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JOURNAL OF APPLIED ECONOMIC SCIENCES

JOURNAL OF APPLIED ECONOMIC SCIENCE is a young economics and interdisciplinary research journal, aimed to publish articles and papers that should contribute to the development of both the theory and practice in the field of economic sciences.

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Call for Papers: Special issue on Management Research and Practice

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Management Research and Practice issue will be dedicated to communicating innovative, new research that advances theory and practice in management and administration. The special issue is committed to expanding the scope of management theory and enriching practice by:

- encouraging multi theoretical approaches that span multiple social science disciplines
- welcoming papers using a diversity of innovative research methods
- creating focused volume that explore in depth promising new research directions, consolidate research streams, and address significant current theoretical and practical problems.

Schedule

Deadline for Submission of Papers: 15th February 2009
Expected Publication Date: March-April 2009

Contact information





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E-mail: management@managein.org

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ASSESSMENT OF INCOME DISTRIBUTION AND A HYPOTHETICAL FLAT TAX REFORM IN HUNGARY

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Orsolya **LELKES**,
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Abstract:

The paper presents evidence on the effects of taxes and benefits on household incomes in Hungary referring to the 2006 system and a hypothetical flat tax reform. For this, a microsimulation model is used, which is based on a matched sample of an income and a consumption survey and administrative tax records. The Hungarian budget receives more revenues from VAT than from PIT. This has major implications on equity, as while PIT is progressive, VAT is regressive, imposing a higher tax burden on low-income households. We highlight the importance of tax allowances. The absolute amount of total tax allowances tends to increase with income, and the share of allowances within total incomes is around 5-7% in all income groups, except the top fifth, where it declines. Targeting is thus inadequate, and it is especially so in case of child support. Family tax allowance reaches the bottom decile only to a limited extent. This is in sharp contrast with the universal child benefit, which is well targeted to the poorest. The second part explores the likely impact of the introduction of a flat tax, where VAT and PIT rates are set at 20%, and a tax free bracket for low incomes is kept. We show that a budget neutral solution would have a largely regressive effect, where 70% of the population would lose, with a minority on the top of the distribution gaining.

Keywords: tax-benefit microsimulation, redistribution, flat tax reform, Hungary

JEL Classification: C8, D31, I38

DOES VOLATILITY IN GOVERNMENT BORROWING LEADS TO HIGHER INFLATION? EVIDENCE FROM PAKISTAN

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Abstract:

This study analyzes the impact of volatility in government borrowing from central bank (GBCB) on domestic inflation in Pakistan. This paper utilizes Generalized Auto Regressive Conditional Heteroskedasticity (GARCH) model to estimate volatility in GBCB using monthly data from July 1992 to June 2007. The empirical results, based on auto regressive distributed lag (ARDL) with bound testing technique suggest that domestic inflation in Pakistan is related with volatility in government borrowing from central bank in the long run. Furthermore, error correction model (ECM) estimates show that in the short run, inflation is also affected by volatility in GBCB.

Keywords: inflation, government borrowing, volatility, GARCH, ARDL, ECM

JEL Classifications: E31, E60, E62

¹ Corresponding author: Research Department, State Bank of Pakistan, I. I. Chundrigar Road, Karachi, Pakistan. Views expressed here are those of the authors and do not necessarily of the State Bank of Pakistan. Author welcomes comments and suggestions.

THE DRIVING FORCE OF LABOR FORCE PARTICIPATION IN DEVELOPED COUNTRIES

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Abstract:

The evolution of labor force participation rate is modeled using a lagged linear function of real economic growth, as expressed by GDP per capita. For the U.S., our model predicts at a two-year horizon with RMSFE of 0.28% for the period between 1965 and 2007. Larger part of the deviation between predicted and measured LFP is explained by artificial dislocations in measured time series induced by major revisions to the CPS methodology in 1979 and 1989. Similar models have been developed for Japan, the UK, France, Italy, Canada, and Sweden.

