

Privatization and the Corporate Cost of Capital
in New Zealand: An Application of Fama and French (1999)

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Abstract

Fama and French's (1999) internal rate of return method is applied to Datastream data from 1993-2001 for 81 non-financial firms listed on the New Zealand Stock Exchange. The nominal return on value is 7.09%. The real return on value is 5.07%. The nominal return on cost is 11.59%. The real return on cost is 9.48%. The 10 former state-owned enterprises have nominal and real returns significantly higher than the 71 other publicly-listed companies and their capital structures and market-to-book values differ significantly. Return on corporate investment has been profitable but real and nominal compound returns and simple returns have declined over time.

Keywords: privatization, cost of capital, New Zealand

JEL Classification: G15. G32

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Foreign Investment and Productivity: A Study of Post-reform Indian Industry

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Abstract:

The paper uses firm level panel data for Indian industries in the post-reform period to study the direct and indirect productivity effects generated by foreign investment. It finds no evidence that foreign investment directly increased firm-level productivity, nor that R&D spending was more productive in firms or sectors with higher foreign investment. It however finds strong evidence that local firms benefited from foreign investment in their industries. These benefits are higher for larger firms and those that do more business domestically.

Keywords: Foreign Investment; Technology Spillover; Indian industries.

JEL Classification: L60, C23, F23.

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Asian Financial Crisis and Exchange Rate Pass-Through in Korea

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Abstract:

This paper empirically examines the asymmetric price setting behavior on exchange rate volatility from foreign firms of Korea's major trading partners which causes an incomplete exchange rate pass-through into import prices in Korea. The study demonstrates that there exists a significant difference between the exchange rate pass-through to aggregate import prices in Korea during the post-Asian financial crisis period and its counterpart during the pre-crisis period. The results from time series data support that both short-term and long-term exchange rate pass-through elasticities to import prices in the Korean economy during the post-Asian financial crisis period are greater than those during the pre-crisis period. The pass-through can be endogenous to the monetary policy regime. For the case of Korea, pass-through rates into import prices at least during the post-crisis period are more a function of macroeconomic conditions and international markets than the domestic monetary policy.

Keywords: Exchange rate pass-through, Asian financial crisis, Import prices

JEL Classification: F31, F41

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A Monte Carlo Study of the Effect of Design Characteristics on the Inequality Restricted Maximum Entropy Estimator

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Abstract

In this paper, we conduct a set of Monte Carlo sampling experiments to examine the effect of design characteristics on the inequality restricted maximum entropy (RME) estimator. We generate data under varying design characteristics, and estimate the parameters using maximum entropy and least squares estimation, both with and without parameter inequality restrictions. As part of the experimental design we vary the sample size, the distribution of the regressors, the distribution of the errors, the degree of collinearity, the signal-to-noise ratio, and the specification error. We compare the alternative estimators on the basis of mean square error.

Keywords: Maximum Entropy; Generalized Maximum Entropy; Linear Inequality Restrictions

JEL Classification: C13; C14; C49

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Macroeconomic Determinants of the Income Shares of the Very Highest Income Group

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Abstract

By nature, people are guided by self-interests. Although all income groups have a stake in economic matters, the highest income groups are likely to have a much greater say in affecting the macro economy. Identifying the interests of higher income groups with regard to the economy is, therefore, important. It suggests where the effective energies of these potent groups are likely to be channeled, and allows one to assess the extent to which their objectives are in tune with the agenda of the broader society. This study uses the Phillips-Hansen fully modified OLS procedure to investigate the interrelationship between four key macroeconomic variables and the seven topmost income shares. We find that the extent of trade, inflation rate, unemployment, and real interest rate are highly significant in explaining the shares of the highest income groups in the United States.

Keywords: Income Inequality, inflation rate, unemployment rate

JEL Classifications: A10

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Macroeconomic Policy and Unemployment: Empirical Evidence from the Euroland²

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Abstract

The emergence of the neo-liberal doctrine in the European Union (EU), as this is reflected by the prevalence of monetarism and market deregulation, has spawned a wave of criticism to be leveled at the way national macroeconomic policies have been conducted, with more emphasis on the unprecedented high level of unemployment experienced by virtually all EU countries. A theoretical exploration of this new policy orientation is being pursued in an attempt to unveil a potential mechanism responsible for the dire employment record. This paper's primary aim is to gain an empirical insight into, a somehow forgotten, relationship between capital stock and unemployment. The conducted econometric analysis provides useful empirical results, which support the relevant literature and argues in favour of implementing an alternative, macroeconomic policy in the EU.

Key words: Macroeconomic Policy, Capital Stock, Unemployment, Pooled Estimators, Random Coefficients.

JEL Classification: B22; E12.

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Gender, Vocational Education, and Economic Development: The Japanese Experience

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Abstract

Economic development in Japan prior to World War II involved the expansion of labor intensive manufacturing industries that employed a large proportion of women. This was accompanied by the growth in vocational education for women as well as for men. Was the growth in vocational education, especially of women, a result of the economic expansion or a cause? In the postwar period vocational education for women grew slightly, while that for men declined. Was this caused by continued economic growth or did vocational education, especially for women, play a causal role in postwar economic growth? This paper attempts to address these questions using a recently available data set and utilizing the vector error correction methodology. The results indicate that vocational education, especially of females, played a causal role. Thus vocational education may be important in the early stages of growth for today's developing nations.

Keywords: vocational education, gender, Japanese growth

JEL Classification: 010, 053