80-BFM-A0145

Macroeconomic Policy For The Development Of Indonesian Bond Market

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Since the Indonesian financial crisis, the development of bond market - corporate bond and government bond - is a strategic priority. Indonesian business development relies on corporate bond market as alternative, more important sources of financing. This study proposes two research questions focusing on (a) how Indonesian bond market should be developed, and (b) how the impact of macro economic policy on the development of bond market. Using interview method, we explore the list of infrastructure needed to develop primary corporate bond market, the benefits and costs of corporate bond market development for issuers, and the qualitative efficiency criteria of secondary corporate bond market. Using multiple regression, we test the hypothesis that i) the most crucial requirements for the development of a robust corporate bond market is predictable macroeconomic policy, and ii) macroeconomic policy affects the decision of companies to listed in the bond market. The objectives of this study are to provide empirical evidence that macroeconomic policy is important driver for the development of Indonesian corporate bond market and increasing the number of companies listed in the bond market. These empirical evidence contribute to knowledge about bond market development in developing countries.

80-MAC-A0035

Expansionary Fiscal Contraction: Government Spending Financed By Money Seigniorage

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A recent view of the macroeconomic effects of fiscal contractions holds that contractionary fiscal policies have expansionary effects. Barry & Devereux (2003) have provided a theoretical basis for the view that permanent fiscal contractions are expansionary. A permanent reduction in government spending financed by lump-sum taxes in an overlapping generations (OLG) economy would reduce tax liabilities to all households and raise savings, hence raising capital formation and output, provided two conditions hold. The first condition
is that consumers must not face effective infinite horizons. The second condition is that, if labor supply were endogenous, the wealth effect on labor supply due to the reduced tax liabilities accompanying fiscal contractions would have to be negligible. Tan (2003) has identified a third condition for expansionary fiscal contractions, namely, that public and private consumption must not be too highly substitutable. None of these works consider the case where government spending is financed by money seigniorage. The objective of this paper is to explore the theoretical basis, and determine the conditions required, for expansionary fiscal contractions when government spending is financed by money seigniorage. It is shown that, first, the expansionary effects of permanent fiscal contractions are influenced by the inflation regime, i.e., the initial rates of inflation prevailing in the economy. Second, these inflation rates are, in turn, affected by the degree of substitutability between government spending and private consumption. Third, the set of initial inflation rates under which fiscal contractions are expansionary changes drastically with the degree of substitutability between public and private consumption. Starting from the benchmark case where public and private consumption are independent, introducing complementarity between public and private consumption gives rise to a weaker set of conditions for expansionary fiscal contractions. On the other hand, introducing substitutability between public and private consumption into the benchmark case gives rise to a stronger set of conditions for expansionary fiscal contractions. These theoretical results have implications for policy. Economies that resort to the printing press to finance government spending complementary with private consumption are more likely to experience expansions if they pursue fiscal contractions. However, economies that use money seigniorage to finance government spending substitutable for private consumption are more likely to achieve contractionary effects if they are engaged in fiscal contractions.

Keywords: expansionary fiscal contractions, inflation, money seigniorage, substitutability, complementarity

JEL Classification: E62, E52

References
This paper examines the idea of making international income comparisons on the basis of food consumption patterns. We commence by giving a brief review on the different ways of measuring real income and highlight some of the problems. Next, we embark on an international journey by analyzing food consumption in 43 countries using Working’s (1943) model as the “travel mode”. We show that this model yields results which are consistent with other studies. In particular, our data seem to obey the so-called “strong version of Engel’s law”, according to which a doubling of income is associated with the food budget share declining by 10 percentage points. On this basis, we then use the food budget share to develop an alternative measure of real income. We provide evidence that this new measure is superior to conventional PPP versions of gross domestic product and consumption.

Many economists believe that federal government budget deficits would result in an increase in higher interest rates. The conventional belief held by one school of economists is that, other things being equal, the economic effects of federal government budget deficits include an increase in interest rates. This increase in interest rates can stifle private investment and impede the real rate of economic growth for the economy. However, some economists accept the Ricardian equivalence argument that an increase in the government borrowing to finance deficit results in a corresponding increase in private savings, keeping the level of interest rates in the economy unchanged. Accordingly, they assume that an increase in government borrowing will be exactly offset by an equal reduction in consumption as households seek to save to finance higher future taxes. Hence, government borrowing will not result in any increase in interest rates or any erosion of private investment, and consequently there would not be any reduction in future economic growth. This paper analyzed the potential impact of federal budget deficits on long-term interest rates for corporate bonds. The study was based on postwar annual U.S. data, and employs a standard
Demand-Supply model. The empirical results in our study provide evidence that the increasing budget deficits lead to higher interest rate for corporate bonds. In this regard, our study justifies arguments in favor of the crowding out theory. Keywords: Budget deficits and interest Rates; Ricardian equivalence; crowding out theory.

References

80-MAC-A0152

Empirical Features Of The Business Cycle In East Asia

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In this paper we examine the empirical structure of the business cycle and the sources of output volatility in selected economies of the Pacific Asian region. The analysis is based on a combination of spectral analysis and frequency-filtering procedures applied to the level and growth rates of GDP. The objective is to determine the nature of the cyclical fluctuations in GDP, the nature of the co-movement across economies and how the volatilities of the cycle and noise components have changed over time. The analysis provides important evidence about the changes that have occurred in the stability and performance of the economies of the region. Keywords: Business Cycle Output Volatility, Frequency Filtering, Trend-Cycle Decompositions
It is argued that the usual unit root tests can have little power when the true data generating process of a broken linear trend is stationary. According to Perron (1989) failing to account for at least one time structural break in the trend function, may bias the usual unit root tests result towards nonrejection of unit root hypothesis. Since Perron’s (1989) procedures assume the break point to be known a priori, subsequent studies have criticized the exogenous determination of the break dates. They developed methodologies for endogenising the time of the break. According to Zivot and Andrews (1992), using the endogenously determined structural breaks favors the rejection of the unit root hypothesis in some cases and weakens it in others. Perron and Vogelsang (1992) test also for a unit root in a time-series characterized by structural change in the mean level (rather than in the trend). They point out that Perron’s crash and trend break dates cannot be regarded as exogenous events because they are based on pre-test examination of the data. Following Perron (1997) and others, this study provide some evidence on the unit root hypothesis in the presence of structural break in Iranian economy. Several methodologies like Innovational Outlier model (IO) and Additive Outlier model (AO) have been conducted to re-examine the stationarity of the Iranian macroeconomic time series data.

Keywords: Unit root, trend breaks, growth
Predicting Low Employability Graduates: The Case Of Universiti Utara Malaysia

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Given the persistent of graduate unemployment problem and the increasing competition in the Malaysia’s graduate labour market, there is a need for more active labour market policy such as early identification of low employability graduates. This paper illustrates a method to develop the statistical prediction model for early identification of low employability graduates. This prediction model is based on the econometric models that estimated using the cross section data of Universiti Utara Malaysia graduates. In terms of predictive power, it is found that the Tobit model outperforms the Probit model. This supports the previous finding in United States. In predicting the low employability graduates, the use of continuous dependent variable (The Tobit model that uses the number of days unemployed) is more efficient than the use of categorical dependent variable (The Probit model that use the employment outcomes of unemployed or employed). Furthermore, it is found that in the Probit model estimation that treats the employment obtained close to or far away from censor date as similar may have bias in estimating the seasonal effect of unemployment.

Keywords: Statistical prediction model; early identification; graduate unemployment

References
80-EMA-A0105

A Pricing Model For Web Search Engines Based On Stopping Time And Brownian Motion

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The research and developments on web search engines have been raised to one of the hottest topics since the popular usage of the internet. Accordingly, how to price the software becomes an important problem and is still unsolved with satisfactions yet. Using the Principle-Agent method in economics, the pricing model for web search engines based on the theory of Brown Motion with drifts is established. The stopping time is defined for the model, and the expected benefit of the web search engine provider over the rental horizon is derived, with a special case for the outright sale. By maximizing the benefit, the optimal price for the outright sale, the optimal monthly rental and the optimal selling price after renting the search engine for a period of time are discussed. Finally, given sets of parameters, simulations are implemented, and the results show that the optimal prices are reasonable.

80-EMA-A0129

Wavelet Analysis Of Price And Volatility Spillovers In Stock Markets: The Case Of India And The Us

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This paper has attempted to examine the price and volatility spillovers between the U.S. and Indian stock markets. By relating the high-frequency fluctuations in stock returns, obtained from wavelet decompositions, we examine spillover effects of innovations between the U.S. and Indian stock markets. The study spans over a period of September 1998 to August 2003 for BSE Sensex and NASDAQ Composite Index. The price spillover effect is unidirectional from the U.S. market to its Indian counterpart as evidenced from the Granger causality test of wavelet returns. However, there is insufficient evidence to find any volatility spillover effect between these two markets from regression analysis of wavelet returns.

To study the spillovers on nonsynchronous trading environments, a daily (close-to-close) return is divided into a daytime (open-to-close) and an overnight (close (t-1)-to-open) returns have been calculated for both the indices. In particular, we find the price spillover effect from the NASDAQ daytime returns to Sensex overnight returns. Second, the NASDAQ close-to-close returns also have an
impact on Sensex close-to-close returns as evidenced from Symlet 8 wavelet returns. However, there is no empirical support regarding the transmission of stock price volatility between these two markets. Given these findings, it is very difficult to cite any theoretical reason behind it. However, drawing from the past studies as well as from the very nature of stock price and volatility one should expect presence of volatility spillover effect if at all price spillover effect is there, though not vice-versa.

Keywords: Spillover effect, Wavelets, Scaling, Decomposition.

80-SME-A0156

Exact Pricing Formula Of A Model For Asset Prices By Takaoka

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A model for asset prices introduced by Koichi Takaoka is considered. The model allows us to include a wide spectrum of volatilities and extends the well known Black-Scholes model. In its special case, partial differential equations (pde) with two independent variables are derived under a usual delta hedging strategy. We construct an exact pricing formula by solving this pde.

References

This paper examines the structure and trends of Malaysia-Singapore bilateral trade. The structure of Malaysia’s trade with Singapore has changed significantly over the last three decades and has become quite diversified. This is not surprising as Malaysia has been using Singapore to export her products to other countries since Singapore has been the major entrepot port in the region. Therefore Malaysia’s exports to Singapore are mainly for re-export. In the 1970’s, Malaysia’s exports to Singapore were mainly food, beverages, tobacco and inedible raw materials but by 1990s most of the Malaysia’s exports have been in the form of machinery and transport equipment.

The structure of Malaysia’s imports from Singapore has also been quite diversified. The food, beverages, tobacco, inedible crude material and intermediate manufactured goods accounted for the majority of the imports in 1970’s. Beginning in 1990, there was a significant shift toward the imports of machinery and transport equipment. Thus, the Malaysia’s imports of raw materials have been declining while that of the machinery and equipment are in the upward trend.

This study uses co-integration technique to determine the long-run relationship among the bilateral trade balance, the ringgit-Singapore dollar real exchange rate, domestic and foreign real incomes. The co-integration test suggests that there is, at least, one co-integrating vector among the four variables implying that there exists a long-run relationship among these variables and they are all important determinants of trade balance. The results of the error-correction model seem to suggest that there also exist short-run dynamic relationships among these variables. In particular, the trade balance is found to be elastic to the changes in the real exchange rate in the long-run suggesting that the ringgit-Singapore dollar depreciation might be able to improve the Malaysian trade balance with Singapore.

Keywords: Trade balance, real exchange rate, Malaysia, Singapore
80-IES-A0111

A New Approach On Examining The Sustainability Of External Imbalances: The Case Of Japan

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This study aims to solve the puzzle of the conventional practice on examining the sustainability of external accounts which initially looking at cointegration between imports and exports. This study, however, proposes a new approach to examine this thesis that is to use unit root tests (with unknown break date) on trade balance series rather than testing cointegration relationships between imports and exports. Opposite to what found in Arize (International Review of Economics and Finance, 11, 101-15, 2002), this study has empirically showed that Japan’s trade balances are unsustainable. This finding has importance of policy implications on Japan’s external accounts.

80-IES-A0120

Does The Exchange Rate Regime Matter For Real Shocks? Evidence From Natural Disasters

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Does the choice of exchange rate regime affect an economy’s adjustment to real shocks? The theoretical literature has provided ambiguous answers to this question. Flexible regimes can facilitate faster adjustment to real shocks when prices are rigid. But there can also be substantial benefits from the stability often associated with fixed rate regimes. In a novel twist, this paper exploits the randomness of natural shocks to analyze the relationship between the choice of exchange rate regime and the economic adjustment to shocks. Among developing countries, natural shocks are associated with large and significant investment increases in fixed rate regimes. That said, while the short run cumulative impact on growth is similar across the two regimes, the growth response occurs much earlier in flexible regimes. However, in the long run natural shocks are associated with both higher growth and investment in economies with predominantly fixed regimes.
Rhetoric And Reality: Regional And Bilateral Free Trade Areas In The Asia-Pacific

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The Asia-Pacific region owes much of its economic success to the multilateral liberalisation of the global trade environment that took place under the auspices of GATT during the post-war period. Consequently, most countries in the region are supporters of liberalisation at the multilateral level and, until recently, the region was virtually free from regional trade arrangements. Since the early 1990s attitudes to free trade areas (FTAs) have changed, however, and commitments to form such areas have been proliferating. Economists are, as a rule, sceptic as to the benefits of such arrangements. With the aid of basic economics it is not difficult to show that discriminatory trade arrangements, at least in a comparative static sense, are likely to be inferior even to unilateral trade liberalisation. Nevertheless, the political rhetoric on FTAs is very positive and hardly presents any drawbacks whatsoever. A priori it seems hard to believe that the trend towards FTAs would not have good reasons, even if those reasons may not be fully picked up by standard economic theory. One argument is that the FTAs are a step towards multilateral liberalisation or, at least, a second or third best solution when the multilateral process is slow. The purpose of this paper is to consider the possible merits of regional FTAs, against the backdrop of the mainly negative predictions of international trade theory and the arguments in favour that are part of the official rhetoric on regional integration.
The validity of purchasing power parity (PPP), which remains one of the most debated issues in international financial economics, has various important implications to decision or policy makers of central banks, multinational firms, and many other exchange rate market participants. In this respect, if PPP holds, then one may evaluate whether an exchange rate is over- or under-valued based on the equilibrium value as suggested by PPP itself or the more complex monetary exchange rate models, in which PPP serves as the building block. Moreover, PPP and its extended models may also be adopted as reliable predicting tools for future exchange rate movements. An equally important implication of PPP study is that PPP reflects the degree of trade integration and liberalization among countries. Previous empirical findings on the validity of PPP have been voluminous but puzzling (Rogoff, 1996). One of the reasons for the contrasting results as pointed out by more recent studies (Peel et al., 2001 and more) is the negligence of non-linear property of exchange rate behaviour. Lately, supportive evidence on the validity of PPP has been reported in few researches based on the nonlinear unit root test of real exchange rates. None of them, however, adopt the noncointegration approach to the testing of PPP hypothesis. In light of this, this paper adds to the bulk of literature by providing nonlinear cointegration from the Asian countries based on the rank tests, which is recently developed by Breitung (2001) but has not been applied in the field of exchange rate study.

Keywords: purchasing power parity, nonlinear cointegration, rank tests, Asian exchange rates

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80-BFM-A0037

Can The Success Be Followed? Constructing And Testing The Individual Investors Strategies In China Stock Market

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To analyze the individual investors behavior and strategies, this article proposes a case study on individual investor record, which was a unique object in existing literatures. Three follower investment strategies, which are blind follower, momentum follower and discreet follower are constructed on the basis of a serial individual trader record on a Chinese local newspaper, and the profitability of these trade strategies in the sample period are studied. The results are as follows. The accumulative return of blind follower approaches that of market, the accumulative return of momentum follower is a little higher than that of the former, and the discreet follower earn positive profit while the market return is negative. However, the returns of these three are all lower than the leader strategy. Then sign test and sign rank order test are made on the weekly return of these strategies, with the conclusion that these strategies can’t consistently beat the market during this sample period.

Key Words: China stock market, Investment strategies, Individual investor behavior, Sign test, Sign rank order test.

80-BFM-A0076

Do Banking Crises Enhance Efficiency? A Case Study Of 1994 Turkish And 1997 Indonesian Crises

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The question addressed in this paper is motivated by the growing number of banking crisis in emerging economies over the last decade. Our study is directly inspired by business cycles theory in which a crisis is the turning point from which the market/economy is recovering. Parallel to this approach, if inefficiency plays a role in the occurrence of banking crisis, the post-crisis period should be the time of recovering efficiency. Moreover, the crisis should eliminate bad banks from the system, leading to a more efficient banking sector. We tested this hypothesis on the 1994 Turkish and 1997 Indonesian banking crises using stochastic cost frontier analysis. We differentiate between banks using the type of ownership: state, privately and foreign owned banks, and compare scores before and after the crises. Our results show two interesting patterns, opposed to what theory predicts: firstly, we find that inefficiency
increase after the crises in both banking sectors, and secondly, it also increases over the period after the crises.

Key words: Banking crisis, Efficiency, Indonesia, Turkey.
JEL Classification: G14, G21, G28, G34

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80-BFM-A0082


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Financial intermediaries (banks) are supposed to improve information and transaction costs and thereby foster a more efficient allocation of economic resources. Indeed, the empirical literature supports the various theoretical models that emphasize the positive impact of banks (and stock markets) on economic growth. The Jordanian banking sector is relatively large. By the end of 2003, their combined total assets' value as a proportion of gross Domestic Product was more than 223 percent. Based on this observation, it is important to examine the performance of this sector. In other words, using bank-level data, this paper examines the performance of the Jordanian banks in terms of the determinants of interest rate spread, return on assets and total credit during the time period 1994-2003.

Based on the econometric results, it is concluded that while much of mainstream determinants of bank performance are applicable to the Jordanian scene, the key macroeconomic (GDP growth and inflation) developments do not affect the Jordanian banks' performance.
The Effect Of Foreign Bank Entry On Value Creation In Commercial Banks Incorporated In Thailand

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The importance of the internationalisation of financial services warrants further research on the manifold and controversial effects of foreign bank entry on domestic banking systems. Existing literature on foreign bank entry primarily deals with bank efficiency spillovers and so far, research has been dominated by the analysis of traditional performance measures such as net interest margin, cost margin, and return on equity or assets, as proxies for efficiency. However, these traditional performance measures do not or not adequately reflect success or failure in creating value for shareholders and implicitly for stakeholders. In an attempt to counter the shortcoming, this paper uses value-based performance measures such as Economic Value Added®, Cash Value Added, and Cash Flow Return on Investment to examine differences between domestic-owned and foreign-owned commercial banks incorporated in Thailand and to analyse the effects of foreign bank entry on the Thai commercial banking sector, controlling for other factors. The results are then compared with those obtained using traditional performance measures. A fixed-effects model is applied, using quarterly, bank-level data over the period 1997 to date since the restrictions on foreign equity holdings in financial institutions were temporarily relaxed in 1997. Due to the special characteristics of financial institutions, value-based performance measures have been developed for non-financial companies, with their application to financial institutions thus also being briefly discussed.

