2012

Economics

Seventh Annual International Symposium on Economic Theory, Policy and Applications 23-26 July 2012, Athens, Greece

Edited by Gregory T. Papanikos

THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH

Economics Abstracts
7th Annual International Symposium on Economic Theory, Policy and Applications 23-26 July 2012, Athens, Greece

Edited by Gregory T. Papanikos

First Published in Athens, Greece by the Athens Institute for Education and Research.
ISBN: 978-960-9549-26-4

8 Valaoritou Street
Kolonaki, 10671 Athens, Greece
www.atiner.gr

TABLE OF CONTENTS

(In Alphabetical Order by Author's Family name)

Preface

This abstract book includes all the abstracts of the papers presented at the 7th *Annual International Symposium on Economic Theory, Policy and Applications, 23-26 July 2012,* organized by the Athens Institute for Education and Research. In total there were 52 papers and 60 presenters, coming from 29 different countries (Argentina, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Croatia, Denmark, Egypt, Germany, Hong Kong, Hungary, India, Israel, Italy, Korea, Latvia, Poland, Russia, Romania, Singapore, Spain, Sweden, Switzerland, Turkey, UK and USA). The conference was organized into 14 sessions that included areas such as Macroeconomics, International Economics, Financial Economics etc. As it is the publication policy of the Institute, the papers presented in this conference will be considered for publication in one of the books of ATINER.

The Institute was established in 1995 as an independent academic organization with the mission to become a forum where academics and researchers from all over the world could meet in Athens and exchange ideas on their research and consider the future developments of their fields of study. Our mission is to make ATHENS a place where academics and researchers from all over the world meet to discuss the developments of their discipline and present their work. To serve this purpose, conferences are organized along the lines of well established and well defined scientific disciplines. In addition, interdisciplinary conferences are also organized because they serve the mission statement of the Institute. Since 1995, ATINER has organized more than 150 international conferences and has published over 100 books. Academically, the Institute is organized into four research divisions and nineteen research units. Each research unit organizes at least one annual conference and undertakes various small and large research projects.

I would like to thank all the participants, the members of the organizing and academic committee and most importantly the administration staff of ATINER for putting this conference together.

Gregory T. Papanikos
President

FINAL CONFERENCE PROGRAM
7th Annual International Symposium on Economic Theory, Policy and Applications 23-26 July 2012, Athens, Greece
PROGRAM

Conference Venue: **Metropolitan Hotel of Athens**, 385 Syngrou Ave., 175 64, Athens, Greece

ORGANIZING AND SCIENTIFIC COMMITTEE

1. Dr. Gregory T. Papanikos, President, ATINER.
2. Dr. John Roufagalas, Head, Economics Research Unit, ATINER & Professor of Economics, Troy University, USA.
3. Dr. Chris Sakellariou, Vice President of Finance, ATINER & Associate Professor of Economics, Nanyang Technological University, Singapore.
4. Dr. Peter Koveos, Head, Accounting & Finance Research Unit, ATINER & Professor, Syracuse University, USA.
5. Dr. Angelos Tsaklanganos, Professor, University of Nicosia, Cyprus & Emeritus Professor, Aristotle University of Thessaloniki, Greece.
6. Dr. Nicholas Pappas, Vice-President of Academics, ATINER & Professor, Sam Houston University, USA.
7. Dr. George Poulos, Vice-President of Research, ATINER & Emeritus Professor, University of South Africa, South Africa.
8. Dr. Margarita Kefalaki, Director of Communication, ATINER.
9. Ms. Lila Skountridaki, Researcher, ATINER & Ph.D. Student, University of Strathclyde, U.K.
10. Mr. Vasilis Charalampopoulos, Researcher, ATINER & Ph.D. Student, University of Strathclyde, U.K.

Administration: Fani Balaska, Stavroula Kiritsi, Eirini Lentzou, Konstantinos Manolidis, Katerina Maraki & Celia Sakka

C O N F E R E N C E   P R O G R A M

(The time for each session includes at least 10 minutes coffee break)

Monday 23 July 2012

08:30-09:00 Registration

09:00-09:30 Welcome and Opening Remarks

- Dr. George Poulos, Vice-President of Research, ATINER & Emeritus Professor, University of South Africa, South Africa.
- Dr. Gregory T. Papanikos, President, ATINER.
- Dr. John Roufagalas, Head, Economics Research Unit, ATINER & Professor, Troy University, USA.

09:30-11:00 Session I (Room A): Labor Issues **Chair:** Roufagalas, J., Head, Economics Research Unit, ATINER & Professor, Troy University, USA.
1. Smet, M., Professor, Lessius University College and Center for Economic Studies, Belgium. The Impact of Vocational Training Programs on the Duration of Unemployment Spells of School Leavers from Technical and Vocational Secondary Education in Flanders. 2. Fan, C.Z.S., Professor, Lingnan University, Hong Kong. Differential Fertility and Intergenerational Mobility under Private Versus Public Education. 3. Kannan, S., Associate Professor, Achutha Menon Centre for Health Science Studies, India & Sankara, S.P., Professor, Achutha Menon Centre for Health Science Studies, India. Study on Work Load of Public Health Nurses and other Women Health Workers in India. 4. Rezek, J., Associate Professor, Mississippi State University, USA & Millea, M., Professor, Mississippi State University, USA. Minimum Wages in a Segmented Labor Market: Evidence from South Africa. 5. Tarvid, A., PhD Student, University of Latvia, Latvia. Job Satisfaction Determinants of Tertiary-Educated Employees in European Countries.

11:00-12:30 Session II (Room A): Financial Economics **Chair:** Smet, M., Professor, Lessius University College and Center for Economic Studies, Belgium.	**11:00-12:30 Session III (Room B): European Economics** **Chair:** Fan, C.Z.S., Professor, Lingnan University, Hong Kong.
1. Castillo-Ponce, R., Professor, California State University, USA & Gaytan-Alfaro, E.D., Lecturer, University Autonomy of Baja California, Mexico. Economic Performance and the Stock Market: the Case of Mexico. 2. Karacal, M., Assistant Professor, Izmir University of Economics, Turkey, Can, E., Professor, Izmir University of Economics, Turkey	1. Sanidas, E., Associate Professor, Seoul National University, Korea. The European Integration: Unequal Trading and Development. 2. Wojciechowska-Toruńska, I., Assistant Professor, Technical University of Lodz, Poland. Filling Strengthened Stability and Growth Pact in the EU Countries. 3. Albertson, K., Lecturer, Manchester Metropolitan University, UK.

& Arslan, I., Professor, Izmir University of Economics, Turkey. An Interpretation of Basel Iii: Experience of a Growing Banking Sector during a Financial Crisis. 3. Bagnasco, A.M., Assisatnt Professor, IULM University, Italy. The Piracy Phenomenon: Costs and Benefits. 4. Mitrokostas, E., Lecturer, University of Portsmouth, UK. Strategic Incentives for Corporate Social Responsibility in Oligopolistic Firms. 5. Nowak-Lehmann, F., Researcher, University of Göettingen, Germany, Roth, F., Researcher, The Centre for European Policy Studies, Belgium & Gros, D., Director, The Centre for European Policy Studies, Belgium. Has the Financial Crisis Eroded Citizens' Trust in the European Central Bank? Panel Data Evidence for the Euro from 1999-2011.	Exchange Rate Considerations for Greece. 4. Demian, C.V., Ph.D. Student, Central European University, Budapest. Welfare Gains from EU Enlargement: A Trade Perspective. 5. Kirilovskaya, A., Researcher, Saint-Petersburg State University, Russia. Industrial Policy and it's Tools at the Threshold of XXI Century.

12:30-13:30 Lunch (details during registration)

13:30-15:00 Session IV (Room A): Microeconomics **Chair:** Mitrokostas, E., Lecturer, University of Portsmouth, UK.	**13:30-15:00 Session V (Room B): Growth and Development** **Chair:** Sanidas, E., Associate Professor, Seoul National University, Korea.
1. Teall, J., Professor, Rensselaer Polytechnic Institute, USA. Hyperbolic Discounting and Delayed Hazard Resolution. 2. Malla, S., Associate Professor, University of Lethbridge, Canada, Hobbs, J., Professor, University of Saskatchewan, Canada & Eric Kofi Sogah, E.K., Researcher, University of Lethbridge, Canada. Assessing Health Claims in Canada and Around the World. 3. Spatareanu, M., Associate Professor, Rutgers University,	1. Albu, L.L., Director, Institute for Economic Forecasting, Romania. Debt Sustainability and Growth Challenges. 2. Musetescu, R.C., Associate Professor, Academy of Economic Studies, Romania & Jora, O., Professor, Academy of Economic Studies, Romania. Antitrust and Development: Reassessing the Role of Competition Policy in Economic Growth. 3. Iselin, D., Researcher, KOF Swiss Economic Institute, Switzerland. The R-Index for Switzerland.

USA & Manole, V.,Assistant Professor, Rutgers University, USA. Spillover Effects of Research Offshoring in Central and Eastern Europe. 4. Cheong, C., Lecturer, Xian Jiaotong-Liverpool University, UK. Do Strategic Alliances In Developing Country Also Create Firm Value?	

15:00-16:30 Session VI (Room A): Macroeconomics **Chair:** Teall, J., Professor, Rensselaer Polytechnic Institute, USA.	**15:00-16:30 Session VII (Room B): International Economics** **Chair:** Iglesias, J.R., Professor, UFRGS, Brazil.
1. Sanchez, M.J., Associate Professor, National University of Distance Education, Spain. A Banking – Macro DSGE Model: Theory and Empirics. 2. Schuerz, M., Economist, Oesterreichische Nationalbank, Austria. A New Database for Research on Wealth Inequality in the Euro Area. (Monday, 23rd of July, 2012) 3. Bande, R., Lecturer, University of Santiago de Compostela, Spain & Riveiro, D., Lecturer, University of Santiago de Compostela, Spain. Private Savings Rates and Macroeconomic Uncertainty: Evidence from Spanish Regional Data. 4. Caraiani, P., Researcher, Institute for Economic Forecasting, Romania. The Uncertain Unit Root in GDP and CPI: A Wavelet Based Perspective.	1. Echeverria, R., Professor, University Austral of Chile, Chile & Moreira, V., Professor, University Austral of Chile, Chile. Identifying the Factors that Make Chilean Farmers Produce for the External Market. 2. Sorkin, I., Ph.D. Student, The Graduate Center, CUNY, USA. The Law of One Price in the Short Run-Can Financila Markets Provide an Answer? 3. Welfe, A., Professor, National Bank of Poland, Poland & Grabowski, W., Professor, National Bank of Poland, Poland. Modelling the Exchange Rate: An Application of Qual-VECM.

