Olga Radzyner Award Winners 2014

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The Olga Radzyner Award has been bestowed annually on young economists from Central, Eastern and Southeastern Europe (CESEE) for excellent scientific work on European economic integration since the year 2000. The Oesterreichische Nationalbank (OeNB) established this award to commemorate the former head of the OeNB's Foreign Research Division, Olga Radzyner, who pioneered the OeNB's CESEE-related research activities.

In 2014, the OeNB received 19 submissions for the Olga Radzyner Award from candidates from 11 countries. The submitted papers covered a wide range of topics related, inter alia, to international trade, banking sector stability, the integration of financial markets, the role of foreign currency loans and euroization, the volatility of capital flows, total factor productivity growth, or the way fiscal and monetary policy measures are transmitted to the real economy. In terms of regional coverage, the submitted papers provided empirical evidence for Europe in general and for CESEE in particular.

From these submissions, the jury of OeNB reviewers chose four papers for distinction with the Olga Radzyner Award because they were considered outstanding in terms of originality, motivation and analysis as well as the use of state-of-the-art methods. The awards were conferred by OeNB Governor Ewald Nowotny on November 24, 2014, at the OeNB's Conference on European Economic Integration, and the winners[1] are:

Tomislav Globan (Croatia), Senior Teaching Assistant at the University of Zagreb, investigated the relative importance of domestic versus foreign factors for capital flows in a structural vector autoregressive framework. He found that macroeconomic developments in the euro area have become increasingly important determinants of capital inflows in the CESEE EU Member States. This trend can be connected to rising levels of financial integration in these countries. At the same time, the volatility of capital inflows into the region has increased. These results call upon host countries to strengthen their domestic financial and regulatory systems in order to limit sudden stops in capital flows.

Ildikó Magyari (Romania), PhD student at Columbia University, New York, identified a meaningful impact of financial liberalization on imports, both in theoretical and empirical terms. Her theoretical analysis builds on a conventional trade model with heterogeneous firms and predicts that better access to bank loans, generated by financial liberalization, provides incentives for firms to engage in import transactions and to purchase more imported intermediate inputs. In the empirical part of her paper, she verifies these predictions – applying a difference-in-difference approach – for a sample of Hungarian firms and shows that the import-promoting impact of financial liberalization is economically significant.

Dzsamila Vonnák (Hungary), PhD student at the Central European University in Budapest, studied the determinants and riskiness of corporate foreign currency borrowing, investigating a rich firm-level dataset for Hungary. Her multinomial logit regression results suggest that companies with weaker balance sheets systematically chose to borrow in Swiss francs rather than in euro in the observation period. Moreover, she shows that both the exchange rate movements of the

[1] *In alphabetical order.*

Hungarian forint vis-à-vis the Swiss franc and the per se stronger risk appetite of firms borrowing in Swiss francs contributed to the significantly worse performance (in terms of firm defaults) of Swiss franc-borrowing firms during the crisis.

Vukan Vujić (Serbia), also a PhD student at the Central European University in Budapest, analyzed the impact of funding by foreign parent banks on their CESEE subsidiaries' lending activities in the period of 2009 to 2011. Based on a comprehensive dataset of multinational banking groups operating in 19 CESEE countries he showed that parent bank funding, particularly funding via equity investments, is positively and significantly linked to asset growth of banks' CESEE subsidiaries. Direct exposure of parent banks to stressed euro area countries is associated with lower asset growth of these banks' CESEE subsidiaries. These results can be interpreted in a causal manner, as Vujić convincingly applied instrumental variable estimation techniques.