

Business & Economics articles (June 2013)

1.

Title: [Inflation expectations formation in the presence of policy shifts and structural breaks: An experimental analysis](#)

Author: Ricardo, Luís, Odria, Maertens and Rodríguez, Gabriel

Source: The Journal of Socio-Economics; June 2013, Volume 44, Pp. 59–67

Abstract: In this paper we study how inflation expectations are formed and whether these change due to the occurrence of policy shifts or structural breaks. We conduct 4 experiments with 75 inexperienced subjects, in which we ask them to predict future home inflation and report confidence intervals. At three points in time during our experiments, we also ask our participants to provide additional information regarding the uncertainty about their expectations. Our design allowed us to gather 6750 home inflation point forecasts and confidence intervals. We find that: (1) inflation expectations are seldom rational, (2) our subjects generally ignore valuable information and, instead, tend to pay close attention to past trends, (3) the adoption of inflation targeting increases the amount of subjects that forecast in a rational fashion and reduces the uncertainty about future inflation, and (4) a recession reduces rationality among forecasters, yet induces them to expect inflation to revert to its mean.

Note: *Original research article*

Database: *ScienceDirect*

2.

Title: [Incentives for Innovation: Patents, Prizes, and Research Contracts](#)

Authors: Clancy, Matthew S. and Moschini, GianCarlo

Source: Applied Economic Perspectives and Policy; June 2013, Vol. 35 Issue 2, Pp. 206-241

Abstract: Innovation is essential for sustaining growth and economic development in a world that faces population increase, natural resource depletion, and environmental challenges. Incentives play a critical role in innovation because the required research and development activities are costly, and the resulting knowledge has the attributes of a public good. This paper discusses the economics of institutions and policies meant to provide incentives for research and innovation, and focuses on intellectual property rights, specifically patents, contracted research (for example grants), and innovation prizes. The main economic implications of these institutions are discussed, with particular attention paid to open questions and recent contributions.

Database: *Oxford Journals Online*

3.

Title: [Word of Mouse: CSR Communication and the Social Media](#)

Authors: Kesavan, Ram, Bernacchi, Michael D. and Mascarenhas, Oswald A. J.

Source: International Management Review; June 2013, Vol. 9, Issue 1, Pp. 58-66

Abstract: We explore the prospects for CSR as an important branding tool, using social media. We cite current CSR social media related efforts of some major corporations. We argue that despite their successful efforts in developing CSR programs via traditional media, firms are more empowered for disseminating their corporate CSR efforts when using the social media. We strongly recommend that the social media be used as a tool for effectively communicating an organization's CSR activities. We, also, investigate managerial implications of our major arguments in this paper. [ABSTRACT FROM AUTHOR]

Database: *Business Source Complete*

4.

Title: [The Effect of Liquidity on Governance](#)

Authors: Edmans, Alex, Fang, Vivian W. and Zur, Emanuel

Source: The Review of Financial Studies; June 2013, Vol. 26, Issue 6, Pp. 1443-1482

Abstract: This paper demonstrates a positive effect of stock liquidity on blockholder governance. Liquidity increases the likelihood of block formation. Conditional upon acquiring a stake, liquidity reduces the likelihood that the blockholder governs through voice (intervention)—as shown by the lower propensity for active investment (filing Schedule 13D) than passive investment (filing Schedule 13G). The lower frequency of activism does not reflect the abandonment of governance, but governance through the alternative channel of exit (selling one's shares): A 13G filing leads to positive announcement returns and improvements in operating performance, especially in liquid firms. Moreover, taking into account the increase in block formation, liquidity has an unconditional positive effect on voice as well as exit. We use decimalization as an exogenous shock to liquidity to identify causal effects.

Database: *Oxford Journals Online*

5.

