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THE FUTURE OF ALTCOINS & CRYPTOCURRENCIES

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ABSTRACT

New altcoins are constantly being generated for an assortment of reasons. There are several concerns in the bitcoin community, and altcoins are being created to solve a multitude of these concerns. This paper will show the role and effect of cryptocurrencies, specifically altcoins, in the current global economy. This paper analyzes the factors leading to the rise in popularity, future viability, and investment potential of leading altcoins with the highest market capitalization. We base our results on the study of peer-reviewed journals relating to the problems and decline of bitcoins, the rising popularity and viability of altcoins, and the potential of cryptocurrencies in the global market.

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CNG SCREE TEST

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ABSTRACT

In the current paper we examine the CNG Scree test which turns the subjective scree test in to an objective scree test for use within Principal Components Analysis and Factor Analysis by calculating the slope of the first three dimensions, then calculating the slope of dimensions 2, 3, and 4 followed by dimensions 3, 4, and 5. The slopes of all sets of 3 dimensions are compared in order to determine the optimal number of dimensions to retain which is established when a major shift of the slopes occurs. While Cattell came up with the Scree test Carraher, Nelson, & Gorsuch have encouraged the use of the objective scree test.

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EXTERNAL TERMS-OF-TRADE AND LABOR MARKET IMPERFECTIONS IN DEVELOPING COUNTRIES: THEORY AND EVIDENCE

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ABSTRACT

The paper addresses the question of whether developing countries possess any built-in mechanism that can cope with external terms-of-trade (TOT) shocks. Using a two-sector, full-employment general equilibrium model with endogenous labor market distortion theoretically it shows that such countries possess an inherent shock-absorbing mechanism that stems from their peculiar institutional characteristics and can lessen the gravity of detrimental welfare consequence of exogenous TOT movements. This result has been found to be empirically valid based on a panel dataset of 13 countries from 2000-2012. Our analyses lead to recommendation of an important policy that should be adhered to preserve this in-built system.

INTRODUCTION AND MOTIVATION

In the literature on trade and development, a very large numbers of empirical studies have pointed out that developing countries are much more vulnerable to external terms-of-trade (TOT) shocks vis-à-vis the developed nations. These fluctuations are undesirable because they contribute to significantly increased volatility in the growth of output and hence social welfare. Studies e.g. Baxter and Kouparitsas (2006), Broda (2004), Mendoza (1995) and Kose (2002) have found that TOT fluctuations are twice as large in developing countries as in developed nations. According to them the nature of composition of export baskets, high degree of trade openness and very little influence over international commodity prices have been the main responsible factors. For minimizing the adverse effects of unfavorable TOT movements studies like Hoffmann (2007), Tornell and Velasco (2000), Broda (2004), Broda and Tille (2003), Mendoza (1995) and Kose (2002), Edwards and Levy-Yeyati (2003) and Haddad et al. (2011) have suggested policies e.g. switching from fixed to flexible exchange rate regime and export diversification.

Unfortunately, nowhere it has been pointed out that these economies have an in-built shock-absorbing mechanism that crops up due to their typical institutional characteristics and emphasized the necessity for adhering to development policies that do not impinge on this natural mechanism. In this study without undermining the efficacy of other suggested measures, we have demonstrated by using a 2×2 full-employment model for a small open economy with endogenous labor market distortion how the existence of labor market imperfection can minimize the severity of the detrimental TOT shocks. Analytically, our analysis also demonstrates that policies aimed at deregulating the labor market hurt the efficacy of small economies' inherent shock-absorbing capacity. Then, we have conducted a quantitative

assessment of the theoretical result based on an annual panel dataset of 13 small developing countries over the recent time period of 2000-2012. In terms of economic growth, this empirical analysis finds that developing nations with higher intersectoral wage differential have been less affected during the liberalized regime vis-à-vis some other developing countries with relatively lower wage dispersion. Quite a large number of empirical studies involving consequences of TOT changes on the developing economies are available in the literature on trade and development. However, there has been virtually no work that relates welfare outcomes of external price movements to labor market institutions of the southern countries and builds up a formal theoretical structure with empirical validation. Here lies the importance of this study.

