



Kyiv School^{of} Economics

founded by EERC and the Victor Pinchuk Foundation

KSE Annual Academic Report

Academic year 2008-2009

The academic year 2008-09 will not only be remembered for its financial and economic crisis, but, in the KSE history, also as the first year when KSE graduated 'KSE' rather than 'EERC' students and the first year that students were awarded US degrees rather than Ukrainian state degrees. KSE now stands on its own feet.

KSE graduates reacted in several ways to the economic crisis – some graduates are now starting their own businesses, and more graduates are again opting for pursuing a PHD and an academic career. About a third of the class of 2009 will continue their studies abroad, at such universities as Alicante, Berkeley, Houston, Madrid, Penn State and others.

The economic crisis also affected KSE faculty members, giving them new ideas for research and inspiration for columns in the popular media. In the academic year 2008-9, KSE faculty members have published or had accepted 13 articles in good peer reviewed journals or books, and 12 articles in the popular press. Another 15 articles have been submitted for review. In addition, KSE faculty members have become more 'policy' relevant, working on projects with the Ministry of Labor, with local governments and with the National Electricity Regulation Council.

As every year, a lot of work remains ahead, to make KSE a sustainable and flourishing institution. Top on our list are securing a permanent location and the strengthening of 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-four students successfully defended their KSE theses in June 2009, contributing to a grand total of 442 graduates since 1998. The top 3 of the Class of 2009 consisted of Yuriy Yatsenovich, Sergiy Pypko and Olga Croitorov. Yuriy further shared the Kytasty Winners Award for the best thesis with Irina Mislitcaia and Vladislav Nora. Many of this year's graduates are continuing their studies abroad, at such places as Berkeley, Houston and Madrid. Other alumni started their jobs at Citibank, Concorde Capital, and Inbev. 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.

- **Dodonov, Borys** (EERC MA 1999, University of Houston, Ph.D. 2009)
- **Il'chuk Serhiy** (EERC MA 1998; Rand, Ph.D. 2009)
- **Ivus, Olena** (EERC MA 2004; University of Calgary, Ph.D. 2009).
- **Zabolotnyuk, Yuriy** (EERC MA 2003; Simon Fraser University, Ph.D. 2009).

Yevgen Dubogryz, EERC 2003 of Phoenix Capital was among the leading equity analysts as identified by the Thomson-Extel Surveys.

Iryna Ivaschenko, EERC'1998, has been appointed as IMF Resident Representative in Budapest.

Olha Pankiv, EERC'1999, has been appointed as a Senior Analyst with EBRD in Minsk.

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

- Olena Bilan, EERC 2002, on sovereign default in the Kyiv Post (25.02.09).
- Oleksandr Zholud, EERC 2001, on the banking crisis in the Kyiv Post (09.04.09).
- Volodymyr Nesterenko, EERC 2004, on corruption in the Kyiv Post (25.06.09).

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

- Oleksandr Talavera (with D. Schaefer), 'Small business survival and inheritance: evidence from Germany', Small Business Economics, vol 32, nr 1, p. 95-109.
- Timofiy Mylovanov (with Patrick Shmitz), 'Task Scheduling and Moral Hazard', Economic Theory, vol. 37, nr 2, p. 307-320.

The MA Program's Faculty

The 2008-2009 core faculty consisted of

Elena Besedina, Ph.D., Bocconi University, 2008

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

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

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

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

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

Volodymyr Vakhitov, Ph.D., University of Kentucky, 2008

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

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

Andriy Zapechelnyuk, Ph.D., SUNY-Stony Brook, 2005 (on leave to the University of Bonn)

