

Business & Economic Hot Articles (August 2015)

1.

Title: [A New Cross-National Measure of Corruption](#)

Authors: Laarni Escresa and Lucio Picci

Source: World Bank Economic Review; 2015. Advance Access. First published online: July 24, 2015

Abstract: A new measure of cross-national corruption is constructed based on the geographic distribution of public officials involved in cross-border corruption cases. A comparison is made between the Public Administration Corruption Index (PACI) and perception-based measures, considers the extent to which differences between them are driven by systematic factors, and concludes that they are not. As more data on cases of cross-border bribery incidents become available, the PACI will provide an increasingly valid cross-national measure of corruption.

Note: doi: 10.1093/wber/lhv031

Database: *Oxford Journals*

2.

Title: [Managerial vision bias and cooperative governance](#)

Authors: Deng, Wendong and Hendrikse, George W. J.

Source: European Review of Agricultural Economics; 2015. Advance Access. First published online: July 21, 2015

Abstract: What causes firms to behave the way they do when they face different investment opportunities? We argue that both people and processes are behind the decision-making of project implementation. Member and professional CEOs of cooperatives differ regarding their managerial vision towards upstream and downstream projects. Cooperatives with member CEOs are upstream focused and it is reflected by the cascading effect of negative vision bias towards downstream projects. When downstream activities become more important, cooperatives need to replace the member CEOs with professional CEOs. However, a cooperative with a professional CEO may still be in a disadvantageous position if the member-dominated Board of Directors' negative bias towards downstream projects is too strong, which may result in an investor owned firm being the efficient governance structure.

Note: doi: 10.1093/erae/jbv017

Database: *Oxford Journals*

3.

Title: [Goodwin on the optimal growth path for a developing economy](#)

Authors: Patnaik, Prabhat

Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: July 27, 2015

Abstract: Richard Goodwin was a pioneer in formulating an optimal growth model for a developing economy with a finite, though not fixed, time horizon. The problem he analysed was as follows: what is the optimal path of traverse for a developing economy, which has a certain capital stock embodying an old technique (i.e. one with a lower labour productivity) and is saddled additionally with disguised unemployment, if it is to be transformed into one where the entire labour force (assumed to be growing at an exogenously given rate) is fully employed on capital stock embodying a new technique with a much higher labour productivity, but with the same capital-output ratio as the older stock?

Note: doi: 10.1093/cje/bev047

Database: *Oxford Journals*

4.

Title: [Should Benefit–Cost Methods Take Account of High Unemployment? Symposium Introduction](#)

Authors: Smith, V. Kerry

Source: Review of Environmental Economics and Policy; Summer 2015, Vol. 9 Issue 2, Pp. 165-178. First published online: July 16, 2015

Abstract: Conventional methods in benefit–cost analysis maintain that the effects of new environmental regulations should focus on long run equilibria with and without the policies being evaluated. This article introduces a symposium that considers how the employment effects of environmental regulations might be included in benefit–cost analyses. Three lessons emerge from the symposium. First, the empirical evidence to date indicates that it is difficult to measure the net employment effects of environmental regulations. The record is mixed, with support for effects at the plant level. The record is less clear for the reduced form estimates using more aggregate data. Second, it is possible to construct an ex post “analysis chain” that allows for estimation of the adjustment costs associated with a job loss. These estimates depend importantly on the assumptions made in the construction of the counterfactual baseline employment history and the outcomes after job losses. The ways in which households might adapt to a job loss are especially important for measuring adjustment costs. Finally, economy-wide evaluations of the impact of environmental regulations require a new framework to characterize the role of regulations and the associated changes in environmental quality for steady state responses to policy.

Note: Symposium: Unemployment, Environmental Regulation, and Benefit-Cost Analysis; doi: 10.1093/leep/rev007

Database: Oxford Journals

5.

Title: [The Social Value of Job Loss and Its Effect on the Costs of U.S. Environmental Regulations](#)

Authors: Bartik, Timothy J.

