Lingnan University 嶺南大學 香港 Hong Kong

ECON DEPARTMENT OF ECONOMICS

Research Findings Seminar

"Credibility and Nationalism in Narrative Economics" (in English)

Presenter:	**Mr. WANG Dong (PhD Student)**
Date:	17 April 2020 (Friday)
Time:	10:00 – 10:45
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/uJ0pc-yupz8jBejh6d0JPDLXzXQzIglKGw)
Chief Supervisor:	Prof. WEI Xiangdong (Professor)
Co-supervisor:	Prof. Simon FAN (Professor)

Abstract:

Narratives such as news, messages, stories, etc. may affect human mind and become non-negligible factors in decision making. Shiller (2017) exploits a terminology called "narrative economics" to describe the quantitative study of the spread and dynamics of human interested stories to understand economic fluctuations. This dissertation targets to address the economical and political questions in regard to the role of human mind based on narratives in newspaper and social media, and comprises three chapters. Chapter 1 addresses the problem of how information credibility affects empirical assets pricing for stocks and cryptocurrencies under news shocks. We first apply well trained machine learning multi-classification algorithms to analyse data in newspaper and social networks. We then calculate credibility of news shock and study the abnormal returns in the corresponding market. Our results provide empirical support for researchers to understand how financial markets correspond to news shocks from the perspective of using narratives from media. Chapter 2 addresses the problem of measuring political economic uncertainty and nationalism in China in regard to the United States based on a supervised computational linguistic approach in an official newspaper of the Communist Party of China. Chapter 3 addresses the problem of how does nationalism interact with news censorship system affect political and economical relations between the two conflicting parties and impact the negotiation process. Based on a computational linguistic approach in newspaper and social media of the US and China, and using the 2019 US-China Trade War as a natural experiment, we empirically explore a result that nationalism in China can be suppressed based on the willingness of the government.

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ECON DEPARTMENT OF ECONOMICS

Research Findings Seminar

"The Role of Information and Knowledge of Warning Weather in Marine Access Behavior: A Field Experiment in Coastal Area of Bangladesh"

(in English)

Presenter:	**Mr. HASAN Khan Mehedi (PhD Student)**
Date:	17 April 2020 (Friday)
Time:	10:45 – 11:30
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/uJ0pc-yupz8jBejh6d0JPDLXzXQzIglKGw)
Chief Supervisor:	Prof. HONG Fuhai (Associate Professor)
Co-supervisor:	Prof. CROZET, Matthieu Daniel (Associate Professor)

Abstract:

The world's largest mangrove forest named Sunderban is located in the Bay of Bengal. Coastal community of Khulna district has high dependency on Sunderban for its richness of aqua and forest resources. For resource extractions, millions of people enter the Sunderban all the year round. About 13-14 cyclones are formed in the Bay of Bengal each year which are threats for coastal households and very risky especially for people who enter the Sunderban. Deficient, delayed and confusing warning weather information can cause higher access in the Bay of Bengal even during warning signal periods. In the similar way, lack of knowledge on warning weather can also increase risky marine entry. In this context, easy availability of warning weather information and knowledge development may help households in making right decisions about marine access during warning periods. In repeated experiment settings, using micro level survey data in the coastal area of Bangladesh, we show that receiving on time weather information significantly reduces households' marine access in warning signal time, if information is received from a reliable source. Information from unknown sources does not affect marine access significantly, might be because of distrust. In the similar manner, receiving training on warning weather also significantly reduces marine access during warning weather but the effects fades out over time. On average, receiving both treatments (information and training) seems to have a higher impact on reducing marine access than solely receiving information or knowledge treatment.