The Theoretical Analysis And Results

We consider a 2×2 full-employment model with labor market imperfection in sector 2 for a small open economy. In sector 2 (a formal sector) workers receive the endogenously determined unionized wage, W^* , while their counterparts in sector 1 (an informal sector) receive the competitive wage, W . There is perfect mobility of capital between the two sectors and its economy-wide return is r . All other standard assumptions of the Heckscher-Ohlin-Samuelson (HOS) model continue to hold. Sectors 1 and 2 are the export and import-competing sectors, respectively. Commodity prices, P_i s are given by the small open economy assumption. Factor endowments are also exogenously given. Finally, commodity 1 is taken to be the numeraire.

The unionized wage is determined as a solution to the Nash bargaining game between the representative firm and the representative labor union in the unionized formal sector (sector 2) industry. Assuming homogenous firms and labor unions in sector 2 we here directly borrow the simple unionized wage function as derived in detail in Chaudhuri and Mukhopadhyay (2009) which is as follows.

$$W^* = W^*(P_2, W, U); \text{ with } \left(\frac{\partial W^*}{\partial U}\right), \left(\frac{\partial W^*}{\partial W}\right), \left(\frac{\partial W^*}{\partial P_2}\right) > 0 \quad (1)$$

In equation (1) the parameter, U denotes the bargaining strength of the labor union in each formal sector firm. Besides, $E_W = \left(\frac{\partial W^*}{\partial W} \frac{W}{W^*}\right) > 0$; $E_P = \left(\frac{\partial W^*}{\partial P_2} \frac{P_2}{W^*}\right) > 0$; and,

$E_U = \left(\frac{\partial W^*}{\partial U} \frac{U}{W^*}\right) > 0$ denote the elasticities of $W^*(.)$ with respect to W, P_2 and U , respectively;

and, $(E_W + E_P) = 1.0$

The equations of the general equilibrium structure of the economy are as follows.

$$Wa_{L1} + ra_{K1} = 1 \quad (2)$$

$$W^*(P_2, W, U)a_{L2} + ra_{K2} = P_2 \quad (3)$$

$$a_{K1}X_1 + a_{K2}X_2 = K \quad (4)$$

$$a_{L1}X_1 + a_{L2}X_2 = L \quad (5)$$

where a_{ji} is the amount of the j th factor required to produce one unit of output of sector i for $j = L, K$; and, $i = 1, 2$. Equations (2) and (3) are the two competitive zero-profit conditions for the two sectors while equations (4) and (5) are the two full-employment conditions for capital

and labor, respectively. Determination of factor prices and output levels are well-known. It is assumed that sector 1 is more (less) labor-intensive (capital-intensive) than sector 2 in value sense i.e. $\frac{Wa_{L1}}{a_{K1}} > \frac{W^*a_{L2}}{a_{K2}}$. As $W^* > W$ it automatically follows that sector 1 is more (less) labor-

intensive (capital-intensive) than sector 2 in physical sense.

The demand side of the model is represented as follows.

Let V denote social welfare that depends on the consumption of two commodities, denoted D_1 and D_2 . The strictly quasi-concave social welfare function is depicted by

$$V = V(D_1, D_2) \quad (6)$$

The balance of trade equilibrium requires that

$$D_1 + P_2 D_2 = X_1 + P_2 X_2 \quad (7)$$

The volume of import of commodity 2, denoted M is given by the following.

$$M = D_2(P_2, Y) - X_2 \quad (8)$$

(-)(+)

In equation (8), Y denotes national income at domestic/international prices and is given by

$$Y = X_1 + P_2 X_2 \quad (9)$$

Theoretical results -- consequences of deterioration in TOT

Deterioration in TOT in the existing structure means an increase in the relative international price of commodity 2 i.e. P_2 .

Totally, differentiating equations (1) – (5), the following proposition can be easily proved.

Proposition 1: Deterioration in the TOT leads to: (i) a decrease in the competitive wage, W ; (ii) an increase in the return to capital, r ; (iii) an ambiguous effect on the unionized wage, W^* ; (iv) decreases in wage-rental ratios, (W/r) and (W^*/r) ; (v) an increase in intersectoral wage differential, $(W^* - W)$; (vi) an expansion (a contraction) of sector 2 (sector 1); and, (vii) an increase in employment of labor in sector 2, $L_2 (= a_{L2} X_2)$.

Proposition 2: The presence of labor market imperfection, reflected in intersectoral wage differential, can soften the blow of an exogenous TOT shock on welfare.

Proposition 3: Labor market reforms aimed at lowering the trade union bargaining power make the economy more susceptible to unfavorable exogenous TOT movements.

