Business & Economic Article Links (November 2014)

1.

Title: Profit maximising goes global: the race to the bottom
Authors: Kiefer, David and Rada, Codrina
Source: Cambridge Journal of Economics; 2014, Advance Access. First published online: September 29, 2014
Abstract: We explore four decades of cyclical and long-run dynamics in income distribution and economic activity for a panel of 13 OECD countries, as measured by the wage share and output gap. When modeled as predator–prey dynamics, economic activity in OECD countries is weakly profit-led. Convergence to a long-run equilibrium is relatively slow delaying the profit-squeeze stage for many years. Our 'race to the bottom' model suggests that the OECD countries have been engaged in undercutting each other's real unit labour costs. An extension of the model shows that the long-run equilibrium has been shifting south-west towards a lower wage share. It may even be that this race has the undesirable consequence of decreasing economic activity.
Note: DOI: 10.1093/cje/beu040
Database: Oxford Journals

2.

Title: The political economy of failure: The euro as an international currency
Authors: Germain, R., Schwartz, H.
Source: Review of International Political Economy; 2014. Article in Press
Abstract: How do international currencies get established and consolidated? What domestic and international political foundations support an international currency? And what kinds of macro-economic flows enable an international currency? In this essay we consider these perennial questions of modern IPE scholarship in reverse order to ask whether the euro could ever have become, or seek to become, a true international currency rivalling the US dollar, used not only for passive foreign exchange reserves but also as a major commercial currency outside the EU. We argue that the EU lacks the will, the ideas and the capacity to promote the euro into the status of an international currency. In this article, we concentrate on this final issue of capacity, as the will and ideas issues have already been well explored. Capacity is an issue coeval with, if not prior to, the first two issues. The EU's current institutional arrangements and its economic geography create macro-economic consequences that diminish the euro's capacity to operate as a top currency. These conflicts go beyond the well-recognized issue that the euro-zone is not an optimum currency area. Examining the euro's debilities sheds light not only on the euro's (in)capacity to rival the dollar as an international currency, but also on the future of both the euro and the dollar in the aftermath of the euro-zone crisis. © 2014 © 2014 Taylor & Francis
Note: DOI: 10.1080/09692290.2014.891242
Database: Scopus

3.

Title: China's catch-up to the US economy: decomposing TFP through investment-specific technology and human capital
Authors: Luckstead, Jeff, et al
Source: Applied Economics; Nov 2014, Vol. 46 Issue 32, Pp. 3995-4007.
Abstract: We implement a neoclassical growth model that incorporates investment-specific technology (IST) modifying capital investment in the law of motion of capital and bifurcates

productivity into human capital and total factor productivity (TFP) in the production function. We focus on the role of changes in the quality-adjusted price of investment goods on China's growth by comparing the effects of IST and human capital on the decomposition of US and Chinese productivity. The results show that both human capital and IST play an important role in the decomposition of US TFP. For China, human capital accounts for an increasingly higher portion of Chinese TFP for the period 1952–2009; however, IST contributes to the explanation of TFP only after the 1979 reforms. The analysis is extended by considering the impact of IST in the consumer's investment decision and by projecting both countries' GDP while modelling unbalanced Chinese growth using catch-up. Our model predicts that the Chinese economy will surpass the US economy in 2024.
Note: DOI: 10.1080/00036846.2014.948677
Database: Business Source Complete

4.

Title: The Impact of Business Environment Reforms on New Registrations of Limited Liability Companies
Authors: Klapper, Leora and Love, Inessa
Source: World Bank Economic Review; 2014. Advance Access. First published online: October 6, 2014
Abstract: Panel data for 91 countries are used to study how the ease of registering a business and the magnitude of registration reforms affect new registrations of limited liability companies (LLCs). The costs, days, and procedures required to start a business are found to be important predictors of new LLC registration. Panel regressions also show important synergies in multiple reforms of two or more business environment indicators. These results are consistent with the intuition that to be effective, reforms should be sufficiently large so that the costs of registration are lower than the expected benefits. In addition, countries with relatively weaker business environments prior to reforms require relatively larger reforms to impact the number of newly registered LLCs.
Note: DOI: 10.1093/wber/lhu007
Database: Oxford Journals

5.

