Business & Economic Article Links (December 2013)

1.

Title: THE ROLE OF UNUSED LOAN COMMITMENTS AND TRANSACTION DEPOSITS DURING THE RECENT FINANCIAL CRISIS
Authors: Craioveanu, Mihaela and Mercado-Mendez, Jose
Source: The International Journal of Business and Finance Research; 2014, Vol. 8 Issue1, Pp. 17-29.
Abstract: Our study looks at the financial condition of banks during the recent financial crisis. We focus on the association between bank capital ratios and unused loan commitments and transaction deposits for depository institutions. We test empirically whether loan commitments had a different impact on the capital ratios of those banks that failed and did not fail during the recent financial crisis. We also analyze the role of transaction deposits, a liquidity measure, on the financial condition of depository institutions. We use a large data set for U.S. commercial banks between the first quarter of 2001 and the last quarter of 2010. Our results suggest that unused loan commitments and transaction deposits had a significant effect on the capital ratios of non-failed banks prior to the financial crisis, but only transaction deposits affected the bank capital ratios of non-failed banks during the crisis. For failed banks, large levels of unused loan commitments seem to be associated with capital ratios only during the financial crisis. [PUBLICATION ABSTRACT]
Database: ABI/INFORM Complete

2.

Title: Macroeconomic policy responses to financial crises in emerging European economies
Authors: Josifidis, K., et al
Source: Economic Modelling; 2013, Article in Press
Abstract: This paper contributes to the literature on monetary policy responses in emerging economies to international financial crises. Such an issue is especially relevant for these countries insofar as they tend to be more unstable than developed countries. In addition, they suffer from larger cumulative output losses that have long-lasting negative effects on growth. If the earlier literature has suggested that emerging countries conduct pro-cyclical policies that exacerbate the impact of shocks, recent findings drawn from the experience of the global financial crisis show that they tend to more frequently adopt counter-cyclical monetary policies. However, even in the last crisis, all countries did not conduct expansionary monetary policies. Among the factors explaining such a behavior, the literature identifies the currency mismatch. This paper is related to this literature. It analyzes monetary policy responses to common financial shocks over the period 1995-2010 for a sample of ten emerging European countries. Emerging Europe has especially suffered from the global financial crisis. Three monetary instruments are analyzed: the nominal short-term interest rate, the real exchange rate, and the foreign exchange reserves. Our empirical methodology used structural Bayesian vector autoregressive (SBVAR)

models over two crises periods (1995Q1-2001Q4 and 2002Q1-2010Q4). Our main findings are the following. First, common international financial shocks lead to different monetary policy responses. Second, countries with high currency mismatch ratios suffer from both fear of floating and fear of losing international reserves.
Note: DOI: 10.1016/j.econmod.2013.09.035
Databases: Scopus

3.

Title: A comment on "Fundamentally wrong? The economic fundamentals and sovereign spreads during the Greek financial crisis"
Authors: Kazanas, T. and Tzavalis, E.
Source: Journal of Macroeconomics; 2013, Article in Press
Abstract: Gibson's et al. (2013) provide evidence that credit ratings have exerted an independent influence on credit (sovereign) spreads for Greece beyond that implied by economic fundamentals. Based on the Markov Regime-switching model of Hamilton (1989), we show that this happens during the recent financial crisis regime, characterized by a higher mean and volatility of credit spreads. It is also true for Ireland and Portugal, also bailed out by their EU partners and IMF. We show that, for Greece and Portugal, the shift of credit spreads to their higher mean-volatility regime occurred before the collapse of Lehman brothers, thus discounting a higher price of sovereign credit risk for these two countries. In contrast to Ireland, this regime shift has not been triggered by a rating downgrades for Greece and Portugal. In this higher volatility regime, credit ratings seem to significantly influence future changes in credit spreads independently of economic fundamentals, for Greece and Portugal. For Ireland, they constitute the main factor of determining credit spreads.
Note: DOI: 10.1016/j.jmacro.2013.09.002
Databases: Scopus

4.

Title: The contribution of wealth concentration to the subprime crisis: a quantitative estimation
Authors: Goda, Thomas and Lysandrou, Photis
Source: Cambridge Journal of Economics; 2013. Advance Access. First published online: December 4, 2013
Abstract: The crisis that broke out in mid-2007 was caused by the fact that the collateralised debt obligation (CDO) market had grown to a size sufficient to wreak general havoc when it suddenly collapsed. Several authors have argued that economic inequality was important to the growth of this market. This paper attempts to strengthen this argument by concentrating attention on global wealth concentration. After summarising recent evidence on the negative impact of investor demand on US bond yields in the pre-crisis period, new evidence regarding the specific contribution of high-net-worth individuals to this negative impact is presented. The paper then goes on to show how, after having helped to cause a yield problem in the major US debt markets, high-net-worth individuals (via hedge

funds) continued to be a major source of the pressure on US banks to resolve this yield problem through the mass production of CDOs.
Note: doi: 10.1093/cje/bet061
Database: Oxford Journals Online

5.

Title: Promoting Growth in All Regions
Authors: Stefanou, Spiro E.
Source: European Review of Agricultural Economics; 2013, Advance Access. First published online: November 13, 2013
Abstract: This publication is a report prepared by the Regional Development Policy Division of the OECD Directorate of Public Governance and Territorial Development. Earlier OECD studies have amassed scattered evidence for the key factors for regional growth and the benefits associated with an integrated territorial approach. This publication is an attempt to develop a more focused 'lesson learned' by addressing 23 case studies of regions with varying degrees of growth potential. It is organised as the standard OECD document with an Executive Summary of three pages followed by a seven-page Introduction. The reader can glean the highlights from the two sections as they are presented largely in bulleted form. Three chapters follow.
Note: doi: 10.1093/erae/jbt036
Database: Oxford Journals Online

6.

