



Česká společnost ekonomická, z. s.

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**CZECH ECONOMIC SOCIETY
ACTIVITY REPORT
2019**

1. THE SOCIETY AND ITS BODIES 2019

The Czech Economic Society (CES) is an association of professionals and enthusiasts in the field of economics. The principal mission of the CES is to enhance the development and general knowledge of economics in the Czech Republic in a manner that fully respects and supports a plurality of opinions and the autonomous evolution of individual schools of economics. To achieve its aim the CES organises lectures, seminars and competitions for young economists and produces publications focused on economics. It organizes a biennial conference and in the intervening years a general meeting is held. The CES is a member of the Council of Scientific Societies in the Czech Republic and the International Economic Association.

The managing board of the CES in 2019 was composed as follows, as elected at the General Meeting on 30 November 2017; members of the board are listed in alphabetical order by surname together with the agenda(s) they had responsibility for in 2019.

Josef Bič	Relations with members
Jiří Dušek	CES web administrator
Ivana Faltová Leitmanová	
Jakub Fischer	Chair of the organizing committee for the 10 th biennial conference of the CES
Kamil Galuščák	President, guarantor for the Young Economist of the Year competition
Mojmír Hampl	Member of the programme committee for the 10 th biennial conference of the CES
Jan Hanousek	Chair of the programme committee for the 10 th biennial conference of the CES
Tomáš Holub	Member of the programme committee for the 10 th biennial conference of the CES, guarantor for the Kateřina Šmídková prize
Roman Horváth	Member of the judging panel for the Young Economist of the Year competition
Petr Jakubík	Guarantor for the Experts to Schools project
Karel Janda	
Petr Janský	Member of the judging panel for the Young Economist of the Year competition
Milan Jílek	Chair of the České Budějovice branch
Svatopluk Kapounek	Vice-president, Chair of the judging panel for the Kateřina Šmídková prize, member of of the programme committee for the 10 th biennial conference of the CES

Eva Kolcunová	Chair of the Ostrava branch
Viktor Kotlán	
Hana Lipovská	
Martin Macháček	Former president (2016-2018)
Daniel Münich	Guarantor of the Prize for long-term contribution to the development of Czech economic learning
Daniel Němec	Chair of the Brno branch
Barbara Pertold - Gebická	Member of the judging panel for the Young Economist of the Year competition
Jakub Seidler	Editor of the CES newsletter
Michal Skořepa	
Patricie Velikovská	CES treasurer, head of the CES secretariat, member of the organizing committee for the 10 th biennial conference of the CES

In 2019 the managing board met on 22 January. Meeting was held on the premises of CERGE-EI in Prague. The revision committee was composed of Liběna Kantnerová, Leoš Vitek and Jan Vlachý. Jaroslav Ambrož was co-ordinator for the Experts to Schools project.

2. CES SEMINARS

In 2019 the CES organized a total of 11 seminars. Most of these were organized by the CES branches in Brno, Ostrava and České Budějovice. Details of the seminars can be found in the CES newsletters.

Topic	Leader	Date	Location
The Global Factor in Neutral Policy Rates	Richard Clarida	7.2.2019	Praha
Does distributional stress affect the allocation of life insurance companies' assets? Experience of the Czech environment.	Jiří Šindelář	20.2.2019	Praha
Behavioral public policy	Vojtěch Zíka	22.3.2019	Ostrava
Hospodářský a měnový vývoj dva roky od ukončení kurzového závazku	Jiří Rusnok	3.4.2019	České Budějovice
Národní rozpočtová rada: Nezávislý a odborný dohled nad dodržováním rozpočtových pravidel	Jan Pavel	11.4.2019	České Budějovice

Variations and economic consequences of Brexit	Petr Zahradník	29.4.2019	České Budějovice
How much cost us traffic jam on D1?	Helena Horská	8.10.2019	Brno
Payment system in the context of Czech and EU legislation	Tomáš Hládek	4.11.2019	České Budějovice
Success cannot be avoided	Václav Novák	18.11.2019	České Budějovice
Rozpočtová odpovědnost: ekonomové versus politici?	Ivan Šramko, Jan Pavel, Petr Janský	28.11.2019	Praha
The sky is low for Czechs	Mojmír Hampl	5.12.2019	Brno

3. CES-SEAM CONFERENCE

On 11–13 September 2019, the Czech Economic Society and the Slovak Economic Society, in cooperation with the Hungarian Economic Association and Mendel University in Brno and with the support of the International Visegrad Fund, organized a conference on the occasion of the 30th anniversary of the market economy renewal in the Visegrad Four countries. The conference presented more than 100 scientific studies by 211 authors from more than 100 institutions and 20 countries. Almost all areas of economics were discussed, from the history of economic thinking, finance and behavioural economics to monetary and fiscal policy, labour market, financial stability, health care and education.