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ECON DEPARTMENT OF ECONOMICS

Topic-Defence Seminar

"Social Credit System under Public Sphere Dominance: An Experimental Investigation"

(in English)

Presenter:	**Mr. ZHANG Chen (PhD Student)**
Date:	17 April 2020 (Friday)
Time:	11:45 – 12:15
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/uJ0pc-yupz8jBejh6d0JPDLXzXQzIglKGw)
Chief Supervisor:	Prof. HONG Fuhai (Associate Professor)
Co-supervisor:	Prof. LIU Sibo (Assistant Professor)

Abstract:

Behaviors in the private sphere are observed solely through direct interaction, while behaviors in the public sphere are the object of public disclosure through a rating. In practice, the fraction of the public sphere has increased rapidly due to technological evolution, such as Closed Circuit Television, social networks or artificial intelligence. Therefore, a question has been raised: is it true that the expansion of public spheres combined with a social credit system can help standardize people's behaviors, i.e. making people behave more prosocially? According to the prediction of the model developed by Tirole (2020), the statement does not necessarily hold. First, individuals behave better in the public sphere than in the private sphere, and the former crowds out the latter. Second, an expansion in the public sphere reduces prosociality in both spheres. Thus, the overall effect on prosociality is still uncertain. To provide empirical evidence for the model, we propose to perform a laboratory experiment in order to elicit reactions of people when exposed to the expansive public environment.

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ECON DEPARTMENT OF ECONOMICS

Topic-Defence Seminar

"Free-Riding, Cartel Stability, and Vertical Integration"

(in English)

Presenter:	**Ms. CAO Yiran Carol (MPhil Student)**
Date:	17 April 2020 (Friday)
Time:	12:15 – 12:45
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/uJ0pc-yupz8jBejh6d0JPDLXzXQzIglKGw)
Chief Supervisor:	Prof. LIN Ping (Professor)
Co-supervisor:	Prof. LIU Sibo (Assistant Professor)

Abstract:

The major difficulty for cartel formation is that it may be more profitable to be outside a merger/collusion than to be a participant, as first pointed out by Stigler (1950). The free-riding problem has been widely discussed in the literature. However, no much attention is paid to the possibility that vertical integration may curb the free-riding problem. The present thesis aims to shed light on possible channels through which the vertical merger can restrain the free-riding behavior and, in turn, promote cooperation among cartel members. It shows that the coordinated effects of vertical merger control the free-riding problem mainly through two mechanisms. First, if the cartel emerges in the downstream market, the vertically integrated units can restrain the free-riding by driving up the price of the intermediate good facing by the outside downstream firms. Second, if there is collusion in the upstream market, the vertically integrated downstream firms can curb the free-riding by foreclosing from procuring the input good from fringe upstream firms. Hence, through the two mechanisms, vertical integration can effectively control the free-riding behavior and thereby favor cartel stability.

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ECON DEPARTMENT OF ECONOMICS

Research Findings Seminar

Topic A: "*Political Party Fragmentation, Reelection, Electoral Constituency and Efficiency in Road Maintenance*" (in English)

Presenter:	**Ms. KATUNZE Miriam Nabawanga (PhD Student)**
Date:	17 April 2020 (Friday)
Time:	13:45 – 14:30
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/vJcldOispj4uaLZUZRb3RASp92a2U-yCMw)
Chief Supervisor:	Prof. Thomas VOON (Associate Professor)
Co-supervisor:	Prof. HONG Fuhai (Associate Professor)

Abstract:

Politics plays a vital role in public sector efficiency. In this paper, efficiency is defined as the ratio of output to available resources. While the global sense of efficiency is taken to mean the general service provision, I align efficiency in this paper to a single service that is road infrastructure, specifically road maintenance. This paper is not the first to do so as many others have focused on evaluation of efficiency for a singular service. Efficiency is also an antidote to political costs arising from tax and deficit increases(De Witte & Greys, 2011).

