

# Economics and Business Review

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## Editorial introduction

One of the defining characteristics of recent history is the tremendous growth of many economies that, not long ago, were described as ‘third-world’. As of 2025 (according to the IMF), developing economies constitute 41.5% of world GDP—more than twice the share in 1995. That growth fuelled many scientific inquiries that reveal distinctive characteristics of economic processes in developing countries, thereby broadening economic knowledge beyond what is presented in typical economics courses in Western countries. *Economics and Business Review*, due to its focus on emerging market economies, is one of the beneficiaries of that growth, because many of its publications show how well-known economic processes operate in local, often non-Western circumstances. In this context, the editors are glad to welcome Dani Rodrik, who, along with John Cantwell and Ari Van Assche, has recently agreed to join the journal’s Editorial Advisory Board. Professor Rodrik has devoted much of his writing to the problems of international trade, globalisation, and the role of emerging markets in that process, and repeatedly reminded readers that the local context must be taken into account when analysing the problems and policy challenges in particular economies. He stems from that view in the opening piece of the current issue of *Economics and Business Review*, where he notes that advanced economies have started to experience problems typical of developing economies and offers tailored, original policy recommendations to address them.

Apart from the invited piece by Professor Rodrik, the current issue comprises six research articles by fifteen scholars based in China, India, Nigeria, Pakistan, Poland, Saudi Arabia, Türkiye, and the United Arab Emirates. In other words, this issue, to a large extent, offers a perspective from scholars in developing economies and shows that local contexts inspire a rethink of theories developed in advanced Western economies. The editors of *Economics and Business Review* hope that readers of this issue will experience such inspiration while reading it.

As noted, the issue begins with an invited perspective by Dani Rodrik titled **On productivism**, which formed the basis of his lecture at Poznań University of Economics and Business during the ceremony granting him the degree of *doctor honoris causa*. Professor Rodrik addresses the problem of unequal development in advanced economies, observed in the lagging growth of peripheral regions, the decline in the number of stable, adequately paid jobs, the

shrinking middle class, and, as a consequence, the rise in political populism. The essay argues that existing policies are inadequate to address these challenges and proposes a new policy paradigm called productivism. It aims to achieve, as Professor Rodrik puts it, an equal distribution of productive economic opportunities across local communities and socio-economic groups. Thus, the approach aims not at redistributing income or stimulating aggregate demand but at providing equal chances to pursue individual economic prosperity. The direct aim is to create good jobs that generate relatively stable, decent income, safe working conditions, and some prospects for career progression. Subsequently, the essay outlines how the existing policy instruments can be modified to achieve that aim.

The first regular article, titled **Economic complexity and the shadow economy in Africa: An assessment of nonlinearity and asymmetry**, by James Temitope Dada et al., examines the relationship between economic complexity and the shadow economy, an area that has been addressed to date with mixed results. Economic complexity is understood as a synonym for economic development and is reflected in a country's productive capacity and diversity, as observed in its export structure. The authors assess the relationship between this measure and the shadow economy across 28 African countries from 1995 to 2020 using a battery of econometric techniques. They establish that the analysed relationship is asymmetric: when economic complexity is low and begins to grow, it initially increases the shadow economy; however, once a certain level of economic complexity is reached, further growth reduces informal economic activity.

The subsequent article, **Demystifying Foreign Direct Investment dynamics in emerging economies: An ISM–MICMAC analysis**, by Srabani Paul Grover et al., examines the structural interdependencies among key determinants of Foreign Direct Investment (FDI) in emerging markets. Moving beyond conventional multiple regression frameworks commonly employed in the FDI literature, the study applies Interpretive Structural Modelling (ISM) combined with MICMAC analysis to identify hierarchical linkages and driving-dependence relationships among FDI determinants. The results indicate that political stability, corruption, and infrastructure quality are the most influential driving factors, shaping other economic and institutional variables within the system. By clustering determinants according to their driving and dependence power, the paper offers policy-relevant insights for enhancing investment attractiveness in emerging economies.

**Political connection and corporate ESG performance: Evidence from China** by Congming Ding and Xuezhenzi Hu investigates the impact of executives' political connections on firms' ESG performance in China's capital market. Using panel data for A-share listed companies over the period 2009–2022, the authors examine whether politically connected executives affect ESG ratings. The results reveal a significant positive association between po-

litical ties and ESG scores. Mechanistic analysis indicates that political connections enhance ESG performance by increasing media scrutiny, reducing financing constraints, and improving access to government subsidies. The robustness of the findings is confirmed using Two-Stage Least Squares (2SLS) estimation, highlighting the role of political capital in fostering sustainable corporate practices.

The next contribution, entitled **Liquidity risk and liquidity timing in the cross-section of Indian equity mutual fund returns** and written by Suresh Kumar and Hyder Ali, investigates the dual role of liquidity exposure and liquidity timing in shaping the performance of Indian equity mutual funds over the period 2007–2024, encompassing the Global Financial Crisis, the COVID-19 shock, and the post-pandemic recovery. Sorting funds by liquidity betas and constructing a high-minus-low liquidity spread (HMLiq), the authors find a positive liquidity premium in tranquil and recovery periods that weakens during crises. The results indicate that timing ability is concentrated among high-liquidity-beta funds and offers limited protection under systemic stress. The findings are particularly relevant for institutional investors, fund managers, and financial regulators concerned with portfolio resilience and liquidity risk management in emerging markets.

**Forecasting cryptocurrencies in turbulent times: Evidence on parsimony versus model complexity**, by Anna Tatarczak and Oleksandra Humeniuk, investigates short-term return predictability for Bitcoin, Ether, and Litecoin over the period 2020–2024. The authors compare autoregressive benchmarks with Kitchen Sink and VARX-type models using both point and density forecast accuracy measures, supported by Diebold–Mariano tests and Model Confidence Set inference. The results show that a first-order autoregressive specification and other parsimonious models incorporating cryptocurrency-specific variables consistently outperform more complex linear frameworks, while macro-financial predictors add little incremental value. The findings are particularly relevant for quantitative investors, portfolio managers, and risk analysts seeking forecasting strategies in highly volatile cryptocurrency markets.

The final paper of the issue, **From digital mining to market prices: An empirical analysis of the relationship between energy consumption and price dynamics of Bitcoin and Ether**, authored by Levent Sezal, also situated within the cryptocurrency research stream, comparatively examines the relationship between energy consumption and price dynamics for Bitcoin and Ether. Using daily data and applying Augmented Dickey–Fuller and Phillips–Perron unit root tests, ARDL cointegration analysis, and Toda–Yamamoto causality tests, the study evaluates both short- and long-run linkages. The findings reveal a long-term cointegration relationship for Bitcoin, with unidirectional causality running from prices to energy consumption, whereas no such relationship is identified for Ether following its transition to a Proof-of-

-Stake mechanism. The study contributes to the literature at the intersection of digital finance and energy economics and offers insights for policymakers and energy market analysts assessing the environmental implications of cryptocurrency markets.

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