Keywords: foreign bank entry; value creation in banks; Thai banking sector
80-BFM-A0110

Costs And Benefits Of “Shock Therapy”: Experiences From Bank Failures In Japan

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A bank failure can have various adverse consequences for the clients. The adverse impacts might, however, differ depending on who takes over the operation of the failed banks. In this paper, we show how to manage the new banks are important in mitigating the short-run and long-run consequences of bank failures. In the analysis, we focus on clients of three large failed Japanese banks - Hokkaido Takushoku Bank, the Long-term Credit Bank of Japan, and the Nippon Credit Bank. We examine when the number of bankruptcies increased and how the market valuation changed for the client firms after the banks’ operations were taken over by the new banks. As for the clients of LTCB, there were dramatic increases of bankruptcies in the short-run but the surviving clients showed significant recovery of their stock prices. In contrast, as for the clients of the other two banks, there was neither dramatic increase of bankruptcies nor significant recovery of their stock prices. The result implies that “shock therapy” or “soft budget constraints” had dramatically different consequences in solving bad loan problems in Japan.

Keywords: bank failure, shock therapy, main bank

80-EER-A0092

On The Relationship Between Economic Growth And Environmental Sustainability

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Traditional economic theory posits a trade-off between economic growth and environmental quality. Since the early 1990s, however, the rapidly expanding empirical and theoretical literature on the Environmental Kuznets Curve (EKC) has suggested that the relationship between economic growth and the environment could be positive. We have examined the effect of income on environmental sustainability, controlling for population density and civil-
political liberty. The primary contribution of this paper is to address the different characteristics of ecological efficiency measures of environmental sustainability in comparison with the common measures of pollution. Our examination has revealed that while income appears to have a beneficial effect on pollution measures, it has a detrimental effect on most ecological efficiency measures of environmental sustainability, *ceteris paribus*. This suggests that the Environmental Kuznets Curve needs to be renamed as the “Pollution” Kuznets Curve in order to give correct impression that not all environmental measures but only pollution measures may improve with income. This also suggests that while conventional policies focus more on pollution control, they need to be combined with policy options focusing on ecological efficiency aspects of environmental sustainability in the process of economic development. Otherwise, economic growth will continue to degrade environmental sustainability in most countries. 

Keywords: growth, environment, pollution, sustainability
JEL Classification: Q01, Q56, Q58

80-GLO-A0136

**European Union: Its Impacts On Ireland’s Economy**

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This paper provides a detailed analysis of the factors that contributed to Ireland’s economic boom and how the European Union has influenced the Irish economy. A brief introductory history of countries and economic blocks formation is provided at the beginning, moving on later to the early days of the European Union in the 1950s, pointing out the major events in its history. An overview and background of the Ireland economy is also provided, mentioning the most important economics facts since the country’s independence from Britain in 1922. The major economic policies, origins of the economic boom in Ireland, and the major changes the economy of the country experienced are extensively examined, emphasizing international trade, productivity and employment analysis. The understanding of the nature and origin of the past two decades of rapid economic growth in the country is of vital importance in this paper. Finally, some recommendations to other countries which are pursuing an effective and fast development of their economies in order to become part of the process of the globalization of the global economy are made based on the strategic policies implemented by Ireland to reach such an economic boom.

Keywords: EU, Regional Economic Bloc, Globalization, Ireland
80-SAE-A0026

Effects of a Depreciation on the Singapore Economy: A Mesoeconomic Perspective

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We attempt to analyze the effects of a depreciation of Singapore dollar on the economy from a mesoeconomic perspective. Mesoeconomics which synthesizes micro, macro, and general equilibrium in a simplified way suggests that a weaker Singapore dollar would do more harm than good if the responsiveness of aggregate demand with respect to exchange rate is small and/or the responsiveness of marginal costs with respect to exchange rate is high. In other words, if the exports are not responsive to the depreciation of Singapore dollar and/or the local manufacturers are not flexible in substituting imported inputs with domestically manufactured inputs or raw materials, then the depreciation of Singapore dollar would not increase the aggregate output of the economy.

Keywords : Mesoeconomics; exchange rate depreciation; aggregate demand; marginal costs.

80-SAE-A0061

Sources Of Macroeconomic Fluctuations In The Singaporean Economy

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The central objective of our paper is to identify the sources of Singapore’s macroeconomic fluctuations. In this connection, we examine the impact of external productivity shock, domestic productivity shock and trade shock on the behavior of key national account variables – output, consumption, investment, exports and imports – over a time horizon from impact up to 36 quarters. We derive the identification restrictions of our models from the predictions of economic theory about long-run relationships among the variables. We calculate the innovation accountings from the common trends model and use them to analyze the influence of different shocks on the behavior of each macroeconomic variable at different time frequencies. Our empirical evidence confirms the importance of both external and domestic productivity shocks as sources of Singapore’s output fluctuations in both the short run and long run, as
well as the importance of trade shocks as a source of fluctuations in exports and imports.
Keywords: Business cycle, common trends model, Singapore
JEL Code: E32

Convergence Between Public Sector Governance And Private Sector Corporate Governance: An Analysis With Particular Reference To Singapore

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It has been said that the public sector has much to learn from management practices in the private sector. This suggests that there are certain commonalities between running the public sector and private sector organisations. Because of this, it should not be discounted that the reverse is also possible, that is, private sector organisations could emulate some of the good practices from the public sector. This paper begins with the argument that there are some common issues faced by both public sector and private sector enterprises. One of them concerns the agency problem. The problem is often stated in the context of corporate governance although it arises in the public sector. A result of the agency problem is corruption where agents act on decisions that are not in tandem with the notion of maximising the interest of the principals. Corruption has in recent years resulted in the collapse of some large private sector organisations like Enron Energy and HIH Insurance. This paper suggests that large corporations can benefit from governance strategies employed by the Singaporean public enterprises. We provide several reasons why emulating the Singapore model might be useful. Broad lessons are initially offered. They are based on the measures adopted by the Singapore government to curb corruption. A case study on the Temasek Holdings Limited (THL) is also presented to further appreciate the governance style of a Singaporean public enterprise.
Keywords: agency problem, corporate governance, public sector management, Singapore
Real Exchange Rate And Employment—Evidence From The Chinese Provinces

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The real effective exchange rate of China was appreciated during the period from 1994 to 1998 and followed by the stability. The objective of this paper is to study the economic impacts of this appreciation on employment which is a major problem in China. Theoretically, a real depreciation permits to create employment by decreasing the relative price of domestic goods and thus increasing the world demand on these goods. A real appreciation exerts an inverse effect, in other words a negative effect on employment. Actually, the United–States practices a dollar depreciation policy to increase the price-competitiveness of its manufactured goods and thus wish to diminish unemployment in the sector. As the stability of the Renminbi-dollar exchange rate does not allow practicing this depreciation policy towards China, the United States exerts a strong pressure for Renminbi’s re-evaluation. Beside this direct effect, the real appreciation decreases the costs of imported inputs, and thus has a positive effect on employment through this cost channel, called here the indirect effect. These direct and indirect channels of real effective exchange rate’s impact on employment is then tested via an econometric model which is applied to the 29 Chinese provinces for the period from 1994 to 2003.

Keywords: Real exchange rate, employment and China

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Regional Integration And Intra-Industry Trade In Manufactures In Thailand

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This article presents the empirical results of the impact of regional integration on intra-industry trade in manufactures between Thailand and other APEC countries. The study uses pooled cross-sectional and time-series data spanning the period 1980-1999 at a 3-digit Standard International Trade Classification (SITC) level. Results indicate that by accounting for trade imbalance, following Thailand’s entry into APEC, intra-industry trade in manufactures between Thailand and countries in Oceania and America have decreased, while trade with other Asian countries appears to have grown marginally. Results indicate that trade openness stimulated increased intra-industry trade levels with countries in Northeast and Southeast Asia, but decreased trade with countries in America, in post APEC era. The results have strong implications for trade analysts, policymakers and manufactures as the Thai economy is undergoing major changes in economic policy and institutional reforms.

Key words: regional integration, intra-industry trade, manufactures, Thailand.

JEL code: C13, C23, F15

S-Curve of Capital Accumulation and its Implied Capital-Output Ratios: A Case Study of Singapore

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This paper hypothesizes the accumulation of capital of an economy, when plotted against time, follows that of an S-Curve. An underdeveloped economy would have a low level of per capita capital stock and a low rate of capital growth. A newly industrializing economy would experience rapid accumulation of capital, with the growth of capital outpacing that of output. A maturing economy would face a decline in capital growth, and together with it, a decline in GDP growth. As a result of the S-Curve of capital accumulation, the incremental capital-output ratio (ICOR) and the average capital-output ratio (ACOR) would first increase then decrease as and when a country ascends the development ladder. A rapidly developing economy would have a high and
increasing ICOR, and this does not imply that the economy is inefficient in utilizing its capital. ICOR and ACOR would start to fall as the economy graduates to a developed economy. A case study using Singapore’s capital stock data from 1960 to 2003 concurs with the above hypothesis.

Keywords: Average Capital-Output Ratio; Capital Stock; Economic Development; Incremental Capital-Output Ratio; S-Curve Hypothesis.

80-IES-A0013

To Peg Or Not To Peg

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Choosing the exchange rate regime that best suits the characteristics of an economy is one of the most significant policy decisions a national government must make and, at critical times, re-assess. Exchange rate regime choice is a perennial issue and, given the heterogeneity of extant international monetary arrangements, has generated a vast literature, aimed mostly at identifying empirical regularities associated with different exchange rate systems. This paper presents a new international macroeconomic framework for analysing the macroeconomic effects of internal and external shocks under polar exchange rate regimes that is compatible with tenets of standard growth theory and the international parity conditions. Methodologically, it focuses directly on macro variables of most interest to policymakers to highlight the significance of fluctuations in competitiveness and real income for exchange rate policy. It reveals that positive (negative) real shocks increase (decrease) national income and strengthen (weaken) the balance of payments and exchange rate. It also shows that pegged exchange rates maximize real income growth for emerging economies while minimizing its variability when exports and productivity are improving and monetary shocks predominate. Alternatively, a floating exchange rate system may be most appropriate for less open advanced economies with relatively stable monetary sectors that frequently experience negative real shocks.
80-BFM-A0126

Return Predictability Of Malaysian Bank Stocks

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The main objective of this study is to address the question of whether stock prices follow random walk all the time. Using the samples of four Malaysian bank stocks- Hong Leong Bank, Malayan Banking, Public Bank and Southern Bank, coupled with the powerful Hinich and Patterson (1995) windowed testing procedure, the results show that the series under study follow a random walk for long periods of time, only to be interspersed with brief periods of strong linear and/or non-linear dependency structures. In other words, the returns series under study reveal the property of evolving predictability. This demonstrates the importance of market timing strategies for stock market investment as predictability is mainly a short-horizon phenomenon.

80-PES-A0175

Pricing Behavior And Dynamics In The Internet Market

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We compare the pricing behavior and market dynamics between online branches of traditional retailers (MCRs) and pure Internet retailers (Dotcoms), based on a set of panel data collected from DVD market from July 2000 to May 2003. We find that the average price of MCRs is about 4.8% higher than that of the Dotcoms. Prices of MCRs and Dotcoms both went down with time, but MCRs decreased their prices in a significantly faster speed, which points to a possibility that eventually both types of retailers may charge similar prices on average. We also compare the price dispersion and its dynamics between MCR and Dotcom. We find that the within-title and within-retailer price dispersions among the MCRs are about 14.5% and 15.3% higher than those among the Dotcoms. Further, price dispersion for MCRs went up with time in a significantly slower speed than that of Dotcoms. This suggests that the two types of retailers not only will charge similar average prices in the long run, but also will have similar price dispersions. But as price dispersion increases with time, we have no evidence that price in the market will converge although the two types of retailers may have the similar pricing. Branding makes significant difference on both the price and price dispersion.
80-PES-A0174

Transaction Costs And Incompleteness Of Reverse Mortgage Market

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There have been growing interests in harnessing reverse mortgages (RMs) as retirement financing instruments. However, despite the many advantages of what RMs can offer in terms of financing long term medical care and retirement needs, empirically, the market has remained thin. In this paper, we explore the role of loading factor on the supply of the RM instrument and how this may affect the viability of the RM market. This paper incorporates forecasts of cohort survival probability of joint life and property growth rates. Based on different transaction costs, we estimate the probability of loss to evaluate the supply of RMs. Illustrative simulation studies are based on Singapore data, using 4-room public housing as the benchmark. Policy implications will be discussed.

80-BFM-A0134

Who Wants To Trade Around Ex-Dividend Days?

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This paper examines order flows around ex-dividend dates on the Taiwan Stock Exchange. Not only does Taiwan’s tax code allow us to separate the tax hypothesis from other explanations, but Taiwan’s data also permits us to examine the heterogeneity of investors’ behavior around ex-dividend dates. We find that, different types of investors show entirely different patterns of order flows. For both taxable and non-taxable samples, small investors sell before the ex-date and start to buy from the ex-date, which suggests that small investors prefer low-priced stocks. We find weaker evidence consistent with the tax hypothesis: foreigners and large domestic investors who are tax-disadvantaged avoid participating in taxable dividends. We also find strong evidence that tax-neutral institutions play the role of short-term arbitrageurs around ex-dividend dates.

Keyword: ex-date, tax, order imbalance
Asian Hedge Funds: Moment Neutrality For Risk And Performance Measurement

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While hedge funds are well established in the United States and Europe, they have only begun to grow aggressively in Asia. The growth in Asian hedge funds requires a better understanding of their performance and risk, specifically the impact when such funds are included in the investors’ portfolios.

In this paper, we will introduce a practical approach in analyzing the risk and performance of Asian hedge funds from the viewpoint of a U.S. and/or global equity investor. We will focus on the impact when we include Asian hedge funds in their portfolio and examine whether the inclusion helps to insulate the overall portfolio when the market is down, to capture the upside and to reduce the impact of market volatility during extreme events. An advantage of this approach is that it alleviates the problems that can arise if hedge fund returns are skewed and leptokurtic and non-linearly related to the market returns. Our approach also allows for a meaningful economic interpretation of the results.

Based on a sample of 75 individual Asian hedge funds from the MarHedge database, we found that while all funds provide diversification in the sense that they are not perfectly correlated with market index returns, only 41 or 55% of the funds are negatively correlated with the S&P 500 index returns in a down-market (defined as the lowest return quartile of the S&P 500). Further, only 8 or 11% insulate the investor’s portfolio on the down-side while providing upside capture. A separate measure of performance that measures volatility in up and down markets show that 20 or 27% of the funds exhibit the preferred attributes of high volatility in a up market and low volatility when the market is down. Our results also show that none of the funds provide downside protection, upside capture along with low volatility in a down market and high volatility on the upside. We conjecture that there is an implicit trade-off between our performance and risk measures that is an interesting question for future research.

Key words: hedge funds, performance, risk
Economic Liberalization In India: Linkages And Spillovers In Services And Manufacturing Sectors

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Since the economic liberalization in the Indian economy in the early 1990s, services sector is emerging as a strong dynamic growth sector together with the manufacturing sector. The paper studies the linkages and spillovers between the services and the manufacturing sectors. The emergence of services as the most dynamic sector of the Indian economy in the recent economic liberalization is quite significant. Similarly, in the late 1990s, the manufacturing sector has also expanded, although at a slower pace than the services sector. It is quite likely that there is a two-way spillover effect or linkages between the two sectors: expansion of the services sector contributes to the expansion of the manufacturing sector, and vice versa. In this paper, this likely spillover effect or linkage is examined using a panel data for the period of 1991-2001 and the results is expected to show a strong positive influence of growth of services and manufacturing. We employ the recently developed semi-parametric estimation method suggested by Olley and Pakes (1996) and Levinsohn and Petrin (2003) to account for endogeneity of input demand.

Keywords: India, Services, Spillovers, Olley-Pakes, Levinshon-Petrin

JEL Classification Numbers: C2, E24, L8

Efficiency Improvements in Inference on Stationary and Nonstationary Fractional Time Series

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We consider a time series model involving a fractional stochastic component, whose integration order can lie in the stationary/invertible or nonstationary regions and be unknown, and additive deterministic component consisting of a generalized polynomial. The model can thus incorporate competing descriptions of trending behaviour. The stationary input to the stochastic component has parametric autocorrelation, but innovation with distribution of unknown form. The model is thus semiparametric, and we develop estimates of the parametric component which are asymptotically normal and achieve an M-estimation efficiency bound, equal to that found in work using an adaptive LAM/LAN approach. A major technical feature which we treat is the effect of truncating the
autoregressive representation in order to form innovation proxies. This is relevant also when the innovation density is parameterized, and we provide a result for that case also. Our semiparametric estimates employ nonparametric series estimation, which avoids some complications and conditions in kernel approaches featured in much work on adaptive estimation of time series models; our work thus also contributes to methods and theory for non-fractional time series models, such as autoregressive moving averages. A Monte Carlo study of finite sample performance of the semiparametric estimates is included.

80-EMA-A0157

Effects Of Skip Sampling On Granger Causality In A Co-Integrated I(2) Space

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In applied econometric literature, the causal inferences are often made based on highly temporally aggregated or skip sampled data. A number of theoretical studies have pointed out that temporal aggregation has distorting effects on causal inference and skip sampling preserves the direction of causality. Quite contrary to the co-integrated system of I(1) variables where skip sampling preserves the direction of Granger causality, this paper shows that skip sampling of co-integrated series in a I(2) space may induce spurious causality. This paper examines the issue in detail by plugging in theoretical cross covariances into the limiting values of least squares estimates. The asymptotic distributions of the estimates of skip sampled process are expressed in terms of the cross covariances of the disaggregated process. An extensive Monte Carlo study is conducted to examine small sample results. It is observed that in general the most distorting causal inferences are likely at low levels of aggregation where the order of sampling-span just exceeds the actual causal lag.

Keywords: Skip Sampling, Granger causality, Unit Roots, Co-integration, Cross covariance

JEL Classification: C15, C32, C43
80-EMA-A0158

Jump, Non-Normal Error Distribution And Stock Price Volatility- A Nonparametric Specification Test

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This paper examined a wide variety of popular volatility models for stock return index, including Random Walk model, AR model, GARCH models, extensive GARCH models, GARCH-jump models with Normal, and Student-t distribution assumption as well as nonparametric specification test of these models. We fit these models to Dhaka Index return from November 20, 1999 to October 9, 2004. There has been empirical evidence of volatility clustering, alike to findings in previous studies. Each market contains different GARCH models which fit well. From the estimation, we find that the volatility of the return and the jump probability were significantly higher after November 27, 2001. The model introducing GARCH-jump effect with normal and Student-t distribution assumption can better fit model. Using the modern nonparametric specification test we find that RW-GARCH-t, RW-AGARCH-t RW-IGARCH-t and RW-GARCH-M-t can pass the nonparametric specification test at 5% level. It’s suggested that these four models can capture the main characteristics of Dhaka stock return index.

