The Czech Economic Society announces winners of the Young Economist of the Year Award

*Prague, 28 November 2019*

**The Czech Economic Society has awarded the title Young Economist of the Year 2019 to Vladimír Novák and Andrei Matveenko. They won the prize for their paper „The Status Quo and Belief Polarization of Inattentive Agents.“**

The Czech Economic Society (CES) is awarding the Young Economist of the Year Award to members of the Czech economics community who are no more than 30 years old. The CES also awards the „Karel Engliš Award“ for the best paper focusing on Czech economic policy. The president of the CES may also award an „Honourable Recognition for an Excellent Paper“ for extraordinarily excellent work to an author aged 25 years or younger. The award is supported by the Council of Scientific Societies of the Czech Republic. The award’s media partners are Roklen24 and Bankovnictví.

**The winning paper by Vladimír Novák and Andrei Matveenko (CERGE-EI)** is on rational inattention under uncertainty when new policies are introduced. Many real-world situations involve a choice between the implementation of a new policy with multiple possible outcomes and the preservation of the status quo. They analyse what information an inattentive agent acquires in such a binary choice problem. Specifically, they model the agent to be rationally inattentive: any information about the new policy can be acquired before the choice is made, but doing so is costly. They show how the choice of information, and thus the belief formation, depends on the status quo and they present under which conditions the beliefs can update away from the realized truth in expectation. This result depends on the endogenous information acquisition process, as the agent only needs to learn whether the uncertain payoff is higher or lower than the payoff of the status quo. Consequently, even two agents with the same prior beliefs about the new policy might become polarized if they differ in the valuations of the status quo. They show that the lower cost of information makes the polarization more severe.

**The second place of the Young Economist of the Year has been awarded to Bruno Baránek (University of Princeton) and Vítězslav Titl (University of Leuven)** for their paper „The Cost of Favouritism in Public Procurement.“ Are political connections in public procurement harmful or efficiency-gaining? Exploiting detailed data on firm representatives’ political affiliations in the Czech Republic, they find that favouritism to politically connected firms increases the final price of procurement contracts by 5% to 8 % of the estimated costs while no gains in terms of quality are generated. Interestingly, they find that these adverse effects of political connections are not present for procurement contracts that are co-funded by the European Union and thus get additional oversight by the European Commission.

**The third place of the Young Economist of the Year has been awarded to Filip Staněk (CERGE-EI)** for his paper „Affine Weighting Scheme for Tests of Predictive Ability and Time-Series Cross-Validation.“ He proposes a weighting method applicable to time-series cross-validation estimator of the out-of-sample loss. The method leverages correlation between the performance in the in-sample and out-of-sample periods to achieve a higher precision of the estimator. Consequently, the method allows for more precise inference about the performance of different forecasting algorithms. Furthermore, if the cross-validation is used for the purpose of algorithm selection, the higher precision is shown to decrease the probability of selecting poorly performing forecasting algorithms which consequently leads to a better overall predictive performance.

**Karel Engliš Award for the best paper on Czech economic policy has been awarded to Michal Šoltés and Klára Svitáková (CERGE-EI)**. In their paper „Sorting of Candidates: Evidence from over 20,000 Electoral Ballots“ they use over 20,000 electoral ballots from proportional representation elections to document that candidates are systematically sorted on the ballots according to their valence and intra party value, measured by political donations and membership. The observed patterns are consistent with market mechanisms between candidates and party leaders where the party leaders benefit from candidates' valence and intra party value and offer ballot positions (i.e. probability of winning a seat) in exchange. Consequently, candidates of high valence and those who possess intra party value are placed on better positions, despite the fact that candidates with intra party value tend to receive relatively fewer votes than their counterparts of the same characteristics at the same position on the ballot. They also show that as a party becomes more popular and expects more council seats, the share of candidates with intra party value increases.

**Honourable Recognition for an Excellent Paper to authors aged 25 or younger has been awarded to Paulína Očkajová (University of Economics in Prague)** for her paper „Revenue Elasticity of the Property Tax in the Czech Republic.“ The objective the paper is to investigate whether, as already claimed by early economists such as Ricardo, the property tax is indeed the ideal tax because of perfectly inelastic tax base. For this purpose, she estimates the revenue elasticity of the property tax with respect to tax rates in the Czech Republic using municipality-level data on property tax revenue, tax rates and municipality characteristics during the period of 2004 to 2017. The research design exploits a variation in tax rates across municipalities and years caused by a policy change in 2008 when municipalities obtained an option to multiply the final tax liability by a so-called local coefficient. Using a difference-in-differences estimator, she finds the total revenue elasticity to be 0.76, while theoretically it should be one under a perfectly inelastic tax base. However, further analysis indicates that the less-than-one elasticity is primarily due to substantial exemptions rather than behavioral responses in the tax base.

The prizes have been presented by Kamil Galuščák, CES President, during the General Assembly of the Czech Economic Society on 28th November 2019 in Prague at the Institute of Economic Studies, Charles University.