16:30-18:00 Session VIII (Room A): Regional Issues I **Chair:** Sanchez, M.J., Associate Professor, National University of Distance Education, Spain.
1. Bertella, M.A., Professor, UNESP, Brazil & Mendes, A.P.F., Professor, UNICV, Brazil. Industrialization in Sub-Saharan Africa and Import Substitution Policy. (Monday, 23rd of July, 2012)

2. Neumann, U., Researcher, Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Germany. Urban Economic Growth in Europe – Before and After the EU Enlargements of 2004/2007.
3. Garcia Cruz, G.A., PhD Student, Autonomous University of Barcelona, Spain & Moreno-Monroy, A.I., PhD Student, University of Groningen,, the Netherlands. Intra-Metropolitan Clustering of Formal and Informal Manufacturing Activity: Evidence from Cali, Colombia.
4. Goyal, A., Economist, World Bank, USA. Going Digital: Credit Effects of Land Registry Computerization in India. (Monday, 23rd of July, 2012)

21:00–23:00 Greek Night (Details during registration)

Tuesday 24 July 2012

09:00-10:30 Session IX (Room A): Political Economy
Chair: Pappas, N., Vice-President of Academics, ATINER & Professor, Sam Houston University, USA.

1. Alonso, J., Professor, University of Icesi, Colombia & Jaramillo, L., Researcher, University of Icesi, Colombia. Long-Term Relationship between the Misery Index and the Stock Market: The Colombian Case.
2. Paun, C., Associate Professor, Bucharest University of Economic Sciences, Romania & Topan, V., Lecturer, Bucharest University of Economic Sciences, Romania. Sound and Unsound Public Policies Addressed to Crisis of Modern Financial Systems.
3. Atallah, S., Assistant Professor, The American University in Cairo, Egypt. Effects of Tariffs on Oil and Technological Progress on Political Change in Oil Exporting Countries.
4. Vlaseros, V., Ph.D. Student, University of Edinburgh, UK. The Lady Doth Protest too Much, Methinks: Heterogeneous Beliefs, Costly Political Action and Majority Decisions.

10:30-12:00 Session X (Room A): Industrial Economics **Chair:** Alonso, J., Professor, University of Icesi, Colombia	**10:30-12:00 Session XI (Room B): Methodology and Modelling** **Chair:** Atallah, S., Assistant Professor, The American University in Cairo, Egypt.
1. Iglesias, J.R., Professor, UFRGS, Brazil, Goncalves, S., Professor, UFRGS, Brazil & Laguna, M.F., Professor, UFRGS, Brazil. Why, When, and How Fast Innovations are Adopted. 2. Yacuzzi, E.A., Professor, University of CEMA, Agentina. Japanese Management Techniques to Enhance the Governance of Greek Small and Medium-Sized Firms.	1. Lankin, V., The Head of Management Department, Taganrog Technological Institute of Southern Federal University, Russian Federation. The Process Approach to Economic Systems Interaction Modeling. 2. Gravier-Rymaszewska, J., Doctoral Researcher, Nanyang Technological University, Singapore & Alba, J.D., Associate Professor, Nanyang Technological University, Singapore.

3. Ozcam, A., Associate Professor, Yeditepe University, Turkey & Ozcam, D.S., Assistant Professor, Yeditepe University, Turkey. Construction of Price Indexes for Different Segments of Automobile in Turkish Market and Estimation of Varying Price Elasticities"	Globalization and Volatility: A DSGE Model with Offshoring. 3. Höffler, J.H., Researcher, University of Göttingen, Germany. Replication in Empirical Economics.

12:00-13:00 Lunch (Details during registration)

13:00-14:30 Session XII (Room A): Economics of Crime **Chair:** Yacuzzi, E.A., Professor, University of CEMA, Agentina.	**13:00-14:30 Session XIII (Room B): Resource Economics** **Chair:** Mendes, A.P.F., Professor, UNICV, Brazil.
1. Trentini, C., Economic Affairs Officer, UNECE, Switzerland & Koparanova, M., Economic Affairs Officer, UNECE, Switzerland. Women Entrepreneurs and Bribes. 2. Cindori, S., Assistant Professor, Faculty of Law Zagreb, Croatia & Pedic, Z., PhD Student, Ministry of Finance, Head of Directorate for Financial System, Croatia. A Proactive Perception of Suspicious Transactions in the Money Laundering Prevention System and Financing of Terrorism in the Republic of Croatia. 3. Rancic, N., Assistant Professor, Faculty of Law Zagreb, Croatia, Pilipovic, O., Assistant Professor, Faculty of Law Zagreb, Croatia & Ahtik, M., Assistant Professor, University of Ljubljana, Slovenia. Economic Determinants of Property Crime: Comparative Case Study - Croatia and Slovenia.	1. Clarke, H., Professor, La Trobe University, Australia. Planning Urban Water Investments with Climatic Uncertainty. 2. Stage, J., Professor, Mid Sweden University, Sweden & Nilsson, H., Professor, University of Gothenburg, Sweden. The Economics of European Eel Management. 3. Yu, E.S.H., Visiting Professor, City University of Hong Kong, Hong Kong & Chao, C.C., Professor, City University of Hong Kong, Hong Kong. Commodity Taxation and the Environment under Origin and Destination Principles. 4. Bahel, E., Assistant Professor, Virginia Tech, USA. An N-Country Model of Strategic Emissions Abatement: Feedback Strategies and Cooperation.

14:30-16:00 Session XIV (Room A): Regional Issues II **Chair:** Clarke, H., Professor, La Trobe University, Australia.
1. Liu, Z., Ph.D. Student, Institute of Food and Resource Economics, Denmark. Effects on Income Diversity of Rural Households by Sloping

Land Conversion Program in China.
2. Brauksa, I., PhD Student, University of Latvia, Latvia. Political Factor Influence on Regional Development in Latvia: Political Business Cycle Analysis.

17:00-20:00 Urban Walk (Details during registration)

20:00-21:00 Dinner (Details during registration)

Wednesday 25 July 2012
Cruise: (Details during registration)

Thursday 26 July 2012
Delphi Visit: (Details during registration)

Kevin Albertson
Lecturer, Manchester Metropolitan University, UK

Exchange Rate Considerations for Greece

The Taylor Rule is a relatively standard guiding tool which provides a recommendation of the correct interest rate for an economy based upon the trends in inflation and economic activity (Taylor 1993). Rudebusch (2010) presents a version of this rule where the correct rate should be determined in response to inflation (deviating from any authority imposed target) and unemployment (compared to its natural rate). This presents us with the ability to assess the correct interest rate for Greece compared to the Eurozone both when entering monetary union and in in the last quarter of 2011, this provides scope for discussion querying whether Greece entered monetary union at the correct rate and what is an appropriate withdrawal rate should Greece choose to leave the Euro. Furthermore we present a quarterly comparison of Taylor Rule determined correct interest rates comparing Greece to the rest of the Eurozone, this allow us to comment on the observed trend, crucial moments and tipping points. We then use this data to suggest the continued trend and disparity based on past data as well as the trend that would be experienced with and without Greek austerity measures. Based on this data analysis we comment on the suitability of Greek austerity plans and the appropriateness of continued Greek Eurozone membership. We culminate in a recommendation of a correct interest rate for the Greek Economy.

Lucian Liviu Albu
Director, Institute for Economic Forecasting, Romania

Debt Sustainability and Growth Challenges

Despite of a long period since the problem of public debt sustainability captures the attention of economists, today continues to be no unanimity concerning an adequate unique sustainability indicator generally accepted. Moreover, during the actual period of global crisis and reforming at the EU level of fiscal policy, the debt sustainability has become an extremely important issue. In this line of elaborating new models and improving methodologies to quantify the impact of various factors on public debt sustainability is our study. During its period of pre- and post-accession into EU, and moreover in actual crisis time, Romanian economy is facing to a number of major problems. Among them, the public debt sustainability plays a central role, its implications being practically expanded on all fields connected to the economic dynamics. This study is analyzing past and current situation as well as potential factors affecting fiscal and public debt sustainability over next period. A descriptive analysis of the main fiscal challenges for next period is presented, especially focusing on future budgetary pressures that could affect fiscal sustainability (e.g. pensions). The forecast takes into account: current fiscal policies as set out in the Fiscal Strategy, projections from international organizations, certain assumptions and own estimations, etc.

Julio Alonso
Professor, University of Icesi, Colombia
&
Luis Jaramillo
Researcher, University of Icesi, Colombia

Long-Term Relationship between the Misery Index and the Stock Market: The Colombian Case

The main purpose of this article is to examine the potential existence of a long-term relationship between the misery index and the stock market for the Colombian case. We use monthly data for the period between September 2001 and July 2011. The idea behind our analysis is the expected relation between the real economy and the stock market. Using a VAR model, we found the existence of cointegration between both series, as well as a Granger causality from the misery index to the stock market. This paper concludes by suggesting the misery index as a tool for predicting the future performance of the stock market for the colombian case.

Samer Atallah
Assistant Professor, The American University in Cairo, Egypt

Effects of Tariffs on Oil and Technological Progress on Political Change in Oil Exporting Countries

The literature on the political economy of resource dependent economies suggests that resource rents distort economic incentives of politicians and generates bad economic outcomes. Other contributions have studied the impact of resource rents on conflict. The interesting question that has not been addressed yet is whether a rent extractive tariff has an impact on internal transfer policies and the probability of conflict emergence in resource exporting countries. This paper closes this gap. It also considers the impact of the technological progress in resource importing economies. The paper models conflict as a threat of revolution conducted by ruled citizens against ruling elites. The cost of the revolution and its probability of success depend on the level of income inequality. To avoid conflict, citizens and elites bargain to determine optimal transfers from resource rents. Additionally, institutional quality is key in determining whether conflict will arise or not. The direct effect of the rent extractive tariff is that it reduces the chances of conflict and increase the chances of a successful bargain between citizens and elites. The increase in the tariff renders the transfers between elites to citizens less costly to elite through two channels. The first channel is by reducing the resource rents directly. Secondly, it reduces the citizens revolution effort and the probability of successful revolution. The tariff does not necessarily reduce elites' welfare. However, it unambiguously reduces citizens' welfare. Alternatively, continuous technological progress increases resources rents. This makes a successful revolution more likely and more beneficial to citizens.

Anna Maria Bagnasco
Assistant Professor, IULM University, Italy

The Piracy Phenomenon: Costs and Benefits

Digital piracy has increased dramatically in the last years: the adoption of broadband at ever-faster speeds and the development of popular video-sharing platforms have facilitated the illegal distribution and consumption of creative contents such as films, games and recorded music.