The Empirical Analysis

In this section we conduct an empirical analysis based on an annual panel dataset of 13 small developing countries over the recent time period of 2000-2012 to substantiate our main theoretical finding that the countries with higher wage dispersion are less prone to exogenous TOT changes compared to those countries with lower wage dispersion (proposition 2). Here countries are selected on the basis of 'earnings dispersion among employees (decile 9 versus decile 1)' data availability from ILOSTAT database from International Labor Organization (ILO) website. We consider this earnings dispersion as a proxy for wage dispersion which varies greatly among countries.

Based on median of these average earnings dispersion we create two groups of countries. Higher wage dispersion countries are Bolivia, Colombia, Costa Rica, Ecuador, Indonesia, and Malaysia while lower wage dispersion countries are Brazil, Dominican Republic, Guatemala, India, Turkey, and Venezuela. Now, a panel data analysis is conducted to empirically measure the effect of external *TOT* changes on the per-capita GDP growth (*pcgdp*) while controlling for openness (*OPEN*) as a measure of percentage of export and import over GDP. This empirical analysis utilizes the following basic formulation

$$pcgdp_{it} = \beta_1 + \beta_2 TOT_{it} + \beta_3 OPEN_{it} + u_{it} \quad (10)$$

where $i = 1, 2, \dots, 7$ for higher wage dispersion countries and $i = 1, 2, \dots, 6$ for lower wage dispersion countries and $t = 1, 2, \dots, 13$ and $E(u_{it}) \sim N(0, \sigma_u^2)$. The left-hand side is the annual percentage growth rate of GDP per-capita which is obtained from the World Development Indicators of the World Development Report (WDR) for different years. Note that instead of calculating *pcgdp* we have rather collected such series directly from the WDR database. The right-hand side involves annual percentage growth rates of *TOT* and *OPEN*. Before estimating this equation we have checked stationary aspect of each series and found that each of these series is highly stationary in terms of the well-known Augmented Dickey Fuller (ADF) test.¹

At the beginning, equation (10) is estimated with ordinary least squares on pooled time-series cross-section data. Thereafter, we have considered a fixed effect (FE) model (10a) by adding dummy for each country so that we are able to estimate the pure effect of the explanatory variables on the *pcgdp* by controlling for the unobserved heterogeneity.

$$pcgdp_{it} = \beta_{1i} + \beta_2 TOT_{it} + \beta_3 OPEN_{it} + u_{it} \quad (10a)$$

Each dummy (β_{1i}) is absorbing the time-invariant effects particular to each country, if any. Since our group of countries is diverse we have a reason to believe that differences across countries might have some influence on the RER, therefore, we have proceeded by considering a random effect model (10b).

$$pcgdp_{it} = \beta_1 + \beta_2 TOT_{it} + \beta_3 OPEN_{it} + e_i + u_{it} \quad (10b)$$

where e_i is a random error term with a mean value of zero and variance of σ_e^2 .

Both fixed-effect (FE) and random-effect (RE) panel data regression models pass the standard F test for overall significance at the 1% level. Since we have used the time-series cross-section data for different countries, the residuals might have suffered from the heteroskedasticity problem and hence are adjusted by providing t-value based on heteroskedasticity corrected robust estimation method. The impact of *TOT* on the *pcgdp* is largely consistent with our theoretical model. The estimated coefficient of the *TOT* in the *pcgdp* equation is positive and statistically significant for FE and RE panel data models whereas, the control variable *OPEN* is not statistically significant for the group of countries with lower wage dispersion (see Table 2). On the other hand, for the group of countries with higher wage dispersion (see Table 1) although the estimated coefficient of the *TOT* in the *pcgdp* is positive it is not statistically significant in all the three panel data models. However, one thing should be noted that the signs of the estimated parameters for the coefficient of *TOT* are remarkably consistent and intuitively correct in all the underlying models.

¹ For the sake of brevity we have not reported these results explicitly.

Table 1 PANEL DATA ANALYSIS WITH COUNTRIES HAVING HIGHER WAGE DISPERSIONS			
TOT	0.019 (0.60) ^a	0.007 (0.23)	0.013 (0.46)
OPEN	0.071** (2.12)	0.091* (2.42)	0.082** (2.10)
Constant	2.866*** (11.28)	2.877*** (32.87)	2.872*** (8.21)

^a t-value (corresponding to robust standard error) in parentheses.

