Economic Essays

Edited by
Gregory T. Papanikos

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Economic Essays

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Economic Issues: An Introduction

Gregory T. Papanikos, ATINER, Greece

This book is conference proceedings and includes papers presented at the various conferences organized by the Athens Institute for Education and Research (ATINER's) over the last two years. As is the case with all ATINER's conferences and also its book publications, authors come from various countries and present papers using different methodological approaches and data sets.

In this book, there are 54 authors affiliated with institutions from 27 different countries. The common theme of all the papers presented in this volume is economics and business from the macro aspects to applied micro economic aspects of scholarly research. The title of the book *Economic Essays* reflects both the economic aspect of the book and the variability of the approaches determined by each author's personal preferences.

The book is organized into four parts which include economic development essays (Part A), fiscal and monetary policy essays (Part B), open economy essays (Part C) and applied economic studies (Part D). In the rest of this chapter a summary is provided of what is included in each part.

Economic Development

The first chapter of this part deals with female labour participation, using panel data from 130 countries over a period of 30 years. Professor Tam uses dynamic panel data estimation and discerns a U-shaped relationship between female labour, force participation and real per capita GDP. In the next essay (chapter 3 of the book), Clever Chisoro looks at the land reform issues in Zimbabwe from a political economy perspective. To be consistent with the essay nature of this book, the author provides a number of personal explanations on the successes and failures of the various phases of the programme.

Chapter 4 examines another developing country. Georges N. Nehme looks at the economic and monetary policy in Lebanon in the last two decades. He uses the lenses of the various schools of economic thought. As is the case with all policy issues, the author provides his own opinions and positions on the subject. He criticises the liberal and classic policies to fight macroeconomic imbalances and favours market regulation, efficient government interventions and an efficient public sector. He also provides a step-by-step approach on how to develop such a programme. Needless to say this is not the final word on the subject and the next chapter might as well be an answer as to why efficient government intervention might be a contradiction in terms.

Chapter 5 examines corruption in the Arab world and its impact on economic growth. Hany Elshamy uses panel data from 2003 to 2009 and finds that there is a strong negative relationship between the Corruption Perception Index (CPI) and economic growth. In addition, the author claims that the key driver of economic growth is investment. The latter is negatively affected by corruption, which constitutes one channel through which corruption affects economic growth.

Similar is the next essay (chapter 6). Simone Occansey looks at the correction practices and its relation to organized crime in Sub-Saharan Africa. Organized crime and corruption are systematically related in countries with weak governments and public institutions. The author claims that a strong commitment from African political elites is needed in order to control grand corruption and organized crime.

The next essay (chapter 7) deals with another developing country, this time in South East Asia. Nathalie Homlong and Elisabeth Springler look at the economic and social development of Cambodia. The authors use a post-Keynesian perspective emphasizing the role of institutional, social and historical factors in an attempt to explain why this country lags behind relative to its neighboring countries. Both statistical data and interviews are used. According to the authors, structural and institutional changes are needed to promote economic and social development. They claim that the dependency on China and India has helped in promoting exports but further development requires a shift from an export-led growth to a national-demand-led growth.

The last essay of this part looks at an important problem which many policy makers and economic development analysts face when they try to implement various measures to either promote development or stabilize output fluctuations. The need for timely data is recognized by many. An early warning system is more than desirable. Gabe J. de Bondt argues that the Purchasing Managers' Index (PMI) survey can be more accurate than Eurostat's flash real GDP estimate for extended periods of time in predicting the final GDP release. However, this approach is comparatively weak in cases where it is needed more, namely in periods of recessions and in general in non-normal economic situations.

Fiscal and Monetary Policy

This part of the book includes essays on fiscal and monetary policy. Economic policy requires a philosophy, values and principles. In the opening chapter of this part (Chapter 9), Sabine Spangenberg presents the relevance of the German historical school to today's economic philosophy. The author makes two points. First, the importance of value in shaping the actions of social entities, part of which are the policy-making institutes. Second, this has an impact on institutional economics in the sense that it might shape the institutions themselves.

The next essay (Chapter 10) deals with taxes as an instrument to promote private research and development. Adão Carvalho uses a multi-level approach which includes political, strategic and economic factors. There is a growing preference for tax incentives which the author relates to a new business and public environment created after the Lisbon Strategy.

Chapter 11 examines fiscal policy from the perspective of loyal voters. Takis Venetoklis looks at Finnish university students' fiscal policy preferences in relation to their voting behaviour in the elections of 2003 and 2007. His evidence shows that fiscal policies do affect the voting behaviour of the population studied. Helena Lindskog, Staffan Brege and Per-Olof Brehmer study (Chapter 12) public procurements as an instrument to promote business and social development. They recognize that the public sector as the biggest buyer can have additional objectives relative to private buyers. In this era of electronic public procurement process, public buying becomes an instrument to promote government's policy objectives.

