

News from Economics – March 2010

Edited by Ivan Paya

Introduction by the Head of Department, Professor Ian Walker



The Lancaster University Management School continues to excel - it is now ranked in the Top 25 MBA programmes in the world according to the generally accepted league table produced by the FT, and it is in the top 5 UK business schools ranked by the UK's recent Research Assessment Exercise. The Department is proud to be an integral part of the School, and that we contribute to both the MBA as well as its research excellence – but we do many other things too.

[*Professor Ian Walker*](#)

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The Department thinks of our postgraduates as part of our “output” - something that we care about in terms of both quantity, and especially quality. The Department, although small, supports a wide range of postgraduate activities: our master’s courses in [Money, Banking and Finance \(MBF\)](#), and in International Business (IB), and our [PhD programme](#). Our postgraduate activities continue to flourish: the MBF and IB continue to recruit well, the students do well according to our external examiners and the evidence we have on “destinations”, and the process of “outsourcing” some of our courses to SE Asia is proceeding in conjunction with partner institutions.

The [PhD programme](#) continues to flourish – we have a flow in of about 8 per year and we have a flow out of about 8 per year. The “stock” of PhD students is in the mid-20’s – which is about right for a department of our size. Our completion rate is close to 100% and completion is generally timely as well as successful – it is many years since we have had an unsuccessful case. It is a University objective to raise the number of PhD students and we are participating in this – we have secured three PhD studentships, additional to our usual number, and these provide for subsistence at the same rate that the UK research councils provide for UK students (about £14k pa) as well as providing a fees disregard. We have filled this first year’s tranche of these studentships with excellent students from some of the UK’s leading Masters courses. They will be working closely with supervisors on their thesis work as well as supporting our teaching for first year undergraduates. We expect that they will also be pioneers in a new developing collaboration with Manchester and Liverpool. The UK research councils are reorganising their support for UK PhD students so that they will be focussed in a smaller number of institutions than at present. We are participating with Manchester and Liverpool in

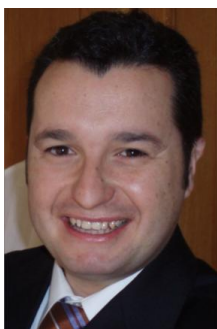
a bid to secure the status of Doctoral Training Centre – the most important effect on our students will be to allow for participation in advanced level PhD training courses taught by renowned researchers at Lancaster, Manchester and Liverpool.

The new development in Masters training is the introduction of an [MSc in Quantitative Finance](#) – this is a joint venture with the Departments of Management Science, Accounting & Finance and Mathematics & Statistics and reflects our expertise in financial markets.

Our expansion and success continues to allow us to expand - three new members of staff will be starting in October 2010. Their identities are not yet known but we anticipate that one will have expertise in environmental economics and the others will have backgrounds in microeconomics. Our aim is to have a cluster of expertise in applied microeconomics that will help us build bridges to cognate research groups on campus.

Staff, new and old, will be on hand to welcome new students joining the department in September 2010 and continuing to provide education and support for learning that is of the highest quality.

News from the Director of the MSc Money, Banking & Finance Programme, Dr. Ivan Paya



[Dr. Ivan Paya](#)

First of all, I would like to take this opportunity to thank all prospective postgraduate students for their interest in the programmes of the Economics Department of Lancaster University Management School (LUMS).

This is the 2nd edition of the Economics Postgraduate Newsletter that allows prospective applicants, students and alumni of our Masters, Diploma and Doctoral Programmes to receive up-to-date information about new developments, progress and improvements in the Economics Department at LUMS. The [MSc MBF](#) keeps

on improving and is now considered as 'one of the best of its kind in the UK' by our outgoing External Examiner, Professor Kunal Sen of the University of Manchester.

I am very happy to tell you some of the news, events and developments in our very dynamic MSc in Money, Banking & Finance [\(MSc MBF\)](#). The students from the last cohort graduated in December 2009 having performed at a very high standard, obtaining the highest average mark of the four MBF cohorts so far. Two of them were awarded overall Distinctions; Sarunas Cebelis and Mei-fang Kao. In addition, there were several excellent dissertations written over the Summer of 2009, the titles of some of which are listed below. As the Director of the MBF Programme, I am extremely pleased to see that some of those graduating have decided to: establish their own financial services firm; enter the corporate and banking sectors; work for a Central Bank; and pursue a doctoral degree.

