This book, edited and introduced by Lars Oxelheim, represents the volume on examination of the issue of transparency, particularly in Europe, from the perspective of economic growth. This volume is the end result of two successive workshops that were organized to discuss the drafts of this book.

The editor holds a chair in International Business and Finance at Lund University. He has published some 25 books and numerous articles in the areas of international business and finance, corporate finance and corporate governance. The title of this book indicates the challenge facing the editor approaching the concept of transparency in such a comprehensive and ambitious way. Understanding the corporate and institutional transparency has always been an appealing issue even though the concept of transparency is not a new concept. The different and complementary approaches need to be united in order to understand the link between transparency and economic growth. The editor succeeds in integrating various contributions from the law, financial, economic, and political fields by incorporating different research areas and methods.

The book contains a total of 14 chapters. Oxelheim and his 25 expert contributors present the different and important aspect of transparency in Europe, and ways of addressing the issue of transparency ranging from competition policy to human capital policy, from the role of European Central Bank to bankruptcy laws, from environmental policies to lobbying activities in each chapter of the book.

The first chapter is a leading chapter for the rest of the chapters in this book. It is a fact that transparency is a multidimensional concept and rooted in a country’s institutional framework (North, 1990; Mudambi and Navarra, 2002). Therefore, chapter one starts by discussing the link between transparency and economic growth by exploring the different dimensions of transparency. Chapter two is devoted to the effect of central bank transparency on the conduct of monetary policy as well as explaining and documenting the European Central Bank approach to transparency. Chapter three focuses on the competition policies as an important dimension of transparency. Environmental policies are now very much in the public spotlight (Andersson and Bateman, 2000). The growing attention being paid to environmental issues has made the transparency a critical concern. The examination of the impact of European Union’s environmental policy on firms at the supranational, national, and local levels is the focus of chapter four.

Chapter five involves theoretical and empirical analysis of the European Union human capital policy. Generally, human capital has been seen as the most important driver of the economic growth (Galor and Tsiddon, 1997). This makes transparency with respect to human capital formation a crucial issue in the European Union. In this chapter, the question that has been addressed is whether European Union human capital policy is well defined. In answering this question, the authors of this chapter carry out empirical analyses corresponding to their theoretical discussions.

The direct costs of a lack of transparency appear in their most observable form in the cost of capital.
(Yu, 2005). The costs of bankruptcy procedures, cost of capital, and effect of transparency on the
governance of financial industry in the European Union are the discussion topics of chapter six and
seven. Bank crisis resolution procedure in Europe is discussed in chapter eight. The hypothesis that
market discipline in Europe is enhanced by the existence of credibly non-insured creditors of banks is
also tested empirically in this chapter. Chapter nine investigates the impact of legal institutions on the
functions of equity market and cost of capital. It is documented that better legal institutions are
associated with broader equity markets.

Chapter ten presents the impact of International Financial Reporting Standards on corporate
transparency in Europe while chapter eleven discusses the impact of the Sarbanes-Oxley Act on
statutory risk disclosure. The contributors of chapter twelve use data from fourteen European
countries to see the impact of disclosure standards on the financial structures of the firms.
Multinational corporations and their lobbying activities in the European Union are discussed in chapter
thirteen. Finally, chapter fourteen starts by reviewing the background literature on corruption, domestic
and foreign investment and economic growth.

The editor has brought together a range of studies that will enlighten readers in Europe as well as
overseas readers. This book will be of particular interest to researchers, students, economists,
marketers, policy makers, bureaucrats, finance and investment professionals and scholars. All in all,
this volume contains some interesting analysis for linking the transparency to economic growth,
particularly in Europe. Of course, there are many studies on transparency in the literature but the link
between transparency and economic growth has not received much attention. Therefore, this book
seeks to fill part of an important gap in the existing literature. It is original and innovative in its
interdisciplinary approach. The book’s strength is that readers will be stimulated with many interesting
insights and the wealth of empirical examples.

References


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