Book of Abstracts

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24–26 July 2018

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Welcome

The 8th EconWorld conference (International Conference in Economics) was held in Amsterdam, Netherlands on 24–26 July 2018 at NH Collection Amsterdam Barbizon Palace.

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Abstracts

W1HHI – Growth · Wednesday 25 July, 09:00–09:20, Henry Hudson I

Fiscal Deficits and Growth in Sri Lanka

Kesavarajah Kathan Mayandy[1]

[1]The University of Manchester, United Kingdom

Abstract

This paper examines the growth effects of fiscal deficits in the light of policy debates on the Sri Lankan economy during the period 1970 to 2015. More specifically, the study attempts to answer whether persistent increase in fiscal deficits hindered or supported economic growth over the last three decades. If it were concluded that economic growth has been negatively affected by fiscal deficits, then deficits targeting within the Sri Lankan economy becomes extremely important. On the contrary, if fiscal deficits have positively affected economic growth, then controlling the size of fiscal deficits becomes expensive in terms of economic development. Empirical evidence based on the impulse response function showed that increase in fiscal deficits had a negative and significant impact on economic growth, implying that policy makers needed to control high levels of fiscal deficits in order to achieve desired levels of growth. This finding further confirms the presence of neoclassical notion in the context of the Sri Lankan economy. The results also provide an additional argument in favour of expeditiously implementing ambitious strategies for deficits reduction. And failure of implementing ambitious strategies will put an additional burden on fiscal sustainability, which could further undermine growth prospects of Sri Lanka.

Keywords Fiscal deficits; economic growth; openness; Sri Lanka

JEL H62, F43, F13

W1HHI – Growth · Wednesday 25 July, 09:20–09:40, Henry Hudson I

FDI and Tourism as a means to Growth: reality or wishful thinking?

Amin Sokhanvar[1]

[1]Eastern Mediterranean University, Northern Cyprus

Abstract

(Times New Roman, 12, single space, Less than 200 words) It is believed that Foreign Direct Investment (FDI) leads a country's overall development, including tourism development in many countries. This study examines the effect of FDI and international tourism receipts on economic growth in seven European countries with the highest share of FDI and tourism receipts in their economies. The high level of FDI and tourism receipts share in these economies indicates that policy makers believe that economic growth is directly affected by FDI and tourism receipts. FDI may also have an indirect impact on economic growth, through Tourism channel. By employing impulse responses function as a complement of Block Exogeneity Wald test, this study proves that it might be wishful thinking. FDI stimulates tourism industry in none of these countries, and surprisingly has a negative effect on the economy of five of these countries. Furthermore, international tourism receipts have a positive effect on economic growth only in Bulgaria, Estonia and Spain. Tourism and economic policy implications are discussed. International Tourism; Tourism receipts; Foreign Direct Investment; impulse

KEYWORDS responses; European countries

JEL Z32

W1HHI – Growth · Wednesday 25 July, 09:40–10:00, Henry Hudson I

The Effects of Macroeconomic and Socio-Political Developments on the Long-Term Economic Growth for Turkey, 1950-2015

Esref Ugur Celik[1]

[1]Atilim University, Turkey

Abstract

In order to progress, it is crucial for countries to secure a good quality and sustainable economic growth. Favorable macroeconomic conditions are necessary but not sufficient to sustain such a long term economic performance. In the long run, increase in per capita income can be sustained when macroeconomic advancements are supported by suitable socio-political improvements. In this context, the effects of macroeconomic and socio-political developments on the longterm economic growth are investigated for the multiparty period in Turkey, by using the production function approach. The findings show that improvements in both macroeconomic and socio-political conditions in Turkey have a positive effect on long-term economic growth. In addition, the generalized impulse responses analysis has been carried out to determine short and medium-term effects. This analysis brings socio-political developments along with macroeconomic performance increases but the developments in socio-political structure negatively affect macroeconomic performances. Although there are tradeoffs between macroeconomic and socio-political developments, it is necessary to achieve advancements in both to sustain a long-term economic success.

Keywords Macroeconomic Performance; Socio-political Performance; Economic Growth

JEL C01, E02, O40

W1HHI – Growth · Wednesday 25 July, 10:00–10:20, Henry Hudson I

Are Financial Deepening and Development always good for Economic Growth? Evidence from a New Dataset

Robert Mullings[1]

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Abstract

The theoretical and empirical literature examining the effects of Financial Development on Economic Growth has produced a plethora of mixed results; with papers presenting evidence of the positive effect, negative and even negligible effects. The theoretical arguments of the positive effects can be traced as far back as Bagehot (1873) and Schumpeter (1912) while the ongoing empirical debate appears to be heavily based on the empirical framework outlined in the seminal contributions of King and Levine (1993a, b). This debate has intensified further in light of recent crises. This paper makes a new and distinct contribution to the literature in two main ways. Firstly, it departs from the standard measures of financial development and leverages a new Broad-based Index of Financial Development developed by the International Monetary Fund (Svirydzenka, 2016) which permits the analysis of 77 countries between years 1990 and 2014 inclusive. One advantage of this approach is that it allows us to capture, simultaneously, the interplay between, financial development and its key components i) financial market deepening and 2) institutional quality on economic growth. Moreover, the paper also explores the possible existence of non-linearities in the relationship between Financial Development and growth exploiting recent advances in econometric panel threshold analysis which allow for endogeneity, while controlling for other key explanatory factors. The paper finds stark differences in patterns of financial development between developed and developing countries and finds threshold effects of Financial Development on Growth especially within developing country sample. Of the two major components of Financial Development: Financial Markets and Financial Institutions, Financial markets appear to have a greater impact on growth prospects of developing countries over the sample period. Financial institutions, however, also play a key role and are highly related to institutional quality overall.

