

## Business & Economic Article Links (October 2014)

1.

**Title:** [Democracy and foreign direct investment at the industry level: evidence for US multinationals](#)

**Authors:** Kucera, D.C., and Principi, M.

**Source:** Review of World Economics; 2014, Pages 1-23. Article in Press

**Abstract:** Theories of multinational enterprises emphasize that foreign direct investment (FDI) is undertaken in different industries for different reasons, yet studies of the effects of democracy on FDI most commonly use aggregate-level FDI data. This paper evaluates US FDI outflows to 15 industries (eight manufacturing, seven nonmanufacturing) in 54 countries in a linear dynamic panel-data gravity FDI model using a "system" generalized method of moments estimator and three widely used democracy indicators. At the aggregate-level, we estimate a positive effect of democracy on FDI, consistent with most prior studies. At the industry level, we estimate larger positive effects of democracy on FDI for service than manufacturing industries, particularly for finance and insurance and information, and negative effects for mining and oil and gas extraction. © 2014 Kiel Institute.

**Note:** DOI: 10.1007/s10290-013-0183-0

**Database:** *Scopus*

2.

**Title:** [Europe's Hunger Games: Income Distribution, Cost Competitiveness and Crisis](#)

**Authors:** Storm, Servaas and Naastepad, C.W.M.

**Source:** Cambridge Journal of Economics; 2014. Advance Access. First published online: September 15, 2014

**Abstract:** The dominant view, both on the mainstream right and on the left, holds that the Eurozone crisis is a crisis of labour-cost competitiveness—with trade imbalances (and hence foreign indebtedness) being driven by divergences in relative unit labour costs (RULCs) between surplus and deficit countries. To re-balance Eurozone growth, the mainstream solution is a deflationary policy of 'internal devaluation' (*i.e.* cutting the wage share by as much as 30%) in the deficit countries. The 'progressive' view holds that the surplus countries should adjust by raising their wage shares. We argue that both sides of this debate are wrong and unhelpful. Europe's trade imbalances are determined by domestic and world demand—whilst RULC divergences play only a negligible role. Eurozone growth can only be revived when Eurozone demand growth is restored, not by lowering wages here and/or raising them there. The current deflationary adjustment forced on the wage-led economies of Greece, Italy, Portugal and Spain is self-destructive: it is a 'confidence killer', not only deepening the free fall of southern European incomes but also damaging their productive base and productivity growth. The outlook is depressing—further increases in already high unemployment rates, inequality measures and poverty rates inconceivable in prosperous Europe just a few years ago—and arguably dystopian.

**Note:** DOI: 10.1093/cje/beu037

**Database:** *Oxford Journals*

3.

**Title:** [Foreign Direct Investments, Economic Growth, and Employment: A Global Perspective](#)

**Authors:** Albassam, Bassam A

**Source:** The Journal of Social, Political, and Economic Studies; Fall 2014, Vol. 39 Issue 3, 269-289.

**Abstract:** While foreign investments have been sought by many countries, there is no consensus regarding the impact of foreign direct investments (FDI) on the economy of the host countries. Efforts to attract foreign investments through the adoption of new regulations and economic openness, among other government actions, have translated into record highs in international trade and across-the-board merchandise in 2012. The results are in agreement with most theoretical studies, showing that FDI has a positive influence on economic growth. The study also concludes that, FDI contributes to governments' efforts to reduce or at least control unemployment rates. That being said, it is important to recognize the differences among economies in benefiting from the presence of foreign investors in the host country's market. Studying specific regions or countries is a good way to reach a better understanding of the impact of FDI on economic development, since different countries have different economic and cultural structures that may influence the relationship between FDI and economic development.

**Note:** URL: <http://search.proquest.com/docview/1562784297?accountid=15637>

**Database:** *ABI/INFORM complete*

4.

