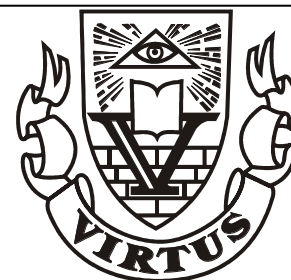


JOURNAL OF GOVERNANCE & REGULATION

VOLUME 6, ISSUE 4, 2017

CONTENTS



EDITORIAL 4

ENVIRONMENTAL SUSTAINABILITY VERSUS ECONOMIC INTERESTS: A SEARCH FOR GOOD GOVERNANCE IN A MACROECONOMIC PERSPECTIVE 7

Karolina Stecyk

The purpose of the paper is to argue that although the government of the province of Alberta and the federal government have developed legislation including licensing and policies (frameworks and directives) to reduce and prevent environmental degradation, they fail to ensure compliance with the legislation and policies because the governments prefer economic gain to environmental sustainability. The lack of strong compliance enforcement suggests a lack of effectiveness and efficiency. Subsequently, a failure in the rule of law occurs because oil corporations, due to their economic impact, are treated as above the law. The bias for the corporation over the environment hinders good governance. Overall, both governments find balancing protecting the environment and gaining financial benefits challenging.

GOVERNANCE OF PRIVATE LABEL AS STRATEGIC ASSET: DEVELOPING A BRAND VALUATION MODEL 17

Renato Giovannini, Marcello Sansone, Bruno Marsigalia, Annarita Colamatteo

This paper aims at identifying which factors should be considered in the building of an economic evaluation model for the private label brand. In fact, some specific characteristics of private label, with respect to industrial brand, make unusable the consolidated models available. The results of the paper are the definition of some specific factors of private label, the assumptions about how these features impact on the traditional economic evaluation models and how these could be included in a model. Because of the complexity of the topic, the hypothesis is to build a model of synthesis, made of two parts: one part for a Financial-Based evaluation of Brand Equity, with the addition of some specific factors and indicators to the traditional formulas, while the other part is for a Consumer-based evaluation of Brand Equity, thanks to an index that summarizes the strength of private label brands from the consumer perspective. The private label economic evaluation has some relevant managerial implications on the retail system, on the vertical supply chain relationships and on the understanding of the strategic nature of this asset.

DEMONETIZATION: DID INDIA FACE THE ST. PETERSBURG PARADOX AND LOSE? 30

Rajaram Gana

In 2016, India demonetized 24% of its currency notes (viz. 86% in cash value) in circulation presuming this will remove “black” (illicit) and counterfeit cash holdings, and combat money laundering. This was the largest demonetization experiment in recent history. Although demonetization has occurred several times before, no unambiguous economic argument for, or against, it exists. This was a key enabler for demonetization, yet again. This paper argues that the St. Petersburg Paradox (SPP) provides a compelling argument against demonetization. Assuming the distribution of cash is lognormal, it is shown that the probability of black cash holdings will be small. If not, the holders would: a) be irrational because they are willing to accept, contrary to the SPP, the small probability of a large loss, by effectively perceiving it as zero, without using all means to immunize themselves against it; or b) be sure their cash can be legitimized via collusion with the State; or c) be sure they can incentivize law-abiding citizens to act as agents to legitimize the cash for a reasonable fee. Assuming rationality and no bureaucratic support, large probabilities of black cash holdings imply that many more law-abiding patriotic citizens have to be corruptible than seems rational.

