

Summary

The Global Debt Monetization Process: Redemption or Crisis

Smirnov A.D.

Simple debt monetization model is proposed to analyze one of the major consequences of global excess liquidity. Stochastic dynamics of liquidity is decomposed into several regimes to be distinguished due to changes in the standard asset portfolio. Thus, regime of complete market that, as a rule, allows for the debt monetizing in full, is modeled as analogue to the Black-Sholes equation. Further transition into regime of excess liquidity gives rise to severe distortions in relationships between debt and liquidity due to large increases in positive feedbacks speeding up the growth of debt outstanding as well as of notional debt. These outcomes are straightforward consequences of the widespread practice of debt redemption which allows for the usage of new debt obligations, the latter being similar, for example, to the asset-backed commercial paper, ABCP. If the market micro structure continues to evolve towards the fractal cluster of debt buyers as liquidity approaches its critical level, then financial system percolates. At the point of singularity market collapses since infinite debt cannot be redeemed with finite liquidity. The model demonstrates that, unlike the mere «paper losses» of the 2007 credit crunch, asset securitization and financial innovation processes might under particular conditions produce the total crash of global financial system. Simple site percolation methods make it possible to evaluate the conditional probability of such an outcome as being equal to 27 percent.

Price Competition in a High-Tech Industry for the Period of Process Portfolio Enlargement

Rudnik P.B.

One of the main tasks that high-tech companies management face is to determine the values of functional product characteristics that would allow a company to maximize its profit. The problem of coordination between R&D programs target parameters and high-tech companies strategic financial goals is discussed within the frame of industrial organization, particularly, its part which concerns markets for vertically differentiated products. This article deals with economic-mathematical model of price competition for a vertically differentiated duopoly featured by the entry of a product which quality is much better than that of another.

Finnish Re-exports to Russia

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We study re-exports from Finland to Russia. Re-exported goods are defined as goods that are imported by a purchaser in one country who then exports the product to a third country without processing. Re-exports are a major driver behind recent growth of Finnish exports to Russia, with re-exports constituting over a quarter of Finnish exports to Russia in 2005. Re-exporting typically involves high-value products such as electronics and vehicles. Finland's involvement in such trade reflects the technically advanced nature of Finnish logistics and traditionally large transit streams through Finland to Russia. Other reasons for re-exports include Russia's vast market potential for Finnish trading companies, Finnish companies' special knowledge about Russian demand (asymmetric information), transfer pricing and grey schemes. The domestic income and employment effects of re-exports are similar to those of transit trade. Re-exports are highly cyclical, making long-term developments hard to predict.

Economic Analysis of Russian Antitrust Policy, International Perspective

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In this issue the lecture course «An Economic Analysis of Russian Antitrust Policy in the International Perspective» is continued. The issue contains two lectures. The first lecture (lecture number 9) considers the economic theory of dominance and strategies of dominant firm those can be considered as abusive in the antitrust policy. The main goal here is to assess the impact of specific strategy on social welfare in the short- and long-run. The second lecture of the topic (lecture number 10) analyzes the legal rules aimed at preventing abuse of dominance and/or monopolization of the markets. As in other lectures, we will compare legal rules applied in USA and EU. We also will focus on changes introduced in the Russian antitrust legislation on dominance and abuse of dominance by new RF Law «On Protection of Competition» (2006).