Valentin Zelenyuk, Ph.D., Oregon State University, 2002

Roy Gardner served as academic director

KSE OUTPUT 2008-2009

AUTHOR	PUBLISHED PAPERS
<u>Andriy Zapechelnyuk</u>	<ul style="list-style-type: none">• Better-Reply Dynamics with Bounded Recall, <i>Mathematics of Operations Research</i>, 33 (2008), 869-879.• Optimal Fees in Internet Auctions, <i>Review of Economic Design</i>, 12, 155-163 (with Alexander Matros)
<u>Denys Nizalov</u>	<ul style="list-style-type: none">• Poverty in Michigan Small Communities: Demand versus Supply of Labor, <i>International Regional Science Review</i>, 31(3), pp.275-303 (with A. Allan Schmid).
<u>Oleksandr Shepotylo</u>	<ul style="list-style-type: none">• The Structure of Import Tariffs in Russia: 2001-2005, <i>Eastern European Economics</i>, Vol. 46 No. 05
<u>Tom Coupe</u>	<ul style="list-style-type: none">• The Impact of Policies on FDI flows to Transition Countries, reprinted in 'The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties and Investment Flows' edited by Karl Sauvant and Lisa Sachs (joint with Irina Orlova and Sasha Skiba).• The Visibility of Ukrainian Economists 1969-2005, <i>Journal of Socio-Economics</i>, Vol. 37 (5), p. 2114-2125
<u>Valentin Zelenyuk</u>	<ul style="list-style-type: none">• Local Likelihood Estimation of Truncated Regression and its Partial Derivatives: Theory and Application, <i>Journal of Econometrics</i> 146, pp.185-198 (with Byeong Park and Léopold Simar)• Comparative analysis of banking production frameworks in Eastern European financial markets, <i>European Journal of Operational Research</i>, 198, pp. 326-340 (with Karligash Kenjegalieva, Richard Simper and Tom Weyman-Jones)• Technological Change and Transition: Relative Contributions to Worldwide Growth During the 1990's, <i>Oxford Bulletin of Economics and Statistics</i> 70:4, pp. 461-

- 492 (with Oleg Badunenko and Daniel Henderson)
- Aggregation of Nerlovian Profit Indicator, *Applied Economics Letters* **15**, pp. 845–847 (with Rolf Färe and Shawna Grosskopf)
-

AUTHOR	PAPERS ACCEPTED FOR PUBLICATION
<u>Andriy Zapechelnjuk</u>	<ul style="list-style-type: none"> • Bargaining with a Property Rights Owner, forthcoming in <i>Games and Economic Behavior</i> (joint with Yair Tauman)
<u>Tom Coupe</u>	<ul style="list-style-type: none"> • Are Leading Papers of Better Quality? Evidence from a Natural Experiment, forthcoming in <i>Oxford Economic Papers</i> (joint with Abdul Noury and Victor Ginsburgh)
<u>Valentin Zelenyuk</u>	<ul style="list-style-type: none"> • Efficiency in Ukrainian Regions, <i>Journal of Productivity Analysis</i> (with Pavlo Demchuk)

AUTOR	PAPERS SUBMITTED
<u>Andriy Zapechelnjuk</u>	<ul style="list-style-type: none"> • On (Non-) Monotonicity of Cooperative Solutions, submitted to <i>International Journal of Game Theory</i> (joint with Yair Tauman) • Contracts for Experts with Opposing Interests, submitted to <i>Journal of Economic Theory</i> (joint with Tymofiy Mylovanov) • Optimal Mechanisms for an Auction Mediator, submitted to <i>RAND Journal of Economics</i> (joint with Alexander Matros)
<u>Oleksandr Shepotylo</u>	<ul style="list-style-type: none"> • Spatial HAC estimator: convergence of the EU regions, submitted to the <i>Regional Science</i> • Spatial Spillovers in the Development of Institutions, submitted to the

Journal of Comparative Economics

- The gravity with zeros: estimating trade potential of the CIS countries, submitted to the Journal of International Economics

Olena Nizalova

- The Wage Elasticity of Informal Care Supply, revise and resubmit to the Journal of Population Economics
- Evaluation of the Impact of the Mother and Infant Health Project in Ukraine, submitted to Health Economics

