

Business & Economic Article Links (May 2014)

1.

Title: [We No Longer Love You, But We Don't Want To Leave You': The Eurozone Crisis and Popular Euroscepticism in Greece](#)

Authors: Clements, B., Nanou, K., and Verney, S.

Source: Journal of European Integration; Apr 2014, Vol. 36, Issue 3, Pp.247-265

Abstract: This article analyses whether and how public opinion towards the European Union (EU) in Greece has changed in the context of the current Eurozone crisis. It provides the first detailed treatment of how the crisis has affected citizens' views in a traditionally pro-European member state. It examines whether public opinion has become more Eurosceptic and which societal groups have changed their views and in what direction. It uses data from Eurobarometer surveys conducted before and during the current crisis. Unsurprisingly, the findings show that negative sentiment towards the EU has increased across all social groups in recent years. However, we find a paradox of a decline in general support for the EU and an increase in support for the Euro. In a country seen as traditionally pro-European, Greek public opinion has fallen out of love with the EU, but it clearly does not want to leave the Eurozone or renounce membership altogether.

Note: DOI: 10.1080/07036337.2014.885753

Database: *Scopus*

2.

Title: [HOW BEHAVIORAL ECONOMICS TRIMS ITS SAILS AND WHY.](#)

Authors: Bubb, Ryan and Pildes, Richard H.

Source: Harvard Law Review; Apr 2014, Vol. 127 Issue 6, Pp.1594-1678

Abstract: The preference of behavioral law and economics (BLE) for regulatory approaches that preserve "freedom of choice" has led to incomplete policy analysis and inefficient policies. BLE has been broadly regarded as among the most promising new developments in public policymaking theory and practice. As social science, BLE offers hope that better understanding of human behavior will provide a sounder foundation for policy design. As politics, BLE offers a possible political consensus built around minimalist forms of government action -- "nudges"-- that preserve freedom of choice. These two seductive dimensions of BLE are, however, in deep tension. Put simply, it would be surprising if the evidence documenting the failure of individual choice implied a turn toward regulatory tools that preserve individual choice. Developing BLE fully along its social-scientific dimension would reveal two categories of recurring limitations in BLE. First, BLE often artificially excludes traditional regulatory tools, such as direct mandates, from its analysis of policy options. However, BLE's preferred nudges are, in important cases, not likely to be effective--ironically, for reasons BLE itself identifies. BLE has also neglected the ways in which behavioral failures interact with traditional market failures and the implications of this interaction for policy design. A more complete framework generates policy recommendations beyond both nudges and neoclassical economic prescriptions. Second, BLE does not properly evaluate, at times, how its own regulatory tools actually function. Many of these seemingly choice-preserving tools are not nearly as light touch as advertised. The default rules so central to BLE are often better viewed as preserving the formality of choice while, for many individuals, functioning as effective mandates. The view that people can always rationally opt out has led policymakers to set these powerful defaults at the wrong levels, resulting in counterproductive policies. We illustrate the costs of BLE's commitment to freedom of choice by analyzing three of the most important areas for current policy: retirement savings, consumer credit, and environmental protection.

Database: Business Source Complete

3.

Title: [Military Spending and Economic Growth: The Case of Iran](#)

Authors: Farzanegan, Mohammad Reza

Source: Defence and Peace Economics; May 2014, Vol. 25, Issue 3, Pp. 247-269

Abstract: Over the last decade, the Iranian Government budget on military has been higher than the average of the world. The current increasing international sanctions aim to reduce the military capabilities and capacities of the Iranian Government. We analyze the response of the Iranian economy to shocks in its military budget from 1959 to 2007, using impulse response functions and variance decomposition analysis. The Granger causality results show that there is unidirectional causality from the military spending growth rate to the economic growth rate. The response of income growth to increasing shocks in the military budget is positive and statistically significant.

Note: DOI: 10.1080/10242694.2012.723160

Database: Taylor & Francis Online

4.