For the current cohort, we have introduced a research track for the MSc, the Masters of Research ([MRes](#)) in Money, Banking & Finance. This is available to those students who have performed at a high standard in the first term of the MSc programme and provides them with the potential to undertake an advanced quantitative course in the second term, complete a high level dissertation and earn an MRes degree.

The present year in the [MSc MBF](#) is turning out to be a really exciting one. We have students from eleven different nationalities who, according to their feedback, are enjoying the dynamism of the programme and our Department. They have been able to attend seminars from, among others, Professor Tim Besley (former member of the *Bank of England Monetary Policy Committee*) and Professor Mark P. Taylor (*Managing Director at Barclays Global Investors*). The *Economics Society* in LUMS has also hosted speakers about issues such as the Credit Crunch, and the Economics of Climate Change. You can find further information about some of those events and the Economics Society below.

Innovations with regard to the Programme structure include the recently approved new optional course for 2010-11, Behavioural Finance, which I am sure will be very popular among the next cohort of students. This is an area that has expanded rapidly in recent years and created a great deal of academic and practical interest.

We hope that students will remain in contact, and contribute to further editions of this Newsletter. You can send your comments, including news and pictures, to me (i.paya@lancaster.ac.uk).

Selected MSc Money, Banking & Finance Dissertation Titles, Summer 2009

Econometric Tests of Rational Bubbles in the US Stock Market

The Effect of Inward & Outward Foreign Direct Investment in Taiwan

Testing the Weak-Form Efficient Market Hypothesis in Emerging European Stock Markets

The Efficiency of Commercial Banks in the Baltic States, 2001-2007: a DEA Approach.

Modelling & Detecting Long Memory in High Frequency Stock Returns: a Sector Analysis

Evaluating the Yield Spread as a Predictor of Real Economic Activity in the US

Portfolio Optimisation with Mean-Variance, Mean-Value & Mean-Conditional Value At Risk Models

Testing the Foreign Exchange Market Efficiency Hypothesis in Asian Developing Countries

News from the MSc in International Business (Economics) Dr. Robert Read, Director of the MSc IB

The big news for IB is that the MSc is being relaunched in October 2010 under the slightly modified title of the [MSc in International Business](#). In its new form, the MSc will constitute a key Graduate Management School Masters Programme alongside the MSc in Management. As a consequence, the MSc in IB will be leaving the Economics Department in September 2010 after some 15 years in a variety of incarnations. The new Programme retains its very strong Economics contextual base but the move will enable a wider range of core and optional Business-related courses to be taken by IB students. In addition a new core course in IB Strategy has been introduced in collaboration with the LUMS Centre for Strategy.

This of course, means that the current cohort of IB students is the last of their kind. As usual, they come from a wide range of backgrounds, experiences and nationalities but have one key factor in common – their strong interest in the international economic environment and the wide range of issues facing international business, including the current global downturn, the implications of climate change and the growth of emerging economies. This year's students have produced the best ever results in Quantitative Methods with half of them obtaining an overall Distinction in this course – congratulations on your great performance! The IB students are now preparing for their April exams as well as for one of the Programme's highlights – the *World Economic Forum*. As usual, this will be held over a complete day in *The Grange Hotel*, Grange-over-Sands. This year's principal talking points are the effects of the global credit crunch and climate change. Many of the 2008-09 cohort attended the Graduation Ceremony in December 2009 – it was great to meet everyone again as well as many parents, siblings and partners! Not for the first time, the External Examiner (Professor Kunal Sen of the University of Manchester) was highly complementary about the Programme. He rates the MSc IB as probably the best in the country and he was especially complementary about the high quality of dissertation supervision in the Economics Department and the very strong performance of many students in the Dissertation as a result.

