

## ABSTRACTS

Session: Economic Growth and Development

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**Abstract title: "Analysis of Financial Markets Regulation Models"**

In this paper it is considered the problem of regulation of financial markets to ensure national economic growth.

The aim is to analyze and study of approaches to the formation and development of financial markets regulation and the importance of identifying the actual models of regulation in Russia and abroad.

The main tasks are:

- 1) To analyze trends in the financial markets and control its borders in foreign countries and Russia;
- 2) Carry out correlation and regression analysis of the BRICS financial markets control models;
- 3) On the basis of the received data to determine the most effective model for the regulation of financial markets.

The object of the study is financial market regulation model, exercised by an authority of federal executive power.

The subject of the research is a set of methods, techniques and tools to evaluate the effectiveness of the regulation of financial markets as a system of relations that directly affect the growth of the national economy and define the vector of the work on financial regulation authorities.

The basic methods of research are theoretical analysis of the sources of statistical information, correlation and regression analysis, comparison, generalization, description.

As a result of the BRICS group analysis, we were able to identify the most efficient regulatory model for developing countries in the current economic and political situation - Twin Peaks (double top). This model is characterized by independence for the implementation of the prudential supervisors for business activity monitoring.

Moreover, to ensure the safety and soundness of financial institutions - the main task of prudential supervision - is in the same department, which is independent from the influence of the Central Bank.

Recommendations of the candidate economic sciences Kaisarova Valentine: 87% - independent text, calculations are independent, clear conclusions, especially for borrowing techniques of financial markets regulation in the Russian Federation.

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**Abstract title: "Uncertainty in the Transitional Economics: The Case of the Czech Republic"**

The aim of the thesis is to examine the role of uncertainty in a society undergoing an economic transition. In the first part, possible various attitudes towards uncertainty are introduced and defined. The thesis further works with the (post) Keynesian approach that sees uncertainty as a risk, which cannot be modelled by a stochastic variable, because "we simply do not know"

(Keynes, 1937). This is a contrast to current political economy, which models uncertainty as a probability distribution over possible outcomes.

In the second part, the political-economic development of the past 25 years in the Czech Republic is reviewed and situations where uncertainty is present are looked for. If found, the nature of the influence of uncertainty is examined further. The ultimate goal is to formulate methodological consequences for (political) economics of transition stemming from the existence of fundamental uncertainty.

The main way of proceeding and is a literature research and comparison. The first part, where uncertainty is defined, builds on crucial papers and books written by Keynes and scholars usually considered to have a kinship to a heterodox direction of thought in economics called post Keynesianism. The parts where they comment on uncertainty are picked up, compared, and a consensual definition formulated. As contrast, the definitions found in the so called mainstream literature (for example Gerard Roland) are confronted with the former.

The second part also builds on literature, where authors are both commentators of the development of the Czech politics and economy and the very authors of the transition program. Here, the concrete steps and decisions made in conditions of uncertainty are looked for and the consequences of such decisions examined. Also, this part opens space for quantitative data analysis in the form of time series. However, the ultimate question is to what extent the standard methods of economic analysis can be used when uncertainty is present and thus the use of such methods is not central to the thesis.

The main expected outcome is formulating the methodological consequences of postkeynesian uncertainty for economic analysis of transition. In other words, the thesis is to say when and where (if so) the fundamental uncertainty emerges in a transition economy and what we can do about it. However, the important condition limiting the results is, that only the case of the Czech Republic is shown (because the author has a comparative advantage of access to sources written in Czech), where the transition is possibly of a different nature than for example the Russian one. Nevertheless, if the results prove to be convincing, the thesis can be followed by more extensive research on how to deal with uncertainty in economics of transition and development.

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**Abstract title: "Creating the optimum currency area with Russia's participation"**

Intensive global and regional integration, as well as the need to protect the national economy from the negative impact of globalization makes the topic relevant.

The objective is to develop a technique for the feasibility study of the appropriate optimum currency area with the participation of Russia.

A currency zone is a union of countries adhering to the rules of mutual currency relations and acknowledging the decisive role of the leading country's currency in the settlements between the member-countries and the rest of the world. Its main characteristics are:

- leading currency as a medium of exchange and store of value
- the use of the leading/main currency for external payments;
- free currency circulation among the area countries.

The theoretical framework for creating the currency union is Mundell's theory of optimum currency area (OCA) formulated in 1961. It describes the criteria countries must meet to make a single currency or fixed currency exchange rates, economically more advantageous than using countries' own currencies. The theory is applied to determine how ready the countries are for making a single currency area, though it lacks a specific feasibility study formula.

