



Kyiv School^{of} Economics

founded by EERC and the Victor Pinchuk Foundation

KSE ANNUAL REPORT

Academic year 2007-2008

The academic year 2007-8, the first year of the KSE, has been one of challenges and successes. The major challenges were brought about by the transition from being a part of NAUKMA to independent status. This has meant the need for new facilities in the midst of a real estate boom in Kyiv and has required the teaching of students at different facilities. Moreover, Ukrainian inflation has placed unexpected pressure on our budget.

Looking beyond these, what we expect to be transitional, difficulties, we can report a long list of successes.

First, at the outset, a major goal of EERC was to attract Ukrainian PHDs back to Kyiv to teach at the program. We now have 9 such full time faculty, who together teach a big part of our courses. Not only are they teaching the most modern methods of contemporary economics, they are also successfully publishing in recognized peer reviewed journals and attracting outside research funding.

Second, KSE faculty have been extremely productive in publishing and outreach activities. In the academic year 2007-8, we have published or had accepted 16 articles in good peer reviewed journals or books. Another 12 articles have been submitted for review. For a faculty consisting of less than 10 full time faculty members, this is quite an achievement.

Third, alumni continue to reach positions which so far had been out of our reach, with alumni getting accepted for PHD into Berkeley or being offered jobs by Morgan Stanley in London. Our graduates are now sought after both by leading graduate departments in Europe and North America and by prestigious companies both in Ukraine and abroad.

Fourth, whereas independence from a Ukrainian university creates some difficulties, it also creates the advantages of flexibility. Being no longer part of a state university allowed us to more strictly enforce academic standards – the B- standard which we had been forced to abolish in 2005-2006 was reintroduced and enforced, leading to a smaller but more homogeneous and stronger new second year class.

Fifth, starting for the class of 2009, KSE students who take this option will receive an official MA degree from the University of Houston, a US institution that is part of the State of Texas higher educational establishment. It is a major accomplishment for KSE that a major economics department in a huge U.S. state university has sufficient confidence in our students and faculty to approve such an arrangement.

Still, a lot of work remains ahead, to make KSE a sustainable and flourishing institution. Top on our list are securing a permanent location and a strengthening our finances. We hope we can continue to count on your support on this long, difficult but rewarding road.

Tom Coupé, KSE director

The MA Program

Thirty-nine students successfully defended their KSE theses in June 2008, contributing to a grand total of 408 graduates since 1998. The top 3 of the Class of 2008, Roman Semko, Viacheslav Sheremirov and Natalia Nedashkivska received a lap top from SCM. Viacheslav also won the Kytasty Award for the best thesis. Four of this year's graduates are continuing their studies abroad, at such places as Berkeley, Houston and Texas, Austin. Other alumni started their jobs at DTEC, Horizon Capital, Deloitte, Morgan Stanley, Concorde Capital, and UkrSibbank. In July 2008, 56 students applied for admission- thirty of these will start the program in September 2008.

Our alumni continue to excel in their new environments.

Several of our alumni graduated this year with a PHD and started their professional career.

- **Aleksynska, Mariya** (EERC MA 2003; Bocconi Ph.D. 2008). CEPI, Paris.
- **Besedina, Elena** (EERC MA 2000; Bocconi Ph.D. 2008). KSE-KEI.
- **Kudlyak, Maryana** (EERC MA 2001; Rochester Ph.D. 2008). Federal Reserve Richmond.
- **Nikolko-Rzhevskyy, Alexander** (EERC MA 2002; Houston Ph.D. 2008). University of Memphis.
- **Salnykov, Mykhaylo** (EERC MA 2004; Simon Fraser Ph.D 2008). Sokrat, Ukraine.
- **Savych, Bogdan** (EERC MA 2002; RAND Ph.D. 2008). Postdoc, RAND.
- **Shcherbakov, Oleksandr** (EERC MA 2000; Arizona Ph.D. 2008). Postdoc, Yale.
- **Shvykdo, Tatyana** (EERC MA 2002, North Carolina Ph.D. 2008). Bates White Consulting
- **Vakhitov, Volodymyr** (EERC MA 2000; Kentucky Ph.D. 2008). KSE-KEI.
- **Zhylyevskyy, Oleksandr** (EERC MA 2002; Virginia Ph.D. 2008). Iowa State.

Volodymyr Nesterenko and Alexander Parashiy, both EERC 2004 and working at Concorde Capital, and Taisiya Shepetko, EERC 2004 were all among the leading Ukrainian analysts as identified by the Thomson-Extel Surveys.