Keywords: Volatility Clustering, DSE, RW, AR, GARCH, GARCH-jump, Nonparametric Specification Test, Maximum Likelihood Estimation, t-distribution, Q stats

80-SES-A0150

Data Mining For Intrusion System --- In The E-Commence Perspective

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With the popularity of the web grows, the information sharing plays more important role than ever. With the advance and help of new technologies, different access styles are also invented for the purpose of friendly-use. Nowadays, E-Commence (EC) is spread out and conducted in many fields of our life. However, the malicious codes [1,2,3,7,8,9] never stop to intrude the
computer system in any means. For example, the SQL Slammer worm or Code Red and its variants belong to these notorious codes. According to [7], an intrusion is defined as any set of actions that compromise the integrity, confidentiality or availability of a resource. Intrusion detection is mainly classified into two categories [7]: one is misuse detection and the other is anomaly detection. As for misuse detection is concerned, it is detected for known patterns; anomaly detection, on the contrary, aims to detect unknown patterns. But the technologies of data mining meet these demands. There are two reasons for explaining this fact. First, data mining can learn from traffic data. In other words, “learn” means that it can do such tasks as sequential pattern mining [4,5], mining data stream [6], and so on. Secondly, data mining can maintain models on dynamic data. The dynamic data is defined that the characteristics or contents of web data may be inserted, deleted, or modified dynamically. Finally, under such circumstances, we should study the impact of intrusion actions on EC and build more robust and secure information system to protect our valuable and secure data.

Keywords: Security, Data Mining, Intrusion, E-Commerce, Malicious Codes, Dynamic Data

References


Determinants Of Earnings In Singapore

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The wage-determination process in Singapore has a number of unique features, such as the influence of the National Wages Council, government policies on foreign labour and the nature of the labour movement. In particular, Singapore's labour movement functions differently from those of the western countries. There is the symbiotic relationship between the ruling political party and the National Trades Unions Congress (NTUC). Hence, one of the main objectives of NTUC is to maintain full employment apart from an increase union membership.

The purpose of the paper is to subject the wage-determination process in Singapore to econometric analysis using a unique matched employer-employee data set. The data are based on interviews with union and non-union members in the Petrol-chemical and Ship-building Industries. The analysis focuses on the earnings effects of Singapore's flexible wage system but also investigates the effect on earnings of union membership and firm age, after controlling for worker characteristics.

Economic Contribution Of The Buginese, Javanese And Betawinese In Jakarta Coastal Area

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Located on the northern coast of West Java, Jakarta is the center of government, commerce and industry. Jakarta is also a city of contrasts; the traditional and the modern, the rich and the poor, the sacral and the worldly, often stand side by side in this bustling metropolis. Even its population, gathered from all those diverse ethnic and cultural groups, so we also called a melting pot. About 8 million people live in Jakarta representing nearly all the ethnic groups in the archipelago. They are Javanese, Betawinese, Sundanese, Chinese, the Batak, Minangkabau, the Malay, Buginese, Madurese, the Banten, and Banjarese.

Jakarta Bay is located north of the Jakarta city. It is a shallow bay, with an average depth of about 15 m, an area of 514 km², and a shoreline about 72 km long. On its eastern and western sides, the bay is bound by two capes, Tanjung
Karawang and Tanjung Pasir, respectively. There are some traditional ports in the Jakarta bay that existed some fisher kampong, include: Dadap, Kamal Muara, Muara Angke, Sunda Kelapa, Kalibaru, Cilincing, and Marunda. Buginese, Javanese and Betawinese lived in these areas and developed their traditional fishing technology.

This paper analyzes the economic contribution of the Buginese, Javanese and Betawinese in Jakarta bay, even though the bay receives highly polluted water from the nineteen rivers that run through the Jakarta Metropolitan Area.

Keywords: Buginese, Betawinese, Javanese, economic, coastal area

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80-PDF-A0148

Determinants Of Incidence Of Hiv/Aids In India: A Case Study

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HIV/AIDS is a multifaceted issue with no cure at present. This paper makes an attempt to examine the socio-economic and psychological consequences of the disease in Pondicherry region, Union Territory, South India. The study is based on primary data collected during August – October 2004 from random sample of 250 respondents, comprising both male and female infected and non-infected individuals aged 15-49 years. The study analyses the determinants of occurrence of HIV/AIDS among the respondents. It also surveys their knowledge and awareness on the disease, besides the direct and indirect cost of treatment to the infected. Simple averages, percentages, ratios and logit regression have been employed to pursue the objectives of the study.

The results revealed the non-infected to be comparatively more educated, and having better standard of living and awareness on transmission and prevention of the disease. Majority of the infected got freely treated through NGOs, Government hospitals or at care homes. Hence, they only had to bear indirect costs on transport and other miscellaneous items. The analysis of determinants of occurrence of HIV/AIDS indicated that higher education and economic status among the females significantly reduced their chances of contracting the disease, while marriage increased the chances through spouse. Meanwhile for the male, marriage, urban residence and high living standards significantly decreased the occurrence. The study calls for raising awareness on the disease in general, particularly through visual media. It also calls for sex education for the teenagers and pre-marital HIV test.
Vietnam has a low illiteracy rate compared to other low income countries, but education achievement varies widely among the country’s different ethnic groups. This paper finds that despite rapid increases in enrolment rates in recent years, both ethnic minority students and ethnic minority teachers are disproportionately underrepresented in Vietnamese schools, particularly at higher levels of education. This paper uses a sample of rural children between the ages of 14 and 25 from the 1997-1998 Vietnam Living Standard Survey to analyze educational outcomes in Vietnam. The problem of right-censoring is addressed with a censored ordered probit economic model. Most of the difference of predicted years of schooling between the ethnic majority group Kinh-Hoa (ethnic Vietnamese and Chinese) and the ethnic minority groups can be attributed to disparities in parental education levels, household per capita expenditure and the ratio of qualified primary teachers. The paper concludes that once these factors are controlled for, there should be no structural difference in returns to schooling for students belonging to different ethnic groups, and that allocating more resources toward equalizing schooling outcomes across ethnic groups should be a high priority for the country’s sustainable growth.

Keywords: education achievement; ethnic minority groups; censored ordered probit model; Vietnam Living Standard Survey 1997-1998.

\[ \text{A Stata program for estimating the censored ordered probit model can be obtained by writing to the author.} \]
Human Capital Formation And Occupational Skills Demand In Singapore

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The pronounced shedding of low skill workers and increased demand for skilled workers observed in many countries over the last two decades has been attributed to a number of different causes. The policy debate in Singapore points to a concern that there is a mismatch between the supply and demand for skills in spite of significant investment in education. In this paper the attributes of different occupations are used to obtain measures of three distinct skill dimensions plus education, and the paper presents an analysis of skill change for each of these skill dimensions for Singapore for the period 1990-2000. The results indicate that there were very significant changes in skills mix during the decade, and the implications for policy are clear – the continued decline of traditional skills will test the ability of the labour market to adjust and absorb the existing supply of these skills.

Gmm Estimation Of A Linear Simultaneous Equation Model With Panel Data

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In this paper we consider GMM estimation of a linear simultaneous equation panel data model. Each structural equation in the model is characterized by the presence of the explanatory endogenous variables, the time-varying and time-invariant exogenous variables, and a structural error term. The error term consists of two parts: an unobserved time-invariant individual effect and the time-varying idiosyncratic error term. The covariance matrix of the error term in an equation is not necessarily of the random effects form. Certain time-varying and time-invariant exogenous variables are allowed to be correlated with the unobserved individual effects. We develop a class of single-equation GMM estimators of structural parameters and a class of system GMM estimators. We also examine small-sample performance of the members of this class of estimators by a series of sampling experiments.

Keywords: Panel data; Simultaneous equations; Fixed effects; GMM estimation
JEL classification: C13; C23
The Singapore economy has experienced greater business cycle fluctuations in recent years, being subject to recurrent shocks from the external environment. The primary role of monetary policy in such a volatile environment is to react to cyclical fluctuations in inflation and output in order to compensate, at least partially, for the impact of exogenous shocks. However, an understanding of the propagation of monetary policy shocks is essential for good policy making. This study aims at performing a VAR analysis of the monetary transmission mechanism in Singapore. The use of the VAR approach confers the distinct advantage of explicitly allowing for the endogeneity of variables, thereby accommodating the interdependence between monetary policy and economic developments. Dynamic impulse responses produced by the VAR model—with the exception of insignificant price responses—are found to be generally consistent with the conventional view of the monetary transmission mechanism. We further employ the VAR model to investigate another aspect of Singapore’s monetary transmission mechanism, specifically the role of the interest rate as a channel of transmission. First, variance decomposition analysis of the VAR model indicates that the exchange rate is more influential than the interest rate as a source of macroeconomic fluctuations. Second, we compare the output response path to monetary policy shocks when the interest rate is exogenized in the VAR to the baseline response when the interest rate channel is allowed to operate. The results suggest that the interest rate does not even appear to be an important channel for transmitting changes in the exchange rate to the real economy during the sample period investigated.

Keywords: Monetary Policy Shock; Monetary Transmission Mechanism; Vector Autoregressive model.
80-GDE-A0121

Foreign Capital And Economic Growth: New Results For Asian Countries

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This paper provides a quantitative assessment of the effect of various types of capital flows on the growth process of the East Asian countries, including China for the period 1970-2001. The empirical analysis is based on dynamic panel data and we find; first, domestic savings (investments) contributes positively to long-term economic growth. Second, we confirmed previous findings that FDI is growth-enhancing and its impact is felt both in the short-and long-run. Additionally, FDI influence on growth is much higher than domestic savings. Third, short term capital inflow has adverse effect on the long-term as well as short-term growth prospects and the behavior of short-term investment appears to be sensitive to long-term capital inflows. Fourth, long term debt has positive effect on growth but its effect somewhat disappears in the long-term. By and large, the positive contribution of FDI in the growth process of East Asian economies is a robust finding. For policy perspective, the evidence convincingly suggests that countries that are successful in attracting FDI can finance more investment and grow faster than those countries that deter FDI. Foreign capital, in particular FDI will continue to play an important role in the post-crisis era.

Keywords: foreign direct investment, short-term debt, economic growth

JEL classification: F21, F23.

80-IES-A0068

Real Exchange Rate In Selected Southeast Asian Countries

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The focus of this paper is on estimating the equilibrium Real Exchange Rate (ERER) of several Southeast Asian Countries including Singapore, Malaysia, Thailand and the Philippines to evaluate as to whether they were misaligned at the onset of the 1997 East Asian Currency Crisis. We use the reduced form single equation general equilibrium approach to estimate the ERER, under the assumption that the actual Real Exchange Rate (RER) eventually converges to the unobservable ERER. The ERER is obtained from the distribution of the observable variables of RER and the fundamental determinants of ERER, which include the terms of trade, the resource balance, the sectoral productivity
differentials, the composition of government spending and the openness of the trade regime. Cointegration and the Error Correction Model was used to estimate the relationship between the fundamentals and the RER. Based on the estimated cointegrating equation relating the fundamentals and the RER, the ERER is simply obtained by substituting permanent values of the fundamentals into the estimated cointegrating relationship. We also condition the estimation of the ERER on the intrinsic values of net capital flows. The RER misalignment estimates obtained using the Two Step Engle-Granger Cointegration methodology and the Error Correction Model indicate that the currencies were overvalued by 16%, 20%, 3% and 29% in Malaysia, Philippines, Singapore and Thailand respectively. Using cointegration and the Error Correction Model of Lim and Stein (2005), we find an overvaluation of 11.59%, 25.4%, 31.5% and 11.8% respectively in Malaysia, Philippines, Singapore and Thailand respectively. Keywords: ERER, RER, misaligned currencies, Southeast Asia, Cointegration, Error Correction Model.

Trade Gains: The End Of The Road?

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In 1972 the potential gainfulness of free trade was established under fairly general assumptions – essentially those of Arrow and Debreu. Since then, the assumptions have been considerably weakened, notably by accommodating overlapping mortal generations and an indefinite horizon. However there remain several indispensable but implausible assumptions. Two of those assumptions are examined, in a preliminary way, in the present paper: (a) In finite trade models of Arrow-Debreu type, each individual is sufficiently ill-informed or irrational to believe that he/she has no market power. (b) In models of overlapping generations and infinite horizons, there are no intergenerational bequests or gifts inter vivos. No clear generalizations are found. However an attempt is made to describe circumstances under which (a) and (b) are least restrictive.
The rising integration of world markets has brought with it a disintegration of the production process as manufacturing or services done abroad are combined with those performed at home. The structure of trade has shifted towards more outsourcing or vertical specialization.

It is the **purpose of this paper** to evaluate the causes and consequences of offshore outsourcing of manufactured products and services to developing countries. In the process we shall try to lay many of today’s myths about offshoring to rest.

Outsourcing is just a new way of doing international trade leading to gains from trade and its effects on wages and jobs are not qualitatively different from trade in goods. Offshoring is not the exporting of jobs. It represents the importing of services.

It will be argued in this paper that the best way to *destroy jobs* is for the government to try and protect them. The best way to *create* more jobs is to allow for their destruction.

Outsourcing has a spectacularly bright future if it can be kept away from populists who through misdirected government policy seek to limit the ability of companies to reduce costs, improve productivity and expand the benefits of economic development globally. Offshoring inspires more hope about growth than fears about jobs.
Is APEC Suitable for Currency Union?

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The Asia-Pacific Economic Cooperation (APEC) was established in 1989 in response to growing interdependence among Asia-Pacific economies. Its goal is to advance the economic dynamism and the sense of community in the Asia-Pacific region. APEC member countries are remarkably different from each other in many respects. This diversity provides mutually beneficial trade and investment potential, which contrasts starkly with EU, NAFTA, ASEAN, MERCOSUR, and other economic alliances, however, such diversity, compounded by a legacy of colonialism and political and other conflicts, also increases the difficulties of cooperation. The optimum currency theory proposed by Mundell (1961) and Kenen (1969) may not be suitable for this area. However, there may well be other economic conditions and benefits, beyond the framework of Mundell and Kenen, for introducing a single or common currency in APEC. This paper stresses business cycles and trade intensity and considers whether or not the ‘currency union’ in APEC countries is suitable from the view of business cycles and trade. It develops a procedure for applying OCA theory to APEC and examines these criteria while taking into account endogeneity among variables. The gain in active trade flows and convergence of business cycles, from eliminating nominal exchange-rate variability through the formation of a currency union, is large. It also provides the result that adopting the dollar for currency union is much more reasonable than adopting the yen for each APEC country.

References
The focus of this paper is on identifying the major global forces that have shaped the evolution of the Malaysian economy from 1970 to 2004. Malaysia emerged from the 1969 racial riots with a New Economic Policy, influenced by the “growth with distribution,” economic philosophy, which also recommended the introduction of labor intensive export oriented industrialization to create employment, exports and income and wealth. This led to the rapid inflow of foreign direct investment as foreign aid and bank loans trickled down. The Malaysian government was also encouraged to Look East to emulate the Japanese model of growth and development, which was based on Asian and not American values. In the next stage of the deeper integration of the economy, Malaysia adopted a privatization policy that was based on the Reagan-Thatcher doctrine, the Coase theorem and the Japan Incorporated model of close government-business relations. This was followed by the deepening and widening of the capital market to promote the growth in widgets and dollars and capital account convertibility as propagated by the IMF in the 1980s and 1990s. The 1997 East Asian financial crisis was later diagnosed as a failing of the Washington Consensus, which did not take into account the need to strengthen financial systems. The imposition of a fixed exchange rate regime and capital controls has also raised the question of the deeper integration of the Malaysian economy and the threat of China has raised questions as to the possible de-industrialization of Malaysia.

Keywords: Malaysia, New Economic Policy, Exports, Foreign Investments, Reagan-Thatcher, Coase Theorem, Industrialization, Deindustrialization, China, Look East, Washington Consensus
The purpose of the research was to analyze the perceptual linkages between customers’ and employees’ perceptions of the service quality that they are able to provide for the organization with respect to culture dilemmas. The service quality, culture, as well as corporate culture literature are reviewed and connected in order to establish propositions about the relationship. In spite of all other variables may influence service quality, we placed our focal merely on the impact of cultural differentiation in the investigation. A survey was administered to individuals employed in sales department of both Taiwanese local and foreign invested insurance firms and their customers in a major Taiwan city. The results suggest that the perceptual linkage and gap between customers’ and employees’ perceptions of the service quality that they are able to provide for the organization varied with the cultural differentiation of the firms in accordance with the culture dilemmas even with similar products, which further has deteriorated firm reputation as well as its competitive competence. Furthermore, for having great impact on the effectiveness of the managerial strategies planning and assessment, we suggest that local culture should be taken into account as part of the corporate culture context in product design and service provided.

Keywords: service quality, culture differentiation, corporate culture, value, culture dilemmas
Is There Really A Foreign Ownership Wage Premium? Evidence From Matched Employer-Employee Data

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Numerous studies based on firm-level data have reported higher average wages in foreign-owned firms than in domestically-owned firms. This, however, does not necessarily imply that the individual worker’s wage increases with foreign ownership. This paper combines data on all Swedish firms spanning the period 1990-2000 with a very large sample of more than 2 million Swedish employees covering the period 1996-2000. We contribute to the literature in several respects. First, our matched employer-employee data enable us to analyze the impact of foreign ownership on individual wages, controlling for both firm- and individual heterogeneity. In order to control for unobservable firm and individual characteristics as well as possible selection bias in foreign acquisitions, we combine matching techniques with the more general difference in difference estimator. Second, foreign owned firms might enter the market by a greenfield investment or through an acquisition of a Swedish owned firm. These two modes of entry might have different effects on wages. Third, to isolate the impact of being a multinational firm we compare foreign owned firms with both Swedish multinational firms and Swedish local firms. Our results indicate that employees in foreign-owned firms do not have higher wages than comparable workers in similar Swedish owned firms.
Productivity Spillovers From FDI In Vietnam: Evidence From The 2001 Enterprise Survey

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This paper explores productivity spillovers from FDI in the Vietnamese manufacturing sector using detailed cross-section data for some 11,000 manufacturing companies from the 2001 Enterprise Survey. We identify significant differences in spillovers between privately owned and state owned enterprises: while most size categories of privately owned firms seem to benefit from the presence of foreign companies, there is no such impact on state owned firms. Moreover, we find that wholly foreign owned enterprises seem to generate stronger spillover effects than joint ventures. There are also some signs of a location effect, in the sense that local Vietnamese firms seem to be affected mainly by those foreign firms that operate in the same province as the local company.