The conference's keynote speakers were Paul De Grauwe from London School of Economics and Ľuboš Pástor from Slovakia National Bank who is also professor of finance at University of Chicago. Paul De Grauwe spoke about definition of target inflation of central bank of developed countries in context low inflation and low interest rates. Based on his empirical result recommended target inflation in range of 3 to 4 %. Ľuboš Pástor spoke about globalization and the rise of populism, its economic consequences and motives with respect to the events of the last decade, such as Brexit and the results of the US presidential election.

Part of the conference was panel discussion with Marek Mora (Vice Governor of the CNB), Anna Trzecińska (Vice President of the National Bank of Poland), Szabolcs Fazakas (Hungarian Prime Minister's Advisor) and Ľuboš Pástor. The debate was moderated by Paul De Grauwe. The current

challenges of European economic integration, convergence and Europe's competitiveness compared to the USA and China were discussed. The debated topics included the impacts of Brexit, demographic changes and migration. Attention was also paid to the quality of institutions and current challenges for the monetary policy of the euro area. The participants in the debate agreed that economic prosperity is important for maintaining the stability and peace in Europe.

4. GENERAL ASSEMBLY OF THE CZECH ECONOMIC SOCIETY

The General Assembly was held on 28 November 2019 from 5 pm in the large hall of the Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague. During the public part, the CES President Kamil Galuščák solemnly announced the results of the Young Economist of the Year competition and awarded valuable prizes to the winners. The winner of the competition, Vladimír Novák, gave a short lecture on the topic of his awarded work. Another item on the agenda of the public part was a panel discussion on "Budget responsibility: economists versus politicians?", moderated by the president and including also contributions by Ivan Šramko from the Slovak Council for Budget Responsibility, Jan Pavel from the National Budget Council and Petr Janský from IES FSV UK.

In the non-public part, the CES president acquainted the present members of the Society with a report on the activities of CES for the period 2018–2019, a report on the activities of branches and a report of the audit committee. He also presented the main directions of the Society's activities and a draft budget for the next two-year period. At the end of the General Assembly, the results of the elections to the Board of Directors and the Audit Committee for the period 2020–2021 were announced.

5. YOUNG ECONOMIST OF THE YEAR COMPETITION AND KAREL ENGLIŠ PRIZE

The Young Economist of the Year award is one of the CES's key activities. During the biennial conference the CES awarded prizes to young economists up to 30 years old. This prestigious competition, which has been held every year since 1994, is primarily designed to support young talent in the field of economics. The competition's high standards are confirmed by the fact that previous winners have gone on to successful careers in the field, both in the Czech Republic and abroad.

The Prize awards in 2019 were ceremoniously handed over at the prizegiving ceremony, which took place as part of general session. The general session was held in 28 November 2019 at Institute of Economic Studies, Charles University in Prague. Prize was awarded by Kamil Galuščák, the President of the CES,. The Young Economist of the Year was sponsored by the Council of Scientific Societies in the Czech Republic, media partners *Roklen24* and *Bankovnictví*.

The winners of the 2019 Young Economist of the Year competition were Vladimír Novák and Andrei Matveenko, who study at CERGE-EI. Their award-winning study „*The Status Quo and Belief Polarization of Inattentive Agents*.“ Their study was focused on rational inattention under conditions of uncertainty in the implementation of new policies. The authors examine what information is obtained by an individual who has to decide between maintaining the status quo and introducing a new policy with an uncertain outcome. Obtaining information on the impact of a new policy is costly. The individual does not pay attention to all the information, but selects only that which he considers useful for his decision. An example is the referendum on the United Kingdom's leaving the EU.

The authors show that even a rational individual, whose decision making and collection of information is not influenced by errors, can, with his opinion, move away from the real effects after obtaining information about the impacts of the new policy. Satisfaction with the status quo is crucial for this mechanism. The model predicts that the individual is not interested in the real impacts of new policies, but tries to determine whether the new policy will be more beneficial to him than the current one. As a result, if two people perceive the status quo differently, their views may be polarized, even though they initially had the same opinion on the impact of the new policy. Furthermore, the authors show that lower costs of obtaining information lead to greater polarization of opinions. The results have important implications for the way we communicate when implementing new public policies. The creator of new measures should focus on explaining the impacts not only of new policies but also of the status quo. Perception of the status quo affects whether people will look for positive or negative news.