Title: [What is the meaning of behavioural economics?](#)

Authors: Heap, Shaun P. Hargreaves

Source: Cambridge Journal of Economics; 2013, Advance Access, First published online: May 14, 2013

Abstract: This article examines the insights into how people actually behave from behavioural economics and how this affects economic explanation and prescription. It argues that implications for explanation are likely always to be contestable (because, as a new source of empirical evidence, behavioural economics encounters familiar problems with empiricism). The implications for prescription, however, are potentially significant, although not in the direction popularised by 'nudging'. Indeed, the behavioural insights suggest that public policy should be less concerned with forms of preference satisfaction and more concerned with individual autonomy. On many accounts of the philosophy of social science, the tension between these insights into behaviour and the dominant model of rational choice would likely consign behavioural economics to the margins of the discipline. In this context, however, this is not true, and the article concludes with a discussion of this puzzle.

Database: Oxford Journals Online

6.

Title: [The quest for evidence on the economic effects of copyright law](#)

Authors: Towse, Ruth

Source: Cambridge Journal of Economics; 2013, Advance Access, First published online: May 14, 2013

Abstract: The requirement by the UK government for evidence-based policy has recently been applied to copyright law in the context of I. Hargreaves's report, *Digital Opportunity: Review of Intellectual Property and Growth* (Newport, Intellectual Property Office, 2011). In this article, I focus on data that have been used to make the case for copyright with government, but it is argued that this does not produce the evidence that is needed for policy purposes. The problem facing economists in providing such evidence is discussed in detail in connection with Hargreaves' proposal for a digital copyright exchange.

Note: *Manuscript*

Database: Oxford Journals Online

7.

Title: [Modeling Loan Repayment Behavior in Developing Countries](#)

Authors: Manojit, Bhattacharjee and Meenakshi, Rajeev

Source: Applied Economic Perspectives and Policy; June 2013, Vol. 35, Issue 2, Pp. 270-295

Abstract: Effective control of non-performing assets (NPAs) is critical for sustainable and healthy growth in the banking sector of any economy. In this paper we attempt to establish a possible connection between the problems of loan non-repayment in the formal credit market and credit accessibility from informal sources in India. The latter appears to flourish in many developing countries despite various government-initiated formal lending programs. Scholars often examine how poorer households become the victim of usurious interest rates charged by informal lenders and thereby lose their valuable securities. Our approach, however, suggests that the more unfavorable the terms of loan from an informal moneylender compared with a formal lending agency, the better are the chances of a borrower making a timely repayment, and thus obtaining the benefits of a formal loan on a recurring basis (which is not available in the case of default). The paper uses the National Sample Survey Organization database (59th round, All India Debt and Investment Survey) to empirically examine the impact of interest rate in the informal sector on formal sector repayment. In addition to revealing a positive and significant impact of the informal sector's interest rate on the repayment of formal loans, the empirical analysis reveals a plausible negative impact of expectation regarding a loan waiver, as well as the moral hazard problem faced by formal lending agencies.

Database: Oxford Journals Online

8.

Title: [Recent research on competitiveness and clusters: what are the implications for regional policy?](#)

Authors: Ketels, Christian

Source: Cambridge Journal of Regions, Economy and Society; 2013, Advance Access, First published online: May 7, 2013

Abstract: This paper reviews implications of recent research on competitiveness and clusters for regions and regional policy. A new framing of competitiveness clarifies the role of regions. Its empirical findings align well with the literature on drivers of regional performance, but there are opportunities for mutual learning. A step-change in the availability of data on clusters and cluster policies has enabled new research approaches. Clusters are shown to have a close association with regional economic performance and evolution. Cluster policies are largely focused on strengthening existing agglomerations, not creating new ones. The paper discussed several practical insights for regional policy makers.

Note: *Manuscript*

Database: *Oxford Journals Online*

9.

Title: [Modern regional innovation policy](#)

Authors: McCann, Philip and Ortega-Argilés, Raquel

Source: Cambridge Journal of Regions, Economy and Society; 2013, Advance Access, First published online: May 9, 2013

Abstract: This paper analyses the evolution of regional innovation policy into the mainstream of public policy. The paper examines the empirical and theoretical developments which have shifted much of the focus on innovation-related issues to matters of economic geography. As well as academic material we also review the literature on the subject produced by the international development institutions. In terms of policy, special attention is devoted to the role of local market failures and local institutions in explaining the importance and need for regional innovation policies, and the advent of the smart specialisation agenda is discussed. Finally, the paper discusses the current regional innovation policy tools and interventions observed around the world, which are seen by international institutions as examples of best practice.

