

Editorial Foreword

It is with special privilege we present you the first issue of the Journal of Applied Economics and Business Research (JAEBR). The JAEBR is an academic journal that aims to be an outlet for scholars with an interest in applied economics, business studies and finance. Special attention is paid to emerging markets although we stand ready to offer our readership high-quality articles on advanced and developing countries. In short, a launch of the JAEBR is purely market driven phenomena as it reflects increased demand for high-quality empirical investigations and scarcity of academic outlets that serve as means of exchanging the results of research in the field. We are also pleased to introduce you to five inaugural papers that feature both fine quality and a wide spectrum of topics across applied economics, business and finance.

There is a hefty cohort of academic journals that currently publish work across suggested disciplines. A valid question could be asked as to why the field of applied economics and business needs another journal and why now. Our main rationale for the journal as well as for the timing of the enterprise is related to the recent financial turmoil that led to the global economic downfall to the extent the world has not seen since late 20s of the last century. The scope and scale of these events emphasize the importance of applied knowledge in economics, business and finance.

A conventional story of what led to the most recent economic crisis includes an oversupply of affordable capital, the overload of fraudulent and openhanded mortgages to unqualified borrowers with a high risk of failure to pay, the pushy investment bankers that made fortunes and careers on securitization of those mortgages into complicated and eccentric assets, the all-embracing spread of leveraged transactions up on the Wall Street, and finally, an extensive contagion effect that unfolded in its full swing in 2008 faltering economic performance of countries across the board. The outcome has been quite dire. We witnessed unprecedented collapse of housing markets, substantial decline in economic growth rates, surge in structural unemployment, sluggish labor markets, and depressed flows of trade and capital around the world.

As complex as it was, we argue that yet another factor that led to the extent of global economic downfall was a deficiency of adequately presented and easily digestible knowledge in applied economics, business and finance. The problem stretches along the several layers. When assessed post-hoc, a majority of brokers, dealers, real estate intermediaries and other industry professional emphasizes the complexity of the financial industry. It is getting harder to navigate to a delicate balance between profit margins, consumer expectations and regulatory requirements. Let alone, very few of them understand implications of financial transactions to economy at large. Similar arguments go to the regulators camp. Many governments in different parts of the world lack cadre and technical capacity to adequately assess the facts and design proper intervention instruments. Finally, the crisis displayed a substantial gap in financial and economic literacy of various segments of the population. Consumers in developed and less developed markets find it increasingly hard to keep up with innovations in the financial and business sectors. More importantly, it is challenging to relate such changes with well being of

their household. Under such environment any proposed effort to spread applied knowledge in economics, business studies and finance especially among the readers in the emerging markets needs to be appreciated.

Furthermore, if there is general consensus on the triggers of the crisis, there is no concurrence on how to facilitate an economic comeback as well as to mitigate the effects of future occurrences. The playing field in this area is open for contribution. Therefore, the editorial board and team strongly believe that the JAEBR will facilitate spread of knowledge and serve as a forum of empirical and policy discussions among academicians, industry practitioners and public institutions.

The first issue of the JAEBR includes five manuscripts. The first paper investigates the sectoral growth effects of domestic and cross-border M&A sales in the US. The study finds a consistent and robust effect of foreign M&A on growth rate in selected sectors of the US economy. While such findings are in line with expectations the paper features advanced econometric technique and raises an issue of considerable policy implications.

The second paper opts for a different analytical approach. It reports findings from a case study exploring direct, indirect, and induced economic implications of Izmir University of Economics on local economy. The study offers two inputs. Firstly, it provides a rare narrative of how an existence of a single educational institution may be associated with better income and employment opportunities in a major metropolitan area. We believe that such studies are what applied economics is all about since it generates direct and feasible policy insights. Secondly, our editorial team and peer reviewers were impressed with comprehensiveness of the paper as it aptly estimates direct effects, induced effects, and Keynesian type income-expenditure multipliers.

We are also pleased to introduce a paper produced by our colleagues at Center for Education Policy Research, Harvard University. The manuscript explores the relationship between high school counseling and college matriculation. In particular, the paper attempts to estimate the empirical link between the availability of counseling services and the probability of failing to enroll to regular colleges in the US. The authors come up with the findings that have never been documented in the previous literature. The student-counselor ratio fails to predict the odds of a highly qualified student not going to a four year college while the first-generation student-counselor ratio has a significant explanatory power to do so. The take away message of the study is very clear. School administrators in the US should target the limited hours of counseling services to first-generation students. Such efforts are more likely to increase the college-going rate of these students.

The fourth paper conducts a comprehensive review of the financial sector in Turkey. It is a very valuable contribution to the first issue since the past decade witnessed a stellar performance of Turkish economy. In a sense, the foundation of Turkish success narrative was resurrected in late 1990s and early 2000s. Therefore, the author focuses on reforms and innovations in the financial sector that occurred between 1999 and 2006. Both equity and debt financing are covered though the emphasis is placed on understanding the dynamics of banking financing. Finally, the paper provides a glimpse on the development of leasing and factoring services in Turkey. Once again, these aspects have hardly been covered in the previous literature.

The last paper of the first issue originates from Hong Kong, China. It discusses an important issue of stock market convergence in China. Overall, whether prices converge is also important from consumers' perspective. In fact, one of the key benefits of increased integration and trade is an increased consumer surplus. Consumers expect fair pricing where price differential are wholly attributed to transaction costs, taxation and other explicit barriers. The lack of relative convergence indicates on existence of speculative opportunities. The study explores the causal relationship between the return of China A shares (i.e. those issued and traded in Mainland China) and China H shares (i.e. shares they issued and traded in Hong Kong) over the period Sept 2007 to Jun 2009. The research is quite topical as Chinese stock market has grown astronomically both in terms of valuation and complexity. Needless to say, the study reflects the most recent generation of efficiency and convergence tests.

It is not easy to start a journal as it requires concerted efforts by fairly large number of board members, editors, and, most importantly, contributors. We would like to extend our appreciation to all of them. Without their support we wouldn't have been able to make it this far. Special thanks go to the contributors of the inaugural issues for their trust, patience and timely revisions.

Finally, we would like to admit that the large part of enthusiasm among the editorial team is a hope that the ideas presented in this and following issues of the JAEBR will stimulate further research, academic discussions and policy implications. We expect and rely on your companionship in this long journey.

Welcome to the JAEBR!

Farrukh Suvankulov, PhD
Associate Editor