Our alumni are also often interviewed by the press as experts. For example,

- Ildar Gazizulin, EERC 2003, on privatization in the Kyiv Post (27.03.08).
- Volodymyr Nesterenko, EERC 2004, on an investment by Kolomoisky in the Kyiv Post (24.01.08).
- Veronika Movchan, EERC 1999, on WTO in the Kyiv Post (22.05.08).

And several alumni have published articles in leading academic journals. For example

- Yuriy Gorodnichenko and Yegor Grygorenko, 'Are Oligarchs Productive: Theory and Evidence', *Journal of Comparative Economics* 36 (2008) 17–42
- Timofiy Mylovanov, 'Veto-based Delegation', *Journal of Economic Theory*, vol. 138, nr 1, p. 297-307.

The MA Program's Faculty

The 2007-2008 core faculty consisted of

Tom Coupé, Ph.D., Free University of Brussels, 2002

Pavlo Prokopovych, Ph.D., University of Michigan, 2005

Olena Nizalova, Ph.D., Michigan State University, 2005

Andriy Zapechelnjuk, Ph.D., SUNY-Stony Brook, 2005

Hanna Vakhitova, Ph.D., University of Kentucky, 2006

Oleksandr Shepotylo, Ph.D., University of Maryland at College Park, 2006

Denys Nizalov, Ph.D., Michigan State University, 2006

Olesia Verchenko, Ph.D., University of Virginia, planned 2008

Roy Gardner served as academic director

Faculty turnover is relatively limited, most of the courses taught next year will be taught by people who have taught the course already a couple of times.

Recent faculty changes include

- Since June 1, 2007, Valentin Zelenyuk is working full time in the private sector but he agreed to teach 2 courses in the academic year 2007-2008. He will no longer teach for us in 2008-2009.
- Denys Nizalov has become a full time faculty member at KEI/KSE from December 15, 2007 - leaving GUSB, Michigan.
- Andriy Zapechelnjuk will be on leave at the University of Bonn in the academic year 2008-2009. He will teach 2 classes in March-April for KSE.
- Volodymyr Vakhitov, PHD Kentucky 2008 and Elena Besedina, PHD Bocconi 2008, will join us for the academic year 2008-2009.

Academic Activities

Published Papers

Coupé, Tom (2007), 'Incentives and Bonuses – The Case of the 2006 World Cup', *Kyklos*, vol 60 (3), p 349-358.

Gardner, Roy (2007), 'Budget Processes: Theory and Experimental Evidence', *Games and Economic Behavior* 59 (2007), 279-295 (jointly with K.M. Ehrhart, J von Hagen and C Keser)

Prokopovych, Pavlo (2008), 'Repeated Games with present-Biased Preferences', *Journal of Economic Theory*, 157-175, Vol. 139, 2008 (jointly with Hector Chade and Lones Smith).

Zapechelnyuk, Andriy (2007). "Better-Reply Strategies with Bounded Recall," in *Artificial Markets Modeling: Methods and Applications*, ed. A. Consiglio, pp. 259-277, Springer.

Zelenyuk, Valentin (2007) "Statistical Inference for Aggregates of Farrell-type Efficiencies" with Léopold Simar, *Journal of Applied Econometrics*, 2007;

Accepted Papers

Coupé, Tom, 'The Impact of Policies on FDI flows to Transition Countries' (joint with Irina Orlova and Sasha Skiba) forthcoming in Bob Lucas, T.N. Srinivasan and Lyn Squire, 'The Impact of Rich Countries' policies on Poverty in Poor Countries, Edward Elgar. To be reprinted in Karl P. Sauvant and Lisa Sachs book on FDI (Oxford University Press)

Coupé, Tom, 'The Visibility of Ukrainian Economists 1969-2005', forthcoming in the *Journal of Socio-Economics*.

Gardner, Roy, 'Games for Business and Economics', 3rd edition, Wiley-Blackwell.

Gardner, Roy, 'The Economics of Europe: East Meets West', Wiley-Blackwell, to be delivered 2009.

Nizalov, Denys, 'Poverty in Michigan Small Communities: Demand versus Supply of Labor (forthcoming). *International Regional Science Review*. With A. Allan Schmid

Shepotylo, Oleksandr, 'Specific tariffs, tariff simplification and the structure of import tariffs in Russia: 2001-2005', with David G. Tarr (forthcoming in the *Eastern European Economics journal*)

Zapechelnyuk, Andriy, 'Bargaining with a Property Rights Owner'. *Games and Economic Behavior*, forthcoming. With Yair Tauman.

