

International Conference on Human and Economic Resources

INTERNATIONAL CONFERENCE ON HUMAN AND ECONOMIC RESOURCES

Once again, Human and Economic Resources are high on the economic agenda of most leading economies. No doubt, this is due to the strong relationship between Human and Economic Resources and growth and welfare. Economics Departments of Izmir University of Economics and State University of New York at Cortland joined forces to stimulate academic discussion on this vital theme. Paper proposals on the following topics were requested: Human Resources, Growth and Immigration, Health, Climate Change and the Environment, Energy, Water, Global Economy, Human Capital and Globalization, Education and Culture, Information Technology and Society.

Throughout the conference, we hope to gear discussion towards quality of basic education, improvement of labour market information and analysis, enhancing skills in key sectors including small and medium sized enterprises (SMEs), mobility of skilled persons, enhancing quality, productivity, efficiency of the labour force and the workplace, strengthening cooperation to support trade and investment liberalisation. In this CD, you will find the program of the conference and the abstracts of the papers that are presented.

Organizing Committee

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Programme

International Conference on Human and Economic Resources

Programme

Registration
8.00-9:00

Opening Speeches
9.00 - 9:30

Distinguished Lecture on Migration
9.30 - 11:00 Conference Hall
Oded Stark (Bonn University, Germany)

Convenor: German Zarate-Hoyos (SUNY-Cortland, USA)

Coffee Break
11:00 -11:15

Distinguished Lecture on Development
11:15 - 12:15 Conference Hall
Sarosh Kuruvilla (Cornell University, USA)

Convenor: Mark J. Purus (SUNY-Cortland, USA)

Lunch
12:15 - 13:30

A1. Topics in Labor Economics
May 24, 13:30 - 15:30 Room M201

Exit from Short-Term Contract a French Empirical Analysis, 1990-2002
Mohamed Ali Ben Halima (University of Lyon 2, France)

Asymmetric Information in Labor Markets
Caner Özdurak (Yıldız Technical University, Turkey)

Remittances and the Mexican Economy
German Zarate-Hoyos (SUNY-Cortland, USA)

Human Capital Dispersion and Incentives to Innovate
Maurizio Iacopetta (Georgia Institute of Technology, USA)

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Convenor: Alan Haight (SUNY-Cortland, USA)

A2>Returns to Education

May 24, 13:30 - 15:30 Room M202

Measuring Returns to Education in Turkey

Müge Tunaer (Dokuz Eylül University, Turkey) and Yaprak Gülcan (Dokuz Eylül University, Turkey)

The European Union's Education and Training Systems in Challenge of the Global Economy and Its Effects to Labor Market and Employment

Fatma Serbest (Delegation of the European Commission to Turkey, Turkey)

Estimating the Social Return on Schooling

Marcelo Soto (Instituto de Análisis Económico, Spain)

Education and Culture

Emmanuel Owusu-Ansah (BT Travel and Tour, Ghana)

Investment in Human Capital: Rate of Return on Education in Information and Communication Technology in United States (1990's)

Erman Erkan (Atilim University,Turkey)

Convenor: Alev Katrinli (Izmir University of Economics)

A3.Natural Resources and Environment

May 24, 13:30 - 15:30 Room M209

Institutional Solutions to Free Rider Problems in Forest Management: The Case of Turkey
Gökhan Orhan (Balıkesir University, Turkey)

Climate Change Impact on West Bank Groundwater

Loay Faroukh (House of Water and Environment, Palestine)

Re-Thinking the Way We Use Water to Safeguard Precious Natural Resource

M. A. Yurdusev (Celal Bayar University, Turkey)

Climate Change from a Post-Normal Science Perspective

Mustafa Demirci And Osman Peker (Adnan Menderes University,Turkey)

Convenor: Sedef Akgüngör (Dokuz Eylul University)

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A4. Issues in Economic Development

May 24, 13:30 - 15:30 Room M203

Intellectual Property Rights and Economic Development
Alper Duman (University of Massachusetts-Amherst, USA)

Inequality and Growth in a Schumpeterian Setting
Ozan Hatipoglu (Bogazici University, Turkey)

Some Aspects Regarding the Romanian Integration in the European Union
Raluca Petronela Lazarescu ("Gh. Asachi" Technical University of Iasi, Romania)

Identifying the Role of Education in Socio-Economic Development
Francesco Burchi (University of Rome Tre, Italy)

Convenor: Cemali Dinçer (İzmir University of Economics)

Coffee Break
15:30 – 16:00

B1. Human Capital and Labor Market

May 24, 16:00 - 18:00 Room M201

Human Capital as a Factor of Economic Growth
Mokhtar Maazouz (Université de Nice Sophia Antipolis, France)

New Orientations Regarding Human Resources within a Lasting Development of the Romanian Economy

Dalia Simion (University of Craiova, Romania)

The Effects of Work on Human Character in the Era of New Capitalism
Ester Ruben (Yıldız Technical University, Turkey)

The Effects of Trade on Wages: Turkish Case
Pınar Narin Emirhan (Dokuz Eylül University, Turkey), Gonca Konyalı (Dokuz Eylül University, Turkey)

Social Capital and SME's: A Study on Lakes District Enterprises
Hakan Demirgil (Süleyman Demirel University, Turkey), M.Ali Dulupçu (Süleyman

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**Demirel University, Turkey), İlker Çarıkçı (Süleyman Demirel University, Turkey),
Gökhan Özdamar (Süleyman Demirel University, Turkey)**

Convenor: Hadi Sacit Akdede (Adnan Menderes University)

B2.Economics of Energy

May 24, 16:00 - 18:00 Room M202

Oil Consumption and GNP

**Erdal Karagöl (Balıkesir University, Turkey), Erman Erbaykal (Balıkesir University,
Turkey),
Murat Ertugrul (Balıkesir University, Turkey)**

Oil, Education and Growth in Developing Countries

Philip Akanni Olomola (Obafemi Awolowo University, Nigeria)

Energy Security of Turkey

Havva Çaha (Fatih University, Turkey)

Transforming the Problems into Opportunities in Energy Sector

**Senol Adiguzel (Mustafa Kemal University, Turkey) and Zeynep Ökten (Mustafa Kemal
University, Turkey)**

**The Analysis of Relationship Between Energy Consumption and Economic Growth in
Turkey**

**Zeynep Kaplan (Yıldız Technical University, Turkey), Serçin Sahin (Yıldız Technical
University, Turkey) and Bekir Asik (Yıldız Technical University, Turkey)**

Convenor: Adnan Kasman (Dokuz Eylul University)

B3.Advances in Microeconomics: Measuring Productivity, Efficiency and Performance

May 24, 16:00 - 18:20 Room M203

Entrepreneurship and Performance in Banking: Turkish Case

Ihsan Isık (Rowan University, USA) and Dogan Uysal (Selcuk University, Turkey)

Knowledge Sharing in a Community of Practice

James Hopple and Emrah Orhun (Troy University, USA)

Home Advantage in Association Football: Evidence from Turkish Super League

Aylin Seçkin (İstanbul Bilgi University, Turkey)

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Evaluating the Causal Effect of Foreign Acquisition on Firm's Productivity: The Case of Slovenian Manufacturing
Sergio Salis (University of Cagliari, Italy)

The Impacts of Sectoral Demand for Military Expenditure on Peace Dividend: A Case for Turkey and Greece
Durmuş Özdemir (Istanbul Bilgi University), Ali Bayar (Free University, Belgium)

Convenor: Tunçtan Baltacıoğlu (Izmir University of Economics)

B4. Industry Studies

May 24, 16:00 - 18:20 Room M209

Long Run Profit Maximization in Turkish Manufacturing Sector
Önder Hanedar (Dokuz Eylül University, Turkey), Elmas Yıldız (Izmir University of Economics),
Özgül Bilici (Dokuz Eylül University, Turkey), Onur Akkaya (Dokuz Eylül University, Turkey)

Human Resources Management in the Banking Industry in Developing Economy
The Nigeria Perspective
R.R. Adegboyega (Olubisi Onabanjo University, Nigeria)

Industry Clusters, Foreign Direct Investment and Industry Performance in Turkey
Sedef Akgüngör (Dokuz Eylül University, Turkey) and Sine Kontbay (Dokuz Eylül University, Turkey)

Competitiveness of Turkish Automotive Industry: A Comparison with European Union Countries
Selahattin Bekmez (Mugla University, Turkey)

Determinants of Moral Hazard in Microfinance: Empirical Evidence from Joint Liability Lending Schemes in Malawi
Franklin Simtowe (University of Bonn, Germany) and Manfred Zeller (University of Bonn, Germany)

Convenor: Nejat Tenker (Izmir University of Economics)

Welcoming Cocktail
18:30 – 20.00

May 25/ 25 Mayıs

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C1. Rural Development and Agriculture

May 25, 9:30 – 11:30 Room M101

Food and the Global Economy

V. P. Raghavan (Empi Business School Satbari, India)

Rural Development in Turkey in the Light of EU Enlargement

Benjamin Didszuweit (Erasmus University, The Netherlands)

The Impact of HPAI of the H5N1 Strain on Economies of Affected Countries

Ceyhun Elçi (London South Bank University, UK)

Impact of Small Industries in Pakistan

Taqadus Bashir (Foundation University, Pakistan)

**Rural Non Farm Employment and Incomes in the Rural Highland Areas of North Eastern
India**

Dil Bahadur Rahut (University of Bonn, Germany)

Convenor: Osman Aydogus (Ege University)

C2. Reflections on Monetary Issues from Real Economy Perspective

May 25, 9:30 – 11:30 Room M01

The Impact of the EMU on Channels of Risk Sharing Between Member Countries
**Faruk Ballı (Houston University, USA) and Bent E. Sørensen (Houston University, USA
and CEPR)**

PPP Persistence within Sectoral Real Exchange Rate Panels

**Christian J. Murray (Houston University, USA), Hatice Ozer-Ballı (Houston University,
USA) and David H.Papell (Houston University, USA)**

Economic Cycles Relative to Stock-Exchange Cycles

**Viorica Chirila (Alexandru Ioan Cuza University, Romania) and Ciprian Chirila
(Alexandru Ioan Cuza University, Romania)**

Monetary Neutrality, Home Mortgages, and the Phillips Curve

Alan Haight (SUNY-Cortland, USA)

Reflections of the New Economy on the Monetary Policy and Central Banking
**Haydar Akyazı (Karadeniz Technical University, Turkey) and Seyfettin Artan (Karadeniz
Technical University, Turkey)**

Convenor: Attila Sezgin (Izmir University of Economics)

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C3. Population, Poverty and Development

May 25, 9:30 – 11:30 Room M105

Assistance or Subjugation: The Impact of Microcredit on the Poor
Gökçe Günel (Koç University, Turkey) and Özge Aytulun (Koç University, Turkey)

Some Cases on Poverty and Environment Interactions from Turkey
Necmiye Cömertler (Adnan Menderes University, Turkey)

Bargaining the Environment for Development: The Ewekoro Experience
Kola Subair (Logos State University, Nigeria)

Population, Poverty and the Problem of Natural Resource Management
Utpal Kumar De (North Eastern Hill University, India)

The Role of Communication in Poverty Fight
Ferlal Örs (Celal Bayar University, Turkey)

Convenor: Ahmet Hasim Köse (Ankara University)

C4. Information and Communication Technologies

May 25, 9:30 – 11:30 Room M209

Information and Communication Technologies in the Nigerian Economy
Sunday Mauton Posu (Olabisi Onabanjo University, Nigeria)

Knowledge Transfer in Heterogeneous Teams: Experimental Evidence
Meriem Bouamond (University of Lyon 2, France)

Using New Information Technologies for Modeling Data on Global Markets: An Efficient Interaction Between "Artificial" Human Brain and Economics
Alper Özün (Isbankası, Turkey)

The Success Factors of Attracting Potential Applicants to Apply for a Job Online
Harihodin Selamat, Othman Ibrahim, Noor Awanis Muslim
(University Technology of Malaysia, Malaysia)

Information Networks
Efe Postalıcı (Izmir University of Economics, Turkey)

Convenor: Fuat Erdal (Adnan Menderes University)

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Lunch
11:30 - 13:00

D1.Climate Change

May 25, 13:00– 15:00 Room M304

Climate Change and Developing Countries: Equity Issues from Kyoto and Beyond
Etem Karakaya (European Environment Agency, Denmark)

Qanats: Environmental and Economic Aspects
Abolfazl Nasser (East Azarbaijan Research Center for Agriculture and Natural Resources, Iran) and M.B. Khorshidi (Islamic Azad University, Iran)

Climate Change in Moghan Plain
Abolfazl Nasser (East Azarbaijan Research Center for Agriculture and Natural Resources, Iran) and S. Latifi Mamaghan ((East Azarbaijan Research Center for Agriculture and Natural Resources, Iran)

The Effects on Developing and Developed Countries of the Kyoto Emissions Trading Systems
Osman Peker (Adnan Menderes University, Turkey) and Sakir Görmüş (Adnan Menderes University, Turkey)

Replacement of Old Vehicles As a Strategy to Reduce Combustion Emissions
Kamel Alzboon (Al-Balqa Applied University, Jordan)

Convenor: Ayla Ogus (Izmir University of Economics)

D2.Human Resources Management

May 25, 13:00– 15:00 Room M510

Social and Economic Principles of Human Resource Management
Irina Schvets (Donetsk National Technical University, Ukraine)

The Measurement of Employee Motivation by Using Multi-Factor Statistical Analysis
Roman Zámečník, Miloš Hitka (Tomas Bata University, Czech Republic)

The Measurement of Employee Motivation by Using Multi-Factor Statistical Analysis
Roman Zamecnik (Tomas Bata University in Zlin, Czech Republic)

The Reconsideration of the Human Capital in the Context of the Globalized Economy
Daniel Toba (University of Craiova, Romania)

Convenor: Abuzer Pinar (Ankara University)

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D3. Technological Change and Economic Growth

May 25, 13:00– 15:00 Room M404

Growth and National Innovation Systems
Nazende Özkaramete Coskun (Bilkent University, Turkey)

The Hotelling's Rule Revisited in a Dynamic General Equilibrium Model
Beatriz Gaitan S. (University of Hamburg), Richard S.J. Tol (Research Unit Sustainability and Global Change and Centre for Marine and Atmospheric Sciences and University of Hamburg, Germany) and Hakan Yetkiner (Izmir University of Economics, Turkey)

The Role of Education and ICT in Economy
Mediha Tezcan (Anadolu University, Turkey)

Commonwealth Independent Countries' Accession to the WTO; Cross-Countries Trade Liberalization Analysis
Vugar Bayramov (Azerbaijan State Economic University, Azerbaijan)

Convenor: Efe Postalci (Izmir University of Economics)

Coffee Break
15:00 – 15:30

E1. Education and Labor Market Performance

May 25, 15:30– 17:30 Room M304

Working Conditions and Quality of Life of the Workers in BPO Sector
Arijita Dutta (University of Calcutta, India)

Teaching vs Research in Higher Education in India
Mumtaj Begum (Lady Doak College, India)

Impact of Integrated Marketing Communications Programs in Enhancing Manager and Employee Performance
Figen Ebren (Akdeniz University, Turkey)

Particularities Regarding the Romanian Human Resource Integration into European Structures
Raluca Petronela Lazarescu (“Gh. Asachi” Technical University of Iasi, Romania)

Convenor: Erhan Ada (Izmir University of Economics)

E2. Human Capital and Public Sector

May 25, 15:30– 17:30 Room M404

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Efficiency in Turkish Public Libraries
Hadi Sacit Akdede (Adnan Menderes University, Turkey)

Human Capital and Turkish Public Finance in a Global World
Asuman Altay (Dokuz Eylül University, Turkey) and Ferhat Akbey (Dokuz Eylül University, Turkey)

Innovation in Public Sector: Turkey Case
Hasan Sert (University of Michigan, USA and Gazi University, Turkey), Abdullah Altun (Middle East Technical University (METU), Turkey), Yusuf Altun (Middle East Technical University (METU) and Gazi University, Turkey), Sezayi Toprak (Middle East Technical University (METU), Turkey) Ibrahim Baran (Gazi University, Turkey), Emre Turkey (Gazi University, Turkey), Kemal Aydin (Middle East Technical University (METU), Turkey)

Public Sector Wages and Salaries in Turkey: Is there a Performance Criterion?
Abuzer Pinar (Ankara University, Turkey)

Convenor: Marc J. Prus (SUNY-Cortland, USA)

E3. Perspective on Regionalisation and Globalization
May 25, 15:30– 17:30 Room M510

Comparison of G-20 on the Basis of Millennium Development Goals
Rüstem Barış Yesilay (Ege University) and Umut Halaç (Dokuz Eylül University, Turkey)

Globalization and Tourism
Ph. Constanta Enea (University Constantin Brancusi, Romania)

The Impact of Globalization on Human Rights and the United Nations
Nejat Dogan (Erciyes University, Turkey)

Challenging the Orthodoxy of Economic Globalisation
Abdoulie Sallah (University of Leicester, UK)

Convenor: German Zarate-Hoyos (SUNY-Cortland, USA)

E4. Convergence: Regional, Economic and Cultural
May 25, 15:30– 17:30 Room 403

Impact of Trade Liberalization on the Gender Gap in Turkey
Özge Kama (Yıldız Technical University, Turkey)

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Convergence of Human Development Levels

Fuat Erdal (Adnan Menderes University), Gaye Kocabas (Izmir University of Economics, Turkey),

Emre Can (Izmir University of Economics, Turkey)

Convergence in Europe: Empirical Analysis on Two Groups of Countries of the European Union

Eva Jelnikar (University of Ljubljana, Slovenia) and Urban Murmayer (University of Ljubljana, Slovenia)

Human Resource Management in an Islamic Society

Syed Nisar Hussain Hamdani (University of Azad Kashmir, Pakistan)) and Akhtar Hussain Shah (PIDE, Pakistan)

Convenor: Hakan Yetkiner (Izmir University of Economics)

E5. Foreign Direct Investment

May 25, 15:30– 17:30 Room 407

Foreign Direct Investment and Exchange Rate Uncertainty: Some Time Series Evidence of the Turkey Experience

Gulten Dursun (Kocaeli University, Turkey) and Hilal Bozkurt (Kocaeli University, Turkey)

A Review of Economic Performance with Emphasis on FDI

Lotfali Agheli Kohnehshahri (Tarbiat Modarres University, Iran), Sara Emamgholi Poursefidashti (Tarbiat Modarres University, Iran)

Turkey's Capital Inflows in the Prospect of EU Membership: Cure or Curse?