An Analysis Of The Regional Distribution Of Foreign Direct Investment Inflows In The Manufacturing Sector In Malaysia

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Economic growth has been unevenly spread across states and territories in Malaysia, prompting the Government of Malaysia to devise ways of creating more balanced regional development. One means of achieving this outcome is to create an environment that encourages foreign firms to invest more heavily in less developed states. We analyse the regional distribution of FDI inflows into the manufacturing sector across 13 states and one federal territory using data for the years 1990, 1995 and 2000. Empirical results indicate that expanding market demand for output, higher labour productivity, more socio-economic development and increasing the area of industrial estates in the host state are significant determinants of FDI inflows in the manufacturing sector in Malaysia. Of the four explanatory variables, FDI inflows are most sensitive to labour productivity but are also quite sensitive to per capita GDP and the area of
industrial estates. They are highly insensitive to the level of economic and social development of a state.
Keywords: regional development, foreign direct investment, industrial estates, market demand, Malaysia

80-ITI-A0132
The Economic Factor And The Growth Of The Jambi City

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Jambi is a riverfront city that developed from economic activity. Agriculture and plantation, especially in rubber, were the most dominant in economic activity in Jambi. Agriculture and plantation were existed closed to the river basin along the Batanghari River. Since then, the urban morphology grew into a “ribbon shaped city”.
Before 1920, the economic were dominated by the Chinese trader. They linked local trader to the foreign trader in Singapore. In 1926, the Dutch built a new port in Jambi city. This decreased the domination of the Chinese role in trade and economic activity in Jambi city.
During 1926-1942 there was an economic boom in Jambi city. There was also the increase of trade between Jambi city and Singapore through the river or maritime transportation. The rubber from Jambi needed remilling process in Singapore to improve export quality.
Through the history approach, this paper analyzes the growth of the Jambi urban lay out from a maritime transportation and “ribbon shaped city” into a land transportation and “fan shaped city”, which the economic activity influenced those process.
Keywords : riverfront city, economic activity, maritime transportation

The Appropriate Choice of Valuation Measure in Usual Casses of Losses Valued More than Gains

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People’s common propensity to value losses more than otherwise commensurate gains, give rise to different values of gains and losses depending on the measure used to assess them. These include: the amount they are willing to pay to obtain a gain, the sum they demand to forego a gain, the compensation demanded to accept a loss, and the amount they would pay to avoid a loss.
Analogous choices are presented for valuing future gains and losses, further complicating the choice of discount rate for social accounting. The appropriate choice of measure appears to turn on the reference state people use to weigh the relative value gains and losses -- a distinction between the compensating and equivalent variation measures of the reference state being before or after a change. The presumptive basis of discrimination among the measures are then the state reflected in what people view as expected or normal. Most valuations are likely to call for compensating variation measures, including the compensation measure for assessing pollution control, disease eradication, and accident preventions, as well as many private investments and expenditures.

80-BEE- A0074

Pension Contributions as Commitment Devices: Evidence of endogenous sophistication among hyperbolic households

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Individuals with hyperbolic preferences may simultaneously exhibit impatient behaviour with respect to, say, accumulation of credit-card debt and patient behaviour with respect to saving for retirement through superannuation and annuities. The key idea of my paper is that hyperbolic consumers are not naïve and to some extent recognize the desirability of tying the hands of their future selves, and that the degree to which they succeed in acting sophisticatedly is endogenous. The endogenous sophistication hypothesis is tested using data from the 1998-99 wave of the Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES).

First, using proxies for impatient behaviour such as smoking, drinking, gambling, and whether a household has credit card debt to construct an impatience index, I assess Becker and Mulligan’s endogenous time preference proposition. Individuals expend effort to reduce their impatience, so that measures of impatience are correlated with various demographic and household characteristics such as wealth, education, and health. Second, I examine the behavioural/psychology proposition that preferences are characterized by a generalised hyperbolic function. Individuals behave impatiently, and also behave in a time inconsistent manner.I establish a bridge between these two literatures by developing the concept of endogenous sophistication. ‘Sophisticated’ individuals appreciate the existence of devices that commit them to a course of action today such that this commitment precludes future incarnations of their selves from behaving in a time inconsistent manner. My hypothesis is that sophisticated behaviour is determined by the kind of variables which Becker and Mulligan use to explain individuals’ success in curbing their impatience.
Illiquid saving, in the form of contributions to voluntary superannuation and annuities, is partially correlated with the impatience index, after controlling for household demographic characteristics, life-cycle considerations and other control variables. Individuals knowing themselves to be hyperbolic tie their hands by saving in illiquid assets, but the degree to which they succeed in doing this depends upon their education, wealth and other characteristics.

Keywords: Behavioural economics; hyperbolic preferences; time inconsistency.

80-BEE-A0112

An Experimental Measurement Of Time Preference - - Experiment Result From Mainland Of China

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The behavioural character of people in intertemporal choice is very interesting. Many studies about it have been made previously, but most of them only focus on single one quadrant and one direction. So we plan to measure the effect in both two directions and all four quadrants. We have already done the work of Quadrant I and Quadrant III in laboratory. The general analysis framework of our study can be presented out by such a figure below (Figure 1):

![Figure 1. Analysis framework of Time Preference](image)

The horizontal axes of the coordinate above represents the state of now gain and now loss. The vertical, the future. The curve in Quadrant I illustrates how people
weight the utility between now loss and future gain, which can be showed further by the dashed: moving along the curve of Quadrant I and keeping the utility level unchanged, one unit of now gain you acquire always means corresponding future gain you must give up, Vice Versa. The meaning of other quadrants may be deduced by analogy.

We have designed and finished the experiment only concerning Quadrant I and Quadrant III in single direction, and the rest is still in progress. Keywords: Intertemporal Choice; Time Preference; WTA; WTP

Reference:

80-BEE-A0133

Does the Behavior of Lottery Players exhibit the Gambler’s Fallacy?
---Evidence from the Taiwan Lotto Market

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Many studies have documented that people exaggerate the degree to which small samples are similar to the parent population and thus tend to believe in the independence of a binary sequence exhibiting negative autocorrelations. This belief is the so-called “Law of Small Numbers” or the gambler’s fallacy. In this paper, we study the reactions of Taiwan lotto players to information about previous winning numbers. There are two main findings: First, we show that the betting behavior of Taiwan lotto players in a short horizon is strongly consistent with the gambler’s fallacy. Second, these same players tend to pick those numbers that have been drawn most frequently in the past, confirming the existence of the so-called Type II gambler’s fallacy. The latter may be due to the availability heuristic, since winning numbers having higher occurrence rates come to mind more easily. These two findings that results in the behavioral bias seen in the lotto market may, in turn, be linked to the financial anomaly that investors are known to underreact to information at short horizons and overreact at long horizons.

Keywords: Taiwan Lotto, Gambler’s Fallacy, Type II Gambler’s Fallacy
Global biodiversity loss and its consequences for human welfare and sustainable development have become major concerns. Economists have, therefore, given increasing attention to the policy issues involved in the management of genetic resources. To do so, they often apply empirical methods developed in behavioral and experimental economics to estimate economic values placed on genetic resources. This trend away from almost exclusive dependence on axiomatic methods is welcomed. However, major valuation methods used in behavioral economics raise new scientific challenges. Possibly the most important of these include deficiencies in the knowledge of the public (and researchers) about genetic resources, implications for the formation of values of supplying information to focal individuals, and limits to rationality. These issues are explored for stated-preference techniques of valuation (e.g., contingent valuation) as well as revealed preference techniques, especially the travel cost method. They are illustrated by Australian examples and by some Asian examples. Taking into account behavioral and psychological models and empirical evidence, particular attention is given to how information collection by individuals and supply of information to them influences their preferences about biodiversity.

Keywords: Biodiversity, behavioral economics, contingent valuation, experimental economics, travel cost method.

JEL Classifications: D80, H4, Q2, Q57
production, in both directions, causing scope diseconomies. A stochastic input distance model is estimated using data on shrimp and rice production by 52 smallholder households. Results from the estimated model show that significant scope economies exist between the two enterprises among best-practice smallholders but they are offset to a small extent by diversification inefficiencies beneath the frontier. If negative on-farm externalities do exist, they are more than outweighed by complementarities in input usage.

Keywords: negative externalities, scope economies, specialisation efficiencies, input distance function, smallholders, Thailand

80-EER-A0045

Estimating the Benefits of Reducing Environmental Damages due to Tourism Pressures in Marine Parks in Malaysia

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Marine Parks are established to protect an area of the sea zoned as a sanctuary for the protection of its marine eco-systems, especially coral reef and its associated fauna and flora, like sea grass bed, mangrove and the sea shore. In Malaysia there are 6 marine parks to-date. The establishment of marine parks also attracts more tourists to the areas. For example, number of visitors to Payar Marine Park increased tremendously from 3,668 visitors in 1990 to 133,775 visitors in 2002. However, too many tourists are thought by scientists to have damaged the coral reefs. This paper will estimate how much visitors are willing to pay to reduce damages to three marine parks in Malaysia; Payar, Redang and Tioman Marine Park. Willingness to pay estimates were obtained from the visitors using the Contingent Valuation Method where visitors are presented with a hypothetical situation wherein the Park authority wants to limit numbers of visitors to half the number who came in 2000 to reduce the damage to the corals through an increased entrance fee. Estimation is done using double-bounded dichotomous choice method.

Keywords: Contingent Valuation Method; double-bounded dichotomous choice model; marine parks
Maximizing Gross National Happiness In Bhutan

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This research links the concepts of economic development with national happiness, based on the pioneering development strategy in Bhutan. The Bhutanese approach seeks national happiness through national development, using the concept of Gross National Happiness (GNH). This paper joins in with the multidisciplinary team of academics and practitioners working on operationalizing the concept of GNH. The paper is organized in four main sections.

The first section of the paper begins with a background on the emergence of happiness in development economics, and a discussion of the macroeconomic and decentralization context in Bhutan. Then, it describes the development philosophy of the Bhutanese, based on non-material values, and the challenges in measuring the quality of life and maximizing GNH.

In the second section, the theoretical conceptualization contrasts the definition of happiness in development economics with concepts such as pro-poor growth. The four pillars of the GNH approach are analyzed, namely: economic growth and development; preservation and promotion of cultural heritage, preservation and sustainable use of the environment, and good governance.

The third section raises the methodological difficulties encountered in implementing surveys on happiness, and allying quantitative and qualitative measures within GNH. It compares various types of empirical measurements of happiness in economics, and alternative indexes used between groups of countries such as North America, Europe, Asia, and developing countries in general.

In the fourth section, using recently available data related to each of the four components, the paper presents a methodology for the measurement of GNH at the national and sub-national levels, allying qualitative and quantitative indicators. The paper concludes with a discussion on the challenges facing the operationalization of GNH beyond the national level context.
Absolute And Conditional Convergence: Its Speed For Selected Countries For 1961—2001

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The study gives the theoretical justification for the per capita growth equations using Solovian model(1956) and its factor accumulation assumptions. The different forms of the per capita growth equation is used to test for 'absolute convergence' and 'conditional convergence' hypotheses and also work out the speed of absolute and conditional convergence for selected countries from 1961-2001. We use cross sectional data of GDP per capita levels and growth rates of European countries EU16(EU15 + United Kingdom), South Asian Countries (5), some East Asian (8) and CIS Countries (15) to test for 'absolute convergence' hypothesis for four different periods 1961-2001, 1970-2001, 1980-2001, 1990-2001. Only EU and East Asian countries together have shown uniform evidence of absolute convergence in all periods. While EU as a region has shown significant evidence of absolute convergence in two periods, 1961-2001 and 1970-2001, there is no convincing statistical evidence in favor of absolute convergence in the last two periods: 1980-2001 and 1990-2001. This latter evidence with declining rate of economic growth for EU since 1961 points to a challenge for designing EU's regional policies which also have to cope up with many East European and Baltic nations who joined EU recently. The speed of absolute convergence in the four periods range between 0.99-2.56 % p.a. (2% for the EU was worked out by Barro and Xavier Sala-i-Martin, 1995, for European regions) for EU while it ranges between 0.57-1.16 % p.a. for the countries in East Asia and EU regions together. However, there is no evidence of convergence among the South Asian countries in all periods and some major CIS republics since 1966. There is however tendency for absolute convergence among countries of South Asia, East Asia and European Union together particularly after the 1980s.

Conditional convergence is prevalent among almost all pairs of regions in our sample except East Asian and South Asian nations together. Speed of conditional convergence ranges from 0.2 % in an year to 22%. In the European nations, the speed of conditional convergence works out be nearly 20% unlike the speed of absolute convergence which hovered around 2%. Such results would mean that countries in Europe are converging very quickly to their own potential level of incomes per capita but not so quickly to a common potential level of income per capita. The elasticity of output which is also estimated ranges from 0.54 to 0.91 implying that capital is to be interpreted as broad capital inclusive of human capital stock. It seems that human capital not only affects technological progress but affects output levels directly by increasing capital stock levels implying that the assumption of including human capital stock in the production function were appropriate in Mankiw, Romer and Weil(1992).
The results for the speed of conditional convergence favors use of an extended Solovian model inclusive of human capital. Conditional beta convergence seems to be a better empirical exercise (as evident from our theoretical model and empirical results) because it reflects the convergence of countries after we control for differences in steady states. Conditional convergence is simply a confirmation of a result predicted by the neoclassical growth model: that countries with similar steady states exhibit convergence. It does not mean that all countries in the world are converging to the same steady state, only that they are converging to their own steady states.

Keywords: Growth equation, absolute convergence, conditional convergence, speed of absolute and conditional convergence, elasticity of output with respect to capital, half life of convergence

80-GDE-A0024

An Analysis Of The Philippines Poultry Industry: Commercial Versus Backyard Sector

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Research on meat demand worldwide has indicated that poultry is the fastest growing sector. However, there are growing concerns about the threats from imports, especially for developing countries. The Philippines is no exception. Like in most countries, and for many years, the Philippine poultry industry had been protected from foreign competition through border protection. However, the signing of both global (eg World Trade Organisation) and regional (eg ASEAN Free Trade Area) trade agreements in the mid-1990s has resulted in the lowering of tariffs and removal of quantitative restrictions on agricultural products, including poultry. Imports of poultry meats (mainly frozen chickens and ducks) into the Philippines have increased as a result. It is envisaged that as trade barriers are reduced further, competition from overseas will intensify. Some studies have shown that the commercial poultry sector was uncompetitive with imports in a more liberalised trade environment. However, to date little is known about the backyard sector and how it will cope with trade liberalisation and commercialisation. The objective of the research is to provide a cross-sector comparison of the Philippine poultry industry and policy recommendations. The main conclusion is that although demand outlook is optimistic for the Philippine poultry industry because of income and population growth, continual improvements in production and marketing efficiency are crucial for defending itself from imports. Development of official product standards and provision of reliable market information are areas that the government can help in improving the poultry industry’s international competitiveness.

Key words: international competitiveness; backyard production; smallholder production; poultry marketing; trade liberalisation.
Innovation, Imitation And Entrepreneurship

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This paper analyzes the gradual shift in the technological paradigm of an economy as it approaches the world technology frontier. The model developed in this paper consists of firms which employ skilled workers as an important input in technological advancement, but the novel feature here is the entrepreneur, who is the brain of technological progress. The entrepreneur has to decide to undertake either imitative or innovative activities, of which decision both affects and is affected by the country’s distance to frontier. Specifically, the entrepreneur needs to have a minimum ability threshold level in order to carry out innovation. This endogenous threshold level falls as the economy moves closer the technological frontier, enabling more entrepreneurs to be engaged in an innovation-based strategy, and consequently, moving the economy from a technological structure that is based on imitation of foreign technologies to one where domestic innovation dominates. The transitional dynamics of the model shows that there exists a steady state distance from the world frontier that countries will eventually converge to. We also find that it is possible for countries under certain conditions, to be trapped in a regime carrying out only imitation of world technologies.

Keywords: technology diffusion; innovation; entrepreneurship; growth


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This study provides a concise introduction to the economic history of Vietnam from 1976 to present, with a focus on the Vietnamese economy’s structural change and its performance. The paper identifies different phases of the development of the Vietnamese economy, from its unification after a long war in 1976 and the adoption of a Russian central planning model, through its nation-wide crisis, and thus a beginning of transition to a market economy from 1986-1989, to the current phases of the transition (1989-2000).
The interrelationships between the structural change and economic performance are investigated from five aspects: (i) evolution of domestic final demand, (ii) international trade structure, (iii) technological change, (iv) ownership restructuring, and (v) geographical allocation of productive factors.

Main contributions of the paper are three. First, we demonstrate that the economic structural change in Vietnam is one of the most important driving forces of economic performance. Second, we propose a specific pattern of transition in the case of Vietnam. Third, this research is the first attempt to make a synthesis of socio-economic aggregate data during different phases of the Vietnamese economy in 1976-2000, in which different systems of national accounting have been employed.

Keywords: economic history, Vietnamese economy, transition economy, structural change, economic growth, development economics.

ICT And Global Economic Growth

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How and to what extent has the Information and Communication Technology (ICT) revolution impacted economic growth? This question has been well addressed for the US and several developed countries but remains challenging for the global economy. This paper examines the impact of ICT on the global economy using a large sample of economies. The study reveals that ICT contribution to economic growth is a global phenomenon, which is evident not only in developed but also in developing nations, especially the East Asian economies. The ICT contribution to growth in most economies drastically increased from the period 1990-1995 to the period 1995-2000, while its variance was also strikingly widened. The key determinants of the variance in ICT contribution to growth across economies are education, institutional quality, openness, and English fluency.

Key words: ICT, Economic Growth, Capital Stock

JEL Classification: O3, O4
Analysis on Benefit Incidence in Thailand’s Health Sector under the Universal Coverage (UC)

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Employing database of Socio-Economic Survey 2002, this paper investigates the Benefit Incidence Analysis (BIA) in health sector under the general-tax based Universal Coverage (UC) of Thailand, where the benefit is defined as the part of medical cost assisted the patients at public health facilities.

\[ BI_{ki} = q_{ki}c_k - f_{ki} \] (1)

Under two scenarios of the categorisation of socio-economic deciles, the implicit assistance is found distributed equitably to ‘ability to pay of patients’ at all types of facility – including Health center, District hospital and Province hospital – for both outpatient (OP) and inpatient (IP) services. Nevertheless, the evidence of unfairness in access to cares and assistance ‘by the gradation of facility types’ still exists. Health facility in the high level, with better resources and advance technology, tends to benefit assistance more the better off, though one in the low level tends more to the worse off.

The issues on inappropriate co-payment method, especially at the high-level facility, and inequality of health resources allocation are asked for the attention, in addition to the overlapping in benefit packages and assistance offered by different health schemes under the coverage. Universal coverage is considered the significant way to achieve ‘universal inclusion’ to all population but not sufficient to corroborate their equitable ‘universal access’ to health cares. To bring more fairness in health service access and assistance allocation under general-tax based Thailand’s universal coverage, not only the ‘financial factors’ but also ‘non-financial factors’ need to be taken into account.

Keywords: Social security; Universal health coverage, Health insurance; Benefit incidence analysis

References

Determinants Of Hospitals Costs:  
Policy Implications For Pricing Hospital Services In Karnataka State, India

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The Objectives: The main objective of this paper is to estimate hospital costs and its optimal pricing of services of different types of health care provider and suggests policy options and strategies for user fees and health insurance schemes in Karnataka State in India. The paper also explicitly addresses the issue of economies of scale and scope in the delivery of hospital based health care services.