*** Significant at 1% level. **Significant at 5% level. * Significant at 10% level.

Table 2 PANEL DATA ANALYSIS WITH COUNTRIES HAVING LOWER WAGE DISPERSIONS			
Variables	OLS (Pooled)	FE	RE
TOT	0.079 (1.47) ^a	0.120** (4.17) ^a	0.102*** (4.61)
OPEN	-0.011 (0.23)	-0.028 (0.84)	-0.022 (0.75)
Constant	2.745*** (6.10)	2.705*** (45.58)	2.723*** (3.81)

^a t-value (corresponding to robust standard error) in parentheses.

*** Significant at 1% level. ** Significant at 5% level. * Significant at 10% level.

To decide between the FE and RE for the appropriate model particular to our dataset we have conducted well-known Hausman test where the null hypothesis considers that the preferred model is the RE model and have found that we fail to reject the null hypothesis. Thereafter, we have proceeded by conducting the Lagrange Multiplier (LM) test for the panel effect with the null hypothesis that the variance across countries is zero. The result indicates that we fail to accept the null hypothesis which in turn substantiates our empirical analysis with panel data instead of considering separate OLS regression for each country. Moreover, in view of the short time span and assumed parameter homogeneity, following Baltagi et al. (2009), we can conclude that the panel results should be more reliable vis-a-vis pooled OLS results (given in the first column in each of the above tables), which we have exactly done here.

This result suggests that, on average, a 1% increase in *TOT* across time and between countries with lower wage dispersion caused about 0.1% overall increase in the *pcgdp* whereas countries with higher wage dispersion had experienced no (see Table 1) impact (0.05%, see

Table 3) of TOT changes on the *pcgdp*. Hence, our findings are as follows: the effect of TOT changes on *pcgdp* growth had been typically small in absolute terms but consistently significant relative only to the developing countries with lower wage dispersion. These results provide systematic econometric evidence to support the hypothesis that the TOT changes had significant impact on economic growth in the countries with lower wage dispersion but negligible impact on growth in higher wage dispersion countries during the period 2000-2012.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Some recent empirical studies have found that developing countries are more prone to external terms-of-trade shocks compared to developed nations. Policies like switching from fixed to flexible exchange rate regime and diversification of the export basket have been advocated in general. However, possibly no attempt has been made to identify the inherent shock-absorbing mechanism in the developing countries which arises out of their typical institutional characteristics. In this study, we have demonstrated how the existence of labor market imperfection can lessen the gravity of detrimental TOT shocks on social welfare. Moreover, by examining cross-country data we substantiate our findings that countries with relatively higher intersectoral wage differential have experienced smaller fluctuations in per capita GDP owing to TOT changes during the period 2000-2012 relative to the other set of countries with smaller wage dispersion. We are of the opinion that the developing countries should take utmost caution before adopting labor market reformatory policies because these might impair the effectiveness of their in-built shock-absorbing mechanism against adverse international price movements.

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A COMPARISON OF ONLINE VERSUS IN PERSON DELIVERY OF AN MBA LEVEL MANAGERIAL ECONOMICS COURSE

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ABSTRACT

Accreditation agencies, both with respect to the University as a whole and Schools of Business as specific units, have become particularly cognizant of the curriculum benefits of academic units providing a uniform level of instruction of any course, irrespective of the medium in which the course is offered. To ensure uniformity of course content, delivery and student faculty interaction in face to face, hybrid or pure online courses, these agencies provide standards that the units must satisfy and demand a thorough explanation of the processes in place that ensure success of this particular standard. Thus, a School of Business seeking to branch out from a traditional classroom style MBA degree to additional online options for student coursework have to be mindful of the quality and mode of instruction as well as the course material and student contact that is provided in the online version of any course. The content has to be similar, the faculty has to provide enough evidence of interaction with students, and the modes of assessment as well as the assessment instruments have to be similar in the different versions of the class.

In this paper, we describe two versions of the same class – an MBA level Managerial Economics class that is offered both online and in class. In this instance, the two sections were offered concurrently. We describe the course material delivery formats in the two courses, as well as the student assignments and the faculty student interaction. Finally we provide an idea of the student feedback especially in the online course, as well as student performance. In the paper we make the case that even a historically challenging subject like Economics taught at the Masters (MBA) level can be offered online in a satisfactory manner without compromising any aspect of student learning.