Pavlo Prokopovych

- A Short Proof of Reny's Existence Theorem for Payoff Secure Games, submitted to Economic Theory
- Correlation in Repeated Games with Public Monitoring, International Journal of Game Theory

Tom Coupe

- Tobacco Bans and the Advertising Industry, revised and resubmitted to Economics Letters (joint with Olena Gnezdilova)

Valentin Zelenyuk

- Power of Significance Test of Dummy Variables in Two-Stage Efficiency Analysis Model, Applied Economics Letters
- Stochastic DEA/FDH estimators for Frontier Analysis, Submitted to Journal of Business and Economics Statistics (with Leopold Simar)
- On Commensurability of Directional Distance Functions, submitted to Journal of Productivity Analysis (with Mykhaylo Salnykov)
- On Aggregation in Growth Accounting, submitted to European Journal of Operational Research

AUTHOR	MEDIA PUBLICATIONS
--------	--------------------

<u>Pavlo Prokopovych</u>	<ul style="list-style-type: none">• Is an economic recession inevitable for Ukraine? Kyiv Post, October 8, 2008• The big question: Is default noose hanging over Ukraine? Kyiv Post, March 18, 2009
--------------------------	--

<u>Tom Coupe</u>	<ul style="list-style-type: none">• The Economics of Visa Regulation, Investgazeta, April 27, 2009
------------------	--

- One More Way to Improve Road Safety, *Economicheskije Izvestia* , April 16, 2009
 - The Kyiv Bank Run 2009, *Economicheskije Izvestia* , April 1, 2009
 - In Praise of Women in Business, *Investgazeta*, March 2, 2009
 - 'The Global Economic Crisis: Views from Developing Countries', *Voxeu.org*, February 12, 2009 (over 1100 visits by the end of May 2009)
 - Cost Cutting, *Investgazeta*, December 14, 2008
 - A 16.5 Billion Wish List, *Investgazeta*, November 16, 2008
 - Investment Tip of the Week: Education, *Investgazeta*, November 2, 2008
 - The Good Side of the Economic Slowdown, *Investgazeta*, October 13, 2008
 - Evidence Based Management, *Strategies*, June 2008
-

AUTOR	PRESENTED PAPERS
<u>Andriy Zapechelnjuk</u>	<ul style="list-style-type: none"> • Invited speaker in the workshop on Mechanism Design and Implementations, Stony Brook, NY, July 2008 • Invited speaker, University of Delhi, India, November 2008 • Invited Speaker, New Economic School, Moscow, Russia, December 2008 • Invited Speaker, BICEPS, Riga, Latvia, December 2008 • Presentation at the Game Theory Congress at Evanston, IL, July 2008 • Presentation at the AEA-ES North American Winter Meeting, San Francisco, CA, January 2009
<u>Denys Nizalov</u>	<ul style="list-style-type: none"> • Does a Community's Strategic Planning Matter? Empirical Evidence from a Country in Transition, presented at BICEPS/SSE (Riga, October 2008) • annual conference of Regional Science Association International (New-York, November 2008); • Houston University (Houston, November 2008)
<u>Elena Besedina</u>	<ul style="list-style-type: none"> • ETSG Annual meeting, September 08 • Swedish Ukrainian Business Club Seminar, November 08

Hanna
Vakhitova

- What Do We Know About Firm-Paid General Training? The Case of Microsoft Certification, presented at the "Economics of Education" Conference at Zurich, June 2008
- Innovation and productivity: a firm level study of Ukrainian manufacturing sector, presented at the conference on "Innovation, Competitiveness and Growth", Institute of Economics, on Nov. 27 2008, Zagreb, Croatia
- Social Assistance System Modernization Project Impact Evaluation: results of the first wave, presented at the meeting with experts on Jan. 29, 2009

Maksim
Yemelyanau

- Inequality in the post-Soviet countries, presentation at the "Inequality and Public Policy" workshop. Vienna Institute for International Economic Studies (Vienna, Austria). May 08, 2009.
- Second agriculture: subsistence or leisure?, Kyiv School of Economics (Kiev, Ukraine). April 17, 2009.
- Inequality in Belarus from 1995 to 2007, Stockholm Institute of Transition Economics (Stockholm, Sweden). February 10, 2009.

