

BOOK OF ABSTRACTS

EconWorld2021@Tbilisi

23–25 September 2021

Tbilisi, Georgia

Online (Zoom)

WELCOME



The 13th EconWorld conference (International Conference on Economics) was held in Tbilisi, Georgia on 23–25 September 2021 online.

PROGRAMME AT A GLANCE



THURSDAY, 23 SEPTEMBER 2021

11:00–12:00	T2A – Development Economics (Zoom Room)
12:15–13:15	T3A – Macroeconomics (Zoom Room)
14:15–15:15	T4A – Demographic Studies (Zoom Room)
15:30–16:30	T5A – COVID-19 and Economics (Zoom Room)

FRIDAY, 24 SEPTEMBER 2021

11:00–12:00	F1A – Financial Economics (Zoom Room)
12:15–13:15	F2A – International Economics (Zoom Room)
14:15–15:15	F3A – Labor, Technology and Trade (Zoom Room)
15:30–16:30	F4A – COVID-19 and Political Economics (Zoom Room)
16:45–17:45	F5A – Econometrics (Zoom Room)

KEYNOTE SPEAKERS



Vakhtang Charaia

Business and Technology University

Hulya Ulku

World Bank

“Unemployment Benefit, Active Labor Market Policies and Economic Outcomes: Evidence from New Global Data”

SESSIONS

T2A – Development Economics

Thursday, 23 September 2021 • 11:00–12:00 • Zoom Room • Chair: Vakhtang Charaia

11:00	Marshall Plan with Africa: A “Paradigm Shift” or ‘New Wine in the Old Bottle’? <i>Tolga Tören</i>	p. 9
11:20	Fast Internet and Gender Norms: Evidence from Sub-Saharan Africa <i>Eugenia Maria Frezza</i>	p. 10
11:40	Improvement of Foreign Trade within the Context of the Globalizing World: The Case of 6 European Countries <i>Sevgi Sezer</i>	p. 11

T3A – Macroeconomics

Thursday, 23 September 2021 • 12:15–13:15 • Zoom Room • Chair: Yılmaz Kılıçaslan

12:15	Permanent and Transitory Effect of Public Debt on Investment: Exploring the Role of Institutional Factors <i>Attahir Babaji Abubakar</i>	p. 12
12:35	Effects of Multi-Purchasing on Pricing Structure in Two-Sided Market <i>Robin Yeom</i>	p. 13
12:55	Asset Bubble, Growth and Endogenous Labor Supply <i>Kathia Bahloul Zekkari</i>	p. 14

T4A – Demographic Studies

Thursday, 23 September 2021 • 14:15–15:15 • Zoom Room • Chair: Vakhtang Charaia

14:15	Choice of Musical Instruments in Music Education: A View from a Gender Perspective <i>Myriam González-Limón</i>	p. 15
14:35	COVID-19 Lockdown, Service Sector Dualism and Migrant Crisis in a Developing Economy: A General Equilibrium Analysis <i>Sushobhan Mahata</i>	p. 16
14:55	Parenting Styles and Balance of Power <i>George Jacob</i>	p. 17

T5A – COVID-19 and Economics

Thursday, 23 September 2021 • 15:30–16:30 • Zoom Room • Chair: Guanming He

15:30	COVID-19 Pandemic Impacts within the context of Green Supply Chain Management Practices <i>Sevgi Sezer</i>	p. 18
15:50	Evaluation of Home Office Process During COVID-19 Period <i>Mehtap Dursun</i>	p. 19
16:10	Simulation-based Bayesian Inference for Dynamic Structural Models <i>Cameron Fen</i>	p. 20

F1A – Financial Economics

Friday, 24 September 2021 • 11:00–12:00 • Zoom Room • Chair: Vakh tang Charaia

11:00	Are Board Busyness detrimental for Creditors? <i>Xuehua Shao</i>	p. 21
11:20	Market Discipline under Financial Contagion <i>Takeshi Nakata</i>	p. 22
11:40	Monetary Aggregates in OECD Countries <i>Yunus Özcan</i>	p. 23

F2A – International Economics

Friday, 24 September 2021 • 12:15–13:15 • Zoom Room • Chair: Ugur Aytun

12:15	Macroeconomic Determinants of Balance of Payment Performance in Africa <i>Adamu Braimah Abille</i>	p. 24
12:35	Crime-Corruption Nexus, Strategic Deterrence and FDI: A Theoretical Analysis <i>Rohan Kantı Khan</i>	p. 25
12:55	How Board Busyness Affects Agency Costs and Shareholder Rights? <i>Xuehua Shao</i>	p. 26