ANALYSIS OF THE PREDICTABILITY OF BREXIT

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ABSTRACT

A historically significant event occurred on June 23, 2016 when the citizens of the United Kingdom of Great Britain and Northern Ireland (UK) voted on leaving the European Union. This event has sparked numerous discussions on how will this affect the future of this seemingly very successful economic integration of countries. This paper will analyze whether common business cycles or their absence could have been deemed as a predictor of the United Kingdom's desire to withdraw from the EU. The analysis will contain Gross Domestic Product data for seven countries which were among the founding members of the EU. We will also discuss whether the later expansion of the EU by countries, who were at some point in history considered to be economically subsidiary when compared to the founding 15, had any impact on the economic behavior of the seven discussed countries.

INTRODUCTION

In 1951, when the creation of what was to become the European Union commenced, one of its main objectives was to increase the economic cooperation between the member countries and thus create an economically more stable and stronger Europe through regional integration. France, Germany, Italy, and the Netherlands were among the first countries to join the community, the United Kingdom entered in 1973 with Portugal and Spain following in 1986. Croatia became the most recent member country to join the European Union in 2013, increasing the total number of members to 28. (European Union, 2017)

Numerous changes have taken place both economically and politically since March 25, 1957 when Belgium, Germany, France, Italy, Luxembourg, and the Netherlands signed the Treaty of Rome creating a common market. This act basically united and expanded on the prior communities of The European Coal and Steel Community (1951) and the European Atomic Energy Community (1957). The official term for this community, European Union, did not come into existence until the signing of the Treaty of Maastricht in 1993. (Schrötter, 2002) In 1997, the Treaty of Amsterdam, among other accomplishments, expanded the union into a 15-member community of Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, and the United Kingdom. (European Communities, 1997) Further expansion to the East occurred based on a policy titled Agenda 2000, which reviewed the economic and political feasibility of the admittance of new members into the European Union. (Schrötter, 2002) After a favorable result, Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia joined the European Union. Bulgaria and Romania followed in 2007 and Croatia in 2013. (European Union, 2017) In the meantime, further levels of regional economic integration took place, when Europe progressed from what once was a free trade area, to a customs union, to a common market, until its current level of economic union, which involved the adoption of their common currency in

2002 and used by 19 of its 28 members countries today. (Hill & Hult, 2016) (European Union, 2017).

Whether it was an indicator of its future desire to exit the European Union or not, the United Kingdom along with the Czech Republic did not sign The Treaty on Stability, Coordination, and Government in the Economic and Monetary Union. The goal of this treaty is to create tighter regulation of national budgets of the member countries and it entered into force on January 1, 2013. The United Kingdom has not adopted the official currency of the European Union, the euro and it is not part of the Schengen Zone either. (European Commission, 2014)

There may have been and still are numerous incentives for a country to join the European Union. One reason is most definitely economic integration with the hope of economic advancement of a country. The goal of economic integration is market expansion leading to greater trade between member countries and greater employment opportunities brought about through increased investment and diffusion of technology.

Part of the membership requirements are financial contributions which are based on the size and population of the country and are stated as percent of a country's gross net income. Every country thus contributes a different amount and each country may receive a different amount of financial support in return, although this system is not intended as a tool of redistribution of wealth. (Begg, 2016) This requirement, however, may become a source of frustration for those countries which contribute substantially more than they receive in funding. Based on the following data from 2014 and 2015, the United Kingdom contributed 18.209 billion euros, which represents 0.72 percent of its gross net income. However, allocation of European Union funds to the UK reached only 7.458 billion euros, which is not even half of what the UK had contributed. Germany was in a similar situation. The country spent 0.79 percent of their gross net income or 24.283 billion euros but only received 11.013 billion euros in return. France, Italy, and the Netherlands also provided a larger amount of funds into the European Union's budget than the amount of funding they received. On the other hand, Spain contributed 8.772 billion or 0.81 percent of its gross net income but received 13.696 billion euros. Portugal was in a similar situation in 2015: provided 1.529 billion euros or 0.87 percent of their gross net income; however, it received 2.595 billion euros in funding. (European Union, 2017)

Monetary unification requires the adoption of common monetary, fiscal, and taxation policies as well as the implementation of a common exchange rate. This may cause difficulties in the form of distribution of aggregate supply and aggregate demand disturbances and the occurrence of shocks to the economy. The likelihood of asymmetric shocks to occur is more likely in those countries which share common industrial traits in the production of similar goods. (Bayoumi & Eichengreen, 1992) One factor determining the economic cooperation between the countries discussed is their export and import activity. Based on the chart below, Germany is among the main export and import partners of every country discussed in this paper, whereas Portugal is not counted among the main export or import partners of any of the discussed countries. Italy's main export and import commodities include engineering products, textiles, production machinery, and motor vehicles. Spain mainly exports machinery and motor vehicles and imports machinery and equipment as well as fuels and chemicals. France similarly exports and imports machinery and transportation equipment. The United Kingdom's main export and import commodity is manufactured goods.

