

Klaus Liebscher Award



Klaus Liebscher Award for Scientific Work on European Monetary Union and Integration Issues by Young Economists

On the occasion of the 65th birthday of Governor Klaus Liebscher and in recognition of his commitment to Austria's participation in European monetary union and to the cause of European integration, the Oesterreichische Nationalbank (OeNB) established in 2005 the Klaus Liebscher Award. This award is the highest scientific distinction, the OeNB offers every year for up to two excellent papers on European monetary union and European integration issues written by young economists (up to 35 years) from EU member or EU candidate countries. The award is worth EUR 10,000 per paper. The papers are refereed by a panel of highly qualified reviewers.

The Klaus Liebscher Award is granted this year for the ninth time.

The winners of 2013 are Luca Fornaro, London School of Economics for his paper "International Debt Deleveraging" and Jenny Simon, Stockholm Institute of Transition Economics and Justin Valasek, Social Research Center Berlin (WZB) for their joint paper "Efficient Fiscal Spending by Supranational Unions".

In his paper "International Debt Deleveraging", Luca Fornaro analyzes the macroeconomics of a simultaneous deleveraging of countries in a currency union. The drop in aggregate demand and in the level of interest rates that follows as a consequence cannot be compensated by exchange rate adaptations. The paper shows how in such a situa-

tion a systemic recession can spread among all countries in the currency union. The paper discusses various policy measures that can help to support macroeconomic stabilization in such a situation.

In their joint paper "Efficient Fiscal Spending by Supranational Unions" Jenny Simon and Justin Valasek ask whether a union of sovereign countries



are able to efficiently raise and allocate a common budget, even if they are motivated by self interest only and participation in the union is entirely voluntary. Using concepts from bargaining theory the authors show that in such a problem bargaining power is not ex-ante given but arises endogenously in the negotiation process. This fact creates a link between budget contributions and budget allocation. Within this framework the authors discuss conditions under which a common budget can be raised and allocated efficiently.