Keywords Financial Development; Economic Growth; Threshold Dynamic Panel

JEL F63, G20, C23

W1HHII – Human Capital / Beşeri Sermaye · Wednesday 25 July, 09:00–09:20, Henry Hudson II

Short and Long-Term Unemployment In Turkey / Türkiye'de Kısa ve Uzun Dönem İşsizlik

İsmail Şentürk[1], Nazlı Karaoğlu[1]

[1]Gaziosmanpaşa University, Turkey

Abstract

There are two views on short and long term unemployment. According to one view, short-term unemployment is shorter than 6 months while long term unemployment is longer than 6 months. According to the other view if the period of unemployment is shorter than 12 months, it is shortterm unemployment, while longer than 12 months unemployment is defined as long-term unemployment. In this study the determinants of short and long-term unemployment for Turkey were examined. It is aimed to find out a solution by determining what needs to be done in order to solve the problem of unemployment which is a social problem and becomes deeper as long as the duration lengthen out. In accordance with this aim, data obtained from a nationwide survey were used. In the 15 cities of the implementing country, the statistics of these cities were distributed in the appropriate number and sex according to the unemployment rate in the regional unit. The obtained data was analyzed based on to these two opinions. The Logit method was used to analyze data. By this way, individual factors that revealed differences between short and long term were examined. Besides, the unemployment rate in the region where the individual lives was also included as an external factor in the analysis. As a result, some suggestions have been made to the public authority that individuals should be able to work again in the short term and that the unemployed can be reemployed in the short term.

Keywords Unemployment; Turkey; Logit

JEL J64, E24, J21

W1HHII – Human Capital / Beşeri Sermaye · Wednesday 25 July, 09:20–09:40, Henry Hudson II

The Effects of Luxury Value Perception on Purchase Intention: An Evaluation Through Socio-Demographic Variables / Lüks Değer Algısının Satın Alma Niyeti Üzerine Etkkisi: Sosyo-Demografik Değişkenler Aracılığıyla Bir Değerlendirme

Selda Başaran Alagöz[1], Mehmet Alagöz[2], Nezahat Ekici[3]

[1]Necmettin Erbakan University, Turkey
[2]Selcuk University, Turkey
[3]Karamanoğlu Mehmetbey Üniversity, Turkey

Abstract

In this study, it was argued whether luxury value perception (financial value, functional value, individual value and social value dimensions) of the consumers is an effective variable on purchase intention of the luxury products. It was also examined whether luxury value perceptions and luxury product purchase intentions differ according to gender. For that purpose, 402 samples were reached by convenience sampling method. SPSS package program was used for data analysis. As a result, it has been concluded that price value as a financial value subdimension, quality value as a functional value sub-dimension and hedonic value as an individual value sub-dimension more affects purchase intention of the luxury goods, respectively. Significant differences based on gender also have found.

Keywords Luxury Value Perception; Luxury Consumption; Purchase Intention; Gender Variable on Luxury Consumption

JEL M30, M31, M39

W1HHII – Human Capital / Beşeri Sermaye · Wednesday 25 July, 09:40–10:00, Henry Hudson II

Socioeconomic Determinants of Crime: An Empirical Application for European Countries / Suçun Sosyoekonomik Belirleyicileri: Avrupa Ülkeleri İçin Ampirik Bir Uygulama

Faik Bilgili[1], Zübeyde Şentürk Ulucak[1]

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Abstract

Criminal events should be socioeconomically analyzed by focusing on their reasons and results. In this direction, the field of crime economics become a research topic in theoretical and empirical literature to investigate the impact of socioeconomic variables on crime and the relationship between crime and unemployment, income distribution, inflation, education, economic growth is econometrically analyzed. It is expected that unemployment, income inequality, low income, high cost of living, low education level increase crimes by promoting people to commit illegal acts. Analyzing these variables that may be possible causes of criminal behaviors and determining their effects on crime enable countries to make efficient policies and to live peaceful coexistence. Therefore, the relationship between criminal behaviours and socioeconomic variables should be investigated and relavant policies should be put into practice accordingly. So, this study focuses on socieconomic determinants of criminal behaviours such as per capita income, unemployment, education level, welfare index, inequality index and price level by applying panel data techniques on 25 European Countries' data spanning from 19932012. Results show that per capita income, education level and welfare index have positive impact while unemployment, income inequality and price level have negative influence on crime.

Keywords Crime; unemployment; education; income inequality; welfare index; price level

JEL K42, I20, I30

W1HHII – Human Capital / Beşeri Sermaye · Wednesday 25 July, 10:00–10:20, Henry Hudson II

A Field Study on the Aweraness of Emotional Labour: Kocaeli Case / "Duygusal Emek" Farkındalığına İlişkin Bir Alan Araştırması: Kocaeli Örneği

Derya Demirdizen Çevik[1]

[1]Kocaeli University, Turkey

Abstract

This research aims to investigate the concept of emotional labour which states that employees' emotions should be managed as part of their jobs. Employees are expected to manage their feelings in the workplaces and display appropriate emotions while interacting with their customers. The use of emotional labour has become especially important in the service sector, where interaction with the customer is necessary. Businesses' approaches to emotional labour are highly pragmatic, and they believe that employees' emotions should be professionally managed and educated in their jobs. This point of view brought a new dimension as emotions besides physical and mental dimensions of labour. This research aims to examine the concept of emotional labour in a critical view through the findings of a field study. The interviews were conducted with sales representatives working in various stores in Kocaeli to investigate their awareness of emotional labour usage as a main purpose of this research. As a result, the use of emotional labour in employees has been seen as a "natural" and "necessary" situation.

Keywords Emotional Labour; Managed Heart; Managed Feelings

JEL J08, J01

W2HHI – Trade · Wednesday 25 July, 11:00–11:20, Henry Hudson I

A New Dawn for MENA Firms: Service Trade Liberalization for More Competitive Exports

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[2]Cairo University, Egypt

Abstract

With the ongoing debates on the Doha Agenda, micro-level empirical evidence has emerged to highlight the positive effect of services deregulation on the productivity of manufacturing firms in developing countries. While the MENA region has been neglected in this literature so far, the current paper fills the gap by exploring the effect of service liberalization on the productivity, extensive and intensive margins of manufacturing and services firms in selected MENA countries for 2013. The results show that service trade restrictiveness weighted by the input-output technical coefficient of service sectors, has a significantly negative effect on both the intensive and the extensive margins of trade, without any effect on firms' total factor productivity. The results are robust to different measures of service trade restrictiveness, namely the tariff equivalent of services and the service trade restrictiveness index.

Keywords Service trade liberalization; Total factor productivity; Trade margins; MENA

JEL D24, F12, F13, F14

W2HHI – Trade · Wednesday 25 July, 11:20–11:40, Henry Hudson I

Optimal Settlement and Commitment in Optimal Antitrust Enforcement

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Abstract

Since Becker (1968) and Posner (1976), the optimal antitrust enforcement policy consists of a penalty scheme and investigative effort that maximizes social welfare. The optimality requires the balancing of total costs and benefits of antitrust enforcement. This continual cost-benefit analysis necessitates the update and modernization of competition law. The Turkish competition law is expected to be updated soon in which elements of settlement and commitment are introduced. In this study, I argue that the competition authority should optimally employ settlement and commitment devices by weighing their benefits and costs. The relevant benefits could be speed, decrease in administrative costs and legal certainty. However, losses in deterrence and the elimination of positive externalities of final decisions are significant costs to consider. I also discuss the conditions under which settlement and commitment bring about the desired benefits. I finally propose that settlement and commitment are not the substitutes but the complements of the antitrust devices that the competition authority has (e.g., leniency programmes). The central message of the study is that settlement and commitment should also be used optimally in optimal antitrust enforcement.