MAIN EUROPEAN EXPORT AND IMPORT PARTNERS		
Country	Export Partners	Import Partners
France	Germany, Spain	Germany, Italy, Belgium
Germany	France, UK	France, The Netherlands
Italy	Germany, France	Germany, France
The Netherlands	Germany, UK, Belgium	Germany, Belgium
Portugal	Spain, France, Germany	Spain, Germany, France
Spain	France, Germany, UK	Germany, France
United Kingdom	Germany, Switzerland (non EU)	Germany

(Central Intelligence Agency, 2017)

Except Great Britain, all other countries pertinent to this discussion became members of the European Monetary union on January 1, 1999. (European Union, 2017) Even though the membership requirement stated that a country's inflation rate should not exceed 1.5 percent above those countries' that are among the top three economic performers in the European Union, inflation rates remained differentiated. Average annual inflation rates between 1999 and 2004 indicate that the top three performers, with the lowest inflation rate, were France with 1.8 percent, Germany with 2 percent, and Italy with 2.4 percent. The highest inflation rates were noted in Portugal with 3.1 percent, Spain with 3 percent, and the Netherlands with 2.8 percent. (Lane, 2006)

DATA AND METHODOLOGY

The data used for analysis is annual real GDP (Gross Domestic Product) index (seasonally adjusted) for the countries of France, Germany, Italy, Netherlands, Portugal, Spain and UK. The source of data is the International Financial Statistics (IFS) through the International Monetary Fund (IMF) at the website <http://www.imf.org/en/Data>. The time span of data is 1978 through 2015 (determined by availability of data across countries). The existence of a long term relationship among output data will be tested using Johansen (1988) and Johansen and Juselius (1990) methodology for cointegration. The existence of a cointegrating relation would imply a common business cycle since series that are cointegrated can be expressed with a causal ordering in at least one direction. The use of cointegration tests is relatively common in the literature and the reader is referred to Johansen (1988) and Johansen and Juselius (1990) for a complete discussion.

EMPIRICAL RESULTS

Prior to cointegration testing, the order of integration was ascertained. The orders of integration of the individual series was determined using the Augmented Dick-Fuller test (Fuller, 1976; Dickey and Fuller, 1981). The null hypothesis is that a unit root exists. For all countries, the level of each country's output measure was found to contain a unit root; that is, each variable was found to be nonstationary in their levels and stationary in their first differences. We then proceeded to test for cointegration among these nonstationary variables. To investigate the comovement among the nonstationary variables in their levels, the cointegration test is applied on a pairwise basis. The lags lengths to be used in the bivariate cointegration models were determined by the Akaike criteria. The null hypothesis for the maximum eigenvalue statistic is that there are r cointegrating vectors and the alternative hypothesis is that there are at least $r+1$

cointegrating vectors. The null hypothesis for the trace statistic is that there are r or fewer cointegrating vectors and the alternative hypothesis is that there are at least $r+1$ cointegrating vectors.

Two of the twenty-one country pairings were found to be cointegrated; that is, they were found to contain at least one cointegrating vector. These two pairings (France and UK; Italy and Spain) could be interpreted as sharing a common business cycle as cointegration shows Granger causality in at least one direction. The other nineteen country pairings did not show evidence of cointegration of their GDP.