Keywords: labor force participation, real GDP per capita, prediction

JEL Classification: C2, E6, J2

THE IMPACT OF ADVERTISING ON AGGREGATE CONSUMPTION: THE CASE OF ITALY

Luigi MARATTIN

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Abstract:

One of the last assumptions of neoclassical economics that has not yet been fully challenged is the exogeneity of consumers' preferences. In this paper we attempt to verify and measure the effects of advertising on consumers' demand.

We do so by carrying out an econometric analysis, relying on a rather simple econometric model on Italian economy, using quarterly data from 1980 to 2000. We build an ADL model with Koyck transformation and different (and advertising-specific) geometrical rates of decline, and we test both the flow-form and the stock form of advertising. Our conclusions show that in the period under consideration advertising had a positive and significant effect on consumption, with short term and long term elasticities equal respectively to 0.034 and 0.16.

Keywords: ADL models, advertising, Koyck transformation.

JEL classification: D12, D83

THE ECONOMIC CAPITAL OF OPAQUE FINANCIAL INSTITUTIONS

Fernando MIERZEJEWSKI

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Abstract:

The capital structure of firms that cannot hedge continuously is affected by the agency costs and the moral-hazard implicit in the contracts they establish with stockholders and customers. It is demonstrated in this paper that then an optimal level of capital exists, which is characterised in terms of the actuarial prices of the involved agreements. The capital principle so obtained extends the classic theoretical framework, sustained by the well-known proposition of Modigliani and Miller and the model of deposit insurance of Robert Merton, at the time that naturally integrates the financial and actuarial theoretical settings.

Keywords: capital structure, economic capital, risk capital, deposit insurance, value-at-risk.

JEL classification: G11, G30, G31, O16

LA RESPONSABILITÉ SOCIALE ET L'ÉTHIQUE ENVIRONNEMENTALE – ÉLÉMENTS DE LA CULTURE ÉCOLOGIQUE DANS LES ENTREPRISES DU XXI^e SIÈCLE: L'ETUDE SUR LES ENTREPRISES ROUMAINES

Marilena MIRONIUC

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Abstract:

During the last decade, the business community ends especially the companies that activate in the fields responsible for the degradation of the environment, are seen as subjects whose main role is to ensure sustainable development. They must face growing pressures from the stakeholders, who wish to know their position regarding sustainable development, in its three dimensions: economical development, that generates profits and jobs; social development, as a guarantee for the well-being and for the compliance to human rights; environmental development, which must ensure the preservation of natural resources and the ability of the ecosystem to absorb and tolerate pollution. A company is defined as sustainable if it is socially responsible. This paper is the result of a process of investigation, of an analysis of the present framework, and of a bibliographical synthesis in the field of social responsibility and environmental ethics. First of all, we have made a historical incursion in the problematic of social responsibility of companies, and then we have mentioned the most important challenges that justify socially responsible behavior in today's world. In order to point out the degree of responsibility of Romanian enterprises, regarding the actions for the protection of the environment, we have drawn an empirical analysis on a representative sample of Romanian companies.

Keywords: corporate social responsibility, pro-social responsibility culture

JEL classification: M14, Q5

A NEW METHOD OF ROBUST LINEAR REGRESSION ANALYSIS: SOME MONTE CARLO EXPERIMENTS

Sudhanshu Kumar MISHRA

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Abstract:

This paper has elaborated upon the deleterious effects of outliers and corruption of dataset on estimation of linear regression coefficients by the Ordinary Least Squares method. Motivated to ameliorate the estimation procedure, it introduces the robust regression estimators based on Campbell's robust covariance estimation method. It investigates into two possibilities: first, when the weights are obtained strictly as suggested by Campbell and secondly, when weights are assigned in view of the Hampel's median absolute deviation measure of dispersion. Both types of weights are obtained iteratively and using those weights, two different types of weighted least squares procedures have been proposed. These procedures are applied to detect outliers in and estimate regression coefficients from some widely used datasets such as stackloss, water salinity, Hawkins-Bradu-Kass, Hertzprung-Russell Star and pilot-point datasets. It has been observed that Campbell-II in particular detects the outlier data points quite well. Subsequently, some Monte Carlo experiments have been carried out to assess the properties of these estimators whose findings indicate that for larger number and size of outliers, the Campbell-II procedure outperforms the Campbell-I procedure. Unless perturbations introduced to the dataset are numerous and very large in magnitude, the estimated coefficients are also nearly unbiased.

