

Editorial

This special issue consists of three papers analyzing European and OECD countries, one focusing on the banking sector and the other two on public pensions. The papers have been presented at the 13th International conference Challenges of Europe: Growth, Competitiveness, Innovation and Well-being.

Faculty of Economics, Business and Tourism, University of Split, Croatia has been organizing a biannual International Conference on Enterprise in Transition since 1995, and starting with 2009, under the new title: Challenges of Europe. The conference has a long history in promoting scientific excellence, facilitating interaction between young and senior researchers, and contributing to future research, collaborations, and policy debates. One of its key features is the fact that the conference hosted many Nobel Prize laureates as well as other established scientists that excel in their respective fields, as keynote speakers over the years. These include prof. Eric Maskin, prof. Oliver Hart, prof. Jean Tirole, prof. Joseph Stiglitz to name just a few. This Special Issue is a result of the latest conference and consists of the papers presented in May 2019.

The first paper titled “Public Pension Expenditure in the New EU Member States: A Panel Data Approach” by Lorena Škuflić, Mira Krpan, and Ana Pavković, tests for convergence of public pension expenditures in GDP among the New Member States of the European Union in the period 1995-2017. Using a variety of tests, the authors do find convergence in their panel model, after having taken into account the impact of various macroeconomic, demographic and institutional variables. Furthermore, population aging is found to represent a significant fiscal burden. Therefore, the authors suggest that public policies should be aimed at improving labor market conditions with the goal of improving wages and pensions.

The second paper, titled “Are funding of pensions and economic growth directly linked? New empirical results for some OECD countries” by Gaetano Carmeci, Pietro Cavallini, and Giovanni Millo explores whether funding of pensions affects economic growth positively. In a sample of OECD countries, the authors undertake an empirical analysis based on Davis and Hu (2008) model specification, whereby standard Cobb-Douglas production function is normalized by the labor force and broadened with the pension fund assets as a shift factor. The results indicate that the hypothesized positive relationship cannot be found, i.e., the long-run cointegration relationship between pension fund assets and per capita output is not robust to the augmented specification. A longer sample, the authors conclude, seems to be a necessary condition to draw more significant and definitive conclusions.

Finally, the third paper, titled “What Determines the Price to Book Ratio in the European Banking Sector?” by Roberto Ercegovac, Mario Pečarić, and Ivica Klinac, investigates the determinants of the price to book ratios over the period 2002-2017 for 23 EU largest publicly quoted banks. The authors find that these ratios are directly related to the macroeconomic environment and prudential measures;

however, there exist significant differences at individual bank level in terms of activity structure and business performance indicators. This research contributes to a better understanding of the patterns of the banking industry's reactive behavior under changing regulatory conditions and a better understanding of the same problem by policymakers and regulators.

Editors of the Special Issue

Lena Malešević Perović and Giovanni Millo