Can Erbil (Brandeis University, USA) and Ferhan Salman (Central Bank of Turkey)

Convenor: Durmuş Özdemir (Istanbul Bilgi University)

Abstracts

A1. Topics in Labor Economics

**Exit from Short-Term Contract a French Empirical
Analysis, 1990-2002**

Mohamed Ali Ben Halima
Gate University

This paper test the determinants of the transition out of short-term contract by means of competing risk form of the semi-parametric Cox proportional hazard model. We use three labor market states distinguishing between exit into long-term contract, another short-term contract, and unemployment. For each type of exit, we define a separate hazard function that we'll call a type-specific hazard. The estimates are carried out from dataset recording individual labor market histories, the French Labor Force Survey (LFS) collected by the French National Statistical Institute (INSEE). The competing risk model is estimated for all the individual as well as separately for men and women. Our results show that, for men and women, the conditional probability of exiting STC into LTC decreases after 12th months. Moreover, staying in the same firm after a STC increases the chances of getting stable jobs in the future.

A1. Topics in Labor Economics

Asymmetric Information in Labour Markets

Caner Özdurak

Yıldız Technical University

Traditional assessment of economic performance has been based upon traditional production factors such as land, labour and capital but the importance of the knowledge-based assets' role in firm's performance increase undeniably. Knowledge assets or intellectual capital may be mentioned as the "hidden" assets of a firm which is based on Human capital. According to this statement selection of the human resource becomes a much more important case that has to be achieved for firms and other agents.

The development of internet in 1990's has caused a kind of revolution in labour market which provides significant cost advantage forming a candidate pool. For a Human Resources Manager (HRM), choosing an appropriate candidate for the suitable position is just as difficult as to click his/her PC's mouse button. However, efficiency requires all labour forces to be employed under the assumption that the supplier (candidate) knows the true quality of him/herself whereas the HRMs (dealer) are unable to find the true quality of a specific candidate and adverse selection effect may cause the labour market to collapse entirely.

My paper is trying to introduce these selection process problems by combining different methods, Lemon Markets, Bayesian Signalling Games, Moral Hazard, Adverse Selection and Principal-Agent problems. The term lemon will refer to the candidates who apply for any kind of job while the interviews form the signals between the candidate (sender) and the HRMs (receptor). Using these tools, the paper is basing all these microeconomic problems on factors such as immigration and/or gender. Although Akerlof showed that informational asymmetries can cause adverse selection on markets. Inspiring by Spence's theory under certain conditions, well informed job applicants can improve their probability of taking the job by signalling their private information to poorly informed HRMs.

In the first part of the paper, I will give a very brief explanation about theoretical background of these tools and establish the link between those theoretical explanations and candidate selection process. In this framework, the labour force is dividing into two group: one group belongs to the well educated-white/blue collar labour force and the other group belongs to unskilled-ordinary labour force. This distinction helps us to interpret the signals from our model much more correctly.

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Second part of the paper includes information about the selection and the real Human Resources Management examples. In this context, this part gives different selection problem cases. For instance, those inefficient choice techniques usually find the right CVs but wrong person. So choosing the good lemon among the others becomes more and more difficult when HRMs look at the wrong basket. Finally the last part gives a summary.

A1. Topics in Labor Economics

Remittances in the Mexican Economy

Assoc. Prof. German A. Zarate-Hoyos
State University of New York College at Cortland

This paper will be an overall survey of the issues surrounding migration and remittances between Mexico and United States. The first part will review some of the controversies about remittance flows and its impact on the Mexican economy while the second part will discuss some of the remittance initiatives of the Mexican government to harness these flows for development purposes. The third and final part will briefly review some of the current immigration proposals in Congress and the implications for the current debate on Mexican migration and remittance flows.

A1. Topics in Labor Economics

Human Capital Dispersion and Incentives to Innovate

Maurizio Iacopetta
Georgia Institute of Technology

Do policies that alter the allocation of human capital across individuals affect the innovation capacity of an economy? To answer this question I extend Romer's growth model to allow for individual heterogeneity. I find that the value of an invention rises with equality. If skills and talents are evenly distributed, inventions are more widely adopted in production and users are willing to bid a higher price. Therefore more inequality is associated with a larger share of the population employed in the business of invention. But, somehow surprisingly, the analysis suggests that although an equal society values inventions more than an unequal one, it may produce fewer of them, or, equivalently, generates inventions of a lower quality. A calibration of the model suggests a weak, but positive, relationship between the rate of innovation and inequality.

A2>Returns to Education

Measuring Returns to Education in Turkey

B. Müge Tunaer

Dokuz Eylül University

Yaprak Gülcan

Dokuz Eylül University

The purpose of this paper is to examine the returns to individually acquired education in Turkey. In contrast to the traditional neo-classical growth theory models, technological progress is embedded within the new endogenous growth models emphasising the endogenous determination of growth process. Thus, human capital stock is incorporated as an endogenous determinant of growth rate into the model that is highly associating the human capital accumulation with the innovative capacity and productivity. With the development of human capital theory, the educational level of the population as one of the key determinants in economic growth, is considered to be affected by the returns to education. The key relationship for the estimation of returns to education was derived by Mincer (Mincer, 1974). Since then, the topic has become centre of focus, and a large number of studies have estimated returns to education. One of the most comprehensive surveys by Psacharopoulos covers the cross – country returns to education estimations for 60 countries, reveals that the developing countries possessed the highest return to an additional year of schooling (1994). Recent country specific studies, on the other hand, while providing evidence on the decreasing returns to education in Norway (Haegeland et. al. 1999), and Austria (), empirical findings for China (Heckman & Li, 2003), and Italy (Brunello et. al., 2000) suggest increasing returns to education. Furthermore, returns to education estimations reveal heterogenous results varying accordingly with the degree programmes and gender in Britain (Sloane & O’Leary, 2004), and West Germany (Lauer & Steiner, 2000).

Despite the huge literature on the estimation of returns to education in terms of both cross – country and country specific analysis, studies concerning Turkish case remain limited (Tansel, 1994, 1999). This paper aims to make an update contribution to the literature in Turkey. Role of the educational level (primary, secondary, and higher education) in explaining earnings dispersion is analysed by estimating standard Mincerian equation, and using a national level household budget survey data. Estimating earnings equations for 1994

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and 2003, preliminary findings demonstrate that returns to education have been instable and changing across the different sectors of the economy. Even though the education has been an important determinant of wage dispersion in Turkey, the findings reveal substantial heterogeneity in returns to different educational levels.

A2>Returns to Education

The European Union's Education and Training Systems in Challenge of The Global Economy and Its Effects to Labour Market and Employment

Dr. Fatma SERBEST

EU Expert

Delegation of the European Commission to Turkey
European Union Communication Strategy Project

The European Union's important strategic goal is *become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion* by 2010.

The EU agreed on three major goals to be achieved by 2010 for the benefit of the citizens and the EU as a whole: to improve the quality and effectiveness of EU education and training systems; to ensure that they are accessible to all; to open up education and training to the wider world.

To achieve the strategic goal, the EU agreed on thirteen specific objectives covering the various types and levels of education and training (formal, non-formal and informal) aimed at making a reality of lifelong learning. Systems have to improve on all fronts: basic skills; integration of Information and Communication Technologies; efficiency of investments; language learning; lifelong guidance; flexibility of the systems to make learning accessible to all, mobility, citizenship education, and the needs of labour market and employment in Challenge of the global economy and its effects to labour market and employment.

The objective of the study is to evaluate the European Union's education and training systems in challenge of the global economy and its effects to labour market and employment. In the study, the global economy and its effects to labour market and employment will be discussed in the first section; the European Union education and training systems will be evaluated with all related aspects in the second part. In the final part, "the European Union's education and training systems in challenge of the global economy and its effects to labour market and employment" will be discussed about the Turkey's accession process to the European Union.

A2>Returns to Education

Estimating the Social Return on Schooling

Marcelo Soto

Instituto de Análisis Económico

A number of papers find that changes in schooling are not correlated with changes in per capita income. Two non-competing interpretations that have been given are that the social return on schooling is close to zero and the measurement error of changes in schooling is high. This paper shows that the lack of significance of schooling is threefold. First, there is a problem of a proper definition of the way in which years of schooling should enter in a production function. Second, collinearity between physical and human capital stocks seriously undermines the ability of educational indicators to display any significance in panel data estimates. And third, failure to cope with measurement error and endogeneity produces biased estimates. As opposed to the earlier empirical literature, the social return of schooling is positive and significant, but no Lucas-type externalities are observed.

A3.Natural Resources and Environment

Institutional Solutions to Free Rider Problems in Forest Management: The Case of Turkey

Dr. Gökhan Orhan
Balıkesir University

Forests are considered to be a major and crucial economic resource and environmental asset for the well being of humanity as a whole. The significance of forests, for the current and future generations, makes forests a central theme of discussions about the management of natural resources. According to Rational Choice Theories (RCT) on the utilisation of natural resources, whenever one person cannot be excluded from the benefits that others provide, each person is motivated not to contribute to the joint effort, but to free-ride on the efforts of the others, the collective benefit will not be produced or will be less than the optimal. As in the case of other common pool resources (CPRs) forests has the potential of attracting free riders.

According to Ostrom, contemporary literature influenced from RCT of politics considers individuals as interest maximisers and has been sceptical to local appropriation of natural resources, and centralised management has been proposed to solve free-riding problems. The policy advice to centralise the control and regulation of natural resources, like forests, has been followed on the grounds that local villagers cannot manage forests so as to sustain their productivity and their value in reducing soil erosion. Although forests were nationalised and harvest regulated by the national agencies, governments were not able to implement those elaborate regulations and nationalisation created open-access resources where limited access CPRs had previously existed and local people used to exercise restraints on the harvest from the forests.

Ostrom focuses on the management of the relatively small scale CPR within the borders of a state and her cases illustrate that some, but not all, appropriators in these settings solve some problems, by using instruments ranging from marketable rights to some public instruments, but neither resource systems became private property nor did any of the success cases involve direct regulation by a centralised authority. Ostrom's study challenges the convictions of many policy analysts that the only way to solve CPR problems is for external authorities to impose full private property rights or centralised regulation.

In this paper, arguments of RCTs on free riding will be tested in the case of forest management in Turkey. Following a theoretical discussion of RCTs on natural resource

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management, the institutional context of forest management in Turkey will be described to give some background information about the Turkish case. In the next section, problems stemming from the centralisation of management of forests will be illustrated and in the final section two Pine Forestation Projects in Gönen and Bandırma will be studied, in the light of Ostrom's studies, to demonstrate the potential of new institutional arrangements in the conservation and sustainable management of forests resources. What it seems from our initial findings is that, alternative institutional arrangements, which is a mixture of user permits and public ownership was proposed as a panacea to free riding problems in both cases, though it was a measure initiated by central authorities.

A3.Natural Resources and Environment

Climate Change Impact on West Bank Groundwater

Loay Faroukh

House of Water and Environment (NGO)
Ramallah-West Bank

Recently, the climate change is becoming a vital aspect that affects groundwater. It has significant impact on the yield of the wells and springs which are mainly rely on recharge from rainfall. The inter-annual variability of groundwater recharge emerges as a major factor on the reliable output of the wells and springs as it has been noticed in many wells and springs in many places especially in the summer (dry period). In addition, the inter-annual variability affects both surface water reservoirs, and rivers flow as well.

The main impact of climate change is the drop in precipitation, and shifts in historic hydrological cycle events (mainly temperature and precipitation). These changes are of particular interest in areas where their water supply is dependent on direct recharge from rainfall.

This study aims to investigate the impact of the climate change on the West Bank groundwater aquifers in the Eastern Basin. This is based on the impact of the historical changes in temperature and precipitation on groundwater.

A3.Natural Resources and Environment

Re-Thinking the Way We Use Water to Safeguard Precious Natural Resource

M. A. Yurdusev
Celal Bayar University

A. A. Kumanhođlu
Dokuz Eylöl University

M. E. Turan
Celal Bayar University

Water is such a substance that we can not put anything in place of it. We use water in many ways such as drinking, cleaning, watering our plants, generating energy etc., with some being replaceable and some not. We are not at alone to use water. The flora and the fauna can not also survive without it. However, it is not an exaggeration to say that water supply for water-use competitors have come to a critical edge. Actually, edge has already been passed in many parts of the world. The latest UN report states that at least one-third of the world population do not have access to safe water resources, which results in so many health problems. Therefore, there is an obvious need to question water use practices. There is, in this regard, so-called demand management phenomenon. Water demand management is a pro-active approach to water conservation, which considers water consumption 'needs' as 'demands' rather than requirements. Demand management can also be described to yield some quantity of water from the water which is already in service through some demand management measures such as metering, pricing, using water saving devices, introducing water-wise water by laws, water restriction, controlling water leaks in distribution system and in homes and above all education. As implied within this rather long description, demand management may be the cheapest option to supply consumers with safe water since the water quantity yielded is already in service, (e.g. at the taps in our homes) thus saving us from all the cost of water supply including abstraction, transfer and treatment.

In many parts of the world, water industry has been imposed to take measures to insure water efficiency. It has taken some years this to become a legislative issue. Starting from early international summits (Dublin, Rio, The Hague, Kyoto and Mexico City) water issues have given a new perspective in recognition to its decreasing quantity and deteriorated

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quality. Parallel to these international summits, water management has shifted from a source-based approach to a demand-based activity. Water related industry have also

developed new water-friendly devices to save water and transformed their old more water using devices into less ones.

Despite the world-wide high-level popularity of demand management, it was unfortunately discovered that the importance of water conservation is not recognized in normal people level. They either do not hear about water conservation or do not take it seriously. This is because people have not yet faced the severity of water shortage in developed countries. In developing countries; however, normal people neglect it among their many other problems even if they have been experiencing water scarcity.

People should be given a wider perspective to encourage them to act wisely when using water wherever they live (in developed or developing country). They should see the overall end product of their single and simple practices toward efficient use of water. Unfortunately, especially in developing countries, it is also found that people do not have shown such a perspective in addition to wide spread indifference towards water saving. To this end, this paper discusses demand management concept and the related measures to achieve a targeted level of water saving.

A3.Natural Resources and Environment

Climate Change from a Post-Normal Science Perspective

Mustafa Demirci

Adnan Menderes University

Osman Peker

Adnan Menderes University

Anthropogenic climate change is a serious global problem faced by contemporary society since it entertains a great risk for the future of the planet earth and its inhabitants (loss of biodiversity, spread of diseases, famine, drought and loss of small island states etc.) as to the dominant formulation developed by the mainstream climate change science presented by the Intergovernmental Panel on Climate Change (IPCC) which has designed as a science-policy interface organisation. However, climate change has become a controversial policy issue related to science due to irremediable uncertainties in climate change science and the interplay of economic and political interests in the international arena. This situation has led to a discussion of the relationship between politics and science because they have been traditionally considered to be two separate areas.

The purpose of the paper is to approach the interplay of science and politics in the context of climate change issue from the pointview of post normal science.

The literature concerning both climate change and post normal science is vast. Relying on the literature this paper firstly deals with the main characteristics of climate change science and the criteria prescribed for carrying out post normal scientific activities. Then, it discusses whether the mainstream climate change science organized by the IPCC meets the criteria set for post normal scientific activities. It is expected that the concepts from post normal science can help to have a better understanding of science-politics relationship in the climate change issue. It is also assumed that post normal science paradigm has a potential for the legitimation of climate change science by increasing the level of democracy

A4. Issues in Economic Development

Intellectual Property Rights and Economic Development

Alper Duman

University of Massachusetts

This paper critically evaluates the basic arguments for the strengthening of the Intellectual Property Rights (IPR) regimes in the developing countries and reaches the conclusion that the arguments suffer from empirical and theoretical weaknesses. We use threshold regression analysis with a recently constructed panel-data set of both developing and developed countries. We find that stronger IPR regimes mostly benefit the advanced countries and hurt developing countries. We then argue that the process of increasing homogenization and strengthening of the IPR regimes have been occurring largely due to the political and economic threat of developed countries led by United States

A4. Issues in Economic Development

Inequality and Growth in a Schumpeterian Setting

Ozan Hatipoglu
Bogazici University

I build a demand based theory of inequality and growth in a Schumpeterian setting which accounts for the non-linear relation between them. Inequality affects growth through demand patterns for new products when people have hierarchic preferences. In a society where assets are highly concentrated, a redistribution increases growth if it also increases the total demand for innovators. One such case is a redistributive scheme which makes poor just rich enough to afford the innovators product-maybe now maybe in the nearer future- without making the rich poor enough so that it forgoes consumption of the innovators product today. This case is most likely to occur when inequality is already high. On the other hand, if the rich becomes just poor enough so that the demand for innovators product fall, which is likely to occur when inequality is already low, reducing inequality further hurts growth. The main reason for this result is that when demand shifts away from innovation, resources are necessarily wasted. Overall, this suggests that the relation between inequality and growth can be described by an inverted u shape. A useful aspect of this article is to fit demand patterns into a flexible general equilibrium framework in which one can isolate the effects of poor's wealth share, poor's population share and patent length. The model exhibits also multiple equilibria as there exists a complementarity between today's and future research. Another interesting outcome concerns redistribution. I find that at high levels of inequality a minimal level of redistribution from rich to poor is necessary to increase growth. Between very high and very low inequality levels, the model exhibits a non-linear relation between inequality and growth for a wide range of inequalities. For the empirical part I investigate the non-linear relationship between inequality and innovation in a Schumpeterian setup where innovations are arrival of new goods. I use two very recent inequality data sets based on Theil statistics. First, using a simple interval location approach and spline regressions employing dynamic GMM and fixed effect methods, I conjecture the intervals for which inequality and innovation are positively or negatively related. I check the consistency of these results by dividing the sample into low and high inequality regions and by re-estimating the model. Since restricting the sample brings about a sample selection bias, I further use an unrestricted model with the whole sample and dummies to verify the previous result. In the second part, I turn my attention to modeling innovations as arrivals after a certain waiting time affected by inequality. I develop a hazard model incorporating the inequality and income effects on innovations. With both data sets I use a non-parametric estimation such as the Kernel method, and a parametric non-linear fit both to the original and the hazard model. I find further support for an inverted U shape between inequality and innovative activities. I conclude that the results are robust to inequality definitions and estimation techniques.

