

**Statement of Research Interests**  
**by**  
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My primary research interests include macroeconomic aspects of international trade and international finance, economic development, and economic growth. I have been interested in conducting interdisciplinary, policy-oriented research in these areas, while extensively utilizing my educational background in international relations and political science, development economics, and international economics as well as my occupational background in international organizations like the International Monetary Fund and the Asian Development Bank Institute.

In my Ph.D. dissertation, I have analyzed the effects of the globalization phenomenon on economic integration and business cycles from three distinct perspectives:

The synchronized slowdown of major world economies alongside contagious nature of financial crisis has recently incited the interest in understanding propagation of business cycle fluctuations across national borders. From this perspective, the first chapter of my dissertation studies the business cycle synchronization patterns across the world by looking at the determinants of bilateral output correlations of 47 OECD as well as emerging market economies. GMM-IV and simultaneous equation estimations on output correlations during 1970-2003 showed that bilateral trade intensity, intra-industry trade and similarity in economic structures are the most important determinants of output correlations. The global financial integration increases synchronization for country pairs with high degrees of financial openness although on average, financial openness has a positive but weak effect.

This chapter contributes to the synchronization literature along several dimensions. It provides econometric analysis of multiple mechanisms behind effective economic integration and propagation of international fluctuations in a unified framework for a large sample of countries. Given the data limitations, previous studies have focused on mainly industrialized economies. In addition, this paper goes beyond the existing research and looks at the effective global financial integration by using gross private capital flows for a large sample of countries. As a result of these contributions, this research was awarded 2006 John W. Kendrick Dissertation Prize for best graduate student paper by the GWU Department of Economics.

The second chapter of my dissertation looks at the changing nature of growth spillovers between developed economies, the North, and developing countries, the South. This chapter was co-authored with an IMF economist, Dr. M. Ayhan Kose while I was a research assistant at the Financial Studies Division of the International Monetary Fund Research Department. In this paper, we use a comprehensive database of macroeconomic and sectoral variables for 106 countries over the period 1960–2005. Unlike classical North-South literature, we consider the South to be composed of two groups of countries, the Emerging South and the Developing South, based on the extent of their integration into the global economy.

We document the stylized facts about the evolution as well as composition of trade, financial integration and economic structures of these three groups of economies. Furthermore we analyze the contribution of these groups to world economic growth over time. Using a panel regression framework, we find that the impact of the Northern economic activity on the Emerging South has declined during the globalization period (1986–2005). In contrast, the growth linkages between the North and Developing South have been found to be rather stable over time. Our findings also suggest that the North and Emerging South economies have started to exhibit more intensive intra-group growth spillovers. In particular, we find that the effects of the growth from Northern trade partners on Asian emerging market economies have started to decline and they have been experiencing more intra-group growth spillovers during the globalization period in contrast to Latin America.

This research has generated a tremendous amount of interest in the policy circles of the International Monetary Fund as well as the media given the context of the expected recession in the USA and its implications for the possible global economic slowdown. This chapter was published in the Journal of Asian Economics and as an IMF Working Paper, and was cited by the Economist and the Wall Street Journal.

During the period I was a summer intern and a research assistant at the International Monetary Fund, I have also provided research support for various projects. I was involved in a project on North-South business cycle linkages and conducted extensive literature survey on topics like growth and volatility implications of trade and financial openness under the supervision of Dr. Eswar Prasad and Dr. M Ayhan Kose. I also worked in a research project about the consumption risk sharing patterns in the world under the supervision of Dr. Robert P. Flood. Over the last decades both developing countries and industrialized economies have experienced successive reductions of capital account restrictions and increasing cross-border holdings of international assets and liabilities. In theory, if international capital markets are well integrated, countries can diversify consumption risk through international asset trade and this can increase the global consumption co-movements. However the results of the project show that relative consumption volatility has increased for developing countries during the globalization era indicating limited consumption risk sharing.

The final chapter of my dissertation looks at the effects of fluctuations in the stock market and housing wealth on consumption behavior in the context of an emerging market economy. The broadening of equity ownership, deregulation of mortgage markets as well as the recent volatility in worldwide equity prices and housing markets following the sub-prime mortgage crisis in the United States have recently stimulated the interest in the potential impact of fluctuations in major asset prices on the real economy. Despite the fact that emerging market economies have shown substantial financial sector development over the last two decades, studies investigating the wealth effects of these major asset categories on aggregate consumption are relatively scarce and essentially focus on the OECD economies.