KEYWORDS Optimal antitrust enforcement; competition law; settlement; commitment; Turkey

JEL K21, K42, L40

W2HHI – Trade · Wednesday 25 July, 11:40–12:00, Henry Hudson I

A Intraday Variability and Trading Volume: Evidence from National Stock Exchange

Arun Kumar Gopalaswamy[1], Aravind Sampath[1]

[1]Indian Institute of Technology Madras, India

Abstract

We investigate intraday patterns in returns, volumes, volatility and analyze the volume-return relationship using tick by tick data from the Indian market. Using descriptive measures and several regression frameworks, we document three important findings. Firstly, we report unusually high volatility, trading volume and number of trades during the opening and closing minutes depicting a 'U' shaped curve, implying high market activity during these periods. Secondly, while accounting for trading volume, we find that volatility is not significantly different between mid-day period and evening period as compared to the normal 'U' curve. Finally, we find significant positive relationship between intraday volume and price movements controlling for microstructure effects. The impact of positive returns on trading volume is higher than the impact of negative returns implying presence of return-volume asymmetry in the Indian market.

Keywords Intraday Patterns; India; National Stock Exchange; Return-Volume Regressions

W2HHI – Trade · Wednesday 25 July, 12:00–12:20, Henry Hudson I

Endogenous Climate Coalitions and Free Trade - Building the Missing Link

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[1]Chemnitz University of Technology, Germany

Abstract

In this paper, we discuss the endogenous formation of climate coalitions in an issue-linkage regime. In particular, we propose to build a link to the issue of preferential free trade. Trade privileges exclusively granted to members of the climate coalition work as an incentive mechanism for countries to join in. A multi-stage strategic trade framework is used in which coalition (fringe) countries can dispose of a policy set comprising a discriminatory import-tariff on dirty goods as well as producer emission permits traded on a common (local) permits market. A fairly novel modelling of the preferential free trade area is incorporated which is at the core of our approach. We find strong support for the claim that trade liberalization can promote relatively large and effective climate coalitions compared to the single issue regime. As a policy implication, negotiations on international climate treaties and free trade arrangements should be interlinked.

Keywords International Environmental Agreements; Free Trade; Issue Linkage

JEL Q56, F15, F18

W2HHII – Turkish Economy / Türkiye Ekonomisi · Wednesday 25 July, 11:00–11:20, Henry Hudson II

R & D Expenditures in Turkey/ Türkiye'de Ar-Ge Harcamalari

Selda Başaran Alagöz[1], Mehmet Alagöz[2]

[1]Necmettin Erbakan Üniversitesi, Turkey
[2]Selcuk Üniversity, Turkey

Abstract

Production is the most important action for a country to stand out in the global marketplace and to be able to talk about its name in today's global competition world. In the era of the variety of products and services, countries and companies are working to create a difference, to make innovations, and to take one step ahead of the race. The smallest added value provided by the manufacturer will grow like an avalanche to ensure positive gains. This provided added value brings two concepts to mind: R&D and innovation. R&D and innovation can be performed by private enterprises, a public institution, a non-profit organization, and universities. At that point, research investments of the countries have a crucial importance. Countries with large R&D investments for many years have made big steps in science and technology. Plus, those countries have made their competitiveness more strong in the global market by their power at industry and productions. With the result of innovation and R&D, a vague or on improved product/service will be created. Technological development and innovation lead to economic growth at the macro level, at the micro level they lead to profits of companies and market share. Industrial R&D is designed to reduce costs, improve product innovation or improve quality.In this study, R&D concept have explained and R&D expenditures in Turkey have focused, specifically. In the conclusion, suggestions on R&D expenditures and activities are presented.

Keywords R&D; Innovation; Products and Services

JEL O30, O31, O32

W2HHII – Turkish Economy / Türkiye Ekonomisi · Wednesday 25 July, 11:20–11:40, Henry Hudson II

The Impact of Terrorist Events on Turkish Tourism / Terör Olaylarının Türk Turizmine Etkisi

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[2]Giresun University, Turkey

Abstract

Tourism sector is a highly important source for emerging economies. It provides a significant contribution to the national economy and other sectors by generating both income and employment and providing foreign currency. Tourism is not a vital necessity, so it is affected very quickly by social, political and psychological factors. Since the tourists' purpose of visit is to explore new places, to recreate and to relax, it is inevitable to establish a trusty environment in the country to attract tourists. Civil war and/or terrorist attacks are the main factors that affect tourism sector negatively. The countries where civil war and terrorist attacks are experienced are not preferred by foreign tourists, and this causes a decrease in the inflow of receipts. The purpose of this study is to examine the effect of terrorist attacks which is experienced in Turkey on the tourism economy. For this purpose, the importance of tourism in Turkish economy will be discussed, the terrorist attacks which carried out in Turkey will be explained and how the terror attacks affected the tourism industry will be revealed. In the study, the first 10 European OECD nationality (Germany, Britain, the Netherlands, Greece, France, Belgium, Poland, Sweden, Austria and Denmark) which are sending the greatest number of tourists to Turkey will be examined by using panel data.

Keywords Tourism economy; Terrorist; Panel Data

JEL Z32, L83, C33

W2HHII – Turkish Economy / Türkiye Ekonomisi · Wednesday 25 July, 11:40–12:00, Henry Hudson II

Rebound Effect for Energy Consumption: The Case of Turkey/ Enerji Tüketiminde Rebound Etkisi: Türkiye Örneği

Recep Ulucak[1], Emrah Koçak[1]

[1]Gaziosmanpaşa University, Turkey

Abstract

Energy plays an important role in economic growth. However, the consumption of energy, particularly fossil fuel sources of energy, is associated with many problems including global warming and energy dependence. However, countries are not able to decrease dependence on fossil energy sources since alternative sources may have considerable costs. It is expected that technological advancement, thus total factor productivity may be solution to decrease resource usage since pollution and resource saving production process might be established through technology. On the other hand, Rebound effect foresees that resource usage rises due to increasing demand since technological advancement results in increased efficiency of production and resources usage process and leads prices to decline. So, resource usage and pollution will continue to increase. Considering the validity of Rebound effect, this study investigates the relationship between total factor productivity as a proxy for technological advancement and primary energy consumption for Turkey's data spanning from 1965-2014. Results Show that primary energy consumption simultaneously increases with total factor productivity.