Note: *Manuscript*

Database: *Oxford Journals Online*

10.

Title: [How Can Safety Nets contribute to Economic Growth?](#)

Authors: Alderman, Harold and Yemtsov, Ruslan

Source: World Bank Economic Review; 2013, Advance Access, First published online: June 3, 2013

Abstract: The paper provides an up-to date and selective review of the literature on how social safety nets contribute to growth. The evidence is carefully chosen to show how safety nets have the potential to overcome constraints on growth linked to market failures, and is organized into four distinct pathways: i) encouraging asset accumulation by changing incentives and by addressing imperfections in financial

markets caused by constraints in obtaining credit, and from information asymmetries; overcoming such failures helps households to invest into their human capital or productive assets; ii) failures in insurance markets especially in low income setting; safety nets are assisting in managing risk both ex post and ex ante; iii) safety nets are overcoming failure to create assets and other local economy complementary factors to household-level investments; iv) safety nets are shown to relax political constraints on policy. Safety nets have a dual objective of directly alleviating poverty through transfers to the poor and of triggering higher growth for the poor. However, the trade-off between the dual objectives of equity and growth is not eliminated by the potential for productive safety nets; this remains critical for designing social policies.

Database: *Oxford Journals Online*

11.

Title: [The Climate Policy Dilemma](#)

Authors: Pindyck, Robert S.

Source: Review of Environmental Economics and Policy; 2013, Advance Access, First published online: May 30, 2013

Abstract: Climate policy poses a dilemma for environmental economists. The economic argument for stringent greenhouse gas (GHG) abatement is far from clear. There is disagreement among both climate scientists and economists concerning the likelihood of alternative climate outcomes, the nature and extent of the uncertainty of those outcomes, and the framework that should be used to evaluate potential benefits from GHG abatement, including key policy parameters. I argue that the case for stringent abatement—if it can be made at all—cannot be based on the kinds of modeling exercises that have permeated the literature thus far, but instead must be based on the possibility of a catastrophic outcome. I discuss how an analysis that incorporates such an outcome might be conducted.

Database: *Oxford Journals Online*

12.

Title: [The heterogeneous costs of disclosure and the propensity to patent](#)

Authors: Heger, Diana and Zaby, Alexandra K.

Source: Oxford Economic Papers; 2013, Advance Access, First published online: May 13, 2013

Abstract: This article explores whether the heterogeneous costs of disclosure induced by patenting can serve as an explanation for the empirically observed heterogeneity of the propensity to patent across firms. A theoretical model identifies the interplay between market entry barriers and the usefulness of the information disclosed through patenting for competitors as a crucial factor driving the extent of disclosure costs that a patenting firm faces. High costs of disclosure may outweigh the merits of patenting, leading innovators to rely on alternative protection strategies, such as secrecy. An empirical investigation using the German part of the CIS data provides evidence for these theoretical predictions.

Database: *Oxford Journals Online*

13.

Title: [European economic governance: the Berlin–Washington Consensus](#)

Authors: Jean-Paul Fitoussi and Francesco Saraceno

Source: Cambridge Journal of Economics; May 2013, Vo. 37, Issue 3, Pp.79-496

Abstract: This paper argues that the European Union (EU) has gone further than any other country or institution in internalising the prescriptions of the Washington Consensus. Embedding neoliberal principles in the treaties defining its governance, the EU has enshrined a peculiar doctrine within its constitution. We further argue that this 'Berlin–Washington Consensus' has serious empirical and theoretical flaws, as its reliance on Pareto optimality leads to neglect the crucial links between current and potential growth. We show by means of a simple model that the call for structural reforms as an engine for growth may be controversial, once current and potential output are related. We claim that adherence to the Consensus may go a long way in explaining the poor growth performance of the European economy in the past two decades, because of the constraints that it imposed on fiscal and monetary policies. The same constraints have deepened the eurozone crisis that started in 2009, putting unwarranted emphasis on austerity and reform. Challenging the Consensus becomes a precondition for avoiding the implosion of the euro and recovering.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

14.