Data Source and Methods: The paper uses the data of facility survey of 172 hospitals in Karnataka State undertaken in April – June 2004 as a part of IDA mission project of World Bank for the Ministry of Health and Family Welfare, Government of Karnataka. It includes 11 government hospitals, 80 private hospitals of modern system of medicines, 23 private hospitals of Indian system of medicines and 58 hospitals of traditional system of medicines. The paper uses the translog-cost function specification, which enables an explicit determination of the marginal cost of care, given the structure of output and other factors such as input prices that might affect the structure of cost. It is an appropriate theoretical framework of analysis than the unit cost approach. It assumes hospitals are multi-product firms and produces number of different types of both in- and out-patient care services such as surgery, laboratory examinations, X-rays and of preventive care, such as family planning, maternal and child health and immunizations. The cost function has explained by four set of explanatory variables: (1) indicators of the hospital capital stocks such as hospital beds and the physical condition of the hospital buildings; (2) indicators of primary hospital outputs such as in- and out-patient activities like number of hospital admissions, the number of in-patient days, and the total number of outpatient visits; (3) indicators of other hospital outputs such as the number of normal deliveries, laboratory test, X-ray tests, and surgical procedures; and (4) set of input-price indicators such as wage. The translog cost function also estimates the marginal cost for both in-patient and out-patient services of the hospital, which enabled to compute the average incremental cost of the total output of the hospitals. A final useful measure computed in this paper is an indicator of product-specific economies of scale (EOS) of Hospitals in Karnataka State.

Major Findings: Both the intercept and the number of beds variable, which can be interpreted as measures of fixed cost were positive and statistically significant. The output measures such as number of inpatients and the number of inpatient days were statistically significant and positive in Karnataka State.
The analysis also indicated that the differences in the determinants of hospital cost between public and private providers, inpatient indicators of hospital output were not as often statistically significant as was the outpatient indicator. Four other output variables such as delivery, laboratory test, X-rays and surgery; it was found that three variables such as delivery, laboratory test, and surgery were positive and significant. The performance of the two price variables such as locational distance and physician share of total employment of the hospitals were turned to be insignificant. However, it varies between public and private hospitals. Further, results also indicated that the poorer the physical condition of the buildings, the larger would be the costs of repairs and maintenance and coefficients were positive and significant.

The marginal and average incremental costs for the principal outputs were statistically significant for estimated parameters such as inpatient days, delivery and laboratory tests. It revealed that the services’ marginal cost was always greater than average incremental cost. It implied that the economies of scale index were less than one for all the three hospital services. It also indicated that the representative hospital was operating within the diseconomies of scale range of output for these three services in Karnataka State. Thus, it can be concluded that the sample of hospitals in the State is best characterized by constant economies of scale.

**Policy Options and its implications:** A comparison of user fees actually charged at hospitals in Karnataka with the computed marginal costs show that these fees were generally lower than the computed marginal cost of the sample hospitals. It implied that the current user fees of the hospitals needed an upward revision and accordingly optimal prices of hospital services were worked out and recommended to the Ministry of Health and Family Welfare, Government of Karnataka. The computed marginal costs will be used for fixing the premium of the proposed universal health insurance scheme in Karnataka State.

The results provide a greater insight into the various factors, which influence the cost of providing hospital based health services in Karnataka State in India. The theoretical approach employed in conducting this empirical investigation has provided results which appear plausible and robust over several alternative empirical specifications of the theoretical model.

**Keywords:** Hospital Cost; Economies of Scale; User Fees; Health Insurance Scheme.
80-SPS-A0101
Studying with an Eye to the Future

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This paper presents the preliminary results of a survey of students carried out at the National University of Singapore in February 2004. Students were asked questions about learning styles and objectives in the context of their background and perceptions of what their future employers are likely to expect. The results suggest that students generally view university as an intermediate period that is (strongly) connected to their future working lives. As students’ attitude to learn appear to be influenced by what ‘comes after’, the effectiveness of university teaching could benefit from the combination of pedagogic as well as economic considerations.

Keywords: Student learning, youth employment, Singapore students

80-SPS-A0168
Professional And Public Attitudes Toward Incentives For Organ Donation. A Case Study Of India

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The last few decades have witnessed revolutionary changes in medical science. Organ transplantation is indeed a great breakthrough in medical history, like the discovery of anesthesia and antibiotics. Ancient Indian and Chinese medical literature includes some description of organ transplantation, but the technical basis of modern organ transplantation was initiated by Alexis Carrel, a French Surgeon experimenting in animals in 1902. The human kidney was transplanted in 1946, Liver in 1963 and heart in 1967. This was followed by many other organs including lung, pancreas and intestines. WHO has now approved organ transplantation as a well established therapy.

India faces a widening gap between the need for, and the supply of, transplantable organs. The waiting list for transplants increased 200% in the past decade; last year, about 6,0000 people died awaiting a transplant. This need has rekindled debate about the morality and feasibility of using incentives to encourage posthumous organ donation. This paper explores attitudes of the public and health professionals in the transplant community about using financial and non financial incentives to increase the supply of cadaver organs for transplant.

Although the public generally expresses favorable attitudes toward organ donation, relatively few individuals agree to donate before they die or consent to
have family members’ organs donated upon their death. The current system, which relies on altruism and good will, has not been effective in procuring enough organs to meet the demand. One suggested alternative approach would offer incentives to families of deceased or dying individuals to encourage their consent for organ donation.

80-SPS-A0171

Income Security of Older Singapore Women: Issues of Ageing and Social Protection

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Official agenda for women’s welfare may exist in Asia, but political will may be absent. Accepting equality in suffrage, education and work opportunities in Asia, the most crucial issue is lack of income security for older women. Feminization of ageing intensifies social security adequacy. Older women may be ‘marginalized’ by the global labour market. They have higher incidence of disability, have smaller employment savings from short work histories, and lower incomes from less commensurate qualifications and skills. Widowhood increases their vulnerability, leading to family dependency, which does not guarantee sustained welfare. Formal old age supports by the State become a necessary condition for older women’s income security and will lessen past inequities and life-course shortcomings through specific policy measures. This paper focuses on income security of Singapore’s older women, based on two decades of socio-economic data. It is argued that universal suffrage, universal education, and the Women’s Charter (1961) should have translated into women development. The paper shows that there are gaps in women’s welfare through inadequate social security (which is employment-based). This exemplifies lack of concerted political will amidst globalization policies manifested through labour market discrimination and segmented wage systems, unequal benefits, and increasing old age disability, calling for long-term healthcare management and finance. The main thesis is the inadequate level of mandatory CPF savings for older women, necessitating a gender-based universal social security mechanism. It is advocated that ageing per se is a feminization issue for the next three decades.

Keywords: ageing, feminization, social security, inequity, welfare, health, education
JEL classification: I18, I28, I31, H53, H55
What Determines The ‘Gradient’? Socioeconomic Status And Children’s Health In A Developing Country

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Recent studies on the relationship between socioeconomic status (SES) and children’s health (‘gradient’) in the US and Canada reveal that in those countries the gradient worsens as the child gets older and that the gradient is attributed to different arrival rates of health shocks by SES. Motivated by those studies, in this study I examine the gradient in a developing country, namely Indonesia. Using the Indonesian Family Life Survey (IFLS) fielded in 1993, 1997, and 2000, I find that the gradient in Indonesia is radically different from that in the US or Canada: the gradient becomes weaker as the child gets older. I investigate the reasons behind the differences. I examine three possible reasons: attrition due to child mortality, availability of purchasable medical services, and schooling. Preliminary results reveal that while attrition is a factor for children younger than two, it cannot explain the weakening gradient for later ages. Underdevelopment of medical service market is not likely a dominant factor, either. The finding suggests that schooling makes lots of difference in children’s health status, especially for those with poor SES, and it can explain the weakening gradient for older children.

Keywords: children’s health, socioeconomic status, gradient

Infrastructure And Regulation In Developing Countries

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The past decade has seen dramatic changes in the way in which infrastructure is financed and managed in developing countries, with a significant increase in private sector participation in the provision of infrastructure services. At the same time, there has been a growing acknowledgement of the contribution that infrastructure can make to economic growth and poverty reduction in the developing world. These changes have created the need for new forms of regulation of privatised utilities. However, comparatively little consideration has been given to the detailed design of institutional structures and regulatory instruments appropriate to the conditions and capacities that characterise developing countries.

The objective of this paper is to review the role of infrastructure regulation in lower income economies. The paper begins by reviewing the changing pattern of infrastructure financing and services delivery since the mid-1990s, and suggests that regulatory uncertainty may have contributed to the recent downturn in
private participation in infrastructure projects. It then turns to consider the issue of regulatory governance which lies at the heart of the debate over the merits of ‘independent’ regulation. The final section of the paper reports the results of an econometric study which assesses the impact of regulation quality on the flow of foreign investment to infrastructure projects in developing countries.

80-SAE-A0172

How Can Singapore Remain Competitive In A Globalizing World Economy?

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This essay focuses on how the forces of globalization affect Singapore, and how Singapore can rise to the challenge. One central theme that runs through this paper is that the exchange of knowledge and the generation of new ideas will largely determine Singapore’s competitiveness vis-à-vis other economies. Contrary to popular perception that international trade flows and cost competitiveness become increasingly important in a globalizing world economy, this paper argues that innovative ideas and entrepreneurial mindsets matter even more.

This essay proceeds to argue that Singapore must strive to become a leader, instead of a participant, in the global economy. In order to differentiate herself from the competition, Singapore should actively engage in innovative, entrepreneurial activities. Striking out into the unknown, concurrently, involves risks.

Central to nurturing entrepreneurs would, therefore, entail changing people’s attitude towards risks as well as designing appropriate institutions and policies that manages risk as well as facilitates and promotes entrepreneurship. More has probably been said about the importance of entrepreneurship than the means of how Singapore can achieve this. In particular, this paper shows how the consistent and careful application of financial concepts, modern information technology as well as institutional analysis can create an environment conducive to innovation activities, an environment vibrant with Joseph Schumpeter’s “creative destruction”.

Keywords: Globalisation; Growth and Development Economics; Singapore and other ASEAN Economies.

References
This research proposes a new field in economics. It is called “Econographication”. The origin of Econographication is based on the vital importance of study graphs as clearest and most effective of presenting real or experimental data to understand and visualize any economic phenomenon, “the representation of data will be taken to mean the geometric and graphical presentation of data as distinct from the graphical plotting of mathematical functions” (Royston, 1956) or statistics data. However, the central idea to propose this new field is to study the evolution and development of different types of graphs can be applied in different areas of research in economics. In this research graphs will be divided in two types large groups of graphs: soft graphic representation and hard graphic representation. Therefore, the mission of Econographication is to offer an alternative economic educational method to facilitate the learning process of economics. The Econographication is divided in three large areas of study: analytical graphs, descriptive graphs and simulations graphs. This paper also is interested to present a new type of graphs: pyramid graph (PG) (See Figure 1 and 2) and diamond graph (DG) (See Figure 3). And also two new types of Cartesian Space, which are called Multi-Dimensional Cartesian Space (MD) (See Figure 4 and 5) and Infinity Cartesian Space (I) (See figure 6 and 7). These new set of graphs and the new Cartesian Spaces have different characteristics from the traditional 2-Dimensional and 3-Dimensional Cartesian graphs and spaces. The application of the Pyramid graph (PG), Diamond graph (DG), Multi-Dimensional Cartesian Space (MD), and Infinity-Dimensional Cartesian Space (ID) are highly flexible application. These set of graphs and Cartesian Spaces can be adapted under micro-level and macro-level of analysis in the short and long run. This new analytical tools can help to policy makers and researchers in economics to visualize from different perspective any economic phenomenon.

2 “A graph consists of vertices and edges, each edge joining a pair of vertices.” (Beineke, 1989)
3 Soft graphic representation is based on the uses of software, solutions, videos and photos
4 Hard graphic representation is based on the uses of prototypes and graphics schemes
80-IES-A0155

Competition Obstacles Of Iranian Firms In Joining To WTO

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This research attempts to identify the competition obstacles of Iranian firms in the world market. It proposes certain strategies for the government and firms which are necessary for promoting the competitiveness of Iranian enterprises in global market ruled by regulations of WTO.

The main method used in this research is opinion survey. Three samples were chosen and the opinions of two hundred mangers of Iranian firms, two hundred bureaucrats of Iran`s government and one hundred managers of foreign firms operating in Iran collected and analyzed.

The principal finding of this research was: There is a difference between the views of firms’ manager and those of government bureaucrats over competition obstacles and their suggestions for removal of the obstacles. There is a little mutual understanding between firms and the government over competition obstacles and their solutions.

This research intends to make the way for relationship between government and firms based on mutual understanding, acceptance and bilateral action. This relationship can be considered as an imperative for eliminating or reducing competition obstacles. Hence the research develops a game theory model for government-firms relation, which may contribute to Iran`s joining to WTO.

Key words: Iran, WTO, Government, Game Theory and Strategy

80-SAE-A0171

The Twin Deficit Phenomena in Philippines: An Empirical Analysis

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This paper examines the linkages between the budget deficit and the current account deficit for Philippines during the period from 1970-2003. The purpose is to test the validity of the Keynesian proposition and the Recardian equivalence with respect to the direction of causality between budget deficits and current account deficits in the case of Philippines. A robust econometric framework called the Unrestricted Error Correction Model (UECM) and the bounds test for cointegration (Pesaran et al., 2001) are used to examine if the budget deficit and current account deficits are cointegrated. The Granger causality test showed that causality runs from budget deficit to current account deficit and the relationship is positive and statistically significant. Thus, supporting the Keynesian view on
the direction of causality between current account deficit and budget deficit. This result suggests that any policy measures to reduce the budget deficit in Philippines could well assist in reducing the current account deficit.

Keywords: Budget deficit, trade deficit, cointegration, bounds test and Philippines.

JEL Classification: E62

80-SAE-A0028

Are Share Price Reactions To Equity Rights Offerings Conditional On Different Economic Situations?

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This study examines short-term stock price reactions to announcements of equity rights offerings in Singapore between 1983 and 2003 and investigates whether economic factors lead to different price reactions. The results show that the cumulative abnormal returns (CARs) associated with rights issues differ significantly across economic conditions at the time of issuance. Rights issues typically result in significantly large positive CARs during periods of economic growth but small positive insignificant CARs during economic downturns. The CARs vary positively with Tobin’s q-ratios, which indicate the availability of positive net present value investment opportunities of the firms issuing the rights. Our findings extend recent studies on secondary equity offerings by concluding that the price reaction is conditional on economic situations at the time of the rights issues.

Key words: Equity rights offers; economic effect; capitalization effect; rights in developing markets

JEL Classification: G14

80-CIE-A0041

Economic Opening And Industry Agglomeration In China: The Effects Of Geography And Policy

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This paper explores the causes of industry agglomeration in China using the provincial panel data during 1987-2001. Based on a new economic geography (NEG) framework, we discussed the self-sustaining agglomeration of industries with regional differences in geography and policy. Our focus is the effects of
economical opening. In summary, we find: (1) There are significant effects of geographical priorities of industrial development given to the coastal region. (2) Economic opening, proxied by trade/GDP ratio, contributes to industry agglomeration. (3) Denationalization, government consumption and infrastructure investment promote the industry agglomeration. Our research contributes evidence from China to the New Economic Geography theory and the study of the relationship between globalization and development. The policy implication of this paper is that the lagging regions should speed their industrialization by globalizing the economy, deepening reform and improving infrastructure, rather than reverse industry agglomeration by policies contradicting economic regularities.

Keywords: Agglomeration, Economic Geography, New Economic Geography, Policy

JEL Classification Code: L60; O18

80-CIE-A0042

Optimal Retail Densities In Asian Countries: A Macromarketing Analysis

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Several studies, by measuring retail store density with regard to population, have indicated that marketing channels in Asia are different from those in America and European countries. Throughout the 1980's Japan was especially pointed to as having excessively many very small retail stores; the number of stores peaked in 1982 at 1.72 million and has since declined slightly. On the contrary, China is experiencing a rapid increase in the number of retail outlets as well as the expansion of its market. This paper investigates to what extent an economic model like that of Flath and Nariu (1996), can empirically predict retail densities in data sets for Japan and for China. The main result is that the secular decline in the number of retail stores in Japan is primarily due to the diffusion of car ownership and the expansion in the average size of a dwelling. These factors, by lowering households’ costs of shopping for and storing goods, lowered the number of stores needed to assure efficiency in the sense of the minimum social cost of distribution. Moreover, we also show that the model accounts for the large variations in China’s retail density. The empirical results further suggest that regulatory factors have to date contributed to a smaller store density.

Keywords: Retail Density; Spatial Location Model; Asian Economies;

References

The Changes Of Fiscal Functions Behind The Western China Development Strategy: The Empirical Study Based On Local Public Expenditures

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The transforming on fiscal functions usually comes with economic development, and this paper stresses the effects of a particular development strategy on fiscal functions. Using multivariate statistical analysis, this paper analyses the public expenditure accounts system, comparing the major public expenditure directions before and after the application of the Western China Development strategy. In the first step this paper considers the western China as an integer. With two ways of principal analysis, one is based on original accounts system and the other on the new accounts system that is built through variables cluster, this paper studies the changes on expenditure directions. Several different distance measures are employed and the results are similar as follows. After the application of the Western China Development strategy, there are significant changes on public expenditure direction, and much more expenditures are invested to the construction of basic structures and the support of public goods. Under the framework of factor analysis and discrete choice model, the effects of areas factor on local expenditure are analyzed and the robustness of results is examined. This paper concludes that the fiscal functions become more development-oriented and public-service-aimed under the application of the Western China Development strategy. As by-products, this paper also discusses the implication of the changes on official statistical accounts systems.

Keywords: public expenditures, fiscal functions, principal analysis, cluster analysis, accounts system
80-CIE-A0064

The Role Of Foreign Direct Investment In India’s Service Exports: An Empirical Investigation

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Export-oriented FDI is increasingly been perceived as an instrumental tool to strengthen country’s export-competitiveness in developing countries. The theoretical literature suggests that both FDI and trade can be substitutive or complementary to each other depending on the nature of investment, industry-mix and host country’s characteristics. In this context, the experience of the Indian economy in attracting the export-oriented FDI is particularly instructive. Although some empirical studies have supported the view that FDI inflows in the Indian economy have not been export-oriented, it is important to note that none of these have studied the impact of FDI inflows on service exports in India, in spite of service sector emerging as a key driver of India’s export growth. This paper analyzes the comparative advantage of India’s services exports and examines the causal relationship between FDI inflows and service exports in the Indian economy during the post liberalization period since 1991. It uses a bivariate VAR framework for the analysis. The empirical results confirm the presence of short-run undirectional granger causality from FDI to Services exports in the Indian economy.