Movie piracy causes direct losses to copyright owners and also affects other industries because of the indirect and induced effects. On the other hand, in addition to the negative effects, there are some positive implications to society at large due to movie piracy, at least in terms of accessibility and diversity of creative contents.

In this paper we both apply different economic approaches and use data survey on movie piracy in order to demonstrate piracy's negative and positive effects on the sector involved and on the society and the economy as a whole. Using both IPSOS collected data (2009) for piracy and official statistics for theatrical and DVD sectors (2009), we estimate the direct loss due to movie piracy in Italy; moreover, in line with the analytical framework of social cost benefit analyses (SCBAs), we discuss the implications of movie piracy on social welfare.

The results could be useful for both product manufacturers and policy makers to understand how to minimize piracy's costs and how to recover pirates.

Eric Bahel
Assistant Professor, Virginia Tech, USA

An N-Country Model of Strategic Emissions Abatement: Feedback Strategies and Cooperation

The paper proposes a dynamic framework for the analysis of emissions abatement by different countries. Unlike many related works, it emphasizes the asymmetric aspects of this issue by allowing the countries to differ with respect to three dimensions: the importance given to the environment in their preferences, their discount factor, and their emission abatement technology. The feedback Nash equilibrium and the cooperative emissions paths are derived. In the feedback Nash equilibrium of the emissions abatement game, the countries emissions in every period are proportional to the gap between the critical level of pollution and the current stock. Across countries, the higher the importance given to the environment (respectively, the country's discount rate), the lower the emissions in every period. On the contrary, the higher the abatement cost, the higher the emissions of the country in every period.

Under the cooperative scenario too, the countries levels of emissions in each period are proportional to the difference between the critical stock of pollution and its current stock. For any two countries, the relative difference between the emissions levels is fully explained by their different abatement technologies, regardless of their other characteristics (which account only for the overall level of emissions).

Under the cooperative scenario, pollution is lower at all dates, and global welfare is the highest. A coordinated policy requires the countries to lower their emissions in early periods. Surprisingly enough, emissions might be higher in very distant periods under the cooperative scenario. Finally, a Pigouvian transfer scheme allowing to achieve global efficiency in a decentralized manner is proposed. Allowing the countries to reap the full benefits of their emission reductions results in a dynamic game whose subgame perfect outcome is global cooperation.

Roberto Bande
Lecturer, University of Santiago de Compostela, Spain
&
Dolores Riveiro
Lecturer, University of Santiago de Compostela, Spain

Private Savings Rates and Macroeconomic Uncertainty: Evidence from Spanish Regional Data

In this paper we address the recent evolution of savings rates in the Spanish economy using regional data. The onset of the Great Recession has been followed by increasing savings rates, which may reflect precautionary behavior of households. Thus, we test for the determinants of savings rates for a panel of Spanish regions in the period 1976-2008. We estimate a panel data model with regional fixed effects and test for the effects of variables such as unemployment rates, interest rates, wealth to income ratios, government fiscal balance, population structure and economic growth. Our preliminary results suggest that part of the large increase in savings rates is related to a precautionary motive, and that increased uncertainty causes greater savings rates. We also test for regional differences in savings patterns as regards the evolution of the unemployment rate, and find significant disparities in the determinants of regional savings, which may account for different behavior of regional unemployment.

Mario Augusto Bertella
Professor, UNESP, Brazil
&
Ana Paula Fontainhas Mendes
Professor, UNICV, Brazil

Industrialization in Sub-Saharan Africa and Import Substitution Policy

Import substitution was one of the development strategies which started to prevail as a form of industrialization in most developing countries in the post-war period. In many Latin American countries, especially Brazil, Mexico, and Argentina, a conscious implementation of import substitution policies was observed as of the 1950s and early 1960s. Soon after independence, countries of Sub-Saharan Africa identified themselves ideologically with that strategy, and began to implement it in the subsequent years; in fact, that was the only strategy associated with the ideology of development originated with the independence process in African nations. Nevertheless, how that process occurred in African countries and why it was not very successful are still not well known.

The aim of this article is to contribute to the understanding of the import substitution process in Sub-Saharan Africa. The way in which that process occurred in the Sub-Sahara is much less clear than that in Latin America, for most countries of that region in the African continent gained independence only in the late 1950s and 1960s, and little attention was given to them in the literature at the time. Although those countries were the last ones to embark on the strategy of import substitution, they followed Latin America countries' steps, and as structural domestic and external constraints were stronger, the policy of import substitution soon failed, having a more profound impact on their economies.

Contrary to popular opinion, African manufacturing began to develop as from the beginning of the 20th century, more specifically in the 1920s, still during the colonial period. The industrialization process in Sub-Saharan Africa occurred in two phases: the initial stage, a very incipient one still during colonialism, stimulated by colonial people, started around that time and ended in the late forties; the second stage of industrialization began in the late fifties and gathered momentum in the sixties, when import substitution was more widely implemented. In the latter period, industrialization, as in Latin America, is a politically conscious strategy aimed at overcoming underdevelopment. In the Sub-Saharan region, the process of import substitution followed the dynamic typical of any import substitution process. That strategy lasted until the second half of the eighties due to a structural adjustment policy which strongly disapproved of that industrialization system for the region.

Ieva Brauska
PhD Student, University of Latvia, Latvia

Political Factor Influence on Regional Development in Latvia: Political Business Cycle Analysis

The political business cycle theory explains different economic situation and growth in different time periods taking into account factors that have political origin. The theory is based on the opinion that before elections politicians become more generous but after elections they fail to fulfil previous promises and this has the following outcome that before elections economics prosper more, but after elections – situation worsen as restrictive politics is implemented.

This paper tests political business cycle theory for the case of Latvia's municipalities. By using different panel data models and taking into account such factors as regional and national elections, budget income and expenditure as well as fixed effects of municipalities and types of political parties regional leaders belong to. This paper is aimed to estimate whether economic cycles in Latvia at regional level has been influences by these political factors.

The research is based on calculations from budgetary data for the years 2001 till 2010. It proposes a simple methodology how to evaluate political business cycles in municipalities using data about budgets, elections and political parties winning elections. As in 2009 administrative territorial reform took place in Latvia, situation before and after this reform is compared, though for a more in-depth analysis of the results of the reform, further research is needed.

The results show that municipalities' expenditure for social sphere (social security and social insurance, education, culture and free time) increase on the years with municipality elections, but after elections these expenditures decreases, this confirms the hypothesis that political factors have influence on regional development in Latvia.

Petre Caraiani
Researcher, Institute for Economic Forecasting, Romania

The Uncertain Unit Root in GDP and CPI: A Wavelet Based Perspective

One of the controversial issues in macroeconomics consists in whether the macroeconomic time series are better characterized as being driven by permanent shocks or by temporary shocks.

The initial consensus seemed to favor the trend stationary view, however the seminal paper by Nelson and Plosser (1982) dramatically changed the view as their results indicated that most of the macroeconomic time series are characterized by a unit root.

The debate continues to draw a large interest and many studies have revisited and challenged the results in Nelson and Plosser (1982). The implications of a unit root process in macroeconomic time series are not trivial. As argued by Nelson and Ploser (1982), a difference stationary GDP would favor the view that the GDP is drive by permanent shocks, while a difference stationary CPI would favor the inflation targeting approach for monetary policy.

We provide here new evidence using a recent unit root test based on the wavelets methodology.

Ramon Castillo-Ponce
Professor, California State University, USA
&
Edgar David Gaytan-Alfaro
Lecturer, University Autonomy of Baja California, Mexico

Economic Performance and the Stock Market: the Case of Mexico

We evaluate the association between stock market performance and the aggregate economy for the long-run and for the short-run. To that end, we perform cointegration and common cycle tests considering various stock market indicators and real GDP for the Mexican economy. We identify the existence of common trends but not common cycles. Specifically, stock market activity and real GDP exhibit a positive and significant relationship in the long-run; however, they appear to respond differently to transitory shocks. This last result suggests that variables of the Mexican stock exchange behave as a random walk with no significant cycle, consistent with the efficient market hypothesis for financial markets.

Chongcheul Cheong
Lecturer, Xian Jiaotong-Liverpool University, UK

Do Strategic Alliances In Developing Country Also Create Firm Value?

In the empirical literature, a few studies explore the objective performance of firms' strategic alliances (announcements) in terms of an equity price reaction. Unfortunately, most of the previous studies pay their attention to the cases of developed countries (e.g. Chan et al., 1997; Das et al., 1998; Neil et al., 2001; Chiou et al., 2005). Given that firms of developing countries are less competitive than those of developed countries, in terms of marketing and technology levels, managerial capability, and resource accessibility, strategic alliances might be a further important strategic instrument for the development of the firms in developing country. In this context, the impact of strategic alliances on the firm value of developing countries would provide an interesting result to the literature.

In this paper, we examine the relationship between firm values and strategic alliance announcements in the case of Korean companies, using an event study of OLS and GARCH market models. The results of our study about Korea would provide investors, firm managers, and academics with valuable implications for a necessity of strategic alliances for development of firms of other developing countries. In the study, we employ an event study approach of the OLS market model commonly used in the literature. For robustness, we additionally apply the GARCH market model employed by Coakley et al. (2008), Booth et al. (1996), and Corhay et al. (1996) to account for a possible heteroskedastic effect in stock return series. In addition to the OLS method, this study also applies the GMM method to account for any possible measurement error for firm value incurred by the event. This allows us to assess a robustness of results obtained from the OLS specification.

The market models show that strategic alliance announcements in Korean economy produce a significant abnormal return, which reflects an increase in firm value in the short run on the announcement date and a significant information leakage on even pre-announcement date. The firm value increased by the strategic alliance announcements has an inverse relationship with a firm size while it has no relationship with a growth opportunity of each firm. Non-technology (Marketing) alliances make a greater firm value than technology ones for the Korean firms' alliances. Our cross-analysis between (non) technology of alliances and nationality of the partner firm supports a bigger firm value for non-technology alliances irrespective of the partner firm's nationality. Moreover, marketing alliances with firms of advanced G7-countries make the highest firm value on the announcements.