ANALYSIS OF RESULTS AND THEIR IMPLICATIONS

The expansion of the European Union with countries in Eastern Europe has undoubtedly influenced the overall economic performance of its initial member countries. In retrospect, a statement from 1997 that any political or economic unrest in the east may “threaten peace and prosperity in western Europe” sounds like a prophecy today, especially in predicting the possibility of countries choosing to leave the union. Furthermore, factors influencing the extension of the number of countries joining the European Union were largely geopolitical in one hand but economic and financial aspects of integration were casting a shadow over the overly optimistic outlooks of integration from the beginning. The Czech Republic, Hungary, Slovenia, Poland, and Slovakia’s per capita income as well as productivity levels were much lower when compared to the original 15 member countries of the European Union. (Baldwin, Francois, & Portes, 1997) At the end, Greece appeared to be a much greater issue than any country in Eastern Europe. With a third \$95 billion bailout package, a possible 2015 Grexit was avoided but the economic effect of this financial rescue tool and its long-term impact on the rest of the EU is unclear. (A third bail-out gets the green light, 2015) European economic indicators have since improved but Greece, Spain, Italy, and Portugal, among others, still experience the highest unemployment rates and lowest GDP rates per person when compared to Denmark or Sweden, for example. In addition, the public debt rate as a % of GDP is among the highest in Portugal, Spain, Italy, and Greece. (The Data Team, 2016).

Both the United Kingdom and France have expressed their intention to exit the European Union, with Britain already in the process of initiating the exit procedure in the near future. Presidential elections in France will likely determine whether the country wishes to follow in Britain’s footsteps. (Jarry & Callus, 2016) France and UK were among the first to join the European Union (1951 and 1973, respectively). Both are considered economically strong and were contributing net positive to the European Union funds. Their geographical proximity to each other and similarities in their overall economic makeup provide support for the finding of a common business cycle between the two countries. Economic differences among the member countries of the European Union, especially after the expansion to the East in 2004, only widened the gap of economic performance between the initial members and members admitted in the early 2000s. These differences provide a possible explanation of the lack of common business cycles between most of the countries of the European Union. On the other hand, Italy and Spain’s geographic location and similar venue of their European economic integration process could constitute one explanation of their common business cycle.

CONCLUSION

The finding of only two common business cycles (UK and France; Italy and Spain) provides possible indication of continued dismantling of the European Union. The original countries that joined the union were of similar economics and geographical locations. As the union expanded, greater diversity of member countries was introduced. The greater economic and geographical differences put additional strain on the balance required to maintain an economic integration union.

ECONOMICS IN AFRICA

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ABSTRACT

We discuss about the challenges that multinational organizations encounter in different regions in Africa including Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic (CAR), Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Cote d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, and Zimbabwe. This will include cultural practices using Hofstede's 6 dimensional model which includes differences in Power Distance, Individualism versus Collectivism, Masculinity versus Femininity, Uncertainty Avoidance, Long Term Orientation, and Indulgence versus Restraint, availability of resources, political influence by local leaders and the infrastructure in this areas. Finally, we discuss how the organizations are funding their projects, what cultural challenges they encounter and the environmental issues that they may need to address. As the African miracle continues to grow and the economies blossom Africa shall grow beyond being the cradle of human civilization and become an economic/resource rich continental superpower.

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FINANCIAL ETHICS AND CUSTOMER SERVICE IN SOUTH KOREA AND THE USA

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ABSTRACT

Ethical differences between South Korea and the United States. South Korea is heavily influenced by Confucius values and it is evident in their business culture. Confucian ethics permeate all aspects of working life, from management systems to interpersonal relationships. There has been an increasing influence of western culture but the change has been slow because of their deep conservatism within Confucian values. Confucian values emphasis the value of collective group harmony, respect for authority, as well as the importance of embracing family and friends. Korean's have a saying that states, "Make a friend first and a client second." It is also important to appear to be an honorable, trustworthy, and respectable person. A lot of these values are very different from the Western culture and can take some time to adjust to. When doing business in South Korea these ethical differences should be recognized so that future business relations are not hindered. Hofstede's 6 Dimensional Model South Korean ranks lower in Individualism, Masculinity, and Indulgence than the United States of America. South Korea is a very interdependent society. They don't just look out for themselves or their immediate family but they are always looking out for their groups. In a collectivist society like Korea, people's self-image is defined by "we" and not "I". With a score of 18, this is manifest of the commitment to be part of a group instead of being alone. South Korea also ranks low on the Masculinity scale which would make it a Feminine society. The focus here is working in order to live. South Korea is also low on the Indulgence scale which means that it is a society of restraint. People in this society have the perception that their actions are restrained by social norms and it is looked down upon to be indulgent. South Korea ranks really high in Long-term Orientation and Uncertainty Avoidance. It has a score of 85 on the Uncertainty Avoidance scale, which is one of the highest ratings in the world. It means that South Koreans maintain rigid codes of belief and are intolerant of unorthodox beliefs. Korea has a score of 100 on the Long-term Orientation scale which means that it is one of the most pragmatic, long-term oriented societies in the world. In the business world, everyone is serving the durability of the company. They aren't looking to make a quarterly profit, but continually increase their market share steadily so that that they can be around for a long time. Customer service differences between South Korea and United States. South Korea is a country where it is all about the customers. Customers are treated with high respect and the level of customer service that you get in Korea is almost unmatched in the United States. The United States of America used to be focused on company growth and not so much about customer satisfaction. Although, in recent years this trend has changed completely. Customers are becoming more of the focus in America and customer satisfaction has been the key to success for companies these days. No matter where you go in Korea, whether it be grocery