Keywords Energy consumption; Rebound effect; Total factor productivity

JEL Q5, O1, C5

W2HHII – Turkish Economy / Türkiye Ekonomisi · Wednesday 25 July, 12:00–12:20, Henry Hudson II

The Correlation Between Transportation Industry and Economic Growth : The Case of OECD Countries / Ulaşım Sektörü İle Ekonomik Büyüme Arasındaki Karşılıklı İlişkinin İncelenmesi : OECD Ülkeleri Örneği

Sevgi Sezer[1]

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Abstract

In the present study where the correlation between economic growth and transportation investments was scrutinized, whether there was an interaction between transportation investments and economic growth in OECD countries was investigated. Thus, Pedroni and Kao cointegration analysis, FMOLS and DOLS analyses and Canning and Pedroni long-term causality analysis were conducted on 1995-2016 transportation industry infrastructure investments and gross domestic product per capita data for 25 OECD countries included in the study sample. The study findings demonstrated that per capita gross domestic increased the infrastructure investments in the transportation industry in the long-term, however the causality was reciprocal.

W3HHI – Finance · Wednesday 25 July, 14:00–14:20, Henry Hudson I

Is VC market Liquid? Evidence from India

James Dominic[1], Arun Kumar Gopalaswamy[1]

[1]Indian Institute of Technology Madras, India

Abstract

This paper models investment duration in the Indian VC market, industry wise and exit route wise. We examined 3416 transactions in India, which happened in the time period of 20002017, and found that the probability of staying invested for more than 10 years is 70%. Exit probabilities are low in most of the sectors. Investment duration is not positively associated with the investment valuation. Majority of investments are not able to exit because of the illiquidity of VC market.

Keywords Venture capital; Investment duration; Liquidity; Exit

JEL G24, G28, G38, M13, M16

W3HHI – Finance · Wednesday 25 July, 14:20–14:40, Henry Hudson I

Testing the Financial Kuznets Curve for Member and Candidate Countries of European Union

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Abstract

The distribution of income has always been one of the most popular research topics since it reflects the well-being of the society. The extant theoretical literature argues that equal distribution of income can be accomplished by financial development. Based on this theoretical perspective, this paper assesses the effect of financial development over income inequality by employing a panel data of 24 European Union countries and a candidate country over the period 1995-2014. The empirical results with estimation procedure of panel data analysis of fifteen major EU countries reveal that there is a strong evidence for Financial Kuznets Curve hypothesis. However, the empirical results of nine new members and Turkey as a candidate country are controversial. Two different empirical findings about two different samples reveal that financial development is not the only case for an equal income distribution. Financial development may not help countries to decrease income inequality if they do not have a sustainable macroeconomic structure.

Keywords European Union; Financial Development; Income Inequality

JEL G20, O11, O15

W3HHI – Finance · Wednesday 25 July, 14:40–15:00, Henry Hudson I

Insider Trading with Different Risk Attitudes

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Abstract

This paper examines the impact of different risk attitudes on the financial decisions of two insiders trading in the stock market. We consider a static version of the Kyle (1985) model with two insiders. Insider 1 is risk neutral while insider 2 is risk averse with negative exponential utility. First, we analytically prove the existence of a unique linear equilibrium. Second, we carry out a comparative static analysis with respect to the duopoly case of risk-neutral insiders (Tighe (1989)) and with respect to the duopoly case of risk-averse insiders (Holden and Subrahmanyam(1994)) models. Our findings reveal that the market depth and the information revelation are higher in Tighe (1989) than in our model. However, compared to Holden and Subrahmanyam(1994), we find that the market depth depends crucially on the degree of risk aversion. Finally, we show that regardless of the degree of risk aversion, the stock price reveals more information in ourmodel than the stock price in Holden and Subrahmanyam(1994).

Keywords Insider trading; Risk neutrality; Risk aversion; Exponential Utility; Market structure; Kyle model

JEL G14, D82

W3HHI – Finance · Wednesday 25 July, 15:00–15:20, Henry Hudson I

On Household and Commercial Credit, and Bank Market Power and Competition

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Abstract

It's been found that the market power exercised by a country's banking institutions has significant impact on its financial system and its real economy. Focusing on the Estonian banking system and the country's interconnections with the whole Baltic-region banking system, on this paper we empirically identify the magnitude and source of the market power exercised by each of the national and international banking institutions operating in the country and its effects on the lending behavior of these institutions towards domestic households and corporations. From estimating the supply of bank credit to households and corporations we find that bank gains on comparative advantage favor one credit market over the other depending if the source of the bank's competitive gains is from the output side (decreases in the price of loans) or the input side (decreases in the price of funds).

Keywords Market Power; Bank Competition; Credit Markets

JEL G21, L4, E51

W3HHII – Macroeconomy / Makroekonomi · Wednesday 25 July, 14:00–14:20, Henry Hudson II

Economic Growth and Environment: An Emprical Approach for OECD Countries/ Ekonomik Büyüme ve Çevre: OECD Ülkeleri İçin Ekonometrik Bir Analiz

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Abstract

The relationship between economic growth and environmental pollution is analyzed by Environmental Kuznets Curve (EKC). According to EKC hypothesis economic growth increases pollution till a threshold by resource usage and pollution and then it enhance the environmental quality after per capita income reaches that turning point. The background of this positive impact is based on structural changes from energy intensive industry to services and technological advancement. This approach claims that there exists an inverted U shaped connection between environmental degradation and economic growth. This study uses ecological footprint that is widely accepted as a comprehensive environmental indicator by conducting panel data techniques for OECD countries. Results reveal that there is not an inverted u shaped relationship between economic growth and environmental degradation.