Sonja Cindori
Assistant Professor, Faculty of Law Zagreb, Croatia
&
Zana Pedic
PhD Student, Ministry of Finance, Head of Directorate for Financial System, Croatia

A Proactive Perception of Suspicious Transactions in the Money Laundering Prevention System and Financing of Terrorism in the Republic of Croatia

In this article, complex nature of suspicious transactions and their ambiguity are highlighted. Following the basic concept of suspicious transaction within international framework, national legislators try to adjust it to the domestic conditions. Statistical analysis of three western European countries and the Republic of Croatia will demonstrate the results of such endeavors. Statistical analysis of suspicious transaction reporting within banking and non banking financial sector has purpose to point out on the importance of suspicious transactions in the relation between reporting entities and the FIUs, as well as to highlight their role in further proceedings regarding reported transactions that consist of suspicion on money laundering and terrorism financing. In the whole process, inevitable question is level of awareness within financial and nonfinancial institutions in regard to underlying issues as well as the possibilities of the further development.

Harry Clarke
Professor, La Trobe University, Australia

Planning Urban Water Investments with Climatic Uncertainty

Policies for assessing the effects of climate change risk and uncertainty on the economics of water supply infrastructure provision are discussed. The emphasis is on analytical insight derived from use of stochastic dynamic programming (SDP) methodologies to deal with the attendant risk management issues. In a setting with significant irreversibilities Quasi-option values are generated in some simple settings that provide a guide to the qualitative effects of risk. Attention is also paid to related portfolio approaches using SDP and more standard reliability models. Finally problems involving Knightian uncertainty and gross ignorance with respect to catastrophic risks are analyzed. Minimax and minimax regret heuristics are discussed.

Calin-Vlad Demian
Ph.D. Student, Central European University, Budapest

Welfare Gains from EU Enlargement: A Trade Perspective

In this paper I investigate the welfare implications of EU enlargement from a trade perspective both for incumbents and for new members. Most empirical papers dealing with trade block enlargement investigate welfare gains along a single margin of trade: access to new varieties, tariff reduction or falling trade cost. Recently, Arkolakis et al. (2012) put forward a method that is robust to changes along all margins of trade. From a data perspective, this is a fairly parsimonious approach requiring for each sector in each country output and employment data and bilateral trade flows. I use this measure to investigate the effect trade barriers reduction, associated with EU enlargement, in the context of a multi-county, multi-sector CES model.

My sample consists of sectoral output and labor data and all imports to EU countries from 1970 to 2007, disaggregated at SITC level 3. Trade data was taken from the UN Comtrade database and output and unemployment were obtained from the EUKLEMS database. As EUKLEMS provides data only at a higher level of aggregation, I further aggregate the trade data into 17 sectors to match this classification. In addition, the welfare measure requires one additional parameter: elasticity of substitution. Building on the approach of Feenstra (1994), I compute country and sector specific elasticities, allowing for non-random selectivity.

The welfare measure takes the form of year-on-year changes. I regress these changes on single market membership dummies and a host of controls, allowing for heterogeneity across countries and for the fact that trade effects may not make themselves noticed immediately. The welfare effects of accession are small for incumbent members, not always statistically significant, but new entrants enjoy a significant welfare improvement. Also it is more likely for trade costs to have a slope rather than level effect on welfare growth as countries rip the benefits over time, not instantaneously.

Rodrigo Echeverria
Professor, University Austral of Chile, Chile
&
V. Moreira
Professor, University Austral of Chile, Chile.

Identifying the Factors that Make Chilean Farmers Produce for the External Market

The export behavior of firms has been extensively studied in the manufacturing sector, but few studies have explored this behavior in the agricultural sector. Given the distinctive characteristics of agricultural firms, the findings from the manufacturing industries cannot be extended to this sector. In this context, the objective of the present paper was to identify the factors that are relevant in the decision to produce for foreign markets in the Chilean agricultural sector. Using data obtained from personal interviews to 368 farmers, a multinomial logit model was estimated to identify the factors influencing the export-production decision and a regression model to estimate the production level of exportables (export intensity). Three groups of farmers were analyzed: those that produce for the external market (fruit producers), those that produce for the internal market but that expect to export, and those that produce only for the internal market. The results showed that export-oriented producers differ considerably from those oriented to the internal market. The former are mostly males, with higher levels of education that do not own the land, but rent it, and whose farms have irrigation (waters rights and irrigation systems). However, the main factor associated with the export-production decision is the geographic concentration of exporting farmers, i.e., the higher the number of these farmers in a specific location, the higher the probability that a farmer will produce exportables. Regarding the export-intensity decision, results suggest that farmers make this decision at the same moment they make the decision to produce for the external market.

Cheng Ze Simon Fan
Professor, Lingnan University, Hong Kong

Differential Fertility and Intergenerational Mobility under Private Versus Public Education

This paper studies intergenerational mobility in a model that incorporates endogenous and differential fertility with heterogeneous agents differentiated by their skills. It argues that some potentially important insights regarding the evolution of the wealth distribution and intergenerational mobility can be obtained by introducing differential fertility and intergenerational mobility in the same model. Mainly, once faced with a tradeoff between the quality and quantity of children, low skilled parents might choose to have more children and invest less in the education of each child, and thus upward mobility becomes harder to achieve. Moreover, the fact that population growth at the lower end of the distribution is faster has implications for the evolution of the wage distribution in society. It shows that switching from private to public education reduces the relative gap between fertility rates of unskilled and skilled workers. This result has implications for population policies as the governments of some countries (e.g. Singapore) want to increase, or at least to avoid decreasing, the representation of the children from better-educated families. Also, it demonstrates that if the wage differential between skilled and unskilled workers is sufficiently large or if the taste for child education is sufficiently strong, then intergenerational mobility is greater in the public education regime than in the private education regime. This result is obtained partly because the impact of parental income differential on children's education outcome is prevalent in the private education system but it is eliminated by public education, as in the literature. Also, public education raises the downward mobility of children with skilled parents by reducing the amount of time skilled parents spend on their children's education. However, the new light this paper sheds on mobility comes from the negative response of the relative fertility differential between unskilled and skilled workers to public education. This reduced relative fertility differential under public education means more children from skilled workers compared to the private education regime, and tends to raise the ratio of skilled to total population in future times, other things being equal. This rise in the skilled portion of the future population can in turn raise average income and hence government spending on education per child in future times (particularly so if the wage differential is large). Subsequently, the rise in future government spending under public

education will brighten the chance for children with unskilled parents to become skilled (upward mobility) and will also mitigate the increased downward mobility of children with skilled parents. As a result, switching from private to public education tends to raise the downward mobility of children with skilled parents more in the short run than in the long run on the one hand and raise the upward mobility of children with unskilled parents in all times on the other hand.

Gustavo Adolfo Garcia Cruz
PhD Student, Autonomous University of Barcelona, Spain
&
Ana I. Moreno-Monroy
PhD Student, University of Groningen, the Netherlands

Intra-Metropolitan Clustering of Formal and Informal Manufacturing Activity: Evidence from Cali, Colombia

Existing studies on spatial clustering of manufacturing activity for developing countries are based solely on data for the formal sector. The formal sector does not exist independently from the informal sector, however. Formal and informal firms are interconnected through competitive and complementary linkages which shape their distribution across space. Thus, analyzing the spatial clustering patterns of formal and informal manufacturing activity within a metropolitan area is a first approximation to verifying the existence of these linkages and to understand the role of the informality in the processes of clustering and co-clustering industrial in developing countries. We also study the effects of formal and informal spatial clustering on productivity levels.

We use the comprehensive data from the Economic Census of the metropolitan area of Cali-Yumbo, Colombia, which includes the universe of manufacturing formal and informal firms geocoded up to a disaggregated scale equivalent to the zip-code level. By calculating of the M-functions of Marcon and Puech (2010) we measure the degree of spatial clustering and co-clustering. This distance-based method allows us to treat space as continuous. The M-indices are calculated for ISIC 3-digit industries, type of firm (formal and informal firms), in order to discern if both types of firms exhibit different patterns of localization and if these firms benefit from proximity to firms working in related industries. We complement the use of the M-indices with a spatial analysis on the distribution of formal and informal firms: Moran's I, LISAs and kernel density estimations.

The results show there are different patterns of clustering and co-clustering of formal and informal firms and, therefore, there is a process of spatial segmentation between these type of firms: informal manufacturing is concentrated in areas for which income levels are lower than the average, they are not co-localized with respect to formal activities; while formal activity is found in more central locations, on main roads, they are dispersed in their location with informal firms.

Regarding the effect of clustering of formal and informal firms on productivity levels, the results shows clustering of formal small and medium firms has a positive effect on productivity, while clustering of formal large and informal firms do not have a significant effect.

Aparajita Goyal
Economist, World Bank, USA

Going Digital: Credit Effects of Land Registry Computerization in India

By improving access without altering the underlying information, computerization of land registration provides a near-ideal case to test for credit supply effects of improved land administration that have often been elusive in the literature. We exploit the variation in the timing of the shift from manual to digital operation of Andhra Pradesh's 387 subregistry offices during the state-wide rollout of this intervention between 1999-2005. Administrative data on credit disbursed and registered land transactions from 1995-2007 point to significant, though quantitatively modest, increases in credit access in urban but not rural areas. Institutional factors allow us to explain these results.

Joanna Gravier-Rymaszewska
Researcher, Nanyang Technological University, Singapore
&
Joseph Dennis Alba
Associate Professor, Nanyang Technological University, Singapore

Glabalization and Volatility: A DSGE Model with Offshoring

The globalization of production and of financial markets and the recent economic crisis gave rise to a discussion on the new macroeconomic volatility transmission channels derived directly from the trade to volatility link. In an open economy, shocks and volatility can be amplified across borders. Globalization has facilitated the transmission of international economic shocks through a variety of channels, among which the well-established financial channels. Global trade, through globalized production, is a less well explored channel. However, taking into consideration the interconnection of international trade and finance, and because trade openness itself is found to increase output instability, it is reasonable to expect some other aspects of trade to cause economic volatility. Therefore, the question arises as to whether trade in intermediates, or offshoring, is any different.

This research focuses on the one of the most prominent outcomes of globalization, global production markets, and their role in transmitting shocks. Past studies have shown that offshoring is found to influence the macroeconomic volatility of the US and of Mexico, and is suspected to be a factor of the economic volatility of the new and old EU member-states.

We propose a two-country, three-sector Dynamic Stochastic General Equilibrium (DSGE) model with offshoring. The model is simulated with Dynare for a small open economy. It is a Ricardian model of trade with continuum of goods, multinational and country-specific sectors, and the home economy engaging in offshoring to a foreign country.

The main finding drawn from the analysis of the impulse response functions and second moment properties of the model is that global production sharing contributes significantly to the cross-border transmission of volatility. Cost-saving is the primary reason driving production offshoring. Consistently, it is found that both productivity and demand shocks influence offshoring decisions through the extensive margin. Volatility is amplified by the scale of outsourcing; hence international production becomes a channel that 'exports volatility' from home to the foreign country.