Oleksandr
Shepotylo

- North American Regional Science association meeting, November 2008, New York -- presented two working papers

Olena Nizalova

- ESF-LiU Conference "Transfer of Resources Across Generations", Vadstena, Sweden, June 2008
- BICEPS Seminar, Riga, Latvia, October 2008
- Global Economic Development Workshop, York, Great Britain, January 2009
- Population Association of America Annual meeting, Detroit, USA, April-May 2009
- University of Houston, April 2009

Valentin
Zelenyuk

- Aggregation and Bootstrap of Growth Rates and Sources in Growth Accounting, Conference in honor of Leopold Simar, Belgium, May 14-15, 2009.

Pavlo
Prokopovych

- On the Existence of Pure Strategy Approximate Equilibria in Discontinuous Games, September 2008, NES, Moscow

Volodimir
Vakhitov

- Is there a Poverty Trap in Ukraine? - Seminar on "Poverty in Ukraine", IREX, Kyiv, Nov. 1, 2009
 - Agglomeration Economies in Ukrainian Manufacturing, North American Regional Science Council annual meeting, Nov. 19-23, Brooklyn, NY, USA
-

AUTHOR	REFEREEING
<u>Andriy Zapechelnyuk</u>	<ul style="list-style-type: none">• Journal of Economic Theory, Games and Economic Behavior, International Game Theory Review
<u>Denys Nizalov</u>	<ul style="list-style-type: none">• Economic Development Quarterly
<u>Pavlo Prokopovych</u>	<ul style="list-style-type: none">• Economic Theory
<u>Tom Coupe</u>	<ul style="list-style-type: none">• Eastern Economic Journal, Economic Inquiry (2), Japan and the World Economy, Journal of the European Economic Association, Journal of Socio-Economics, Contemporary Economic Policy, Quarterly Journal of Economics, Research Policy (2), Southern Economic Journal.

-
-

PROJECT NAME	FINISHED GRANT PROJECTS
--------------	-------------------------

- | | |
|-----------------|--|
| <u>Swedbank</u> | <ul style="list-style-type: none"> • Risk Indicators for the Ukrainian Economy for Swedbank, joint with BICEPS • Elena Besedina • Final report has been submitted |
|-----------------|--|

- | | |
|-------------|--|
| <u>MIHP</u> | <ul style="list-style-type: none"> • An evaluation of the Mother and Infant Health Project for GDN • Olena Nizalova • Final report has been submitted |
|-------------|--|

- | | |
|-------------|---|
| <u>IDRC</u> | <ul style="list-style-type: none"> • An evaluation of how introducing competition would affect the electricity sector in Ukraine • Andriy Zapechelnyuk • Final report has been submitted |
|-------------|---|

PROJECT NAME	ONGOING GRANT PROJECTS
--------------	------------------------

- | | |
|------------|---|
| <u>MOL</u> | <ul style="list-style-type: none"> • Impact Evaluation of the Modernization of Social Assistance for the Ministry of Labor • Denys Nizalov, Olena Nizalova and Hannah Vakhitova • 2nd progress report submitted |
|------------|---|

- | | |
|-----------------------|--|
| <u>Cities Project</u> | <ul style="list-style-type: none"> • GDN Interregional Project on Cities – an Analysis of the Post Communist Experience • Oleksandr Shepotylo, Denys Nizalov, Volodymyr Vakhitov and Tom |
|-----------------------|--|

- Coupé
- Call for Proposals has been launched

VWF

- Research on the political economy of labor reform in Ukraine for the Volkswagen Foundation
- Elena Besedina, Tom Coupé, Olena Nizalova
- Initial stage