Keywords: robust regression, Campbell's robust covariance, outliers, Monte Carlo experiment, median absolute deviation

JEL classification: C13, C14, C63, C15, C01

A SHORT SURVEY ON CHAOTIC DYNAMICS IN SOLOW-TYPE GROWTH MODELS

Cesare PALMISANI

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Abstract:

In this paper we review some Solow-type growth models, framed in discrete time, which are able to generate complex dynamic behaviour. For these models – put forward by Day (1982, 1983); Böhm and Kaas (2000); and Commendatore (2005) – we show that crucial features which could determine the emergence of regular or irregular growth cycles are (i) if the average saving ratio is constant or not; and (ii) the curvature of production function, representing the degree of substitutability between labour and capital. The lower the degree of substitutability, the higher the likelihood of complex behaviour.

Keywords: logistic map, Li-York chaos, growth models, local stability, triangle stability.

JEL Classification: E25, E32, O40.

AN EXPLORATORY STUDY OF INDIAN FOREIGN TRADE

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Abstract:

Indian economy and foreign trade are on a growth trajectory. Indian exports have come a long way in value terms from the time of gaining independence in 1947. The total value of India's merchandise exports increased from US \$ 1.3 billion in 1950-51 to US \$ 63.8 billion in 2003-04 – a compound rate of 7.6 per cent. Trade growth has picked up post liberalization of 1991. The composition of trade is now dominated by manufactured goods and services. India services exports share in global exports is more than double of that of Indian manufacturing exports. East Asian countries, particularly China have become a major trading block. There is huge untapped potential for Indian foreign trade in years to come.

Keywords: india, foreign trade, liberalization, trade composition, trade direction.

JEL Classification: F14, F41, F43

FINANCIAL AND LEGAL CONSTRAINTS TO FIRM GROWTH: THE CASE OF ITALY

Domenico SARNO

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Abstract:

The aim of this study is to confirm empirically the implications of the theory about the law-finance-growth nexus. In order to verify the predictions of the theory, a panel data including three different types of data is used. All the data are referred to Italian provinces. The empirical analysis shows that between firms' growth and financial development there is a first-order relationship, while between firms' growth and legal enforcement as measured by the efficiency of the judicial system there is a second-order relationship.

Keywords: enforcement, judicial efficiency, financial development, firm's growth

JEL classification: G2, K4

WARSAW STOCK EXCHANGE IN THE CONTEXT OF EFFICIENT MARKET HYPOTHESIS

Paweł STRAWIŃSKI, Robert ŚLEPACZUK
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Abstract:

This paper focuses on one of the heavily tested issue in the contemporary finance, i.e. efficient market hypothesis (EMH). However, we try to find the answers to some fundamental questions basing on the analysis of high frequency (HF) data from the Warsaw Stock Exchange (WSE). We estimate model on daily and 5-minute data for WIG20 index futures trying to verify daily and hourly effects. After implementing the base methodology for such testing, additionally we take into account the results of regression with weights, i.e. robust regression is used that assigns the higher weight the better behaved observations. Our results indicate that we observe the day of the week effect and hour of the day effect in polish data. What is more important is the existence of strong open jump effect for all days except Wednesday and positive day effect for Monday. Considering the hour of the day effect we observe positive, persistent and significant open jump effect and the end of session effect. Aforementioned results confirm our initial hypothesis that Polish stock market is not efficient in the information sense.

Keywords: high-frequency financial data, robust analysis, pre-weighting, efficient market hypothesis, calendar effects, intra-day effects, the open jump effect, the end of session effect, emerging markets.