Title: The political economy of the Euro crisis: Cognitive biases, faulty mental models, and time inconsistency
Authors: Willett, T.D., and Srisorn, N.
Source: Journal of Economics and Business; 2014. Article in Press
Abstract: This paper discusses a number of major factors that led to the euro crisis and the failure of officials to deal with it effectively. It is argued that a good deal of these deficiencies in policy can be explained by a combination of faulty mental models, time-inconsistency problems, and cognitive biases such as wishful thinking. The project of European integration has brought great economic benefits and fulfilled the founders' hopes that the European economies would become so tied together that war would be unthinkable. In creating the euro, however, they failed to recognize that monetary integration is fundamentally different from trade integration and that the group of euro countries as a whole did not come close to meeting the criteria for an optimum currency area. Furthermore the institutional infrastructure created for the euro was far too weak to head off emerging problems and to deal effectively with the crisis once it broke out. © 2014
Note: DOI: 10.1016/j.jeconbus.2013.12.001
Database: Scopus

6.

Title: The economic impact of digital technologies in Europe
Authors: Rinaldo Evangelista, Paolo Guerrieri and Valentina Meliciani
Source: Economics of Innovation and New Technology; Nov 2014, Vol. 23, Issue 8, Pp 802-824
Abstract: This paper analyses the economic impact of digital technologies in Europe distinguishing between different stages/domains of the digitalization process. A set of composite Information and Communication Technologies (ICT) indicators is used for capturing the access to ICTs, the ability to use them and the digital empowerment of individuals in key social and economic domains. We argue that the mere accessibility to ICT facilities is only a pre-condition for moving towards a digitalized society, while the 'level' and the 'quality' in the *use* of these technologies, as well as the conditions facilitating or hampering digital empowerment, play a much more important role. Several transmission mechanisms from ICT access, usage and digital empowerment to key macro-economic variables (namely labour productivity, gross domestic product per capita, employment growth and the employment rate) are identified. The econometric evidence supports our hypotheses showing that the usage of ICT, and mostly digital empowerment, exert the major economic effects, especially on employment also favouring the inclusion of 'disadvantaged' groups in the labour market. We conclude that digitalization may drive productivity and employment growth and that inclusive policies may effectively contribute to bridge the gap between the most favoured and the disadvantaged parts of the population, thus helping in achieving the 2020 Europe targets.
Note: DOI: 10.1080/10438599.2014.918438
Database: Taylor & Francis Online

7.

Title: Macroeconomic Impacts of Carbon Capture and Storage in China
Authors: Vennemo, Haakon, He, Jianwu and Li, Shantong
Source: Environmental and Resource Economics; Nov 2014, Vol. 59, Issue 3, Pp 455-477
Abstract: Carbon capture and storage (CCS) is a key technology for reducing greenhouse gas emissions. But a CCS facility consumes vast amounts of energy and capital. With this in mind we analyze macroeconomic consequences of a large scale introduction of CCS in China. We modify and extend the DRC-CGE, a macroeconomic CGE model of the country that is used for long-term planning and policy analyses. We analyze an *internal finance* scenario of domestic funding, and an *external finance* scenario of international funding. In the external finance scenario CCS is installed on 70 % of all power plants by 2050. This increases demand for coal in 2050 by one fifth and import of coal by one fourth. The strain on coal resources may be an important political concern for China. In the internal finance scenario coal resources are not strained since this scenario introduces a price on carbon that lifts prices of energy. Moreover, the price on carbon cuts across the board and the internal finance scenario is much more effective at reducing CO2. On the other hand, in this scenario GDP goes down about 4 %, which also raises political concern.
Note: DOI: 10.1007/s10640-013-9742-z
Database: SpringerLink

8.

Title: Optimal privatization policy in the presence of network externalities
Authors: Wang, Chia-Chi and Chiou, Jiunn-Rong

Source: Oxford Economic Papers; 2014. Advance Access. First published online: October 20, 2014
Abstract: This article explores the optimal privatization policy for industries with network externalities in consumption, such as the telecommunications industry. The optimal degree of privatization depends crucially on the scale of network externality, the degree of compatibility (which, in the telecommunications industry, corresponds to the level of standardization that facilitates compatibility across different networks), and the cost type. A positive network externality will decrease the optimal degree of privatization, providing the rate of increase of marginal cost remains below a threshold. The impact of compatibility on optimal privatization is less straightforward. For instance, if the scale of network externality is low, a higher compatibility will increase optimal privatization if the rate of increase in marginal cost is also low. However, given a high network externality, optimal privatization initially increases, but then decreases as compatibility increases. Furthermore, optimal privatization with complete incompatibility may even be lower than that with complete compatibility.
Note: DOI: 10.1093/oep/gpu030
Database: Oxford Journals

9.