Title: [What is capital? Economists and sociologists have changed its meaning: should it be changed back?](#)

Authors: Geoffrey M. Hodgson

Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: April 4, 2014

Abstract: This article traces the historical usages of the term *capital* and the explosion of different types of supposed 'capital' in the twentieth century, including 'human capital' and 'social capital'. In medieval and early modern times, *capital* meant money investable or invested in business. This meaning persists in business circles today. In contrast, Adam Smith treated physical assets, machines and people as 'capital' and this different usage has dominated economics since. The pre-Smithian meaning referred to money or other saleable assets that could be used as collateral. This article questions the change in meaning by economists and sociologists and highlights the importance of collateralisable property for capitalism. 'Human capital' can only be collateral if the humans involved are slaves. 'Social capital' can never be used as collateral and it is not even owned. These important issues are masked by the broadened notion of 'capital'. Given the conceptual problems involved, economists and sociologists should consider returning to the pre-Smithian and surviving business usage of the term.

Note: DOI: 10.1093/cje/beu013

Database: Oxford Journals Online

5.

Title: [Patents as options: path-dependency and patent value](#)

Authors: Richards, Timothy J. and Rickard, Bradley J.

Source: European Review of Agricultural Economics; 2014; Advance Access. First published online: April 21, 2014

Abstract: Despite the growing importance of licence revenue to cash-strapped universities and research institutions, there has been no formal attempt to develop pricing models for patent licences. We recognise that patents are options on the stream of future revenues, and apply option-valuation techniques to determine licence prices. We find that accounting for path-dependency in licence revenue streams generates prices that more nearly

approximate observed patent prices. While non-path-dependent prices yield conventional sensitivities to volatility, mean-reversion and returns-growth, path-dependent prices show highly non-linear comparative statics. These results are important both for patent licensees and for licensors seeking to maximise licence revenue.

Note: DOI: 10.1093/erae/jbu001

Database: *Oxford Journals Online*

6.

Title: [Do CAP payments reduce farm labour migration? A panel data analysis across EU regions](#)

Authors: Olper, Alessandro, and et al.

Source: European Review of Agricultural Economics; 2014. Advance Access. First published online: April 28, 2014

Abstract: This paper deals with the determinants of out-farm migration across the European Union (EU) regions focusing on the role played by CAP payments. We add to the existing literature in three main directions. First, our analysis has broad coverage (150 EU regions over the 1990–2009 period); second, we work on the entire portfolio of CAP instruments; third, we rely on modern panel data methods. Results show that standard drivers, such as the relative income and the relative labour share, are important determinants of out-farm migration. Overall, CAP payments significantly contributed to maintain job in agriculture, though the magnitude of the economic effect has been quite moderate and heterogeneous across policy instruments. Pillar I subsidies exerted an effect more than two times greater than that of Pillar II payments.

Note: DOI: 10.1093/erae/jbu002

Database: *Oxford Journals Online*

7.

Title: [An endogenous Goodwin–Keynes business cycle model: evidence for Germany \(1991–2007\).](#)

Authors: Konstantakis, Konstantinos N., et al.

Source: Applied Economics Letters; May 2014, Vol. 21, Issue 7, Pp.481-486.

Abstract: This article studies business cycles with the use of a novel Goodwin–Keynes type model. Based on its derived equations of motion and dynamic properties, we estimate the proposed model for the case of the German economy, the locomotive of the EMU, in the period 1991 to 2007, using relevant econometric techniques. The empirical estimation of the proposed model is very satisfactory, in contrast to previous efforts to empirically implement the original Goodwin model. [ABSTRACT FROM AUTHOR]

Note: DOI: 10.1080/13504851.2013.868581

Database: *Business Source Complete*

8.

Title: [Expectation Damages and Bilateral Cooperative Investments](#)

Authors: Göller, Daniel

Source: American Law and Economic Review; 2014. Advance Access. First published online: April 3, 2014

Abstract: We examine the efficiency of the standard breach remedy *expectation damages* in a setting where the buyer invests cooperatively and the seller invests both cooperatively and selfishly. Contracts may specify a required quality level and an upper bound to the seller's coordination costs. We find that it is optimal to write an augmented Cadillac contract

in which quality is stipulated such that it cannot be met with positive probability together with a very low price. Thus, the seller becomes a residual claimant and the coordination-cost threshold can be used to balance the incentives of the buyer.