**Title:** [Globalization, Foreign Direct Investment, and Regional Innovation in China](#)

**Authors:** Zhang, Yi and Roelfsema, Hein

**Source:** Journal of International Commerce, Economics & Policy; Oct 2014, Vol. 5 Issue 3, 26p.

**Abstract:** This paper explores the connection between the external opening of China and differences in innovation across Chinese regions. For the period 1995-2010, we find that regions that attract inward foreign direct investment (FDI) and exports have become more innovative. Further, we show a U-shaped relation between globalization, regional income levels, and innovation, where both the lower middle-income and the most advanced regions gain from globalization in terms of increased innovation. The higher middle-income regions gain little from globalization in terms of innovation. We provide evidence that differences in ownership structures of foreign investments and outsourcing drive the results. [ABSTRACT FROM AUTHOR]

**Note:** DOI: 10.1142/S1793993314400079

**Database:** *Business Source Complete*

5.

**Title:** [Why 'financialisation' hasn't depressed US productive investment](#)

**Authors:** Kliman, Andrew and Williams, Shannon D.

**Source:** Cambridge Journal of Economics; 2014, Advance Access. First published online: September 6, 2014

**Abstract:** The rate of capital accumulation in the USA has fallen markedly in recent decades. Works in the financialisation literature have tried to explain this phenomenon by arguing that rising financial payments and purchases have come at the expense of productive investment. This article shows that such arguments are not supported by the data. It also explains theoretically why rising dividend payments and the growth of corporations' portfolio investment are compatible with the fact that corporations' productive investment did not decline during the first two decades of 'neoliberalism' in the USA. There would necessarily be a trade-off between these uses of funds if they were all funded out of current profits, but there is no necessary trade-off because borrowed funds are an additional

source. Finally, the article shows that the fall in US corporations' rate of profit (rate of return on investment in fixed assets) fully accounts for the fall in their rate of capital accumulation.

**Note:** DOI: 10.1093/cje/beu033

**Database:** *Oxford Journals*

6.

**Title:** [Institutions, Foreign Direct Investment, and Domestic Investment: Crowding Out or Crowding In?](#)

**Authors:** Farla, K., de Crombrughe, D., and Verspagen, B.

**Source:** World Development; 2014. Article in Press

**Abstract:** Studies of the relationship between FDI and domestic investment reach contradictory findings. We argue that some of the conflicting evidence may be explained by the use of poor proxies for the theoretical concepts and questionable methodological choices. We review the paper of Morrissey and Udomkerdmonkol published in this journal in 2012. Improvements in the construction of the proxies and refinements in the estimation methodology reverse the finding of Morrissey and Udomkerdmonkol that FDI inflows crowd out domestic investment. Furthermore, there is no strong evidence that "good governance" actually encourages domestic investment. © 2014 Elsevier Ltd. All rights reserved.

**Note:** DOI: 10.1016/j.worlddev.2014.04.008

**Database:** *Scopus*

7.

**Title:** [Foreign Direct Investment, Intellectual Property Rights, and Productivity Growth](#)

**Authors:** Sudsawasd, Sasatra and Chaisrisawatsuk, Santi

**Source:** Journal of International Commerce, Economics & Policy; Oct 2014, Vol. 5 Issue 3, p-1. 19p.

**Abstract:** Using panel data for 57 countries over the period of 1995-2012, this paper investigates the impact of intellectual property rights (IPR) processes on productivity growth. The IPR processes are decomposed into three stages - innovation process, commercialization process, and protection process. The paper finds that better IPR protection is directly associated with productivity improvements only in developed economies. In addition, the contribution of IPR processes on growth through foreign direct investment (FDI) appears to be quite limited. Only inward FDI in developed countries which creates better innovative capability leads to higher growth. In connection with outward FDI, only the increase in IPR protection and commercialization are proven to improve productivity in the case of developing countries, particularly when the country acts as the investing country. [ABSTRACT FROM AUTHOR]

**Note:** DOI: 10.1142/S1793993314400092

**Database:** *Business Source Complete*

8.