Selected MSc International Business Dissertation Title, Summer 2009

The Determinants of FDI Inflows into Singapore & Taiwan

*The Effect of the Kyoto Protocol & Post-2012 Negotiations on International Trade
between Korea & the EU*

The Effect of Mergers & Acquisitions on European Airline Profitability

Foreign Direct Investment in India

The Determinants of Chinese Outward FDI

Dutch Disease in Kazakhstan

Stock Market Development & Economic Growth: the Cases of Thailand & Singapore

Pay, Performance & the Impact of Wage Dispersion in Football

Dutch Disease & Sovereign Wealth Funds: the Case of Azerbaijan

Foreign Direct Investment in India

News from the new MSc Quantitative Finance by Dr. Jill Johnes (Director)



[Dr Jill Johnes](#)

This is a very exciting year for the Economics Department as it prepares for the introduction of the new [MSc in Quantitative Finance](#). This is an inter-departmental programme drawing on the strengths of the Departments of Accounting & Finance, Economics, Management Science and Mathematics & Statistics, and is aimed at students with a strong quantitative background who would like a dynamic career in the financial sector. I am delighted to be working with [Professor Steve Young](#) from the Department of Accounting & Finance, [Graham Rand](#) from the Department of Management Science and [Dr. Gillian Lancaster](#) from the Department of Mathematics & Statistics to ensure the success of this new Programme.

The varied choice of courses and the dissertation options will provide the skills and knowledge needed by students who have ambitions to work in the financial sector. The level of interest in the Programme has been high with applications from a diverse range of nationalities.



LUMS Break-out Space

We are looking forward to welcoming the first cohort of students to Lancaster in October 2010. These students will be in the fortunate position of being able to enjoy the amenities offered by LUMS as well as the state of the art facilities available to postgraduate students in the Department of Mathematics & Statistics; they will also have the opportunity to be a part of Lancaster's vibrant postgraduate community.



[The Postgraduate Statistics Centre](#)

News from the Economics Department Doctoral Programme, Professor David Peel, Director & Dr. Robert Read, Deputy Director



[Professor David Peel](#)

2009-10 has been another record-breaking year for the [Economics Department Doctoral Programme](#) in terms of the number of new PhD students being admitted as well as the numbers of existing students receiving their Doctorates. The Economics Department currently has some 24 doctoral research students, working on a very wide range of topics related to the Department's principal specialist areas.

New arrivals include: Daliah Bendary (Egypt) – Finance; Chairath Chayunwat (Thailand) – global financial services; Shima Elkomly (Egypt) – foreign direct investment in Egypt; Abdul Farooq (Pakistan) – trade policy and competitiveness; Jay-hun Koo (Korea) – Monetary Economics; Jin-won Lee (Korea) – Trade & the Environment; Phakchira Nugbangleng (Thailand) – the impact of foreign direct investment in Thailand; Janet Obiero (Kenya) – Education & Labour Markets; Vasileios Pappas (Greece) – Finance & Banking; Eny Sulistyningrum (Indonesia) – Education Policy in Indonesia; Peng Zhang (China) – Game Theory.

The Department's research students continue to perform well in the LUMS Scholarships competitions – reflecting the high calibre of many of our research students – and we are hopeful of obtaining one or two more in the annual competition in April 2010. Two research students were successful in the scholarship competition in 2009, Pei-ran Shi and Peng Zhang.



[Dr. Robert Read](#)

This year, the Economics Department is also offering three PhD Research Studentships to start in October 2010. This will enable us to maintain and enhance overall doctoral numbers and the quality of doctoral research in the Department.

Over the last year, the following research students have been awarded their PhDs:

Marcin Dziubinski	<i>Spatial Games & Their Applications</i>
Duy Viet Nguyen	<i>Competition in the Vietnamese Telecommunications Industry: an Application of Industrial Organisation Analysis</i>
Efthymios Pavlidis	<i>Nonlinear Econometric Methods in International Economics</i>
Devanto Pratomo	<i>The Effects of Changes in Minimum Wages on Wages, Employment & Hours Worked in Indonesia</i>
Aliyu Sanusi	<i>Aid, Reform & Exchange Rate Management in Ghana: 1983-2005</i>

In addition, two research students heavily associated with the Economics Department have been awarded their PhDs in Management.

Ozge Dilaver	<i>Competition & Co-operation: Four Studies on Consumer Interdependencies during Diffusion of Innovations</i>
Salah Ibrahim	<i>The Impact of Privatisation on Firm Performance in Libya</i>

The Economics Department would like to congratulate all of these successful research students on their excellent achievement.

www.lums.lancs.ac.uk/departments/Economics/

Pei-ran Shi

Current Doctoral Student & Alumnus of the MSc Money, Banking & Finance



[Pei-ran Shi](#)

I graduated from the [MSc in Money, Banking & Finance](#) in the 2007 cohort. The MSc is a degree scheme that combines modules in Finance with those in Economics that allow students to gain a thorough understanding of related economic theories, models and arguments. I am enjoying studying in the Economics Department enormously.