The next two chapters deal with monetary policy issues. In Chapter 13 Sabri Nayan, Mat Saad Abdullah and Norsiah Kadir examine the monetary policy transmission mechanism from a post-Keynesian perspective using data from Malaysia. The post-Keynesian approach makes money supply an endogenous variable and therefore the interest rate should be treated as exogenous. Their findings support the hypothesis of exogeneity of the interest rate. The last chapter of this part (Chapter 14) estimates a monetary policy reaction function in Egypt. Hany M. Elshamy uses data from IMF for the 1970-2007 period. The author finds that the inflation rate was instrumental in shaping Egypt's monetary policy.

Open Economy

Most of the essays in this part deal, explicitly or implicitly, with the economic and financial crisis which started in 2007 and for some countries has been a real economic nightmare like the countries of South Europe and members of the eurozone (Greece, Italy, Spain and Portugal). The economic crisis has initiated a big debate in the European Union and the Eurozone in particular about the future of the European experiment. Thus, the first paper of this part (Chapter 15) opens up this discussion on the European Single Market. Crina Viju and William A. Kerr evaluates Austria's, Finland's and Sweden's accession to the EU common market in 1995. The emphasis is put on key agricultural products. Four products were tested. Rye and barley markets were integrated with the German (EU) market. Oats were the least integrated. The authors find no evidence of market integration in the pre-EU period.

Georgios Karras in the next chapter uses annual data from the 1950 to 2007 period of 62 developed and developing economies and a system of five-equations in order to identify the impact of government spending shocks on GDP, consumption, investment, and net exports. He finds that fiscal expansions (i) have permanent output effects; (ii) reduce consumption; (iii) raise investment; and (iv) deteriorate the net foreign balance, with a higher impact in the short run than in the long run.

Chapter 17 deals with the question of the financial crisis of 2007 and the extent to which it was the result of events in the USA. In particular, Timur Han Gur looks at the monetary policy of the USA by developing an empirical model to identify the interactions among key macroeconomic variables: interest rate, housing price, inflation, and economic growth. It is found that the impacts are temporary and very weak. The author then concludes that the Fed's monetary policy is not exclusively responsible for the financial crisis of 2007.

Chapter 18 also examines financial crises from a theoretical-descriptive perspective. Angelos Gkanoutas-Leventis uses three disciplines - Political Economy, Economics and International Political Economy - in order to explain the nature, the size, the length and depth of financial crises. The length and depth of the crises are empirically investigated in the next essay of this part (Chapter 19). Albu Lucian-Liviu, Stanica Cristian and Iordan Marioara discuss the so-called L type, U type and W type as well as the optimistic type of V-type economic recessions. Their study uses high frequency data to identify short-run dynamics and the Romanian economy as the case study.

Chapter 20 continues with the study of the Eastern European Economies. Ciprian Necula, Gabriela Victoria Anghelache and Alina-Nicoleta Radu examine the stock returns dynamics for a number of Central and Eastern European emerging markets: Romania, Hungary, Czech Republic, Poland, Slovenia, Bulgaria, Slovakia, and Croatia. The estimated risk premium is statistically significant in the case of four of the countries. The authors also found evidence to reject weak form efficiency in Romania, Hungary, Czech Republic, and Slovenia.

Kosta Josifidis, Emilija Beker Pucar and Novica Supić in Chapter 21 continue the discussion on open economy macroeconomics for a group of Central and Eastern European Countries. According to the authors of the study, the countries are differentiated in terms of their exchange rate and monetary policy strategies. The first group includes Poland, Czech Republic, Slovak Republic, Hungary, and Republic of Serbia which moved from fixed to flexible exchange rate regimes in their way to full membership to EU. The second strategy was implemented by Estonia, Lithuania, and Latvia which included rigid exchange rate regimes.

The impact of the financial crisis of 2007 on the Turkish Economy is examined in Chapter 22. Aslı Şen-Taşbaşı and Pınar Soykut-Sarıca analyze the international trade of Turkey and her labour market. The auhors come up with policy recommendations in order to promote employment and economic growth.

The next chapter of this part looks at another country of the region that of Hungary. Klára Katona examines the impact of Foreign Direct Investment (FDI) on the Hungarian industry. The author looks at the 1993-2006 period and analyzes the manufacturing sector. The results show productivity spillovers but no relation was found between FDI and competitiveness in Hungary prior and after the integration with the European Union.

Chapter 24 looks at a more practical issue of international trade that of Incoterms which is a voluntary set of delivery rules commonly used in international trade in goods. Roberto Bergami discusses the last version that came out in 2010. The author concludes by urging traders to adopt appropriate risk management strategies, including the choice of the most appropriate Incoterms, according to particular circumstances, thereby minimising the likelihood of losses.

The closing essay of this part (Chapter 25) is similar to the opening essay in that it provides a philosophical approach to policy. Andreas Stamate compares the Chicago, the Freiburg and the Vienna Schools of thought by applying it to European competition policy. Economic and ethical aspects are examined.

