Business & Economic Article Links (January 2015)

1.

Title: Inequality, credit and financial crises
Authors: Perugini, Cristiano, Hölscher, Jens and Collie, Simon
Source: Cambridge Journal of Economics; 2015. Advance Access. First published online: January 5, 2015
Abstract: In the three decades leading up to the financial crisis of 2008/09, income inequality rose across much of the developed world. This has led to a vigorous debate as to whether widening inequality was somehow to blame for the crisis by driving private sector credit booms. Despite growing interest, empirical evidence on an inequality–fragility relationship is limited. Based on a panel analysis of 18 OECD (Organisation for Economic Co-operation and Development) countries for the years 1970–2007, this study provides evidence of a positive relationship between income concentration and private sector indebtedness, once other traditional drivers are controlled for. If confirmed, the implications of this result are as follows: (i) the view that the distribution of income is irrelevant to macroeconomic stability, as implicit in mainstream approaches, needs further investigation; and (ii) in order to make the financial system more robust, policy makers should cast the net wider than monetary policy and regulatory reforms and consider the effects of changes to distributive patterns.
Note: doi: 10.1093/cje/beu075
Database: Oxford Journals Online

2.

Title: The output effect of gross foreign investment reversals
Authors: Janus, Thorsten and Riera-Crichton, Daniel
Source: Oxford Economic Papers; 2014. Advance Access. First published online: December 25, 2014
Abstract: A large literature links currency crashes and reversals in a country's net external borrowing to output losses. In this article, we find that contractions in the stock of gross foreign claims on a country—a phenomenon we call gross foreign investment reversals (GIRs)—are also associated with output declines. GIRs are specially harmful during currency, current account, and sudden stop crises in emerging markets. Instrumental variables estimation suggests that this relationship is causal, running from GIR to output. Meanwhile, financial development and stocks of foreign assets can buffer emerging markets against the negative output effects of GIR. Jointly these findings suggest that changes in the composition of the current account, and not just its level or rate of change, can have first-order output effects. Thus, it may be important for future research to identify the determinants of GIR, a subject we only briefly touch on.
Note: doi: 10.1093/oep/gpu048
Database: Oxford Journals Online

3.

Title: Demand-driven inequality, endogenous saving rate and macroeconomic instability
Authors: Ryoo, Soon
Source: Cambridge Journal of Economics; 2014. Advance Access First published online: December 30, 2014
Abstract: This article examines consumption dynamics in a Cambridge model of growth and distribution. The model endogenises the workers' saving rate and incorporates out-of-

equilibrium dynamics explicitly. The analysis identifies a new mechanism of macroeconomic instability that emerges from the interaction between the Kaldorian process of demand-driven inequality and the workers' saving behaviour. The mechanism can generate perpetual cycles where the upwards phase is characterised by a prolonged period of falling saving rate and increasing income inequality. The article discusses the empirical relevance of the formal analysis. The article discusses the empirical relevance of the analytic results.

Note: doi: 10.1093/cje/beu062

Database: Oxford Journals Online

4.

Title: THE ECONOMIC ANALYSIS OF OBESITY

Authors: Hojjat, Tahereh Alavi

Source: Review of Business & Finance Studies**;** 2015, Vol. 6 Issue 1, Pp.81-98.

Abstract: Over the past several decades, obesity has grown into a major global epidemic. Obesity in the United States is widely acknowledged to be a severe and growing problem. In the United States (U.S.), more than two-thirds of adults are now overweight and one-third of the overweight population is obese. There is growing evidence that obesity in America is largely an economic issue. In this paper, we will provide an overview and an economic analysis of obesity based on behavioral economics as a non-rational behavior. Economic costs of obesity are discussed with an emphasis on healthcare costs, as obesity is perhaps the largest medical problem in America. Research to date has identified at least four major categories of economic impacts linked with the obesity epidemic: direct medical costs, productivity costs, transportation costs, and human capital costs. Stemming the obesity epidemic cannot be separated from stemming the tide of poverty and income inequality gap. The obesity issue could be related to rising fastfood outlets and availability of vending machines, too much advertising for unhealthy food, the falling value of minimum wage, government subsidies, income inequality gap, and lack of health and family benefits. These issues need to be addressed through a concerted program of environmental and policy interventions.

Note: URL: http://search.proquest.com/docview/1526663526?accountid=15637

Database: ABI/INFORM complete

5.