Note: DOI: 10.1093/aler/ahu002

Database: *Oxford Journals Online*

9.

Title: [Innovation investment and economic performance in transition economies: Evidence from Slovenia](#)

Authors: Likar, Borut, Kopa, Janez and Fatur, Peter

Source: Innovation: Management, Policy & Practice; Apr2014, Vol. 16 Issue 1, p53-66.

Abstract: This research investigates the relationship between innovation expenditure and its economic performance in 2503 companies. The findings show higher innovation expenditure productivity in the group of Leaders; each euro invested in innovation yields EUR 13.90, but just EUR 7.70 in the group of Followers. ROE is 40% higher in Leaders. Recommendations are provided as to the improvement of business processes and results: financial investments in innovation should be increased in Followers, while simultaneously a substantial improvement in the efficiency of exploiting existing assets is essential. Companies should increase their expenditure on extramural R&D, acquisition of external knowledge (concept of open innovation model) and market introduction of innovations. Further on, we compared some financial data on Slovenian companies with EU average data. The results clearly indicate that Slovenian innovation expenditures are relatively high but not being applied optimally to achieve economic results that compare to the EU average.

Note: DOI: 10.5172/impp.2014.16.1.53

Database: *Business Source Complete*

10.

Title: [Risks of Latin America sovereign debts before and after the financial crisis](#)

Authors: Wang, Alan T. and Yao, Chengxue

Source: Applied Economics; May 2014, Vol. 46, Issue 14, Pp. 1665-1676

Abstract: We investigate the financial determinants of the return and volatility of sovereign CDS spread from six major Latin American countries before and after the bankruptcy of Lehman Brothers. Other than CBOE *VIX* index, we also find that global factors including US Baa–Aaa default yield, *TED* spread and US Treasury rate all contribute to the changes in these sovereign CDS spread. Although global risk aversion (*VIX*) is a significant determinant of sovereign debt spread, in the years after the crisis, the emphasis has shifted towards short-term refinancing risk (*TED*). Furthermore, the risk of Greek sovereign debt crisis also transmitted Latin American CDS spreads immediately, but only in the post-Lehman sub-period. These findings provide implications for international bonds and credit derivatives trading strategies.

Note: DOI: 10.1080/00036846.2014.881976

Database: *Taylor & Francis Online*

11.

Title: [Is the Honeymoon Over? Explaining Italy's Mass Support and Opposition towards Europe](#)

Authors: Di Mauro, D.

Source: Perspectives on European Politics and Society; Apr 2014, Vol. 15, Issue 2, Pp. 143-164

Abstract: The research presented in this article focuses on support and opposition towards Europe in Italy. In particular, it aims to understand and explain the progressive growing opposition towards EU institutions within Italian public opinion. For decades, both Italian media and political parties have depicted Italy as one of the strongest pro-European countries. However, more recently, Italian public opinion started to look at Europe with more critical eyes, while the consensus of Eurosceptic parties grew. Although the downturn in Italian support for Europe appears evident, both its causes and consequences are largely under-investigated. The purpose of this paper is to fill in this analytical gap by looking at the origins of diffuse support for Europe in Italy. The analysis proceeds through a three-stage strategy, aiming to observe: 1) the explanatory factors of diffuse support in Italy, 2) the effects of the economic crisis on the sentiments of support and 3) the European identity of the Italian public. The data have been supplied by the Eurobarometer series since 1990 and analysed through logistic and linear models. Findings reveal the indirect effects of the current economic crisis on diffuse support for Europe in Italy, since trust towards the national government and perceptions of EU utility decrease for the effects of the recession.

Note: DOI: 10.1080/15705854.2014.885769

Database: *Scopus*

12.

Title: [Can political and business connections alleviate financial constraints?](#)

Authors: Yen, Ju-Fang, et al.