Source: Review of Environmental Economics and Policy; Summer 2015, Vol. 9 Issue 2, Pp. 179-197. First published online: July 16, 2015

Abstract: Job loss is typically not valued in benefit–cost analyses of environmental regulations. But empirical evidence suggests that involuntary job loss results in large social costs, particularly when local unemployment is high. This article presents estimates of the social costs of job loss in the United States, based on estimates of how local labor markets respond to job changes. These estimated social costs have a present value per job lost in the hundreds of thousands of dollars. However, these social costs are far less than the earnings associated with the lost jobs, because of labor market adjustments as well as some offsets from the value of increased non-work time. An examination of major U.S. environmental regulations suggests that job losses will usually add only modestly to overall regulatory costs. However, if the magnitude of a regulation’s benefits and costs are close in monetary terms, then accounting for job loss could tip the regulatory decision. It is also important for regulatory analyses to examine the potential magnitude of gross job loss, particularly in high unemployment areas.

Note: Symposium: Unemployment, Environmental Regulation, and Benefit-Cost Analysis; doi: 10.1093/leep/rev002

Database: Oxford Journals

6.

Title: [Introductory Comment–The Green Paradox: A Supply-Side View of the Climate Problem](#)

Authors: Sinn, Hans-Werner

Source: Review of Environmental Economics and Policy; Summer 2015, Vol. 9 Issue 2, Pp. 239-245. First published online: July 16, 2015

Abstract: Why have policies aimed at reducing the demand for carbon not succeeded in slowing down global carbon extraction and CO2 emissions, and why have carbon prices failed to increase over the last three decades? This comment argues that this is because of the Green Paradox, that is, the anticipation of sales by resource owners who try to preempt the destruction of their markets by green policies. Reviewing some of the conditions under which strong and weak versions of the Green Paradox may emerge, it is argued that there is little hope that green replacement technologies will impose hard price constraints that would keep long-run extraction within a fixed carbon budget and that, therefore, even strong versions of the paradox cannot easily be avoided.

Note: **Symposium: The Green Paradox and Climate Policy;** doi: 10.1093/reep/rev011

Database: *Oxford Journals*

7.

Title: [An Introduction to the Green Paradox: The Unintended Consequences of Climate Policies](#)

Authors: Jensen, Sverre, Mohlin, Kristina, Pittel, Karen and Sterner, Thomas

Source: Review of Environmental Economics and Policy; Summer 2015, Vol. 9 Issue 2, Pp. 246-265. First published online: July 16, 2015

Abstract: How important is the Green Paradox? We address this question in three ways. First, we present a simple model explaining how announcing a future climate policy may increase carbon emissions today – the Green Paradox effect. This effect is a result of fossil fuel producers increasing their extraction today as a response to a reduction in future resource rents. Second, we examine the theoretical and empirical literature to assess whether green paradoxes are likely to occur, and if they are, whether they are big enough to be of concern for policy makers. We consider several factors that affect the existence of the green paradox, including long-term extraction costs, short-term extraction capacities, the mix of policy instruments, and potential spatial carbon leakage to countries that have no climate policy. We find that these and other factors can sometimes strengthen, but mostly weaken, the case for concern about the green paradox. Third, we identify the lessons the literature offers for policy makers. We argue that in designing climate policy, policy makers need to consider the supply side of the fossil fuel market.

Note: **Symposium: The Green Paradox and Climate Policy;** doi: 10.1093/reep/rev010

Database: *Oxford Journals*

8.

Title: [The Green Paradox in Open Economies: Lessons from Static and Dynamic Models](#)

Authors: Ngo Van Long

Source: Review of Environmental Economics and Policy; Summer 2015, Vol. 9 Issue 2, Pp. 266-284. First published online: July 16, 2015

Abstract: This article examines how, in a world with incomplete coordination among countries, well-intentioned unilateral environmental policies may actually harm the global environment. This outcome is known as the "Green Paradox." The incentives for free-riding and the challenge of achieving an effective international environmental agreement are reviewed. I examine the various channels that lead to carbon leakage in static models of open economies, and report some simulation results. This is complemented by a review of the

potential for Green Paradox outcomes in dynamic open-economy models in which forward-looking firms exploit an exhaustible resource. I show that border tax adjustments can lead to Green Paradox outcomes. I also discuss priorities for future research on environmental policies in a trading world that lacks a central enforcement agency.