F3A – Labor, Technology and Trade

Friday, 24 September 2021 • 14:15–15:15 • Zoom Room • Chair: Yılmaz Kılıçaslan

14:15	Credit Market Distortion, Natural Disaster and Migration <i>Salonkara Chaudhuri</i>	p. 27
14:35	Evaluating Freight Forwarders in the Air Cargo Industry <i>Zeynep Sener</i>	p. 28
14:55	Remittances and Technology Spillovers – Empirical Evidence from Developing Countries <i>Keerti Mallela</i>	p. 29

F4A – COVID-19 and Political Economics

Friday, 24 September 2021 • 15:30–16:30 • Zoom Room • Chair: Aliye Atay

15:30	COVID-19 restrictions: Implications over trust in government and health concerns <i>Cristina Vilaplana-Prieto</i>	p. 30
15:50	Shooting Political Polarization <i>Francesco Barilari</i>	p. 31
16:10	Assessment of the financial performance of the Algerian tax system in terms of ordinary taxation <i>Halima Belhocine</i>	p. 32

F5A – Econometrics

Friday, 24 September 2021 • 16:45–17:45 • Zoom Room • Chair: Cameron Fen

16:45	The Impact of the Shanghai – Hong Kong Stock Market Connection on Corporate Innovation: Evidence from Mainland China <i>Guanming He</i>	p. 33
17:05	Improving Macroeconomic Model Validity and Forecasting Performance via Pooled Country Data <i>Cameron Fen</i>	p. 34
17:25	Persuasion with Hard and Soft Information <i>Sulagna Dasgupta</i>	p. 35

ABSTRACTS



T2A – Development Economics · Thursday 23 September, 11:00–11:20, Zoom Room

Marshall Plan with Africa: A “Paradigm Shift” or ‘New Wine in the Old Bottle’?

Tolga Tören¹

¹University of Kassel, Germany

ABSTRACT

The year of 2014 marks a turning point in terms of policy making and development discourse towards the African continent in Germany. In that year, the government issued “the Federal Government Policy Guidelines for Africa” with the aim of developing a comprehensive approach towards the continent, focusing on varying issues ranging from peace, security and human rights to poverty, economic growth, trade and investment. Thereafter, the year of 2017 was declared as the year of Africa not only in Germany but in the European Union. The continent was also the main theme of the G20 2017 meeting in Hamburg under Germany’s presidency. In the same period, the European Union also worked to re-define economic relations with the continent, including the replacement of the Cotonou Agreement with a new partnership agreement. In 2017, three policy proposals came onto the agenda in Germany: The First is “Pro!Africa” by the Federal Ministry for Economic Affairs and Energy (BMWi) and with the aim of strengthening stability and development in the continent. The second is “Compact with Africa (CwA)” by the Federal Ministry of Finance (BMF) in cooperation with the IMF, World Bank and African Development Bank, and with particular focus on macro economy, economic development and sustainability of ‘the partner countries’ in the continent. Finally, “Marshall Plan with Africa” by the Federal Ministry of Development Cooperation (BMZ) and with particular focus on economic activity, trade, employment, peace, security, democracy and rule of law in ‘the partner countries’ in the continent. Being regarded as a special visible and active development policy with focus on a specific area for a defined period of time, “Marshall Plan with Africa” claims not only a “paradigm shift” in development cooperation but also a stronger commitment to the notion of development. This paper aims to discuss “the Marshall Plan with Africa” within the context of global political economy, through the literature on foreign aid policies and with particular focus on the terms of ‘development cooperation’ and ‘development partnership’.

KEYWORDS Global Political Economy; Development Cooperation; Foreign Aid

JEL F02, F35, F63

T2A – Development Economics · Thursday 23 September, 11:20–11:40, Zoom Room

Fast Internet and Gender Norms: Evidence from Sub-Saharan Africa

Eugenia Maria Frezza¹

¹Trinity College Dublin, Ireland

ABSTRACT

Is internet a tool for women's empowerment or does it exacerbate discriminatory gender norms? I answer this question by exploiting the gradual arrival of fast internet between 2008-2012 on African coasts via submarine cables from Europe to retrieve a causal effect of internet on gender norms around attitudes towards intimate-partner-violence (IPV). Specifically, I compare individuals' attitudes towards violence in locations with high internet penetration and those without, exploiting differences in the timing of the high-speed internet arrival. Results show that fast internet leads to more regressive gender norms. Individuals located in connected areas are more likely to find violence justifiable. This effect is stronger for males. I then explore the potential mechanisms behind this result. The most likely mechanism to be at play in this setting is that internet causes more regressive gender norms because it might change the balance of power within the household, by affecting labour market opportunities for men and women differently.

