Business & Economic Article Links (September 2014)

1.

Title: The Global Financial Crisis and the European Single Market: The end of integration?
Authors: Choudhry, Taufiq, Kling, Gerhard and Jayasekera, Ranadeva
Source: Journal of International Money and Finance. In Press, Accepted Manuscript. Available online 23 August 2014
Abstract: Using various versions of the Feldstein-Horioka (FH) coefficient, we measure the time-varying degree of capital mobility and economic integration in the European Union. Prior research shows high correlation between domestic investment and savings implying low capital mobility. This surprising result has led to subsequent research on the 'Feldstein-Horioka puzzle'. Our empirical findings show that the puzzle is less puzzling with a coefficient of 0.52 in the period 1990-1995 in EU countries approaching its minimum value of 0.02 in the period 2003-2008. This clearly indicates that the FH coefficient is time-varying signalling a deepening of economic integration in the European Union. Yet, with the advent of the Global Financial Crisis the FH coefficient has increased to 0.26 underlining worrying signs of disintegration.
Note: DOI: 10.1016/j.jimonfin.2014.08.002
Database: ScienceDirect

2.

Title: How Bank Competition Affects Firms' Access to Finance
Authors: Love, Inessa and Martínez Pería, María Soledad
Source: World Bank Economic Review; 2014. Advance Access. First published online: August 11, 2014
Abstract: Using multi-year, firm-level surveys for 53 countries, this paper explores the impact of bank competition on firms' access to finance. We find that low competition, as measured by high values on the Lerner index or Boone indicator, diminishes firms' access to finance. In addition, the impact of competition on access to finance depends on the quality and scope of credit information sharing mechanisms, and better credit information mitigates the damaging impact of low competition. Overall, our paper offers consistent international evidence that supports the market power hypothesis, which argues that market power reduces access, and rejects the information hypothesis, which suggests that low competition improves access because it allows banks to internalize the investment in building firm-specific relationships.
Note: DOI: 10.1093/wber/lhu003
Database: Oxford Journals Online

3.

Title: Demand collapse or credit crunch to firms? Evidence from the World Bank's financial crisis survey in Eastern Europe
Authors: Nguyen, Ha and Qian, Rong
Source: Journal of International Money and Finance; October 2014, Vol. 47, Pp. 125–144
Abstract: This paper assesses whether the primary effect of the global crisis on Eastern European firms took the form of an adverse demand shock or a credit crunch. Using a unique firm survey conducted by the World Bank in six Eastern European countries during the 2008–2009 financial crisis, the paper shows that the drop in demand for firms' products

and services was overwhelmingly reported as the most damaging adverse effect of the crisis. Other "usual suspects", such as rising debt or reduced access to credit, were reported as minor. The paper also finds that the changes in firms' sales and installed capacity are significantly and robustly correlated with different demand sensitivity measures of the sector in which the firms operate. However, they are not robustly correlated with various proxies for firms' credit needs.
Note: DOI: DOI: 10.1016/j.jimonfin.2014.05.013
Database: ScienceDirect

4.

Title: The Effect of the Global Financial Crisis on Transition Economies
Authors: Shostya, Anna
Source: Atlantic Economic Journal; Sep 2014, Vol. 42 Issue 3, Pp. 317-332
Abstract: This research offers new insights into the effect of the Global Financial Crisis of 2007-2009 on the countries that used to be part of the Soviet bloc by focusing on a cross-regional comparison. Twenty-eight countries are grouped according to different criteria and the corresponding vulnerability of each group is compared. The research links the variability in the groups' responses to the dependence on trade with the European Union, the degree of the transition and economic freedom, and the sectoral composition of GDP. The research finds that what is considered to be an advantage for a transition economy during 'normal' times -- high degree of economic freedom and trade liberalization, financial system sophistication, and a well-developed service sector -- became a disadvantage during the **crisis**. [ABSTRACT FROM AUTHOR]
Note: DOI: 10.1007/s11293-014-9418-2
Database: Business Source Complete

5.