This research for the first time investigates the effects of stock market, housing, and financial wealth on durables and non-durables consumption in Turkey by developing a vector error correction model using quarterly time series data for 1987-2006 period. The stylized facts about the allocation of financial wealth, the role of foreign equity investments in driving stock market fluctuations, and the profiles of domestic and foreign equity investors are also examined. The paper uses an originally constructed housing wealth series in addition to stock market capitalization and deposits in the banking system as a proxy for the stock market and financial wealth respectively. Consistent with the life-cycle and permanent income hypotheses, net private disposable income, bank credit to private sector and real exchange rate fluctuations are also controlled for in the estimation. The main finding of the paper is that in the long-run, non-durables consumption is not significantly affected by the stock market wealth in contrast to the durables consumption. On the other hand, an increase in housing wealth raises the consumption of non-durables in the long-run, but has no effect on consumption of durables. This result is consistent with the fact that home ownership is spread much more evenly over the population in Turkey while equity ownership is limited. At the same time, durables consumption is more sensitive to cyclical conditions. The short-run coefficients indicate positive wealth effects from changes in stock market capitalization and financial savings on consumption of non-durables and durables. However increases in housing wealth lower the consumption of non-durables in the short-run.

While I was obtaining my master degree in development economics as a Monbusho scholar at the International University of Japan, I worked on research areas related with the banking system crises, financial system regulation and capital markets development. The early 1990s have been characterized by the surge in the number of bank failures in developed economies caused by financial deregulation, competition against non-bank financial institutions, excessive lending without sufficient risk management, and failure of the supervisory and regulatory system to adapt to the new financial environment. The banking failures have put significant pressures on the economy by means of contraction in asset values, insolvency of major institutions, and government bailouts mounting up to substantial portions of GDP. In light of this background, my M.A. thesis analyzes the origins behind the banking crises in Japan, the United States and Sweden, and the role of government in resolution process in a comparative perspective. The study looks at the deregulation experience

of the Japanese financial system during the bubble period, and the emergence of bad loan problem in the banking industry. It highlights major institutional factors in explaining the slow and delayed response of the regulatory authorities. In order to put the Japanese experience in international context, the resolution processes of the Savings & Loan crisis in the United States, and the Swedish banking crisis in 1990s are analyzed by comparing the banking capitalization practices, the reforms in the deposit insurance schemes, and the risk management skills of the regulatory and supervisory authorities following the crises in these countries. The main policy implication of this comparative study is that in order to deal with the fragility in the capital markets, and to sustain healthy banking system, effective regulatory and supervisory policies should be implemented in a timely manner to detect the risks, and to create a mechanism to facilitate the resolution of banking problems with the least cost to the economy.

After the completion of my master degree, I worked as a research associate at the Asian Development Bank Institute in Tokyo, Japan. In that capacity, I gave research support and written technical background papers on banking system reform, and different regulatory approaches for capital markets. I was a member of Asian Policy Forum, which was a regional initiative to develop sound financial institutions across Asia-Pacific region at the onset of the Asian financial crisis in 1998. I also gave support to capacity building programs on reforming pension systems and development of institutional investors in Asian economies. During my stay at the Institute as well as my education at the International University of Japan, I extensively studied the historical economic development patterns of the Asia-Pacific region and the recent macroeconomic conditions in these economies.

Finally, I was interested in industrial development policies in Asia-Pacific region in comparative perspective with Turkey. I received an extensive training about Japanese car manufacturers, organizational aspects of Japanese production systems and R&D institutions while I was an intern in Toyota Motor Corporation in Tokyo headquarters. The Toyota internship gave me the first-hand information about the corporate culture, the foreign direct investment policies of Japanese companies in Asia and national innovation systems, and industrial development in Japan. Related with this, I previously worked on a project about the R&D activities of small medium size enterprises in Technology Development Centers in Turkey while I was a research assistant in Istanbul Chamber of Industry. I conducted interviews with entrepreneurs and assisted the publication of the report about the R&D environment in Turkey.

My future research agenda includes two areas with a specific focus on emerging market economies:

First, I would like to analyze the global repercussions of the coming recession in the United States. In particular, I would like to look at how shocks to consumption and investment in the U.S. economy will influence the macroeconomic conditions in economies with greatest trade and financial exposure to the United States and how large the cross-border spillovers will be. In addition, I am also interested in investigating the economic effects of potential financial system crises in emerging market economies triggered by the global financial meltdown.

The second area of my future research agenda is investigating the impact of fluctuations in major asset prices in the context of the emerging market economies. Past U.S. recessions were generally preceded and to some extent accompanied by stock market declines. Given strong equity price linkages, stock prices also tended to fall in other economies especially during periods of market stress in recessions. As a result I would like to examine the wealth effects of fluctuations in major assets such as equity prices or residential property prices on disaggregated consumption categories in major emerging market economies in Latin America and Asia. This research will require an extensive effort to collect data on residential property prices, facts about the allocation of financial wealth, the role of foreign equity investments in driving stock market fluctuations, and the profiles of domestic and foreign equity investors in those economies. The research will make a valuable addition to the limited number of empirical studies quantifying the potential effects of asset market fluctuations on aggregate demand dynamics in emerging markets.