KEYWORDS Development Economics; Gender Economics

JEL J16, O12

T2A – Development Economics · Thursday 23 September, 11:40–12:00, Zoom Room

Improvement of Foreign Trade within the Context of the Globalizing World: The Case of 6 European Countries

Sevgi Sezer¹

¹Balikesir University, Turkey

A B S T R A C T

The essential domain of the discipline of Economics involves the extent to which outputs/services would be produced, how they are produced and, quite naturally, for whom they are produced. Revenues of the household earned by labor force, as one of the primal elements of the production process, constitute the most crucial portion of GDP. Foreign trade has a crucial role especially in a globalized realm of World countries. This manuscript aims to explicate certain features of foreign trade in several European countries, namely France, Italy, Switzerland, Germany, Britain and Spain. Initially, the analysis of overall improvement of trade involving the entire country set is performed. Secondly, trade openness features of the selected countries are concentrated on, and analysis results are presented accordingly.

KEYWORDS Free Foreign Trade; Economic Growth; BRICSMT Countries

JEL B17, F14, N10

T3A – Macroeconomics · Thursday 23 September, 12:15–12:35, Zoom Room

Permanent and Transitory Effect of Public Debt on Investment: Exploring the Role of Institutional Factors

Attahir Babaji Abubakar¹

¹Ahmadu Bello University, Nigeria

A B S T R A C T

This paper explores the permanent and transitory effect of public debt on investment in sub-Saharan Africa being a relatively high debt and low investment region. The paper also takes into account the role of institutional quality in examining the relationship between the variables. To achieve the study objectives, Mundlak's transformation method was employed to disentangle the effect of public debt into its transitory and permanent components. The findings of the study revealed that public debt exerts a positive permanent effect and negative transitory effect on total, public and private investments. However, when the quality of institutions is taken into account in modelling the relationship between the variables, the negative transitory effect of public debt on investment was neutralised. Improvement in institutional quality was also found to positively affect investment in the region.

KEYWORDS Public debt; Investment; Permanent; Transitory; Mundlak; Africa

JEL H63, E62

T3A – Macroeconomics · Thursday 23 September, 12:35–12:55, Zoom Room

Effects of Multi-Purchasing on Pricing Structure in Two-Sided Market

Robin Yeom¹, Se Hoon Bang¹

¹Ewha Womans University, South Korea

A B S T R A C T

T3A – Macroeconomics · Thursday 23 September, 12:55–13:15, Zoom Room

Asset Bubble, Growth and Endogenous Labor Supply

Kathia Bahloul Zekkari¹

¹Aix-Marseille University, France

ABSTRACT

Bubbles are often associated with an increase in growth and labor. Their collapse is often accompanied by a reduction in working hours and a recession of economic growth. Taking into account this empirical evidence, we examine the interaction between asset bubbles, labor supply and economic growth. We consider an overlapping generations with elastic labor model in which we introduce productive public spending and lump-sum transfers. The latter two are financed by tax burden on capital and labor incomes. First, we find that asset bubbles can (cannot) emerge when the labor supply is higher (lower) than its value in the equilibrium without bubble. Second, we show that labor supply is promoted by bubbles. The growth rate is also boosted by bubbles when the positive effect of labor supply occurred thanks to bubble (crowding-in effect) dominates the negative effect of bubbles (crowding-out effect). We explore a transitional dynamics of bubble, employment and growth following the bubble bursting caused by changes in fiscal policy.

KEYWORDS Bubble; endogenous labor; endogenous growth; crowding-in effect; fiscal policy

JEL H23, J22, O41

T4A – Demographic Studies · Thursday 23 September, 14:15–14:35, Zoom Room

Choice of Musical Instruments in Music Education: A View from a Gender Perspective

Myriam González-Limón¹, Asunción Rodríguez-Ramos¹, Irene Malia-Pérez¹

¹Universidad de Sevilla, Spain

ABSTRACT

The general objective of this article is to analyse whether there are differences based on sex in the choice of musical instruments in music conservatories. The methodology used is quantitative. We have analysed the data on enrolment in the different instrumental specialities of two public music conservatories in Seville (Spain) at the three levels of music education: Basic, Professional and Higher Music Education. The main conclusions of the study were the existence of feminised and masculinised instrumental families, and the relationship between the variables student sex and instrumental families was significant with a medium effect size.

KEYWORDS Education and Gender; Music; Musical instrument; Sex; Music education

JEL I24, Z10

T4A – Demographic Studies · Thursday 23 September, 14:35–14:55, Zoom Room

COVID-19 Lockdown, Service Sector Dualism and Migrant Crisis in a Developing Economy: A General Equilibrium Analysis

Sushobhan Mahata¹, Ranjanendra Narayan Nag²

¹University of Calcutta, India

²St. Xavier's College, India

ABSTRACT

COVID-19 has posed severe challenges not only to research in the field of medicines and natural sciences but also to policymakers. In almost all nations of the world, the lockdown has been chosen as an immediate response to this pandemic crisis. The COVID-19 pandemic, the subsequent lockdown and physical distancing measures have had a significant impact on the contact-intensive service sector while the non-contact-intensive high-skilled service sector circumvented the pandemic inflicted lockdown. Against this backdrop, a multi-sectoral general equilibrium model with a non-monocentric service sector has been constructed for a distortion ridden developing economy in the presence of capital market imperfection and open unemployment. The lockdown has been conceptualized as a government-controlled exogenous policy instrument to restrict human mobility in the contact-intensive economic activities that have multi-dimensional effects in the form of high transaction cost in the production sector, reduced labour supply, adverse demand shock and an unprecedented psychological cost on labour. The effects are examined on skilled-unskilled wage disparity, regional migration and unemployment. Finally, using this structure we critically analyze and compare the effectiveness of an expansionary credit policy and direct cash transfer to workers in controlling the damage caused by the lockdown.