Keywords Economic growth; Environmental pollution; EKC hypothesis; Panel data

JEL Q5, O1, C5

W3HHII – Macroeconomy / Makroekonomi · Wednesday 25 July, 14:20–14:40, Henry Hudson II

The Assesment of The CCT Programme of Turkey According To The World Bank Targets Is It Possible To Recall The "Social" State By Means Of Conditional Cash Transfers ?/ Şartlı Nakit Transferleriyle "Sosyal" Devleti Geri Çağırmak Mümkün mü? Türkiye ŞNT Uygulamasının DB Hedefleri Çerçevesinde Değerlendirilmesi

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Abstract

As a new implementation of social policy which was implemented by international institutions and especially by the World Bank, which felt responsibility for poverty and child poverty that was getting worse during 1990s, CCT programmes became a current issue. Besides being a social policy implementation, CCTs can be considered as today's popular fiscal policy tools because of being cash transfers which is made by the state about the education and the health and intending for combatting the poverty. The objective of these programmes is to make people benefit from the education, health and food services for the short term and also reducing poverty and preventing generational transition of poverty by providing empowerment of human capital for a long term. These cash transfers are made/paid to a specific (targetted) part of a the society and they are made conditionally. These specific (targetted) part of the society is particularly the children and their mothers. Another issue which is emphasized about these transfers is to be an implemantatin of the social state. In this study, the achievements and the failures of Turkey's CCT implementation will be argued in terms of main targets of the World Bank and various solutions which are related to enhancing of the programme including the world implemantation samples will be evaluated. In the conclusion part, it is found that CCT is a public social policy which focuses on social aid; it seperates from social rights view due to principle of conditionality; it is not sufficient for reducuing poverty as a social aid programme which is neoliberal, conservative and clientelist.

Keywords Conditional cash transfer; poverty; child poverty; social policy; social state

W3HHII – Macroeconomy / Makroekonomi · Wednesday 25 July, 14:40–15:00, Henry Hudson II

Windows That Opens From 80/20 Rule / 80/20 Kuralı'ndan Açilan Pencereler

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Abstract

In this study, the Pareto Principle will be evaluated from the perspectives of different disciplines. Having introduced by the Italian economist Vilfredo Pareto in order to draw attention to the inequality of wealth distribution in Italy in the late 1890s, the Pareto Principle opened the door, decades or even centuries later, to various discussions in a wide range of fields about the "vital few" or the "trivial many". After finding that 80% of the wealth belongs to 20% of the population and 80% of the land belongs to 20% of the population in Italy, Pareto observed that 20% of the pea seeds in his garden yielded 80% of the crops and concluded that a mathematical model can be developed for "vital few" or the "trivial many". The Pareto Principle/Law, or the 80/20 rule, states that 80% of outcomes come from 20% of inputs or 80% of the effects are due to 20% of the causes. This principle has been applied to many fields, including business, librarianship, health care, education, publishing, etc. The Pareto Principle was even argued by some (e.g., Richard Koch) to be applicable to one's personal life. In this sense, two dimensions of the Principle were discussed: the dimension that enhances productivity and the dimension that enriches life. This research aims to look at the different perspectives in the literature of the Pareto Principle and examines the transformation of the Principle from being a critical approach into being a tool of legitimacy or productivity.

Keywords Pareto Principle; 80/20 rule; Law of vital few

JEL A19, D29, M19

W3HHII – Macroeconomy / Makroekonomi · Wednesday 25 July, 15:00–15:20, Henry Hudson II

Effects of Public-Private Partnerships Investments on Economy: A Case Study for Turkey / Kamu Özel İşbirliği Yatırımlarının Ekonomik Etkileri: Türkiye Üzerine Bir Çalışma

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Abstract

In countries with low and middle income in the world, fast-growing population and urbanization result in the need of improving economic and commercial activities together with the infrastructure investments. However, with the current budget constraints, the difficulty of meeting these infrastructural investments by the public alone has led to the development of models in which the public and private sectors cooperate. The main objective in the Public and Private Partnership (PPP) model is to finance and construct the project through the private sector. Thus, there will be no obligation to the government budget on the project financing expense and it will be possible to use limited public expenditures in other areas (Alagöz ve Yokuş, 2017:115).In our country, especially after 2010, PPP investments have entered a rapid growth trend. Within PPP, during the period of 1986-2009, around $ 13.7 billion were invested for 108 projects and $ 44.8 billion were invested for 105 projects in the period of 2010-2017 (July). Considering Çanakkale 1915 bridge (2.8 billion dollars), Karapınar Solar Power Plant (1.3 billion dollars) and the 2 Nuclear Power Plants (NPP) costed 40 billion dollars in total investment which are not included in the Ministery of Development PPP inventory records, these PPP projects are getting more and more important for economic balance. In addition to the existing projects, it is obvious that the economic effects of PPP investments will be great when many infrastructural investments such as Kanal İstanbul, 3rd nuclear power plant, Istanbul 3rd Bosphorus tunnel are considered. On the other hand, an average 75% foreign currency credit was used for project financing for PPP investments. It is necessary to analyze the effects of external economic balances on the future turnover due to parameters such as the size of the PPP investments, it's not existing in public budget, and the use of foreign exchange credits(Alagöz ve Yokuş, 2018). The question whether PPP investments with external sources will negatively affect sustainability or the external economic balance of our country is a critical question.

Keywords Public-Private Partnerships; macroeconomic indicators; foreign direct investments

JEL E20, E22, F21, L32

W4HHI – Macroeconomy-1 · Wednesday 25 July, 16:00–16:20, Henry Hudson I

Does the Global Financial Crisis Play A Role in The Causal Relationship Between Exchange Rates and Stock Prices In South Africa?

Lelani Coetzee[1], Goodness C. Aye[1]

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Abstract

This paper examines the causal relationship between the exchange rate and stock prices and the effect of the financial crisis on this relationship using monthly time series data and VAR-based approach. It further analyzes the long-run relationships. The results show that exchange rate and stock prices were unrelated prior to the crisis, yet the interdependence between these markets has increased since the crisis as there is now unidirectional Granger causality from stock prices to the exchange rate. It further confirms that the variables exhibit long-run cointegrating relationships. Also an increase in stock prices leads to an appreciation of the exchange rate. Monetary policy that targets inflation through interest rates will inevitably affect investment which in turn affects capital flows, money demand and thus the exchange rate. The government can strive towards a stable exchange rate and growth in the stock market by avoiding sharp swings in monetary policy.