Source: Applied Economics Letters; May 2014; Vol. 21, Issue 8, Pp.550-555

Abstract: This article examines the relationship between political and business connections (PBCs) and firms' financial constraints. We proxy a firm's PBCs by whether or not the firm's CEO should hold a directorship in major trade organizations. Using an endogenous switching regression model, we find that firms with a connected CEO are less likely to be classified as financially constrained firms. Our results can provide a possible explanation why firms allow their CEOs to hold directorships in trade associations.

Note: DOI: 10.1080/13504851.2013.875099

Database: *Taylor & Francis Online*

13.

Title: [Improved Energy Efficiency: Vital for Energy Transition and Stimulus for Economic Growth](#)

Authors: Blazejczak, Jürgen, Edler, Dietmar and Schill, Wolf-Peter

Source: DIW Economic Bulletin; Apr 2014, p3-15

Abstract: As part of the energy transition process, the German government has set far-reaching energy efficiency targets, including doubling the annual rate of building renovation to upgrade energy performance from one to two percent. DIW Berlin has estimated the additional energy-savings-related investment required to meet these targets and analyzed the impact this could have on the economy. In the long term, the savings on household energy bills far exceed the additional investment. This, combined with further measures to increase energy efficiency in other sectors, substantially reduces energy consumption and greenhouse gas emissions. Even allowing for some elements of uncertainty, these measures to improve energy efficiency have a positive impact on income and domestic demand. They could also result in significantly positive effects on employment, depending on the ratio of productivity gains and new jobs. Nevertheless, the most recent savings are not nearly enough to achieve the German government's energy efficiency targets. Clear and reliable

framework conditions are needed soon to increase the number of buildings being renovated to upgrade energy performance. Given the present analyses, which indicate that forcing the pace of energy efficiency improvements has a positive impact on German economic growth and employment, the government's hesitation seems even less justified.

Database: *Business Source Complete*

14.

Title: [When European integration becomes costly: the euro crisis and public support for European economic governance](#)

Authors: Kuhn, Theresa and Stoeckel, Florian

Source: Journal of European Public Policy; Apr 2014, Vol. 21, Issue 4, Pp. 624-641

Abstract: This article analyses preferences for European economic governance in the European sovereign debt crisis. We assess citizens' opinions on increased intergovernmental co-operation and supranational governance in the economic sphere. We argue that current efforts to tackle the euro crisis do not benefit the typical 'winners of European integration'. Moreover, European economic governance constitutes an even greater perceived threat to national identity, especially in the member states that fare well economically. Hypotheses are tested using multilevel analysis of Eurobarometer survey wave EB 75.3 (2011).

Note: DOI: 10.1080/13501763.2013.867892

Database: *Taylor & Francis Online*

15.

Title: [Information Costs in International Business: Analyzing the Effects of Economies of Scale, Cultural Diversity and Decentralization](#)

Authors: Richter, Nicole

Source: Management International Review; Apr 2014, Vol. 54 Issue 2, Pp.171-193

Abstract: The relationship between internationalization and performance is controversial. Prominent in the theoretical arguments about a performance downturn in internationalization are increasing information, coordination, and management costs-an argument for which empirical insights are lacking. Building on a model of information cost, we test for the development of internal information costs during internationalization. Applying a panel procedure on a data set of top manufacturers observed over a 7-year period, we analyze the effects of economies of scale, multinationality or host market diversity and international organizational decentralization on internal information costs. Although internal information costs decline due to economies of scale in international **business**, they are especially affected by the degree of host market diversity: a growing cultural diversity increases internal information costs per unit. Finally, we find that after a phase of first organizational adaptation processes, international organizational decentralization (and therewith complexity) rises internal information costs. Information cost development plays a major role in theories referring to a performance downswing in a phase of high or culturally unrelated internationalization involving strong organizational complexity. Our results offer empirical backing for these arguments on internal information costs (incorporated into an information cost model).

Note: DOI: 10.1007/s11575-013-0187-y

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