stores, banks, cosmetic store, etc. there is always a greeter at the store who makes you feel welcome instantly. I don't necessarily believe that America has bad customer service and South Korea has good customer service. I believe that the way the customers are treated are so different because of cultural differences and ethical differences. It is very possible for an American to go to Korea and feel like they are being bothered because workers are paying too much attention to them. It is also very possible where "good" customer service in America might not meet the standards of South Koreans. Cultural values and ethical backgrounds shape customer service and these differences should be recognized when conducting business in a different country.

Upon comparing the United States and South Korea through Hofstede's 6 dimensional model it is easy to observe the vast social differences between an individualistic and a collectivist society. In terms of Power Distance, the United States scored significantly lower than South Korea. This shows that within the United States, society views each other as equal, and having a hierarchy of positions merely for convince and work efficiency. Where as in South Korea their society accepts there is a hierarchy established. This can be seen through their use of honorifics in which it emphasizes status by age or knowledge. These differences between these two societies can be seen through the ethics in customer service. In the United States, a retail worker working on commission would believe it is acceptable to perhaps lie to a customer in order to make a sale, so that they may be able to reach a certain profit. Whereas in South Korea retail workers will tend to tell their customer the truth about a product even if it risks them not making a profit. In terms of Masculinity the United States scored significantly higher than South Korea as well. The United States' spirit for constant improvement ethically encourages those within our society to reach for a better status. In South Korea it is seen as ethically correct to be complacent within one's societal status and to improve within there. In terms of Uncertainty Avoidance the United States scored significantly lower than South Korea. The U.S., as known for its entrepreneurial spirit, tend to take more chances where as South Korea tends to stick with what works even at the cost of innovation. Ethically viewed, South Korea believes it is ethically correct to stay within societal norms. The U.S., however, not only thinks it is ethically fine to push the boundaries of societal norms it encourages it in the name of progress. In terms of Indulgence the United States scored significantly higher than South Korea, and in terms of Long Term Orientation the United States scored significantly lower than South Korea. More than often people within the U.S. society focus on short-term gratification, whereas in South Korea many work towards long term gratification. South Korea emphasizes on longer-term orientation so much that almost view short-term gratification as ethically incorrect. However, in the U.S. it is not seen as ethically incorrect, in fact, it is practically encouraged.

In comparison with the United States using the Geert Hofstede 6-Dimensional model, there are noticeable differences between the two nations. Starting with the United States, which has a lower power-distance, there is a higher feeling of individualism and equality despite hierarchy. Whereas, in South Korea, there is a slight hierarchical presence which indicates that the relationship between leader and follower has a more stark and noticeable difference. Individualism is perhaps where there is the biggest difference of opinion. The United States holds a score of 91 and South Korea scores 18. This means that in the former, the individual and whole idea of individuality is far more important and cherished. For the latter, interests are towards the betterment of the collective society. The difference between the two in terms of masculinity and uncertainty avoidance do not have a significant relationship to ethics, and therefore will not be delved into. However, with long-term orientation the model indicates that

the United States is extremely short-term in terms of orientation and future planning in comparison with the very long-term South Korea. Preparing for the future is a core principle in South Korean society, whereas citizens of the United States are far more interested in getting through the present. Perhaps this is further reflected in the respective scores for indulgence, where the United States, at 68, is far more interested in fulfilling impulses and desires, and South Korea, at 29, is a society of restraint. Not having a long-term orientation and being an indulgent society does not indicate an ethical issue in contrast to South Korea. In fact, the Geert Hofstede analysis indicates that retrained societies have ""a tendency to cynicism and pessimism"". In terms of caring about workers, a direct matter of ethics, less concern is made further likely by the fact that individualism is scored lower in South Korea, a culture standard which would suggest self-sacrifice for the greater good of society is a good thing. The question that arises from that, however, is at what cost (or to what degree)?

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