The MSc Programme was both interesting and challenging. Carefully structured courses focus on both theoretical structures and empirical testing. Overall, the Programme is a very good pre-stage course for both the business world or to continue academic study at a higher level.

The Economics Department provides a very friendly and helpful collegial environment. As a graduate student your presence is highly valued. Both formal and informal help and encouragement is readily available from senior staff. The professors and lecturers are approachable and always ready with help, advice and to share research ideas. The secretaries respond promptly and caringly when there is any kind of issue to resolve. Graduate students have many opportunities to attend open lectures and research seminars given by speakers from both within and outside the department.

I found the detailed supervision that I received while undertaking my Master's dissertation especially enjoyable. The times spent with my Supervisor, discussing and developing my dissertation ideas were among my best learning experiences as a graduate student.

In addition to studying, [Lancaster](#) offers a safe and friendly environment. Many bars and pubs, both on-campus and in the town of Lancaster have built a solid reputation among students. Lancaster is only a short distance from the famous [Lake District](#) and [Yorkshire Dales](#); and, if you are keen on cycling and hiking, there are many well-established footpaths and trails that can be accessed directly from the University campus. I promise you that the local views along the way are delightful and relaxing.

I am currently in my second year as a PhD student in the Economics Department where I hold a LUMS scholarship. My research area is focused primarily on the performance of high-frequency financial data.

Postgraduate Economics Seminar on the Global Financial Crisis

Professor Mark P. Taylor, a Managing Director of *BlackRock Asset Management* and an Honorary Professor at LUMS, gave a Guest Lecture in October 2009 entitled, 'The Global Financial Crisis: Threats & Opportunities'. Professor Taylor discussed the extent of the global crisis from the perspective of a market practitioner as well as a financial researcher. He argued that the key lessons to emerge from the experience were the need for robust risk management and a sceptical eye for highly abnormal returns relative to risk.



[Professor Mark Taylor](#)

He also argued that there was a need for impartial expert advice on pension fund trustee boards and that this need might be met in part by business school professors.

Postgraduate Economics Seminar on India & the Credit Crunch



[Dr. Brian Tempest](#)

[Dr. Paul Wright](#)

The India Research Forum of the School, a member of the British Northern Universities India Forum, organised a research seminar on India & the Credit Crunch. The seminar was addressed by Dr. Brian

Tempest former Managing Director of *Ranbaxy Private Ltd*, a leading international Pharmaceutical firm based in India, and Dr. Paul Wright, who is currently Senior Director, Institute for International Finance.

Drs. Tempest and Wright are both alumni of Lancaster University. Dr. Tempest is the current Chairman of the Policy and Resources Committee of LUMS. Dr. Wright is a former Director of Research of the UK Government's Financial Services Authority and he has also worked as an Economist for the Bank of England. The speakers outlined the proximate reasons for the credit crunch and the proposed policy solutions. Dr. Tempest's presentation highlighted the highly effective policy response of the Reserve Bank of India to the credit crunch and the significant role of world class firms such as the pharmaceutical firms in weathering the crisis. The Dean of LUMS, Professor Sue Cox, chaired the seminar.

The Annual MSc Dinner, June 2009



The annual MSc Dinner was held at the *Gatehouse Restaurant*, Lancaster, on 2 June 2009. This annual event is the main formal social event of the Academic Year and is held on the day before the final results of the taught elements of the MSc, MRes and Diploma IB & MBF degrees are announced.

All of the Economics Department's taught postgraduate students attend along with all members of faculty responsible for delivering Masters-level teaching. As expected, the 2009 event was highly successful, providing the opportunity for students and faculty to meet and socialise while enjoying a great meal.



The Economics Society 2009/10



The Lancaster University [Economics Society](#) provides students with a unique opportunity to meet and engage with like-minded students from across a wide range of disciplines and academic levels. There are currently more than 200 members from all corners of the globe and it is one of the Management School's leading societies.

This year, the Economics Society has hosted some fantastic events, from debates by leading LUMS scholars on 'The Credit Crunch - One Year On' and 'The Benefits of Postgraduate Study', to hosting the first-ever *Lancaster University Election Policy Summit* as well as The Government Economics Service, the Head of HR at *Barclays* and the *RAND Corporation*.