JEL Classification: G14, G15, C61, C22

A SIMPLE MODEL OF DECISION MAKING – HOW TO AVOID LARGE ERRORS?

Zoltan VARSANYI

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Abstract:

In this paper I present a simple model through which I examine how large unwanted outcomes in a process subject to one's decisions can be avoided. The paper has implications for decision makers in the field of economics, financial markets and also everyday life. Probably the most interesting conclusion is that, in certain problems, in order to avoid large unwanted outcomes one, regularly and intentionally, has to make decisions that are not optimal according to his/her existing preference. The reason for it is that the decision rule might get "overfitted" to one's (recent) experience and may give wrong signals if there is a change, even as temporary as in one single period, in the environment in which decisions are made. I find the optimal decision making strategy in an example case – the optimal strategy, however, may well be different in different real-world situations.

Keywords: endogeneity, non-stacionarity, outliers, simulation, uncertainty

JEL Classification: C15, D81

A NEW MODEL FOR STOCK PRICE MOVEMENTS

Guido VENIER

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Abstract:

This paper presents a new alternative diffusion model for asset price movements. In contrast to the popular approach of Brownian Motion it proposes Deterministic Diffusion for the modelling of stock price movements. These diffusion processes are a new area of physical research and can be created by the chaotic behaviour of rather simple piecewise linear maps, but can also occur in chaotic deterministic systems like the famous Lorenz system. The motivation for the investigation on Deterministic Diffusion processes as suitable model for the behaviour of stock prices is, that their time series can obey mostly observed stylized facts of real world stock market time series. They can show fat tails of empirical log returns in union with timevarying volatility i.e. heteroscedasticity as well as slowly decaying autocorrelations of squared log returns i.e. long range dependence. These phenomena cannot be explained by a geometric Brownian Motion and have been the largest criticism to the lognormal random walk. In this paper it will be shown that Deterministic Diffusion models can obey those empirical observed stylized facts and the implications of these alternative diffusion processes on economic theory with respect to market efficiency and option pricing are discussed.

Keywords: deterministic diffusion, stock pricing, fat tails, heteroscedasticity, long range dependence, option pricing.

JEL Classification: G12

² Any views expressed are solely the views of the author and not those of the firm.



**The 2nd International Conference on
“Business and Information Technologies. New approaches”**

www.conference2008.uv.ro

Preliminary Program

24 October 2008

10³⁰ – 13⁰⁰ – Workshop

“Organizational Reengineering for Rethinking Business”

▪ **Aims and Scope**

Nowadays, when everybody is concerned about the efficiency's growth of the autochtonous enterprises activities, the necessity of using new mechanisms and management methods has become obvious, activities which should stimulate the acceleration of the economical reforms.

As a new conceptions of the organisational transforming from the last period of time, the reengineering is launched and groups under the same umbrella, instruments belonging to business and computer information, used to transform the data into information, the information into decisions, and the decisions into actions.

The main purpose of the workshop consists in proving that the reengineering is an efficient solution to the basic restructuring of a business, but also to show a series of opportunities linked to the technological reengineering, the economical and human one, of the activities and processes from a modern organization adding new dimensions in the efficient development, on the market principles, in accordance with the using on a high extent of the informational and communicational technologies.

To draw conclusions, opinions, recommendations and specify those solutions which should increase the managerial efficiency, the team initiate a vast study case for the enterprises wich need the fundamental re-interpretation and the radical re-designing of processes and activities needed to impove considerably its main indicators of value, quality, services and rhythm.

Using models and revolutionary management methods as factors for the reengineering and applying new informational technologiesfor each stage of the reengineering projects' implementation, we think that we succeed in offering a durable successful programme regarding the reorganisation of business in Oltenia region.

▪ **Plenary Speeches:**

Laura Ștefănescu

**“Process based Approach, Basic Condition for Business
Reengineering”**



Market globalization, economic recession of many regions, new customer requests regarding the quality of products and services and the quick development of IT require new strategies for successful business. That is why many important organizations made considerable efforts to provide better value for the customers, first through applying the total quality management, and more recently through reengineering.