Title: Risk cultures and dominant approaches towards disasters in seven European countries
Authors: Cornia, Alessio, Dressel, Kerstin and Pfeil, Patricia
Source: Journal of Risk Research; 2014. Latest Article, First published online: 09 Oct 2014, 1-17
Abstract: This paper builds upon the risk culture concept started with Mary Douglas' and Aaron Wildavsky's seminal work on risk and culture. Based upon the empirical results of a qualitative sociological study on sociocultural factors affecting risk perception and crisis communication in seven European countries, a theoretical model, illustrating how differences in disasters framing imply diverse approaches to risk and disaster management, is suggested. According to this framework, culturally bounded assumptions and conventions strongly influence how communities make sense of risks and hazards and how these communities consider some ways of dealing with disasters more appropriate than others. The framework suggested in this article distinguishes between risk cultures of a given society, which do not necessarily respond to nation states. In order to explain differences in how cultures deal with risks and disasters, and to define the main features of our typology, three main interrelated dimensions have been selected: disaster framing, trust in authorities and blaming. By analyzing differences and similarities in how people perceive and interpret disasters, as well as to whom the responsibility for risk prevention and crisis management is attributed, in seven European countries, three specific ideal types of risk cultures emerged: state-oriented risk culture, individual-oriented risk culture and fatalistic risk culture. Implications for crisis management and communication in case of a disaster will be addressed for each of these risk cultures.
Note: DOI: 10.1080/13669877.2014.961520
Database: Taylor & Francis Online

10.

Title: Is foreign direct investment good for the poor? New evidence from African countries
Authors: Fowowe, Babajide and Shuaibu, Mohammed I.
Source: Economic Change and Restructuring; Nov 2014, Vol. 47, Issue 4, Pp 321-339
Abstract: This paper conducts an empirical investigation of the relationship between foreign direct investment (FDI) inflows and poverty in selected African economies. Using

system generalised method of moments, our findings showed that FDI inflows have significantly contributed to poverty reduction in African countries. Our results also showed that better institutional quality and human capital development are associated with reducing poverty. Furthermore, interacting FDI with financial development was found to significantly reduce poverty, thus providing support to the hypothesis that better functioning financial systems enhance the efficiency of FDI in reducing poverty.
Note: DOI: 10.1007/s10644-014-9152-4
Database: SpringerLink

11.

Title: Trade liberalization in Asia and FDI strategies in heterogeneous firms: evidence from Japanese firm-level data
Authors: Hayakawa, Kazunobu and Matsuura, Toshiyuki
Source: Oxford Economic Papers; 2014. Advance Access. First published online: October 22, 2014
Abstract: This article clarifies the reasons for the recent rapid growth of foreign direct investment (FDI) in developing countries, particularly Asian countries. For this purpose, we theoretically and empirically examine the mechanics of both horizontal FDI and vertical FDI (VFDI) to shed light on the role of trade costs. Our empirical analysis using a logit or multinomial logit model of Japanese firms' FDI choices reveals that the tariff reduction in Asian countries has lowered the productivity cutoff for VFDI. This result indicates that since developing countries, particularly Asian countries, have experienced a relatively rapid decrease in tariff rates, the increase in VFDI through tariff reduction led to the recent surge of FDI in developing countries.
Note: doi: 10.1093/oep/gpu033
Database: Oxford Journals

12.

Title: What is in a name? Germany's strategic partnerships with Asia's rising powers
Authors: Heiduk, Felix
Source: Asia Europe Journal; 2014. First published online: 12 Oct 2014
Abstract: Ever since, Goldman Sachs coined the term BRICS academics, and policy makers have struggled to come to terms with the effects and the impact of rising powers on world politics. The German government has tried to stay abreast of the changing global power dynamics by entering the so-called strategic partnerships with China and India, as well as aiming for a more systematic approach towards rising powers as laid out in the 'Gestaltungsmaechtekonzept' (transformative powers concept) published under the Merkel government in 2012. Against this background, this article inquires on the depth and scope of Germany's strategic partnerships towards Asia's rising powers. It finds that despite new institutional developments such as intergovernmental consultations at ministerial level, the strategic partnerships with Delhi and Berlin are still lacking in substance due to a discrepancy of policy preferences and interests in a variety of policy fields.
Note: DOI: 10.1007/s10308-014-0399-1
Database: SpringerLink

13.