KEYWORDS COVID-19 pandemic; unemployment; migration; service sector dualism

JEL D50, J31, J61

T4A – Demographic Studies · Thursday 23 September, 14:55–15:15, Zoom Room

Parenting Styles and Balance of Power

George Jacob¹

¹Trinity College Dublin, Ireland

ABSTRACT

Household decisions including parenting decisions depend on the balance of power between spouses. This model shows that the balance of power, in turn, depends on the parenting decisions themselves. In this model, altruistic parents care about the consumption of the child, which is affected by parenting decisions. Therefore, parents care about these decisions and, parenting decisions will influence the balance of power between spouses even when the differences between parents are small. To this aim, I adapt the model of Doepke and Zilibotti (2017) to a non-conventional collective model of the household similar to Basu (2006).

KEYWORDS Bargaining power; human capital; parenting style

JEL D19, J24, J52

T5A – COVID-19 and Economics · Thursday 23 September, 15:30–15:50, Zoom Room

COVID-19 Pandemic Impacts within the context of Green Supply Chain Management Practices

Sevgi Sezer¹

¹Balikesir University, Turkey

ABSTRACT

Supply chain management (SCM) had an intermedial role throughout the COVID-19 pandemic, as the emergence of the health crises deranged almost the entire supply chain. This manuscript aims to determine whether or not enterprises utilizing green supply chain management (GSCM) applications, which attracted enormous attention along with the revival of environmental awareness, exploited the buffer impact within the concept of COVID-19 pandemic. Certain empirical analysis results indicate that the GSCM-practicing enterprises faced lower adverse stock returns throughout the pandemic. According to the stakeholder theory, this manuscript also makes effort to explicate the association among GSCM, corporate social responsibility (CSR), and corporate performance.

KEYWORDS Green Supply Chains; COVID-19; Stakeholder Theory

JEL L33, R31, R41

T5A – COVID-19 and Economics · Thursday 23 September, 15:50–16:10, Zoom Room

Evaluation of Home Office Process During COVID-19 Period

Mehtap Dursun¹, Nazli Goker¹

¹Galatasaray University, Turkey

A B S T R A C T

COVID-19 pandemic has changed the processes and routines of business life. It made home office working an unplanned requirement for many office and knowledge workers. Employees have started to apply home office as part of the precautions of the infection. In this study, the factors that affect the success and efficiency of home office are evaluated, and their importance weights are determined. Intuitionistic fuzzy cognitive map is a suitable tool due to the presence of interrelationships among evaluation criteria, fuzziness, vagueness, and hesitation in data. The application is illustrated through a case study, which is conducted in a consulting firm that performs in Turkey. In addition, a fuzzy cognitive map application is given in order to demonstrate the robustness of the employed methodology.

KEYWORDS COVID-19 pandemic; home office; intuitionistic fuzzy cognitive map; hesitation

JEL C6, M1, L2

T5A – COVID-19 and Economics · Thursday 23 September, 16:10–16:30, Zoom Room

Simulation-based Bayesian Inference for Dynamic Structural Models

Cameron Fen¹

¹University of Michigan, USA

A B S T R A C T

This paper introduces a simulation-based approach to Bayesian inference to the economic literature allowing the estimation of posteriors even when the likelihood function is not tractable. This approach works even with data that has a latent time structure which is ubiquitous in macroeconomic structural modeling and hasn't been successfully done, as far as I know, even in the simpler and easily extendable maximum likelihood setting. My approach allows, to the best of my knowledge, value function iteration and other methods for solving structural models that don't return a tractable likelihood function to be estimated in a Bayesian fashion for the first time. I demonstrate the validity of the approach by estimating two 4 parameter toy models: An RBC model and a model solved via value function iteration. In both models, the estimation procedure returns a posterior that concentrates around the data generating parameters. I also estimate a 10 parameter HANK model solved via the Reiter method that generates 861 covariates per time step, showing that this approach can handle high dimensional data and suggests an ability to estimate heterogeneous agent models with intractable likelihoods.

KEYWORDS Neural Networks; Bayesian Inference; Dynamic Estimation; Simulation-Based Estimators

JEL C11, C68, C63, C45

F1A – Financial Economics · Friday 24 September, 11:00–11:20, Zoom Room

Are Board Busyness detrimental for Creditors?