We in the Society also arrange many less-formal social events, including dinners and inter-society competitions, and always look forward to welcoming new members.

The Executive Committee is a hard-working body of students committed to propelling the society forward at this crucial time – a time when Economics is even more relevant, to provide a dynamic and forward-looking society with regular events and regular communication and crucially provide the greatest return to its members.

Recent Working Papers from the Department of Economics

These working papers are available for download from:

<http://www.lums.lancs.ac.uk/publications/>

[Migali G](#), 2010, 'Funding Higher Education and Wage Uncertainty: Income Contingent Loan versus Mortgage Loan'

[Bradley S](#), [Migali G](#) and [Taylor J](#), 2010, 'Funding, school specialisation and test scores: An evaluation of the specialist schools policy using matching models'

[Ingham H](#) and Ingham M, 2010, 'Temporary Work in Poland: Who Gets the Jobs?'

[Johnes G](#) and [Johnes J](#), 2009, 'Strategic Responses to Companies' Own Past Performance: Why do some Firms Fare Better Than Others?'

Pavlidis E, [Paya I](#), [Peel D](#) and [Spiru AM](#), 2009, 'Bubbles in House Prices and their Impact on Consumption: Evidence for the US',

Pavlidis E, [Paya I](#) and [Peel D](#), 2009, 'Forecasting the Real Exchange Rate using a Long Span of Data. A Rematch: Linear vs Nonlinear',

[Johnes J](#), [Izzeldin M](#) and Pappas V, 2009, 'The efficiency of Islamic and conventional banks in the Gulf Cooperation Council (GCC) countries: An analysis using financial ratios and data envelopment analysis'

Pavlidis E, [Paya I](#) and [Peel D](#), 2009, 'Real Exchange Rates and Time-Varying Trade Costs'

Zhang S, [Paya I](#) and [Peel D](#), 2009, 'Linkages between Shanghai and Hong Kong stock indices',

[Johnes G](#), 2009, 'It Was All Gonna Trickle Down: What Has Growth In India's Advanced Sectors Really Done For The Rest?'

Veneti IA, [Paya I](#) and [Peel D](#), 2009, 'ESTAR model with multiple fixed points. Testing and Estimation',

Pavlidis E, [Paya I](#) and [Peel D](#), 2009, 'Specifying Smooth Transition Regression Models in the Presence of Conditional Heteroskedasticity of Unknown Form',

[Elliott CF](#) and Wei Y, 2009, 'The Impact of Regulatory Intervention in the UK Store Card Industry'

Kahane LH, Longley N and [Simmons R](#), 2009, 'The Effects of Coworker Heterogeneity on Firm-Level Output: Assessing the Impacts of Cultural and Language Diversity in the National Hockey League'

Thanassoulis E, Kortelainen M, [Johnes G](#) and [Johnes J](#), 2009, 'Costs and Efficiency of Higher Education Institutions in England: A DEA Analysis ',

[Taylor J](#) and [Walker J](#), 2009, 'Peer assessment of research: how many publications per staff? '

[Taylor J](#), 2009, 'The Assessment of Research Quality: Peer Review or Metrics?'

[Taylor J](#), [Bradley S](#) and [Migali G](#), 2009, 'The distributional impact of increased school resources: the Specialist Schools Initiative and the Excellence in Cities Programme',

Chen C-F and [Soo KT](#), 2009, 'Some university students are more equal than others: Evidence from England'

[Soo KT](#), 2009, 'Estimating the production function of university students'

[Ingham H](#) and Ingham M, 2009, 'Poland's Jobless Growth: A Temporary Cure?'

Bingley P and [Walker J](#), 2009, 'The labor supply effect of in-kind transfers',

Agasisti T and [Johnes G](#), 2009, 'Cost Structure, Efficiency and Heterogeneity in US Higher Education: An Empirical Analysis',

[Green C](#), 2009, 'Short Term Gain, Long Term Pain. The Effect of Informal Job Search Methods on Post-Displacement Outcomes.',

[Bradley S](#), [Migali G](#) and [Taylor J](#), 2009, 'An evaluation of the impact of funding and school specialisation on student performance using matching models',

[Johnes G](#), 2009, 'Optimal Educational Investment: Domestic Equity and International Competition'

With all best wishes to our students past, present and future from all at the Department of Economics