In this article, I analysed whether re-election, the presence of a new electoral constituency and political party fragmentation of local government parliamentary representatives is associated with road maintenance efficiency. I measure road maintenance efficiency indirectly (distance to district headquarters) and directly (road maintenance in the last two years). The literature shows both mixed associations and a reverse causality situation, which is solved through a multilevel analysis using MLwiN software. Uganda is considered as a case study and data corresponding to 2015/16 from various sources is used for the analysis. The findings of this study contribute to the debate from a heterogeneous perspective by the type of road maintained. I find that the presence of a new constituency in a district is less likely associated with better/improved road maintenance efficiency of community access roads.

This result can be explained from two perspectives. The first is that less prudent spending may arise because the MP of the new constituency might have spent heftily during the campaigns. This is common in Africa and other less democratic countries. The second is that new leaders are less likely to administer good efficiency because they are in the learning process. Notwithstanding significant results point to a need to have fewer electoral constituencies.

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ECON DEPARTMENT OF ECONOMICS

Research Findings Seminar

Topic B: *"Contracting Out and Quality of Road Maintenance Service in Uganda Using Panel Data"*

(in English)

Presenter:	**Ms. KATUNZE Miriam Nabawanga (PhD Student)**
Date:	17 April 2020 (Friday)
Time:	13:45 – 14:30
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/vJcldOispj4uaLZUZRb3RASp92a2U-yCMw)
Chief Supervisor:	Prof. Thomas VOON (Associate Professor)
Co-supervisor:	Prof. HONG Fuhai (Associate Professor)

Abstract:

There is strong evidence that outsourcing can give rise to cost savings in public service delivery. Despite this compelling evidence, not many research papers have been devoted to demonstrating the benefits of contracting out in developing countries. The majority of the studies show associative but not dynamic evidence, especially for public technical services like road maintenance. This paper examines the effect of contracting out on the quality of road maintenance services in Uganda using panel data. Selection bias has been controlled by accounting for the year, region, and terrain. The results reveal a negative effect of contracting out on the quality of road maintenance in Uganda.

Given that the outcome is ordinal, local governments that contract out are less likely to observe the excellent quality of road maintenance service. Multiple imputation regressions, transformations in the population variable, and the removal of the capital city (Kampala) sample consistently reflect a negative relationship, hence achieving robustness. The result corroborates prior research on service quality and contracting in various fields such as education, prisons, and workers 'compensation claims. This result could be attributed to the conventional thinking that contracting out lowers the spending, which consequentially reduces the service quality as both government and contractors. Poor contractual management practices and delays arising from bureaucracy further explain the paper's main finding.

Moreover, contractors tend to perform better at the beginning of the contract than toward the end of it. This explanation corroborates with the prior studies. The paper contributes to the related literature, the broad literature, as well as to Uganda and other developing nations at large. The limitations of the analysis are discussed, and the recommendations for further research are provided.

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For enquiry: 26167047 (Kathy)

Topic-Defence Seminar

"The Paradigm Shift of Graduate Education in Economics"

(in English)

Presenter:	**Mr. PENG Haoxiang (MPhil Student)**
Date:	17 April 2020 (Friday)
Time:	14:30 – 15:00
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/vJcldOispj4uaLZUZRb3RASp92a2U-yCMw)
Chief Supervisor:	Prof. Thomas VOON (Associate Professor)
Co-supervisor:	Prof. HONG Fuhai (Associate Professor)

Abstract:

The graduate education in economics has gone through an evident paradigm shift from 1953 to the present. The paradigm shift of contemporary economics is around Paul Samuelson' PhD dissertation Foundations of Economic Analysis (1941) and this shift has been discussed many times in academia, but the paradigm shift of graduate education in economics such as the disappearance of training in qualitative methods in the curriculum, like the philosophy of economics and ethics, economic history and history of economic thought, is rarely been researched. In my study, the paradigm shift of economics results in the paradigm shift of graduate education in economics, and the paradigm shift of graduate education in economics accelerates the paradigm shift of economics subsequently. The mechanism of the two-way effect is majorly through publication, funding grant and faculty job market. Shrinking studentships and limit of length of PhD programs also contribute to the effect.