There are several criteria of optimal currency areas that make a fixed exchange rate more effective than floating:

1) Free movement of factors of production (Mundell, 1961), namely:

- workforce – to solve the problem of unemployment in one country and the labor shortage in another preventing the criminal migration to avoid its negative social and economic effects.
- goods and services through the absence of customs duties, taxes and quantitative restrictions on export and import.
- capital - to invest it without restrictions where it brings the highest yield, till the yield is balanced. This includes lending freedom and money transfers among member countries.

2) Financial markets integration and the level of financial sector development (Ingram, 1962).

The high level of integration contributes to the efficient resources allocation, lower need for the exchange rate adjustment, and asymmetric shocks mitigation by redistributing capital and risk among the countries.

3) Inflation convergence (Fleming, 1971)

The inflation rate difference at a fixed exchange rate would result in the different purchasing power of the member-countries' currencies. When there is a budget surplus in one country, and the deficit in another, to maintain a fixed exchange rate the first country will buy the currency from the second.

4) The high degree of economic openness (McKinnon, 1963)

For a small country with an open economy it's more beneficial to tie its currency to the currency of the partner country, or to create a single currency to obtain more advantages previously unavailable.

5) Trade integration (Krugman, 1991).

Fixed exchange rates are most favorable for highly integrated countries. Their entering the union results in lower transaction costs and the international price convergence.

6) Production diversification (Kenen, 1969)

Diversified economies are less sensitive to negative external shocks, so there is no need for floating exchange rate in the currency area.

Nowadays the existing alliances of countries with Russia's participation don't meet the OCA requirements. In BRICS countries free movement of production factors is limited. EEU economies have low competitive power and currency internationalization unlike the Eurozone, where German and French currencies referred to the world ones before the integration.

The Eurozone experience provides a following blueprint for creating the OCA with Russian participation:

1) Preparatory measures: eliminating the restrictions on production factors movement; reducing the inflation rates, stabilizing the exchange.

2) Establishing a single regional currency or the leading currency, determining the exchange rate. Creation of the Supranational Bank responsible for new currency issue and funds creation.

3) Switching to payments in the main currency, creating interbank settlements, developing the single monetary policy.

In conclusion it's worth noting that, unlike the Eurozone, aimed at the competition with the dollar, the Eurasian integration is to protect countries' economic and financial interests. The key currency must provide liquidity, reduce transaction costs and currency risks. Capital will stay inside the region; foreign investors will be attracted. Creating regional currency zone will contribute to the market development; structural alignment of lagging regions; economic policies coordination to achieve currency stability and growth in the union.

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### **The approach to minimize the credit risk of commercial bank**

The research deals with the problem of assessing and managing credit risks of commercial banks. A method of minimizing credit risk of commercial bank, consisting of a set of models aimed at improving the quality loan portfolio and reducing the risk of the bank's total loan Model evaluation borrower - legal entity

The development of methodology for assessing the creditworthiness of individual borrowers - legal persons is a basic element in the system of management of credit risks and the need for further analysis of credit risk, was to assess the probability of default and credit ratings of individual borrowers. Suppose that a potential borrower - a legal entity, characterized by the values of financial indicators  $X_1, X_2, \dots, X_N$ . It is required to determine the level of default risk of the borrower's PD.

The most common methods are the credit rating analysis of the financial ratios and mathematical-statistical method with several variables. However, they do not allow any business to consider, taking into account its characteristics and uniqueness, have a high level of abstraction in the preparation of the ranking scale, the absence of formalized procedures for

determining the weights of indicators, etc. In this paper to analyze the borrowers will apply an approach using fuzzy mathematics [4].

Expert bank must select a set of financial indicators that characterize the individual aspects of the business. Hereafter, we assume that the growth of a single indicator  $X_i$ ,  $i=1..N$  It leads to a decrease in the degree of bankruptcy risk. If this indicator is observed the opposite trend, the analysis should be replaced conjugate. For each indicator,  $X_i$  It compared the level of its importance for the analysis of  $r_i$ .

On the second level of credit risk management credit portfolio is considered as a set of interrelated borrowers loans. Important stages of this level of analysis is an estimate of the total loan portfolio risk and optimization of the loan portfolio structure from the perspective of the chosen strategy of the bank

The proposed approach to credit risk minimization will reduce the bank's losses from the occurrence of problem loans. The proposed method was tested on data provided by one of the Russian banks. Its application allows to accurately diagnose the unfavorable financial condition of the borrower, which, together with the proposed method of creating the optimal loan portfolio at the same time lead to a decrease in the number of unreliable borrowers, and improve the quality of debt service.