Title: Inflation targeting monetary and fiscal policies in a two-country stock–flow-consistent model
Authors: Greenwood-Nimmo, Matthew
Source: Cambridge Journal of Economics; 2013. Advance Access. First published online: November 18, 2013
Abstract: This paper develops a simple two-country stock–flow-consistent model based on that of Godley and Lavoie. In order to motivate the use of stabilisation policies, persistent inflationary pressure and endogenous economic cycles are introduced into the model. Three scenarios are then simulated: a step decrease in real exports from country *B*, increased wage pressure in country B and an income tax cut in country *A*. In all cases, monetary and fiscal policies in isolation enjoy little success, but a combined monetary and fiscal approach to stabilisation proves highly effective. Moreover, the model suggests that the pursuit of autonomous inflation targeting in each country introduces excessive exchange rate volatility relative to an alternative rule in which one central bank takes a leading role in interest rate setting.
Note: doi: 10.1093/cje/bet018
Database: Oxford Journals Online

7.

Title: Distributional effects of CAP liberalisation on western German farm incomes: an ex-ante analysis

Authors: Deppermann, Andre, Grethe, Harald and Offermann, Frank
Source: European Review of Agricultural Economics; 2013. Advance Access. First published online: November 20, 2013
Abstract: We measure impacts of liberalising European agriculture on farm income distribution in western Germany. Unlike previous studies, we do not treat market income and policy support as independent income sources. We jointly apply a partial equilibrium and a programming model and find that liberalisation increases inequality in relative terms though it decreases inequality in absolute terms. In particular, we analyse the relevance of taking into account policy-induced production and market responses in an ex-ante inequality analysis. We find that although their inclusion generally does not affect the direction of distributional effects, it may have considerable impact on their magnitude.
Note: doi: 10.1093/erae/jbt034
Database: Oxford Journals Online

8.

Title: The quality of employment and decent work: definitions, methodologies, and ongoing debates
Authors: Burchell, Brendan, et al.
Source: Cambridge Journal of Economics; 2013. Advance Access. First published online: December 4, 2013
Abstract: This article explores the development of concepts related to the 'quality of employment' in the academic literature in terms of their definition, methodological progress and ongoing policy debates. Over time, these concepts have evolved from simple studies of job satisfaction towards more comprehensive measures of job and employment quality, including the International Labour Organization's concept of 'Decent Work' launched in 1999. This article compares the parallel development of quality of employment measures in the European Union with the ILO's Decent Work agenda and concludes that the former has advanced much further due to more consistent efforts to generate internationally comparable data on labour markets, which permit detailed measurements and international comparisons. In contrast, Decent Work remains a very broadly defined concept, which is impossible to measure across countries. We conclude by proposing three important differences between these two scenarios that have lead to such diverging paths: the lack of availability of internationally comparable data, the control over the research agenda by partisan social actors, and a prematurely mandated definition of Decent Work that is extremely vague and all-encompassing.
Note: doi: 10.1093/cje/bet067
Database: Oxford Journals Online

9.

Title: Multinational corporations' economic and human rights impacts on developing countries: a review and research agenda
Authors: Giuliani, Elisa and Macchi, Chiara
Source: Cambridge Journal of Economics; 2013, Advance Access. First published online: November 11, 2013

Abstract: Developing countries are attracting a significant portion of global foreign direct investments. Governments of such countries often compete fiercely for attracting multinational corporations (MNCs) in the expectation of the advantages they will bring to their economies, often prioritising economic goals over fundamental human rights. For a long time, economists have analysed the economic impacts of MNCs, while a parallel strand of work in political science, business ethics and international law investigates the repercussions of MNC operations on human rights. Despite the significant relatedness and complementarities, these two bodies of literature have so far poorly interacted. This paper addresses this limitation and systematically analyses and integrates existing micro-level empirical evidence on the economic and human rights impacts of MNCs on developing countries. It provides a critical analysis of what is known and highlights what we do not know about the factors that mediate the positive and/or negative impacts of MNC operations on host developing countries. Based on a critical analysis of the literature, it discusses avenues for future research in this field and sets the grounds for a new interdisciplinary research agenda on this subject.
Note: doi: 10.1093/cje/bet060
Database: Oxford Journals Online

10.

Title: Disasters and development: natural disasters, credit constraints, and economic growth
Authors: McDermott, Thomas K.J., Barry, Frank and Tol, Richard S.J.
Source: Oxford Economic Papers; 2013. Advance Access. First published online: November 5, 2013
Abstract: Using a simple two-period model of the economy, we demonstrate the potential effects of natural disasters on economic growth over the medium to long term. In particular, we focus on the effect of such shocks on investment. We examine two polar cases: an economy in which agents have unconstrained access to capital markets, versus a credit-constrained version, where the economy is assumed to operate in financial autarky. Considering these extreme cases allows us to highlight the interaction of disasters and economic underdevelopment, manifested through poorly developed financial markets. The predictions of our theoretical model are tested using a panel of data on natural disaster events at the country-year level, for the period 1979–2007. We find that for countries with low levels of financial sector development, natural disasters have persistent negative effects on economic growth over the medium term. These results are robust to various checks.
Note: doi: 10.1093/oep/gpt034
Database: Oxford Journals Online

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