

*Competition for Young Economists  
and Current Economic Problems  
of the Czech Republic and European Union*  
*Soutěž pro mladé ekonomy  
a aktuální ekonomické problémy  
České republiky a Evropské unie*

---

MOJMÍR HELÍSEK

---

In 2007, the University of Finance and Administration announced the Professor František Vencovský Prize. The prize is awarded to young economists under 35 years of age. This is a biannual prize announced by the rector of the University of Finance and Administration; this year, the prize was therefore awarded for the third time. Prof. Vencovský was a prominent Czech economist, an expert on monetary policy who worked at the central bank for many years.

The winners of the Professor František Vencovský Prize are traditionally announced during an international conference focusing on the issue of current economic problems. When held for the first time in 2007, the conference topic was the challenges that the economy faces from the globalizing world. The main speech was delivered by professor Samuel Peltzman of the University of Chicago. The second conference held in 2009 focused on the social security and pension reforms in the Czech Republic and in Europe. The main speaker was professor Nicholas Barr of the London School of Economics. The conferences are traditionally organized in cooperation with the Czech National Bank and are held under the auspices of the Bank's Governor, at the Congress Centre of the Czech National Bank. The theme of this year's conference was "The Czech and World Economies after the Global Financial Crisis." The conference held on 25 November 2011 boasted a massive attendance by the representatives of the professional public.

The opening speech for the conference by Bohuslava Šenkýřová, Rector of the University of Finance and Administration, emphasizing the importance of the conference for the exchange of information regarding the current economic issues. She also recalled the results of the previous Professor František Vencovský Prize Competitions, and the role the contest plays in the development of the economic science.

Miroslav Singer, Governor of the Czech National Bank, spoke about the dramatic economic situation in 2011, with weakening growth impulses and negative prospects in the solution of the euro area's debt crisis. The financial crisis is not over, there are signs of another recession. There is only a limited space for fiscal expansion. In conclusion of his speech, M. Singer said that the main risk for the Czech Republic is the fact that its exports are vitally dependent on the German economy. The good news on the other hand is the stability of the Czech financial sector.

A main speech entitled *"The New Member States in the context of the European financial and economic crisis: differentiation and prospects"* was delivered by Michael Landesmann, Director of Research at The Vienna Institute for International Economic Studies (WIIW - Wiener Institut für Internationale Wirtschaftsvergleiche) and a professor of economics at the Johannes Kepler University in Linz. He especially pointed to the significant differences between the countries of Central and Eastern Europe, in terms of their current account deficits, payment balance and public debt. In this context, the Czech Republic shows very positive figures. According to M. Landesmann, it is not likely that the economy would return to the pre-crisis situation in the near future. The capital inflow has significantly declined and the region is seen as risky.

Speeches were also given by three popular Czech economists.

Petr Zahradník, Head of the European Union Office at the Česká spořitelna (Czech Savings Bank) and a member of the Czech National Economic Council, focused on the theme of *"The crisis in EU and euro area and its possible impacts on EU cohesion policy as a part of the multi-annual financial Framework"*. There are expectations that in connection the financial crisis will boost interest in cohesion fund resources. Net payers contributing to these funds will likely strengthen their control, thus tightening up the access to such financial resources.

Tomáš Sedláček, the chief macroeconomic strategist at the Československá obchodní banka (Czechoslovak Commercial Bank) and member of the Czech National Economic Council, and an author of the famous book entitled *"Economics of Good and Evil"* which became an economic best seller in the Czech Republic and was also published in the US, delivered a speech which he titled *"Fiscal and monetary policy after(?) the crisis"*. Tomáš Sedláček believes that politicians should no longer be entitled to decide on fiscal policy and the creation of debts and that this should be the task for expert institution, like monetary policy. He proposed a fiscal rule entitled *"constant 4"*: if for example GDP drops by -3% during the times of a recession, the public finance deficit may reach up to 7% relative to the GDP. On the other hand, during the period of expansion, with GDP growing by 6% for example, the public budget should constitute a 2% surplus.

Aleš Michl, an analyst in Raiffeisenbank, presented a paper entitled *"(Un)Competitiveness of Czech economy in the times of crisis"*. The European Union may in the future develop according to three scenarios. According to the first scenario, the EU will not respond to the competition challenges. Sophisticated industrial production will then be transferred outside the EU, for example to China, and the EU will face the risk of disintegration. The second scenario envisages the unification of the EU's fiscal policy (European bonds), with Germany holding the leading role. The third scenario presents a change in the euro area, which will be abandoned by some of its members - either the strong ones, such as Germany, or the weak ones, such as Greece.

The afternoon part of the conference was devoted to the winning contributions in the contest of young economists for the Professor František Vencovský Prize. A total of 11 contestants applied for the prize. The expert assessment was presented by Jan Frait. The nomination scientific committee decided to award five works.

The main prize of CZK 200,000 was divided between two works:

- The first work entitled *"Excessive Credit Growth and Countercyclical Capital Buffers in Basel III: An Empirical Evidence from Central and East European Countries"* was written by Adam Geršl and Jakub Seidler. It is the authors' intention to prove that the current proposals of banks' countercyclical capital buffers included in the upcoming Basel III regulation may not be beneficial for the countries of Central and Eastern Europe. The proposals do not reflect neither the differences among individual countries, nor the specifics of economies converging to the EU economy.
- The second work entitled *"Information Frictions and Monetary Policy"* was written by Filip Matějka. It deals with the question of what information do people pay attention to and how can this be used in, for example, the creation of monetary policy, tax laws or in marketing. This approach is part of a broader "theory of rational inattention". Filip Matějka published an article on this topic, in cooperation with professor Christopher Sims, holder of the 2011 Nobel Prize for Economics.

The remaining three winning works were also awarded by prizes:

- Soňa Benecká, for her *"International reserves and the financial crisis: monetary policy matters"*,
- Václav Žďárek, the author of *"Testing the Relative PPP hypothesis in CEE States – does the 'PPP puzzle' still keep up?"*
- Jozef Baruník with his *"Can we improve understanding of the financial market dependencies in the crisis by their decomposition?"*.

The programme of this year's conference also included a film covering the story of young František Vencovský, entitled "The Art of Selling Motorcycles". This film, together with a short documentary entitled *"Six Pipes of František Vencovský"* shown during the previous conference, will be published on the website of the University of Finance and Administration.

The works of the winners of the Professor František Vencovský Prize will be published in the upcoming issues of the ACTA VŠFS magazine.

Please go to [www.vsfs.cz/cena](http://www.vsfs.cz/cena) for more information regarding the contest, or log on [www.vsfs.cz/konference](http://www.vsfs.cz/konference) to find more information about the conference.

### **Contact address / Kontaktní adresa:**

**doc. Ing. Mojmír Helísek, CSc.**

University of Finance and Administration / Vysoká škola finanční a správní  
([mojmir.helisek@vsfs.cz](mailto:mojmir.helisek@vsfs.cz))