LINC

- A project related to regional economic development, including an evaluation component and a trade analysis component, a joint project with Chemonix
- Denys Nizalov, Olena Nizalova, Volodymyr Vakhitov and Oleksandr Shepotylo
- Initial selection of regions to be included in the project has been done

NSF

- A project on climate change and tart cherries, part of a big NSF project
 - Denys Nizalov
 - Initial stage
-

PROJECT NAME

SUBMITTED GRANT PROJECTS

Swiss

- Studying the efficiency of Ukrainian banks
 - Valentin Zelenyuk, Olesia Verchenko
 - Submitted to Swiss National Science Foundation
-

3IE

- a proposal to evaluate the Local Economic Development project in Ukraine
 - Denys Nizalov
 - Has been submitted to 3IE
-
-

DATE

WORKSHOPS AND CONFERENCES

November 24, 2009

- KEI-KSE Lunch Round table discussion on ‘Strategic Investing in Ukraine’
-

March 30, 2009

- Anthony Shorrocks (WIDER, UNU)
 - Poverty, Inequality and the Economic Crisis
-

April 1, 2009

- Robert Pindyck, MIT
 - Real Options
-

April 7, 2009

- KEI-KSE workshop on Impact Evaluation
-

April 15, 2009

- David Reilly, Yahoo Research and University of Arizona
- Does Advertising Affect Sales?

April 30, 2009

- KEI-KSE Workshop on Competition and Electricity Regulation
-

ACADEMIC SEMINARS

18/05/2009: Irina Sushko, Institute of Mathematics. "A Dynamic Approach to Complex Economic Models"

17/04/2009: Maksim Yemelyanau, BERO. "Second agriculture: survival or leisure?"

19/04/2009: Andriy Zapechelnyuk, KSE-KEI and Bonn. "Contracts for Experts with Opposing Interests"

23/01/2009: Arne Melchior, NUPI. "East-West Integration and the Economic Geography of Europe"

15/01/2009: Kit Baum, Boston College. "The Impact of Financial Structure on Firms' Financial Constraints: A Cross-Country Analysis"

15/12/2008: Iryna Kamynska, Bank of England, "A Global Model of Interest Rates and Foreign Exchange".

14/11/2008: Igor Livshits, Belarus Economics Research and Outreach Center and University of Western Ontario. "Accounting for the Rise in Consumer Bankruptcies".

3/11/2008: Volodymyr Vakhitov, KSE and KEI. "Agglomeration Economies and Restructuring Effects in High Tech and Manufacturing in Ukraine".

31/10/2008: Oleksandr Shepotylo, KSE and KEI. "Trade potential of CIS countries: gravity model with zero trade flows and sector heterogeneity."

8/10/2008: Robert Swidinsky, University of Guelph, Canada. "Race, Ethnicity and Economic Power in Canada".

6/10/2008: Hartmut Lehmann, University of Bologna. "Wage Policies of a Russian Firm and the Financial Crisis of 1998: Evidence from Personnel Data - 1997 to 2002." (joint with Thomas Dohmen and Mark Schaffer).

17/09/2008: Gianpaolo Rossini, University of Bologna. "Vertical Integration and Operational Flexibility".

16/09/2008: Bent Sorensen, University of Houston. "Home equity and risk sharing" (joint with Maria Luengo-Prado and Dmitry Hrysko).

17/07/2008: Maksim Yemelyanau, CERGE-EI. "Inequality in Belarus from 1995 to 2005".

17/07/2008: Elena Besedina, University of Bocconi. "Exporting and Productivity under Endogenous Trade Policy: Theory and Evidence from Ukraine."

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

Funding

The fact that Kyiv School of Economics was able to do the above, is made possible thanks to generous founding by

Core donors 2008-2009

- Eurasia Foundation
- Victor Pinchuk Foundation
- Open Society Institute
- Swedish International Development Agency

Providers of Scholarships and other special support funds

- Citigroup Foundation
- SEB Bank
- Concorde Capital
- EERC Faculty and Alumni
- Finnish Embassy to Ukraine