

ABSTRACTS**1. A GENERAL EXPLANATION OF THE AMERICAN BUSINESS CYCLE of 1991-2001**

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ABSTRACT

This paper examines the American business cycle of 1991-2001 by developing a general explanation grounded in Veblen's theory of the business cycle. The expansionary phase of the business cycle which is the outcome of increased profit margins is explained by various sources, including the low cost of doing business, high investment and consumption expenditures which increased prices and revenues, globalization, and the support of various domestic and international institutions such as the state, the Fed, the IMF, and the World Bank. The recessionary phase, which is explained by the reduction of profit margins, is analyzed by the same sources as they operate in the opposite direction.

Keywords: *Productivity, Shocks, Financial Fragility, Globalization, Imperialism, Rising Labor Cost*

2. GENDER DIVERSITY AND FIRM VALUE: AN EXTENSION OF MEAN-VARIANCE PORTFOLIO THEORY

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ABSTRACT

This study sought to innovatively extend the financial concept of mean-variance portfolio theory into the areas of organizational management and firm financial performance. More specifically, the primary empirical analysis focused on female advancement within organizations and the associated financial performance of the firms. Based on these initial results, a subsequent analysis examined the relationship between board size and firm value. Organizational data were collected from two distinct time periods (1996: "bull" market, economic expansion and 2001: "bear" market, economic recession). The results from both the 1996 and 2001 samples indicated: 1) a positive relationship between the percentage of female board members (directors) and Market-Value-Added (MVA), 2) a negative relationship between the number of female board members (directors) and MVA, and 3) a negative correlation between board size and MVA. The results, with regard to board composition and size, have implications for not only firm financial performance but also corporate governance structure.

Keywords: *Gender Diversity, Firm Value, Portfolio Theory, Board Size, Market-Value-Added*

3. DOES CORPORATE GOVERNANCE DETERMINE BANK LOAN PORTFOLIO CHOICE?

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ABSTRACT

In this paper, we examine the relationship between the structure of a bank's board of directors and the bank's loan portfolio choice (holdings of agricultural, real estate, consumer, and commercial and industrial loans). The board of directors has the responsibility to monitor the loan policy of the bank; therefore, the structure of the board seems likely to influence the portfolio of loans that the bank has outstanding. However, financial institutions are unique in that they have additional external regulatory agencies that also monitor managerial behavior and actions. By means of this logic, bank boards should not influence

loan policy. Using a sample of over 300 bank holding companies in 1997, we show evidence consistent with both arguments. First, growth in C&I loans as a percent of total assets is inversely related to the proportion of outsiders on the BHC board. Second, both proportion of outsiders and a board strength index are directly related to growth in consumer loans as a percent of total assets. Third, farm, and to a lesser extent, real estate, loan holdings are not related to bank board structure. Fourth, changes in consumer and C&I lending does not consistently explain the BHC's future performance.

Keywords: Bank Loan Portfolio, Corporate Governance, Board Strength Index

4. ASSET PRICE VOLATILITY AND CONSUMER PRICE INFLATION: IS THERE A PREDICTIVE LINK?

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ABSTRACT

Recent developments where asset price inflation has been noted to foreshadow consumer price inflation in some countries have given rise to proposals about including information about asset price inflation for the conduct of monetary policy. But carrying out such recommendations in practice is fraught with a number of problems, including the lack of adequate information about whether asset price changes are due to fundamental underlying factors or not. Inflation control per se is a more acceptable target than asset price stabilization, but the manner in which asset prices impinge on current or future inflation is not very clear, and has not been empirically tested for a sufficiently large sample of countries to warrant generalization. In this paper, we review discussions and conclusions in the literature about the link between the prices of assets - such as houses and equities - and consumer goods and services price inflation. Empirical verification of these links is done using a large sample of developed and emerging market nations, since work on this topic has been so far limited to the experiences of industrialized countries. The results indicate that house prices and - contrary to existing conclusions in the literature - stock prices can be useful as predictors of future inflation, when applied at a lag around six to eight quarters.

Keywords: Asset Prices, Predictors, Consumer Price, Inflation

5. THE EFFECTS OF A STOCK INDEX: EVIDENCE FROM THE ANNUAL REBALANCING OF THE MSCI USA INDEX

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ABSTRACT

This paper examines the effects of the annual rebalancing of the MSCI USA Index on the companies that were added to the index. Although we cannot find considerable announcement effects, our results show some weak evidence that an addition to the MSCI USA Index is good news. Overall, we interpret our findings as consistent with the price pressure hypothesis that is discovered in some previous index studies, which focus on the membership changes in the S&P 500 Index.

