the interviews with experts in cloud computing from academic and business environments. In addition, individual stages of the CBA method used in cloud computing are described.
Note: DOI:10.1080/00036846.2015.1019041

Database: Taylor & Francis Online

18.

Title: Lawyers Steer Clients Toward Lucrative Filings: Evidence from Consumer Bankruptcies
Author: McIntyre, Frank, Sullivan, Daniel M. and Summers, Laura
Source: American Law and Economics Review; 2015. Advance Access. First published online: March 6, 2015
Abstract: Consumers often rely on lawyers to make complicated legal decisions, though in many cases the lawyer's financial interests are at odds with those of the client. We consider this general problem in the context of consumers filing for bankruptcy. Lawyers advise debtors on whether to file the cheaper Chapter 7 filing or the more expensive Chapter 13 filing. Bankruptcy courts that allow lawyers to charge more for Chapter 13 bankruptcy see a significantly larger fraction of Chapter 13 filings (elasticity of 0.3). This is true controlling for a host of demographic controls at the zip code level, as well as with state fixed effects and district policy controls. Our estimates suggest that 5.4% of cross-district variation in relative Chapter 13 rates could be eliminated by harmonizing relative fees.
Note: doi: 10.1093/aler/ahv004
Database: Oxford Journals Online

Selected by Ploenchan Akvanich,
Research Support Service,
Chulalongkorn University