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#### **Abstract title: "Foreign trade cooperation of Russia with the countries - participants of the BRICS"**

The development of foreign trade cooperation within BRICS opens up great opportunities to access new markets. The study of theoretical and conceptual issues of development of Russian foreign trade cooperation within BRICS are devoted to works: Abramova O.D. [2], Volovkin N.P. [3], Butsenko I.N. [6], Pobegaeva D.B. [10] and others.

The work purpose is research of tendencies of development of foreign trade cooperation of Russia with the countries -participants of the BRICS and definition of prospects of its further development. The work solved the following problems:

- assessed the dynamics of Russia's foreign trade in goods with countries - members of the BRICS;
- identified the main barriers and problems in Russia's trade in goods with countries - members of the BRICS;
- defined Russia's comparative advantages in the trade in goods in a group of member countries

of the BRICS;

- summarized the prospects of development of Russian trade relations within the countries - participants of the BRICS.

The object of study is a foreign trade cooperation between Russia and the member countries of BRICS. The subject of research is the methodical and practical aspects of foreign trade cooperation within the framework of integration associations.

In the course of the study used general scientific and economic-statistical methods, in particular: the methods of analysis and synthesis; system analysis, abstract-logical method; Statistical analysis of the dynamics and structure of the index method, the generalized method, correlation and regression analysis, graphical and tabular method, etc./ and others.

The database of the Federal State Statistics Service, Federal Customs Service, the Central Bank of Russia; domestic regulatory - legal acts; reports and forecasts of government agencies; statistics of international economic organizations (the World Bank, the International Trade Centre UNCTAD-WTO); Joint statistical publication of the BRICS countries; periodicals; scientific publications of foreign and domestic scientists and economists; Information on the Internet, the results of their own research.

1. For the period from 1995 to 2014 foreign trade in goods between Russia and the countries – members of the BRICS grew at a faster rate compared to the total volume of foreign trade turnover. In 2015, there was a decrease in Russian trade turnover with the BRICS countries, the main reason being the decline in prices for the main commodity items of Russian exports (primarily oil), the cost of imports and falling demand in connection with the depreciation of the ruble against major currencies, slowing economic growth in Russia and sanctions imposed by Western countries.

2. In the mutual trade structure there is a strong imbalance. Up to 75% of Russian exports to BRICS states account for minerals, wood and products of chemical industry. In the structure of imports of goods in Russia leading positions are occupied by product groups: electrical machinery and equipment, nuclear reactors, boilers, machinery and mechanical appliances, means of land transport, as well as meat and edible meat offal. Structure of import in a business combination is more diversified than exports. On the basis of the calculation of the comparative advantages of Russia in trade in goods within the BRICS countries-participants it found that the comparative advantages of Russia in 2015 only for the product group trade "raw materials and non-food products."

3. The importance of the further development of trade relations with the BRICS countries is confirmed by calculations of correlation dependence of Russia's GDP from exports to the bloc countries (correlation coefficient - 0.91). Improving the economic benefits of foreign trade with the Russian partners in the BRICS, it seems appropriate by strengthening information-consulting and financial support for export of Russian raw materials not (including small and medium enterprises) in the partner countries for the BRICS.

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**Abstract title: "Brexit and its aftermath. Can potential economic prospects outweigh problems?"**

RQ: Does Brexit actually harm the UK's economy and bring financial instability to the kingdom in the short-term as it has been foreseen?

Objectives: I want to find out how the UK's referendum influenced on the British economy and what kind of the decisions has been made by the British authorities to cope with the potential problems and to obtain anything positive for the economy.

The research consists of different macro- and microeconomic indicators analysis of UK's economic performance before and after the referendum.

Firstly, this study consists of information appearance about the result of the UK's referendum impact evaluation on common stock's prices of the companies listed on the London stock exchange that can help me to find out how the British financial markets reacted in response to the UK's referendum in a short-term, using the Event study method;

Secondly, I have assessed the dynamics of main national accounts such as unemployment, investments volume, consumer goods sales and so on;

Then, my study have focused on the budget policy analysis, mostly on the planned spending



accounts up to 2020 year.

Finally, I have assessed the Bank of England changes in policy. By this topic, I have analyzed the changes in the key interest rate, mortgage interest rate and long-term interest rate and the decisions has been set on future by the Bank of England in reply on the Brexit.

In this research some important findings have been made.

The information impact analysis showed that some differences in short-term reactions of companies' common stocks in reply of the Brexit referendum appeared on the length of the chosen event-window. Most companies reacted negatively on the information of the UK withdrawal from the EU, but some industries as, for example, "Mining" and "Automobiles & Parts" reacted positively or did not reacted at all.