Offshoring is found beneficial for the home country, raising employment in the domestic managerial offshoring sector and mitigating inflation. It also fosters employment in the multinational sector abroad, but at the cost of increasing the wage gap.

The analysis reveals the synchronization of employment between home and foreign countries. The simulation shows that increasing the extensive margin of offshoring 'creates' volatility in both countries. Employment in the offshoring sector is significantly more volatile abroad than at home.

This in-depth analysis of global production markets reveals their important role as channel of international shock transmission, in line with the financial and traditional trade channels.

Jan H Höffler
Researcher, University of Göttingen, Germany

Replication in Empirical Economics

In empirical economics, a twofold lack of incentives leads to chronic problems with replicability: For authors of empirical studies the workload needed to make their material replicable is not awarded in the same way as publishing new irreplicable studies is. Neither is authoring replication studies, so there is little threat to get penalized for irreplicable research.

We offer a strategy to set incentives for replication and replicability. By integrating replication studies in the education of young scholars at several faculties, we raise the awareness for the importance of replicability among the next generation of researchers and ensure that a big number of scientists get incentives to write replication studies: credit points and the prospect of publications at least of working papers already during their time as students. We set up a wiki project where standards are developed for how to make research replicable and how to write replication studies. We also use the project for documenting replication results and empirical studies that should be replicated as well as journal policies on replication. By raising the number of researchers involved in replication and by lowering the amount of work every single one of them has to contribute, on the one hand we help to lower the amount of work researchers need to put into making their studies replicable. On the other hand, we impose a significant threat of punishment through embarrassment, following the cases of recently introduced wiki projects for the revelation of plagiarism (http://de.guttenplag.wikia.com, http://freyplag.wikia.com). In contrast to previous efforts like the report on the American Economic Review Data Availability Compliance Project (Glandon 2010), our project is the first replicable review paper on reblicability as we give account of which studies were tested and which results were found in each case. After exploring several dozen studies published in highly ranked journals we have not yet determined a single case where we see replicability is fully ensured.

Jose Roberto Iglesias
Professor, UFRGS, Brazil,

S. Goncalves
Professor, UFRGS, Brazil
&
M.F. Laguna
Professor, UFRGS, Brazil

Why, When, and How Fast Innovations are Adopted

When the full stock of a new product is quickly sold in a few weeks one has the impression that new technologies develop and conquer the market in a very easy way. This may be true for some new technologies, like the cell phone, but not for others, the blue-ray for example. What are the factors that determine the adoption by the society of a new technology? The diffusion of technology is an old and classic problem. The usual approach is the one of Everett Rogers [1] and, according to him; people in a society are Gaussian distributed over the time they take to attach to the novelty. On the left side of the distribution are the innovators, the very first ones to adopt the new technology —even when it has not proven to be useful or reliable—, followed by the early adopters. At the rightmost part of the distribution are located the "laggards", people who accept the innovation reluctantly only when all the rest has already changed to the innovation. But, what are the mechanisms behind this empirical description? What are the reasons that lead to adopt a new technology? In this paper we propose and simulate a simple model for the adoption of an innovation which depends mainly on three elements: the appeal of the novelty, the inertia or resistance to adopt it, and the interaction with other agents. Social interactions are taken into account in two ways: by imitation and by differentiation, i.e., some agents will be inclined to adopt an innovation if many people do the same, but others will act in the opposite direction, trying to differentiate from the "herd". Thus, we describe an artificial society where the external factors in favor of the technological innovation (utility, advertising, price) are reduced to a single parameter that we assume as objective, i.e. the same for all the agents. This parameter is equivalent in physics to an external field. On the other hand, the resistance to change to a new paradigm, being because of stubbornness, price or familiarity with the old technology, is condensed in the idiosyncratic parameter, ui, which is different for each member i of the society. Finally we introduce a social interaction term that may act reinforcing the change of technology, or going contrary to it, if the agent resists following the herd. We discuss the conditions for the new technology to be fully or partially adopted. On the other hand we look at the critical concentration of anti-herding agents that may block the adoption of a new product. In a nutshell, the present model reproduces qualitatively the available data on adoption of innovation.

David Iselin
Researcher, KOF Swiss Economic Institute, Switzerland

The R-Index for Switzerland

With a unique dataset, consisting of a keyword search („Recession AND Switzerland) in the well-known Swiss daily Neue Zürcher Zeitung, we forecast quarterly year-on-year growth of the SWISS GDP. Our analysis shows a one quarter lead to the official data of Swiss quarterly GDP releases. Our R-Index does better than comparable forecast methods, such as auto-regressive forecasts or comparable methods It also shows that forecasts tend to be better in uncertain times.

Srinivasan Kannan
Associate Professor, Achutha Menon Centre for Health Science Studies, India
&
P. Sankara Sarma
Professor, Achutha Menon Centre for Health Science Studies, India

Study on Work Load of Public Health Nurses and other Women Health Workers in India

Introduction

The study gathered information on work load among women public health workers and factors associated with this in Thiruvananthapuram, Alappuzha, Ernakulam, Malappuram and Wayanad districts of Kerala. An increasing number of nurses were reported to have occupational hazards and are suffering from back injuries due to lifting and moving patients. A study in Australia found work and age related factors increase difficulties that lead to perceived workload (Fragar and Depczynski 2011). Philibin et.al. study in Ireland on public health nurses' role in changing society emphasized the need for defining and redesigning their role for better community service.

Methodology

Primary data collection was done from 1238 respondents that included, Junior Public Health Nurses, Junior Health Inspector, Staff nurses, Lady Health Inspectors and Lady Health Supervisors. In addition, time and work study in selected work places and Qualitative enquiries also been done. Findings: The prevalence of three components of workload namely role overload, role stagnation and self role distance were 75.26% (95% CI: 72.78, 77.59), 55.62% (95% CI: 52.84, 58.37) and 12.04% (95% CI: 10.34, 13.97) respectively. The role stagnation decreases with age (p=0.004). The Role overload is higher among women and the role stagnation and self role distance are higher among men. Workload is higher to those who disagree that their training helped in upgrading skills and knowledge.

Conclusion

Workload of public health nurses is related to their salary, additional duties such as managing funds, attending meetings, maintaining records and so on. They affect their assigned routine health delivery activities.

Muge Karacal
Assistant Professor, Izmir University of Economics, Turkey,

Emre Can
Professor, Izmir University of Economics, Turkey
&
Ilker Arslan
Professor, Izmir University of Economics, Turkey

An Interpretation of Basel Iii: Experience of a Growing Banking Sector during a Financial Crisis

In the last two decades, the world economies have experienced severe financial crises. After every crisis "new" financial regulations were offered to prevent an upcoming one. Basel Criteria have become the mile stone of these regulations regarding the banking sectors where the problems and the solutions of the financial crises have emanated. However, it is observed that Basel I and II have not met the required measures in preventing the world economy from entering a global financial crisis in 2008.

In this study we compare Basel (I-II-III) criteria with the criteria the Turkish banking sector is subject to, which have been imposed since the 2001 financial crisis in Turkey. Being the only banking sector that has been growing in spite of the last financial turmoil among the banking sectors that have been hit hard in Europe and the United States, the analysis of the Turkish banking sector will shed light on how to prevent another crisis by examining the lessons the Turkish banks have learned since 2001. This study specifically aims at answering the question of what the Turkish banks did right before and during the last financial crisis. We make use of measures such as return on asset, credit volume and non-performing loans in a panel regression framework for comparison of Turkey and OECD countries. We hope that the results of the study will contribute to the literature on the interpretation of the new Basel (III) criteria and give feedback for the restructuring of the banking sectors in emerging economies in coping with a financial crisis.

Alla Kirilovskaya
Researcher, Saint-Petersburg State University, Russia

Industrial Policy and it's Tools at the Threshold of XXI Century

The concept of industrial policy were formed at a time when the industry in each country uniquely determined by its competitive edge in world markets. Currently, the economy entered a phase of post-industrial development, when a huge role has the nonmaterial, intangible assets, etc. All this implies a certain terminological confusion. Thus, a number of authors suggest that industrial policy is not relevant now and in the classic sense discredited. Thus, it is argued that industrial policy is "very controversial, suffers from information problems and, ultimately, leads to a distortion of competition, restrict trade, and loss of wealth."1 Another author suggests that government intervention in the market mechanism can not be effective in principle2.

However, this point of view seems to be not entirely correct. The fact, that in the process of mass production and the creation of a modern market economy, industrial policy has played a leading role. In some ways it can be argued that the industry has formed a modern economy, and now it just has a significant impact on the global economy: an attempt to denial of this fact led to the global economic crisis in 2008-2010 years. The fact is that under modern conditions the principles of the location of production have changed, increased geographic dispersion of the companies that created the illusion of a low contribution of industry to the economic well-being. There are demonstrative examples of the two EU countries: Greece and Slovakia. The high value of industrial policy supported by the fact that the most stable position in the European Union took two groups of countries: first are those with a high share of industrial output in GDP (e.g. Germany, France, Norway), and secondly it is a micro countries (e.g. Monaco and Liechtenstein), mostly prosperous by attracting foreign capital and the implementation of various kinds of financial transactions, including those not quite legitimate.

---

[1] Aykhoff N. competition policy, or the "new" industrial policy / / Proceedings of the St. Petersburg University of Economics and Finance. - 2011. - № 3. - Pp. 5-11.

[2] Spissinger K., Block W., McGee R.W. No Policy is Good Policy: A Radical Proposal for US Industrial Policy //Glendale Law Review, 1999. – Vol. 17, No. 1. – Pp. 47-58

So, what is industrial policy? There are several interpretations of the industrial policy. These interpretations are quite different. The two things that unite them - are that industrial policy is part of economic policy, and the fact that the object of industrial policy is industry. Next, we consider the evolution of approaches to the definition of industrial policy by authors from different countries and at different times. We also consider the industrial policy instruments, which also vary greatly among different authors. In the conclusion, the author of the article will suggest his own definition of industrial policy and its instruments, typical for the economy on the threshold of XXI century.

Victor Lankin
The Head of Management Department, Taganrog Technological Institute of Southern Federal University, Russian Federation

The Process Approach to Economic Systems Interaction Modeling

In a paper presented one of approaches to the economic systems interaction modeling is considered while innovations introduction, merge, formation of joint ventures, etc. on the basis of the system paradigm, proposed by J.Kornai specifically for economical system, and further generalized and developed by the academician G.Kleyner of Central Economics and Mathematics Institute (CEMI) of Russian Academy of Science (RAS).