Title: [In search of sustainable paths for the eurozone in the troubled post-2008 world](#)

Authors: Mazier, Jacques and Petit, Pascal

Source: Cambridge Journals of Economics; May 2013, Vol. 37, Issue 3, Pp.513-532

Abstract: The diversity in the eurozone has costs and advantages, respectively, for countries whether they are confronted with an overvalued or undervalued euro. Rough estimations of these costs and benefits help to assess the adjustments that could lead to a sustainable eurozone. A purely financial type of federalism, set up under the pressure of financial markets, risks falling short of the objective. A budgetary federalism, if it is based on long-term investment programmes with an enlarged political support, is more likely to meet the objective. A scheme of multispeed Europe could constitute a fallback solution if the political support for a budgetary federalism is not attained.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

15.

Title: [The euro crisis: undetected by conventional economics, favoured by nationally focused polity](#)

Authors: Boyer, Robert

Source: Cambridge Journal of Economics; May 2013, Vol. 37, Issue 3, Pp.533-569

Abstract: This article interprets the initial success of the launch of the euro and its 'muddling through' since the outbreak of the Greek sovereign debt crisis. Two interrelated processes interacted to deliver a quite complex idiosyncratic systemic

crisis. First, new classical macroeconomics had diffused the belief that market economies are structurally stable, money is neutral, financial markets are efficient and that the only culprit is public finance. The euro crisis was thus inaccurately diagnosed. Second, in the political arena, monetary integration has been used by many governments as a justification for liberalisation reforms opposed by various domestic social groups. At the European level, most governments have been defending national interests, whereas the European Commission and European Parliament had lost most of their expertise and legitimacy in defending a common community in line euro ambitions. Crisis resolution calls for leadership from a key collective actor, to return coherence to the eurozone's institutional setting.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

16.

Title: [International credit, financial integration and the euro](#)

Authors: Toporowski, Jan

Source: Cambridge Journal Economics; May 2013, Vol.37, Issue 3, Pp. 571-584

Abstract: Prospects for the European Monetary Union are inevitably affected by the theoretical presuppositions of the observer. The most common approach, the theory of optimal currency areas, postulates that traded goods are produced by labour and the exchange rate between 'national' currencies is the ratio of commodity wages, expressed in monetary units, in different countries. In this analysis the exchange rate and wages are substitutes for obtaining international 'competitiveness'. Such a view is the basis for current reflections about the future of the euro and the reduction of its difficulties to relative wages rates in different countries of the eurozone. The theory has two important limitations. First, it takes no account of the import intensity of exports, which would require wage adjustments to reinforce exchange rate adjustments, so that wages and exchange rates are necessarily complementary parameters, rather than being substitutes for each other. Hence, exit from the eurozone as a means of closing trade deficits would require additional austerity. Even more importantly, it is a commodity money theory, in which imbalances are accommodated by accumulations of specie or fiat money. However, in a credit economy, banking systems absorb trade imbalances into their balance sheets. Moreover, financial integration means that banking systems throughout Europe are vulnerable to balance sheet risks from exchange rate depreciation in any country in Europe.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

17.

Title: [Policy coordination, conflicting national interests and the European debt crisis](#)

Authors: Panico, Carlo and Purificato, Francesco

Source: Cambridge Journal of Economics; May 2013, Vol. 37, Issue 3, Pp.585-608

Abstract: This paper tries to identify the causes of and solutions to the debt crisis, by moving from the content of a previous debate on policy coordination in the euro area and from the available evidence on the existence of conflicting national

interests within the governing bodies of the European Central Bank (ECB). It argues that before 2007 the flaws in the institutional organisation of the process of coordination between monetary and fiscal policy affected the cyclical and growth operation of the economies. After then, they have contributed to intensifying the conflicts among national and European authorities. The conflicts have curbed policy reactions, held back the interventions of the ECB, as occurred to the Federal Reserve during the crisis of 1929, and favoured the speculative attacks. The conclusion is that the organisation of the area must be reformed to allow its institutions to effectively pursue the objectives for which they were created, i.e. to protect the citizens from the instability of the international financial markets. As has been done in monetary policy, the reforms must reduce the uncertainty on the actual conduct of national policies and transform the defensive attitudes of the different actors of the process into a positive search for the most effective policy for the whole area.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

18.