Title: Tweets, Google trends, and sovereign spreads in the GIIPS

Authors: Dergiades, Theologos, Milas, Costas and Panagiotidis, Theodore

Source: Oxford Economic Papers; 2014. Advance Access. First published online: December 12, 2014

Abstract: We examine whether the information contained in social media (Twitter, Facebook, and Google blogs) and web search intensity (Google) influences financial markets. Using a multivariate system and focussing on Eurozone's peripheral countries, the GIIPS (Greece, Ireland, Italy, Portugal, and Spain) as well as two of Eurozone's core countries (France and the Nethelands), we show that social media discussion and search-related queries for the Greek debt crisis provide significant short-run information primarily for the Greek-German and Irish-German government bond yield differential even when other financial control variables (international risk, Eurozone's risk, default risk, and liquidity risk) are accounted for, and to a much lesser extent for Portuguese, Italian, and Spanish sovereign yield differentials. Social media discussion and Google search–related queries for the Greek debt crisis do not affect spreads in France and the Netherlands.

Note: doi: 10.1093/oep/gpu046

Database: Oxford Journals Online

6.

Title: Inflation and economic growth in an open developing country: the case of Brazil
Authors: Baltar, Carolina Troncoso
Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: December 12, 2014
Abstract: This articles studies the relationship between inflation and GDP growth after trade and financial liberalisation in Brazil. The aim is to provide an explanation for the inverse relationship between economic growth and inflation verified in this economy in the considered period. Tradeable and non-tradeable inflation experiences are studied separately for this purpose. The article suggests a model for the relationship between inflation and economic growth under the cost-based price approach. The model is estimated for the case of Brazil, confirming the relationships postulated in the article.
Note: doi: 10.1093/cje/beu073
Database: Oxford Journals Online

7.

Title: The nature of the firm and peculiarities of the corporation
Authors: Lawson, Tony
Source: Cambridge Journal of Economics; 2015. Vol. 39, Issue 1, Pp. 1-32.
Abstract: Insights from social ontology are utilised to provide a novel, or at least clarified, conception of the firm. The latter is shown to be a particular form of social entity that is both of an economic and legal nature. The limited company or 'corporation' is shown to be a specific form of firm. A central distinguishing feature of the argument is that positioning matters in social identity constitution and different sorts of phenomena are positioned in different ways. The company/corporation is constituted in a manner that is a hybrid of other forms of positioning. Notions such as legal fiction and legal personality that abound in the related literature, often in confused ways, are also clarified. Various consequences are drawn for further analyses at the levels of method, theory and policy.
Note: doi: 10.1093/cje/beu046
Database: Oxford Journals Online

8.

Title: Price convergence after the Eastern enlargement of the EU: evidence from retail food prices
Authors: Lindenblatt, Andreas and Feuerstein, Switgard
Source: European Review of Agricultural Economics; 2014. Advance Access. First published online: December 29, 2014
Abstract: Using detailed micro data on European retail food prices for EU15 and all eight Central and Eastern European accession countries, we analyse price convergence within the European Union after the enlargement shock in 2004. Testing for σ-convergence, we find a strong price convergence within EU23, which is mainly explained by convergence between and not within the two subgroups of the old and the new member states.
Note: doi: 10.1093/erae/jbu038
Database: Oxford Journals Online

9.

Title: Stratification economics and identity economics

Authors: Davis, John B.
Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: December 15, 2014
Abstract: Stratification economics represents an important new approach devoted to explaining economic inequality in terms of how social groups are separated or stratified according to relative group status. This paper combines stratification economics with identity economics to address complications that the phenomenon of intersectionality—people having multiple social group identities—creates for stratification economics. It distinguishes two types of social identities recognised by social psychologists, categorical and relational social identities, and uses this distinction to explain how individuals' personal identities, understood as ordered sets of social identities, can be seen to be both socially and self-constructed. Individuals order and rank their categorical social identities according to weights they assign to them in interactive social settings in which their role-based relational social identities combine different categorical social identities. Research in social psychology in the stigma identity-threat literature is then reviewed to distinguish two opposed ways in which individuals respond to others' stigmatisation of their social groups in interactive settings. The paper argues that the ways in which individuals respond to stigma reflect social group power relationships and the scarcity logic of individualist social ontologies and tend to reinforce social stratification.
Note: doi: 10.1093/cje/beu071
Database: Oxford Journals Online

10.

Title: Bitcoin and the legitimacy crisis of money
Authors: Weber, Beat
Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: December 22, 2014
Abstract: The virtual currency and payment project Bitcoin intends to challenge the current monetary and payment system that finds itself in a legitimacy crisis in the aftermath of the financial market turmoil of 2008. In examining the governance of the Bitcoin system, I try to assess its potential to create input and output legitimacy as a payment system and as a monetary system in comparison with current practice.
Note: doi: 10.1093/cje/beu067
Database: Oxford Journals Online

11.