Keywords: stock index

6. DEFAULTABLE PUTTABLE/CALLABLE BOND VALUATION: A 3D FINITE DIFFERENCE MODEL

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ABSTRACT

This paper presents a 3D model for pricing defaultable bonds with embedded put/call options. The pricing model incorporates three essential ingredients in the pricing of defaultable bonds: stochastic interest rate, stochastic default risk, and put/call provision. Both the stochastic interest rate and the stochastic default risk are modeled as a square-root diffusion process. The default risk process is allowed to be correlated with the default-free term structure. The put/call provision is modeled as a constraint on the value of the bond in the finite difference scheme. This paper can provide new insight for future research on defaultable bond pricing models.

Keywords: *Defaultable Bond, Embedded Option, Partial Differential Equation, Finite Difference Method*

7. TRENDS IN EARNED DEGREES IN BUSINESS AND ECONOMICS & US PRODUCTIVITY GROWTH: IS THERE A FEEDBACK LINK?

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ABSTRACT

This paper presents a simple model of education and growth to establish the link between human capital accumulation and productivity growth. To examine the dynamic relationship empirically, I used the unrestricted VAR approach to forecast systems of interrelated time series data. Based on the results of the two related feedback measures, shocks to undergraduate and advanced degrees awarded in both business and economics to working age population ratio could be a good predictor of productivity growth. These feedback effects to productivity growth are mainly concentrated in the medium-run (4-12 years) to long-run (over 12 years) for bachelor degrees in Business and Economics. The results also suggest a bi-directional feedback relationship between productivity growth and the ratio of earned bachelor degree in Business to working age population. For advanced degrees in Economics, the feedback effect to productivity growth is reflected as early as in the short-run (2-3 years) and remains strong across frequencies. In contrast, advanced degrees in Business exhibit strong feedback relationship to productivity growth in the long-run to permanent effect.

Keywords: *Productivity, Earned degrees in economics & business, Feedback Link*

8. THE ROLE OF INFORMATION TECHNOLOGY IN THE PROFIT AND COST EFFICIENCY IMPROVEMENTS OF THE BANKING SECTOR

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ABSTRACT

Information technology has tremendously stimulated expansion of the banking networks and range of the offered services during recent years. This paper examines the impact of the progress in information technology on the profit and cost efficiencies of the U.S. banking sector during the period of 1992 - 2003. We test relationships between the level of implemented technology and the banks efficiency. The

research shows a positive correlation between the level of implemented IT and both, assets profitability and cost savings. Although for all US banks the efficiency has increased, the improvements of the cost efficiency were relatively much smaller than in the case of profit efficiency. These results indicate that introduction of the new range of services at a bank, on one hand, generate additional revenues, but, on the other hand, imply new, significant cost charges. This means, broadening the range of the banking services may lead, at some point, to a very strong increase of cost of their processing, what put in question possibility to achieve economy of scale by banks conducting such type of banking.

Keywords: Banking, Banking Technology, Banking Efficiency

9. PRIVATE SECTOR FINANCING ON ECONOMIC GROWTH IN MALAYSIA: RESULTS FROM THE BOUNDS TEST

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ABSTRACT

In this paper the impact of private sector financing by commercial banks on economic growth in Malaysia is investigated over the period from 1976 to 1999. The short-run and long-run relationship between commercial banks private sector financing and other conditioning variables on economic growth are estimated by using the autoregressive distributed lag (ARDL) model proposed by Pesaran and Shin (1995a). Based on the ARDL model and given the sample size for this study is small, a robust estimation method known as the 'bounds test' (Pesaran et al., 2001) is used to examine if economic growth is cointegrated with the explanatory variables included in this study. The empirical analysis showed that the economic growth is cointegrated with the regressors and that there is a significant positive relationship between commercial banks private sector financing and economic growth.

Keywords: financing, economic growth, cointegration, commercial banks

10. THE PERFORMANCE OF SECTOR MUTUAL FUNDS RELATIVE TO BENCHMARKS

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ABSTRACT

Implacable proponents of an all-index funds strategy of investing indefatigably and zealously elucidate how investors are consistent losers (mediocre total returns) in the active versus passive investment management competition and debate. This research study uncovers evidence of outperformance by a subset of sector mutual funds over multiple time periods and measured against various benchmarks. Since historical investment performance is not necessarily extrapolative, a blended approach is advocated as an appealing, discretionary option in constructing portfolios.