Xuehua Shao¹

¹The Australian National University, Australia

ABSTRACT

Creditors are relatively overlooked in corporate governance studies. As such, this study endeavours to fill the gap by exploring how busy directors impact the possibility of their serving firms to be rated as investment-grade issuers. Apart from board busyness, takeover deterrence serves as a key control variable to reflect interest conflicts between shareholders and creditors during M&As. To mitigate endogeneity in anti-takeover governance provisions, static 1990 IPO-cohort-based instrumented Governance Index is adopted. From 1031 public issuers in the US from 1999 to 2007, Logistic estimations results imply that busy boards tend to lower the odds for issuers to be rated as “investment-grade” while takeover deterrence generally increases such odds. As decreasing issuer ratings represent higher credit risks, creditors should be concerned regarding board busyness. This result is robust under various tests. This study complements prior research in the following ways. First, creditors who have been relatively overlooked in corporate governance studies are portrayed in the context of the Busyness Hypothesis, extending this hypothesis to firm control conflicts between shareholders and creditors. Second, I boost measurement accuracy by adopting an instrumented anti-takeover governance provisions index that is more representative of the effectiveness of issuers’ takeover deterrence.

KEYWORDS Board busyness; Anti-takeover governance provisions index; Issuer rating

JEL G38, G32, G34

F1A – Financial Economics · Friday 24 September, 11:20–11:40, Zoom Room

Market Discipline under Financial Contagion

Takeshi Nakata¹

¹Niigata University, Japan

A B S T R A C T

We investigate the disciplining effect of debt on bank management under a situation where financial contagion occurs. Theory analyzing market discipline, which deals with a single bank, suggests that bankers become more "creditor friendly" by holding demand deposit or short-term deb (e.g. Calomiris and Kahn 1991; Diamond and Rajan 2012). However, when there is also a financial market other than a bank and when these are interconnected through a contagion of financial crises, an alternative effect arises: namely, a banker's incentive to make an effort is affected by the behavior of speculators in the financial market. We show that, when the speculators have much more precise information about fundamentals of the economy than that of creditors in the bank, demand deposit or short-term debt induces the bankers to "act against creditors' interest."

KEYWORDS Platform Market; Hotelling Model; Multi-purchase

JEL D21, L13

F1A – Financial Economics · Friday 24 September, 11:40–12:00, Zoom Room

Monetary Aggregates in OECD Countries

Yunus Özcan¹

¹Istanbul Commerce University, Turkey

ABSTRACT

Covid-19 made its first appearance at the beginning of the year 2020 and it has been on its way to becoming one of the most important pandemics in history. Since the first case, the negative effects of pandemic have been scaling up all over the world. There are about 220 million of coronavirus cases and the death toll due to this disaster overlaps 4,5 million people as of the end of July 2021. In response to negative effects of this pandemic, governments try to regulate their economy by implementing monetary policies. One of the most important policies is to maintain the monetary aggregates at accurate level. Monetary aggregates are defined as the broad measures of the amount of money in an economy at several levels such as currency and deposits, because of that, they are quite important for authorities in order to conduct their monetary policy precisely. With this study, it is aimed to analyze the changes in the monetary aggregates for OECD countries responding to the gradual development of coronavirus. Developments are examined for some specific countries like Turkey and as a whole for OECD countries. Based on OECD Data, the narrow money definition index (M1, based 2015) was slightly more than 148 points in March 2020 while exceeded 447 points in May 2021, representing about 2-fold increase in M1. For the broad money definition index (M3, based 2015), the value was around 133 points in March 2020 and reached 160 points in May 2021, indicating about 20% increase in M3 throughout the pandemic for OECD countries.

KEYWORDS Monetary Policy; Monetary Aggregates; OECD Countries

JEL E51, E52, E58

F2A – International Economics · Friday 24 September, 12:15–12:35, Zoom Room

Macroeconomic Determinants of Balance of Payment Performance in Africa

Adamu Braimah Abille¹, Oytun Meçik¹

¹Eskisehir Osmangazi University, Turkey

ABSTRACT

The purpose of this study is to examine the macroeconomic determinants of the balance of payment performance of African countries. The study employed the cointegration approach to panel analysis on data from 1990-2020 for a panel of 20 Sub-Sahara African countries. The main macroeconomic factors considered in the study are; the exchange rate, interest rate, national and foreign income, price index and trade openness. The trade balance constructed as the natural logarithm of the ratio of each country's exports to imports constituted the dependent variable in the study. Basing on international trade theories such as the imperfect competition model, the theories of absolute and comparative advantage, and the J-curve effect, the research findings reveal that the interest rate, domestic income and the exchange rate are the most critical factors determining the BOP performance of African countries. Appropriate policy proposals with industrialization as the crux are made based on the findings of the study.

