

Olga Radzyner Award Winners 2012

The Olga Radzyner Award has been bestowed on young economists from Central, Eastern and Southeastern Europe (CESEE) for excellent scientific work on European economic integration since the year 2000. The OeNB established this award to commemorate Olga Radzyner, the former head of the OeNB's Foreign Research Division, who died in a tragic accident in August 1999.

In 2012, the OeNB received 20 submissions from young economists from 11 countries. The submitted papers covered a wide range of topics related to the economic crisis and policy responses at the European and the national level. Besides effects of institutional deepening within the EU, many papers also focused on integration steps and opportunities for non-members, in particular in the Western Balkans. Further prominent topics covered convergence and inequality in Europe, effects of fiscal and monetary policy, foreign exchange lending, trade and banking.

Out of the pool of promising young CESEE economists competing for the award in 2012, a panel of OeNB reviewers selected four papers, which were considered outstanding in terms of originality, overall presentation of the research question and analysis, and the use of state-of-the-art methods. On November 26, 2012, at the OeNB's Conference on European Economic Integration (CEEI), Governor Ewald Nowotny conferred the award upon:¹

- *Selena Begovic* (Bosnia and Herzegovina), School of Economics and Business in Sarajevo, examined whether currency board arrangements in European countries have had a dampening effect on inflation. She applies a novel estimation approach – combining a static and a dynamic approach with the so-called fixed-effect vector decomposition estimator – to a panel of 25 countries over the period from 1998 to 2009 and finds that countries with a strong currency board regime have lower inflation than countries with other monetary frameworks.
- *Jane Bogoev* (FYR Macedonia²), National Bank of the Republic of Macedonia, investigates in his paper the bank lending channel for FYR Macedonia based on bank balance sheet data, distinguishing between domestic and foreign currency loans. Based on a quarterly dataset comprising 20 banks over the period from 2000 to 2008, he finds that the bank lending channel is mainly relevant for foreign currency loans, which react to changes in the foreign reference rate. This leads him to conclude that the increasing trend of foreign currency lending in FYR Macedonia may reduce the effectiveness of monetary policy.
- *Rilind Kabashi* (FYR Macedonia), PhD student at Staffordshire University (U.K.) and analyst at the National Bank of the Republic of Macedonia, examined the response of the primary budget balance to a set of macroeconomic and institutional variables in the 27 EU Member States and 6 Western Balkan countries. This very careful econometric analysis is among the first to provide respective empirical evidence for the Western Balkans. His estimations of a fiscal reaction function show that there are considerable differences in the cyclical character and determinants of fiscal policy between old EU Member States and transition countries. Most notably, discretionary policy in transition countries is procyclical,

¹ *Winners in alphabetical order.*

² *The former Yugoslav Republic of Macedonia.*

thus aggravating economic fluctuations, a result which is robust to various extensions and checks.

- *Krisztina Orbán* (Hungary), Central European University, explored the relationship between trade links and banking relationships, using a newly established firm-level dataset which she constructed from officially available national data sources. She finds evidence of significant differences between banking characteristics of exporting and non-exporting firms as well as a significant relationship between exporting and banking with the same country. While the analysis cannot answer the question of causality between banking and exporting, it shows that financial flows can help and might increase trade flows.