A4. Issues in Economic Development

Some Aspects Regarding the Romanian Integration in the European Union

Raluca Petronela Lazarescu

“Gh. Asachi” Technical University of Iasi, Romania

Romania, more than other European country, sees in its relationship with EU, the opportunity to let behind its “label” as “backward country” and to become stable from economical point of view. At the first level, the transformation and the development of the Romanian economy could be solved if the private entrepreneurs could implement their original ideas. Unfortunately, the main problem is the mentality of the people who are against a responsible public politics. The statistics show that if Romania could reach an increasing average on the long term at 5 %, it would be necessary more than 20 years to be at the half of the level regarding the income/inhabitant of the EU.

Nowadays, the main problems of the politicians from EU regarding the enlargement and Romania` s integration are:

- The migration rate of the persons who would live their country to find a better workplace;
- The direct competition coming from the countries with an important human resources and low costs of the workforce;
- The EU` s important companies that will chose to invest in east-European countries and so on.

Based on these ideas the authors of the paper studied the advantages/disadvantages of Romanian` s integration in EU, reaching to some conclusion on the next fields: industry, research, social perspectives.

A4. Issues in Economic Development

Identifying The Role Of Education In Socio-Economic Development

Francesco Burchi
University of Roma Tre

Food insecurity and illiteracy involve more than **800 million** people today. In the proposed paper, I argue that education is a fundamental factor in achieving food security for rural populations in developing countries. I base my arguments on the Human Development Approach, according to which, education is both intrinsically and instrumentally relevant for education. In this paper I focus on the instrumental role of education for food security, by posing the question: *Is education, both basic and higher, an essential tool to fight against food insecurity in the rural areas of developing countries?*

I answer this question by examining the theoretical and empirical causalities between the two variables: education and food security.

Traditional Economic theories developed since the 1960s within the endogenous growth theory promoted the concept of *human capital*, according to which education is considered as a means to ensure economic growth. On the contrary, following Amartya Sen's *human development* paradigm, I argue that education can play an instrumental role in two different ways: through *economic production* and through *social change*.

While there is a literature, albeit short, on the contribution of education on development, this does not occur for food security. In this paper I argue that especially basic education, and not training or vocational education, can improve the capacity of individuals to live a decent life and to escape from the hunger trap. The basic idea is that being educated improves rural people's capacity to diversify assets and activities, to access information on health and sanitation, to enhance human agency in addition to increasing productivity in the agricultural sector; these are all essential elements to ensure food security in the long-run.

The theoretical study is, then, accompanied by an empirical analysis. Based on data taken by the *Demographic and Health Survey*, I construct a *cross-section* model, aiming to show the impact of education on "household food insecurity". Both variables concerning basic and higher education are included to show the best predictors. Food insecurity is, instead, measured by an aggregate indicator, chosen according to available data and theoretical

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foundations. The model focuses first on rural areas, usually the most disadvantaged by national educational policies, and then on total countries, in order to explain the difference between urban and rural areas, defined *urban bias*.

My aim is to prove that basic education has a good (negative) explanatory capacity of food insecurity. Moreover I seek to specify if higher education gives a statistically significant contribution or not, although probably lower than basic education variables.

As a conclusion, the policy implications of my study are the following. I argue that education is both theoretically and empirically proven to be relevant in fighting food insecurity and, therefore, governments and donors aiming to tackle these problems should focus their attention to this sector. Such a policy, indeed, should be made with a specific emphasis on rural areas and keeping in mind the multiple-advantages provided by an educated and skilled society.

B1. Human Capital and Labor Market

Human Capital as a Factor of Economic Growth

Dr Mokhtar Maazouz
Université de Nice Sophia Antipolis

Economic growth is known as a worldwide discussed question and the development as well; a global policy objective that dates from 1940s. On the whole it's a long time that all countries make great efforts to determine some and possibly all factors which lead to sustainable growth and economic development.

Human capital as a factor of economic growth is identified not only a major factor but also a suitable remedy to alleviate the poverty in the world.

Health care and qualified education leads to economic growth and is centered on the development of human capital. Indeed, the advent of "endogenous growth models" with human capital (providing externalities) have certainly enhanced the understanding of the mysteries of rapid and long sustainable high growth performances of east Asian economies.

Education is a social science that encompasses teaching and learning specific knowledge, benefits and skills; for economists working on education is an investment which its impact on the economic growth is so considerable. The new line of thinking is that for developing successfully a country need to initially spend a fair amount of money on health care and education in the development process.

Using Panel data econometric, in this study we aim to identify the effects of some important factors of economic growth specially education and health care in some MENA, Middle East North African countries because study of developing countries offers both policy questions of fundamental importance and reach a set of experiences to examine.

Finally the author provides recommendations for future research on education in MENA region.

B1. Human Capital and Labor Market

New Orientations Regarding Human Resources within a Lasting Development of the Romanian Economy

Univ. Lect. Dr. Dalia Simion
University of Craiova

The approached theme is referring to a problem of a great importance and actuality in the context of the dynamics specific to the global economy. The formation and operating of the labor market is one of the most fundamental and complex process of the economic lasting development. This involves the reconsideration of the theoretic basis of the politics of employment and usage of the labor and also of the mechanisms of regulation the labor's request and offer due to the special character of "the goods" that circulates on this market. This particularity makes it different from the rest of the markets and also makes it carry out important roles in assuring and maintaining the macroeconomic balances and the social-political stability.

The lasting development is connected to the necessity of replacing some forms of economic development that had as characteristics the wastage of human resources, diverse activities with a destructive character (such like soil's damage, pollution, environment's degradation, and so on), catalogued as a period of wastage, with a new period, namely "the lasting development" based upon the compatibility of the surroundings with the environment created by the human being and the equality of the chances of the future generations.

Now the natural-human crisis of a new type of economic progress stressed the fact that the development should be reconsidered, centered upon human resources so that the increase of the resources should be in the advantage of all these both in present and in future as well.

In order to accomplish this desideratum there should be taken permanently into consideration the profitableness and efficiency of using the human resources both in the economic activity inside the country and outside of it as well, internationally speaking.

For putting into practice the concept of a lasting development this implies two great steps:

- setting up an international legislation regarding the right of intervention of a human subject upon the natural resources in the respective ecosystem;
- adhering to this legislation of the majority of the states and the strict supervising for respecting this legislation by a special international system.

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The central place of human resources within this process and which is found again in the efficiency of the human resources usage and at the end in the profitability of the economic activities and getting some important profit rates, allows the reinvestment of an important market from profit into human capital.

Due to the social-psycho particularities of the human resources as well as due to the feedback relations with other markets, the labor market is the most sensitive and fragile of all the markets. This market is the depository of an argumentative potential, it captures and amplifies the distortions on the other markets, formulating its own requests. Thus, the labor market is conditioned by the balance of all the other markets and it is also conditioning the stability and the socio-political balance.

The analysis of the labor offer must be done in close connection to the number and structure of the population, which in its turn is directly influenced by the stage of economic development of a country, as well as by social factors that characterize that collectivity.

In this context I will expose an econometric model regarding the method of analysis of the social-economic correlations.

Presented within equations, the econometric model stands for a simplified image of the relations between the economic variables, the conditioning among these, globalizing the transformation of the causes into effects.

The objectives aimed through this project are:

- stressing the essential relations of the great variety of causes and effects that occur and create lacks of balance on the labor market;
- delineation of the future evolutions and their implications on the labor market;
- choosing an adequate economic politics, with maximum profit rates and with minimum uncalled for implications;
- developing an economic theory because this is argued through quantifications and evaluations.

B1. Human Capital and Labor Market

The Effects of Work on Human Character in the Era of New Capitalism

Assoc. Prof. Ester Ruben
Yildiz Technical University

Flexibility, mobility and rapidity are the essential words of the new capitalism. Workers should be flexible enough to adopt to continuously changing technological conditions, should be able to move rapidly from one geography to another, and should be able to gain rapidity to do all these things. Rapidity is essential, since workers should not have sufficient time to question what they are doing. Employers and/or owners of capital on the other hand are expected to be quick decision makers and risk takers to maximize short run profits. What are the effects of flexibility, mobility and rapidity on the human character? How the human character is adopting to the new capitalism? These are the basic questions of this paper and they will be studied in the realm of two books: "The Corrosion of Character" (Richard Sennet) which analyses the subject with basic emphasis on workers and "Blake's Therapy" (Ariel Dorfman) which is concentrated mostly on the psychology of employers / capital owners.

B1. Human Capital and Labor Market

The Effects of Trade on Wages: Turkish Case

Pinar Narin Emirhan
Dokuz Eylül University

Gonca Konyali
Dokuz Eylül University

The economic consequences of increasing globalization in the last two decades are still under question. Globalization resulted in increased trade volumes, freer capital flows and rapid diffusion of technology, which all affected the economies from different aspects. This paper aims to look at the effects of globalization on labor markets. Specifically, the aim of this paper is to analyze the effects of international trade on relative wage levels of educated and less-educated workers in Turkey.

Empirical work on both developed and developing countries show that trade liberalization and the consequent increase in trade volumes caused the widening of the wage gap between skilled and unskilled workers (Galiani and Sanguinetti, 2003; Wood, 1997 and 1998; Borjas and Ramey, 1994; Bound and Johnson, 1992). There are various approaches to explain the existence of these wage gaps but Bhagwati-Dehejia based their reasoning on the structural change of comparative advantage. Bhagwati-Dehejia Hypothesis asserts that industries are increasingly becoming footloose as a result of trade liberalization and the comparative advantage of these industries becomes “Kaleidoscopic”. Kaleidoscopic comparative advantage means that one country may have comparative advantage in industry X today, but the comparative advantage may shift to industry Y, the next day. Kaleidoscopic comparative advantage leads to increased labor turnover which prevents labor to accumulate skills and therefore causes especially unskilled and less-educated labor to earn less wages (Beaulieu et al., 2004).

In this study by using the data of the 2003 Household Budget Survey, Bhagwati-Dehejia Hypothesis will be tested for Turkey. An empirical model will be used to test the effects of industry level exports and imports on wages of labor at different education levels and with different job experiences. Some additional variables like being a union member or not will also be added to the model to obtain more reliable results.

B1. Human Capital and Labor Market

Social Capital and SME's: A Study on Lakes District Enterprises

Doç. Dr. Murat Ali DULUPÇU
Süleyman Demirel Üniversitesi

Yrd. Doç. Dr. İlker Hüseyin ÇARIKÇI
Süleyman Demirel Üniversitesi

Arş. Gör. Gökhan ÖZDAMAR
Süleyman Demirel Üniversitesi

Arş. Gör. Hakan DEMİRGİL
Süleyman Demirel Üniversitesi

The rapid change in technologies and markets (innovations) as well as government policies has induced firms and localities to take collective actions to enhance their capacity to adapt and respond to uncertainty (Lundvall, 1998). In this regard current approaches to economic development draw upon diverse theoretical fields and concepts but there is some agreement as to the importance of social capital (Coleman, 1988; Putnam, 1993; Sabel, 1993). Social capital refers to embeddedness of trust and strong civic relations in a locality that serves as a source of competitiveness through cooperation. The SME's are, naturally, both creators and users of the social capital in a locality. It is observed that different regions perform different qualities in the creation and exploitation of social capital in Turkey. Thus, this study aims to analyze and identify the attitudes of the SME's towards networking, trust and collaboration in Lakes District (Isparta and Burdur Provinces) in order to assess the social capital capacity and capability. Is there a certain level networking among SME's? Do they trust each other in their local business environment? Do they trust other local actors such as business chambers and local authorities? Is there awareness about collaborative business development among SME's? The findings of such questions will help policy makers to design effective strategies in order to improve the role of social capital in economic development process.

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This study depends on a survey conducted in 2005. 66 SME's were chosen from KOSGEB's regional data inventory which includes 250 SME's for Lakes District. In this survey, 50 questions questionnaire was used. The data collected have been evaluated by SPSS and MINITAB. In order to explore the social capital attitudes and differences among the SME's, discriminant analysis, t-test and ANOVA are used.

The social capital was categorized into (i) supportive structure of local actors (ii) collaboration among SME's (iii) trust at different levels. The initial findings are less supportive of a strong social capital among SME's and between SME's and local actors.

It is expected that informal and social relations should have been much developed in less developed economies, mainly as a consequence of less capitalization of social processes. Ironically, strong social relations in developing countries are not enough to produce/reproduce social capital. Referring to Putnam (1993), trust and civicness can be assumed as more compatible producers of the social capital (Keating, 2001) instead of strong social relations.

B2.Economics of Energy

Oil Consumption and GNP Relationship In Turkey: An Empirical Study

Doç.Dr.Erdal Karagöl
Balıkesir Üniversitesi Bandırma

Araş.Gör.Erman Erbaykal
Balıkesir Üniversitesi Bandırma

Araş.Gör.H.Murat Ertuğrul
Balıkesir Üniversitesi Bandırma

This paper will investigate the causal relationship between oil consumption and GNP. For this purpose, we will investigate the presence of cointegration among the variables and use a vector error correction model to test causality relationship. Empirical results for Turkey over the period 1971–2003 suggest that there is cointegration relationship between GNP and oil consumption. We found no causal relationship between oil consumption and GNP in short run whereas there is a long run unidirectional causality running from GNP to oil consumption.

B2.Economics of Energy

Oil, Education and Growth in Developing Countries

Philip Akanni Olomola
Obofemi Awolowo University

In most countries that are rich in oil, minerals, and other natural resources, economic growth over the long haul tends to be slower than in other countries that are less well endowed. Many empirical studies have shown that many countries endowed with substantial natural wealth, especially mineral resources, appear to reap few gains from it. Instead of experiencing economic development supported by exploitation of natural resources, these countries experience continued underdevelopment, corruption, political instability, and in some cases, civil war. Recently, Gelb et.al (1988) found out that those countries that were resource-poor, whether large or small, significantly out-performed resource-rich countries, performance being measured in terms of per capita GDP growth.

Several empirical factors are responsible for the resource curse; these have been termed the channels of transmission. They are: the Dutch disease syndrome, rent-seeking revenue volatility, democracy and quality of institutions; and neglect of education sector. The neglect of education due to oil wealth is the focus of this paper.

An overriding implication of all these analysis of the transmission mechanism is that most oil exporting developing countries, being confident that their natural resources are their most important asset may inadvertently — and perhaps even deliberately! — neglect the development of their human resources, by devoting inadequate attention and expenditure to education (Gylfason, 2002). More and better education is a prerequisite for rapid economic development around the world. As observed by Gylfason (2003), education stimulates economic growth and improves people's lives through many channels: by increasing the efficiency of the labor force, by fostering democracy (Barro, 1997) and thus creating better conditions for good governance, by improving health, by enhancing equality.

The objective of this paper is to examine the pattern of oil rents and trends of revenue allocation to the educational sector, as well as the pattern of enrolments in schools, particularly primary and secondary schools in oil exporting developing countries over the period 1977 and 2003. The study will also examine some of the constraints and challenges involved in allocating these rents to the educational sector; and finally empirically test the effect of oil rents on human capital development and economic growth in developing countries.

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Data will cover 60 countries, namely 47 oil exporting and 13 non-oil exporting countries. Panel data analysis shall be used.

We expect that true to the proposition of resource curse scholars, the benefits of the oil sector did not filter to the education sector. These dismal results could impair the development of education sector through non provision of basic infrastructural facilities, and hence lead to a decline in the quality of education.

Thus, the government needs to realize that education is the bedrock of any nation's long term development, and hence resources should be shifted away from unproductive sectors to the productive education sector.

B2.Economics of Energy

Energy Security of Turkey

Dr. Havva Çaha
Fatih University

This study analyzes whether Turkey ensures energy security, compared to some criteria in regard to various energy resources, or not.

The paper will firstly explain the meaning of energy security and its main concepts such as energy diversity and storage. Given answer to the question how energy security is perceived in some countries like USA, EU, China, and Russia, the paper takes an interest in Turkey's energy security. To determine the amount of energy dependency of Turkey, the paper concentrates on the consumption and production of various energy resources like coal, oil and natural gas in the country. Then it emphasizes over the diversification of energy suppliers and emergency policies under some energy crisis.

Energy has a vital importance in human life and is perhaps one of the most important factors in economic growth. Until 1970, energy was cheap and easily obtained compared today. After the oil crisis of 1973 this situation has been gradually changed and most of the countries started to face with energy problem. Energy security has been the main foreign policy issue for some countries. Particularly USA puts very active foreign policies into practice for energy security. Similarly EU creates some projects to secure energy for Europe. IEA puts minimum requirement such as 90 days oil stocks to prevent possible effects of oil crisis for members. Turkey seems to be a non self-sufficient country in respect to oil and natural gas according the recent data and has to import growing energy demand from other countries. Therefore, energy security should be the main problem in Turkey's energy policies. But there are some problems for securing energy in reality. Especially Turkey has diversification problems for natural gas unlike oil. Turkey has no storage facility for natural gas and also didn't perform to lay minimum 90 days oil stock down as a necessary condition of IEA up to now.

Finally we can say that Turkey will live serious energy security problems if it faces with any shortage in oil or natural gas.

B2.Economics of Energy

The Analysis of Relationship between Energy Consumption and Economic Growth in Turkey

Zeynep Kaplan

Yıldız Technical University

Serçin Şahin

Yıldız Technical University

Bekir Aşık

Yıldız Technical University

There is a close relationship between energy consumption and economic growth. Many production and consumption activities involve energy as a required input, making it a key source of economic growth. The cost and availability of energy is a major factor promoting economic growth. At the same time, economic growth may induce the use of more energy.