KEYWORDS BOP performance; Macroeconomic determinants; Panel cointegration; Africa

JEL C23, E00, F14

F2A – International Economics · Friday 24 September, 12:35–12:55, Zoom Room

Crime-Corruption Nexus, Strategic Deterrence and FDI: A Theoretical Analysis

Rohan Kantı Khan¹, Soumyajit Mandal²

¹University of Calcutta, India

²St. Xavier's College, India

ABSTRACT

The paper aims to explore the nexus between organized crime and corruption in the backdrop of liberalized foreign direct investment (FDI) policy. Two different analytical structures pertaining to the nature of crime and corruption are developed. The first structure deals with a localized form of crime-corruption nexus in the presence of a public sector that has a natural monopoly over the exhaustible mineral resources, a portion of which plundered by the criminals and employ corruption as a means to evade vigilance. The second structure analyzes how a firm within a sector can employ corruption as a means to deter the entry of other firms in the industry that generate economic rent owing to an increase in the market power of the incumbent firm. Against this backdrop, it is shown that the existence of the organized crime sector becomes necessary to sustain corruption that leads to the formation of the nexus between these two illegal activities. Finally, a multi-sectoral general equilibrium model has been constructed to investigate whether liberalized FDI policy acts as a panacea to curb corruption and crime endogenously or rather help augment this nexus under both scenarios.

KEYWORDS Crime; Corruption; FDI; General equilibrium

JEL D50, F21, K42

F2A – International Economics · Friday 24 September, 12:55–13:15, Zoom Room

How Board Busyness Affects Agency Costs and Shareholder Rights?

Xuehua Shao¹

¹The Australian National University, Australia

ABSTRACT

In quest of the Busyness Hypothesis, I explore how board busyness affects agency costs and shareholder rights via anti-takeover governance provisions indices. Regarding agency costs, managerial and directorial entrenchment are measured by the Entrenchment Index and the Other Provisions Index respectively. Similarly, the Governance Index gauges shareholder rights restrictions placed by busier boards. To alleviate the endogeneity of corporate boards, I employ directors' MBA educational backgrounds and firms' geodesic proximity to airports as instruments. Based on 3428 US public firm observations from 1999 to 2007, results from Two-Stage least squares estimations suggest a negative association between busy boards and takeover defences brought by managers and directors. Apart from suppressing managerial and directorial entrenchment, busier boards place fewer constraints on shareholder rights. My results survive extensive robustness tests. Generally, my results reject the Busyness Hypothesis and find busy directors helpful in lessening agency costs for shareholders. Thus, my results do not support limiting the maximum number of seats that an individual director is allowed to take. This research contributes to extant literature by mitigating endogeneity through two instrumental variables and by improving measurement accuracy under distinguished managerial and directorial entrenchment effects.

KEYWORDS Board busyness; Anti-takeover governance provisions index; Agency costs

JEL G34, G38, G30

F3A – Labor, Technology and Trade · Friday 24 September, 14:15–14:35, Zoom Room

Credit Market Distortion, Natural Disaster and Migration

Salonkara Chaudhuri¹

¹The University of Queensland, Australia

ABSTRACT

This paper uses a partial equilibrium theoretical framework to study the impact of climate change induced natural disaster on labour migration in the context of a low-income country with credit market imperfection. The economic literature shows that in the event of occurrence of natural disaster, provision of government aid necessarily reduces the level of labour out-migration, thereby reducing the negative impact of emigration on the growth and development of an economy. However, in contrary to this result, this paper shows that for developing countries where the credit market is imperfect, there exists a critical level of credit market distortion beyond which a worker will migrate to a safer place in case of a natural disaster despite the presence of public assistance. This critical level of credit market distortion has been found to increase with wage rate, income from ancestral property and decrease with rate of interest. My analysis suggests that policies such as providing greater access to formal sources of credit and offering credit at subsidized rates will be effective in increasing the threshold of credit market distortion beyond which the worker will have no other option but to migrate, thereby decreasing the rate of environmental out-migration.

KEYWORDS Natural disaster; labour migration; partial equilibrium; credit market imperfection

JEL D11, J01, Q54

F3A – Labor, Technology and Trade · Friday 24 September, 14:35–14:55, Zoom Room

Evaluating Freight Forwarders in the Air Cargo Industry

Zeynep Sener¹, Elif B. Kiziltas¹, Mehtap Dursun¹

¹Galatasaray University, Turkey

ABSTRACT

Freight forwarders are of great importance in the air cargo industry. Although the cargo volume carrying by air transport constitutes 1% of all commodities by weight, it corresponds to 35% of the world trade by value. An annual growth rate of 4% is forecast for the air cargo market over the next 20 years. As the cargo revenue constitutes an important source for airline companies, the evaluation of freight forwarders is vital for airlines' success. This study employs Decision Making Trial and Evaluation Laboratory (DEMATEL) method in order to prioritize the determined criteria for evaluating freight forwarders from the point of view of an airline. The calculated importance weights are used in an illustrative problem where the ranking of freight forwarders are obtained by employing the Simple Additive Weighting (SAW) method.