Keywords: Mutual Funds, Sector Mutual Funds, Passive Investing, Active Investing

11. BOARD RESTRUCTURE, CEO SUCCESSION AND FINANCIAL PERFORMANCE IN FINANCIALLY DISTRESSED FIRMS

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ABSTRACT

This study focuses on the relation between post-CEO-succession financial performance and board restructure in financially distressed firms. The empirical results in this study show a negative relation between the change in board size and post-CEO-succession operational performance in the CEO succession year, which is consistent with the view that smaller boards are more effective overseers of the CEO than larger boards. My results also report a positive relation between the change in board composition and post-CEO-succession operational performance in the CEO succession year.

**I am grateful to Wallace Davidson for his valuable guidance, encouragement and kindness. I also thank Bhavesh Patel and other anonymous reviewers for their useful suggestions and comments.*

Keywords: Board Restructure, CEO Succession, Financial Performance

12. A BAYESIAN REGRESSION SPLINE APPROACH TO ESTIMATION OF THE TERM STRUCTURE OF INTEREST RATES

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ABSTRACT

This paper presents a case study of interest rate term structure estimation of U.S. Treasury bonds and AT&T corporate bonds from April 1994 to December 1995. We first adopt a Bayesian regression spline model to estimate the term structure of risk-free Treasury bonds where the number and location of the spline knots are adaptively selected using the reversible jump Markov chain Monte Carlo algorithm. We then develop a hierarchical Bayesian approach to estimate the corporate term structure, "borrowing strength" from the estimated Treasury term structure. This is necessary due to only a few corporate bonds are available on any given trading day. An appealing feature of this Bayesian hierarchical framework is that the knowledge of positive credit spread can be naturally incorporated into the model with informative priors. The small sample size of the corporate bonds poses little difficulty in inference.

Keywords: Coupon bonds; Credit spreads; Forward rates; Reversible-jump Markov chain Monte Carlo; Yield curve

13. AN EMPIRICAL ANALYSIS OF THE RELATIONSHIP BETWEEN THE BUDGET DEFICIT AND THE TRADE DEFICIT

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ABSTRACT

This paper is an attempt to find the statistical evidence of the relationship between the U.S. government's budget deficit and the trade deficit by applying the cointegration and the Granger causality tests. For this purpose, the trade data are collected from the U.S. Census Bureau, Foreign Trade Division. The data on the government budget deficits are from the Executive Office of the President, Fiscal Year, 2005. The data on trade deficit and budget deficit covers the period from 1960 through

2003. *Applying Johansen's cointegration tests, we find long run equilibrium relationship between the budget deficit and the trade deficit. Granger causality tests show that there is a unidirectional causality between the trade deficit and the budget deficit. Contrary to the previous findings, our results show that the trade deficit "Granger Cause" the budget deficit.*

Keywords: Trade Deficit, Budget Deficit, Cointegration Test, Granger Causality Test

14. SPECIAL CHARGE ANNOUNCEMENT LABELING AND TIMING CHOICES: OPPORTUNISM OR SIGNALING?

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ABSTRACT

Special charge announcements often confuse investors trying to evaluate firm performance. In this paper, we investigate whether managers' choices of labeling (restructuring or write-off) and timing (prior to or simultaneously with earnings announcement) are driven more by desires to signal current and future operating performance or to opportunistically mask performance to affect market reactions. Using a sample of large negative special charge announcements from 1986 to 1992, we find the results to be consistent with a signaling scenario. We also find the market generally reacts appropriately to the announcements but are often slow to value improvements in future operating performance.

Keywords: Financial accounting, special charges, restructuring charges, write-offs, earnings announcements

15. ACQUISITION PERFORMANCE: EXPERIENCE OR COMPETENCE?

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ABSTRACT

In a study of over 10,000 acquisitions between 1991 and 2002, we find evidence that past success raises future performance in private, or semi-private, bids but not in public bids. We also find that past success was not associated with the number of prior acquisitions. We attribute this past success to an unobserved acquisition competence and argue that acquisition competence must be based on some sort of informational advantage that is dissipated in public bidding situations.

