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KEIRETSUS, INFLUENTIAL BANKS, AND FINANCIAL DISTRESS: EVIDENCE FROM JAPAN AND AUSTRIA

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In this study we examine the likelihood of financial distress in Austria and Japan. It is argued that both countries are highly comparable in respect to their bank oriented financial systems and that the keiretsu governance system in Japan lowers the probability of financial distress for member firms. We compare the relative probabilities of observed financial distress between Japan and Austria. Our evidence suggests that the probability of financial distress is lower in Japanese keiretsu firms relative to Austrian firms. Consistent with our hypothesis, we find that non-keiretsu Japanese firms and Austrian firms have similar probabilities of financial distress.

THE EFFICIENCY OF FOREIGN EXCHANGE FUTURES MARKETS: EVIDENCE FROM COINTEGRATION TESTS

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This study investigates the efficiency of futures markets for foreign currencies using the technique of cointegration for five actively-traded currencies. Three tests are used: (1) cointegration tests on the futures and spot prices of the five currencies; (2) cointegration tests of the futures and spot prices on each of the five currencies; and (3) estimation and test of an error-correction model for each of the five currency futures. Results from tests one and two indicate that spot and futures markets for the five currencies are not cointegrated, thus, supporting the efficient market hypothesis. For the long-term test, there is a unitary cointegration factor for each currency tested. However, results based on the error-correction model and F-tests on restricted parameters, produce inconsistent results, suggesting that the markets are not efficient.

ANALYSIS OF FORTUNE 500 FIRM CHARACTERISTICS WITH ADOPTION OF CURRENCY SWAPS

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The recent boom in the application of foreign currency swaps has necessitated a closer scrutiny of this instrument of low-cost financing. A questionnaire was sent to 497 of the 1991 Fortune 500 firms, requesting information concerning their use of foreign currency swaps. 146 responses were received; of which 129 were usable. The 1990 financial data of these respondent firms were retrieved to calculate the means of 13 variables. Analyses of covariance and regression using stepwise method were further applied. The results revealed that firms frequently using swaps were larger, more internationally involved and more profitable. In addition, they reported proportionately higher level of foreign taxes, but lower total taxes.

CONTROL OF THE INTEREST RATE RISK IN A BOND PORTFOLIO AND GOAL PROGRAMMING

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The interest rate risk of a bond investment is divided into the price and reinvestment risks. It has shown that reduction of one risk can be achieved only by increasing the other risk by the same amount. Therefore, control of the interest rate risk should be dealt with constructing a bond portfolio with a desirable combination of the two risks depending on expectation on future interest rates and also subject to various investment goals and constraints. This paper provides a prototype goal programming model which can be extended to control the interest rate risk of a broad range of financial assets.

MOTIVATIONS FOR WORK AND THEIR INFLUENCE ON PAY ACROSS SIX COUNTRIES

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The subjects used for this study consist of 5,391 individuals from the United States, Japan, Germany, the Netherlands, Belgium, and Israel. With these subjects the relationship between individual work norms and actual pay levels is examined. Differential prediction is found across the six countries.

FDI THEORIES AND PRACTICE: THE CASE OF KOREA

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Prior to the Asian financial crisis of July, 1997, the Republic of Korea was the second industrialized country in Asia and joined the OECD in 1996, at that time its latest policy was to encourage Korean firms to invest abroad, recognizing a reduced role of its past successful export-oriented strategy. This paper attempts to find empirically the underlying motives for Korean FDI in the United States as well as for U.S. FDI in Korea. Data were gathered from a questionnaire survey of 63 Koreans (firm-owners, business professors, and Consuls) and 192 international business executives of U.S. companies that have invested in Korea. The results of the study show that: a) Korea seems to be in the final stage of the investment development cycle, b) Korean firms possess ownership-specific advantages in technology with respect to a number of key industries, c) they were motivated to exploit some location-specific advantages, and d) the pattern of Korean outward investment may suggest the value of Dunning's eclectic approach. For U.S. FDI in Korea, the two top motivations were "penetration in a growing market" and "anticipation of relatively higher profits." Lastly, to what extent the impact of Korean FDI as well as foreign investment in Korea in the past is linked to the recent Korean financial crisis is a very interesting area for future research.

EFFICIENCY OF ASIA-PACIFIC FUTURES MARKETS: AN EXAMINATION OF NEW ZEALAND AND HONG KONG MARKETS

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This paper investigates the efficiency of the New Zealand and the Hong Kong Index and Index Futures markets using a cointegration and error correction based approach. The data for the study consists of the spot and futures prices for the NZSE40 and the HangSeng indices during 1992-1993. The study finds that the spot and futures markets are cointegrated for both the NZSE40 and the Hang Seng indices. Error correction models indicate an efficient system of information feedback between the Hang Seng spot and futures markets whereas the futures leads the spot markets for the New Zealand data.

PENSION FUND REFORM AND ECONOMIC WELL- BEING IN FOUR LATIN AMERICAN COUNTRIES

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This paper examines data from four Latin American countries – Argentina, Chile, Mexico, and Venezuela. We combine information on pension funds with other economic indicators to describe a potential host country's economic well-being. The evidence suggests that the influx of resources from domestic sources stimulates the economies, thus enhancing the attractiveness of Latin America as a site location for industry.