Title: [At the crossroads: the euro and its central bank guardian \(and saviour?\)](#)

Authors: Bibow, Jörg

Source: Cambridge Journal of Economics; May 2013, Vol. 37, Issue 3, Pp. 609-626

Abstract: This paper investigates the role of the European Central Bank (ECB) in the (mal) functioning of Europe's Economic and Monetary Union (EMU), focusing on the German intellectual and historical traditions behind the euro policy regime and its central bank guardian. The analysis contrasts Keynes's chartalist conception of money and central banking with the peculiar post-World War II German traditions nourished by the Bundesbank and based on a fear of fiscal dominance. Keynes viewed the central bank as an instrument of the state, controlling the financial system and wider economy but ultimately an integral part of, and controlled by, the state. In contrast, the 'Maastricht (EMU) regime' (of German design) positions the central bank as controlling the state. Essentially, the national success of the Bundesbank model in pre-EMU times has left Europe stuck with a policy regime that is wholly unsuitable for the area as a whole. But regime reform is complicated by severely unbalanced competitiveness positions and debt-overhang legacies. Refocusing the ECB on growth and price stability would have to be a part of any solution, as would refocusing area-wide fiscal policy on growth and investment.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

19.

Title: [Reconstructing the eurozone: the role of EU social policy](#)

Authors: Grahl, John and Teague, Paul

Source: Cambridge Journal of Economics; May 2013, Vol. 37, Issue 3, Pp.677-692

Abstract: It is widely recognised that the institutional architecture housing monetary union in Europe is deeply flawed. Although there has been considerable discussion about how these shortcomings can be put right, relatively little has been said about the role EU social policy can play in making the eurozone more stable and

sustainable. The purpose of this paper is to address this shortcoming. It is argued that that some form of EU 'social union' is urgent, for without it the immediate financial problems facing the members of the eurozone cannot be resolved. The paper seeks to explain what role EU social policies can play in the construction of an adequate federal framework for the monetary union. It is argued that a fully fledged social union is unlikely to emerge that involves massive transfers from the European core to the periphery. At the same time, it is envisaged that EU social policy will need to be strengthened considerably, with interventions focusing on employment creation and on the capacity of national governments to maintain domestic social safety nets.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

20.

Title: [Economic relations between Germany and southern Europe](#)

Authors: Simonazzi, Annamaria, Ginzburg, Andrea and Nocella, Gianluigi

Source: Cambridge Journal of Economics; May 2013, Vol. 37, Issue 3, Pp.653-675

Abstract: Two interpretations have been advanced to account for persistent German current account surpluses that translate into equally persistent deficits of countries in the European periphery. According to the first, the German surplus is the expression of a 'virtuous' savings behaviour, to be extended to the periphery. The second maintains that the increase in net exports reflects the stagnation of German domestic demand. The paper argues that differences in price competitiveness are only part of the explanation of the disequilibria and that an expansion of German internal demand, albeit necessary, would not suffice to provide a viable response to the long-term sustainability of the euro area. Adopting a multilevel perspective, the paper argues that to understand the persistence of deficits in the European periphery, the main features of the reorganisation of the German economic system, including its income redistribution and demand implications, should be considered. Three elements are singled out: the effects of eastward enlargement, the impoverishment of the productive matrix of peripheral countries and the quality composition of trade flows. This analysis, it is argued, is a crucial premise for devising trade and industrial policies targeted on redressing the increasing skewness of EU trade, especially through greater trade among the deficit countries.

Note: *Special Issue: Prospects for the Eurozone*

Database: *Oxford Journals Online*

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