Keywords Exchange rate; stock price; long run; causality; global financial crisis

JEL C32, F31, G01, G15

W4HHI – Macroeconomy-1 · Wednesday 25 July, 16:20–16:40, Henry Hudson I

Evaluation of 2008 Global Crisis by Behavioural Economics Approach

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Abstract

It is rather difficult to explain the economic crisis which is starting in the United States in 2008 and rapidly spreading to all the countries of the world through the influence of globalization with the previous crisis theories. The other words, institutional mechanisms that are formed with classical economic thought's homoeconomicus human type, rationality hypothesis and "laissez faire laissez passe" are insufficient to understand this crisis process. Behavioral economics, which has an important link between economic and psychological sciences in the analysis of individual decisions especially combining psychological assumptions with economic decision-making analyzes, draws attention with its approach to the 2008 global crisis. Behavioral economics refers to the cognitive ability of the individual in the decision-making process and cognitive decision making is more effective than rational computation. Traditional economists examine the behavior of markets and analyze income, prices, the amount spent, the relationship between savings and investments. Behavioral economists, examines human behavior by analyzing the processes of investment, price determination, saving and spending, including psychological factors that affect behavior such as people's motivations, attitudes and expectations. The aim of this study is to draw attention to 2008 global crisis is not just a financial crisis but also a confidence crisis and how people come out of rationality in the decision-making process and how their cognitive intelligence comes to the forefront. In this direction, first of all, historical development of behavioral economics will be examined and uncertainty and under risk decision process will be evaluated within the framework of expectation theory. Then, the process of the emergence of 2008 global financial crisis will be considered and the crisis will be tried to be illuminated within the framework of behavioral economics.

Keywords Behavioral economics; 2008 global crisis; expectation theory; psychology

JEL C01, E02, O40

W4HHI – Macroeconomy-1 · Wednesday 25 July, 16:40–17:00, Henry Hudson I

The Impact of Central Bank Transparency on Inflation Persistence

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Abstract

In this paper we investigate the effects of Central Banks' Transparency into inflation persistence, using data from 16 countries. Historically, inflation persistence measurements and concerns exist in literature of monetary policy for more than 30 years. In this paper, we will focus on the role of monetary policy in the persistence of inflation. The measurements helped explain many functions of economy, like Ball (1995) explaining inflation fluctuations regarding tougher or looser monetary policy, where the first is more likely to produce more persistent inflation. Other authors tried to measure inflation persistence when Central Banks perform an inflation targeting policy . Alogoskoufis (2017) considered that monetary policy rules targeting unanticipated changes in unemployment rates could improve results in terms of inflation persistence. Diana and Sidiropoulos (2004), focusing on the characteristics of central banks, have shown that sacrifice ratios are lower when central bank independence is higher. In the same spirit, Papadamou, Spyromitros and Tsintzos (2017) suggest that an independent central bank could better manage inflation expectations and therefore inflation persistence despite the occurrence of persistent public investment shocks. In our paper we use data, collected from World Bank's database, regarding 16 countries, where measurements are the Bank's published prices and transparency levels are taken from Dincer and Eichengreen (2014) and Oikonomou and Spyromitros (2017). In order to evaluate, as better as possible, the effects on inflation persistence we use the following variables of interest: Transparency (TRNS), GDP growth (GDPg), Unit Labour Cost (ULC), interest rates (IR) (in case of EU countries we use the EURIBOR and for UK LIBOR) and openness (OPN) (Dincer Eichengreen 2007). To calculate inflation persistence (INFp) we use the formula: INFp=ρ=(Cov(π_t.π_(t-1)))/(Var(π_t)) , where ρ is the correlation coefficient between π_t and π_(t-1) and π_t is the annual inflation rate at year t. We apply a rolling window approach, where for each year we consider the previous tenyear inflation rates. Then we apply a panel data analysis estimating from 1998 to 2016, to investigate the link between inflation persistence and central bank transparency. Our findings, after testing for unit root, cross-sectional dependence, heteroskedasticity and autocorrelation suggest that there is a strong and statistically significant reverse effect of transparency on inflation persistence. We use both FE/RE regression model testing with Hausman and F-GLS regression, since T(=19)>N(=16) as well as Prais-Winsten PCSE regression.

Keywords Inflation Persistence; Central Bank Transparency

JEL E31, E52

W4HHII – Labor · Wednesday 25 July, 16:00–16:20, Henry Hudson II

School to Work Transition in India: An Empirical Study with Survey Data

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Abstract

This paper studies the incidence of youth unemployment and the major factors associated with it, using Indian data. Specifically, it looks into how the youth (15-29 years) with education at different levels are transitioning into work and whether they have succeeded in getting productive employment and are being integrated into the labour market. This study has been motivated by the fact that, while most of the empirical studies on youth unemployment and school-to-work transitions are based on data from high-income countries, very little has been undertaken with data from developing countries and no such attempt has been made with survey data in India. Using probit estimation methods we have shown that youth unemployment can only be reduced through the introduction of policies that promote a work related curriculum and seek to reform education systems and professional development; in other words, through the introduction of educational policy, capable of giving the same importance to vocational training and technical education as to other economic policies in governmental and private institutions.

Keywords Youth unemployment; education; response model; India

JEL I20, J13, J24, J62

W4HHII – Labor · Wednesday 25 July, 16:20–16:40, Henry Hudson II

Entrepreneurial Orientation of Management Teams, SME's Competitive Advantage and Performance: The Role of Gender Diversity

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Abstract

There has been a controversy over the relationship between entrepreneurial orientation and a firm's performance; while some believe that this relationship is a positive, others could not find a significant result. This study examines this link and the relationships between these two concepts and competitive advantage. The empirical results from 274 SMEs in the UK show that there is no significant relationship between entrepreneurial orientation and a firm's performance. This study also reveals a significant positive influence that the entrepreneurial orientation of management teams has on the competitive advantage of SMEs, which in turn improves the firms' performance. The results from a fine-grained analysis based upon multigroup structural equation modelling method show that the autonomy element of entrepreneurial orientation has no influence on competitive advantage, whereas the innovativeness and proactiveness of a management team significantly positively influence an SME's competitive advantage. The results also show that the impact of risk-taking of a management team had on an SME's competitive advantage is significantly negative when the firm is led by a management team with majority is male, but such link is not significant in the cases of the firm is led by a management team with female majority or similar composition.

Keywords Entrepreneurial Orientation; Competitive Advantage; Gender diversity

JEL L26, L25, M10

W4HHII – Labor · Wednesday 25 July, 16:40–17:00, Henry Hudson II

Institutions and gender gap in developing countries: an economic approach

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Abstract

This research examines the extent to which different aspects of public institutional quality are associated to the magnitude of the gender gap in terms of economic opportunities. Specifically we analyse the relationship between the Public Institutions Index and its five components, and the Economic Participation and Opportunity Index. To this end, we carry out a panel data dynamic analysis in 82 developing countries during the period 2006–2017 by using the system Generalized Method of Moments estimator. We find that property rights, security and government efficiency seem to be main factors associated to lower values of the economic gender gap. By geographical areas, we reveal that public institutions quality seem to be particularly associated with lower values of gender gap in Latin America and the Caribbean countries while in MENA and East and South Asia and Pacific countries this association is not significant. In Sub-Saharan countries ethics and corruption stands as a significant component.