Note: **Symposium: The Green Paradox and Climate Policy;** doi: 10.1093/reep/rev004
Database: *Oxford Journals*

9.

Title: [Global Warming and the Green Paradox: A Review of Adverse Effects of Climate Policies](#)

Authors: van der Ploeg, Frederick and Withagen, Cees

Source: Review of Environmental Economics and Policy; Summer 2015, Vol. 9 Issue 2, Pp. 285-303. First published online: July 16, 2015

Abstract: This article examines the possible adverse effects of well-intended climate policies, an outcome known as the Green Paradox. A weak Green Paradox arises if the announcement of a future carbon tax or a sufficiently fast rising carbon tax encourages fossil fuel owners to extract reserves more aggressively, thus exacerbating global warming. We argue that such policies may also encourage more fossil fuel to be locked in the crust of the earth, which can offset the adverse effects of the weak Green Paradox. We show that a subsidy on clean renewables may have similar weak Green Paradox effects. Green welfare (the converse of environmental damages) declines (i.e., the strong Green Paradox) if the beneficial climate effects of locking up more fossil fuel do not outweigh the short-run weak Green Paradox effects. Neither the weak nor the strong Green Paradox occurs for the first-best Pigouvian carbon tax. We also discuss dirty backstops, spatial carbon leakage, and green innovation.

Note: **Symposium: The Green Paradox and Climate Policy;** doi: 10.1093/reep/rev008
Database: *Oxford Journals*

10.

Title: [Climate change and sustainable welfare: the centrality of human needs](#)

Authors: Gough, Ian

Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: June 25, 2015

Abstract: Since climate change threatens human well-being across the globe and into the future, we require a concept of well-being that encompasses an equivalent ambit. This article argues that only a concept of human need can do the work required. It compares need theory with three alternative approaches. Preference satisfaction theory is criticised on the grounds of subjectivity, epistemic irrationality, endogenous and adaptive preferences, the limitlessness of wants, the absence of moral evaluation and the non-specificity of future preferences. The happiness approach is found equally wanting. The main section shows how these deficiencies can be addressed by a coherent theory of need. Human needs are necessary pre-conditions to avoid serious harm and are universalisable, objective, empirically grounded, non-substitutable and satiable. They are broader than 'material' needs since a need for personal autonomy figures in all theoretical accounts. Whilst needs are universal, need satisfiers are most often contextual and relative to institutions and cultures. The satiability and non-substitutability of needs is critical for understanding sustainability. Finally, it is argued that human needs provide an indispensable foundation for many current ethical arguments for global and inter-generational justice in the face of threats from climate change. An appendix compares this theory with the capability approaches of Sen and Nussbaum and argues it to be more fundamental.

Note: doi: 10.1093/cje/bev039

Database: *Oxford Journals*

11.

Title: [Surplus-producing labour as a capability: a Marxian contribution to Amartya Sen's revival of classical political economy](#)

Authors: Faruk Eray Düzenli

Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: June 25, 2015

Abstract: Labour is construed as an income-generating capacity or as creative activity in the capabilities approach. This rendition misses a vital capability that Marx articulates: labour as a potential to produce surplus. Accordingly, following Marx, I define labour as the ability, freedom and willingness to produce more than what labourers deem necessary to sustain themselves. I argue each has this capability and should willingly realise it in accordance with their ability. With this definition, additional questions arise as to who should appropriate the surplus or receive a portion of it. I contend that each, irrespective of their role in production, should have the capability to appropriate surplus, just as each should have the capability to claim and receive a portion of the surplus according to their needs. I finish by showing the prevalent normative framework of the capitalist economy, 'equal rights and equal exchange', is nothing other than exclusive rights (capabilities) and unequal exchange, which results in exploitation, now defined as a violation of capabilities equality. By contrast, I call for a non-exclusive, 'radical equality' à la Sen: no one is excluded from participating in or having access to any moment of this surplus economy, one that is non-exploitative and communal, as each capability is extended to each individual.