According to G.Kleiner's concept, the system paradigm includes 4 types of systems: objective, environmental, design and process systems. These types of systems differ essentially by their properties (temporal and spatial) and by functioning pattern, each system type has unique role and responsibility domain.

Interaction of systems is considered within a framework of this system paradigm.

Based on definitions and the functional responsibility, the role of processes is an interaction maintenance, i.e. these are systems - intermediaries.

Thus, processes are a multidimensional category with the following inherent characteristics:

- The functional responsibility for operation (functional elements and process features);
-The functional links structure determining the interaction mechanism;
- Functioning of processes is subordinated to the certain objectives corresponding to the interaction purposes of economical objects.

Considering process as a mean of systems multidimensional interaction modeling, within the framework of Kleyner system paradigm, the minimal configuration of inputs and outputs of the system - intermediary (process), including controllable and observable influences from the system - environment and the system - project is established.

The classification of processes - systems by pattern, functional attributes and the interaction mechanism of economic systems is proposed in the presented paper.

Zhen Liu
Ph.D. Student, Institute of Food and Resource Economics, Denmark

Effects on Income Diversity of Rural Households by Sloping Land Conversion Program in China

Aiming to mitigate water and soil erosion, one of the biggest ecological restoration programs in the world, the Sloping Land Conversion Program (SLCP), has been running in China since 1999 which formally launched nationwide in 2002, but an adjustment happened in 2007 due to the concern from food security and financial pressure. Using a longitudinal household survey data set and treatment effect analysis, this paper intend to examine the effects on the income diversity of rural households by implementing SLCP which is thought of contributing positively to sustainable rural livelihood and long-term viability of this program as well. The economic data shows an obvious change on income growth and activities of participants after program implementation, however, it is necessary to test whether this is significantly induced by the program. In addition, it is more of broad policy interest to compare the change before the program’s adjustment and after. It is found that effects on the income diversity of rural households is significant distinct within different time participant groups and the program has regional heterogeneity effects on the rural households. Based on our study results, some recommendations for improving sustainability of the program are given, and hopefully this paper would make a valuable contribution to a more robust and timely assessment on implementation of the SLCP.

Stavroula Malla
Associate Professor, University of Lethbridge, Canada

Jill Hobbs
Professor, University of Saskatchewan, Canada
&
Eric Kofi Sogah
Researcher, University of Lethbridge, Canada

Assessing Health Claims in Canada and Around The World

The scientific evidence and awareness of the correlation between diet and health; increasingly sedentary lifestyles; aging population; and the ever increasing health care cost in Canada and other countries with publicly funded health care systems have increased the interest in healthier food products [functional foods and natural health products (FFNHP)]. The World Health Organization identifies nutrition as a significant and manageable determinant of chronic disease. Enhancing the information to consumers is an important policy response to improve health through changing what individuals eat. Furthermore, there are a lot of policy implications regarding the regulatory environment for approval of new FFNHP and the current labeling regulations for health claims on FFNHP.

This study examines the FFNHP regulations, policies and R&D in Canada and around the world to help broaden our understanding of this important sector. In addition, we compare and contrast different policies and regulations around the World; and make public policy recommendations that could improve well being and increase social welfare.

The study consists of a broad review on the FFNHP industry with respect to consumer awareness, acceptance and willingness to pay, industry and market prospective, product development and regulatory situations. The investment patterns of the FFNHP industry are also assessed. Furthermore, the study examines and analyses the current FFNHP's health claims situations in Canada and several other countries (U.S, E.U, U.K, Sweden, Russia, Japan, Australia, New Zealand, Korea, China, Taiwan, Singapore, Malaysia, Hong Kong, India, Thailand, Philippines and Brazil). Differences in regulations, policies and health claims as well as challenges facing the industry are explored. Policy implications/recommendations will be discussed.

Evangelos Mitrokostas
Lecturer, University of Portsmouth, UK

Strategic Incentives for Corporate Social Responsibility in Oligopolistic Firms

We investigate the incentives of firms' owners to commit voluntarily to Corporate Social Responsibility (CSR) activities in an oligopolistic market. The socially responsible attributes attached to products are considered as credence goods, with consumers forming expectations about their existence and level. We show that hiring a CEO and delegating to her the CSR effort and market decisions acts as a commitment device for the firm's owners and credibly signals to consumers that the firm will undertake the "missioned" CSR activities. We also find that CSR activities are welfare enhancing for consumers and firms and thus, they should be encouraged.

Radu Cristian Musetescu
Associate Professor, Academy of Economic Studies, Romania
&
O. Jora
Professor, Academy of Economic Studies, Romania

Antitrust and Development: Reassessing the Role of Competition Policy in Economic Growth

There are several economists who argue that an activist antitrust policy could lead to significant economic development. Countries which actively enforce such antitrust policies, such as United States of America, seem to experience higher economic growth than countries with less activist antitrust, such as the member states of the European Union or Japan. Today, even developing economies enforce antitrust policy with the goal of economic growth in mind.

Enforcement agencies claim that such a public policy promotes a better (allegedly optimal) allocation of resources and, in consequence, maximization of not only consumer welfare but even at total welfare. From a theoretical perspective, economic development derives from this situation. We argue however that such a perspective overstates the role of such a public policy.

The traditional theory of economic development has put a strong focus on other factors as critical for economic growth. They stem from social institutions such as private property and the ability of legal system to defend and enforce such institutions to time preference at social level and propensity for savings. Or, in this respect, consumer welfare standard is not a direct causality.

Moreover, we even advance the idea that, in certain cases, a too activist antitrust policy and the narrow focus on strict consumer welfare could lead to an inhibition in economic growth. Such an apparently novel and paradoxical conclusion derives from the particular techniques employed by antitrust enforcement such as the central role played by market delineation.

Uwe Neumann
Researcher, Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Germany

Urban Economic Growth in Europe – Before and After the EU Enlargements of 2004/2007

This paper reviews some of the more recent findings on the dynamics of regional economic growth from the perspective of European cities. It examines if (and to what extent) per capita output and other city characteristics interrelated with economic growth and if disparities between European city regions equalised during the period from 2001 to 2008. For reasons of data availability and comparability, many studies of urban economic dynamics have used data representing North American cities. Among other sources, this analysis draws on the Urban Audit, a city-level data base, which is compiled by the European Commission in cooperation with member states. In a Europe-wide survey, the paper examines urban economic growth among cities in the old and new member states before and after the most recent EU enlargements of 2004 and 2007. By comparison between the periods 2001-2004 and 2004-2008 it is examined if and to what extent growth dynamics in the EU27 changed during this phase of closer European economic integration, in which former communist countries from Central Europe joined the EU. In the analysis, country-specific characteristics and regional interdependency, both across national borders and within countries, are treated by controls for European macro-regions and city types. A typology of European cities was derived by statistical analysis using indicators from the Urban Audit. The analysis shows that economic growth accelerated considerably among cities in the least developed regions after 2004. However, large cities in the wealthiest parts of Europe also continued to grow at above-average rates. In the medium term, therefore, severe regional disparities are likely to prevail. From a range of further city characteristics, unemployment in particular turns out to be an obstacle to growth. The relation between intra-city inequality and the economic outlook of cities thus remains an important issue for further research.

Felicitas Nowak-Lehmann
Researcher, University of Göettingen, Germany,

Felix Roth
Researcher, The Centre for European Policy Studies, Belgium
&
Daniel Gros
Director, The Centre for European Policy Studies, Belgium.

Has the Financial Crisis Eroded Citizens' Trust in the European Central Bank? Panel Data Evidence for the Euro from 1999-2011

As the ECB is a (policy making) institution it can be argued that a certain level of citizens' trust in the ECB seems to be crucial to maintain the ECB's legitimacy. In addition, as the ECB is an independent institution which is not democratically elected (as highlighted in article 130 of the Lisbon treaty) the "legitimacy" argument applies to an even greater extent to the ECB than to other policy making institutions. In this respect high levels of citizens' trust in the ECB can be characterized as a proxy for a high approval rating among citizens which ultimately secure the independence of the ECB. Following from the above argumentation it seems apparent that a loss of trust will make the ECB vulnerable to political influence, as citizens will most likely pressure politicians to minimise the ECB's independence. This view is shared by the ECB policy makers. Via publicly available communications, interviews and expert interviews ECB policy-makers admit that they depend on citizens' trust in the ECB to resist pressures from politicians and secure their independence.

In this study we find that in the aftermath of the financial crisis trust in the ECB has reached historical lows. Taking panel data and using a fixed effects DFGLS estimation for a 12–country sample over the time period 1999 to 2011 with a total of 312 observations this paper detects a structural break in citizens' trust in the ECB. The paper confirms that during pre-crisis time citizens' trust in the ECB is driven by economic growth. In crisis time, however, trust in the ECB is both driven by inflation and unemployment.

Ahmet Ozcam
Associate Professor, Yeditepe University, Turkey
&
Dilek Saglik Özcam
Assistant Professor, Yeditepe University, Turkey

Construction of Price Indexes for Different Segments of Automobiles in Turkish Market and Estimation of Varying Price Elasticities

The Country of Origin (COO) effect being no longer as important in Turkey, this paper takes a disaggregation approach to automobile demand in Turkey from a different perspective: at segmentation basis. In order to be able to run separate regressions in 4 segments, we constructed various segment-based price indexes like Laspeyres, Paasche, Fisher, Edgeworth… It is found that the prices of HB type autos increased faster than those of Sedans. We investigated on segment basis the extent of the partial tax concessions given by the Turkish government that was not passed completely onto the consumers during the global crisis. Moreover, we ran two aggregated regressions for auto sales in Turkey based on TurkStat's and our weighted 4-segment price indexes. We also showed that the position of the demand curve for automobiles in Sep-2010 was located much further to the right compared to that in Feb-2007. Therefore we concluded that the price elasticities may change over time due to a change in the price of autos, but also due to shifts arising from other factors. Therefore, we raised the following important question: Are Cobb-Douglas type constant elasticity functions appropriate when time series data are used? Finally, using the price indexes that were constructed, we were able to run a combined set of equations model (LSDVM) comprised of price and quantity data on individual segments.

Cristian Valeriu Paun
Associate Professor, Bucharest University of Economic Sciences, Romania
&
V. Topan
Lecturer, Bucharest University of Economic Sciences, Romania

Sound and Unsound Public Policies Addressed to Crisis of Modern Financial Systems

Current debt crisis is a sequel of all previous crisis after breakdown of Bretton Woods phase of international financial system, including all money production generated to recover global economies from recessions.