KEYWORDS Institutions and gender; Economic gender gap; Developing countries

JEL B54, B52, D63

T1HHI – Inequality · Thursday 26 July, 09:00–09:20, Henry Hudson I

Reproduction of Power Law Tails of Chinese Income and Wealth Distributions

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Abstract

Household income and wealth inequality are increasing in China. A key empirical fact shows that increasing inequality of capital income has played the most important role in the increase of overall income and wealth inequality. Thus, the aim of this paper is to investigate how this determining role works in increasing income inequality, and to study the dynamics of wealth inequality by building up a theoretical agent-based framework with capital income risk. By computer simulations and estimations, the Power law distributions of household income and wealth are reproduced by the proposed model, and the tail Pareto Index estimations of the above simulation distributions are found to be consistent with the empirical finding based on the CFPS 2016(China Family Panel Studies, 2016) and Forbes (2017) data. Then, the dynamics of wealth inequality are studied. Firstly, it is found that wealth and income distribution have a similar shape, but wealth is more unequally distributed than income. Secondly, the dynamics of wealth accumulation show that increase in net wealth gained from financial investment is the key factor to sustaining wealth accumulation. Finally, it is recovered that individuals' financial investment generates the power law tail.

Keywords Income distribution; Wealth distribution; Agent-based modelling

JEL D31, D33, E2

T1HHI – Inequality · Thursday 26 July, 09:20–09:40, Henry Hudson I

A New Perspective for Multidimensional Poverty: An Income-based Approach with Applications to China's Rural Poverty

Chengyu Yang[1]

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Abstract

This paper provides a new perspective for monitoring the multidimensional poverty. Considering the mismatch between income poverty and the multidimensional poverty measured by A-F method (Alkire 2007; Alkire & Foster 2011), the income-oriented approach is proposed for focusing on the income poor who are also deprived in other non-income dimensions. The income-oriented multidimensional poverty indices can be constructed by modifying the counting rules of deprivation score in A-F approach. Then, the income-oriented method is used for estimating the multidimensional poverty in rural China, based on the data from China Family Panel Studies (CFPS) 2010, 2012, and 2014. The income-oriented overlapping deprivations are observed from the micro survey data, and the results show that poverty issues had been improved from 2010 to 2014. Additionally, the income poor can be effectively identified and tracked through income-oriented approach, and the observation of the poverty mobility shows that income poor that are deprived in other dimensions are less likely to jump out of poverty. At last, compared with A-F method, income-oriented approach is more sensitive to the changes of income poverty line, and the poverty indices measured by income-oriented approach are consistent among different weighting schemes, and the measures are also robust to the fluctuations of income.

Keywords Multidimensional Poverty; Poverty dynamics; Poverty reduction policy

JEL I32, P36, D63

T1HHI – Inequality · Thursday 26 July, 09:40–10:00, Henry Hudson I

Food Inflation and Poverty Nexus: An Empirical Ascertainment

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Abstract

Reducing the poverty level is one of the prime objectives in the Millennium Development Goal (MDG) for all developing nations of the world. There are a number of factors contributing to enhance the poverty level. Among these factors, inflation is one of the major and highly concerned one that is eroding the development and growth level of Least Developed Countries (LDCs). Moreover, it leads to reduction in real value of money and termed as a serious hazard. More recently, the global food crisis has affected many poor across the globe. This study takes into account the food items related inflation and its link with the poverty at national as well as at global level. It also highlights the major causes of food inflation which would be quite useful for policy formulation process. For the purpose, time series data set has been taken into account ranging over the period of 16 years 1990-2015. Auto Regressive Distributed Lag (ARDL) Model is utilized to explore the short run and long run elasticities. The major findings suggested that a robust link exists between food inflation and poverty level.

Keywords Food Inflation; Poverty; Auto Regressive Distributed Lag Model

T1HHI – Inequality · Thursday 26 July, 10:00–10:20, Henry Hudson I

The determinants of monetary poverty in Morocco: Empirical evidence from spatial data

Amaghouss Jabrane[1]

[1]Cadi Ayyad University, Morocco

ABSTRACT

T2HHI – Topics in Economics · Thursday 26 July, 11:00–11:20, Henry Hudson I

How Green is the Green Economy: A Suggestion of an Alternative Framework

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Abstract

Since the beginning of economic crisis in the early 1970's, as capital has been facing bottlenecks in finding new fields for re-investment in the accumulation process, commodification of nature has been intensified. The crisis of the system and the ecological crisis are not only intrinsically related but also intertwined. As economic crisis deepens capitalization of nature accelerates and new facets of nature becomes the subject of market mechanism and private property. Moreover, the approach of incorporation of all life forms and eco systems into the price mechanism was launched with an "environmentalist" discourse as green economy by the prestigious international institutions towards the end of 1980s such as UN and the Club of Rome. Even though this discourse seems to promote harmonious relationship between nature and development and takes into account the needs of future generations as well as current ones equally, since then capitalization of nature has intensified as a new form of production of space to accelerate capital accumulation in the name of sustainable development. In this paper we will try to offer an alternative theoretical framework for understanding green economy discourse by incorporating theories of critical geographer's i.e. David Harvey's secondary circuit of capital and Neil Smith's the production of nature.

Keywords Green Economy; Production of Nature; Production of Space; Economic Crisis; Sustainable Development

JEL Q13, Q5

T2HHI – Topics in Economics · Thursday 26 July, 11:20–11:40, Henry Hudson I

To Be, or Not to Be: Stereotypes, Identity Choice and Group Inequality

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[2]Brown University, USA

Abstract

We extend a model of 'stereotyping' by allowing agents to exert control over their perceived identities. The logic of individuals' identity choices induces a positive selection of the more talented individuals into a group with a superior reputation. Thus, the inequality deriving from the stereo- typing of endogenously constructed groups can be greater than the in- equality that can emerge when perceived identity is not malleable. More- over, when identity manipulation is sufficiently easier to undertake, an equality across social groups may not be achievable even with strong egal- itarian interventions. Among the human behaviors illuminated by this theory are: (1) the selective out-migration from a stigmatized group and (2) the production of the indices of differentiation by better-off members of the negatively stereotyped group. We also examine the welfare impli- cations of these identity manipulation activities.