Title: What is capital? Economists and sociologists have changed its meaning: should it be changed back?
Authors: Hodgson, Geoffrey M.
Source: Cambridge Journal Economics; Sep 2014, Vol. 38, Issue 5, Pp. 1063-1086.
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

6.

Title: ICT Expansion and GDP Stabilization: How Russia is Using ICT to Move into the Modern Economy
Authors: Amiri, Shahram
Source: Journal of American Business Review, Cambridge; Summer 2014, Vol. 2 Issue 2, Pp. 18-24
Abstract: This paper examines the correlation between the diffusion of Information and Communication Technologies (ICT) in Russia and its overall GDP. Currently, Russia's GDP relies heavily on commodities and is very susceptible to shifts in the international market. Since the early 2000s, the Russian government has become interested in increasing their ICT-based market, which has proven to be less variable in times of international economic trouble. The government is funding large programs to increase ICT diffusion, not only to gain increased economic stability, but also to aid both the educational and political sectors of the nation. This paper reviews the history of technology and ICT expansion in Russia, and how its continued expansion and use will affect GDP.
Note: URL: http://search.proquest.com/docview/1528474002?accountid=15637
Database: ABI/INFORM Complete

7.

Title: GLOBAL FINANCIAL CRISIS AND CONTAGION: EVIDENCE FOR THE 'BRIC' ECONOMIES
Authors: Chittedi, Krishna Reddy
Source: Journal of Developing Areas; Fall 2014, Vol. 48 Issue 4, Pp. 243-264.
Abstract: The present study examined the effects of contagion from the developed markets (The US, the UK, and Japan) to the BRIC stock markets during the period of Jan 1996 to July 2011 using daily data. It applied Dynamic Condition Correlations (DCC) model and Asymmetric Generalized Dynamic Conditional Correlation (AG-DCC) approach to capture the effects of contagion originated from developed countries. Stock market indices are observed to display a persistent and high correlation between them during and after high volatility periods. Evidence on contagion implies that diversification sought by investing in multiple markets from different regional blocks is likely to be lower when it is most desirable. As a result, an investment strategy focused solely on international diversification seems not to work in practice during turmoil periods. Since countries and financial markets react differently to sovereign shocks, stocks from different emerging economies could provide advantages over debt-only or equity-only portfolios. [ABSTRACT FROM AUTHOR]
Note: DOI: 10.1353/jda.2014.0079
Database: Business Source Complete

8.

Title: The interbank market risk premium, central bank interventions, and measures of market liquidity
Authors: Alexius, Annika, Birenstam, Helene and Eklund, Johanna
Source: Journal of International Money and Finance. In Press, Accepted Manuscript. Available online 4 September 2014
Abstract: When the interbank market risk premium soared during the financial crisis, it created a wedge between interest rates actually paid by private agents and the rapidly falling policy rates. Many central banks attempted to improve the situation by supplying liquidity to the domestic interbank market. This paper studies the Swedish interbank market risk premium using a unique data set on traded volume between banks and between banks and the Riksbank. We find that the main determinants of the Swedish interbank premium are international variables, such as US and EURO area risk premia. International exchange

rate volatility and the EURO/USD deviations from CIP also matters, while standard mesures of domestic market liquidity and domestic credit risk have insignificant effects. Nonlinear smooth transition (STR) models show that U.S. financial variables are more important in times of a rising U.S. risk premium. Our measure of actual turnover in the interbank market is associated with a significant reduction of the interbank market risk premium, as are credit provisions by the central bank.
Note: DOI: 10.1016/j.jimonfin.2014.08.004
Database: ScienceDirect

9.