This paper attempts to analyze the causal relationship between energy use and output growth in Turkey. This relationship is investigated using Johansen cointegration technique and Granger causality. To test for Granger causality in the presence of cointegration among the variables, we employ a Vector Error Correction Model.

We expected to find cointegration and causality in dual directions between economic growth and energy consumption. Since, there is a positive feedback loop between these two, an increase in the energy consumption leads to higher economic growth, and the higher economic growth also leads to higher energy consumption in turn. Indeed, the empirical results have also indicated that both energy consumption and economic growth stimulates each other.

B3.Advances in Microeconomics: Measuring Productivity, Efficiency and Performance

Entrepreneurship and Performance in Banking: Turkish Case

Ihsan Isik
Rowan University

Dogan Uysal
Selcuk University

In this study, we compare and contrast the efficiency and productivity levels of de novo banks with those of established banks. We apply a non-parametric production frontier approach to a panel data of de novo banks that were chartered in Turkey in the post-deregulation period. Our results indicate that de novo banks tend to outperform established banks in all aspects of productive efficiency. Productivity, technology and efficiency also tend to grow faster in de novo banks than in established banks. De novo banks in Turkey are the byproducts of financial reforms launched in the 1980s that encouraged both domestic and foreign entries. It seems that the combined effects of substantial liberalization and granting of new banking charters have contributed to the improved efficiency of the Turkish banking industry, indicating that the extension of new bank charters is likely to accelerate the efficiency gains expected from a period of deregulation. Not hampered by the past, de novo banks can choose the best production techniques, increase competition and put restructuring pressures on incumbents (Conhoto and Dermine, 2003). Furthermore, the results indicate that most of the improvements registered by de novo banks take place in the first five years. As these banks approach the age of ten, we detect that diseconomies of scale issues begin to emerge, suggesting that cost economies expected from expanding production scales are quite limited in the Turkish banking market. We also found that foreign entries are more efficient and productive than domestic entries. However, most of the foreign entries in Turkey come from more advanced countries. Thus, de novo entries, especially by foreign banks, may be beneficial for the local market. Bank regulators in emerging markets may use foreign entries to boost the efficiency performance of their banks.

B3.Advances in Microeconomics: Measuring Productivity, Efficiency and Performance

Knowledge Sharing in a Community of Practice

James Hopple
Troy University

Emrah Orhun
Troy University

The aim of this study is to develop an understanding of the factors influencing participants' knowledge-sharing in an electronic network of practice. The study builds on a theoretical framework derived from the theory of reasoned action and theories of social capital and social exchange. A model of knowledge sharing in an electronic network of practice has been developed based on this framework, which attempts to integrate factors validated through recent empirical studies (Kankanhalli et al., 2005; Wasko and Faraj, 2005; Bock et al., 2005). The model that considers the factors influencing the knowledge contributor and the knowledge seeker has been empirically tested using a survey in the Financial Management Community of Practice (COP) in the USAF Portal.

Figure 1 shows the research model adopted for the study, which incorporates constructs from social exchange theory and social capital theory. Data were collected from members of the Financial Management (FM) Communities of Practice (COP) on the AF portal. Partial least squares (PLS) was chosen as the structural equation analysis method to test the hypotheses.

The study demonstrated that experience in the profession influenced the amount of contribution, but that self-rated expertise did not. The findings indicate that relational capital may not be as important to usage, but it is strongly related to the intention to share knowledge. The study also indicated that commitment to the community of practice was not a factor in knowledge contribution. Concerning anticipated extrinsic benefits, the results show that individuals are not motivated by these types of rewards whether monetary in nature or reputation-based. The hypothesis regarding the sense of self-worth through the intention to share knowledge was not supported. Secondly, the results showed that the anticipated loss of knowledge power that occurs when an individual shares personal knowledge, did not influence an individual's intention to share knowledge in the COP. Finally, an individual's codification effort indicated only a relationship with number of messages posted.

The results provide some evidence that cognitive social capital influences intention to share knowledge.

B3. Advances in Microeconomics: Measuring Productivity, Efficiency and Performance

Evaluating the Causal Effect of Foreign Acquisition on Firm's Productivity: The Case of Slovenian Manufacturing

Sergio Salis
University of Cagliari

The *internalisation theory* [Dunning (1981); Caves (1996)] implies that foreign affiliates perform better than domestically-owned firms due to technological transfer by the parent companies. However, the performance gap often observed in empirical studies might be due to plant, firm or industry-level differences among the two groups of enterprises rather than to foreign ownership [Conyon *et al.* (2002)]. Foreign investors might simply acquire the most productive firms located in the most productive sectors. Neglecting to take this selection problem into account may lead to overstate the impact of foreign acquisition on the performance of domestic firms.

The objective of this paper is to shed some light on the existence of technology transfer from foreign firms to their Slovenian subsidiaries by investigating the impact of foreign acquisition on the productivity of Slovenian manufacturing firms subject to takeover in 1997. Such impact has until now been studied almost exclusively in the context of developed countries.

I use a panel of 6,020 Slovenian manufacturing firms (provided by The William Davidson Institute, Michigan) over 1994-1999 to build an *ad hoc* sample of companies acquired in 1997 and measure the impact of acquisition on their productivity in the two years following the takeover. I account for the selection problem by following the evaluation strategy [Heckman *et al.* (1997, 1998)] and employing the *matching* estimation, which assumes that foreign investors choose which firms to acquire based on a set of observable characteristics. By pairing each acquired firm with one (single nearest neighbour matching) or more (kernel matching) domestic firms with a similar probability to be acquired by a foreign investor (the *propensity score*), I find the needed counterfactual to correctly measure the causal effect of foreign acquisition. By additionally using the *difference-in-differences* (DID) estimator I

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partially control also for unobserved heterogeneity affecting both TFP and the investment decision.

My analysis shows that foreign investors acquire the most productive, most propense to export and younger manufacturing firms operating in Slovenia during the sample period. When I explicitly account for this selection issue by means of the combined matching-DID estimator, I find that the causal effect is positive and statistically significant: firms acquired by foreign investors in 1997 show in 1999 a TFP level higher than that they would have experienced had

they not been acquired. (Results may however change after forcing the matching algorithm to pair firms within the same sector. I am currently working on it.)

The finding of a positive causal effect in terms of higher TFP lends support to the argument that foreign firms transfer their advanced technology to the affiliates established in Slovenia through an acquisition process. However,

while the presence of direct effects from foreign capital does not exclude the possibility of subsequent technology transfers to local firms in Slovenia, the existence of spillovers from FDI in the same country remains an open question.

B3.Advances in Microeconomics: Measuring Productivity, Efficiency and Performance

The Impacts of Sectoral Demand for Military Expenditure on Peace Dividend: A Case for Turkey and Greece

Durmuş Özdemir
Istanbul Bilgi University

Ali Bayar
Istanbul Bilgi University

This paper examines the effect of sectoral demand for military expenditure on the peace dividend between Greece and Turkey by employing a multi region dynamic CGE model. A general purpose of the study is to examine the prospect for conflict resolution if Turkey become a member state for the EU. This would expected to create a peace between the two countriesin, hence a possible cut back on military expenditure. The model allows to analyse several scenarios; a positive scenario is a certain amount of reduction on Military Expenditure/GDP (ME/GDP) ratios. This may cause a decrease in sectoral demand for military expenditures. This re-allocation scenarios may effect the sectoral distribution and a higher GDP growth, higher private consumption, lower unemployment, lower interst rates, economic stability and increased FDI for Turkey and improved BoP in both countries in a different level. The economic stability and some spillover effects are some other economic benefits to the EU.

B4. Industry Studies

**Long Run Profit Maximization in Turkish
Manufacturing Sector**

Önder Hanedar

Dokuz Eylül University

Elmas Yıldız

Izmir University of Economics

Özgül Bilici

Dokuz Eylül University

Onur Akkaya

Dokuz Eylül University

The equilibrium concept is the most important subject for economic theory. The importance of this concept arises in determination of functional structures of the economic variables. Jenkinson (1986) has estimated the long term labour demand function and rationalisation mechanism by using co-integration technique. By focusing on different aspects of rationalisation mechanism in the long run and time series econometrics in formulating and testing this relationship, ACMS (Arrow, Chenery, Minhas, Solow), CES (Constant Elasticity of Substitution) Production Function and co-integration technique are to be employed in this research in particular.

The purpose of this research is to investigate whether the long-run equilibrium implied by profit maximization is valid for the Turkish manufacturing industry for the period of 1950-2001 or not. During this period, Turkish economy has undergone important structural changes, for example the implementation of liberalization policies after 1980s. Thus, the possible effects of economic policy implementation over the profit maximization in the Turkish Manufacturing sector will also be studied by using new time series techniques such as Zivot and Andrews(1992) unit root test and Gregory-Hansen (1996) co-integration tests. Because most of the previous studies about this issue are concentrated in developed countries and there has been little research on Turkish manufacturing sector, this study's contribution is important.

B4. Industry Studies

Human Resources Management in the Banking Industry in Developing Economy: The Nigeria Perspective

R.R.Adegboyega

Olabisi Onabanjo University

It is widely recognized that any organization, whether public or private need for its survival and existence resources like physical, capital and human. In the early days of organized production, much emphasis and attention were placed on the physical and financial resources (Nadler, L. 1982). Labour was regarded as a passive factor of production which was surplus and inexpensive to hire or fire. Any shortage at any time could be filled up almost immediately while surpluses could be shelved without cost in the absence of government regulations and labour laws.

The position has however changed ever since. The legal framework governing employment has changed in view of an explosion of employment legislation in recent years. The pervading and rapid changes in economic and technological advancement characterizing the period after the second world war, and these changes being highly consequential on industries economic spheres had geared the altitude from passive concern for human resources development to efficient manpower development as a reliable strategy for improving returns on investment.

Organisation objectives such as profit maximization, share of market and social responsibilities cannot be fulfilled without human beings who coordinate the activities of the organization using other factors of production.

The technological revolution and diversification of industries in various parts of the world in recent time calls for revolution in skills and knowledge.

Therefore organization needs to invest in labour by ways of training and development. Investment in human resources is a worthy and necessary expenditure if an organization is to discharge its legal, statutory and social responsibilities to its owners, members of the public and the society at large.

In view of the changes and challenges accompanying recent developments in the banking industry, this study aims to look at human resources development and effectiveness with the view of combating these changes to the set objectives of the banks.

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The design for this study is both descriptive and empirical because it involves a factual task analysis. The study made use of primary data through questionnaire and interview technique in order to collect data and be able to find answers to the problems of the study.

The conclusion made in this study is that banks need to intensify their efforts in human resources development through training (formal or informal), incentives to staff, free flow of information among others.

B4. Industry Studies

Industry Clusters, Foreign Direct Investment and Industry Performance in Turkey

Prof. Sedef Akgüngör
Dokuz Eylül University

Res.Assist.Sine Kontbay
Dokuz Eylül University

It has been widely discussed that foreign direct investment has significant effects on industrial performance of the host country (Dunning, 1998; Bitzer and Görg, 2005; Alıcı, Şengün and Ucal, 2003). The literature points out the importance of agglomeration economies in determining the productivity spillovers from foreign direct investment. The importance of location and regional determinants as well as industrial agglomeration significantly effects the location decision of the FDI inflows to Turkey (Erdal, 2002; Ögütçü, 2002; Diechmann, Karidis and Sayek, 2003; Berköz and Türk, 2005). Existing empirical evidence regarding geographical dispersion of economic activity in Turkey suggests that firms are localized in major metropolitan areas as well as within a set of emerging regions (Eraydın, 2002; Öz, 2001; Akgüngör and Falcioğlu, 2005; Akgüngör, 2006; Tüsiad/DPT, 2005). As demonstrated by Akgüngör and Falcioğlu (2005), localized non pecuniary externalities and market size determines the dispersion of economic activity thus supporting the predictions of new trade theory and new economic geography thus propose as a significant determinant of FDI inflows to the region. A parallel result is demonstrated by Diechmann, Karidis and Sayek (2003) by pointing out the importance of agglomeration, depth of local financial markets, human capital, and coastal access on location decisions for the aggregate sample of foreign investors in Turkey.

The aim of the paper is to expand the findings of previous research on the relationship between location decisions of the FDI and industrial agglomeration by making specific emphasis on the impact of foreign direct investment on regional industry performance. In doing so, the paper has two major objectives.

1. to explore the regional dispersion of the foreign direct investment and look for parallels across foreign direct investment and regional industry clusters in Turkey, and
2. to explore the impact of foreign direct investments on regions' industry performance.

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In exploring the parallels across FDI and regional industry clusters, the first step will be to obtain templates of industry clusters from the 1998 Turkish I-O table and determine regional dispersion of highpoint clusters through location quotients at the NUTS 2 level. Parallels across regional highpoint clusters and regional dispersion of FDI will then be explored through observing regional agglomeration of FDI across the NUTS2 regions.

In exploring the whether foreign direct investment had effect on industry performance and thus on regional development, we use panel data spanning the period of 1990-2005 and estimate an econometric model to determine the relationship between industry's value added and inflows of FDI to the region. The dependent variable is the domestic industry output which is operationalised by gross value added. The independent variables are capital stock of the domestic industry, employment in the domestic industry and current and lagged values of the FDI stock.

As predicted by the previous work that focuses on linking the inward FDI to agglomeration, it is proposed that highpoint industry clusters at the NUTS2 regions will have higher FDI inflows when compared to other regions. Another expected result of the paper is to demonstrate the significance of FDI spillovers on overall industrial performance in the region.

B4. Industry Studies

Competitiveness of Turkish Automotive Industry: A Comparison with European Union Countries

Selahattin Bekmez
Mugla University

Murat Komut
Mugla University

Economic relations and competition process between the EU and Turkey has been increasingly accelerated with the customs union agreement in 1996. Consequently, this acceleration process has affected the industrial sector generally, as well as automotive sector, specifically. Since Turkey's joining to the EU will create even more crucial results in international markets for specific sector, the impacts of the process should carefully be evaluated beforehand so that the necessary precautions must be taken by the sector representatives. Even though above statement is true for every individual sector, this study covers only Turkish automotive sector and its competitiveness within the EU process. Also, automotive sector has its own special characteristics, because it can be considered a locomotive for most of the remaining sectors in Turkey.

Within this context, this study measures the competitiveness of Turkish automotive industry and compares the results with those of the EU member countries from 1995 to 2004. As measurement tool, we use Revealed Comparative Advantage Indexes of all the countries. In addition, a simple Least Square Regression technique has been used to show how and in what ratio exports are affected from several variables. In order for our analysis become more meaningful and applicable to the real sector, a small survey has been done to some of the automotive producers in Turkey. Even though the sampling of the survey was not statistically enough to reach certain conclusions, the results obtained from the survey helped us to construct the econometric model on more concrete bases.

Results of the study showed that Turkish automotive sector has competitiveness problem with the EU. However, the medium and big size producers have more power to compete with the EU countries. Also, even though Turkey has the highest tax on automobile industry in the Europe, the sector showed very high productivity level after the customs union agreement in 1996.

B4. Industry Studies

**Determinants of Moral Hazard in Microfinance:
Empirical Evidence from Joint Liability Lending
Schemes in Malaw**

Franklin Simtowe
University of Bonn

Manfred Zeller
University of Bonn

Moral hazard is widely reported as a problem in credit and insurance markets, mainly arising from information asymmetry. Although theorists have attempted to explain the success of Joint Liability Lending (JLL) schemes in mitigating moral hazard, empirical studies are rare. This paper investigates the determinants of moral hazard among JLL schemes from Malawi, using group level data from 99 farm and non-farm credit groups. Results reveal that peer selection, peer monitoring, peer pressure, dynamic incentives and variables capturing the extent of matching problems explain most of the variation in the incidence of moral hazard among credit groups. The implications are that Joint Liability Lending institutions will continue to rely on social cohesion and dynamic incentives as a means to enhancing their performance which has a direct implication on their outreach, impact and sustainability.

C1. Rural Development and Agriculture

Food and the Global Economy: An Analysis in Contemporary Settings

Sr. Assist. Prof. Dr. V P Raghavan
Empi Business School Satbari

Food is a primary element of our social relations. The physiological immediacy of food serves as a foundation for incredibly diverse and complex cultural relations. Eating habits have been a social pursuit for centuries as food was considered to be a symbol of social status. Its ostentatious display articulates social conflicts, conspicuous consumption being a typical example. Consumption patterns of people express even their national identities. Food also mirrors the self as our eating habits reveal our attitudes. The variety of social functions and cultural formulations that food brings as it is produced, distributed and consumed, makes it one of the necessary means to observe local lifestyles.

Despite a gradual diffusion of foods and food producing methods, the variety of foodstuffs world wide and large scale movement of people across continents in the course of many millennia, most human beings until recently subsisted on food produced or acquired within a day's travel from home. Thanks to the intensified expansion of the relationship between places and localities all the world over, the movement of foods and culinary cultures has got accelerated leading to what may be described as culinary globalization. The study of the globalised system of the food and food habits of the people in a changing world economy is of greater importance in a contemporary perspective. It also seems necessary to unravel the areas of cultural connectivity between the global economy and the localities in each of their social domains of complexity and diversity.

This paper mainly focuses on dietary globalization in a contemporary perspective of the world economy. It explores the multifaceted impact of globalization of food on the everyday life of the people in the developing countries of the world. In the study, we address issues of food from different angles, such as the historical process of globalization of food, food as the epitome of culture, food as an economic achievement and food as business in the hands of agri-business communities. The present scenario of the food system in the developing countries will also be reviewed and the observation drawn is presented in concluding remarks.

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The methodology adopted in the study is descriptive and analytical. The study is mainly based on secondary sources of information.

Culinary globalization has today grown into a new phenomenon. Of the agri-food system. This phenomena made an extremely corrosive impact on food security in many developing countries. Staple food sectors have been undermined simultaneously on several fronts, including shifts in domestic consumption induced by a cheap food policy and discriminatory modernization programme that promote import substitution, notably of food grains and export crops. These bear little relation to local needs.

