

*Economic Research Support – 7th Annual
Competition for the Prize
of prof. František Vencovský*
*Podpora ekonomického výzkumu – Sedmý ročník
soutěže o Cenu prof. Františka Vencovského*

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At the end of April 2019, the Rector of the University of Finance and Administration announced the seventh year¹ of the competition for young economists, associated with the Prize of prof. František Vencovský. The aim of the competition is to support the research activities of young economists and at the same time to honour the memory of the prominent Czech national economist František Vencovský (1923–2006).

The prize was created with the permission of the family of this prominent monetary theory and practice expert. Professor JUDr. František Vencovský was a student of Karel Engliš (an important Czech economist in the period of the 1st Czechoslovak Republic, i.e. 1918–1938, Minister of Finance and Governor of the National Bank of Czechoslovakia) and later his friend and successor. He started his career at the branch of the State Bank of Czechoslovakia (SBCS) in Humpolec. Since 1968 he worked at the SBCS headquarters in Prague. From 1990 to 1992, he was an advisor to the Governor of the Czech National Bank (CNB) Josef Tošovský. He then decided to share his knowledge as a lecturer at the Department of Monetary Theory and Policy of the Faculty of Finance and Accounting of the University of Economics in Prague, where he started as an associate professor and was later awarded a professorship. In his professional work, prof. Vencovský focused on the issues of monetary theory, history and practice, about which he published a number of articles and several books. He rightly gained recognition as one of the most important theorists in our country. His research activities in the field of the history of Czech economic learning were also quite beneficial. The President of the Czech Republic, Václav Klaus, awarded prof. Vencovský with a second-degree Medal of Merit in 2003.

The rules of the competition require the participant to deliver an original scientific paper based on original research. The paper can be in Czech or English. The competition for

¹ Information about the previous sixth year of the competition (2017) is available in ACTA VŠFS No 1/2018 (in the Editorial section).

this prize is announced every two years. It was first announced in 2007. The first prize winner is awarded 200 000 CZK (the prize can be divided), other winners are rewarded with material prizes.

Here is a brief history of the competition for the Prize of prof. Vencovský (since 2007) with the thematic focus for each competition and the names of its winners and their winning works.

2007: New challenges for the economy in a globalising world

A. Geršl "Three Indirect Effects of Foreign Direct Investment: Evidence from the Czech Republic"

F. Novotný "The Adjusting Roles of the Exchange Rate in an Imperfect Competition Environment on the Example of the Czech Republic"

2009: Social Europe – current problems and perspectives

K. Pavlovská "Intergenerational Solidarity in European Public Health Systems"

2011: Czech and world economy after global financial crisis

A. Geršl, J. Seidler "Excessive Credit Growth and Countercyclical Capital Buffers in Basel III"

F. Matějka "Information Frictions and Monetary Policy"

2013: European economy and its perspectives

B. Pertold-Gebicka "Job Market Polarization and Employment Protection in the Europe"

T. Konečný "Linkages Between the Financial and Real Sectors Across Interest Rate Regimes: The Case of the Czech Republic"

2015: The European economy – a return to growth or long-term stagnation?

V. Audzei "Information Acquisition and Excessive Risk: Impact of Policy Rate and Market Volatility"

H. Lipovská "Fiscal Placebo"

2017: Competitiveness in business in the context of fiscal and monetary policy

M. Hodula, L. Pfeifer "The Impact of Credit Boom and Economic Policy on Labour Productivity: a Sectoral Analysis"

V. Kajurová, D. Linnertová "The Impact of Loose Monetary Policy on Competitiveness of Czech Firms"

The seventh year of the competition (2019) was intended for doctoral students at universities in the Czech Republic and doctoral graduates within two years after graduation. The thematic focus of the competition papers was not narrowly defined this time. It encompassed a wide range of economic research such as economic theory, economic policy, financial markets, public finance, banking, entrepreneurship, business, marketing and more.

The competition was split into two sections:

- 1) Theoretically oriented research section with academically themed works, both in basic and applied research;

- 2) Practically oriented research section with works with potential application in practice in business and public sector.

The papers were judged by a committee appointed by the Rector of the University of Finance and Administration, which chose the winners of the competition. The committee included representatives from the University of Finance and Administration, as well as academics from other universities (University of Economics in Prague, VŠB – Technical University in Ostrava, Mendel University in Brno) and experts from non-academic institutions (Czech National Bank, Generali CEE Holding).

37 papers were submitted for the competition. Following consultations between the members of the committee, some of the competing papers were excluded due to their inappropriate thematic focus. In the end 25 papers were evaluated. These 25 works were divided into the above mentioned two sections, namely 12 works in the theoretical research section and 13 works in the practical research section. The members of the committee assessed the works anonymously, the names of the competitors were known only to the committee secretary.

The committee selected the following winning works.