Keywords: Services Exports, FDI, Indian Economy, Granger causality JEL Classification: F14, F23

80-CIE-A0069

Inflation Target Of Monetary Policy In China

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In recent years, a number of major developed countries all adopt explicit inflation-targeting monetary policy regimes. They have established specific inflation target or target zone, and the major objective of their monetary policy is to keep inflation to its target level. However, what level of inflation is appropriate for a country’s central bank to hold among a period may be different among countries. We can find that after World War II, inflation in most development countries was fairly high compared to the developed, and output growth in these countries showed significantly different at the same period. This paper probes into the issues concerning the appropriate inflation target of monetary policy in China. We firstly introduce the significance of employment growth to long-run economic development in China. On the basis of the law of
maximum utility (minimum loss) under the restriction of aggregate supply curve and in the premise of keeping high employment growth, People’s Bank of China (PBC) should take the maximum output (employment) growth on condition of acceptable inflation target as the basis of specifying its inflation target. By doing so, PBC can keep economy as close to its potential level as possible, and later promote the employment growth. As we analyzed using the data of 1979-2004 in China, the inflation zone of 4-7% can be considered as the inflation target for PBC to hold.

Keywords: inflation target; employment growth; potential level of output growth; Phillips Curve

80-CIE-A0115

Some Observations On Economic Development Strategies In China Since 1978

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In this presentation, I examine how China has transformed itself from an economically backward country in 1978 to a rapidly developing country in 2005. The principal goal established by Chinese Government in 1978 is a familiar one: “The standard of living for all its citizens shall be raised.” However, a numerical goal of raising GDP four times between 1980 and 2000 was established by Premier Zhao Zhi Yang in early 80s as an explicit goal to indicate how seriously China was treating this economic growth problem.

As to the broad economic development strategies followed by China to reach its development goal, I venture to suggest that these three strategies were used:

1. The government shall invest its resources to develop industries and supporting infrastructures that can help its large and inadequately trained citizens become productive;
2. Whenever necessary, important management and economic ideas, incentive systems, engineering skills and technologies, and financial capital shall be imported and used so that the productive capability of the people can be properly developed.
3. Proper consumption by citizens domestically shall be encouraged so that consumption can not only be strong incentive to work but also serve as further stimulants to economic growth.

In the remaining part of the paper, I shall examine how China carries out this economic development effort in practice. Some important reforms and innovations in agricultural, industrial, service sectors during this period shall be examined. Important changes and reorganizations of governmental offices to facilitate economic development shall also be examined.
I will finally make some observations about the remaining economic problems in China. I will also discuss briefly whether China’s development strategy can be adopted by other countries interested in promoting economic welfare of their citizens.

80-BFM-A0175

East Asia Monetary Union: Prospects And Feasibility

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Since the Asian Financial Crisis 1997-98, regional monetary cooperation involving ASEAN + 3 (China, Japan, and South Korea) countries has made important progress, highlighted by the Chiang Mai Initiative (2000), a currency swap agreement among these economies, and the Asian Bond Initiative (2002). Meanwhile, regional economic integration has gained great impetus from the free trade pact between ASEAN and China. These achievements have greatly improved the prospects for the regional economies to move towards an Asian Monetary Union (AMU). In light of recent findings in the literature of Optimal Currency Area, this paper assesses the pros and cons of forming a regional currency union and the feasibility of an early agenda for this process.

Keywords: Asian Monetary Union, ASEAN plus 3
JEL classification: F33, F31, O19

80-CIE-A0114

Do Permanent Shocks Explain Income Levels? A Common Cycle-Common Trend Analysis Of Regional Income Levels For China

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In this paper, we analyse per capita income levels of China’s three main regions: the western region, the eastern region and the central region using the common cycles test developed by Hecq et al. (2000, 2001, 2002), and the common trend test developed by Johansen (1988, 1991). Our main contribution is that we impose the common cycle and common trend restrictions in decomposing shocks into permanent and transitory components. We find that: (1) there exist 2 common trends and 1 common cycle; and (2) the variance decomposition analysis of shocks provides evidence that over short horizons, permanent shocks play a large role in explaining variations in regional per capita incomes.

Keywords: Common Trends; Common Cycles; GDP
JEL codes: C22.
Economic Analysis Of Urban Projects

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The key objectives of the economic analysis of urban projects are to develop a framework for economic analysis of sub-projects under the Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP) funded by World Bank. The APURMSP is to support urban sector reforms and city management and municipal services with a view to addressing urban poverty. The project will assist ULBs to more efficiently provide the basic services and infrastructure required to improve the quality of life and reduce productivity constraints. The paper discusses the methodology to assess economic viability of a selected sample of sub-projects by using Cost-Benefit Analysis (CBA)/Cost-effectiveness Analysis (CEA). Economic analysis would be undertaken for a sample of sub-projects in the following sectors: water supply, drainage, roads, solid waste management and street lighting. Economic analysis of sub-projects would be undertaken through a cost-benefit framework using with- and without-project methodology for roads and water supply. CBA analysis would require the identification of the full range of costs and benefits to society associated with urban sector projects to be taken up by municipalities and their measurement in physical terms. This entails the understanding, measurement, explanation and/or prediction of the impacts of such sub-projects.

The framework will enable sub-project alternatives to be screened for their economic viability, cost-effectiveness and sensitivity to key variables. CEA will be applied in such sub-projects where most social benefits cannot be quantified like solid waste management, drainage and street lighting. Risks and assumptions to be carefully designed for the activities involved in the sub-project. Sensitivity analysis will be done on the major risks identified and the analysis will contain a review of switching values for the most critical risks. Poverty impact analysis will be carried out to derive poverty impact ratio (PIR), expressing the proportion of net economic benefits accruing to the poor as compared to net economic benefits to the economy as a whole. The economic analysis will be carried out in close coordination with the social and environmental assessment.

Keywords: Economic analysis, Cost-benefit analysis, Cost-effectiveness analysis, Urban reforms, Sensitivity analysis and Poverty impact analysis
SERC 2005 August 4 to 6 in Singapore
Singapore Economic Review Conference 2005

80-CIE-A0100

Sources Of Growth In Mainland China: An Investigation Using The Dual Approach

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This paper examines the sources of economic growth in mainland China using the dual approach to growth accounting. The approach is useful because of numerous problems that continue to beset Chinese national income accounts data, despite attempts to rectify them. Almost all growth accounting studies conducted on China so far have followed the primal approach, which depends heavily on national income accounts data. The dual approach, by contrast, allows independent price information to play a role. Recent research on Chinese growth has revolved around the following two questions: (a) How significant has TFP’s role been in post-reform Chinese growth? (b) Has TFP growth rate slowed down in more recent years? Examination of the Chinese growth using the dual approach provides the following answers to these questions: (a) In contrast to what Hseih (2002) found for Singapore, the rate of TFP growth for mainland China using the dual approach proves similar to the high TFP growth rates that have been obtained by many researchers using the primal approach. (b) The rate of TFP growth in China has slowed down a little, but still remains high. These results however need to be taken with a grain of salt, mainly because of the weak nature of the data on rate of return to capital in mainland China.

Keywords: Economic Growth; Total Factor Productivity; China

JEL Classification: O47; O53.

80-CIE-A0109

Dynamic Historical Data Mining For Superstores In China

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The first superstore in China was in 1989. Since then, the superstores in China have emerged like bamboo shoots after a spring rain. With the developments over a decade, superstores have become very popular and prevalent in China, yet with much more vehement competitions. Currently, the number of superstores in China is over 26,980, and this number is still increasing. Superstores quickly change into the dominating retail fashion in the new economy in China.
In this paper, we discuss an approach of offering customers coupons on site based on mining in their historical transaction data. It can help the superstores to keep attracting the loyalty customers and hence excel in the competitions. The historical sale data mining is now one of the interesting methods of modeling in economics.

Assuming that the loyalty customer has the membership card of the store, when she makes purchases at the store each time, the transaction data are saved in the store’s database. When she makes more purchases at the store, the POS machine at the checkout counter can recognize her, and based on mining all her shopping historical data at the store, the POS machine gives her some coupons on site to encourage her to shop at the store soon. This is called the personalized discounting policy. Those coupons could offer some (will-be-out-of-date) items at the very cheap prices to the store’s loyalty customers, but not to all customers. More advanced usage of the data mining technology here is to find the shopping styles and patterns for each individual loyalty customer. For example, some customers always shop some items together, while the other customers do not. Each customer has the shopping intervals. For a particular item (e.g., soap), some customers could use it up in a week, while some customers may use it up in a month. Mining and finding the styles and patterns allow the store to offer her a just-in-time coupon for the particular item. As a result, she could come back to the store on or before the expiration date of the coupon. Since most customers also purchase other items in the store by the way, the store actually increases the sale. Otherwise, she may simply drop at a convenience store and find the particular item.

Chain stores usually have the Internet/Intranet network to connect each other. Loyalty customers can get coupons from any of the chain stores because the chain stores share the same customer database.

Using the sale data of a Chinese superstore from 2001 to 2003, we simulated the above data mining strategy. Experiments show that there are some shopping patterns for the loyalty customers, and while there are no clear patterns for the un-loyalty customers due to inadequate data for mining.

Further work includes the implementation of the data mining algorithm in the real world, and improvement of coupon-offering policies based on the feedback data about the functions of the attracting the customers and enhancing the sale.
80-GLO-A0054

Competition Policy In The Asean Countries

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In an effort to open the domestic economies to foreign investment, the WTO ministerial meetings in Singapore, Doha and Cancun have debated the adoption of Competition Policy as an essential ingredient of growth and development. Competition Policy, which has been classified as one of the four Singapore Issues is seen as necessary because the hoped for liberalization and deregulation of the domestic economies as a result of liberalizing and deregulating the external sector and international trade has not occurred. This paper traces the evolution of development policy which has created two sectors, that is, the enclave manufacturing sector, which is open to foreign investment and the domestic sector, which has erected barriers to foreign investment. It then discusses the various theories of competition based on theories developed by the Austrian School, the Chicago School and the Neo Classical School of thought. Competition Policy is also discussed from the perspective of Schumpeter’s theory of creative destruction. The paper also reviews arguments for the regulation of monopolies per se and based on the rule of reason. It then discusses the ingredients of competition policy including barriers to entry, vertical and horizontal integration and predatory pricing. The paper also reviews the debate on the conflict between competition policy and development in the ASEAN countries. The paper ends with a review of the progress in implementing competition policy in each of the ten ASEAN countries and the role of the IMF in imposing competition policy as part of its conditionality.

Key Words: ASEAN, Competition Policy, Singapore Issues, Chicago School, Schumpeter, Regulation, Monopolies, WTO.

80-HBA-A0002

A Non-Parametric Approach to Differentiate Age, Cohort and Year Effects in Household Savings

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The paper examines the empirical applicability of life-cycle theory of savings to household behavior in United States, Taiwan, and Thailand. The theory predicts a hump-shape profile of savings, with positive savings during the working age, and negative savings after retirement. Most recent empirical studies with macro
data failed to find age profiles that corresponded to the life-cycle theory of savings. In this paper, I suggest that the failure to identify the theoretical pattern in savings is due to the improper treatment of the simultaneity problem in age, cohort, and year effects. This paper suggests a new solution to the simultaneity problem by smoothing the cohort effects with a non-parametric smoothing function.

Principal findings can be summarized as follows. Age profile of U.S. savings had a hump shape, with decreasing savings after age of about 55, and essentially zeros savings in the late 60s. In Taiwan, the age profile of saving also had positive saving for the working age of 25-60, and became negative thereafter. The age profile of savings was similar in Thailand, though the magnitude of the hump shape was smaller.

Keywords: life-cycle model of saving, pseudo-panel data, generalized additive regression, Japan, United States, Taiwan, Thailand.

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80-HBA-A0003

On the Role of Economic Growth in Achieving the Millennium Development Goals: The Case of the Philippines

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This study attempts to assess the Philippine progress in reducing poverty by using the Millennium Development Goals (MDGs) as the benchmark. The analysis includes an assessment of the progress with respect to Goal 1 to 6. We choose these six goals because these are all directly associated with human deprivations and that the data for the targets associated with these goals are relatively easy to obtain. Except the other part of Target 6, i.e. reducing by half the proportion of underweight among five-year old children, and Target 10, i.e., halting and reversing the incidence of tropical diseases such as malaria and tuberculosis, the Philippines may well be considered to have a high probability of being able to achieve Goal 1 to 6 of the MDGs by year 2015, provided the government continues to provide proper incentives for agents to respond to. On the supply side, such incentives can be in the form of basic infrastructure such as roads, bridges, water and electricity supply and basic good quality schooling necessary for employment in the nonfarm sector which also facilitate economic growth, leading to significant poverty reduction. This is not to discount the role of macroeconomic stability which is needed to enhance foreign and domestic investments that can further enhance the development the nonfarm labor sector.

Keywords: poverty, Millennium Development Goals, Philippines.
80-HBA-A0004

Risks And Coping Strategies In Korea During The 1997-98 Financial Crisis

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Using nation-wide household- and individual-level panel data in Korea, this paper is to investigate how Korean households cope with the huge decrease in income (or consumption) during the financial crisis in Korea. Assuming that the coping strategies are independent of those of the Government, we focus on the asset choices of the Korean households. By differentiating all asset choices into 2 or 4 categories (for example, risk or non-risky vs. liquid or non-liquid), we test the determinants of the choices of each category by using multinomial choice model (Logit and Probit).

Keywords: risk-copying strategy, household consumption, Korea.

80-EER-A0055

Electric Appliance Recycling Law And Determinants Of Illegal Damping In Japan

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In Japan, the Law for Recycling of Specified Kinds of Home Appliances, popularly known as the household electric appliance recycling law, went into effect on April 1, 2001. The law is aiming at promoting the reuse of used household electric appliances and four types of household electric appliance specified by the law are air-conditioners, televisions, refrigerators, and washing machines.

However, since Japanese government adopts a “pay-after scheme,” it is pointed out that consumers wary of shouldering the economic burden of recycling may divert used appliances into illegal dumps.

In the paper, we study recycling behavior function of a household and we are especially interested in a change of illegal dumping behavior of consumers in response to a recycling cost changes due to enactment of the law. We perform an empirical study using two-year panel data and we find significant and sizeable price effects, a price elasticity of 18.34, on an increase in illegal dumps throughout Japan.
Keywords: Illegal Waste Dumping, Tobit Model, Electric Appliance Recycling Law

References

80-EER-A0057

Empirical Study On Determinants Of Household Solid Waste And The Effect Of The Unit Pricing In Japan

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The reduction in household solid waste has been becoming one of the very important political issues especially in the urban area. While there are numerous studies to examine the determinants of household solid waste and effectiveness of unit pricing on the waste, most of them are analysis based on American data and little empirical studies except for Hong(1999) has been previously undertaken using the data in Asian countries.

In our study, we estimate the following household waste generation function using the city level panel data in Japan and explore the determinants of household solid waste and the effect of the unit pricing on the garbage bag on waste generation

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\text{Waste generation per household} = \alpha_1 \ln \text{Household income} + \alpha_2 \ln \text{Single – person household ratio} + \alpha_3 \ln \text{Daytime – dormitory population ratio} + \alpha_4 \ln \text{Household density} + \alpha_5 \ln \text{Collection Frequency per week} + \alpha_6 \ln \text{Price garbage bag} + \alpha_7 \ln \text{Dummy for city introducing flat rate system on waste} + \delta_i + \varepsilon_{it}
\]

Our main conclusion is that the unit pricing significantly contributes to reduction in the waste generation but the price elasticity of waste generation is small. The volume-based unit pricing such as unit pricing on the garbage bag might induce the household to compact garbage into fewer bags, as Fullerton and Kinnaman(1996) found. Therefore the unit pricing in Japan may have larger impact on the demand for the bags but has smaller impact on the waste generation.

Keywords: Unit Pricing, Garbage bag, Solid Waste
References

Are The Japanese Selfish, Altruistic, Or Dynastic?

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In this paper, I analyze a variety of evidence for Japan and, where available, for the United States on bequest practices, on the importance and nature of bequest motives, on bequest division, on the willingness of individuals to help others, etc., in order to shed light on which model of household behavior (the selfish life cycle model, the altruism model, and the dynasty model) applies in the two countries.

My results suggest that the selfish life cycle model is the dominant model of household behavior in both countries but that it is far more applicable in Japan than it is in the U.S., that the dynasty model is also more applicable in Japan than it is in the U.S. but that it is not of dominant importance even in Japan, and conversely, that the altruism model is far more applicable in the U.S. than it is in Japan.

The issue of which model of household behavior applies in the real world is an important one because it has ramifications for what impact government policies have on the macroeconomy (e.g., for whether or not Ricardian equivalence holds in the real world) and for the extent to which wealth disparities are passed on from generation to generation.

To the extent that the Japanese adhere to the selfish life cycle model, a tax cut that is financed by the issuance of long-term government bonds will have a positive impact on current consumption, an increase in public pension benefits will cause a decline in household saving, and bequests will not cause wealth inequalities to be passed on from generation to generation. However, these implications need to be moderated to the extent that a sizable minority of the Japanese adhere to the altruism model.

Keywords: bequest practices, bequest motives, bequest division, selfish life cycle model, altruism model, dynasty model, household behavior, Ricardian equivalence, Japan.
Capital Gains and the allocation of savings

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We analyze a competitive, overlapping-generations economy with two capital goods. Expected capital gains play a crucial role in the market allocation of investment goods. The perfect-foresight competitive equilibrium path is uniquely determined, but there are other (bursting-bubble) trajectories. The market value of used machines can be below their production costs.

Keywords: Capital Gains; Investment Allocation; Overlapping Generations; Shell-Stiglitz, Tobin’s Q.

Dynamic Consumption Behavior: Evidence from Japanese Household Panel Data

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Household consumption and saving behavior have been the central concern in the recent macroeconomic literature. Since the work of Robert Hall (1978) and series of papers by Fumio Hayashi, the main focus has been the dynamic consumption behavior. Using the Family Income and Expenditure Survey, we conduct a dynamic panel analysis of consumption behavior. We examine the intertemporal smoothing and durability of consumption behavior with and without liquidity constraints. We find the households with debt face liquidity constraints most tightly due to the debt repayment contracts under the deflationary economic environments in the early 2000s.
80-MAC-A0137

The Estimation of the Exchange Rate Targeting Rule of Singapore

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This paper is to illuminate and enhance our understanding of the design and conduct of monetary policy in Singapore which is centered on the management of the exchange rate. We estimate a forward-looking exchange rate policy rule for Singapore following the work of Clarida, Gertler and Gali (2000). We found that the Monetary Authority of Singapore reacts significantly to the deviations in output and inflation from their target levels with a forward looking horizon of one quarter.

Combined with a VAR system, we are able to extract the unexpected deviations from the estimated policy rule which represents the monetary shocks. Projecting VAR forecast errors onto the monetary shocks identifies the structural response of macro variables. The impulse responses of macro variables to the monetary shocks are analyzed in our paper.

We also compute the gains to Singapore when the monetary shocks are fully eliminated. The gains are measured in terms of the reduction of the volatility of output and inflation which is done through the variance-covariance decomposition.