Globalisation of food is invariably a part of globalization of cultures- the culture of a globalised village. The process of globalization has gradually taken a route to western domination, eroding cultural diversity in food stuff . The food cultures are now becoming more and more homogenous as western food conquers the world. Although cultural assimilation with a wider ramification has become a truism in the modernizing world , the traditional food and food systems in the developing world are getting destroyed at the instances of the transnational corporates under the guise of ‘development’.

C1. Rural Development and Agriculture

Rural Development in Turkey in the Light of EU Enlargement

Benjamin Didszuweit
Erasmus University

How do the EU and Turkey develop a joint strategy for rural development decreasing (rural) poverty, and coping with (rural{urban) migration? Therefore, the crucial question is how to design structural rural policies in Turkey to combat poverty, foster a more equal income distribution, creating employment opportunities outside the agricultural sector in rural areas, how to educate or re{educate the rural labour force, and how to cope best with internal migration in Turkey (arguably by creating sustainable income opportunities for the future in rural areas outside the agricultural sector).

In order to write the paper, I will employ three research methods. Firstly, I will rely on secondary sources, mainly articles and books. Secondly, I will rely on primary sources and I will conduct interviews with experts in the _eld ranging from the EU{Parliamentarians, the EU{delegation in Turkey, possibly the former Polish delegation leader from Poland for agriculture, members of academia in Turkey as well as Europe (e.g. Wageningen University experts on agriculture), Turkish government representatives, to civil society representatives in Turkey and Europe, like NGOs, agricultural cooperatives and agri{business. Thirdly, I will use quantitative data to analyse poverty, inequality, and migration. If time allows, I will make a quantitative impactanalysis on trade in agricultural goods.

My primary sources consist mainly of people I have met during my one{year study period at Bo^gazi_ci University in Istanbul, and at conferences related to the subject I was able to attend as a student (Heinrich B□oll Foundation, Forum Maastricht etc.) Furthermore, my internship at a think tank associated wit Bilgi University, will hopefully open opportunities to access more studies of Turkish origin on the matter.

The Turkish Central Bank has some general statistics, which I will use. Data for the disaggregated HDI on provincial bases has been cited in other studies, and will be used as well.

The paper will conclude that the pre{accession phase will be a unique opportunity for rural development in Turkey. Given the right policies coherence and wise execution, EU pre{accession funds combined with the Turkish government's political willingness may

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have together a lasting impact on overcoming severe economic disparities among Turkey's regions. I will stress especially the need to extend the EU's custom union with Turkey to include agricultural products as an intra {turkish convergence factor.

C1. Rural Development and Agriculture

The Impact of HPAI of the H5N1 Strain on Economies of Affected Countries

Ceyhun Elci

London South Bank University

The epidemic of the Highly Pathogenic Avian Influenza (HPAI) of the H5N1 strain is causing major economic problems to affected countries, mostly in South-East Asia. The poultry industry is the most devastated, with major losses. This paper assesses the impact and cost of an epidemic of this nature on affected economies. The paper evaluates the economic impact from the poultry industry to the governments and even further to the international level, as the epidemic has no consideration of borders. With the world at the crossroads of a global pandemic, the economic impact will also be considerable at the international level. With the use of forecasting models the affects of the epidemic will be evaluated. The impact to affected countries economies are not just national based, for those with the endemic H5N1 strain are socially burdened with sustaining or even intensifying resource-intensive activities and as a consequence are left with shouldering economic losses in order to safeguard international public health. This at a major level will require the cooperation of the international field, with increased global integration the financial responsibility will be left to the international countries, to make sure all is coherent. The paper in particular assesses the economic impact of the poultry industry for the affected countries. Within these countries the poultry industry is seen as a major sector and the consequence of this pandemic has been the death of poultry from the disease itself and the culling of poultry to stem its spread. Both these factor are leading to significant costs to the poultry industry and to the Governments of the affected countries in containing the epidemic. The increase in costs can be seen in terms of equipment, materials, transport and personnel, that are required to keep a control on the spread. The impact will be qualified by the assessment of GDP and modelling the losses of trade and Government expenditure in controlling the spread of the disease and subsidiaries that the government would have provided to farmers of diseased Livestock for compensation. The results of the impact will have a major impact on the development of the affected regions. The loss of a major source of income from the trade of poultry will have serious consequences on the balance of payments and Government Debt. The cooperation of the affected countries through information will help and lower the overall impact to each country. However the total impact will depend on the transfer of information between affected economies, and the period of time the epidemic will last and if H5N1 begins to transfer to humans.

C1. Rural Development and Agriculture

Impact of Small Industries in Pakistan

Taqadus Bashir
Foundation University

The small industries are an integral part of economic lifeline around the world and especially of developing countries. They are a major source of ideas and employment, sustaining and stimulating the growth of industrial sector. Though these small enterprises are full of enthusiasm but also fail owing to their inexperience, lack of finances and management skills. The multinationals of the world are endeavoring to make their ingresses all over the world. Apprehension is that these small industries may not be overshadowed under the multinationals. Despite the efforts of multinationals to capture the world industry, the importance of small industries cannot be ignored. They can benefit by the disciplined approach to direct settings, which harnesses their character sense of enterprise, their capabilities and potentialities to their provision of goods and services. The study provides a brief picture about the growth of small industries in Pakistan and also reflects the attitude of government of Pakistan about this sector. A comparison of Small Industries of Pakistan & rest of the world has been presented. The study shows that various countries of the world have planned to pay proper attention on the development of small industries considering them vital for the growth of their economy and a good source of employment generation. The small industries grew at their own in the country without government planning and support. Majority of the industries are family owned in which a few persons have been employed. The agro based small industries are setup in the rural areas and remaining are in the urban areas. These small industries cover most of the industrial field out of those the prominent are light engineering, textile, garments, knitting, surgical, sports goods, hosiery, embroidery, leather goods, poultry, handicrafts, agriculture, woodwork, nursery, fisheries, lodging industries etc. The focus needs to be on setting up export oriented and value added small industries so that foreign exchange may be earned through these industries. The small industries can be utilized for producing the raw material for the large-scale industries as well as vice versa to utilize the waste of large industries. A comprehensive planning is required to channelize small industries to produce raw material for large industries and provide financial incentive to establish small industries in rural areas of Pakistan.

C1. Rural Development and Agriculture

**Rural Non Farm Employment and Incomes
in the Rural Highland Areas of Forth Eastern India**

Dil Bahadaur Rahut
Bonn University

In the Shiwalik Hills of North Eastern India, land fragmentation and nature of the land does not allow the farmers to go for mechanization and most of the farmers follow the traditional agricultural practices. Too much pressure on the natural resources through over grazing, agricultural encroachment and firewood collection has resulted in environmental distress in the region.

In order to reduce the burden to the subsistence farming and on fragile eco system the non farm employment is the most important alternate technology to the rural livelihood strategies in the Shiwalik Hills. Therefore the paper seeks to explore the non farm employments as an alternate source of income generating activities for the rural household.

Non farm activities generate on average more than 60 percent of farm households' incomes in the hillside and highland areas of north eastern India. This paper analyzes the determinants of participation in non farm activities and of non farm incomes across farm households. We present and explore a framework that yields different activity choices as optimal solutions to a simple utility maximization problem. We show that, instead of specializing in agriculture, a household might take up other activities and equalize expected marginal utilities. We conduct an empirical inquiry that reveals that education plays a major role in accessing better remunerated non farm employment. Other household assets such as land, migration assets, and institutional assets also play a role.

C2. Reflections on Monetary Issues from Real Economy Perspective

**The Impact of the EMU on Channels of Risk Sharing
between Member Countries**

Faruk Balli

University of Houston

Bent E. Sørensen

University of Houston

We estimate the amount of income and consumption smoothing (risk sharing) between countries in the European Monetary Union (EMU) and between other developed countries during the period 1970–2003. In particular, we examine if EMU countries display different patterns of risk sharing than other developed countries in the period leading up to and following the formation of the EMU in 1999. We find that income smoothing from international factor income has increased in the EMU since the introduction of the EMU and that consumption smoothing from procyclical government saving has declined steeply in the EMU since the signing of the Maastricht treaty.

C2. Reflections on Monetary Issues from Real Economy Perspective

**PPP Persistence within Sectoral Real Exchange Rate
Panels**

Christian J. MURRAY
Houston University

Hatice OZER-BALLI
Houston University

David H. PAPELL
Houston University

Recent studies about estimating half-lives of purchasing power parity argues that heterogeneity bias resulting from aggregating the real exchange rate across sectors is important and should be taken into account. However, they do not use appropriate techniques to measure persistence. In this paper we use the extended median-unbiased estimation method in panel context for each sector separately and calculate both point estimates and confidence intervals. We conclude that controlling for sectoral heterogeneity bias and small sample bias will not solve the PPP puzzle.

C2. Reflections on Monetary Issues from Real Economy Perspective

Economic Cycles Relative to Stock-Exchange Cycles

Viorica Chirilă

Alexandru Ioan University

Ciprian Chirilă

Alexandru Ioan University

It is well known the fact that the financial markets have a trend what precede the economic activity tendency, under the impact of the stock companies' evolution. Actually, the stock exchange's dynamics anticipate the economic activity. Because exists a probable causality relation between stock-exchange and economic cycles, in spite of an eventually lack of synchronization between these, the analysis of this linkage may be very useful.

The globalization have determined an rapprochement more and more tied between national stock-exchange cycles, that demonstrates a deep integration of financial markets. In the same time, the financial integration have could lead to a better and better concordance between the economic cycles. Numerous studies had proven that the American economy has a prime role for the global economy. The cyclic evolution of American financial market is exclusively based upon American economy and, moreover, other national financial markets are often under the influence of the American economic conjuncture. With this example it seems interesting to verify if European economy has a prime role for the French stock-exchange market (E.U. member) and Romanian stock-exchange market (E.U. candidate).

In this paper we try to analyze one the one hand if the evolution of the French and Romanian stock-exchange market precede or are synchronized with their national economic activity cycles and on the other hand if these stock-exchange dynamics synchronized or lagged with European economic cycles.

One used values of stock-exchange representative indices for the Bucharest and Paris stock markets: BET and CAC 40. The economic activity is representing by industrial production indices.

The methodology used to verify the presented hypotheses imply two main phases. On the first stage we identify the industrial production's trend. On the second stage we study industrial production's deviation from the trend in comparison with stock-exchange indices. Because the evolution of stock markets precedes the economic activity, the deviation from the trend is tested with and without lags.

C2. Reflections on Monetary Issues from Real Economy Perspective

Monetary Neutrality, Home Mortgages, and the Phillips Curve

Alan Day Haight

University of New York, Cortland

Standard mortgage borrowing practices are incorporated into a model of the loanable funds market. Contrary to the Taylor rule (which is for short-term rates), in this model an increase in inflation causes the long-term nominal rate to rise by a smaller amount, leaving the real rate lower. In turn, the lower long-term real interest rate stimulates investment, growth, and employment. As in the recent literature on the New Keynesian Phillips Curve, the long-run Phillips curve produced by this model is not vertical, and money is not neutral. Higher inflation reduces unemployment in the long run, even when inflationary expectations *are* fulfilled. The cause of this violation of the classical dichotomy is bounded rationality: to simplify a complex decision regarding how much to borrow, home buyers erroneously focus on their payment-to-income ratio, which is a function of the nominal interest rate, not the real interest rate. Central-Bank success at fighting inflation diverts loanable funds for productive investment into housing and other consumer durables.

C2. Reflections on Monetary Issues from Real Economy Perspective

Reflections of the New Economy on the Monetary Policy and Central Banking

Haydar Akyazi

Karadeniz Technical University

Seyfettin Artan

Karadeniz Technical University

Developments in the knowledge and communication technologies have been causing significant changes on the working mechanisms of the economy both at the national and international areas. Some of the developments can be indicated as follows: the dramatic increasing of capital movements amongst nations; the speeding of global economic integration; the effects of world's financial markets; the creation of new payment mechanisms; the decreasing of transaction and knowledge costs; getting the information in a permanent and fast way; the fluctuations in financial markets; increasing potential growth and productivity rates. It is possible to summarize the mentioned developments with the concept of "new economy" and also the effects of new economy within two main categories like microeconomic and macroeconomic effects.

In this paper, monetary policies of new economy and its reflections on central banking are examined with regard to the macroeconomic effects of the new economy. In fact, it can not be said that the works carried out, in this area, in the economics literature has a long history. However, it should also be indicated that, as with other subjects of economics, an accepted common view on which direction the new economy will affect monetary policies and central banking has not been created. The views based on studies can be divided into two main groups: The first one is the group of economists who support the idea that the new economy does not constitute any changes relating to monetary policies and central banking. The second one is the group of economists who argue that the new economy can cause vital changes on monetary policies and central banking.

This paper, first of all deals with the results of studies which explore the potential reflections of the new economy on monetary policies and central banking. In addition, the evaluation concerning the future of the monetary policies being implemented in Turkey is also provided in light of the studies carried out in this context.

C3. Population, Poverty and Development

Assistance or Subjugation: the Impact of Microcredit on the Poor

Gökçe Günel
Koç University

Özge Aytulun
Koç University

With the changing definition of poverty, the poverty alleviation programs also take a different shape. Poverty reduction is no longer under the mere jurisdiction of the state and civil society: Market economy has also become an important actor. Microcredit, defined as a loan which financial institutions give to the poverty stricken people who do not have any collateral to start small businesses, is a significant tool, which has been encouraged both by international organizations like World Bank and UNDP, and by most developing country governments. In Turkey, microcredit has been initiated in 2002 by a civil society organization. Afterwards, the incumbent Justice and Development Party (JDP) government has paid special attention to microcredit: A member of the parliament from JDP, inspired by the Bangladeshi experience, started a foundation in association with the Grameen Bank. Currently, a microcredit bill that has been drafted by the same parliamentarian is being discussed. In this context, the traditional means of lending are being dissolved, while new opportunities are being laid out for major commercial banks and financial institutions. This article argues that through microcredit the poverty alleviation discourse is being used in order to promote market integration and deepening, thereby connecting the poor with the national and global economy. It is also a part of the neo-liberal governance structure, subjugating the poor to the market forces. Drawing on elite interviews with policy makers and civil society members, and in depth consultation with primary written sources, this study aims at contributing to the on-going debates by looking through the Turkish lens.

C3. Population, Poverty and Development

Some Cases on Poverty and Environment Interactions from Turkey

Necmiye Cömertler
Adnan Menderes University

Are the poor enemies of environment? It is not realistic to claim that the poverty is the main reason of environmental pollution. But it should be accepted that poverty eradication is very important and necessary to protect environment and overcome many problems which is related with environmental corruption. Sustainable economic growth and stability is essential to solve poverty problem.

The aim of this study to indicate the importance of economical policies which is in balanced with sustainable development and poverty reduction strategies.

In this study, some recent news which demonstrate the effects of environmental corruption on human health and some other cases which show the environmental slaughter as a result of urban poverty in Turkey were given as examples. Policies on poverty reduction and sustainability are much paid attention in Turkey. But, these efforts are not adequate as they have targeted the solutions in the short term instead of long term.

C3. Population, Poverty and Development

Bargaining the Environment for Development: The Ewekoro Experience

Kola Subair

Lagos State University

Irrespective of the indicators used for measuring development, the probability of attaining higher rate of growth by industrialized nations is very high. This is because job opportunities are created and consequently have multiplier effect on economic development. It is therefore imperative that for development to take its course in the third world countries, the transition to modern economy requires some degree of industrialization. In achieving this, these countries should concentrate on those industries that utilize more of their endowed resources as input. Where the resource use is not managed properly, the environment gets destroyed. Hence just as industrialization can spur economic development, it can also generate environmental problems.

Unfortunately and because of peculiar problems associated with land availability in Nigeria for instance, the same location harbours farm lands and industrial sites.

On this basis, the paper critically examines the impacts of industrial activities on agricultural productivity.

Using Ewekoro- a small and all rural community in the south- west Nigeria, the community accommodates a cement factory where farming is the major occupation of the residents. On this note, samples are drawn from the staff of the factory and the residents of Ewekoro in order to determine the degree of the community's development, extent of environmental change and their consequences on agricultural activities. Descriptive statistics and econometric technique shall be used to analyse the generated data.

Finally it is expected that if the factory does not have an adequate method of disposing its wastes, agricultural output will be affected.

C3. Population, Poverty and Development

Population, Poverty and the Problem of Natural Resource Management

Dr Utpal Kumar De
North Eastern Hill University

The objective of the paper is to explore the interlinkage among the population growth, poverty and environmental resource use with special reference to North-East India.

Plethora of studies has been conducted and we find conflicting results from those studies. On the one hand, some of the studies concluded that there is an adverse impact of huge population growth on the management of natural resources and environmental conditions. On the other hand, some other studies concluded that population growth is not a problem rather it helps better management of natural resources and improvement of environmental quality.

The North-East India is one of the richest natural resource and biodiversity zone in the world and forest is the host of primary natural resources of the region. The region also recorded rapid population growth and higher incidence of poverty since independence, compared to other regions of the country. Hence the study is undertaken.

Data on population growth, incidence of poverty and changes in forest resources in terms of quantity as well as quality have been collected from the Census, Planning Commission and Ministry of Environment and Forests, Government of India.

After giving some critical review of some earlier studies, some flow charts are given to explain the population, poverty and environmental nexus and it is briefly explained. Also the explanation is given from the observation on the same all over the world. Then we explained the relation between population growth and changes in forest resources at all India level with the available data. Thereafter we have considered the changes in occupational pattern in North-East India and explained how the pressure on natural resources especially land and forest have been increased over time through tabular analysis. Finally, we calculated the correlation between changes in population and incidence of poverty and the changes in forest resources across the North-Eastern states. Also we compared the over time changes in population, poverty and changes in forest resources in the region. We have tested the results by statistical techniques. Then we analysed the results and tried to see whether any EKC type relationship exists or not.

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The direct correlation between population growth and degradation of forest cover is not significant (0.05 only) across the North-Eastern states in India. But there is no doubt that population creates pressures indirectly on the resources as is reflected from the variation in per capita availability of resources, income, poverty and degradation. That is clear from the correlation between population growth during 1991-2001 and degradation in dense forest during 1989-99 in North East India, which is -0.51.