Zapechelnyuk, Andriy. 'Better-Reply Dynamics with Bounded Recall'. *Mathematics of Operations Research*, forthcoming

Zapechelnyuk, Andriy, 'Optimal Fees in Internet Auctions'. *Review of Economic Design*, forthcoming. With Alexander Matros.

Zelenyuk, Valentin, "Technological Change and Transition: Relative Contributions to Worldwide Growth During the 1990's," *Oxford Bulletin of Economics and Statistics*

Zelenyuk, Valentin, "Power of Significance Test of Dummy Variables in Two-Stage Efficiency Analysis Model" *Applied Economics Letters*, forthcoming

Submitted Papers

Coupé, Tom, 'Tobacco Bans and the Advertising Industry', joint with Olena Gnezdilova, under review at *Economics Letters*

Gardner, Roy, 'Tolling the Rhine: Complementary Monopoly Revisited', Revise and resubmit, *IJO*, with N Gaston and R Masson.

Nizalov, Denys, ‘Categorizing Civic Cultures: Testing a Taxonomy of Local Civic Culture’, R&R at the Journal of Urban Affairs. With L. Reese and R. Rosenfeld

Nizalova, Olena, ‘The Wage Elasticity of Informal Care Supply: Evidence from the Health and Retirement Study’, revise and resubmit at the Journal of Population Economics

Prokopovych, Andriy, ‘Correlation in Repeated Games with Public Monitoring’, submitted to International Journal of Game Theory.

Zapechelnyuk, Andriy, ‘Contracts for Experts with Opposing Interests’, joint with Tymofiy Mylovanov, under review at Games and Economic Behavior

Zapechelnyuk, Andriy, ‘Optimal Mechanisms for an Auction Mediator, joint with Alexander Matros , under review at RAND Journal of Economics

Zelenyuk, Valentin, “Local Likelihood Estimation of Truncated Regression and its Partial Derivatives: Theory and Application” (with B. Park and L. Simar), Journal of Econometrics, revised and resubmitted

Zelenyuk, Valentin, “Stochastic DEA/FDH estimators for Frontier Analysis” with Leopold Simar, 2008, Submitted to Journal of Business and Economics Statistics

Zelenyuk, Valentin, “On Commensurability of Directional Distance Functions”, with Mykhaylo Salnykov (2004), (revised and resubmitted to Journal of Productivity Analysis)

Zelenyuk, Valentin, “On Aggregation in Growth Accounting,” (submitted to European Journal of Operational Research) working on revisions.

Zelenyuk, Valentin, “Efficiency in Ukrainian Regions” with Pavlo Demchuk Journal of Productivity Analysis (accepted given minor revision, working on revisions)

Publications in Local Press and Magazines

Coupé, Tom ‘Bargaining Strategies’, Strategies, May 2008

Coupé, Tom ‘The Economics of Unwanted Gifts’, Delo, December 21, 2007

Coupé, Tom ‘The Allocation Puzzle’, Kontrakty, December 17, 2007

Coupé, Tom ‘Free Web Content’, Kontrakty, December 17, 2007

Coupé, Tom ‘Pay for Performance or Innovation’, Kontrakty, December 3, 2007

Coupé, Tom ‘Varying Prices’, Kontrakty, December 3, 2007

Coupé, Tom ‘Oligarch: a Male Profession’, Kontrakty, October 22, 2007

Coupé, Tom ‘The Effectiveness of Economic Reforms’, Kontrakty, October 15, 2007

Coupé, Tom ‘Ukraine and UEFA 2012’, Kontrakty October 15, 2007

Coupé, Tom ‘The Macro Determinants of Housing Prices ’, Kontrakty October 8, 2007

Coupé, Tom ‘A Recipe for Wine’, *Kontrakty* October 8, 2007

Coupé, Tom ‘Height and the Labor Market’, *Kontrakty* October 1

Coupé, Tom ‘The Importance of Entrepreneurs’, *Kontrakty* October 1

Coupé, Tom ‘Foreign Direct Investment Promotion’, *Kontrakty*, October 24, 2007.

Coupé, Tom ‘The Returns to Education. *Kontrakty*’, October 24, 2007.

Coupé, Tom ‘Beauty and Elections.. *Kontrakty*’, October 17, 2007.

Coupé, Tom ‘The international competitiveness of Ukrainian economists’, *Kontrakty*, October 17, 2007.