JEL: E32, E52, F31

80-SME-A0168

Are Sunspots Inevitable?

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This paper addresses the issue whether financial innovation that will complete missing markets be undertaken. It examines the welfare of consumers in an incomplete marketconomy with extrinsic uncertainty. It is shown that the utility of one consumer may be minimized at the Walrasian allocation relative to all other equilibrium allocations for a given security structure. Thus, this consumer will have no incentive to trade the new securities if they complete the insurance markets.

Keywords: Sunspot equilibrium, incomplete markets, financial innovation, welfare analysis.

JEL Classification Numbers: D52, E32, G10, D60.
Exit, Growth, And Productivity Of The Manufacturing Sector In Indonesia

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The dynamic performances of firms and plants have recently come to the renewed attention of researchers and policy makers. Starting with the early contributions by Gibrat (1931) and Simon and Bonini (1956), the relationship between firm (and plant) size, growth and industry dynamics has been subject to considerable scrutiny. Although theoretical studies on entry-exit, growth and productivity growth have recently emerged, micro empirical evidence on the linkage between entry-exit patterns, growth, and productivity in developing countries is scant. In addition, though it is well acknowledged that productivity growth is the ultimate driving force for raising our standard of living, understanding how the productivity growth occurs is limited in less developed countries (LDCs).

The manufacturing sector is viewed as the leading edge of modernization and skilled job creation, as well as a fundamental source of various positive spillovers (Tybout, 2000). The sector is often the darling of policy makers in LDCs and is often argued that policies often favor large firms while inhibiting growth among small firms within the manufacturing sector of LDCs (Little, 1987). However, recently most developing countries have come to realize the importance of the small and medium scale enterprise (SME) sector in the process of economic development.

Using a sample of approximately 111000 observations from Indonesian manufacturing plants, we test predictions on the relationship between export, plants survival, productivity, employment growth and value-added growth.

Key word: Industrial organization, Indonesia, and Empirical analysis
Institutional Competitiveness And International Aging: The Growth System In East Asia

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This paper identifies a recurring pattern of 30-year rapid economic growth over the past 50 years in each of the East Asian Five: Japan, Korea, Taiwan, Singapore and China, and examines the nature of the institutional setting that generated the growth. The paper finds that methods of institutional enhancement were at the core of the growth system. This institutional enhancement was made necessary by the need for international competitiveness in these economies, and, at the same time, the lack of competitiveness by other means. It was made possible by a similar set of historical, social, cultural and international conditions in each of the countries at the time, and ultimately driven by the prevalent growth-at-any-cost mentality.

This institutional enhancement affected state structure and functions, economic policy, corporate arrangements, social structure and relations, individual behavior, and domestic and international interaction. Each of these elements became a critical aspect of the growth system that defined and propelled the rapid growth. The duration and cost of the function of these unique institutional arrangements over such a long period of time eventually led to the “aging” of these arrangements and the decline in effectiveness of the growth system.

This paper essentially argues that rapid industrialization and economic growth is achievable in countries where there is insufficiency in the provision of growth factors often deemed necessary for normal economic growth. The growth experiences of East Asia have demonstrated that institutional competitiveness can make up, and, overtime, eliminate such insufficiency, and thus create and sustain economic growth.

Keywords: East Asia; economic growth; institutionalism; growth economics; economic development
80-GDE-A0136

Structure Of The Malaysian Economy: Evidence From The 1991 Input-Output Tables

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The Malaysian government has only published four input-output tables, namely for 1978, 1983, 1987 and 1991. The latest input-output tables (for the year 1991) were published in 2002. Thus far, there has been no analysis of these input-output tables. This is surprising given the importance of these tables to policy makers for the computation of sectoral multipliers and linkages. This paper utilizes data from the *Input-Output Tables Malaysia 1991* to examine the structure of the Malaysian economy in terms of sectoral multipliers and linkages. Some comparison will be made between the 1991 and the 1987 input-output tables. This paper will draw some policy implications related to macro modeling and sectoral development planning.

Keywords: Economic Development, Development Planning, Input-Output

80-GDE-A0167

Determinants Of Household Saving In Pakistan: Growth, Demography And Public Policy

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Pakistan’s saving performance is not very impressive relative to other countries in the region that had experienced sustained high growth comparable to Pakistan. Despite of lackluster performance of domestic saving in the past decades, household saving, during the past four decades is more than 80% of domestic saving and significantly contributing in total saving. However, not much empirical work has been done in Pakistan. While mostly work based on cross sectional data. The present study would examine the determinants of household saving in the process of economic development in the light of Pakistan experience during the period 1960-2003. The methodology involves the estimation of saving function derived within the life-cycle framework. In relevant literature majority of empirical studies in this area have focused on total national/domestic saving. Some studies have examined private sector saving, but only a few have explicitly focused on household saving. Moreover, many of these studies have been conducted using the cross-countries data. Quite apart from general methodological flaws relating to model specification and
There are two fundamental limitations that make results from any cross-country study on this subject rather dubious. First, cross-countries regression analysis is based on the implicitly assumption of “homogeneity” in the observed relationship across countries. This is very restrictive assumption. It is common knowledge that there is considerable variation among developing countries in relation to various structural features and institution aspects that have a direct bearing upon the impact of financial factors on the growth process. Secondly, given vast difference among countries with respect to nature and quality of data, cross country comparison is fraught with danger. These considerations point to need for undertaking econometric analysis of saving /Investment behavior within individual countries over time in order to build a sound empirical foundation for informing the policy debate. However, there is compelling evidence that many macroeconomics time series are non-stationary and as result, OLS estimates using these data may produce spurious results. Although by now there exist well developed technique of handling non-stationary time series data, no attempt has been made in Pakistan to study household saving and its determinants using these methods within an integrated theoretical framework.

80-GDE-A0173

**Human Development And Gender Inequality In Organization Of Islamic Conference (OIC) Member Countries**

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Gender inequality is an acute and persistent problem throughout the world, but more obvious in developing countries. The role of women in development has repeatedly been emphasized by economists and researchers in the last couple of decades of the 20th century. Evidence from many countries around the world shows that increasing investments in women’s human capital, especially education, should be a priority for countries seeking to increase both economic growth and human development. It is largely accepted that investment in women’s education increases social output more, compared to investment in men’s education. Years of schooling represents the largest component of investment in education in most societies. This research specifically focuses on the situations of girls/women educations in the OIC member countries and its impact in the overall development of these societies with special emphasis on the least developed member countries of OIC. We have used the latest available data from the various reports of United
Nations Development Programme (UNDP) on the status of female educations in the Islamic World.
The present investigation suggest that Organization of Islamic Conference (OIC) member countries should invest much more in women’s capabilities in order to improve their level of Human Development Index (HDI).
Our findings confirm that the best and the most straightforward way for OIC member countries to improve their HDI fast and achieve a better place in the HDI rankings in the world in the coming years is, investment in female education, which is a key to increase Gross Domestic Product (GDP), per capita income and improve the health of the 50% of the population.
Key words: Human development, gender inequality, OIC member countries

80-SAE-A0013

Why Was Capital Fleeing Southeast Asia?: Revisiting The Revolving Door Hypothesis

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We define capital flight as the movement of resources from capital scarce developing countries that seeks to avoid social control. It is measured as a residual of recorded sources and official uses of funds. The sources of funds are net additions to external debt and net non-debt creating capital; the uses of funds are the current account deficits and international reserves accumulation. Recent empirical studies show that capital flight remains a big problem to developing countries including transition economies. In Southeast Asia, in particular the ASEAN Four, Beja (2004) finds that capital flight has been substantial, especially since the 1990s, despite instituting economic deregulation and liberalization programs. Capital flight therefore is an economic and development issue that needs to be addressed. It also remains an important policy issue. But for policy to be effective in stemming and reversing capital flight, it is important to identify and quantify the determinants or causes of capital flight.
Thus, in this paper, we present an econometric response to the question: “Why was capital fleeing southeast Asia?” Briefly, there are two classes of explanations for capital flight. The first posits an indirect linkage between capital inflows and capital flight, holding that capital flight occurs because of some “exogenous” factors. In particular, poor macroeconomic management (e.g., current account deficits, overvalued exchange rates, budget deficits) creates a risky and uncertain environment and thus, capital flight is a response to such condition. Recent studies have included political risk and uncertainty, and governance variables to explain capital flight. For instance, unstable or unreliable government policy, coup d’etat, civil wars, social unrest, etc., create
risky and uncertain environment and thus, capital flight is a response to such condition. However, the indirect explanation cannot explain why there is a close year-to-year correlation between debt accumulation and capital flight. Thus the second explanation posits a direct linkage between debt and capital flight, holding that that external debt (or capital inflow) provides the fuel and/or motivation (drive) for capital flight; vice versa. For instance, external debt can be “transformed” from a capital inflow to capital flight that eventually ends up in private accounts abroad. That is, external debt has a “liquidity” effect. But as debts accumulate, the mounting burden of debt servicing and the possibility of a default provide signals for increased risk, to which capital-holders respond by pulling out their capital from the country, thus capital flight. That is, external debt (more concretely, the stock of external debt) has a “motivational” effect.

Keywords: Capital Flight, Southeast Asia, ASEAN Four

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80-EMA-A0141

Estimation Of Knowledge Production Function In Japan: Evidence From Count Panel Data

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This paper attempts to estimate the patent equation in Japan which is an empirical counterpart to the knowledge production function, and explores the difference of adjustment speed across industries. The firm level count panel data on listed companies in Japan and the GMM estimator are used in the estimation. The simultaneity in the firm size and the output of technological activities is dealt with in the paper. Evidences obtained from the panel data estimation of dynamic models for count data show that the dynamic effects significantly exist in the relationship between the main factors of R&D activities and the patent applications. Moreover, the adjustment speed differs across industries.

Keywords: Patent; Adjustment Speed; Knowledge Production; Count Data Model.
Productivity And Manufacturing: A Test Of Verdoorn’s Law Across South East Asia

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One of the most important factors to economic growth and lead to higher per capita income is that the industrialisation process. There is even evidence in most countries that manufacturing sector is an engine of growth. To what extent is the growth performance of South East Asian economies related to the industrial characteristics? More precisely, is there any discernible evidence that GDP growth and overall labour productivity growth of South East Asian countries is positively related to how fast their industrial sector is growing? This paper aims to study and test the Verdoorn’s law to South East Asian economic growth using the applied econometric technique of Seemingly Unrelated Regression Equations (SURE) technique. The purpose is to investigate whether the Kaldorian interpretation of the growth and development process is supported by data taken from the Asian Development Bank (ADB) on South East Asian economic growth. This should help us to understand whether the manufacturing sector has played a major role as an engine of growth as proposed by Kaldor. The study will cover the period of 1972 to 2002 for 5 countries, i.e., Indonesia, Malaysia, Philippines, Singapore, and Thailand.

Testing Kaldor’s First Growth Law Across South East Asia

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In most previous literature on the growth and development process in East Asia, two types of empirical studies have been conducted. The first type of study involves cross-country regression covering a large number of countries. These studies point out several factors contributing to East Asian economic growth such as outward-looking development strategies, high domestic saving rates, strong inflows of foreign direct investment, technological ‘catch-up’, relatively low income inequality, a stable macroeconomic environment, a market friendly policy environment, and so on. The second type of study has been growth accounting exercises, which calculate total factor productivity (TFP) growth using country specific time-series. Some of the studies find significant TFP improvement, but several studies conclude that rapid expansion of the East
Asian economies relied principally on the mobilisation of additional resources, especially capital accumulation. However, none of these approaches pick out any one particular sector as the driving force behind growth, yet in practice the growth of any country will be linked to the growth of its most dynamic sector. It was always the contention of Nicholas Kaldor that the manufacturing sector is the engine of growth and that conventional studies of growth are far too aggregative in their approach. This paper aims to study and test the Kaldorian approach to South East Asian economic growth using the applied econometric technique of Seemingly Unrelated Regression Equations (SURE) technique. The purpose is to investigate whether the Kaldorian interpretation of the growth and development process is supported by data taken from the Asian Development Bank (ADB) on South East Asian economic growth. This should help us to understand whether the manufacturing sector has played a major role as an engine of growth as proposed by Kaldor. The study will cover the period of 1972 to 2002 for 5 countries, i.e., Indonesia, Malaysia, Philippines, Singapore, and Thailand.

80-MAC-A0154

Competition, corporate governance, and firm performance

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This research examines the impact of market competition and corporate governance on firms’ productivity growth as well as its profitability in Japanese manufacturing industries. The econometric analysis of corporate governance has been popular. However, previous literature has pointed out that most empirical studies on corporate governance have several econometric problems including the problem endogeneity (or reverse causality) and the problem of omitted variable bias. Especially the omitted variable bias can be observed in the case that market competition and corporate control mechanism interact as either substitutes or complements. Therefore, this research takes into account the degree of market competition as well as ownership structure and capital structure using a panel of Japanese manufacturing firms listed on the stock market during the period of 1975-2002. The model is based on Nickell et al (1996) and Januszewski et al (2002), and overcomes the problem of endogeneity by using Arellano and Bond’s generalized method of moments. The preliminary finding is that, when firms operate in more competitive industry, they tend to experience higher productivity growth. Moreover, firms with higher rents tend to experience higher productivity growth and firms’ financial pressure is also positively related to productivity growth. Keywords: Firm productivity growth; Competition; Corporate Governance
References


80-SPS-A0169

The Income Distributive Consequences Of Recent Private Health Insurance Policies In Australia: Gainers Versus Losers

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The Australian government implemented a series of private health insurance policy initiatives during the period 1997 to 2000. The stated aims were to raise the take-up rate of private health insurance, thereby to lessen the burden of public hospitals. Taken together, these policy initiatives were effective in raising the proportion of the population with private health insurance coverage by more than 35%. This paper argues that even if the stated objectives could be attained, the price to pay is high. Using the estimated probit private insurance demand models, we show that the adverse income distributive impact is unequivocal—the policy reform disproportionately favoured high income earners.

The 30 per cent premium rebate has had scant effects on low-income households’ insurance choices, while it represents a windfall for high income households, many of whom would have purchased private health insurance without the policy in any case.

Skills, Human Capital, Work Standards And Labour Market Flexibility In Canada

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This presentation will review some of the major issues related to skills development and labour market policies under current discussion in Canada. It will focus on three main areas. First, it will examine some of the problems facing Canadian immigration policy and practice and the more efficient use of immigrant skills and human capital. Should Canada's point system be revised to include occupation and put more weight on high-skill blue-collar trades? Second, Canada is undergoing a change of thinking and public funding of its postsecondary education institutions because of increased recognition of human
capital and matching skill needs to increasing productivity and maintaining growth in the economy. But what are the proper roles of universities vs colleges in human capital and skills training for the economy, and what are appropriate funding levels and how should these be directed? Third, there is a major review just begun of federal labour standards legislation in Canada motivated by the need to update the federal labour code to provide better coverage of non-standard work. The question is how to do so in a flexible fashion that doesn't significantly increase labour costs to employers nor unduly restrict their flexible adjustment to changing workplace needs.

80-BEE-A0046

Intergenerational Transmission of Religion: Does Mother’s Working Behaviour Make a Difference?

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This paper examines one consequence of the rise in mothers participating in the labour market that has received little investigation – the transmission of religious attitudes to the next generation. In particular, we address the question: Does a mother’s decision to enter the workforce and therefore invest less time at home, adversely affect the transmission of religious attitudes to her children, whom she has hitherto been the primary caregiver of? We consider two measures of religious attitudes: religious beliefs and religious practice. Our bivariate probit model shows that a youth whose mother stayed at home during his childhood is more likely to have the same religious affiliation as her, even after controlling for various background factors. However, estimates using ordered probit regression indicate that maternal employment is insignificant in affecting intergenerational religious mobility in terms of frequency in religious services. Not surprisingly, we find evidence of intergenerational transmission in religious participation between mother and youth, with a stronger transmission when the mother is more religiously active. The results suggest that while the mother’s labour supply decision is a factor in transmitting religious beliefs, it is her own example in attendance of religious services that influences her offspring’s religious practice.

Keywords: Female labour supply; religious attitudes; intergenerational transmission

JEL Classification numbers: J22, Z12, D19

80-PDF-A0154
The Long-Term Effects Of Graduating From High School During A Recession: Bad Luck Or Forced Opportunity?

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This paper examines whether local labor market conditions at the time of high school graduation have long-term effects on wages. We find a higher unemployment rate raises the probability of staying in school after high school of white males, but reduces that of black males. A higher unemployment rate is also found to have a negative and lasting impact on the wages of white males who enter the workforce after high school. Thus, for most individuals graduating during a recession represents bad luck. However, for some the forced opportunity of additional years of education results in higher earnings levels.

Longevity Insurance: The Missing Market?

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More than half the world’s old live in Asia, more than 40% in India and China alone. As demographic transition proceeds regionally and globally, this region requires the development of a robust and reliable longevity insurance market. Yet the market is very thin everywhere, and is almost non-existent in Asia. This paper reviews the theory and practice of the various dimensions of the longevity insurance market, and the associated public institutions. It analyses the reasons for longevity insurance market failure, and examines possible innovations in both markets and public policy – and importantly – the co-ordination between the two – which may lead to a more vibrant market in longevity insurance products. These include risk sharing between the buyer and seller, deductibles, reverse mortgages, and securitisation.

Keywords: Annuity; Retirement; Pension
Journal of Economic Literature
Classification Numbers: D91; G18
How Unemployment Risks Affect Household Consumptions in Urban China?

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Unemployment risk and earnings uncertainty of Chinese urban households have increased significantly since the economic reform in 1978. This paper, however, use a unique data set collected from urban China to examine the relationship between unemployment risk and household saving rate and to investigate how the consumption amount of food, child-related goods and self-training investments differs with the level of job security. Our findings indicate that there exist a positive relationship between unemployment risk and household saving rate. We also find unemployment risks significantly discourage the consumption of food and child-related goods but have no effect on the consumption amount of self-training investment.

Keywords: unemployment risk, household saving, China household saving.

Markets Linked By Rising Marginal Costs: Implications For Multimarket Contact, Recoupment And Retaliatory Entry

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When firms sell in different markets from a single production (or distribution) facility with rising marginal costs, a link is created between their markets, even if the demands are completely independent. A higher rate of output in one market leads to a higher marginal cost in the other markets. This can have important strategic implications when, for example, a firm realizes that by expanding in one market to take sales from its rival, it is only lowering that rival’s marginal costs of competing in a second market. If both firms compete in both markets the first-mover must take this second-market effect into account, but if there is no multimarket contact it will not. Our paper studies the effects on prices and surplus of multimarket contact with rising marginal costs and shows that multimarket contact can indeed lower welfare under some circumstances. We also discuss how a model of markets linked by rising marginal costs can help explain two other puzzling phenomena: (i) recoupment – allegations that lower (possibly predatory) prices in one market are “paid for” by higher prices in other markets; and (ii) retaliatory entry – the credible threat to enter a rival’s market if it enters yours.
Between Law And Custom — Examining The Interaction Between Legislative Change And The Evolution Of Macau’s Casino Industry

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Following the handover of Macao to China in 1999, the reformed Gaming Law was passed in 2001. With the new law, and the introduction of related laws and regulations dealing with casino credit and the practices of junket operators, Macao is dramatically attempting to transform its casino industry. So far, Macao’s casino industry has been characterized by substantial high end baccarat play conducted largely in private gaming rooms and coordinated by independent contractors and junket operators, utilizing many questionable practices. The apparent objective of the Macao Special Administrative Region (MSAR) government is to re-invent Macao’s casino industry in a manner that will ultimately allow it to emulate many of the successful aspects of the gaming industry in Las Vegas by evolving into a multi-faceted destination resort with substantial gaming and non-gaming offerings. This will require Macao to improve its reputation among mainstream gaming regulatory authorities by developing regulatory processes that can meet international standards.