From the results we also observe that there is a significantly inverse correlation between the incidence of poverty and the degradation of forest. Also we observe similar kind of inverse relationship between the changes in poverty and the degradation of forest. The results indicate that the degradation of forest (either due to shifting cultivation or other reasons) increases with the decline in poverty in North East India.

Similarly we observe that the correlation between changes in forest cover and per capita income is positive but not so strong. It indicates that as per capita income rises, degradation of forest cover also rises. Even if we take the annual compound rate of degradation of forest during 1989 to 1999 a similar result is observed.

The results may appear to be inconsistent along with inverted U hypothesis (EKC). The fact is that all the North Eastern states have per capita income well below the national average. Moreover it is associated with high inequality, which is clear from the incidence of poverty. Hence many of the families still face the survival problem and hence they earn mostly from the forest. Poorer possibly uplifted them at the expense of easily accessible forest resource.

The positive correlation between per capita income and degradation of forest is due to fact that these states are still in the rising phase of Environmental Kuznets Curve (EKC). Per capita income of all these states is well below the national average (over Rs 10000) per capita income. They are yet to reach the peak per capita income and the technology after which their dependence on forest will be declining and they will have the alternative opportunities. But the positive relationship between per capita income and degradation of forest is not significant, which may be because of the government policies and initiatives through joint forest management, community forestry, social forestry programmes etc that help protecting and regenerating many forest areas during last two decades. Andrew Foster has shown that economic development in India was associated with the rise in demand for natural resource (forest resource) that led to an increase in its supply during 1971 to 1999 (Smith, 2003). Among those states Mizoram and Tripura occupies top two positions in terms of educational achievement (e.g., higher literacy rate and enrolment ratio) and we observe improvement in forest resource or relatively less degradation there.

Though population growth is not found to be directly related to the degradation of resources in many cases, it indeed put pressure on the natural resources at least at the local and regional level. In addition to the pattern of livelihood, incidence of poverty and institutional arrangement, population growth can also add to the problem of degradation.

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The effect is more if technology does not grow at the desired pace and sufficient alternatives of natural resources develop and unless people are able to produce continuously increasing amount from the identical resources. Thus it is not only the size of population but also the effective human resource development that matters much for resource utilisation and environmental degradation.

Moreover the market distortions, inequality in income, educational advancement etc. and regional disparities may play their important roles in inter-regional differences in degradation of resources.

Thus whatever Simon predicted from the examples of a few countries and over all world progress may not be applicable to the regions that are yet to achieve the level of development from which, environmental degradation and resource depletion starts improving. Moreover it would not be wise to allow degradation to continue till market establishes the balance (as there is uncertainty how long it would take to do so) and that may jeopardise our life. Hence Ehrlich rightly pointed out that while estimating the carrying capacity of a region one should take into account the resource condition of that region. One can add to it is the possibility of technological innovation that improves the productive capability of the available resources.

However it does not mean that there is no relevance of Julian Simon today. It is true that whenever human being confronted with some problems or crises (either due to population pressure or any other reason) they successfully overcome those through technological invention and their implementation. And that perhaps will continue to do so to solve the resource or other problem. At the same time, it is true that unless people were aware (for whatever reason) population would be much more than six billion, what is today and the problem would have been aggravated. It may also be the setback of many regions in terms of resource management and growth unless the benefits of technological development reach to all uniformly.

C3. Population, Poverty and Development

The Role of Communication in Poverty Fight

Assoc. Prof. Dr. Feriial Örs
Celal Bayar University

Today, more than a billion people all over our world suffer from nutritional deficiency and cannot make good use of the basic health and educational services. Although poverty is discussed mostly as one of the problems of underdevelopment, there are quite a few poor people who are still having hard times trying to feed themselves in many developed western countries. So, poverty appears to be a universal case. Poverty is a fact, which consists of not only the economical processes but social processes as well. For this reason, the social precautions taken for the fight with poverty have as much importance as the economic precautions. The accomplishment in fighting with poverty depends largely on communication, the cooperation, the data and the information sharing between the society and the institutions. In this context, the social communication has an indispensable role and importance in fighting with poverty.

C4. Information and Communication Technologies

Information and Communication Technologies in the Nigerian Economy

Sunday Mauton A. Posu
Olabisi Onabanjo University

Most developing nations have embarked on various reforms that foster the use of ICTs in their economies. These reforms tend to yield little or minimal benefits to economic growth and development, especially when compared with the developed countries of the world. Technological advancement is known to impact fast rate of economic development. In Nigeria, policy on adoption of Information and Communication Technologies was initiated in 1999, when the civilian regime came into power of government. The operations of the licensed telecommunication service providers in the country has created some well-felt macroeconomic effects in terms of job creation, faster delivery services, reduced transport costs, greater security and higher national output.

This study intends to investigate the emerging roles of ICTs on Nigerian economy, and to evaluate the factors that influence the decisions of investors in the Nigerian telecommunications sector.

Ordinary Least Square Method of Regression for the period 1999 – 2004, shall be employed. This period is considered appropriate in that, it was the time that policy on ICTs was adopted. The paucity of data prior to this time also poses restriction on meaningful econometric analysis.

Significant and positive relationship between ICTs and economic growth is expected as it is portrayed in some economic literature.

While telecommunication service providers receive commensurate profit on their investment efforts, the regulation from the government should ensure competitiveness. This strategy will increase the quality of the services offered, and possibly at cheaper price.

C4. Information and Communication Technologies

Knowledge Transfer in Heterogeneous Teams: Experimental Evidence

Meriem Bouamoud
Gate University

The lack of empirical studies and the potential for teamwork raise a number of questions relationship between team composition and performance. Researchers have previously suggested that team performance requires members with homogeneous demographic characteristics and heterogeneous skills. In fact, complementarities inherent in workers' productive skills may facilitate knowledge transfer and mutual learning among workers. The idea is that skillful workers might be able to teach and help the less skillful to be more productive. This article provides experimental evidence about the role of mutual learning in heterogeneous teams on team performance. In our experiment, subjects perform a real effort task. The experiment consists of two parts. The aim of the first part is to measure the performance of participants. In the second part, we investigate the behavior of help. Depending on the performances of participants in the first part, we distinguish between two categories of players. "X players" are those who obtained the best scores representing the most skillful players. The remains participants, "Y players" are the least skillful individuals. We then pair a random each "X player" with "Y player". During the second part of experiment, the most skillful participant has the possibility, in each period, to buy and send a message containing information and advice that may help his partner to improve his performance. Due to the incentive to free ride on partner's effort under team remuneration, subjects are paid by a piece rate. Moreover, if the two partners both attain a certain fixed threshold of production, they receive a team bonus. Intuitively, if helping others is costly, the most skillful participant must make his decision of help by taking account not only his interest to increase team production, but also without a guarantee of return on behalf his partner.

Our main results show that skillful subjects who are most (lest) helpful are also the ones who have a weak (strong) performance. Moreover, we observe a rate of help of 50 percent in the first period (at the second part of experiment). However, since providing advice is costly and since efforts are voluntary, some players choose to curtail their advice. We further note that the least skillful subjects who are helped became more productive than others. Therefore, their teams generate more important gains. These results confirm that mutual help and learning are beneficial when team members have complementary skills. In conclusion, teams that are able to transfer knowledge effectively from one worker to another might be more productive and can realize remarkable performance benefits.

C4. Information and Communication Technologies

Using New Information Technologies for Modelling Data on Global Markets: An Efficient Interaction between "Artificial" Human Brain and Economics

Dr. Alper Özün
Is Bank

Recent development of information technologies and telecommunications have given rise to an extraordinary increase in the data transactions in the financial markets. In large and transparent markets, with lower transactions and information costs, financial participants react more rapidly to changes in the profitability of their assets, and in their perception of the risks of the different financial instruments. In this respect, if the rapidity of reaction of financial players is the main feature of globalized markets, then only advanced information technologies, which uses data resources efficiently are capable of reflecting these complex nature of financial markets.

The aim of this paper is to show how the new information technologies affect modelling of financial markets and decisions by using limited data resources within an intelligent system. By using intelligent information systems, mainly neural networks, this paper tries to show how the the limited economic data can be used for efficient economic decisions in the global financial markets.

Advances in microprocessors and software technologies make it possible to enable the development of increasingly powerful systems at reasonable costs. The new technologies have created artificial systems, which imitate people's brain for efficient analysis of economic data. According to Hertz, Krogh and Palmer (1991), artificial neural networks which have a similar structure of the brain consist of nodes passing activation signals to each other. Within the nodes, if incoming activation signals from the others are combined some of the nodes will produce an activation signal modified by a connection weight between it and the node to which it is linked.

By using financial data from international foreign exchange markets, namely daily time series of EUR/USD parity, and by employing certain neural network algorithms, it has

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showed that new information technologies have advantages on efficient usage of limited economic data in modeling.

By investigating the “artificial” works on modeling of international financial markets, this paper is tried to show how limited information in the markets can be used for efficient economic decisions. By investigating certain neural networks algorithms, the paper displays how artificial neural networks have been used for efficient economic modeling and decisions in global F/X markets.

New information technologies have many advantages over statistics methods in terms of efficient data modeling. They are capable of analyzing complex patterns quickly and with a high degree of accuracy. Since, “artificial” information systems do not make any assumptions about the nature of the distribution of the data, they are not biased in their analysis.

By using different neural network algorithms, the economic data can be modeled in an efficient way. Especially if the markets are non-linear and complex, the intelligent systems are more powerful on explaining the market behavior in the chaotic environments.

With more advanced information technologies, in the future, it will be possible to model all the complexity of the economic life. New researches in the future need a more strong interaction between economics and computer science.

C4. Information and Communication Technologies

Information Networks

M. Efe Postalci

Izmir University of Economics

We focus on the properties of a subclass of network structures we call *flower networks*. The class includes the well known star and wheel structures as special cases. Examples of such structures are relatively common on the internet as webrings and EUROPA (Expanding Unidirectional Ring Of Pages). We provide a full characterization of stable flower networks in the non-cooperative network formation framework developed by Bala and Goyal (2000). We then investigate the efficiency properties and apply evolutionary methods to find globally efficient network structures. Finally, we provide a dynamic model and focus on formation dynamics to achieve distributional properties of stable flower structures.

D1.Climate Change

Qanats: Environmental and Economic Aspects

A. Nasser

Islamic Azad University

M.B. Khorshidi

Islamic Azad University

The Iranians have devised a very interesting technique known as qanat that conveys water from an aquifer to lower-elevation irrigated fields. There is lot of economic benefits for qanats. It provides production of different agricultural crops especially at dry regions with inadequate water. The possibilities of fishing in qanats waters and attractiveness for tourists are other economic advantages of qanats. Qanats can be providing a desired background for cooperation and coexistence in different affairs and enhancement and expanding the culture of living in a group of farmers. In addition to developing cultivation areas, improving vegetation cover without a biological changes in vegetative population are local achievements of the qanats. The outcomes of a society with qanats are to improve cultural, healthful life standards with strengthen cooperation. Construction and exploitation of qanats have some environmental benefits. For instance, qanats waters don't have any contaminations. Other advantages are presented in the paper as detail.

D1.Climate Change

Climate Change in Moghan Plain

A.Nasseri

Islamic Azad University

S. Latifi-Mamaghan

Islamic Azad University

F. Pourabbas

Islamic Azad University

Climate change is one of the main challenges in agro-meteorological researches. In recent years, high temperature and moisture stresses caused a reduction in crop yield at some regions of Iran. In present study the climate change of Moghan plain located at the north-west of Iran was investigated using the meteorological data from 1986 to 2000. Results showed that annual total precipitation and average temperature were as 258.9 mm and 14.99 °C, respectively. The minimum and maximum temperatures were occurred in January and July and high variation was for February. From a year to year, the minimum, mean and maximum temperature varied slightly. Total precipitation was increasing in months of a year. The high variation belonged to October with trend slope of 2.95 and indicating an increasing about 3 mm to the annually total precipitation. The maximum and minimum of precipitation occurred for autumn and spring seasons and were as 81.83 and 40.59 mm, respectively.

D1.Climate Change

The Effects On Developing And Developed Countries Of The Kyoto Emissions Trading Systems

Osman Peker

University of Adnan Menderes

Şakir Görmüş

University of Adnan Menderes

This paper examines the effect of The Kyoto emissions trading system for developing and developed countries using marginal abatement curves (MACs) generated by MIT's Emissions Prediction and Policy Assessment model (EPPA). The paper relies heavily upon the use of MACs. These curves represent the marginal cost of reducing carbon emissions by different amount within an economy. The MACs used here is a multi-sectoral, multi-regional, computable general equilibrium (CGE) model of global economic activity, energy use and carbon emissions. The model simulates real emission reductions, so that our analysis implicitly assumes that the additionality criterion established in the Kyoto Protocol (Arts. 6.1(b) and 12.5(c)) is satisfied. This paper is not an attempt to address the considerable political and practical problems of measurement. Three basic cases are used to illustrate the effects of the Kyoto Protocol and the role of emissions trading. The first case is an autarkic one in Annex B parties meet their Kyoto commitments without any emission trading. In the second case, Annex B parties trade emission permits among themselves. The third basic case examines emission trading on a global scale in which non-Annex B countries join the FSU (Former Soviet Union) in earning export revenue from supplying permits to Annex B countries.

The Kyoto Protocol assumes that there is a strong linkage between CO₂ emission reduction goals, emissions trading, and role of developing economies. Annex B parties, generally the industrialized nations, have set targets that mostly imply a significant reduction of CO₂ – equivalent emissions by 2010. The ability and even willingness of Annex B parties to achieve these targets will depend on the cost of abatement. The cheapest sources of CO₂ emission reductions are not found in the Annex B countries. Therefore, the achievement of the Kyoto targets will depend in large part upon the ability of Annex B countries to substitute cheaper emission reductions in non-Annex B regions for equivalent abatement at home. In providing a mechanism for this exchange, emissions trading not only reduce the

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cost of meeting the Kyoto goals for Annex B parties, but also provides a new source of export earnings for non-Annex B parties. As a result, developing countries will be affected through conventional trade linkages with the Annex B countries. However, these both favorable and unfavorable effects will be diminished to the extent that emissions trading reduces the cost of achieving the Kyoto targets.

D1.Climate Change

Replacement of Old Vehicles as a Strategy to Reduce Combustion Emissions

Dr. Kamel. K. Al-Zboon
Al-Balqa Applied University

Vehicles are responsible for 76.6% of carbon monoxide , 49% of hydrocarbons ,and 80% of the total emissions. For this reason , vehicles are considered the main source of air pollution.

Many programs and strategies have been implemented to decrease vehicles emissions.

During the last decades many modified and modern vehicles were imported to be used in the different transportation sectors in Jordan . The wide use of these vehicles has significant effect on air quality especially in the capital Amman and other large cities.

This paper aims to compare the concentration of gases emitted from the exhaust of vehicles at present and ten years ago. The percent of reduction in gases concentration was measured.

The study shows that the average CO concentration emitted from the exhaust of vehicles decreased by 24.7 % during the period 1995-2005 ,while HC concentration decreased by 21.3%. The average age of vehicles decreased from 23.34 years to 18.206 years during the same period. This reduction in pollutant concentration may attributed to the fact that the new vehicles are equipped with special system to control exhaust emissions such as exhaust re circulation system , catalytic converter ,and injection system which enhance engine performance and improve the combustion process.

In spit of significant reduction in exhaust emission ,most of the tested vehicles failed to comply with design criteria regarding exhaust emissions. This violation is caused by lack of maintenance , and using of regular leaded gasoline ,which inhabited by manufacturing specification.

It can be conclude that the replacement of the oldest vehicles by new ones represent a successful strategy to reduce exhaust emissions.

D2.Human Resources Management

The Measurement of Employee Motivation by Using Multi-Factor Statistical Analysis

Roman Zámečník
Tomas Bata University

Miloš Hitka
Tomas Bata University

The paper will deal with the problems of employee motivation and the motivation program in a selected industrial company. This paper will analyse the ability to create motivational programs within the selected company. The survey will be based on the motivation factors that impact the quality of job performance.

At the end of this paper, we will present a proposal for the methodological creation of unified motivation programs through the use of multi-factor statistical analysis, based on clusters with similar motivation and value oriented employees.

The motivation structure analysis will be based on the general knowledge of the theory of motivation, together with the analysis of the employees' motivation profiles. This will enable us to obtain information about the strong and weak aspects of the management system within the organisation and its impact on motivation.

The analysis of motivation factors and their order will be made according to the level of importance they have for the employees, which will be assessed by the **Questionnaire Method**.

A **Cluster Analysis** will be used due to the possibility of creating various types of motivational programs. This means the possibility of unified motivation programs for groups of employees with similar motivation profiles.

The result will be a proposal for the creation of methodological, unified motivation programs by using multi-factor statistical analysis (cluster analysis).

On the basis of the results obtained from our analysis, we will be able to determine if it is possible to develop a unified motivation program for employees within a selected industrial company.

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The proposal and implementation of an effective motivation program is one of the key management tasks of a company. Improperly designed and applied motivation programs can have a negative impact on employees, who are not motivated to achieve maximum performance.

D2.Human Resources Management

**The Reconsideration of the Human Capital in the
Context of the Globalized Economy**

Dr. **Daniel TOBĂ**
University of Craiova

The globalization of the economy has inevitable implications also over the labour markets from all the countries of the world. The studies undertaken in this sense show that the changes made at the level of the force of labour, even if they are not so evident as those which are adequate to the financial flux, have a great importance, especially on social level.

This article refers to the recent orientations in the management of the human resources, applied within the multinational companies, which refer to: the flexibility of the specializations of the period of work, the modification of the systems of instruction and improving, the application of new forms of motivation and wage, etc.

The tendency of discharging the labour market creates new international fluxes of the labour market. Within the multinational companies, the continuous clarification and improving of the staff constitute the key of the success. The developing of the abilities and of the performances of the factor of labour constitute a reliable preoccupation of the great companies, which organize and finance classes of instruction, seminars or assimilation visits of the experience in other regions.