Coupé, Tom ‘Are Ukraine’s Political Habits Unique?’, in the *Ukrainian Observer*, July 2007, joint with Ivan Yuryk

Prokopovych, Pavlo, ‘Is Ukraine's economic growth speculation led? *Ukrainian Observer*, June 2007

Prokopovych, Pavlo, ‘Inflation dominates the Economic Outlook’, *Ukrainian Observer*, January, 2008

Shepotilo, Oleksandr, ‘Do leaders matter? The role of leadership in national economies’, *Kyiv Post*, November 29, 2007

Hannah Vakhitova ‘Ukraine’s migration policy: Is reciprocity fair and efficient?’ (with Volodymyr Vakhitov)

Refereeing

Journal of Economic Theory, Games and Economic Behavior, International Game Theory Review, European Journal of Operational Research, Economic and Social Review, Oxford Bulletin of Economics and Statistics, Economic Inquiry, Journal of Political Economy, Research Policy, Southern Economic Journal, Journal of Economic Geography and others

Presentations

Coupé, Tom, ‘Gender Segregation in Ukrainian Industry’, Presentation at ESCIRRU Workshop, Berlin (2008),

Coupé, Tom ‘The Impact of Policies on FDI flows’, Presentation at GDN Conference, Brisbane (2008)

Nizalov, Denys, "Climate change and production of tart cherries in Ukraine" workshop under “A Multidisciplinary Protocol for Assessing Climate Impacts, Vulnerability and Adaptation” (2006-2007), NSF grant, Poland, September 2007

Nizalova, Olena, 'Effect of Wages on Informal Care And Labor Supply: Do Long-Term Care Policies Matter?' at IZA Long-Term Care Workshop (September 2007, Bonn, Germany)

Shepotylo, Oleksandr presented at the Joint Congress of the European Regional Science Association (47th Congress) and ASRDLF (Association de Science Régionale de Langue Française, 44th Congress) PARIS - August 29th - September 2nd, 2007

Shepotylo, Oleksandr presented at the First World Conference of the Spatial Econometrics Association Cambridge (UK), 12-14 July 2007

Vakhitova, Hanna, Invited to present at the IV Brucchi Luccino Labor Workshop, Italy. Unable to attend due to visa problems.

Vakhitova, Hanna 'Do R&D investments explain productivity trends in Ukraine?', with D.Brown and J.Earle. Presented at ESCIRRU Workshop in Berlin, Feb 2008

Zapechelnyuk, Andriy, Invited speaker at Symposium "Artificial Economics 2007", September 2007, Palermo, Italy

Zapechelnyuk, Andriy, 'Optimal mechanisms for an auction mediator' presented at the EEA-ESEM Congress, August 2007, Budapest, Hungary.

Conference and Workshop Attendance

Tom Coupé attended the following round tables - 'Relevance of Professional Education in Ukraine to Labour Market Demands' and 'Public Finance Review Part II', organized by the World Bank in October, 2007 and February, 2008; and the World Bank-European Commission Workshop on Education Policy, held on 10-11 April 2008.

Oleksandr Shepotylo participated in a one day workshop on 'A Free Trade Agreement of Ukraine with EU'

Andriy Zapechelnyuk was an invited guest at the Conference in Honor of Ehud Kalai, December 2007, the Hebrew University of Jerusalem and at the Workshop on Markets and Contracts, May 2008, organized by CORE, Université Catholique de Louvain, Belgium.

Events Organized

08/10/2007: KSE Public Lecture with James Wolfensohn

22/10/2007: KSE-KEI Workshop on Economics. Presenters: Benedikt Herrmann (University of Nottingham), Erik Herron (University of Kansas), Andriy Zapechelnyuk (KSE and KEI), and Olena Gnezdilova (KEI).

24/10/2007: KSE Public Lecture with Colin Powell

23/11/2007: KSE Academic Lecture with Ariel Rubinstein

07/02/2008: KSE-KEI workshop on Network Economics, sponsored by Telenor

04/03/2008: Denys Nizalov organized, together with the Local Economic Development Project of USAID, a workshop on Municipal Economic Development and a related 'toolkit' – see <http://municipaltoolkit.org/en/about/>

12-22/03/2008: KSE Master Class on "Understanding International Energy Markets", by Professor Carol A. Dahl, Colorado School of Mines

08/04/2008: KSE Public Lecture with Muhammad Yunus

21-25/04/2008: KSE Master Class on "Program and Policy Evaluation", by Denis Nizalov and Olena Nizalova

15/05/2008: KSE Public Lecture with Kofi Annan

Various Policy work

Pavlo Prokopovych edited an On-line Introductory Course in econometrics for the World Bank.