The national accounts reacted differently in short-term, but the government planned on the 2017-2020 spending showed that the some priorities (for example: Pensions and Health Care) have been changed.

The foreign exchange market reacted negatively, showing the decrease in the exchange rates such as £/\$, £/€, £/¥ and so on.

The Bank of England decision of cutting down the key interest rate caused the significant changes in long-term rates and mortgage interest rates.

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## Abstract title: "Economic impact of sanctions on the external trade of the Russian Federation in goods"

Due to the events of 2014 in Ukraine and reunification of Crimea and Russia anti-Russian sanctions were imposed. The countries to initiate the sanctions were the United States, the European Union, Canada, Australia, and other countries and international organizations. The reasons upon which the list of sanctions was approved differ from country to country. Even though the West has imposed the list of restrictions to warn Russia against its foreign policy actions that are not acceptable by other countries, some argue that it was created to destabilize the Russian economy. As a result, the conditions of the development of Russia's external trade have significantly worsened, moreover, sanctions had an inflationary impact on prices and led to the depreciation of ruble. During the current crisis not only the volume of foreign trade has reduced, as it used to happen in previous recessions, but also the structure of it has changed.

The methodology applied in the study has been chosen in order to acquire information and deduce conclusions about the changes in the external trade of Russia in goods caused by the sanctions imposed. This research is a continuing study from previous researches done by the author in the area of external trade of Russia in goods. The previous research works have shown that the trade flows are continuously changing, therefore, it is attempted to identify and analyze the specific reasons of this change. The main purpose of this study is to obtain an insight into the current state of the Russia's external trade in goods in order to propose further recommendations for efficient trade development. During the research the following methods are used: methods of analysis and synthesis; economic and statistical research methods (for quantitative evaluation of trends of the development of merchandise trade); induction and deduction, quantitative and qualitative analysis, etc. This combination of approaches is necessary because of the wide range of data needed. To investigate the structure and trends of the external trade of the Russian Federation the data for the period of 2013-2015 is used. The main variables involved for the investigation for measuring the performance of Russia on the world merchandise market include World and Russia's Exports and Imports of goods by product and by partner compared and analyzed by the author. All the statistic data is taken from the official publications released by the Ministry of the Foreign Affairs of the Russian Federation, Ministry of Economic Development and Trade of the Russian Federation, [Federal State Statistics Service](#), additionally used the materials of the foreign publications.

The views of the Russian experts on the impact of the imposed sanctions differ. Some of them say that sanctions even have a positive effect by forcing the Russian economy to modernize and start producing new products instead of relying mostly on oil and gas resources. Others argue that sanctions are having little impact and the president of the Russian Federation says that 'they do have an impact'. Thus, the restrictions against Russia, depreciation of the oil prices, devaluation of the ruble, and Russian counter-sanctions against some of the western countries significantly affected the external trade of our country. The analysis has shown that the production of specific goods has been stimulated by trade embargo, therefore, Russia has got a chance to diversify its economy, develop its industries that produce innovational goods, increase the exports of the manufactured goods and expand the import substitution. Eventually, anti-Russian sanctions together with the counter-sanctions have had a mixed impact and have changed the structure of the external trade of the Russian Federation in goods geographically and by product.

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**Abstract title: "Heterogeneous firms, workers, and tasks: Does trade liberalization induce polarization of the labor market?"**

Recent labor studies report quite notable trends of both job polarization (sorted by education, wage level, or task content) and wage polarization in many developed countries over the latest decades (see Acemoglu and Autor 2011, Autor et al. 2006, Autor and Dorn 2013, for the US; Keller and Utar 2016, for Denmark; Goos and Manning 2007, for Britain; Goos et al. 2009, 2014, for the sample of European countries). While it is believed that pervasive computerization —

replacing (mostly) the middle-skilled (routine) tasks — may contribute significantly to these patterns (see, among others, Autor et al. 2006, Autor and Dorn 2013), there is a shortage in additional theoretical explanations which can potentially reconcile with growing empirical evidence for the notable role of international trade (see e.g. Keller and Utar 2016).

I exploit the seminal Helpman-Itzhak-Redding (2010) framework to examine the implications of trade on wage inequality between high-skilled, middle-skilled and low-skilled labor. In particular, I extend this framework to the case of multiple occupations and (three) observable skill groups. This modification is simple, yet, capable enough to explain the existing polarization patterns.