In the conditions of the accentuated dynamics of the economic-social environment, have also evaluated the forms of organization of labour (for example, labour at home), therefore arising the flexibility and adaptability of the human capital to new requests imposed by the market.

D3. Technological Change and Economic Growth

Growth and National Innovation Systems

Nazende Özkaramete Coşkun
Bilkent University

Technological innovations occupy a key position both for the competitive advantage of private sector firms as for the establishment of self enforcing process of economic growth and prosperity in modern welfare economies. It is a crucial question under which conditions firms innovate given the importance of technological progress. A substantial part of the literature has argued that there is a primacy of the firms internal resources or capabilities over outside influence. A second strand of the literature has concluded that innovative activities of enterprises do not only depend upon intra-firm organizational capacities that are fundamentally shaped by the organization s institutional environment as well as specific patterns in which innovation processes are embodied. Hence , national or regional differences in technological performance can be attributed at least to a significant extent to variations in the institutional environment.

Innovation systems can be defined in many ways focusing either on their functional or on their territorial aspects. However , they all involve the creation, diffusion and use of technology. National systems of innovation are defined as “the set of organizations, institutions and linkages for the generation, diffusion and application of scientific and technological knowledge operating in a specific country”.

The national Innovation systems(NIS) literature mainly developed over the past 15-20 years by various innovation scholars. (Lundvall (1992), Freeman(1995), Edquist (1997) Nelson (1993)). It is part of the neo-Schumpeterian challenge to neoclassical economics which underlies the importance of specifying context in terms of time and space. NIS argues that institutional differences can have an important influence on the rate and direction of innovative activity. The central proposition of the NIS approach was the rate of technological change in any country , and its firms effectiveness in competitive international trade in goods and services , not only depends on the scale of research and development and other technological activities but also on the way in which the available resources are managed and organized both at the level of the enterprise and at the national level. National innovation system can be used to describe the network of institutions in public and private sectors whose activities and interactions initiate, import, modify, and diffuse new technologies.

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The aim of this study is to discuss the relevance of innovation systems to economic growth.. The first part of the study defines and explains the meaning of national innovation systems. The second part of the study examines the national innovation systems during 1970s and 1980s. Then the study explains how the national innovation systems operate under globalization around the world. The last part of the study is reserved for the possible development paths of the national innovation systems in the future

D3. Technological Change and Economic Growth

The Hotelling's Rule Revisited in a Dynamic General Equilibrium Model

Beatriz Gaitan S.
University of Hamburg,

Richard S.J. Tol
University of Hamburg,

I. Hakan Yetkiner
Izmir University of Economics

The validity of the Hotelling's rule, the fundamental theorem of nonrenewable resource economics, is limited by its partial equilibrium nature. One symptom of this limitation may be the disagreement between the empirical evidence, showing stable or declining resource prices, and the rule, predicting exponentially increasing prices. In this paper, we study the optimal depletion of a nonrenewable resource in a dynamic general equilibrium framework. We show that, in the long run, the price of a nonrenewable (i) is constant when the nonrenewable is essential in production, and (ii) increases only if the rate of return of capital is larger than the capital depreciation rate and the non-renewable is an inessential input in production. We believe that our model offers a theoretical explanation to non-growing nonrenewable prices and hence at least partially solves the paradox between the Hotelling's rule and the empirical regularity. We also show that two factors play a crucial role in determining the long run behavior of nonrenewable prices, namely the elasticity of substitution between input factors, and the long run behavior of the real interest rate. Another major achievement of this study is the full analytical solution of the model under a Cobb-Douglas technology.

D3. Technological Change and Economic Growth

The Role of Education and ICT in Economy

Mediha Tezcan
Anadolu University

Knowledge and technological innovation play a crucial role in economic activities in parallel with the technological infrastructure recognized by managers, scientists, and engineers, together with the related telecommunications, information systems, environment, microelectronics machinery and computer-based transportation. As it could be easily seen, technical progress has direct effects only on production. Through process or product innovation, it is evident that to maintain a kind of feedback on education and human capital formation is the natural result of the investment inputs closely connected with the scholastic fashion. Education and technological change are major determinant of economic, cultural, political, social, demographic changes. It must be borne in mind that considering the global aspect of the economic system, one should emphasize the importance of the inclusion of information and communication technologies (ICT) in education, which naturally result in the productivity of education outputs. In parallel with the close relationship between human capital and social capital, which are closely connected with each other and at the same time trigger each other. All of them aim at the well being of economy. It related theoretical literature framework of our study would be analysed in the light of variable such as globalisation, ICT, education, human capital, social capital, and economy well being.

D3. Technological Change and Economic Growth

Commonwealth Independent Countries' Accession to the WTO; Cross-Countries Trade Liberalization Analysis

Ph.D. Vugar Bayramov

Azerbaijan State Economic University

The overall goal of this paper is to understand how World Trade Organization (WTO) Accession will affect Commonwealth Independent Countries (CIS)' economy. To accomplish this goal I have 4 main specific objectives. First, I am looking to spell out impacts of CIS's Accession to the WTO on specific sectors, especially, business, services, agriculture and etc. Second, I try to sort out general pros and cons of WTO membership. Third, I seek to find out implications from selected countries experience to CIS. Forth, based on this research I prepare policy recommendations for the CIS' Government in order to minimize disadvantages and maximize advantages of WTO Accession.

The paper is divided into 4 chapters; introduction, current economic situation, foreign experience and policy recommendations. In the first chapter, I look through the way CIS pasted to join to the WTO. The second chapter provides information about current economic situation in CIS. Lessons from selected countries in terms of WTO Accession are summarized in the third chapter. Finally, in the forth chapter, recommendations in order to maximize advantages of WTO Accession are stated.

I found out that there are more advantages than disadvantages of CIS's Accession to the WTO. The picture, though cautious, is optimistic. Some researchers claim that the impacts of CIS's Accession to the WTO on CIS's transition economy are marginal. The idea is that domestic firms have not enough capacity to compete with foreign companies and by opening up the borders the country will face to myriad amount of import goods. Others accept as true that CIS will significantly get benefit from WTO Accession. WTO membership will increase predictability of CIS by imposing "bound tariffs". It will enhance transparency and reduce corruption and will open more opportunities for business sector. Finally, WTO Accession will open foreign markets to CIS goods, will support competition in domestic market and will encourage technology transfers on a larger scale.

E1. Education and Labor Market Performance

Working Conditions and Quality of Life of the Workers in BPO Sector

Dr Arijita Dutta
University of Calcutta

Business Process Outsourcing (BPO) is the fastest growing sector in India at present, according to a survey by NASSCOM in 2003. It is a nascent industry with a history less than five years. Outsourcing is basically a procedure through which one firm hands over a part of its work to another firm, making it responsible for design and implementation. Strict guidance, however, is offered from the out sourcing company regarding the requirements and specification. It helps to improve upon quality, while decreasing costs. Out sourcing, however, is not synonymous with off shoring, as the former can take place within the country border.

The New Telecommunication Policy in 1999 in India paved the path for this industry by reducing costs and strictness of international calling. India had a run away success due to its unique geographical position in time zones, availability of educated English speaking manpower and already existing IT sector. The growth rate in 2002-03 was 50 per cent for the industry.

However, this '*sunshine industry*' has its own clouds as well. The workers, who are highly educated and skilled, are facing tremendous mental and physical problems. The time schedules of the workers are creating different kinds of Burn out Stress Syndrome, including chronic fatigue, insomnia, gynecological problems etc. On the other hand they are suffering from identity crisis as most of them are assigned with non Indian identities while talking to the international customers. The women employees are also facing tremendous mental pressure from vocal sexual abuse over phone. This situation is increasing the attrition rate in this industry. This particular aspect is posing problems for the employers as well, as the cost of training of the newly appointed worker is not being covered. To cope up with the situation the employers are supplying various entertainments to the workers, including internet browsing center, gym facilities, discotheques, video parlour etc. The plush interiors and various attractive designations of the employees are made to attract people. With this backdrop, the paper studies the working conditions in BPO sector in Kolkata.

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The paper would be based on a sample survey to find out the working conditions and quality of the workers in BPO sector in Kolkata, the new hub of ITES in India. However, in order to find the exact peculiarities of the sector, I propose to have a comparative study between the BPO sector and the private banking sector, where the qualifications needed from the workers and the nature of working conditions are supposed to be similar.

The development process itself has enormous impact on the working conditions and quality of life of the workers in any economy. Generally with development, the average income of people increases and the availability of medical care and entertainment facilities improve. As a result of these two, the standard of living improves. But, the process of development also increases the exploitation of certain population and the occurrence of diseases related to stress and pollution, like cancer, psychological diseases, and orthopedic problems are enhanced. Indian BPO sector is in its initial stage yet and the workers are facing various problems related to this stage of development.

With this methodological background I take a sample of workers in various call centers and banking sectors in and around Kolkata. I choose those workers in my sample who are working in the particular sector for at least one and half years to find out the actual changes in quality of life, including health. I would like to identify their age, educational levels, parental backgrounds as well as the degree of professional training. With these socio economic characteristics, I would like to know in details about their working conditions and problems related to it. A discussion with them would also give me the idea about the facilities offered by the employer.

From the survey, I would like to present a detailed idea about the followings:

- Socio economic backgrounds of the workers
- Their income from the job
- Working conditions, including facilities offered
- Leave sanctioned
- Health related problems

In order to find out the specific problems of BPO sector, I compare the results with another industry with many of its characteristics similar to BPO. It would be the private banking sector, where the employees are also very educated, income offered is quite high and working hours are long. I would like to identify the similar aspects from this industry and compare the results with BPO sector.

On the basis of the literature survey and the ongoing sample survey I wish to conclude the followings:

- BPO sector in India does not provide good working conditions for the ‘new generation’ educated workers.
- It creates health problems to them and thus they can not enjoy the life.
- It is more of a mode of exploitation of skilled labourers under the new form of Industrial revolution.

E1. Education and Labor Market Performance

Teaching vs Research in Higher Education in India

Dr. S. Mumtaj Begum

Lady Doak College

Research and development is a significant component of quality higher education and is often the distinguishing factor between general and higher (specialised) education. In India, there are different types of higher educational institutions like Research Institutes, Universities, Deemed Universities, Government Colleges, Aided Colleges with some courses funded by the Government and others supported by funds collected from students and donors, purely private and self-financed institutions. The teaching environment in terms of contact hours, teacher-student ratio, other responsibilities shouldered by teachers, salary and service benefits are different in these institutions resulting in varying academic productivities.

The present study tries to measure variations in research productivity in terms of active participation in conferences and research publications among teachers belonging to different types of institutions from different teaching environments.

Primary data were collected from 270 teachers working in different institutions using a questionnaire survey.

The **Attitude Towards Research Scale** consisting of 30 items listed on a 7-point Likert scale was used to measure the levels of the teachers' attitude towards research.

A **Composite Research Productivity Index** was constructed by considering the number of conferences attended, paper presentations, publication of research papers and the projects completed by the teacher respondents. Weights were assigned at two levels for the research activities and the difficulty level of each research activity. The Research Productivity Index was calculated for each individual respondent for further analysis.

Binary Logistic Regression was applied to find out the influence of select variables on the research productivity of the respondents. The level of productivity was determined by comparing the median scores of research productivity.

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- Research productivity among college teachers in relation to university teachers is low due to more workload and other miscellaneous college responsibilities which leaves them little time for research during the academic year.
- As some institutional support and career advancement is given for research degree to faculty in aided colleges, majority of them involves in such research pursuits. Only summers and holiday breaks are used for conducting research leading to problems such as discontinuity in research ideas, loss of time in reorganising, loss of enthusiasm and sometimes a shift in their interest in the research area.
- Faculty at colleges especially at self finance stream has more than a full load of teaching and hence research productivity is very low.
- While awareness of the conduct of international conferences is high, costs involved and bureaucratic procedures serve as barriers to successful participation for teachers in all kinds of institutions.
- Limited and lack of access to resources including funding is a major impediment to college teachers' pursuit of research.
- Unfavourable teaching environments result in teachers migrating to more lucrative professions in universities and research organisations within the country or to teaching assignments abroad.

A conducive atmosphere in terms of the teaching environment (teaching work load, teacher-student ratio and other institutional responsibilities) facilitate a favourable attitude towards research which in turn increases the research productivity of teachers and quality of teaching at large.

E1. Education and Labor Market Performance

Impact of Integrated Marketing Communications Programs in Enhancing Manager and Employee Performance

Dr. Figen E布伦
Akdeniz University

The global marketplace consists of an increasingly complex arena of competitors within a rapidly changing international environment. New companies are formed on a daily basis, from small businesses to Internet-based operations, to expanding global conglomerates originating from major takeovers and mergers.

In the face of these sophisticated and cluttered market conditions, firms try to be heard. They attempt to speak with clear voices about the natures of their operations and the benefits associated with the firm's goods and services.

With so many choices available, and so many media bombarding potential customers with messages, it is vital that what should be communicated is reaching buyers in a clear and consistent manner.

External customers are influenced by the internal promise deliverers: the employees, channel partners, customer service personnel, packing and delivery people. Marketing can help by working with human resources departments to identify the key elements in employee motivation, including the effect of incentives and the development of training and improvement programs.

This paper explores the impact of integrated marketing communications (IMC) programs in enhancing manager and employee performance and so productivity. From a managerial context, response to this apparently cluttered and amorphous marketing environment has led many organizations to desirable integration of their communications efforts under the umbrella of one strategic marketing communications function - namely integrated marketing communications. The logic of this strategic move would seem to rest partly on assumptions concerning the desire for organizational influence of consumer perceptions.

Manager performance and development is possibly an overlooked part of an IMC program. Effective marketing departments and advertising agencies must develop pipelines of new, talented creatives, media buyers, promotions managers, database Web masters, and others in order to succeed in the long term. Also, new people must be trained and prepared for promotions for more important roles over time. Employee performance attitudes reflect morale within the marketing department and also relations with other departments and groups. An effective IMC plan consists of building bridges with other internal departments so that everyone is aware of the thrust and theme of the program. Satisfied and positive employees are more likely to help the firm promote its image.

E1. Education and Labor Market Performance

Particularities Regarding the Romanian Human Resource Integration into European Structures

Raluca Petronela Lazarescu

“Gh. Asachi” Technical University of Iasi, Romania

The paper analysis the importance of Romanian human resources` s integration into European market based on the main criteria of Romania` s integration (the establishment of the institutions responsible with the democracy, human rights, respect and protection of the minorities; the existence and the functioning of the economy; the capacity to face the competition pressures on the EU` s market; the capacity to assume the obligations as a future EU member) and the integration strategy (the macro economical policy in the monetary area, the policy regarding the reorganization of the economy, the human rights and human capital).

The important questions are:

- are prepared the Romanian human resources to compete with EU` s work force?
- which are the main disadvantages and do we have the right solutions?
- what is the impact of the future changes on the human resources from Romania?

The authors describe the Romanian work force environment and the main problems that must face the human resources.

E2. Human Capital and Public Sector

**Efficiency in Turkish State Libraries
a Data Envelopment Analysis Application**

Sacit Hadi Akdede

Adnan Menderes University

Yigit Kazancoglu

Izmir University of Economics

This paper investigates the relative efficiency of public (state) libraries of major cities in Turkey by applying a data envelopment analysis. Scale, technical, and overall efficiency scores are calculated. It is found that there is a negative correlation between economic and social development index of the cities and efficiency scores of state libraries of same cities. In order to understand the sources of technical inefficiencies, the slack analysis is employed. Book collection and library staff are turned out to be the most problematic inputs and library members and lending of the books the most problematic outputs.

E2. Human Capital and Public Sector

Human Capital and Turkish Public Finance in a Global World

Asuman Altay

Dokuz Eylül University

Ferhat Akbey

Dokuz Eylül University

After two oil crises seen at the end of 1970s, the speed of second wave of globalization has reached its climax. In this period both developed and developing countries have changed their development strategies i.e. first group economies have gone under a information based development process while transferring the previous type, namely industrial development, to the second group. During this transfer process, developed economies should always renew and improve their info-technological base; and developing economies should compete for transferred industries embodied in multinationals.

In such a conjuncture, developing economies, that are being forced not to use public expenditure side of fiscal policy and monetary policies because of past Keynesian trials, have only two alternatives: First, they can use tax policies including reduced rates and dual tax regime to attract foreign direct investments (FDI). Second, developing countries should be prepared for future incoming FDI in senses of workforce, raw materials substructure. The most important side is the workforce, because at this level of transportation technology and diminishing transportation costs, raw materials can be transported easily and cheaply. Additionally, if there is no or a low level of educated workforce, whatever the developments in substructure, FDI will not fuse into an economy. In that respect; the workforce (except from the most qualified part of it), that is the unique within production factors with its immobile character (as a paradox of globalization), should be improved in terms of human capital via effective education and training policies.

Of course above evaluations on developing countries are also relevant for Turkey as a developing economy. So, in this study we have tried to develop some policies on human capital for Turkey. In doing this we had to present a historical map of globalizing world economy and Turkey's position in that map. To do this at the first part of the study we have analyzed the political economy of globalization stressing on the changing role of nation

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states in economic sense with its relations to transformations in production processes and to FDI.

Secondly, we have focused on conjunctural relationship of human capital with public economy in developed and developing countries. Finally we have analyzed Turkey's position in the sense of human capital policy with respect to public finance and specifically to public budget. In this part of the study, we have also make some propositions and recommendations for Turkey to improve her human capital while not disturbing her budgetary responsibilities and balances.

E2. Human Capital and Public Sector

Innovation in Public Sector: Turkey Case

Assoc. Prof. Hasan SERT
University of Michigan (UMICH)

Abdullah ALTUN
Middle East Technical University (METU)

Yusuf ALTUN
Middle East Technical University (METU)

Sezayi TOPRAK
Middle East Technical University (METU)

Ibrahim BARAN
Gazi University

Emre TURKAY
Gazi University

Kemal AYDIN
Middle East Technical University (METU)

In contemporary world, innovation is accepted as one of the key elements of sustainable development; so countries attempt, in many ways, to trigger new innovative activities and to facilitate their potential brain power in this process efficiently. This efficiency differs not only in country-wide but also in sector-wide. In Turkey example, public sector offers great opportunities for job seekers; especially for new graduates. That is, a big deal of qualified brain power is hired in public sector. However, when the tasks they hold in these jobs are carefully examined, it is easily seen that the characteristics of these tasks are not much targeted towards innovation. In this paper, especially by taking into account the new technologies and implications of second generation knowledge management concept, current state of public sector of Turkey in innovative activities and some new approaches for improving these activities will be discussed.