**Title:** [Predicting R&D investment with ex ante productivity](#)

**Authors:** Bednarek, Ziemowit

**Source:** Applied Economics Letters; Oct 2014, Vol. 21 Issue 15, Pp. 1079-1082.

**Abstract:** In this article I demonstrate the relationship between research and development expenditure and firm productivity. Using data envelopment, I construct a measure of the firm-level distance from the industry-wide productivity frontier. Firms ex ante further from the productivity frontier invest more in R&D. On average, a 1% larger distance from the

frontier causes a 0.6% to 1.2% increase in the R&D intensity next quarter. The effect is statistically and economically significant.

**Note:** DOI: 10.1080/13504851.2014.909567

**Database:** *Business Source Complete*

9.

**Title:** [Some Stepping Stones in The Economic Modelling of Apartheid](#)

**Authors:** Lundahl, Mats

**Source:** Economic History of Developing Regions; 2014. Latest Article, Published online: 17 Sep 2014

**Abstract:** After a review of some of the seminal empirical contributions to the study of the economic role of racial discrimination in South Africa, the essay compares and contrasts three different approaches to the formal economic modelling of the apartheid system, based on these contributions: the neoclassical approach which emphasizes gains and losses in terms of factor incomes, the public goods approach designed to deal with 'petty' apartheid, and the efficiency wage approach which models apartheid as an anti-shirking device. It compares the predictions of the different models with the historical sequence of racial discrimination in South Africa.

**Note:** DOI: 10.1080/20780389.2014.955274

**Database:** *Taylor & Francis Online Journals*

10.

**Title:** [The color of law: an economic theory of legal boundaries](#)

**Authors:** Miceli, Thomas J

**Source:** European Journal of Law and Economics; Oct 2014, Vol. 38 Issue 2, Pp.185-209.

**Abstract:** This paper presents an economic theory of property, tort, and contract law based on the goal of efficiently governing economic exchange relationships. In the theory, legal boundaries emerge endogenously in response to exogenous differences in the nature of the underlying transaction concerning the possible existence of unforeseen or non-contractible contingencies, and/or the desire of one of the parties to make non-salvageable investments prior to trade. The analysis asks whether, in this context, the transaction is best governed by property, tort, or contract principles. The conclusions are illustrated by a discussion of several cases that occupy the "boundaries" between the various areas.

**Note:** DOI: <http://dx.doi.org/10.1007/s10657-014-9452-1>

**Database:** *ABI/INFORM complete*

11.

**Title:** [Corporate Innovations and Mergers and Acquisitions](#)

**Authors:** BENA, JAN and LI, KAI

**Source:** Journal of Finance; Oct 2014, Vol. 69 Issue 5, Pp. 1923-1960

**Abstract:** Using a large and unique patent-merger data set over the period 1984 to 2006, we show that companies with large patent portfolios and low R&D expenses are acquirers, while companies with high R&D expenses and slow growth in patent output are targets. Further, technological overlap between firm pairs has a positive effect on transaction incidence, and this effect is reduced for firm pairs that overlap in product markets. We also show that acquirers with prior technological linkage to their target firms produce more patents afterwards. We conclude that synergies obtained from combining innovation capabilities are important drivers of acquisitions. [ABSTRACT FROM AUTHOR]

**Note:** DOI: 10.1111/jofi.12059

***Database: Business Source Complete***

**12.**

**Title:** [The trade-off between unemployment and wage inequality revisited](#)

**Authors:** Bičáková, Alena

**Source:** Oxford Economic Papers; Oct 2014, Vol. 66 Issue 4, Pp. 891-915.

**Abstract:** The Krugman hypothesis attributes high wage inequality in the USA and high unemployment in continental Europe in the 1980s to the same negative change in the demand for the low skilled under different degrees of wage rigidity. This article revisits the hypothesis to explain the labour market developments in France, the UK, and the USA in the 1990s. I estimate a labour supply and labour demand model with heterogeneous types of labour to analyse the effects of market forces and wage rigidity on changes in skill-group labour market outcomes. The results provide evidence in favor of the Krugman hypothesis when France is compared to the USA and the UK. I also find support for an extended version of the Krugman hypothesis, which suggests that when labour supply is sensitive to wages, there is a trade-off between unemployment on one hand and wage inequality and inactivity on the other.