Note: doi: 10.1093/cje/bev041

Database: *Oxford Journals*

12.

Title: [Is Workfare Cost Effective against Poverty in a Poor Labor-Surplus Economy?](#)

Authors: Murgai, Rinku, Ravallion, Martin and van de Walle, Dominique

Source: World Bank Economic Review; 2015. Advance Access. First published online: August 5, 2015

Abstract: Workfare has often seemed an attractive option for making self-targeted transfers to poor people. But is this incentive argument strong enough in practice to prefer unproductive workfare to even untargeted cash transfers? A nonparametric survey-based method is used to assess the cost-effectiveness of a large workfare scheme in a poor state of India with high unemployment. Forgone earnings are evident but fall short of market wages. For the same budget, unproductive workfare has less impact on poverty than either a basic-income scheme or transfers tied to the government's assignment of ration cards. The productivity of workfare is thus crucial to its justification as an antipoverty policy.

Note: doi: 10.1093/wber/lhv038

Database: *Oxford Journals*

13.

Title: [Flexibilization without hesitation? Temporary contracts and job satisfaction](#)

Authors: Chadia, Adrian and Hetschkob, Clemens

Source: Oxford Economic Papers; 2015. Advance Access. First published online: August 7, 2015

Abstract: We use German panel data to examine how fixed-term employment affects utility derived from working. In contrast to previous research, we present evidence that working on a temporary contract lowers current job satisfaction. We discover that the honeymoon effect

of a new job must be considered to reveal this result. Job insecurity appears to be the source of dissatisfaction associated with fixed-term employment. We also consider regional unemployment and perceived employment security to shed light on the basic notion of flexicurity policies. Finally, we apply a life course perspective on employment careers to discuss the overall role of temporary employment for individual job satisfaction.

Note: doi: 10.1093/oep/gpv053

Database: *Oxford Journals*

14.

Title: [Hiring costs for skilled workers and the supply of firm-provided training](#)

Authors: Blattera, Marc, Muehlemanb, Samuel, Schenker, Samuel and Stefan C. Wolterd

Source: Oxford Economic Papers; 2015. Advance Access. First published online: July 29, 2015

Abstract: This article analyses how the costs of hiring skilled workers from the external labour market affect a firm's supply of training. Using administrative survey data with detailed information on hiring and training costs for Swiss firms, we find evidence for substantial and increasing marginal hiring costs. However, firms can invest in internal training of unskilled workers and thereby avoid costs for external hiring. Controlling for a firm's training investment, we find that a 1 standard deviation increase in average external hiring costs increases the number of internal training positions by more than half of a standard deviation.

Note: doi: 10.1093/oep/gpv050

Database: *Oxford Journals*

15.

Title: [Non-binding agreements in public goods experiments](#)

Authors: Dannenberg, Astrid

Source: Oxford Economic Papers; 2015. Advance Access. First published online: July 21, 2015

Abstract: This article presents experimental evidence on the effects of non-binding agreements on co-operation in public goods games. In particular, it compares first-best agreements that require full co-operation by all players and second-best agreements that require only a minimum contribution level rather than full co-operation. The results show that when there is no punishment opportunity, second-best agreements work better than first-best agreements because they are more likely to be formed and kept. First-best agreements form at the beginning of the game, but non-compliant behaviour by some players causes co-operation to collapse. This result is reversed when there is a punishment opportunity. In this case, first-best agreements work better than second-best agreements as they allow groups to establish a common behavioural standard, deter violations, and achieve very high levels of co-operation.

Note: doi: 10.1093/oep/gpv048

Database: *Oxford Journals*

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