Title: Learning Dynamics and Support for Economic Reforms: Why Good News Can Be Bad
Authors: van Wijnbergen, Sweder J. G. and Willems, Tim
Source: The World Bank Economic Review; 2014. Advance Access. First published online: August 25, 2014
Abstract: Support for economic reforms has often shown puzzling dynamics: many reforms that began successfully lost public support. We show that learning dynamics can rationalize this paradox because the process of revealing reform outcomes is an example of sampling *without* replacement. We show that this concept challenges the conventional wisdom that one should begin by revealing reform winners. It may also lead to situations in which reforms that enjoy *both ex ante and ex post* majority support will still not come to completion. We use our framework to explain why gradual reforms worked well in China (where successes in Special Economic Zones facilitated further reform), whereas this was much less the case for Latin American and Central and Eastern European countries.
Note: DOI: 10.1093/wber/lhu005
Database: Oxford Journals Online

10.

Title: Stock market volatility and international business cycle dynamics: Evidence from OECD economies
Authors: Nam T. Vu
Source: Journal of International Money and Finance. In Press, Accepted Manuscript Available online 3 September 2014
Abstract: How does a surprise movement in stock market volatility affect our forecasts of future output across countries? This paper studies the time series and cross-sectional responses of output to variation in stock market volatility across 27 countries over 40 years, controlling for a number of country-specific characteristics. High levels of stock market volatility are detrimental to future output growth not only after financial crises as previously emphasized in the literature, but also in non-crisis periods. Output growth and interest rates react negatively to a random shock to volatility and revert to their means quickly thereafter. Moreover, these results are robust after controlling for economic policy uncertainty, the level of financial development, and the direction of the market.
Note: DOI: 10.1016/j.jimonfin.2014.08.003
Database: ScienceDirect

11.

Title: Determinants of syndicated lending in European banks and the impact of the financial crisis
Authors: Howcroft, Barry, Kara, Alper and Marques-Ibanez, David

Source: Journal of International Financial Markets, Institutions & Money; Sep 2014, Vol. 32, Pp. 473-490.
Abstract: Syndicated lending is a widely practiced alternative to traditional bilateral lending and within Europe the syndicated loan market increased significantly during the 2000s. Using a dataset consisting of 4166 European banks, the authors examine the factors that determine the bank's willingness to use syndicated lending rather than traditional lending during the period 2000-2010. The paper finds that syndicated lending was an alternative to bilateral loans when banks were targeting growth or looking to utilize potential capital surpluses. Syndicated lending was also used to improve the returns and credit quality of the bank's loan portfolios. However, in the post crisis period, European banks are less interested in syndicated loan markets and larger banks, especially, those with strong capital bases, are refraining from syndicated lending. [ABSTRACT FROM AUTHOR]
Note: DOI: 10.1016/j.intfin.2014.07.005
Database: Business Source Complete

12.

Title: Assessing the impact of the economic crisis on energy poverty in Greece
Authors: Dagoumas, A., Kitsios, F.
Source: Sustainable Cities and Society; October 2014, Vol. 13, Pp. 267-278
Abstract: The paper aims at assessing the impact of the economic crisis on energy poverty in Greece. It monitors the electricity consumption per capita, its relationship with the economic growth and its comparison with other European countries. Moreover, the paper provides new indicators and information, monitoring data related to the capability of people to pay their electricity bills, the power cuts made due to the economic crisis and the social policy of the government for sensitive social groups. Results show that the standard of living in Greece has been increased considerably compared to other countries and that people require time to respond to the new economic conditions and to change their habits. It provides evidence that the economic crisis has considerable effect on the electricity consumption and on the capability of people to pay their bills. However, the power cuts depict mainly the unwillingness of customers to continue paying bills for properties that they do not use or do not provide any revenue for them. The incapability of customers to pay the electricity bills on time, create serious liquidity problem for the Public Power Corporation, which enables the danger of transforming an energy poverty issue to an energy security issue. © 2014 Elsevier Ltd. All rights reserved.
Note: DOI: 10.1016/j.scs.2014.02.004
Database: Scopus

Selected by Ploenchan Akvanich,
Research Support Services,
Chulalongkorn University