

Tuesday, August 23, 2005. Issue 3236. Page 10.

The Stars of Finance

By Konstantin Sonin

In certain branches of science, Russia leads the way. In other areas, this country is a backwater. Take, for example, the Econometric Society's 9th World Congress, currently being held at University College London. The conference is held once every five years and more than 1,000 people take part, making it the largest and most representative academic economics forum in the world. Specialists from Russian institutions are presenting just three papers, fewer than Mexico, Chile and Brazil.

And then there are branches of science that simply don't exist in this country, such as finance. By this I mean academic research, of course. I have no doubts whatsoever about the professional competence of our applied financial analysts.

As a rule, scholars in the field of finance are employed by universities and in their research they tackle more complex and important topics than their colleagues who work for investment banks.

Often, this research produces no immediate profit, but in the long term the return can be enormous. When Fischer Black, Robert Merton and Myron Scholes derived a mathematical formula for determining the value of European-type call and put stock options in the early 1970s, their work was highly theoretical. Three decades later, it's impossible to imagine the derivatives market without the Black-Scholes formula.

You might wonder why Russia needs scholars working in the field of finance when we have plenty of first-rate analysts already. The lack of academics severely limits the quality of instruction and therefore our ability to train the next generation of top-class applied financial specialists.

Despite the lack of financial scholarship in this country, we are hosting the 32nd annual meeting of the European Finance Association from Wednesday to Saturday in Moscow. The conference is jointly sponsored by Moscow's Higher School of Economics, the Yale School of Management and Humboldt University in Berlin. The program committee includes such leading lights as Yale professor William Goetzmann. Unfortunately, Russian scholars will once again be presenting just three papers out of a total of some 200.

But upon closer inspection of the conference program, you'll see that we have quite a bit to be proud of. Roughly 15 Russians now working or studying abroad at such institutions as Harvard and the Massachusetts Institute of Technology will be taking part in the conference. Among the established scholars is Ilya Strebulyev, who holds a doctorate from the London Business School and is now an assistant professor of finance at Stanford University's Graduate School of Business. Rising stars such as Mikhail Chernov, associate professor of finance at Columbia Business School, and Ruslan Bikbov, a doctoral candidate in the same department, will also be delivering papers.

Conference registration for Russian citizens is free. The program contains sections on corporate finance theory, asset management, liquidity and volatility issues, hedging and risk, and much more.

The conference provides a great opportunity to see Russian finance scholars in action. And who cares if they're working at Stanford and Harvard at the moment. Who knows, maybe some oligarch will bankroll their return to Moscow State University or the Higher School of Economics. That would be a bigger coup than buying Chelsea.

Konstantin Sonin, professor at the New Economic School/CEFIR, wrote this column for Vedomosti.