KEYWORDS Air logistics; freight forwarder evaluation; DEMATEL; multiple criteria decision making

JEL L93, R4

F3A – Labor, Technology and Trade · Friday 24 September, 14:55–15:15, Zoom Room

Remittances and Technology Spillovers – Empirical Evidence from Developing Countries

Keerti Mallela¹, Archana Srivastava¹, Sunny Kumar Singh¹

¹BITS Pilani, India

A B S T R A C T

F4A – COVID-19 and Political Economics · Friday 24 September, 15:30–15:50, Zoom Room

COVID-19 restrictions: Implications over trust in government and health concerns

Cristina Vilaplana-Prieto¹

¹University of Murcia, Spain

ABSTRACT

Does government mobility restrictions prompt health anxiety (worry for ones own health)? We exploits cross-country variation in mobility restrictions amidst the COVID-19 pandemic to understand how they influence peoples health worry above and beyond the disclosure of the actual risk exposure information. We examine data from European countries fielded on March 20th and April 6th, 103,153 surveys were collected from 178 countries. Using an event study and a difference in differences design we show that as risk exposure increased COVID-19 individuals health worry, current and future country specific restrictive policies and that of the neighbouring countries exert a far larger effect on both risk perceptions and worry. We find that the effect of these measures on health status concerns is higher in low risk countries (4.6 and 7 times higher than moderate and high risk countries). Restrictive measures are associated with increased confidence in good government performance in low risk countries (9 pp on the day after the announcement), and higher compliance with health recommendations (stay at home, not attending social gatherings and maintaining a social distance of 2 metres). In contrast, lack of greater adherence to health recommendations is observed for high risk countries.

KEYWORDS risk exposure; pandemics; COVID-19; event study; risk policy; worry about one's health

JEL I13

F4A – COVID-19 and Political Economics · Friday 24 September, 15:50–16:10, Zoom Room

Shooting Political Polarization

Francesco Barilari¹

¹Trinity College Dublin, Ireland

ABSTRACT

This paper studies changes in political polarization in the US, in the aftermath of a shock on a politically salient and divisive topic: Guns Right. Specifically, it focuses on the dynamics of polarization among voters and politicians. Relying on the exogenous feature of a mass shooting event (MSE), it implements a difference-in-differences design exploiting variation across places and time. It measures voters polarization using county level voting data, and political polarization analysing the official speeches and the tweets of the US Representatives. Estimates reveal that a MSE triggers a dual and opposite effect: it decreases polarization among voters, but it increases polarization among politicians. Interestingly, these results are not limited to the topic of guns: the ideological distance between Democrats and Republicans in the Parliament increases over a range of different topics not directly linked to guns. Using an event study approach, I show that the rise in political polarization persists for a longer period in some topics more than others. Moreover, the results are heterogeneous across Democrats and Republicans congressmen with the latter less likely to speak in the House after a mass shooting event.

KEYWORDS Political polarization; Text analysis; Social media; Language

JEL C81, D72, Z13

F4A – COVID-19 and Political Economics · Friday 24 September, 16:10–16:30, Zoom Room

Assessment of the financial performance of the Algerian tax system in terms of ordinary taxation

Halima Belhocine¹

¹University of Bejaia, Algeria

ABSTRACT

The purpose of this contribution is to measure the ability of the Algerian tax system to supply the state budget with the necessary resources, in an environment where oil tax revenues are constantly decreasing. This mainly involves evaluating the financial performance of the tax system in terms of ordinary taxation and, to a lesser extent, petroleum taxation, and thus demonstrating the preponderance of one over the other. Base our judgment on the nature of our tax system. By taking a specific periodization, the performance of the tax system will be assessed through, on the one hand, the evolution in absolute values of the various elements of levies and, on the other hand, according to its efficiency through fiscal pressure.

KEYWORDS Algerian tax system; ordinary taxation; tax; petroleum taxation

JEL H1, H2

F5A – Econometrics · Friday 24 September, 16:45–17:05, Zoom Room

The Impact of the Shanghai – Hong Kong Stock Market Connection on Corporate Innovation: Evidence from Mainland China

Guanming He¹, Xiaorong Li², Jingbo Luo²

¹Durham University, United Kingdom

²Central University of Finance and Economics, China

A B S T R A C T

The Shanghai stock market and the Hong Kong stock market were connected by the Chinese government in 2014, allowing Hong Kong investors to trade on a group of stocks on the Shanghai stock market. Using a difference-in-differences approach, we examine how this stock market connection affects corporate innovation in mainland China. We argue, and find, that the stock market connection facilitates external financing, enhances the informational feedback effect of stock prices, involves more sophisticated investors' monitoring and advising on firm management, and thereby spurs corporate innovation. We further show that the positive effect of the stock market connection on innovation is more pronounced for non-state-owned firms, firms with few political connections, firms with weak intellectual property rights protection, or firms that are headquartered in non-high-tech economic zones. Our study sheds light on how the opening of a developing stock market to a more developed stock market shapes corporate innovation.