Keywords: acquisitions, experience, competence, event study

16. THE BUDGETING AND CAPITAL RESERVES PROCESS: A REALISTIC APPROACH AND MODEL FOR A NON-PROFIT ORGANIZATION

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ABSTRACT

The budgeting and capital reserves process is an important procedure for evaluation of financial results and management decision-making. Different organizations use different procedures. The objective is the

same, that is, to effectively manage an organization. The purpose of the paper is to show actual budgets and procedures for a selected non-profit organization. The procedures are analyzed, critiqued, and suggestions are noted. Also, model building is suggested for a particular non-profit industry. In addition, another non-profit organization's budget information is illustrated for comparison purposes.

The emphasis is on thorough planning and control. Various details are presented financially and analyzed with descriptive notes as well as financial comparisons. Budgeting and capital reserves can be applied to virtually every situation including non-profit organizations. The actual examples illustrated in this paper do not break down the information by service division, etc. because of the nature and size of the organization. However, the financial information is placed into categories such as administrative expenses and operating expenses.

Keywords: Budgeting Process, Budget Model, Revenues and Expenses, Capital Reserves, Reserves Justification, Ownership, and Administration

17. HIGH QUALITY AND LOW COSTS? AN APPLICATION

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ABSTRACT

The relationship between quality and quality costs is an intriguing one. The usefulness of quality cost data as the primary accounting information source to help managers make quality-improvement decisions is also debatable. In order to tackle these problems, we make use of the historical quality cost data to devise a quality improvement strategy and investigate whether the application of such an optimal strategy will lead to declining quality costs over time while maintaining or even improving quality. In this paper, the prevention and the appraisal costs are assumed to be quadratic in their respective level of efforts exerted. The main advantages of a quadratic cost structure are that interior solutions are ensured and the interactions between control variables (i.e., prevention and appraisal) are simpler. However, no closed form solution is available as the problem involves a system of four differential equations in four variables. Therefore, we rely upon the numerical examples to demonstrate the behaviors of the control and state variables over time. We construct two similar models in this paper. The only difference between them lies in whether the decay factor, c , for the prevention effort is present. With the decay factor absent, Model 2 is expected to perform better than Model 1 in terms of the resulting quality improvement and the amount of quality costs reduced because prevention will be used more extensively as a superior quality improvement alternative than appraisal. We also find that both models support a complementary relationship between quality and quality costs.

Keywords: Quality, Quality Costs, Prevention, Appraisal, Internal Failure, External Failure, Quality Improvement, Optimal Control

18. BUILD-OPERATE-TRANSFER OF AIRPORT IN FUZZY COST OF CAPITAL AND FUZZY CAPITAL BUDGETING

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ABSTRACT

Most previous studies concerning financial performance evaluation focus merely on the cost control, which might directly influence the survival of a company. This paper attempts to construct a new optimal capital planning decision method. The topic is based on fuzzy capital cost and fuzzy capital budgeting

under fuzzy economic scenario. And it is developed focus on BOT (Build-Operate-Transfer) of airport. To efficiently handle the fuzziness of decision variable with respect to planning and decision of optimal capital on airport, the linguistic values, subjectively represented by triangular fuzzy numbers, are used to act as the evaluation tool. To introduce the computational methods of fuzzy weighted average cost of capital (FWACC) and fuzzy modified internal rate of return (FMIRR) are the base of fuzzy capital budgeting proposed in this study. By utilizing the new finance decision method, not only the decision-maker can handle more true information and make the best planning. But also the government decision-maker can make a well decision for airport in BOT under fuzzy economic scenario.

Keywords: *Earning management, Risk management, Fuzzy capital budgeting, Fuzzy capital cost, Triangular fuzzy number*

19. PRODUCT ASSOCIATIONS AND TOURISM MARKETING

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ABSTRACT

Despite the increasing number of studies on tourist destination image, prior research has mainly focused on the information processing perspective. This paper adopts an alternative viewpoint on how consumers' attitudes towards a nation and its products may affect their intention to visit that destination. We posit that product associations may play a peripheral role in country image formation, which in turn affects our travel decisions. Furthermore, we posit that the effects of product associations may be moderated by one's ethnocentrism and familiarity with the products or the source nation. This conceptual framework is consistent with past research linking international trade to international travel, cultural meaning transfer and consumption, and country-of-origin effects. We examine a series of hypotheses suggesting that satisfaction with a country's products may add up over time to help build a favorable image and preference for a nation as a tourist destination. Other marketing implications and ideas for future research are also discussed.

Keywords: *tourism marketing, international travel*