This paper examines the interaction between formal and informal changes in Macao’s institutional framework and the evolution of its casino industry over time. This analysis pursues three major objectives. First, it examines the role of institutions and the process of institutional change, and notes how these concepts can be used to describe and explain the performance of the Macao casino industry in historic and evolutionary perspective. Second, because Macao’s existing regulatory system has operated to a large extent in a grey area between law and custom — with limited formal direction and considerable pragmatic and informal negotiation and agreements between regulator and operator — we argue that efforts to shape recent legislative changes in a manner that will move Macao’s casino industry in desirable directions have been hampered by this legacy. Third, the analysis explores the implications and possible consequences of continuation of Macao’s traditional regulatory practices with respect to their impact on the probability of success of the desired transformation of Macao’s casino industry, and proposes strategies that will improve the likelihood of such transformation to take place.

JEL Classification: Keywords: L83 (Sport, Gambling, Recreation, Tourism), L88 (Government Policy)
80-SME-A0166

Auction Design with Continuous Private Participation Cost

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This paper considers auction design in a setting where bidders have two-dimensional continuous private signals, namely a participation cost in addition to a private value. The contributions of this paper are three-fold. First, I show that for any feasible auction mechanism the expected winning probability of a participant must not depend on his private cost, when his private value falls into an interval determined by the shutdown curve implemented by the auction mechanism. Second, all implementable shutdown curves by ex post semi-efficient auctions are described by a nonlinear ordinary differential equation. Third, under the usual regularity condition on the bidders’ private values distribution, I find that a modified Vickrey auction with a uniform reserve price and a uniform participation subsidy is the optimal ex post semi-efficient auction. The optimal reserve price and participation subsidy are set by the position of the lower end of the optimal shutdown curve.

Keyword: Auction design, Endogenous participation, Two-dimensional private signals, Vickrey auction.

JEL classifications: D44; D82

80-BEE-A0134

Intratemporal Asymmetry, Intertemporal Efficiency and Turn Taking

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Turn taking is observed in many field and laboratory settings. We study when and how turn taking can be supported as an equilibrium outcome in a class of repeated games, where the stage game is a symmetric two-player mixed-interest game with asymmetric joint-payoff-maximizing outcomes that may or may not be Nash equilibria. We consider the “turn taking with independent randomizations” (TTIR) strategy that achieves the following three objectives: (a) helping the players get onto a joint-payoff-maximizing turn-taking path, (b) resolving the question of who gets to start with the good turn first, and (c) deterring defection. The TTIR strategy is simpler than those time-varying strategies considered in the Folk Theorem for repeated games. We determine conditions under which a symmetric TTIR subgame-perfect equilibrium exists and is unique. We also derive comparative static results, and study the welfare properties of the TTIR equilibrium.
Regional integration for at least the last sixty years has focused on trade integration. Balassa’s canonical taxonomy of regional trading arrangements is often interpreted as a sequence from free trade area through customs union and common market to economic union. In the 1980s the concept of deep integration went beyond trade with its focus on policy harmonization, which came to include monetary integration, but it presupposed trade integration as the first step in the regional integration sequence.

In Asia there has been very little trade integration through regional agreements - ASEAN is the most ambitious project, but even there actual achievements in trade integration have been limited. When discussion of monetary integration began in East Asia after 1997, it was in the absence of trade integration. The conventional view would see this as an obstacle to greater regional integration, but some proponents of Asian regionalism saw monetary integration as a step towards promoting trade integration, reversing the orthodox sequence.

The two theoretical literatures (customs union theory and optimal currency area theory) were distinct and there remains a disconnect between the trade and monetary integration literature. This paper re-evaluates the global cross-country evidence on the relationship between trade integration and monetary union. It then applies the results to the prospects for monetary union before trade integration in East Asia, and to the consequences of monetary union for trade integration.

Keywords: Regionalism; currency union; integration.
80-IES-A0038

The Impact Of Thailand’s FTAs: A Computer General Equilibrium Analysis

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Thailand has involved in bilateral free trade negotiations with a number of trading partners, including the United States, China, Japan, Australia, New Zealand, India, and Peru. However, the impact of Thailand’s bilateral FTAs has been very much concerned. Thus, this paper aims to examine the impact of Thailand’s bilateral FTAs with those selecting seven trading countries and to seek the FTAs strategy suiting Thailand best.

By using a computer general equilibrium model, the impact of Thailand’s bilateral FTAs is examined, in which the macroeconomic and sectoral impacts are presented. The simulation results from Thailand’s bilateral FTAs are compared with the simulation results from the AFTA and the WTO trade liberalization to determine Thailand’s FTAs strategy.

Keywords: Free Trade Agreement; CGE model; Thailand.

80-IES-10048

Enhancing Bilateral Economic Linkages Through New Regionalism: The Case Of The Agreement Between New Zealand And Singapore For A Closer Economic Partnership (ANZSCEP)

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With ASEAN economies recovering from the economic crisis of 1997-98, and largely unsuccessful efforts towards trade and investment liberalization in multilateral and regional fora, viz. the WTO and the APEC, Bilateralism has emerged as one of the most preferred option to advance free trade goals among major Asian economies. Singapore, being one of the most open economies has been the major proponent of this trend, pursuing bilateralism as a major instrument of its commercial trade strategy through its moves to engage in Free Trade Agreements (FTAs) with its major trading partners. In this context, the Agreement between New Zealand and Singapore for a Closer Economic Partnership (ANZSCEP) that came in force since January 2001 has been one of the first such comprehensive bilateral FTAs that was ever signed involving an ASEAN country. As is the case with any FTA, the primary aim of this agreement was to liberalize trade and investment flows between the two
countries and strengthen bilateral economic linkages. This paper aims to assess the early effects of the ANZSCEP on bilateral economic linkages between Singapore and New Zealand not only with respect to merchandise trade, but also in the area of trade in services and investments flows using both macro and micro data. This has hitherto not been attempted in previous studies that have largely restricted the analysis to merchandise trade flows. The paper employs traditional intensity indices to analyze the linkages and also examines the long-run relationship using an export-demand model. The study yields important policy implications for the ANZSCEP and other rapidly proliferating bilateral FTAs in the region.

Keywords: Free Trade Agreements, ANZSCEP, Singapore, New Zealand, Trade Intensity, Services trade, Investment flows

80-IES-A0050

Bilateralism, Hub And Spoke, Or Free Trade? – A Theory And An Empirical Evidence Of Free Trade Agreement –

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In this study, we investigate an interesting question: whether the free trade agreements (FTAs) are “stepping stone” or “stumbling blocks” to the global free trade environment both theoretically and empirically. We model a simple analytical framework based on the hub and spoke model to examine the formation of FTAs with rules of origin and conducts an empirical analysis of the validity of the model using Asian countries data (Japan, Singapore, and Thailand). We consider three possible formations of FTAs, i.e., bilateralism, hub and spoke (multiple bilateralism) and complete bilateralism (free trade) and then compare the welfare effects of these three types of FTA formations. Based on the propositions derived from the model, we estimate the welfare effects of each FTA formation. Taking also the country size and level of development into consideration, we analyze the welfare effects in the case of FTAs composed of different economic sizes and development levels of countries. Our analysis contributes the arguments on undergoing FTAs formations as well as the more precise understandings of the type of FTA formations and to enrich the policy implications.
80-IES-A0095

Australia And The New Regionalism: An Evaluation Of Gains And Losses From Free Trade Agreements

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The establishment of Free Trade Agreements (FTAs) has become an integral part of Australia’s current trade policy. Australia has signed FTAs with Singapore, Thailand and the United States. Possibilities for similar agreements with ASEAN, China, and Japan are being explored. This paper examines the effects of these FTAs on the Australian economy and on the trading partners, drawing lessons from simulations of a number of free trade agreements. The simulations are undertaken using the Global Trade Analysis Project (GTAP) model. By simulating the GTAP multi-country CGE model, the paper provides quantitative evidence concerning the welfare impact of FTAs with special reference to trade creation and trade diversion. Examining responses of various production sectors identifies the structural changes that may take place in the economy over the long run. The findings may shed light on the debate over the potential incentives to participate in multilateral trade liberalization.

80-IES-A0097

Potential Pitfalls Of Markov Switching Models In The Studies Of Currency Crises

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Markov switching models are widely employed to study currency crises. The new approach promises to avoid the potential misclassification in the construction of crisis dummy that other approaches such as binary choices model and signal-noise-ratio analysis suffer, and to identify a set of reliable and observable indicators of speculative attacks. The alleged advantages of the new approach, however, have never been seriously examined. This paper attempts to assess the cost and benefit of the new approach. Using a sample of four Asian countries, including Indonesia, Korea, Malaysia, and Thailand, we show that the new approach suffers many of the same drawbacks as the previous approaches. Moreover, the costs we pay for it is very likely to outweigh the benefits.
Keywords: Markov switching model, standardized LR test, crisis identification
JEL codes: C25, C49, G21

80-GDE-A0031
Land And Labour Employment- With A Special Reference To Dalits: A Village Study

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As the basis of all the economic activity, land can either serve as an essential asset for the country to achieve economic growth and social equality or it could be used as a tool in the hands of a few to hijack a country’s economic independence and subvert its social process. After the independence Indian government implemented the land reforms with the objectives of removing exploitative intermediatory land tenure system, created by British government through Permanent Settlement Act 1793, and to confer ownership rights on tenants and thereby raise the productivity and promote equity in Indian agriculture. In 1950s and early 1960s the Indian government has introduced several land ceiling acts, even though still land has been concentrated among the few persons. In India as well as Andhra Pradesh still today nearly 85% of the SC/ST households are landless and agricultural labourers. They totally depend upon their labour work for their subsistence. In this context this paper attempts to analyses the land distribution pattern of Andhra Pradesh state level in general, particular to Dalit community. It also examines the impact of landlessness on socio and economic conditions of Dalits at micro level, and factors affecting the landlessness of Dalits.

80-EER-A0091
An Analysis of Formal and Informal Environmental Regulations in China

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Successful economic and environmental policies can contribute to technological or efficiency improvements by encouraging, rather than inhibiting, technological innovation. Although a large number of studies have been made on the
constituents of technological change, little is known about the empirical evaluation of policies that encourage productivity progress and/or regress in China. This paper contributes to the literature on productivity change in several ways. First, we apply a productivity approach to a province-level data set tracked from 1987 to 2001 in China to measure various components of total factor productivity (TFP) within a joint-production model of market and environmental outputs. This contributes to our understanding of the various components of total factor productivity change in China. In addition, this study contributes to better economic and environmental policy design for sustainable development in China by empirically estimating the role of economic and environmental management on market and non-market productivity.

Our result for market output is consistent with the literature that there has been considerable TFP growth, while environmental managements have not effectively regulated wastewater, air and solid waste pollutants emissions over our study periods. We found significant negative impacts of pollution abatement and control expenditure (PACE) on market technological progress, although elasticity is small. This PACE, in contrast, positively affects to environmental productivity and technological progress as expected. In addition to the traditional formal regulation, we also find that information, so called informal regulation, affects the TFP and also to reduce the pollution.

Key word: Environmental regulations, Productivity, and Empirical analysis

80-CIE-A0077

Research On Small & Medium Enterprises’ Financing Methods In China

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With the economic development of China, the amount of S&M enterprises grows up quickly and their capital demand increase. For them it is difficult to get enough money from bank and government because of credit incompleteness. There should be some new ways that could solve the problem that traditional financing methods cannot. S&M enterprises’ shortages come from environment and themselves, especially the financial structure. These enterprises are classified by ownership structure and operation style. The existed methods and their effect on S&M enterprises will be discussed. The small and medium financial organization, and securities market, will be discussed as a better way to solve the financing problem. The financing strategy of S&M enterprises has important influence on financing methods.

Keywords: Small & Medium Enterprises, Financial system, financing methods
80-CIE-A0078

A Research Summary To Corporate Governance Of Corporate Groups In China

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The state-owned enterprises in China set up corporate groups in order to promote enterprise competitive advantages by scale economy and so on. Reformation and study of the state-owned enterprises in China mainly is focusing on establishing modern enterprises system and setting up corporate groups. Clear property right is the core of modern enterprises system, but clear property right can’t become all-powerful medicine to an enterprise because many enterprises with clear property rights in some countries can’t avoid bankruptcy in market competition yet. Good corporate governance as a system arrangement will be good to the organization management operation. The research to the corporate governance of corporate groups will be advantageous to corporate groups’ standard operation. But the existing research is almost pointed to single enterprise not corporate groups. The structural complexity of corporate groups will increase the difficulty in corporate governance. We will base on and overstep the traditional corporate governance theories to research the corporate governance of corporate groups. We will try to summarize the domestic and foreign correlation materials, in order to provide the argument basis for the research to the corporate governance of corporate groups.

Keywords: State-Owned Enterprise Corporate Groups Corporate Governance Research Summary

80-CIE-A0092

Understanding Branding Strategy In Chinese Mobile Business

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This research paper identifies and analyzes current branding systems in China. Through comparative case studies and the example of SK Telecom, there is a strong indication that the key success factors are forward looking market segmentation, a more precise understanding of the needs of customers, and the brand’s identity. The result: a new conceptual model of brand value to customers. The findings suggest that branding plays a powerful role in maintaining the meaningful differentiation on the basis of product quality and price, particularly in the mobile domain. Potential implications for brand management are derived and discussed.
Large amount of the issued government bond and the deficit in social security system are recent big problems in Japan. An increases in the rate of a consumption tax is considered as a promising solution to those problems. In this paper, we demonstrate that the effect of the consumption tax on economic growth using an overlapping generations model with money holdings. We show that an increasing the consumption tax raises or lowers the economic growth rate according to the monetary expansion rate. The effect arises because of disconnectness of generations and money holdings.

The economic reason behind our result is as follows. Increasing a consumption tax rate raises the household's marginal utility of liquidity. It makes money holdings more desirable than consumption. An increasing in money holdings has two effects for the level of consumption. One is an opportunity cost effect which depresses consumption and the other is an asset effect which increases consumption. As Weil (1991) analyses rigorously, these two effects do not cancel out each other and money is net wealth in the O.L.G. model. We show which effect dominates depends on the monetary expansion rate and the productivity of production in our model.

In addition, in investigating the effect of the consumption tax, we define the general redistribution function of the government, since there is heterogeneity among households (in our model, each household born in a different time has different wealth and consumes different amount) as a nature of an O.L.G. model.

Keywords: Economic Growth, Consumption tax, Overlapping generations, Redistribution

References


Tax Evasion And The Underground Economy In Singapore

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The underground economy (UGE) refers to that part of the economy that is hidden from official statistics. The definition of the UGE may be institutional based in which case compliance to formal rules constitutes participation in the aboveground economy while non-compliance to the rules implies operations in the UGE. Based on estimates in Schneider and Bajada (2003), the UGE remains large in ASEAN-5 prior to and after the Asian crisis, with the exception of Singapore. How will the UGE affect developments in the economies? There are evidences to suggest that an intensive UGE hinders sustainable economic development. The reasons are discussed in the paper as it reviews the major causes and consequences of the UGE. On the causes, the paper pays particular attention to tax evasion. A simple framework is established to link tax evasion with the UGE, recognising the fact that acts to evade taxes do not necessarily imply participation in the UGE. It is also possible for taxpayers to under-declare their ‘legitimate’ income (earned in the aboveground economy) to the tax authority. We study Singapore’s attempt to mitigate the tax evasion problem. The paper argues that the size of the UGE in Singapore could remain low by world standards so long as the standards of fiscal governance are maintained, ceteris paribus. The main challenge is to enact and enforce good tax rules so that people are encouraged to comply with them voluntarily. The paper offers some policy recommendations to mitigate tax evasion and consequently the growth of the UGE.

Keywords: Singapore, tax evasion, underground economy
80-PES-A0078

Membership Rules And Stability Of Coalition Structures In Positive
Externality Games

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This paper compares stability of coalition structures under five institutional
settings of treaty formation in positive externality games. We argue that many
economic problems belong to the class of positive externality games (i.e.,
outsiders benefit from the formation of coalitions) and in particular the provision
of public goods. It is shown that it is easier to sustain agreements under
exclusive than under open membership and the higher the “degree of consensus”
necessary to form a coalition.
Keywords: positive externalities, public goods, rules of coalition formation,
non-cooperative coalition theory
JEL Classification: C72, H41, H70

80-PES-A0128

Who Volunteers How In Japan? –Basic Findings From Micro Data-

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Previous studies on volunteer labor supply (especially in Japan) have the
following three problems; (1) most of them rely on extemporary questionnaire
surveys to hundreds or thousands of individuals about volunteer activities,
which may cause a serious sample selection bias because respondents would
tend to be those who are substantially interested in those activities; (2) lack of
empirical studies on a qualitative side of volunteer activities could make it difficult
to discuss how free rider problems would occur and be solved; (3) in case of
married couples, husbands’ activities would be influenced by wives’ and vice versa,
although none of previous works have examined their mutual relationships.
We specially focus on these three topics by utilizing micro data of Survey on
Time Use and Leisure Activities, which is a general survey to approximately
200,000 household members about the allocation of time to various kinds of
activities, including volunteering. As a result of our empirical study, we find that
(1) most of previous studies have overestimated participation rates of individual
to volunteer activities, (2) married couples tend to participate in volunteer
activities together, and (3) free rider problems occur more seriously in urban areas than rural especially on activities related to social services. These results suggest a policy framework to promote volunteering should be flexibly designed by carefully considering areas, attributes of households and individuals, and a qualitative side of activities.

Keywords: volunteer labor supply; free rider problem; micro data

80-PES-A0172

Price Competition between Online and Offline Firms in an E-Commerce Market and Discriminatory Taxation

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This paper formulates the equilibrium model to examine price competition in an electronic commerce market where the offline firms compete against online firm when the commodity taxes are imposed on transactions. We compare the equilibrium prices difference between offline and online markets at the symmetric and coexistence equilibrium. We also analyze the tax revenue of the government and investigate the optimal tax difference between online and offline taxes. It is shown that the optimal difference between two taxes and thus, the equilibrium prices depend not only on the ratio of online access costs and offline transportation costs, but on tax distortion costs.

Keywords: electronic commerce; online firm; offline firm; tax revenue; optimal tax difference

JEL Classifications: D43;H25