

Summary

The Process of Debt Monetization

Smirnov A.D.

The model of outside debt and money dynamics is given by two stochastic differential equations. Solutions of the system represent different regimes of outside debt monetization. Government liabilities form the nominal anchor while rational, risk-averse investors take different positions with respect to outside debt and money in a process of continuous delta hedging. The level of outside money issuance that guarantees the normal monetization maximizes the market value of new debts while hedging out risks of the default on debt. The probability of hyperinflation and the debt collapse becomes strictly nonzero should this threshold be exceeded. The model identification was performed on Russian data including the debt crisis in August 1998.

Analysis of Electoral Preferences in Russia in 1993–2003: Polarization Index Dynamics

**Aleskerov F.T., Borodine A.D., Kaspé S.I.,
Marshakov V.A., Salmin A.M.**

In this work we apply the index of political polarization to measure heterogeneity of society's political preferences revealed through nation-wide election results. The index is calculated on the basis of the results of 1993–2003 Russian Duma elections and positioning of political parties on three-dimension system of «political coordinates».

Several important issues regarding the use of the index both on national and regional level are then addressed, although authors believe that further studies will reveal additional fields for their application.

The study of dynamics of polarization index calculated for the national election results as a whole reveals several positive tendencies and allows arguing for the stabilization of self-identity of Russian voters (as opposed to wide-spread pessimistic view that Russian political system tends towards a «dominant-party» scenario).

On the regional level statistical analysis provides evidence for the increasing importance of the «national idea» for voters' decision-making, as well as significant role of «administrative resource» in certain Federation subjects.

On Development of Some Forms of Self-Employment in Russia in 1994–2002

Aistov A.V.

The examples of developed and transitional economies show that the level of self-employment is a rather contradictory economic indicator. It is consequence of just the definition of self-employment (the wide spread of labor force participants can be included in this status: prosperous entrepreneurs and destitute workers de-spaired to find a satisfactory regular job as an employee get into there together). Therefore the high level of self-employment can be the indicator of liberalization of economy and successful institutional reforms and on the contrary can reflect institutional problems, imperfection of contracts and excess of employees' labor supply. The market reforms in Russia pulls-in the most talented persons inclined to risks and managed to save certain financial capital or find a way for arbitrage, in the category of the employers and pushes-out some others in own-account status. But some of the last chose status of own-account workers as a necessary step on the way to employers. These are confirmed by empirical analysis of the Russia Longitudinal Monitoring Survey (RLMS) data sets for 1994–2002 years in the present paper. The research adds the peculiarities to the known generalized socio-economic portrait of self-employed and considers the changes which occurred due to the crisis of 1998. The earnings functions such as a Mincer type equation both logit models were used in the research.

Estimation of the Equilibrium Real Exchange Rate for Russia

Sosunov K.A., Shumilov A.V.

Following methodological approach proposed by Edwards, the paper estimates empirically Russia's equilibrium real exchange rate (ERER) for the period 1995–2003. ERER is defined as the relative price of non-tradables to tradables consistent with the simultaneous achievement of internal and external balances of the economy. Reduced form solution of simultaneous equations system relates ERER to a set of variables called fundamentals. These variables are identified as terms of trade, production of non-tradables, and capital flows; and the reduced form equation is estimated using Johansen cointegration technique. Effects of monetary and fiscal policies' variables on the short-run dynamics of the real exchange rate and the speed of its adjustment towards the equilibrium are also investigated within a framework of error-correction model.

Efficiency Analysis of Russian Transfer Pricing Rules with Relation to Conflict of Interests Between Government and Corporations**Kasatkin D.M., Frolov M.V.**

This paper examines the problem of optimal transfer pricing in Russian corporations and a conflict of interests between tax authorities and corporations based on the impact of optimal transfer pricing behavior on corporate tax burden. Authors elaborate economical model and use game theory approach in its analysis. This model considers the most important specific rules of Russian transfer pricing regime, such as a possibility of transfer price 20% deviation from the «arm's length rule» and existence of priority rules in application of transfer pricing methods. Authors analyze a basis of confrontation between corporations and tax authorities and try to reveal internal deficiencies of current transfer pricing regime in Russian Federation.