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ECON DEPARTMENT OF ECONOMICS

Research Findings Seminar

"Selling to Reference-Dependent Consumers"

(in English)

Presenter:	**Mr. LEUNG Hin-shing (MPhil Student)**
Date:	17 April 2020 (Friday)
Time:	15:15 – 16:00
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/vJcldOispj4uaLZUZRb3RASp92a2U-yCMw)
Chief Supervisor:	Prof. ZHANG Tianle (Associate Professor)
Co-supervisor:	Prof. HONG Fuhai (Associate Professor)

Abstract:

This study proposes a set of pricing strategies for a monopolistic firm to set its price when facing reference-dependent consumers, based on a model of reference-dependent preferences by Kőszegi and Rabin (2006). The purchase decision made by reference-dependent consumers involve considering the total utility received from purchasing a good which consists of intrinsic utility and gain-loss utility, in which the reference point would affect the gain-loss utility. Firm has to take reference point into its consideration when setting the price of good. This study proposes two set of pricing strategies when facing reference-dependent consumers, namely gain-type pricing strategy and loss-type pricing strategy. These two pricing strategies would maximize the profit to the firm, with a given reference point. However, these pricing strategies should be set under some constraints. This provides a framework to examine the relationship between the reference point and the maximized profit received by the firm. The result shows that when the reference point is either exogenously or endogenously determined, firms will prefer to have a low reference point as possible to maximize its profit. However, this result may not explain in reality why firm would keep a certain level of reference point, which sometimes could be high. This study tries to address this question by considering different scenarios such as adding an advertising cost of firm, consider a participation cost of consumers, and introducing competition to explain the situation as mentioned.

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ECON DEPARTMENT OF ECONOMICS

Research Findings Seminar

"Empirical Studies on Exchange Rate Pass-Through, Access to Foreign Currency and Firm Performance"

(in English)

Presenter:	**Mr. MUHAMMED Muhammed Siraj (PhD Student)**
Date:	17 April 2020 (Friday)
Time:	16:00 – 16:45
Venue:	ZOOM Meeting (Registration link: https://lingnan.zoom.us/meeting/register/vJcldOispj4uaLZUZRb3RASp92a2U-yCMw)
Chief Supervisor:	Prof. CROZET, Matthieu Daniel (Associate Professor)
Co-supervisor:	Prof. Adam WONG (Associate Professor)

Abstract:

This dissertation has two parts that rely on macroeconomics, monetary policy, and international trade. In the first part, I examine to which extent the exchange rate fluctuations transmitted into the domestic price (ERPT) and investigate if the macroeconomic factors contribute to cross-country differences in ERPT with a focus on Sub- Saharan Africa (SSA) countries. To this end, I used a large database that includes 1990Q1-2018Q4 for 48 countries from three different economies (i.e. Industrial(16), Emerging(16) and Sub-Saharan Africa(16)). Using both single and system equation models, I find that the degree of ERPT is incomplete, varies across sample countries (relatively much higher for SSA countries) and it declines over time. I also find that countries with a higher inflation environment, more exchange rate volatility, less transparent central banks, and less foreign currency reserves have a higher degree of ERPT, which most SSA countries are characterized. In the second part, I explore the constraints of manufacturing firms in Ethiopia and examine the impact of 'access to foreign currency' on firm performance. Using a primary data of 100 importing and exporting firms (which I collected in five regions of Ethiopia using survey instruments), I find the shortage of foreign currency as a key barrier of manufacturing firms in Ethiopia for reducing firms' production performance followed by the shortage of power and working capital. Then, I further examine if 'access to foreign currency' reduces firm performance using a 21-year comprehensive census-based firm data collected by the official Ethiopian Central Statistical Agency (ECSA). To this end, I constructed a proxy measure of 'access to foreign currency' by the ratio of parallel to official exchange rates to confront firms' production performance. The finding confirms a negative and statistically significant effect of 'lack of access to foreign currency' on firms' production performance, especially for importing firms that do not export.

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