Title: Foreign direct investment and employment rights in South-Eastern Europe
Authors: Wood, Geoffrey, et al.
Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: December 22, 2014
Abstract: The dominant neoliberal policy community holds that a reduction in employment rights and social protection is likely to promote economic recovery and growth. It has been suggested that investors are likely to shun countries where such rights are strong; in contrast, radical labour market deregulation is seen as encouraging both local business and multinationals to invest. This study explores whether labour market deregulation in South-Eastern Europe has really encouraged multinationals to invest in the region. We find that the weakening of important aspects of employment rights under the law appears to detract from, rather than encourage, foreign direct investment (FDI). We also show that stronger employment rights are more likely to attract FDI when the host country is located within the European Union. This finding suggests that the complementarities associated with stronger

employment rights and more committed labour may offset the overall deterrent effects of the greater regulation associated with EU membership.
Note: doi: 10.1093/cje/beu070
Database: Oxford Journals Online

12.

Title: What really caused the Great Recession? Rhyme and repetition in a theme from the 1930s
Authors: Snowden, Nicholas
Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: December 17, 2014
Abstract: Diagnoses of the 2008 financial crisis have invoked arguments involving real sector developments that, though much debated in the 1930s, had largely disappeared from the literature in recent decades. Prompted by these revivals, the present study re-examines an inter-war conviction that the Depression had its origins in uneven technological progress and monopolistic competition. Effectively reversing the induced roundaboutness view of the Austrian thesis, these writings noted a conflict between the resulting need for monetary accommodation and its potentially destabilising distributional consequences. A common framework permits the extent of similarity in inter-war and contemporary American experience to be assessed, with the comparison drawing attention to the 1990s' NASDAQ boom and the subsequent financial behaviour of the US corporate sector. Consistently with the earlier literature but contrary to recent conclusions, financial sector excess is seen as an aggravating factor, rather than an initiating cause of the recession.
Note: doi: 10.1093/cje/beu069
Database: Oxford Journals Online

13.

Title: Government–Opposition Dynamics during the Economic Crisis in Greece
Authors: Gemenis, K., Nezi, R.
Source: Journal of Legislative Studies; January 2015, Vol. 21, Issue 1, Pp. 14-34
Abstract: This contribution examines the turbulent period of 2010–12 when Greece became the first European Union member state to accept the International Monetary Fund/European Union bailout package, which had significant electoral consequences. The May 2012 election was characterised by unprecedented electoral volatility and a reshuffling of the party system. An understanding of this development is sought by focusing on the relationship between government and opposition parties in terms of their MPs' legislative voting behaviour on key economic bills in the aforementioned period. It is observed that although the economic crisis seems to have decreased the importance of the traditional left–right dimension, the bailout agreements reinforced the conflict between the responsive and responsible aspects of representative government and created a new conflict dimension over supporters and opponents of the bailout agreements. This contribution concludes with a call to reassess the impact of European integration on national party systems.
Note: doi: 10.1080/13572334.2014.939562
Database: Scopus

14.

Title: Asset price and monetary policy: the effect of expectations formation
Authors: Chen, Nan-Kuang, Cheng, Han-Liang and Chu, Hsiao-Lei

Source: Oxford Economic Papers; 2014. Advance Access. First published online: December 10, 2014

Abstract: This article studies the stabilization effect of monetary policy reacting to asset price, accounting for the expectations formation effect of policy regime shift, in a DSGE model calibrated to the US economy. In contrast to the linear policy rule that generates negligible stabilization effect from responding to asset prices, the regime switching policy rule can significantly stabilize inflation-output volatilities. We then identify the range of parameter values that can generate stabilization effect for inflation and find that reacting to asset prices too aggressively can be inflation de-stabilizing. Given certain combinations of parameter values, the trade-off between the expected volatility of inflation and that of output, as demonstrated by the Taylor curve, substantially diminishes, thus considering non-linear policy rule expands the set of monetary policy choices available for monetary authority. Finally, there exists an optimal responsiveness to asset prices.

Note: doi: 10.1093/oep/gpu045

Database: Oxford Journals Online

15.

Title: Self-employment, wage employment, and informality in a developing economy

Authors: Bennett, John and Rablen, Matthew D.

Source: Oxford Economic Papers; 2014. Advance Access. First published online: December 17, 2014

Abstract: We construct a simple model incorporating various urban labour market phenomena obtaining in developing economies, and we give a diagrammatic formulation of the market equilibrium. Our initial formulation assumes an integrated labour market and allows for entrepreneurship, self-employment, and wage employment. We then introduce labour market segmentation. In equilibrium voluntary and involuntary self-employment, formal and informal wage employment, and formal and informal entrepreneurship may all coexist. We illustrate the model by an example calibrated on Latin American data, examining individual labour market transitions and implications of education/training and labour market policies.

Note: doi: 10.1093/oep/gpu047

Database: Oxford Journals Online

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