I show that if the elasticity of substitution between high- and middle-skilled occupations is higher than between high- and low-skilled ones, then trade liberalization may lead to polarization of the labor market: middle-skilled workers' wages in manufacturing sector tend to decline relative to wages of both high-skilled and low-skilled workers, while supplemented by decrease in a share of middle-skilled occupations. In particular, the higher productivity of a firm, the higher its payments to and hiring rates of high-skilled workers relative to both middle-skilled and low-skilled workers. In addition, more productive firms also tend to pay higher wages to low-skilled occupations relative to middle-skilled ones and hire relatively more low-skilled workers. Thus, trade openness, while reallocating resources towards more productive firms as in Melitz (2003), may consequently cause polarization of the labor market that reconcile with some recent empirical findings for developed countries (see e.g. Keller and Utar 2016).

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**Abstract title: "Influence of oil price shocks on major oil-exporting and oil-importing countries"**

Even if after energy crisis in 1970s influence of oil price shock on oil exporting economies became a subject of particular interest, the main research is still based around positive oil price shocks on exporting countries mainly, while events of last decades showed that negative shocks also matter and can cause significant growth in GDP. While the main body of literature is built around censored models which lacks theoretical economic background, deep research made by Killian (Killian, 2008) shows that the main aspect to think about is the nature of oil shocks.

This research systematizes and analyzes existing approaches to oil price shocks modelling and contributes to existing academics by closing the gap of nature of oil price shock influence for main oil-exporting and oil-importing countries based on theoretical model of short-run demand and supply curves forms.

All shocks are divided according to their nature on supply shocks, aggregate demand shocks and precautionary demand shocks (Killian, 2008) and because of different nature their influence on GDP should be different. Besides, such differentiation of shocks should have clear influence not only on oil-exporting, but also on oil-importing countries.

The research is made with the help of structural VAR, where restrictions are made on short-run matrix posting relationship between main variables of interest such as oil price, real economic activity and oil production (Killian, 2008). In short run oil supply shock is considered to be caused only by changes in oil production. Aggregate demand oil shocks are caused by changes in oil production as well as by changes in real economic activity. We consider different proxy for real economic activity and choose world steel production, while this data has high frequency, do not suffer because of seasonality, are easily obtained and follow all trends of world's economy. To receive oil price indicator that follows global patterns we can take price index which represents simple average of three spot prices: Dated Brent, West Texas Intermediate and the Dubai Fateh.

To obtain short run restrictions we considered these three variables on monthly basis. By use of SVAR model all price shocks were decomposed on three groups. The next step is investigation of influence of each shock on on the main oil-exporting and oil-importing countries. In 2015 top-3 countries with the highest dollar value export of crude oil was presented by Saudi Arabia with 133.3 billion (17% of total crude oil exports), Russia which accounted for 86.2 billion (11%), and Canada with 52.2 billion (6.6%)<sup>3</sup>. The biggest oil importers are presented by USA, China, Germany and Japan.

While real GDP for countries above is measured on quarterly basis, all shocks were averages to quarterly basis as well.

Analysis of oil-importing countries showed that supply shock is not significant and overestimated by approach of censored oil shocks literature. The only exception was found for Germany, who experiences positive change in GDP. Specific industry shock is significant for all economics up to 4<sup>th</sup> period. Aggregate demand demonstrates mixed findings.

As for oil-exporting countries, Saudi Arabia has negative shock after fall in oil supply, while for other countries findings are mixed. Both specific industry and aggregate demand shocks has positive influence on GDP.

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**Abstract title: "Biased experts communication protocol design"**

I study extension of cheap talk game - dynamic game with incomplete information. All the messages between players are free. Decision-maker receives advice from an expert who possesses useful information but don't say true state of world (for example have self-interest). The expert has bias which is unknown to the decision maker. Cheap-talk models address the question of how much information expert can transmit to decision-maker, when communication between them is direct and costless. When a single informed expert, who is biased, gives advice to a decision maker, only noisy information can be transmitted. The more biased the expert is, the noisier the information. I study strategic information transmission when bias of expert is uncertain. (In standard cheap talk game bias of expert is certain). Interest in this question is game always has trivial equilibrium in which the participants deem all communication to be meaningless – after all, it has no direct payoff consequences – and as a result no one has any incentive to communicate anything meaningful. So, research question will be finding equilibrium in which communication is meaningful and informative.

Extension of cheap talk game, which were represented in Crawford and Sobel's original article. Finding all possible non-trivial Nash equilibrium.

Find a dependence how expert's bias affect his expected payoff.

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**Abstract title: "Economic analysis of dynamics of opportunism"**

This research attempts to consider the concept of opportunism and analysis of its dynamics in period of 2016-2017.

Two social international researches are supposed to be done: in December 2016 and in May 2017.

Social researches and theoretical frameworks will show trust or distrust in different institutions. The result point is that in observed period the level of opportunism can increase or decrease.

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