Editorial

Sushanta Mallick

School of Business and Management,
Queen Mary University of London,
Mile End Road, London E1 4NS, UK
E-mail: s.k.mallick@qmul.ac.uk

Biographical notes: Sushanta Mallick is a Professor of International Finance in the School of Business and Management at Queen Mary University of London, UK. Prior to being at Queen Mary, he held positions at Loughborough University, UK, Royal Institute of International Affairs (Chatham House), London, and JPMorgan Chase (previously Chase Manhattan Bank) based in Hong Kong. He began his research career in the early nineties (1991–1995) at the Institute for Social and Economic Change (with a year at Indian Statistical Institute), Bangalore, India, followed by a Commonwealth Scholarship to study for a PhD in Economics (1995–1998) at the University of Warwick. In addition to publishing a book from his PhD research (Ashgate Publishing, 1999), he has contributed articles to nine edited volumes along with publishing widely in many international refereed journals (for details, see http://webspace.qmul.ac.uk/skmallick/). His main research interests include issues in international macroeconomics and finance, and development policy.

This special issue of the *International Journal of Public Policy* (*IJPP*) includes six papers on applied policy relevant issues in the context of emerging markets. They were selected through a peer-review process from papers presented at the AIEFS meetings in 2011–12 (http://www.aiefs.org), with a few invited papers. The set of papers included in this special issue focus on international development and public policy issues. In the light of the recent global slowdown, understanding the problems and the role of policy makers in addressing different risks (financial, fiscal, economic, political and social) is critical for better policy design.

The first paper brings out the bank-level risk management issues in emerging markets following the recent global financial crisis. Ashima Goyal assesses how the structural risks have declined for Indian banks in the light of their market development and regulatory evolution. Cyclical risks on the other hand are rising but they are not of very large magnitudes and remain contained as long as policy makers moderate large fluctuation in asset prices. The author contrasts the scale and cross-border exposures for banks in emerging and advanced economies. Some aspects of broad-pattern regulation traditionally applied in Indian banks have good incentives and would fill gaps in global regulatory reforms. International institutions should design instruments to mitigate contagion risks.

In his paper, Parag Waknis evaluates the impact of a multiparty or a coalition government on their spending choices at the state level in India. Different measures of political fragmentation have produced inconclusive results in the literature. In this paper, the author argues that extensiveness and intensity of credit constraints influence equilibrium voting policies and hence the spending policies of governments in power. The resulting predictions are then comprehensively tested using data on 17 Indian states over a period of 20 years. The econometric analysis provides substantive evidence for the importance of political factors in determining government spending patterns. Specifically, the author finds that politically less cohesive governments tend to spend more on education than their more cohesive counterparts. There is also some evidence on electoral cycles in health expenditure. Further, the analysis supports the model's underlying notion of credit constrained voters determining the spending policies of the government via the degree of political cohesiveness of the government in power.

The third paper by Suhas Ketkar explores the innovative financing methods for development in countries where there is high demand for overseas development assistance. In this context, the author emphasises how the multilateral organisations, the World Bank, the regional development banks (such as Asian Development Bank, and African Development Bank, amongst others) and the United Nations possibly through its Financing for Development Office can take the lead in designing alternative credit enhancements. The International Finance Facility for Immunization (IFFIm), which securitised future aid commitments by donor countries, has been quite successful in providing considerable predictable and front-loaded funding in support of immunisation programs in scores of poor countries. Since official development assistance and private capital flows to poor countries are likely to remain scarce in the current financial environment, the paper evaluates the prospects of setting up IFFIm-like mechanisms to fund a broad range of development objectives.

The next paper by Brandon Ernst, Rajeev Sooreea, Gigi Gokcek and Diara Spain tackles the issue of political risk in the context of economic development and looks into the controversy of whether the presence of United Nations peacekeeping operations (PKOs) in conflict-afflicted nations does raise the living standard of these countries. The study provides a quantitative treatment to formalise the economic impact of PKOs in 39 conflict-afflicted nations between 1980 and 2010. The research uses panel data analysis with a multiplicative binary (dummy) variable approach to show that although PKOs do not contribute to economic growth per se, their presence does enhance the level of economic development. On average, PKOs tend to increase the level of GDP per capita by 1.1% to 1.9%. The presence of PKOs tends to be more successful in the Europe and Central Asia region or in high-income countries. The authors conclude that in order for conflict-afflicted countries to benefit from PKOs, they need to already have a high level of economic development.

The tragedy of the commons in welfare economics justifies the case for government intervention. In the fifth paper, Shailendra N. Gajanan, B.P. Chandramohan and N. Suresh Babu empirically examine the issue of severe water depletion and its consequences in the farming sector in the state of Tamil Nadu in India, brought about via free access to electricity. Using a willingness-to-pay approach, the authors show that while marginal and small farmers from Tamil Nadu (India) are willing to pay for hypothetical electricity charges, large farmers are unwilling to contribute to the commons. The authors attribute the outcome in a context of strategic democracy: voters and political parties play a game in which agents maximise their individual returns, given the actions of other players. Given the incentives of politicians and voters, their study finds natural resource depletion as an equilibrium outcome. Strangely this arises not because private markets fail, but because the state behaves as an agent in the market place.

Finally, Sanjukta Chaudhuri and Shahnaz Abdullah examine the extent to which the level of marital violence against women is becoming a serious issue in many low-income countries. Although theoretically one would expect women's education and work outside home to help overcome violence, there could be male backlash due to fear of losing control over their wives. Using data from Bangladesh Demographic Health Survey (2007), the authors find that an increase in women's education is associated with less violence, while participation in the public sphere in the form of paid work and NGO membership is associated with significantly higher violence. The study concludes with an emphasis on encouraging women's education as a way of freeing them from violence, along with policies aimed at expanding employment and other income-generating opportunities for women.

Overall, the papers in this special issue focus on questions related to contemporary political economy issues in an attempt to contribute to the broader debate on how best to design public policies. Topics range from pricing to managing risks, regulating institutions, and achieving overall economic development, peace and social stability. The papers are indeed topical, reflecting the current challenges in the global economy. The use of a wide variety of economic and econometric methodologies to deepen our understanding of applied economic issues and to derive serious public policy implications is a key strength of these papers.

Acknowledgements

The guest editor for this special issue takes the opportunity to thank all the peer reviewers who acted on the deadline to give their comments, and to the editors of this journal, Dr. M.A. Dorgham and Dr. M. Arvin, for their encouragement in putting together this special issue.