Reengineering represents radical redesign of enterprise processes, especially economic processes. Instead of organizing the enterprise into specialized functional entities (such as production, accounting, marketing), the enterprise should be transformed, according to this theory, into a series of processes relevant to create value and to create strategies.

The main objective of this paper is the process based approach as a main condition for rethinking the business processes, in order to obtain spectacular improvements of the indicators needed in performance appraisal, therefore reengineering.



Mădălina Constantinescu

“Knowledge Management and Business Process Reengineering for Business Performance Improvement”

Organisations have always realised that access to quality information and knowledge will help them remain competitive. However, with the advent of rapidly changing business environments, managers are now realising they need to develop an effective knowledge strategy and provide employees with best available knowledge to support the decision making process. The paper addresses this within the context of how Decision Support Systems, Artificial Intelligence and Information Technology can aid the transformation process of knowledge.

Knowledge management has recently become a fashionable concept, although many organisations are still unable to explain what knowledge is. More importantly, they are unable to develop and leverage knowledge to improve organisational performance.

However, many organizations are now attempting to enhance their performance through **Business Process Reengineering** that is a strategy of redesigning business operations to take full advantage of information technology and human resources.

Now, enterprises should create – entirely – new ways of working to survive in a competitive environment. Organisational transformation depends of the creation of a powerful vision of what future should be like. We claim that an in depth understanding of the current functioning is also required. In this context, enterprise knowledge modelling can help understanding the current business situation and establishing a vision of what the future should be like. Therefore, modelling of enterprise knowledge becomes a pre-requisite for system requirements elicitation and system development.



Cristiana Bogdănoiu

“Business Process Reengineering Method versus Kaizen Method”

The essence of this paper is the comparison of the business process reengineering method (bpr) and kaizen method. The bpr method is defined by hammer and champy as “the fundamental reconsideration and radical redesign of organizational processes, in order to achieve drastic improvement of current performance in cost, service and speed”. At it’s turn, the kaizen method is an management concept for incremental change. Key elements of kaizen are quality, effort, involvement of all employees, willingness to change and communication. When bpr is compared with kaizen method, the bpr is harder to implement, technology – oriented, enables radical change. On the other hand, kaizen method is easier to implement, is more people – oriented and requires long term discipline.

▪ **Poster Session**

- [New Managerial Practices: Individual and his Development in the Organizational Environment](#), by Pompiliu **Constantinescu**
- [The Impact of Leadership and Change Management Strategy on Organizational Culture](#), by Dumitru **Constantinescu** and Pompiliu **Constantinescu**
- [Informational and Communicational Technologies – Implementation’s Foundation of the Reengineering](#), by Cristiana **Bogdănoiu**
- [Business Intelligence – Improving Performance of Reengineering Project](#), by Andy **Ștefănescu**
- [Business Process Reengineering – A Necessity to Create an Efficient Managerial System](#), by Cristiana **Bogdănoiu**
- [Outcomes of the Enterprise Reengineering Initiatives](#), by Laura **Ștefănescu**

- [Economic Feasibility of the Reengineering Projects](#), by Andy **Ștefănescu**, Ion **Ștefănescu**, Cristiana **Bogdănoiu**
- [Knowledge Management Application](#), by Andy **Ștefănescu**

▪ [Workshop Final Report](#) (available after conference)

13⁰⁰ - 14⁰⁰ – Coffee Break

13⁰⁰ - 16³⁰ – Students Tracks

▪ **Financial Administration**

- [Finanțarea schimburilor internaționale](#) - *Viorel David, Daniela Simulescu (Nichita)*
- [Organizarea și funcționarea echipei de manageri](#) - *Rodica Chilom*
- [Secretele unei negocieri reușite](#) - *Simona Sandu*
- [Strategia comună de dezvoltare regională transfrontalieră Dolj](#) - *Iuliana Popa*
- [Managementul proiectelor europene în turism](#) - *Victoria Stanasin*
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- [Audit intern – prezent și viitor](#)
- [Influența factorilor de risc asupra deciziei manageriale](#)

