

Summary

A Rule for Determining the Winner in Sealed Ceiling Bids and Its Mathematical Properties

Belenky A.S.

A rule for determining the winner in a sealed ceiling bid in which a contract for providing services is offered to a set of qualified bidders is proposed. This rule is, in fact, an economic mechanism encouraging the bidders to submit their bids for the contract that are close to a (calculated) price desired by the auctioneer while discouraging the bidders to submit both damping prices and too high prices. Under the proposed rule, for each participating bidder, the probability of winning the contract at a particular price desirable by the auctioneer turns out to be higher than that under the traditional rule – when the contract is awarded to a bidder offering the lowest price for providing services stipulated in the contract. At the same time, the probability of winning the contract by each bidder at a price exceeding this particular price (desirable by the auctioneer) turns out to be lower than that of winning the contract at the desirable price, which makes the proposed rule mutually beneficial for both the auctioneer and the bidders.

Extended Preferences in Voting

Karabekyan D.S.

Extended preferences (preferences over sets of alternatives) are considered. Known main conditions of the relationship between preferences over alternatives and extended preferences over outcomes (sets of alternatives) are studied. Several concepts of extended preferences are elaborated. Known and new schemes of constructing extended preferences over sets of alternatives are described and suggested. Three groups of schemes are defined: lexicographic, probabilistic and average rank methods of preferences extending. While lexicographic and probabilistic algorithms allow comparison of all sets of alternatives, average rank method need additional restrictions. Lexicographic, probabilistic, and cardinality restrictions, as well as attitude to risk restrictions, are introduced and then properties of extended preferences are studied.

The Productivity Gap between Europe and the United States: Trends and Causes

Ark B. van, O'Mahony M., Timmer M.

This paper shows that the European productivity slowdown is attributable to the slower emergence of the knowledge economy in Europe compared to the United States. We consider various explanations which are not mutually exclusive: for example,

lower growth contributions from investment in information and communication technology in Europe, the relatively small share of technology producing industries in Europe, and slower multifactor productivity growth (which can be viewed as a proxy for advances in technology and innovation). Underlying these explanations are issues related to the functioning of European labor markets and the high level of product market regulation in Europe. The paper emphasizes the key role of market service sectors in accounting for the productivity growth divergence between the two regions. We argue that improved productivity growth in European market services will be needed to avoid a further widening of the productivity gap.

The Reduction of Costs per Unit of Output in Russian Industry: Direct Investment as a Reason

Kantorovich G.G., Nazrullaeva E.Yu.

In the applied growth theory investment is assumed to foster economic growth. Additional investment leads to capital accumulation without any influence on technological progress. This paper assumes that developing innovative technologies allows firms to lower their costs of production per ruble of output. The link between investment process and the dynamics of production costs is analyzed for key Russian industries. The data used is the official statistics borrowed from the Federal State Statistics Service (GKS) and covers the period from 1st quarter of 1995 to 4th quarter of 2004. Error correction models are estimated and short-run fluctuations and long-run equilibrium for costs structure and investment are observed at a disaggregated industry level. Modeling costs structure helps to answer the question whether investment expenditures are, at least partly, aimed at securing technological progress. This, in turn, determines the nature of economic growth, i.e. whether the growth observed is extensive or intensive. If improved technologies do not emerge as a result of investment then it appears that investment process in an industry is organized ineffectively. It seems that effect of investment on production efficiency varies across the industries, and the overall efficiency of investment can be questioned.

Measuring the Third Sector Efficiency: Problems and Solutions

Borisova E.I., Polishchuk L.I.

The key distinction of non-profit organizations (NPO) from for-profit private firms is that the former have no owners and do not distribute profit to shareholders. This feature leaves NPOs without a natural efficiency criterion reflecting goals of such organizations, and greatly complicates the analysis of NPO efficiency. The paper critically assesses the existing approaches to measurement of NPO efficiency and proposes the production frontier approximation as an efficiency measurement tool which is both practical and, under certain assumptions, adequate to the problem of NPO performance evaluation. Application of the proposed method is discussed, including measurement of efficiency of non-profit associations, such as associations of homeowners.

**Risk-taking by Russian Banks:
Do Location, Ownership and Size Matter?**

Fungáčová Z., Solanko L.

The Russian banking sector has experienced enormous growth rates during the last 6–7 years. The rapid growth of assets has, however, contributed to a decrease in the capital adequacy ratio, thus influencing the ability of banks to cope with risk. Using quarterly data spanning from 1999 to 2007 on all Russian banks, we investigate the relationship between bank characteristics and risk-taking by Russian banks. The analysis of financial ratios reveals that, on average, the risk levels are still below those observed in Central and Eastern Europe. Combining the group-wise comparisons of financial ratios and the results of insolvency risk analysis based on fixed effects vector decomposition, three main conclusions emerge. First, controlling for bank characteristics, large banks have higher insolvency risk than small ones. Second, foreign-owned banks exhibit higher insolvency risk than domestic banks and large state-controlled banks are, unlike other state-controlled banks, more stable. Third, we find that the regional banks engage in significantly more risk-taking than their counterparts in Moscow.

**Paul Krugman: the Nobel Prize Winner,
the Theorist of International Trade and Economic Geography**
Zakharenko P.L.

This article reviews the major contributions of Paul Krugman, the 2008 Nobel laureate in Economics, in the fields of international trade theory and economic geography. The paper also considers the major precursors of Krugman's work, as well as its further development by the followers of Paul Krugman.