Title: European Union expansion and seaport efficiency in the North Adriatic
Authors: Button, Kenneth and Kramberger, Tomaž

Source: Applied Economics Letters; 2014. Latest Article, First published online: 28 Oct 2014, 1-4

Abstract: This article looks at the relative economic efficiency of seaports in the North Adriatic, and the effects of expansions of the European Union (EU) on this. Taking the main container ports in the region between 2004 and 2012, variations in efficiency are found over time dependent on whether constant or variable returns to scale are assumed. The consistently high number of ports on the efficiency frontier, however, suggests relatively high degrees of competition between them. The Slovenian port of Kope that came under the EU umbrella in 2014 is consistently efficient, as is the main Croatian seaport that remained outside of the Union over the period considered indicating that membership did not impact on economic efficiency.

Note: DOI: 10.1080/13504851.2014.969822

Database: Taylor & Francis Online

14.

Title: Military expenditures, economic growth and spatial spillovers

Authors: Yildirim, Jülide & Öcal, Nadir

Source: Defence and Peace Economics. Latest Article, Published online: 22 Sep 2014

Abstract: The relationship between economic growth and military expenditure has been the subject of a large literature in defence economics. This study analyses the influence of military expenditures on economic growth in a global perspective for the time period 2000–2010 taking spatial dimension into account. The augmented Solow model is employed to investigate the defence-growth nexus using the cross-sectional data relating to 128 countries. Following a traditional regression analysis, spatial variations in the relationships are examined utilizing different spatial econometric specifications estimated by maximum likelihood. The regressions are compared with each other via likelihood ratio tests, and the spatial Durbin model is found to be the most appropriate one suggesting that the typical least-squares model is misspecified. Empirical evidence indicates that military expenditure has a positive effect on economic growth with a significant spatial dependence for the time period under consideration.

Note: DOI: 10.1080/10242694.2014.960246

Database: Taylor & Francis Online

15.

Title: Developing countries' changing nature of financial integration and new forms of external vulnerability: the Brazilian experience

Authors: Kaltenbrunner, Annina and Painceira, Juan Pablo

Source: Cambridge Journal of Economics; 2014. Advance Access. First published online: October 16, 2014

Abstract: This article argues, using the example of Brazil, that the changing nature of developing and emerging countries' (DECs) financial integration has created new forms of external vulnerability, causing large and volatile capital and exchange rate movements. Despite sound fundamentals and a substantial reduction in its traditional external vulnerabilities, the Brazilian real has been one of the most volatile currencies over recent years. The article argues that this has been the result of the surging exposure of foreign investors in an increasingly complex set of very short-term domestic currency assets. Following a Minskyan analysis, we demonstrate that the changing nature of Brazil's external vulnerability confirms both the inherent and endogenous instability of international capital flows and DECs' subordinate role in the international financial system. We conclude with policy recommendations to reduce DECs' external vulnerability sustainably.

Note: DOI: 10.1093/cje/beu038
Database: Oxford Journals

16.

Title: Energy Efficiency and Appliance's Characteristics Considered Prior to Purchase: Differences and Similarities between Ireland, Germany, Portugal, Greece, Poland, Spain and Italy
Authors: Gaspar, Rui and Antunes, Dalila
Source: International Journal of Green Energy; 2014, Accepted author version posted online: 27 Oct 2014
Abstract: This paper reports country differences in the consumer's most considered characteristics when choosing electrical appliances, including the energy efficiency aspect. A survey was performed to store customers from 7 countries: Ireland; Germany; Portugal; Greece; Poland; Spain; Italy. Results showed consistency between countries in the top three characteristics considered: cost; quality; a balance between price and quality. Differences were found for environmental attitudes and behaviours, purchase motives, and store employees evaluation. The results can support national and store level energy efficiency interventions and policies. Specifically, they can provide input for store employee's training, in promoting customers purchase of energy efficient appliances.
Note: DOI: 10.1080/15435075.2014.962033
Database: Taylor & Francis Online

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