Applied Studies

This part includes essays which can be considered as belonging to microeconomic and/or business analyses. The first chapter looks at the household decisions of married women in supplying labor in Spain. Juan A. Cañada Vicinay examines married women in four different states: never worked, inactive with previous labour experience, temporary employees and permanent employees. The economic crisis hurts more severely the most insecure workers. Recessions increase the vulnerability of those with problems in reconciling family and work.

Chapter 27 uses a socioeconomic metabolism model to examine the Romanian economic sectors, including the household sector. Raluca I. Iorgulescu, Lucian-Liviu Albu and Cristian Stanica analyze the economic system in terms of three hierarchical levels: level n is the national level; level n-1 analyzes the production (paid work) and consumption compartments (households); level n-2 includes three main sectors (agriculture, industry and services and government). The economy operates by balancing the types of jobs people have or get trained for, the number of people who have those jobs and the number of hours people work. Other explaining factors include households' way of living, the technologies and energy used at work and at home, and labour productivity.

Chapter 28 examines the information sources needed to evaluate insurance companies. Přečková Lenka uses evidence from Czech Republic's insurance company for an objective assessment of the value of the company. The next chapter looks at the ownership structure of Chinese private enterprises. Zhong Qin argues that Chinese private enterprises have emerged in the 1970s, mostly family businesses in terms of corporate governance. The paper investigates the relationship between ownership structure and firm performance based on a sample of 189 private enterprises in Shantou City, Guangdong Province. The empirical findings suggest that firm performance is closely related to ownership arrangement.

Jeffrey Pompe evaluates in Chapter 30 hurricane damages which are influenced by factors such as population growth and density, property values, building codes, land use, and historical hurricane activity. The author examines the relative roles of each of these factors. An index of vulnerability to hurricane damage for South Carolina coastal counties is constructed, which can be useful in creating equitable rates for property insurance.

Jens Graff from South Korea, in Chapter 31, proposes a methodology for lifelong careers that can be utilized by employers in assessing candidates. The author has built new models based on existing models and introduces the quantitative learning and competence assessments as important factors to be valued by recruiters. Two of his models are recommended to be used for the selection of mature candidates who wish to shift careers but also for more general recruitment purposes too.

Chapter 32 studies the strategies and performance of Mexican Multinational Enterprises. José G. Vargas-Hernández and Mohammad Reza Noruzi analyze the rise of New Mexican emerging multinational enterprises into the global market. The authors conclude that the survivor Mexican firms of “creative destruction” have transformed into capable and innovative MNEs. The next chapter of this part develops a model to forecast the growth of air traffic in Iran. Farzaneh Ahmadzadeh concludes that there is a need for better forecasting of arrivals based on data analyses.

Chapter 34 looks at the financial constraints of firms in Portugal. Filipe Silva & Carlos Carreira examine three things: the level of financial distress faced by firms, the group of firms that suffer more according to specific characteristic and the accuracy of measures. They found an inverse relationship between size, dividend policy and financial constraints but they challenge the relationships between age and the level of constraints. The following chapter looks also at firms' performance but this time for Hungary and emphasizing tacit knowledge. As the authors, Andrea Bencsik, Viktória Stifter and Andrea Sólyom state, tacit knowledge is an invisible resource which has an enormous effect on the performance and success of a company, although it is personal, context-specific, hard to formalize and communicate. The authors conclude that based on their evidence, it is important for the Hungarian companies to realize the importance of knowledge management. Similar is the next chapter (Chapter 36) where the authors, Saudah Sofian and Kamal Aref Muntaser, investigate whether firms investing heavily on intellectual capital have an impact on performance. A sample of managers in 93 companies investing highly in intellectual capital is used. Their findings show that intellectual capital has an impact on performance.

The following chapter of the book examines again the successes of firms but this time in India. Madhu Bala compares the Technical Efficiency (TE) of foreign and domestic firms in order to identify the sources of such efficiency differences. A sample of 132 firms in the automotive parts and services industries is used to calculate TE for the period 1994-2009. The author finds that heterogeneity of firms, trade openness, credit constraints and public infrastructure have an impact on TE.

The last chapter of the book deals more with how an enterprise can capitalize on its sales force. Stanley C. Ross develops a model of customer service training which can be followed by any organization in creating an effective customer service organization. The idea is to build and strengthen relationships with customers.

Conclusions

The thirty-seven essays of this book published by ATINER is a mirror image of the Institute's mission which is to make Athens a place where academics and researchers from all over the world can come and exchange ideas about the current and future developments of their discipline. The twenty-seven countries represented in this volume proves this point. However, this is not free of shortcomings, particularly in the areas of homogeneity of standards of scholarly research. Some of the essays must be considered as an initial attempt by the authors to investigate the particular subject and it should be evaluated as such.

Furthermore, the essays of this volume reflect different methodological approaches but the reader should keep in mind that teaching and researching is not performed in the same way all around the world. Even in subjects such as economics and business, teaching, research priorities and methodologies do differ around the world. And this is also reflected in this book. I only hope that the reader will keep this in mind when he moves from one chapter to another. Where there is a loss in rigor in some essays, I hope the reader is compensated by the cases and approaches presented by this amalgam of authors.