▪ **Modern Accounting Politics**

- [Subvențiile și aplicarea Standardului IAS20. Studiu de caz](#) – *Constantina Stamin*
- [Costurile îndatorării și IAS 23](#) – *Dumitru Dan Gagiu*
- [Contractele de locație și IAS 17](#) – *Cătălin Gabriel Ilie*
- [Politici contabile de evaluare a capitalului](#) – *Elena Cucu*
- [Analiza procesului investițional al UE în România](#) - *Elena Cruicu Mecea*
- [Reguli și proceduri comunitare privind concurența](#) – *Bubureanu Stanasin Victoria*
- [Mișcarea pan-europeană](#) – *Mihnea Vladimir Ionașcu*
- [Reformarea politicii agrare comune](#) – *Victor Godeanu*
- [Evoluția relațiilor economice între România și UE](#), *Adriana Dragu*

25 October 2008

10³⁰ – Registration of participants

(University Hall – Vasile Conta Street, no.4, Craiova)

10³⁰ - 11⁰⁰ – Welcome and official opening of the conference

Mrs. Ion Viorel **Matei**, Dean of Faculty of Financial Management Accounting Craiova

Ms. Laura **Ștefănescu**, Manager of European Research Center of Managerial Studies in
Business Administration

11⁰⁰ - 14⁰⁰ – Regular session in parallel

Information and Communication Technologies**Chairperson** – Laura ȘTEFĂNESCU**25 Oct – 11⁰⁰ – Room 301**

Ajdari Behnam Sharifi Ali	The Role of e-Commerce in Enterprise Architecture: An Analytical Approach	Iran
Hairong Mu	Fixed-Mobile Interconnection under Competition	UK
Paul Justin	Information Technology and Banking Sector: Analysis of High-tech Services and Remote Channels	India
Qusay Fadhel	Important Aspects of SOA: A Survey	Egypt
Tohidi Hamid Glard Parvaneh	The Relationship between Teamwork Effectiveness and Information Technology	Iran
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Galiceanu Mihaela	Risque et incertitude dans l'économie roumaine contemporaine	Romania
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Karacuka Mehmet	Regulation and Competition in Turkish Mobile Telecommunication Markets	Turkey
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Safavi Bijan	Multivariate Analysis and Applications in Ranking of Iran's Provinces	Iran
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Zakota Zoltan	The Digital Divide Debate	Romania

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Chairperson: Ion Viorel MATEI

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Economics

Chairperson: Dragoş ILIE

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Ilie Dragoş	Externals and Economic Equity	Romania
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Popescu Mihaela	Éléments Lexicaux Latino - Romans Développés Récemment en Roumain	Romania
Rădescu Octavian-Dan	The Social Policy of the European Union	Romania
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Mazilu Mirela Marinescu Roxana	Tourism versus Environment	Romania
Barbu Cristina	The Effects of the Mining Activity over the Waters from Jiu Valley	Romania

Information and Communication Technologies

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Dragomir Robert Gabriel Tascovici Daliana	Modern Techniques for Students' Assessing through the Use of Exam View and Blackboard Soft	Romania
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Rotaru Simona Bardaş Petru Ghiţă Mirela	The Remodelling Business Process - Essential Requirement for Implementing An ERP System	Romania

Trană Dan	Remarks Upon the Informational and Data Processing System of Development	Romania
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14⁰⁰ – 15³⁰ – Lunch Break**15³⁰ – 16⁰⁰ – Awards****16³⁰ – Social Activities****20³⁰ – Gala Diner**

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Call for Papers:

Special issue on “Globalization and Emerging Markets”

Guest Editors:

Dr. Rajesh K. Pillania, Management Development Institute, Gurgaon, India.

Dr. Laura Ștefănescu, Spiru Haret University, Dolj, Romania.

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- Conquering Emerging Markets
- Business Environment in Emerging Markets
- Corporate Governance Issues
- Issues of Corruption and Ethics
- Future of Globalization of Emerging Markets

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