**Note:** DOI: 10.1093/oep/gpu015

**Database:** *Oxford Journals*

**13.**

**Title:** [Premature de-industrialisation: theory, evidence and policy recommendations in the Mexican case](#)

**Authors:** Cruz, Moritz

**Source:** Cambridge Journal of Economics; 2014. Advance Access. First published online: September 9, 2014

**Abstract:** The main consequences of premature de-industrialisation are a slowdown in the rate of economic growth and the deferral of economic development. Despite having adopted a 'successful' export-led growth strategy since the early 1980s, these two phenomena have characterised the Mexican economy during the past three decades. In this article I investigate whether premature de-industrialisation has been a major contributor to Mexico's economic stagnation and attempt to identify which factors have been driving it. The results confirm the hypothesis of premature de-industrialisation and suggest that the evolution of income, capital accumulation, labour manufacturing productivity, trade openness and the exchange rate provide an explanation for this process. I also suggest a set of alternative policy measures aimed at returning the Mexican economy to the path of growth and development.

**Note:** DOI: 10.1093/cje/beu036

**Database:** *Oxford Journals*

**14.**

**Title:** [More hours, more jobs? The employment effects of longer working hours](#)

**Authors:** Andrews, Martyn, et al

**Source:** Oxford Economic Papers; 2014. Advance Access. First published online: September 16, 2014

**Abstract:** Increases in standard hours of work have been a contentious policy issue in Germany. Whilst this might directly lead to a substitution of workers by hours, there may also be a positive employment effect due to reduced costs. Moreover, the response of firms may differ between firms that offer overtime and those that do not. For a panel of German

plants (2001–2006) drawn from the IAB Establishment Panel, we are the first to analyse the effect of increased standard hours on employment. Using difference-in-difference methods we find that, consistent with theory, overtime plants showed a significant positive employment response, whilst for standard-time plants there is no difference between plants that increased standard hours and those that did not. There is clear evidence of wage concession in all treated plants.

**Note:** DOI: 10.1093/oep/gpu026

**Database:** *Oxford Journals*

**15.**

**Title:** [Unproductive labour, capital accumulation and profitability crisis in the Greek economy](#)

Authors: Tsoulfidis, L., Tsaliki, P.

**Source:** International Review of Applied Economics; Sep 2014, Vol. 28, Issue 5, Pp. 562-585.

**Abstract:** The focus of this paper is on the evolution of the major macroeconomic variables of classical political economy and the contrast with their orthodox counterparts in the quest to identify the causes of the current crisis in the Greek economy. Our analysis shows that declining profitability past a certain point leads to a stagnant mass of real net profits that discourage investment and increase unemployment. More specifically, for the period 1970-2007 for which we have detailed data, we identify the so-called silent depression of the 1970s and early 1980s, the new golden age of accumulation during which the capitalization of the production process led to a rapidly growing productivity and with stagnant or slowly rising real wages increased the rate of surplus value to new heights. As a consequence, the rate of profit from the mid-1980s onwards displayed a mildly rising trend and remained at a much lower level than that of the early 1970s. The rate of profit starts to fall after 2007, the year of the onset of the (world) economic crisis, and this continues up to 2014. Our econometric analysis based on an ARDL model further shows that the incremental rate of return, a variable derived from, and therefore strictly related to the average rate of profit, constitutes a by far more concrete measure of profitability and, in combination with the real interest rate, shapes the process of capital accumulation. © 2014 Taylor & Francis.

**Note:** DOI: 10.1080/02692171.2014.918939

**Database:** *Scopus*

**Selected by Ploenchan Akvanich,  
Research Support Services,  
Chulalongkorn University**