Keywords Stereotypes; Identity Choice; Group Inequality; Passing

JEL D63, J15, J70, Z13

T2HHI – Topics in Economics · Thursday 26 July, 11:40–12:00, Henry Hudson I

Wage Gap and Employment Status in Indian Labour Market – Quantile Based Counterfactual Analysis

Panchanan Das[1]

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Abstract

This paper studies the incidence of youth unemployment and the major factors associated with it, using Indian data. Specifically, it looks into how the youth (15-29 years) with education at different levels are transitioning into work and whether they have succeeded in getting productive employment and are being integrated into the labour market. This study has been motivated by the fact that, while most of the empirical studies on youth unemployment and school-to-work transitions are based on data from high-income countries, very little has been undertaken with data from developing countries and no such attempt has been made with survey data in India. Using probit estimation methods we have shown that youth unemployment can only be reduced through the introduction of policies that promote a work related curriculum and seek to reform education systems and professional development; in other words, through the introduction of educational policy, capable of giving the same importance to vocational training and technical education as to other economic policies in governmental and private institutions.

Keywords Youth unemployment; education; response model; India

JEL I20, J13, J24, J62

T2HHII – Macroeconomy-2 · Thursday 26 July, 11:00–11:20, Henry Hudson II

Importance of Awareness of Default Risk on Conducting Monetary and Fiscal Policies

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Abstract

We develop a class of DSGE models with nominal rigidities and investigate importance of awareness of default risk at the point of conducting monetary and fiscal policies. We introduce the default risk in the model. The default mechanism is based on Uribe's who show the tradeoff between stabilizing inflation and suppressing default. We assume two policy authorities: the policy authority who are aware of the default risk and it who are not. If the policy authorities are aware of the default risk, the welfare costs function which stems from second- order approximated utility function contains the quadratic term of the premium difference which is difference between the (virtual) government debt yield and its coupon rate. If they are not, the welfare costs function does not contain such a quadratic term. We analyze two policies: the exact and the false policies. The exact is optimal monetary and fiscal policy and conducted by the policy authorities which are aware of default risk. The false is optimal monetary and fiscal policy and conducted by the policy authorities which are not aware of default risk. We solve the LQ problem and the model are solved numerically. Further, we calculate coefficients of simple rules which are a class of Taylor rules and a class of Bohn rule. We find that there is no distinction on simple rules between the exact and false policies if the interest spread is low. However, if the interest spread in the steady state is high, the policy authorities should give up to stabilize inflation and minimize the premium difference. We calculate welfare costs under two policies. if the interest spread is low, there is much difference on welfare costs between two policies. However, if it is high, the difference on the welfare costs are not negligible and is very high. If policy authorities are not aware of the default risk, the policy authorities introduce tighter policy which generates much welfare costs. If the interest spread is high, policy authorities should be aware of the default risk.

Keywords Sovereign Risk; Optimal Monetary Policy; Fiscal Theory of the Price Level

JEL E52, E60

T2HHII – Macroeconomy-2 · Thursday 26 July, 11:20–11:40, Henry Hudson II

Smart Meters and Distributed Generation: Panel Causality Evidence

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Abstract

Both the relevant literature and the regulatory authorities' policy reports suggest that there is a relationship between smart meters and distributed generation and that an essential tool for the integration of distributed generation into electric systems is the smart meter technology. However, to date, there has been no formal or scientific test of this proposition. This article examines the relationship between advanced metering infrastructure (AMI) and distributed generation (DG), which are expected to be among the critical components of future electricity markets. For this purpose, long monthly time series data were used for four different consumer groups (commercial, industrial, residential and small- and medium-sized enterprises) for the network reporting regions in New Zealand and a panel Granger causality analysis was conducted. The econometric results establish a two-way causality relationship between AMI penetration and DG uptake rate. These findings are in line with the propositions in the literature and policy papers, and they comprise policy implications.

Keywords Smart meters; distributed generation; panel causality analysis; New Zealand

JEL Q40, Q48, O13

T2HHII – Macroeconomy-2 · Thursday 26 July, 11:40–12:00, Henry Hudson II

Computational Evidence on the Distributive Properties of Monetary Policy

Siyan Chen[1], Saul Desiderio[1]

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Abstract

Empirical studies have pointed out that monetary policy may significantly affect income and wealth inequality. To investigate the distributive properties of monetary policy we resort to an agent-based macroeconomic model where firms, households and one bank interact on the basis of limited information and adaptive rules-of-thumb. Simulations show that the model can replicate fairly well a number of stylized facts, specially those relative to the business cycle. We address the issue using three types of computational experiments, including a global sensitivity analysis carried out through a novel methodology which greatly reduces the computational burden of simulations. The result emerges that a more restrictive monetary policy increases inequality, even though this effect may differ across groups of households. This may put into question the principle of the independence of central banks. In addition, this effect appears to be attenuated if the bank's willingness to lend is lower.

Keywords Economic inequality; Monetary policy; Agent-based models

JEL C63, D31, D50

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Education and Economic Growth In South Africa: An Empirical Investigation

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Abstract

This paper takes a fresh look at the dynamic relationship between education and economic growth in South Africa, using modern time-series data. Currently, there exist four views regarding the relationship between these two key variables. The first view argues that there is a unidirectional causal flow from education to economic growth; since a highly educated work force increases economic growth. The second theory, however, maintains that it is economic growth that Granger-causes education at all levels – because higher economic growth leads to a greater investment in education. The third view is a middle-ground view, which states that both economic growth and education Granger-cause each other. The fourth view, however, maintains that there is no profound causal relationship between these two variables, and the relationship between the two could be merely coincidental. Unlike some of the previous studies, the current study uses three proxies to measure the level of education in South Africa, namely human capital, total education expenditure, and per capita school enrolments. In addition, the study uses two intermittent variables, thereby leading to a multivariate Granger-causality model. In order to address the methodological weaknesses of some of the previous, the current study uses the Autoregressive Distributed Lags (ARDL) bounds testing approach and the ECMbased Granger-causality model to examine this linkage. The findings of this study show that causal relationship between education and economic growth is dependent on the variable used to measure the level of education. In addition, the causality changes overtime.

Keywords Education; Economic Growth; South Africa

JEL O40, I25, C22

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