KEYWORDS stock market connection; corporate innovation; external financing; informational content of stock prices; monitoring and advising on innovation

JEL F30, F65, F68, G15, G38, O31

F5A – Econometrics · Friday 24 September, 17:05–17:25, Zoom Room

Improving Macroeconomic Model Validity and Forecasting Performance via Pooled Country Data

Cameron Fen¹, Samir Undavia¹

¹University of Michigan, USA

ABSTRACT

We show that pooling countries across a panel dimension to macroeconomic data can statistically significantly improve the generalization ability of structural and reduced form models, as well as enable machine learning methods to produce state-of-the-art results and improve other macroeconomic forecasting models. Using GDP forecasts evaluated on a out-of-sample test set, this procedure reduces root mean squared error (RMSE) by 12% across horizons and models for certain reduced form models and by 24% across horizons for structural DSGE models. Removing US data from the training set and forecasting out-of-sample country-wise, we show that both reduced form and structural models become more policy invariant, and outperform a baseline model that uses US data only. Finally, given the comparative advantage of “nonparametric” machine learning forecasting models in a data rich regime, we demonstrate that our recurrent neural network (RNN) model and automated machine learning (AutoML) approach outperform all baseline economic models in this regime. Robustness checks indicate that machine learning outperformance is reproducible, numerically stable, and generalizes across models.

KEYWORDS Neural Networks; Policy Invariance; GDP Forecasting; Pooled Data

JEL E27, C45, C53, C32

F5A – Econometrics · Friday 24 September, 17:25–17:45, Zoom Room

Persuasion with Hard and Soft Information

Sulagna Dasgupta¹

¹University of Chicago, USA

ABSTRACT

A privately informed sender (such as a student applying to a university) communicates with an uninformed receiver (such as the selection committee) about a two dimensional state (suppose his hard and soft skills). The sender's utility is independent of the state, and is monotonically increasing in (both components of) the receiver's action, which is taken to be equal to the posterior mean state. The sender can verifiably disclose the state's first dimension (e.g. hard skills, by means of an SAT score) with some probability, and can communicate about both dimensions via cheap talk (writing a personal essay, which he can use to persuade the selection committee about both his hard and soft skills). When the two dimensions are positively correlated, unraveling (as in Milgrom 1981) occurs if and only if the sender has evidence with probability one. When unraveling does not occur, the model features multiple equilibria. Varying across equilibria, I show that equilibria that feature more disclosure are worse for the sender, with the disclosure minimizing equilibrium being sender-best (minimum-disclosure principle). Using the minimum-disclosure principle, I fully characterize the sender-optimal equilibrium for several classes of sender preferences, such as linear, quasiconcave and symmetric quasiconvex and piecewise linear. As an extension, the minimum-disclosure principle is shown to continue to hold under certain equilibrium selection rules, even when there are multiple unverifiable dimensions and/or the sender's utility is non-monotonic in the posterior mean state.

KEYWORDS cheap talk; disclosure; evidence; persuasion; strategic communication; information design

JEL D83, D82, D86, I20

AUTHOR INDEX

Abille, Adamu Braimah 24	Malia-Pérez, Irene 15
Abubakar, Attahir Babaji 12	Mallela, Keerti 29
Bang, Se Hoon 13	Mandal, Soumyajit 25
Barilari, Francesco 31	Meçik, Oytun 24
Belhocine, Halima 32	Nag, Ranjanendra Narayan 16
Chaudhuri, Salonkara 27	Nakata, Takeshi 22
Dasgupta, Sulagna 35	Özcan, Yunus 23
Dursun, Mehtap 19, 28	Rodríguez-Ramos, Asunción 15
Fen, Cameron 20, 34	Sener, Zeynep 28
Frezza, Eugenia Maria 10	Sezer, Sevgi 11, 18
Goker, Nazli 19	Shao, Xuehua 21, 26
González-Limón, Myriam 15	Singh, Sunny Kumar 29
He, Guanming 33	Srivastava, Archana 29
Jacob, George 17	Tören, Tolga 9
Khan, Rohan Kantı 25	Undavia, Samir 34
Kiziltas, Elif B. 28	Vilaplana-Prieto, Cristina 30
Li, Xiaorong 33	Yeom, Robin 13
Luo, Jingbo 33	Zekkari, Kathia Bahloul 14
Mahata, Sushobhan 16	