All this period, the monetary authorities (especially from developed world) tried ″solutions″ that seem do not be effective and that postponed the real reforms for another further moment. Misunderstanding of real causes of modern crisis is the key element in the discussion about the solutions addressed to this particular issue. This paper will analyze the public policies considered to be relevant from the perspective of international financial institutions (IMF, World Bank, EBRD), from the perspective of local central banks (Federal Reserves, Bank of England, European Central Bank), from the perspectives of local governments that did not produced the expected economic recovery. The paper will focus also on the main proposals about reforming the international monetary system that entered in this phase of ″no system″or exchange (fiduciary money) standard. The analysis will include a discussion about sound policies avoided to be used and their economic consequences on the stability of the system.

Nenad Rancic
Assistant Professor, Faculty of Law Zagreb, Croatia,

Ozren Pilipovic
Assistant Professor, Faculty of Law Zagreb, Croatia
&
Meta Ahtik
Assistant Professor, University of Ljubljana, Slovenia.

Economic Determinants of Property Crime: Comparative Case Study - Croatia and Slovenia

The purpose of this paper is to examine how certain economic and institutional variables affect the property crime rate in Croatia and Slovenia. Theoretical framework implies that besides institutional environment economic conditions also affect the property crime rate. The economic theory of crime is a micro-theory which, postulating that a welfare maximizing individual optimally allocates resources according to relative returns, links socioeconomic conditions to the individual's relative returns to legal and illegal activity. (Allen, 1996). Economic situation has been understood as one of the factors explaining criminal behaviour for centuries. For this study we chose to compare the situation in Croatia and Slovenia for a period of the last 40 years. Both of these countries were members of former Socialist Federative Republic of Yugoslavia and were economically more advanced than the rest of the country. During the 1990ies transition was conducted differently in these countries and there was a period of war in Croatia (1991-1995), influence of which we will try to include as one of dummies in the proposed model.

The proposed econometric model goes as follows:

Equation 1:

dlog(CPT)=b1+b2dlog(CPT(t-1))+b3d(U(t-1))+b4d(CONV)+
+b5d(YM)+b6(DUMMY)+e

Equation 2:

dlog(CPT)=b1+b2dlog(CPT(t-1))+b3dlog(GDP(t-1))+
+b4d(CONV)+b5d(YM)+b6(DUMMY)+e

CPT Number of committed crimes against property per thousand inhabitants

GDP Gross domestic product per capita in real figures, base year 2007

U Unemployment as a percentage of unemployed in the whole population

CONV Probability of convictions - number of convicts per thousand committed crimes

YM Share of young males in the population
DUMMY Set of dummy variables.

Jon Rezek
Associate Professor, Mississippi State University, USA
&
Meghan Millea
Professor, Mississippi State University, USA

Minimum Wages in a Segmented Labor Market: Evidence from South Africa

Economic analysis of minimum wage policies generally follows one of three veins. In the competitive market model minimum wages are effective price floors that result in unemployment. The normative analysis of such a policy lies in the relative size of the gains from those who remain employed at the higher rate and the loss among those who lose employment. Another branch of the minimum wage literature considers the possibility that minimum wages offset inefficiencies associated with monopsonist power in the labor market. By forcing monopsonists to pay higher wages, the wedge between marginal costs (worker pay) and marginal revenue product is diminished. The third branch of the minimum wages literature considers a dual or segmented market. One segment of the labor market is covered by the minimum wage and experiences wage increases, but decreases in employment and an uncovered sector in which workers experience lower wages, but increased employment.

Many empirical studies focus on minimum wages in the US, the UK, and Latin America. In these analyses, the differences between the covered and uncovered sectors are identical to formal and informal sectors. In this study, we evaluate the impact of the introduction of a minimum wage in South Africa that covers the domestic and agricultural workers only. Thus minimum wages apply to formal sector domestic and agricultural workers and leaves the informal sector domestic and agricultural workers uncovered. A comparison of these segments is similar to previous studies but applies the analysis to a different labor market. However, the unique extension to this paper lies in the industry-specific nature of the SA policy. Other low-wage workers, for whom the minimum wage would be effective, are not covered by the policy. Thus we are able to compare the impacts of minimum wage legislation on formal covered and uncovered segments and informal uncovered segments of the labor market.

Manuel Jose Sanchez
Associate Professor, National University of Distance Education, Spain

A Banking – Macro DSGE Model: Theory and Empirics

This paper develop a Banking-Macro DSGE model to investigate the relation between financial development and economic growth. Conditions are provided under with the introductions of financial innovations raises de efficiency of financial intermediation, thereby facilitating capital accumulation. we derive a complete closed-form solution of the model, explain its implications, and use it to study the macroeconomic effects of several government policy changes pertaining to the financial sector. Then, we empirically investigate the issue of causality, using a cointegrated VAR, to investigate the impact financial variables on growth. The main finding is that a long-run equilibrium relationship between financial and economic growth is identified. The results also show bi-directional causal relationship.

Elias Sanidas
Associate Professor, Seoul National University, Korea

The European Integration: Unequal Trading and Development

Regional integration can be a process that resembles that of a pole of growth with a few main countries as attractors and its many smaller attracted countries. There is no guarantee that this process is smooth through time and beneficial to all countries. On the contrary, integrating countries seem to hover and spin around some main stronger economically countries and form a tangle at least in the case of the EU. Was the initial momentum created by the founding 5-6 countries a situation that has never changed during the last 40 years or so? This paper focuses on national exports as a tool of evidence that joining the EU is not necessarily a solution to long term economic growth unless a strategy is adopted to counteract the inherent tendencies of the pole of growth process. Econometric techniques for cross sectional and panel data are used to bring this evidence forward and answer the question above. The main conclusions are that the number and size of immediate neighbors are the fundamental reason behind the unequal development of European nations. Thus, the original 5-6 nations of the EU have been benefiting the most from the European integration because they are the gravity centre in Europe as they have most of the largest in terms of GDP neighbors. Consequently, there are also several losers, countries which cannot take advantage of the growth taking place inside the growth pole. These losers are usually in the periphery of the integration process. The model used in this paper is an alternative of the well known gravity model of international trade.

Martin Schuerz
Economist, Oesterreichische Nationalbank, Austria

A New Database for Research on Wealth Inequality in the Euro Area

This paper describes the new Survey on Household Finance and Consumption of the Eurosystem (HFCS). At the beginning of 2013 for the first time there will be comparable data on wealth, income and consumption for all countries of the Euro-area available not only for central bankers but for all academic researchers.

We will analyse in the first part of the paper the scope for research on wealth inequality on the basis of the available output variables. In addition the focus will be on survey methodological issues, such as sampling, interviewer training, weighting and multiple imputations.

A thorough description of private household wealth distributions for some countries of the Euro area will be made (Italy, Spain, France). This comprises an analysis of wealth composition (financial wealth, real wealth and sub-categories), characteristics of wealth groups and description of specific survey features of countries.

In a second step we will concentrate on socioeconomic determinants (profession, formation, household structure, age, income …) of private wealth holdings. Finally, a conceptual focus will be on institutional characteristics of EU countries that could be relevant for analysing wealth inequality. These institutional variables (such as taxation, governance, pension systems) are still missing in the HFCS dataset but are of utmost importance for understanding differences in wealth inequality among Euro area countries.

Mike Smet
Professor, Lessius University College and Center for Economic Studies, Belgium

The Impact of Vocational Training Programs on the Duration of Unemployment Spells of School Leavers from Technical and Vocational Secondary Education in Flanders

In this paper we focus on the determinants that influence the transition from school to work in Flanders, more specifically the transition of students from technical and vocational secondary education. We were able to combine databases from the Flemish Department of Education and the Flemish Employment agency, to construct a longitudinal dataset. These merged databases permit to follow individual (anonymised) students from secondary (to higher education and) to the labour market. The data comprise the entire population of school leavers from ten study fields in technical and vocational secondary education. The data include individual student characteristics, detailed individual enrolment information in secondary education and higher education for four school years, a number of school characteristics and monthly information on the individual employment or unemployment status. These data allow us explain differences in the duration of the first unemployment spell of school leavers and to quantify the impact of the various explanatory variables. In this paper we specifically focus on two programs that were established to facilitate the transition (of unemployed people) to the job market : vocational training and individual vocational training in a firm. We investigate whether these programs decrease the duration of unemployment spells of school leavers. Since some of the observed unemployment spells were censored, appropriate estimation techniques should be used to account for censoring. First, Kaplan-Meier estimates of survival times were estimated, followed by a Cox proportional hazards model to cope with heterogeneity and to quantify the impact of various covariates. The results show that a number of individual characteristics as well as the socio-economic background of the school leavers are significant covariates in explaining the probability of leaving unemployment. In addition, the estimation results also show that some study fields guarantee faster access to the labour market than others. Participation in the vocational training and individual vocational training in a firm program lead to a significant decrease in the hazard rate.

Igor Sorkin
Ph.D. Student, The Graduate Center, CUNY, USA

The Law of One Price in the Short Run-Can

The Law of One Price (LOOP) and the Purchasing Power Parity (PPP) are important concepts in both economics and finance and have been analyzed rather extensively during the past thirty years. The general consensus in economics literature is that PPP does not hold in the short run, while there might be a convergence in the long run (though with a surprisingly long half-life). Most economists seem to have abandoned the short run testing of LOOP and PPP, concentrating mainly on the convergence to PPP in the long run and the Rogoff puzzle. In this paper, I revisit the short run LOOP and test it using the favorable conditions provided by the U.S. and Canadian financial markets (i.e. same trading times, no trading limitations, ease of access to information, and no necessity of conversion for cross-listed stocks). I use the data collected over 45 randomly chosen trading days, in a period between 2008 and 2010, on the 54 equity stocks that are listed on both Toronto and the New York Stock exchanges. By obtaining estimates for each day individually and then performing a weighted least squares estimation, I find that the hypothesis of the validity of LOOP cannot be rejected in contrast to the general consensus in LOOP/PPP literature.

Mariana Spatareanu
Associate Professor, Rutgers University, USA
&
Vlad Manole
Assistant Professor, Rutgers University, USA

Spillover Effects of Research Offshoring in Central and Eastern Europe

If traditionally, only labor intensive activities were offshored from Western Europe to Central and Eastern Europe, now multinationals move research centers to Central and Eastern Europe as well. We use a comprehensive firm level database to analyze spillovers from offshoring research and innovation in Central and Eastern Europe. We find that firms with foreign capital or firms that have access to external finance spend more on research and development and innovate more than other firms. We also find that the presence of research foreign affiliates has a positive impact on the research and innovation done by domestic firms located within the same industry as the foreign affiliates. The research expenditure and innovation activities of firms located in upstream sectors are also positively impacted by the presence of foreign firms in downstream sectors. Furthermore, we account for the impact of foreign presence on domestic credit availabilities, as it is an important channel through which firms' innovation is impacted.