E2. Human Capital and Public Sector

Public Sector Wages and Salaries in Turkey: Is There a Performance Criterion?

Abuzer Pinar
Ankara University

Despite the recent improvement of fiscal discipline backed by structural reforms at the aftermath of the financial crises in Turkey, the fiscal regime still remains one of extreme stringency. It has been argued that public employment and wage bill is a major area to be concentrated on for further improvement. This paper aims at analyzing public wages and salaries in Turkey. The major question is to what extent the wages and salaries are based on performance criterion. The preliminary findings from SIS survey data show an overall tendency to higher wages and salaries by education and experience. However, more detailed evaluations show that there are incredible disparities in payments to public employees with the same education level and experience.

E3. Perspective on Regionalisation and Globalization

Comparison of G-20 on the Basis of Millennium Development Goals

Rüstem Barış Yeşilay
Ege University

Umut Halaç
Dokuz Eylül University

The setting of human development goals is not new to the development literature. Many of these goals in the early 1980s are viewed as the development challenges which are derived from the basic human needs and series of necessities. In September 2000, the 189 member states of the United Nations unanimously adopted the Millennium Declaration (the so-called Millennium Development Goals, or MDGs). The Declaration outlines key development challenges, proposes a response to these challenges, and defines a series of targets and progress measures. There are eight broad goals, with 15 targets that are to be monitored through a set of 48 indicators. The aim is to achieve these targets by 2015.

The paper examines the situation of G-20 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States of America) on the basis of the Millennium Development Goal (MDG) indicators. The analysis by indicator looks at trends and prospects for reaching the MDG indicator targets. The paper provides a look at the policy and institutional changes required to increase the likelihood of meeting these targets. In this paper, we analyze a set of reliable household survey data to examine the progress of G-20 countries toward achieving the MDG. While there is some evidence on the performance of countries toward realizing these goals, the empirical evidence on how well particular countries are performing relative to these goals remains sparse. We are motivated by the need (i) to provide empirical evidence of how well G-20 countries are doing in general, and (ii) to assess the prospects of these countries toward realizing the MDG.

Our results paint a discouraging picture. Despite some noteworthy progress, the evidence suggests that, in the absence of dramatic changes in the rates of improvement in most measures of living standards, the MDGs will not be reached for most indicators in most countries. This paper is one such reality check, with results that are not terribly encouraging the G-20 countries about raising living standards.

E3. Perspective on Regionalisation and Globalization

Globalisation and Tourism

Ph.Constanta Enea

University "Constantin Brancusi"

The paper with the consequences of tourism under the strong influence of globalization on to these global processes will emerge from a clearer understanding and recognition of the strong ethical and spiritual dimensions and survival spirit in the changing world. The paradigm of market driven liberalization and globalisation is lop sided and denies the pluralities of the peoples lives, which have always valued sustainability of development.

E3. Perspective on Regionalisation and Globalization

The Impact of Globalization on Human Rights and the United Nations

Nejat Dogan
Erciyes University

Whether we like it or not, globalization is a fact of everyday life in the twenty-first century. Therefore, the main question is *not* how to praise or attack on globalization *but* how to manage it so that it will benefit humans rather than pose a threat to both individual and social development. Especially the impact of globalization on human rights should be determined and necessary measures should be taken. Toward this end, the paper suggests a multilateral (rather than a unilateral) approach to the issues of globalization and, in an attempt to put forward the specific ideas of the states, reviews critical United-Nations resolutions and decisions.

A qualitative method will be applied. The UN documents will provide most of the data needed. Especially the following documents can be singled out in the research process: A/Res/60/152; A/Res/59/184; A/Res/58/193; A/Res/41/128; The UN Millennium Declaration; Resolution S-23/2; Resolution S-23/3; Resolution S-24/2; Commission Human Rights Resolution 2004/24; the report of the UN High Commissioner for Human Rights (E/CN.4/2002/54); and the report of the UN Secretary General (A/59/320).

The United Nations is the best candidate for an effective forum where nations communicate with one another both on possible effects of globalization on human rights and the measures to be taken. The UN has drawn attention to many critical issues such as narrowing the gap between poor and rich both within and between nations; eliminating the poverty; and broadening the participation of developing countries in international norm setting.

With broad and sustained efforts, Globalization may in fact contribute to the expansion and full enjoyment of all human rights.

E3. Perspective on Regionalisation and Globalization

Challenging the Orthodoxy of Economic Globalisation; a Performative Discourse That Activates the Dynamics of Underdevelopment in West Africa

Abdoulie Sallah
University of Leicester

This paper evaluates critically the discourse of ‘economic globalisation’. This discourse extends the belief that capitalist firms now produce the vast majority of goods and services produced in the world (i.e., the commodification thesis) by asserting that this process of commodification is increasingly taking place within an open world economy in which firms operate in a deregulated and seamless global marketplace. In the economic globalisation thesis, therefore, it is a specific type of commodified economy that is becoming hegemonic and stretching its tentacles wider and deeper across the globe, namely unregulated or ‘free market’ capitalism composed of hyper-mobile and homeless capital operating in a borderless world.

The main aim/objective of this paper is to contest the narrative of economic globalisation adopted by the globalists, demonstrating its performative character. In doing so, it will contest the view that globalisation is the only future, and display how the future is more open than suggested by its proponents. This thesis will use the Gambia to produce empirical evidence of the shallowness of economic globalisation.

So far data that will be used in writing up this paper will be secondary data, but however I am due to be going for a field work in the Gambia in July this year to carry out empirical research, using a barrage of techniques to collect my data. Methods will include a structured questionnaire that will be used to measure the embeddedness of Gambian households in the globalisation process, and also semi-ethnography to evaluate the impacts of economic globalisation.

Although I have not yet reached any results, my research will more than likely prove that:

- Globalisation is a performative discourse.
- The lived practices/coping strategies of households have less to do with globalisation.
- The informal economy in West Africa (The Gambia) is not demising as proposed by the globalists, rather it is increasing.

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- Globalisation (Capitalist globalisation) is not the formula for the socio-economic development of West Africa (The Gambia).
- The future is open to other alternatives.

Being the first of its kind in the Gambia, that is to my knowledge, my research other than seeking to challenge the hypotheses of globalisation (akin to commodification and formalisation) also seeks to create some policy implications which would enable the Gambia and other West African states to target social assistance and strengthen their civil society and instruments of sustainable human development in the informal sector.

I strongly believe that unless and until great steps are taking by Gambians and other West Africans to address the current socio-economic equation, we in the Gambia and the West African sub-region will continue to suffer untold socio-economic problems which will continue to facilitate the development of underdevelopment, and strengthen our own marginalisation that has already been set in motion. I feel that the first and foremost step of the many great steps that would need to be taken, is the studying of the past and present socio-economic conditions of the Gambia and its relationship with capitalist globalisation which will certainly lead to a comprehensive understanding of the current situation.

E4. Convergence: Regional, Economic and Cultural

Impact of Trade Liberalization on the Gender Gap in Turkey

Özge Kama

Yildiz Technical University

There has been an increasing number of literature on globalization and its effects on labour markets. With increasing global economic competition employment conditions have changed. Evidence shows that greater trade openness is associated with increase in women's share of paid employment. In this paper, we concentrate on the aspects of trade on gender discrimination and particularly Turkey's situation on this context.

In the period of 1970-2005 there was substantial overall improvement in women's quality of life, as reflected in social indicators. Women lived longer, had fewer children and more schooling. From the statistics, we can say that there is a moderate rise in women's participation in the labour force. Usually, schooling, participation in politics and work and earnings can be used to measure women's achievement in comparison with men's.

Focusing on Turkish economy, we know that in 24th January 1980 Turkey announced to follow a far reaching program of stabilization with structural change. The main objective of the program was to shift from an inward to an outward oriented development strategy. With an increase in trade, women transferred from the non productive housework economy to the productive economy. So, it is possible to say that trade create jobs for women but what about the gender gap? There is a quite number of literature for believing that the effect of globalisation may act to widen the gender pay gap. As long as women remain less qualified than men, they are likely to remain lower paying jobs, even if better-paying jobs become available through trade expansion.

E4. Convergence: Regional, Economic and Cultural

Convergence of Human Development Levels

Fuat Erdal

Adnan Menderes University

Emre Can

Izmir University of Economics

Gaye Kocabaş

Izmir University of Economics

Reducing regional disparities can be seen as one of the main conditions of sustainable development. The neoclassical convergence hypothesis states that regional or inter-country differences would be reduced by development. Almost all studies test the convergence hypothesis by using per capita income levels and find mixed results. However, convergence of development levels and living standards is more important for the sustainability of economic growth.

This study aims to re-test the convergence hypothesis by employing two more indicators of development by the UNDP, namely health index and education index, in addition to per capita income levels. By using the beta convergence test, which controls if there is a tendency for per capital income to equalize across economies, convergence of development levels is tested among a panel of 177 countries.

The empirical evidences from the cross-sectional analyses suggest the existence of a significant converging trend among the countries with respect to education levels and per capita income levels.

E4. Convergence: Regional, Economic and Cultural

Convergence in Europe Empirical Analysis on Two Groups of Countries of the European Union

Eva Jelnikar
University of Ljubljana

Urban Murmayer
University of Ljubljana

This paper examines the hypothesis of conditional convergence within the fifteen countries of the European Union, which became member states before May 2004, and between the groups of the same fifteen member states of EU and the ten countries that became members with the last enlargement.

Basic data input was GDP per capita for all EU countries, proxy variables were savings and depreciation rate. The data consisted of time series for 50 years (1950 – 2000) for EU-15 (old EU countries), while for EU-10 (new member states) the performance in terms of GDP from 1995 to 2007 (predicted values) was analyzed.

The presence of beta convergence among EU-15 countries and EU-15 and EU-10 (new EU members) countries was investigated in the first part of the empirical analysis. Starting with graphical analysis, the growth of GDP for different countries during the studied period was compared to the starting level of GDP. If the points in the graph are negatively correlated, then this is a sign of presence of beta convergence. Afterwards, the presence of beta convergence was tested by using the same but formalized approach, the regression analysis. If the partial regression coefficient for GDP p.c. is positive and statistically significant, then the presence of beta convergence among selected group of countries can be confirmed with statistical certainty. In the last part of the empirical analysis the presence of sigma convergence was tested. This type of convergence can be calculated as standard deviation of logarithms of GDP p.c. in the group of countries. This procedure measures the dispersion around determined average. If the dispersion is decreasing, that means that the countries are becoming increasingly similar to each other, in terms of the GDP p.c., and one can confirm the (sigma) convergence.

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In both samples highly statistically significant beta convergence was confirmed. Furthermore, sigma convergence was discovered and proved. This confirms the hypothesis of convergence among the fifteen countries of the European Union in the period from 1950 to 2000. Additionally, convergence of ten EU newcomers to the average level of standards of living in the fifteen countries of the EU in the years from 1995 to 2007 is also discovered. Both confirm the existence of forces of convergence among the member states of the European Union.

One of the main objectives of the European Union is real convergence among the member states. To achieve this goal the EU formed a cohesion policy and backed it up with important structural funds. Those are used to finance projects in less developed member countries, such as improving the infrastructure and educational system and to restructure less perspectives industries. In this paper, the real convergence among old and new member countries was proved, which proves that Europe did not fail to reach one of its basic aims.

E4. Convergence: Regional, Economic and Cultural

Human Resource Management in an Islamic Society

Syed Nisar Hussain Hamdani
University of Azad Jammu & Kashmir

Akhtar Hussain Shah
PIDE

Similarities and differences exist in conventional management and Islamic management systems. In particular, time management in the two systems has significantly distinct features that may have distinct outcomes also. The objective of the paper is to empirically illustrate an economic approach to Islamic management of human resources (Walye Asr Model of Human Resource Management 2002). It follows the Divine Economics Framework (2004) to model time management behavior by introducing “religious human resource” embodied in the employees of any organization. Using the cross section data of 302 households in Pakistan, the model can explain numerous empirical facts: patterns of religiosity, the relationship between religiosity and office hours/wage work hours, leisure time, voluntary services, and different values which determine the overall performance and achievements of human resources concerning not only to their organizations but also to their religion, family and society at large.

E5. Foreign Direct Investment

**Foreign Direct Investment and Exchange Rate
Uncertainty: Some Time Series Evidence of the Turkey
Experience**

Gulten Dursun
Kocaeli University

Hilal Bozkurt
Kocaeli University

The paper analyses the possible empirical relationship between the real exchange rate uncertainty and foreign direct investment in Turkey. We employ nonstationarity and cointegration in the data series and use conditional measures of exchange-rate uncertainty to analyze the period between 1980-2005. This study suggest that a long-run relationship exists among foreign direct investment inflows, the real exchange-rate and the GARCH measure of exchange-rate voatility.

E5. Foreign Direct Investment

Turkey's Capital Inflows in the Prospect of EU Membership: Cure or Curse?

Can Erbil
Brandeis University

Ferhan Salman
The Central Bank of Turkey.

Current debate in Turkey focused on whether increased foreign capital inflows could have adverse effects on the Turkish economy and what should be the appropriate policy response to immunize the system¹. Moreover, free foreign capital inflows raise concerns about loss of national sovereignty, claiming that they may involve a controlling stake by large multinational enterprises over which domestic authorities have limited power². Vulnerability to capital flight and sudden capital outflows is another added concern³.

The first challenge is to understand the implications of changes in volatility and the level of net capital inflows that Turkey will be facing in the process to the accession to the European Union⁴. The accession negotiations involve numerous steps which inherit significant break points that may lead to decelerating the pace of the talks and even stopping them. The adverse consequences on financial markets and therefore on the whole economy is the end concern. The second challenge would be the policy response by various institutions⁵ ranging from new legislation to control capital flows to the design of the monetary policy that will describe the guidelines that are consistent with inflation targeting and financial stability. There are several types of policies that can be pursued in order to best protect the domestic economy from adverse external events and from the volatility of

Corresponding author: Department of Economics and IBS, Brandeis University, Sachar 215, MS 021, Waltham, MA 02454, USA. E-mail:cerbil@brandeis.edu

Research Department, The Central Bank of Turkey.

"Is Turkey the next Argentina?," Erinc Yeldan and Mark Weisbrot, CEPR, December 2004

This concern is not unique for Turkey. It is also mentioned for OECD countries in the OECD Economic Outlook, June 2003.

"The transmission of a sudden capital outflow: Evidence from Turkey," C. Emre Alper and Ismail Saglam, Eastern European Economics, March-April 2001/Vol. 39, No. 2, pp. 29-48.

"EU Accession, EU Membership and Challenges for Central Bank", by Jan Frait – The Czech National Bank, 2003

EU Accession: The Challenges for Public Liability Management in Central Europe, cosponsored by the European Commission and the World Bank, 1999, The International Bank for Reconstruction

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capital markets. Prudential regulation of financial markets, capital controls, anti-trust laws and performance requirements are some of the well-known policy responses⁶.

To propose better policies it is important to understand the environment that we are working with. Initially, we intend to distinguish between short and long-term capital inflows rather than investigating foreign capital inflows as an aggregate⁷. Our next attempt will be to compare this decomposition to various means such as capital inflows to countries which are/were in the process of EU accession, and countries that share similar characteristics as Turkey.⁸ We also would like to address the dynamics of the world economy and have a discussion on where the capital will be flowing in the near future that is relevant to Turkey's accession. We believe that this decomposition will help to redefine the current debate and enable policy makers to design solid guidelines⁹. Moreover, this assessment will provide a comparative measure and shed light on whether the structure of Turkey's foreign capital inflows is healthy.

The second stage is to discuss the literature on **proposed** policy response, examine the **actual** policy response and identify the ones that are successful and the ones that fail¹⁰. This will enable us the framework to analyze Turkey and construct the appropriate environment to discuss policy alternatives at hand.

Our focus will be on the design of the monetary policy¹¹. The way the foreign exchange interventions are conducted, the use of short-term interest rates are used and monetary transmission mechanism through credit markets.¹² On this latter topic, we will reserve a section to address the upcoming legislation on the establishment of mortgage markets and implications on the transmission mechanism.

"Managing the Economic Impact from Foreign Capital Flows," UN Discussion paper by Randall Dodd, 2004, New Rules for Global Finance Coalition.

Earlier work on the determinants of short-term capital by Rodrik and Velasco 1999, Buch 2000, Buch and Lusinyan 2000 "Short-Term Capital, Economic Transformation and EU Accession," Claudia M. Buch (Kiel Institute of World Economics) Lusine Lusinyan (European University Institute), Discussion paper 02/02, Economic Research Centre of the Deutsche Bundesbank, 2002

According to Jeffrey Sachs and Wing Thye Woo: "Controls on short-term capital inflows into emerging markets can help to maintain macroeconomic and financial stability... While short-term capital inflows should be discouraged, long-term capital inflows (especially foreign direct investment) should be promoted."

⁹ China, Romania, Indonesia, Chile, and selected Asian countries. "The capital inflows problem in selected Asian Economies in the 1990s revisited," by Cavoli and Rajan, August 2005, working paper.

¹⁰ "An Empirical Assessment of Monetary Policy Responses to Capital Inflows in East Asia Before the Crisis," by Kwack, S. (2003) International Economic Journal, 15, pp.95-113.

¹¹ As Central Bank purchases foreign exchange unless sterilized leads to excess supply of YTL funds. The two options that banking sector has are willingly lending it back to the Central Bank or to the consumers in terms of consumer credits or longer term credits. In the latter case this will lead to increased investment and consumption demand by consumers which will be motivating inflation. Moreover, as credit growth is towards longer – term, maturity mismatch will be an added risk favoring financial fragility.



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