In the theoretically oriented research section:

D. Ehrenbergerová, S. Malovaná "The Effect of Higher Capital Requirements on Bank Lending. The Capital Surplus Matters". This paper studies the impact of higher additional capital requirements on growth in loans to the private sector for banks in the Czech Republic. The analysis draws on a unique supervisory panel dataset and examines the relationship both at the aggregate level and the bank-specific level. The empirical results indicate that higher additional capital requirements have a negative effect on loan growth for banks with lower capital surpluses. In addition, the results confirm that the capital surplus is crucial in the transmission of the capital requirements and that the relationship between the capital surplus and loan growth is important also at times of stable capital requirements, i.e. it does not serve only as an intermediate channel of higher additional capital requirements.

In the practically oriented research section:

J. Grossmann "The Effect of Minimum Wage Increases in the Czech Republic in 2013–2017". This paper analyzes the employment effects of four minimum wage increases implemented in the Czech Republic during 2012–2017 that cumulatively increased the national minimum wage by 37 percent. Paper analyzes outcomes at the level of firm-occupation-county-specific job cells and apply an intensity-treatment estimator similar to that of S. Machin et al. "Where the Minimum Wage Bites Hard: Introduction of Minimum Wages to a Low Wage Sector" (2003). Specifications preferred by the author suggest that minimum wage increases led to higher wages of low-paid workers without a significant impact on their employment.

The evaluation of seventh competition for the Prize of prof. Vencovský traditionally took place at an international scientific conference in the Czech National Bank Congress Centre in Prague on 15 November 2019, where important economists and winners of the competition spoke.

This conference (as well as the competition) took place for the seventh time. The following important economists were the keynote speakers at previous conferences:

2007: prof. Sam Peltzman from the University of Chicago

2009: prof. Nicolas Barr from the London School of Economic

2011: prof. Michael Landesmann from the Wiener Institut für Internationale Wirtschaftsvergleiche

2013: prof. Václav Klaus, former president of the Czech Republic

2015: Miroslav Singer, Governor of the Czech National Bank

2017: Jiří Rusnok, Governor of the Czech National Bank

In 2019, the conference was opened by the Rector of the University, Bohuslava Šenkýřová, with a brief but concise overview of the development of the Czech economy since 1989. At the very end, she stated: "If the last 30 years were full of changes in society, politics and economy, I am convinced that the next 30 years will be no less turbulent."

Her contribution was followed upon by the Governor of the Czech National Bank Jiří Rusnok with his speech "Monetary Milestones of the Past 30 Years Through the Eyes of the CNB", where he summarised, among other things, the historical role of the Czech koruna. In 1991–1997, the Czech koruna was one of the few existing nominal anchors. In 1997, 2002 and 2008, it was the source of exchange rate shocks, and in 2009 it acted as a pillow to dampen the negative external demand shock. As an unconventional monetary policy instrument, the Czech koruna was used in terms of a lower zero bound in 2014–2017. The Governor also commented on the issue of the single European currency. According to him, its benefit lies in the foreign trade support, while the unfinished institutional form of the euro area and its political character represents its negatives. The conclusion of his contribution was quite clear: "Our own currency is an advantage if we know how to utilise it."

In his speech "Thirty Years after the Economic Transformation of the Czech Republic", Václav Klaus returned to the events of November 1989, which he considers to be completely unique historical moments that deserve to be commemorated and celebrated. Even before the touching upon the very theme of economic transformation, he inevitably returned to the previous period to point out that "the Czech Republic – of all countries with similar fate – least benefited from the extensive model of economic growth, which was a characteristic feature and an inevitable consequence of the centrally planned economy." November 1989, he said, forced upon us not only a better economic policy, but a fundamental systemic change and a fundamental change in the economic and political system. According to Václav Klaus, "The transformation of the 1990s was about a qualitative change in our country." And he foresees the same change in the future: "I am convinced that there must once again be a systemic change, the abolition of the dictatorship of politics over the economy, which we are once again dangerously approaching." Same as the CNB Governor, Václav Klaus drew attention to the excessive politicisation of the European Union and, according to him, a dangerous subsidy policy.

The second keynote speaker was Otmar Issing (Director of the Institute of International Economic Relations at the University of Erlangen – Nuremberg and former Chief Economist and Member of the Board of the European Central Bank) with a speech called “Twenty years of the euro”. He took a critical stance on the functioning of the euro area and the European Central Bank (ECB). He also criticised the negative interest rates of the ECB.

The following panel discussion included Karel Havlíček, Deputy Prime Minister of the Czech Republic and Minister of Industry and Trade, and Miroslav Singer, Chief Economist of Generali CEE Holding. A number of interesting topics were discussed. Karel Havlíček recalled that in the 1990s, when the Czech economy underwent a fundamental transformation, there was no one with practical experience in free enterprise, free market, lending, etc. Likewise, he said that it was not possible to privatise the then companies into hand of the Czech people, because our country simply lacked managers. Miroslav Singer agreed that we are at a time when politics dominates all areas of life, including the economy. He even believes that politics can evolve in an unfavourable direction for us.

This was followed by the announcement of the competition results and the award ceremony. The winners then presented their winning entries.

The University of Finance and Administration considers the competition for the Prize of prof. F. Vencovský to be a significant support of economic research development in the Czech Republic. Therefore, it wants this competition to continue in the coming years.

Information about the competition (in Czech and English) can be found at www.vsfs.cz/price, about the conference at <https://www.vsfs.cz/bienale/>.

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