CORPORATE OWNERSHIP STRUCTURE AND RISK-TAKING: EVIDENCE FROM JAPAN**39***SunEae Chun, MinHwan Lee*

We examine the relationship between ownership structure and corporate risk-taking in Japan over the sample periods of 2000~2010. Reflecting the ongoing changes in the ownership structure in Japan, we incorporate the various kinds of insider and outsider ownership in the analysis. Ownership such as concentrated ownership, ownership by closely related parties, financial institutions comprising banks and insurance companies and managers are categorized into inside ownership, while ownership by foreigners or financial institution such as investment trusts or pension funds are categorized into outside ownership. The ownership structure is found to have different impact on the firm's risk-taking behavior. The study shows that concentrated ownership or ownership by closely related parties affect the firm risks in a convex manner and encourages the firm management to take more risk when the firms have growth opportunities. On the other hand, ownership by financial institutions such as bank and insurance companies, does not seem to affect the firm risk level. This implies that the financial institutions fail to play their role of a shareholder monitor. When managerial ownership is allowed, it is found that Japanese managers' incentives are aligned with those of shareholders. Contrary to the conventional entrenchment hypothesis, however, managers seem to take more risk as the share of managerial ownership increases. Foreign investors are found to enhance corporate risk-taking in a monotonic manner and do not bias corporate investment in a conservative direction in pursuit of their short-term gains. Domestic institutions such as investment trusts or pension funds are found to neither affect the firm risk level nor enhance the firm value.

THE IMPACT OF INFLATION TARGETING FRAMEWORK ON FOOD PRICE INFLATION: EVIDENCE FROM DEVELOPING ECONOMIES**53***Abhijit M. Surya*

This paper uses a difference-in-differences approach to evaluate the treatment effect of adopting inflation targeting (IT). Controlling for reversion to the mean, the author finds that economies that function under an IT regime do no better than countries that use alternative policy instruments. The author verifies the robustness of these results using panel unit-root tests and finds that food inflation rates converge across economies irrespective of the monetary policy framework implemented.

A STUDY OF THE REGULATIVE ACTS' LENIENCY CLAUSE EFFECT ON THE BEHAVIOR OF THE FIRMS**61***Harshil Kaur*

This paper experimentally investigates the effect of leniency clause on cartel formation and self-reporting by firms in an asymmetric cartel. The notion of asymmetric is used in terms of different market share of the firms, which form a cartel. This setting is used to bring the experimental design closer to reality. We experimentally controlled for 'Provision of Deal'- when a firm with larger market share can offer some side payments to the firms with smaller market share and induce them not to report. The author runs three treatments: 1) Leniency without Deal (LWOD), 2) Leniency with Deal (LWD) and 3) Reward with Deal (RWD). In LWOD treatment players can come forward and self-report their communication to the authority. In LWD treatment before self-reporting there is another step where big players can transfer 10 points to the small player and induce them not to report. In RWD treatment players earn 25 points if they report unlike LWD or LWOD where they paid some amount after reporting as well. The results of the experiment demonstrate that there is no notable difference in the formation of cartels among the three treatments. However, cartel members see the adverse effect of the provision of a deal on the self-reporting of cartels. The incidence of reporting falls significantly from 61.48% in Leniency without Deal treatment to 25.86% in Leniency with Deal treatment. Further, giving positive rewards to the self-reporters counteract the effect of the deal to a large extent. Thus, reporting is remarkably high at 41.44% in Reward with Deal treatment as compared to 25.86% in Leniency with Deal treatment. To sum up, the experiment accentuates the waning effect of leniency clause in asymmetrical cartel.

DOWNSIDE OF CORPORATE PERFORMANCE MANAGEMENT PRACTICES IN LOW-INCOME MARKETS**69***Last Mazambani, Emmanuel Mutambara*

Based on theoretical literature review, the paper demonstrates the misgiving of market economy corporate performance management practices when applied in poor markets. Western developed management practices are incongruent to serve poor customers in low-income markets. The findings of the literature review are that these management systems are exclusionary and conflict with sustainable development as they reject the poor as unprofitable and worthless to pursue as customers. In addition, they are based on antiquated assumptions and contradict ideologies and cultural contexts of the poor. In recent times, corporates are under pressure to enter low-income markets as developed markets get saturated. The poor are, however, significantly different from the affluent customers obtained in higher income segments. Corporates find themselves poorly equipped to succeed. Because poor markets are only latent, firms are expected to do more in order to create value than they would do when entering developed markets. The paper provides recommendations for the firms from developed markets to adjust their performance management practices in order to be successful in emerging markets.