Jesper Stage
Professor, Mid Sweden University, Sweden
&
Hanna Nilsson
Professor, University of Gothenburg, Sweden

The Economics of European Eel Management

The European eel stock is endangered, and the EU has therefore introduced strict policies to try to reverse the eel's decline and reduce the threats to its survival. However, the EU's eel management policy has been implemented as a "one size fits all" policy where all the affected countries have been given nearly identical targets, regardless of marginal abatement costs for reducing damages to eels and regardless of their importance for the overall eel stock. In this paper, we draw on data from the different national eel management plans, as well as from independent studies, to compare the costs of reduced eel mortality imposed in different countries. We compare the overall costs to those that would have been incurred with a joint, rather than fragmented, abatement programme and find that the current set of policies is neither efficient nor equitable.

Alexander Tarvid
PhD Student, University of Latvia, Latvia

Job Satisfaction Determinants of Tertiary-Educated Employees in European Countries

Job satisfaction plays an important role on the labour market, being one of the key causes of the decision to leave and one of the key factors affecting employee's productivity. This paper provides an up-to-date cross-country comparison of the main factors affecting job satisfaction of tertiary-educated employees in Europe. Recent data on 18 countries from 2010-2011 of the European Social Survey are used.

As only tertiary-educated individuals appear in the sample, special attention is given to the effects from education level, i.e., differences in satisfaction across bachelors, masters, and PhD graduates. The underlying hypothesis, a corollary from the Human Capital theory, is that a higher educational degree should lead to a higher job satisfaction. Various characteristics of the current job, comprising job content, effort and compensation, support, and opportunities and risks, are controlled for. Additional important controls include employment without a contract (a proxy for shadow employment) and employment on positions not requiring higher education (a proxy for over-education). Analysis is done by using tobit regression.

Preliminary results show that there are similarities among countries, allowing to unite them into groups. However, differences between some country groups are significant. In particular, it is found that having a higher educational degree by itself does not lead to a higher job satisfaction – quite the contrary, in many countries masters are less satisfied with their jobs than bachelors. Differences across gender are also found.

John Teall
Professor, Rensselaer Polytechnic Institute, USA

Hyperbolic Discounting and Delayed Hazard Resolution

Hyperbolic discounting has been used to explain a wide range of time-related and apparently inconsistent behavioral phenomena, including reluctance to participate in employer-sponsored retirement plans, low demand for long-term care insurance, excessive borrowing, criminal activity, obesity, drug addiction, compulsive behavior, etc. The motivation for such behavior is termed temporal myopia, and has been studied in laboratory experiments. Exponential (traditional) discounting models are typically based on the assumption that risk resolves in a consistent manner over time. Hyperbolic discounting models allow for time-varying discount rates relative to payout or consumption. Typically, hyperbolic discounting is used to explain an apparently irrational preference for current consumption relative to delayed consumption, often referred to as "impulse control issues." Traditional economic modeling is normally based on assumptions precluding such irrational decision-making. This paper proposes the Certainty Equivalence Model (CEQ) as a means to resolve this conflict. This CEQ model can be used to price uncertainty that resolves only at the time of payout or consumption, separating risk and risk resolution from the time decay associated with exponential discounting. This separation of risk resolution from time decay is essential when risk does not resolve at the same rate as time decay. Thus, the CEQ model allows the economist to employ hyperbolic discounting models along with the Capital Asset Pricing model used by financial economists as well as other standard equilibrium asset valuation and portfolio models. This paper contrasts hyperbolic discounting and traditional exponential discounting and demonstrates the potential consistency of consumer rationality and hyperbolic discounting when examined through the lens of the CEQ modeling framework.

Claudia Trentini
Economic Affairs Officer, UNECE, Switzerland
&
M. Koparanova
Economic Affairs Officer, UNECE, Switzerland

Women Entrepreneurs and Bribes

Recent literature supports the idea that women are less corrupt and that increasing women participation in politics and in the labor force could improve levels of government corruption and increase business trust. The main argument behind this is based on the fact that there are more women in politics and the workforce in liberal democracies that are anyway less corrupt than poorer less liberal regimes. Also most of the studies about gender and corruption are based on surveys recording the perceptions about propensities to engage in corrupt behavior rather than the actual behavior. This paper uses the World Bank firm level data for 28 countries in Eastern and Central Europe in 2005 and 2009 to investigate the involvement of women managers in bribery. The findings confirm Svensson's (2003, 2008) hypothesis that the probability of having to pay bribes depends on the extent to which a firm has to deal with public officials but fail to detect a gender difference in grafting after including industry fixed effects. Thus after controlling for the concentration of female managers in different industries the difference in moral standards evaporates. This supports the view that it is the gendered nature of access to managerial positions and women's sectors of activity that shape the opportunities for corruption. In other words if women are more likely to operate in smaller firms, mainly active on the local market, having limited interactions with public officials, they will have fewer opportunities for corruption. The results suggest that policy makers should improve institutional quality for all and increase women's access to managerial positions rather than aiming at reducing corruption through women presence in public life.

Vasileios Vlaseros
Ph.D. Student, University of Edinburgh, UK

The Lady Doth Protest too Much, Methinks: Heterogeneous Beliefs, Costly Political Action and Majority Decisions

This paper confirms and quantifies the signalling characteristics of protests in majoritarian democratic regimes.

The paper's results are based on the sequential equilibria of a simple two stage game, with agents imperfectly informed about the state of the world. Firstly, agents decide whether to engage in a costly political action or not and afterwards, they decide to vote, having observed the extent of the protest. The model is an extension of Lohmann’s two stage game (1994), allowing for bias in agent's beliefs and the existence of a common good.

As it turns out, the signalling impact of costly political action is monotonously decreasing in society's population. Thus, the bigger society is, the smaller the percentage of population that engages in political action.

Moreover, if political opinions of citizens in a society are dispersed, the percentage of protestors in equilibrium depends on the actual cost of engaging in political action and the state of the world. There exists an upper cost tolerance bound over which no agent will engage in political action. Also, there exists a lower cost tolerance bound under which everyone will engage in informative political action. The latter results in a prisoner's dilemma where, even though the citizens' individual signals are always improved, the low cost of individual political action is actually harmful in terms of ex ante aggregate welfare. If the individual cost or political action is between these two bounds, a unique equilibrium exists, under which a part of the agents will take informative political action and the rest will shirk.

Finally, when society is large and the signal about the state of the world citizens receive is imprecise, a moderate individual cost of political action will induce informative political action of only a subset of the members of society, that is always increasing ex ante aggregate welfare relative to total abstention from political action.

Aleksander Welfe
Professor, National Bank of Poland, Poland
&
W. Grabowski
Professor, National Bank of Poland, Poland

Modelling the Exchange Rate: An Application of Qual-VECM

Iwona Wojciechowska-Toruńska
Assistant Professor, Technical University of Lodz, Poland

Filling Strengthened Stability and Growth Pact in the EU Countries

The economic crisis in the euro area has revealed weaknesses in many areas of economic life. One of the weaknesses, budgetary discipline turned out to be. Crises often motivate different economic operators to try to improve its financial situation.

In 2011 the Stability and Growth Pact (SGP) has once again been reformed. This time not only the deficit rule was strengthened, but also the rule of public debt. Filling the deficit criterion was raised equally with the fulfillment of public debt criterion. Taking into consideration that the new provisions of the revised SGP will be completed in a period of low economic growth and thus in conditions similar that took place during the financial crisis seems to be correct following thesis:"EU countries that meet the provisions of the SGP during the 2008-2009 economic slowdown should not have a problem in meeting the revised rules of the SGP in 2012-2013". This article presents the fulfillment of the provisions of the SGP in two periods: in 2008-2009 (after changes of SGP in 2005) and in 2012-2013 (taking into account projections for the years 2012-2013 after changes of SGP in 2011). Analysis of the available data allowed for the answer the questions:

Which EU countries showed budget surpluses and maintain balanced budgets?

Which EU countries have shown the structural balance in accordance with the provisions of the revised SGP in 2005.?

Which EU countries simultaneously fulfilled the rule of deficit and debt?

What was the scale of the improvement of the balance of the budget deficit in EU countries?

Which EU countries are likely to comply with the provisions of the revised SGP in 2011?

Currently, most EU countries do not meet the provisions of the SGP. It is of essence that provisions of the revised SGP should be rigorously implemented in order to ensure fiscal sustainability in the near future.

JEL classification: E61, E62, H6

Enrique Antonio Yacuzzi
Professor, University of CEMA, Agentina

Japanese Management Techniques to Enhance the Governance of Greek Small and Medium-Sized Firms

Given the economic and social crisis Greece is going through, it seems clear that the Greek future over the next few years will rest on macroeconomic actions, both at the national and the international level. This undeniable assertion notwithstanding, we do maintain that the Greek private sector has an important role to play in overcoming the present crisis. This especially applies to Greek small and medium-sized enterprises (SMEs), which comprise an important proportion of all Greek firms. There are approximately 73 SMEs per 1000 inhabitants in Greece, a number well above the EU-27 average of 40. More than 97% of all Greek enterprises are micro companies. Greek SMEs account for a far larger share of total employment and value added than the EU average.

The use of adequate SME governance tools at Greek companies might be beneficial. Good governance leads to a better relationship among stakeholders, increases the effectiveness of board work and activates unknown potential at the firm through better principles and practices.

In this paper, some Japanese tools that enhance governance as could be applied to Greek SMEs are presented. SMEs, with fewer relative resources, face important conceptual and methodological difficulties when implementing a governance structure. This is also true in Greece. Over the past three or four decades, however, some Japanese management techniques have gained diffusion all over the world that can be applied to implement and consolidate SME governance. These tools are particularly apt for Greek SMEs, due to their flexibility, low cost, and rapid effectiveness.

Specific examples of applications to enhance governance at Greek SMEs (and smaller state organizations as well) are provided. Tools applied are (1) a new SME governance indicator (based on the structure –although not the contents– of the Deming Price); the indicator acts as checklist and roadmap to better governance; (2) hoshin management, with a well-tested, SME-oriented methodology; and (3) effective meeting technology, based on the experience of a leading Japanese shipyard and adapted to SMEs. The three tools interact in a systemic mode.

Eden Siu-Hung Yu
Visiting Professor, City University of Hong Kong, Hong Kong
&
Chi-Chur Chao
Professor, City University of Hong Kong, Hong Kong

Commodity Taxation and the Environment under Origin and Destination Principles