Seminars

20/06/2008: Sudipto Bhattacharya (London School of Economics and CEPR), "Control Rights over Intellectual Property: Corporate Venturing and Bankruptcy Regimes"

06/06/2008: Pavlo Prokopovych, KSE and KEI. "A Note on the Existence of Pure Strategy Approximate Equilibria in Discontinuous Games".

23/05/2008: Stefano Capodagli, SDA Bocconi (Milan) School of Management. "Ukraine: opportunity for private equity investors".

16/05/2008: Pavlo Trisch, "Pricing and Timing of Bank-Owned Equity Divestments in Germany".

14/05/2008: Dmytro Hryshko, University of Alberta. "The Data Reject Heterogeneous Labor Income Profiles".

06/05/2008: Shlomo Weber, "Bilingualism and Communicative Benefits".

18/04/2008: Serguei Maliar, University of Alicante. "EU Eastern Enlargement and Foreign Investment: Implications from a Neoclassical Growth Model".

11/04/2008: Igor Bykadorov, Sobolev Institute of Mathematics, Novosibirsk. "Dynamic optimal pricing and advertising in vertical distributional channel".

04/04/2008: Lilia Maliar, University of Alicante. "Rich, poor and growth-miracle nations: multiple equilibria revisited".

07/03/2008: Peter Norman, University of North Carolina at Chapel Hill. "Toward an Efficiency Rationale for the Public Provision of Private Goods".

05/03/2008: Rhonda Phillips, Arizona State University. "Tourism-Based Development".

25/02/2008: Marianna Kudlyak, University of Rochester. "The Cyclicalities of the User Cost of Labor with Search and Matching".

22/02/2008: Chang-Ho Yoon, Korea University. "Technological convergence and regulatory conflicts".

15/02/2008: Fredrik Wilhelmsson, Norwegian Institute of International Affairs (NUPI). "Estimating the gravity model without gravity using panel data".

12/02/2008: Carol Leonard, Oxford University, "Do Institutions Matter for Technological Change in Transition Economies?".

08/02/2008: Igor Sloev, University Carlos III, "Market Share Discounts and Investment Incentives"

05/02/2008: Vadym Lepetyuk, University of Minnesota, "Policy Announcements and Welfare"

04/02/2008: Bogdan Savych, RAND, "Away from Home: The Effect of Military Deployment on Spousal Labor Force Participation"

01/02/2008: Alexander Muravyev, DIW Berlin. "Entrepreneurs' gender and financial constraints: evidence from international data".

30/01/2008: Edilberto Segura, Chief Economist, SigmaBleyzer. "Improving Ukraine's Investment Climate".

18/01/2008: Arne Melchior, Norwegian Institute of International Affairs. "International trade and domestic regions".

26/12/2007: Tymofiy Mylovanov, University of Bonn. "Indifferent Public, Passionate Advocates, and Strategic Media".

20/11/2007: Volodymyr Vakhitov, KSE-KEI. "Marshall Scale Economies in Ukraine: Proximity or Restructuring?".

22/10/07: KSE-KEI Workshop on Economics. Presenters: Benedikt Herrmann (University of Nottingham), Erik Herron (University of Kansas), Andriy Zapechelnyuk (KSE and KEI), and Olena Gnezdilova (KEI).

16/10/2007: Hartmut Lehmann, University of Bologna. "Informal Employment and Labor Market Segmentation in Transition Economies: Evidence from Ukraine".

10/10/2007: Pavlo Prokopovych, Kyiv School of Economics and Kyiv Economics Institute. TBA.

05/10/2007: Robert Swidinsky, University of Guelph. "The Economic Returns to a Second Official Language: English in Quebec and French in the Rest of Canada"

26/09/2007: Yuriy Gorodnichenko, University of California, Berkeley. The presentation title is "Flat tax and tax evasion: Lessons from the Russian tax reform".

21/09/2007: Mark Schaffer, Heriot-Watt University, on "The Cluster-Robust Variance-Covariance Estimator - A Practitioner's Guide"

19/09/2007: Bent Sorensen, University of Houston, on "Why Does Capital Flow to Rich States?" (joint work with Sebnem Kalemli-Ozcan, Ariell Reshef and Oved Yosha)

7/09/2007: Andrei Shevchenko (Michigan State University), on two papers: "Money and the Variety of Goods" (with Kenneth Burdett) and "Money in a Credit Economy in the Presence of Shocks"

04/06/2007: Ivan Yuryk, Kyiv School of Economics. The presentation title is "Analysis of Behavior of Ukrainian Parliament members".

01/06/2007: Jean Hindriks, CORE, Catholic U Louvain. "Competing in Taxes and Investment under Fiscal Equalization". (joint with Susana Peralta and Shlomo Weber)