Second place in the Young Economist of the Year competition went to Bruno Baránek and Vítězslav Titl from the Princeton university and Leuven university for study „*The Cost of Favouritism in Public Procurement*.“ Their research is focused on costs and benefits of political connections in public procurement in the Czech Republic. It uses an extensive database that links information on business management with election candidates. The results show that orders delivered by companies connected to politicians are overpriced by 5 to 8% of estimated costs, while the quality

of work delivered is the same. Increased supervision of orders has positive effects. It turns out that contracts of companies with political connections are not overpriced if they are co-financed from EU funds.

Third place in the Young Economist of the Year competition went to Filip Staněk of CERGE-EI for his study „Affine Weighting Scheme for Tests of Predictive Ability and Time-Series Cross-Validation.“ The author proposes a method that allows a more accurate estimate of the efficiency of a given prediction algorithm for stationary time series outside the observed sample. Increased accuracy of efficiency estimation is achieved by a weighting scheme that optimally combines information about the efficiency of a given algorithm within and outside the sample when performing cross-validation. Increasing the accuracy of the estimate makes it possible to determine with greater certainty which of the considered algorithms is the most suitable for prediction on the given time series.

The Karel Engliš Prize for the best study on Czech economic policy was awarded to Michal Šoltés and Klára Svitáková from CERGE-EI. In their paper entitled „Sorting of Candidates: Evidence from over 20,000 Electoral Ballots” they study the mechanism of creating candidate lists in municipal elections in the Czech Republic. The authors show that in a proportional electoral system, candidates in the lists are systematically ranked according to their qualities given by their education and their contribution to the party in the form of active membership and political donations. The results, based on the candidate market model, in which party leaders represent the demand and candidates the offer, are consistent with a number of empirical observations, such as that there are more candidates with more benefits to the party on popular party candidate lists.

The President of the CES’s Honorary Award for authors under 25 years old went to Paulína Očkajová, a graduate of University of Economics in Prague, for her contribution „Revenue Elasticity of the Property Tax in the Czech Republic.“ This work examines whether the real estate tax is as ideal a tax as considered by early economists. Using the example of the reform of 2008, the author estimated how much tax revenues will increase when municipalities raise tax rates. The total elasticity is 0.76, while theoretically it should equal one. The difference is caused by significant tax exemptions. The results can be used in the budget planning of municipalities.



Vladimír Novák, Young Economist of the Year 2019, during presentation.

6. EXPERTS TO SCHOOLS PROJECT

In 2019 the CES once again organized the Experts to Schools project, which supports economics teaching at secondary schools and familiarizes secondary school students in the Czech Republic with current economic affairs as they are seen by respected Czech economists, both university lecturers and financial experts. The project aims to give secondary school students a better idea of economics in practice and motivate them to study economics courses at university.

In 2019 the project was financially supported by the Council of Scientific Societies in the Czech Republic and CERGE-EI foundation. CES collaborated with INEV in publicizing the project. The feedback received from the participating secondary schools was very positive and numerous schools expressed their wish to participate in the project again in 2020. 62 presentations were given, on topics such as Czech crown, past and future, Consequences of financial illiteracy, Business in the Czech Republic, The essence of the current monetary system or The future of the euro area. The presentations were given at 37 high schools in 23 cities and 12 regions, i.e. in Prague, Zastávka u Brna, Hodonín, Letohrad, Hluboš, Prostějov, Liberec, Plzeň, Ostrava, Brno and Jihlava.

7. MEMBERS AND FINANCES IN 2019

Any individual aged 18 years and above may apply for individual membership of the CES by completing an application form which is submitted to the managing board, who decide on their acceptance. Individual membership then commences upon the payment of the first membership fee. In 2019 the standard membership fee was 500 CZK, 250 CZK for students and 100 CZK for pensioners. By the end of 2019, 172 individual members had paid their membership fees which are increased by 2 members in comparison with 2018.

In addition to the individual members, the CES's collective members also contribute substantially to the society's activities. Any legal entity may become a collective member if it financially, materially or otherwise supports the CES, agrees with its aims, requests collective membership in writing to the managing board of the CES and names an individual who will represent it at the General Meeting of the CES and in other CES bodies, with an advisory vote. Based on the value of their financial contribution or other forms of support, collective members are categorized into three groups: general partners, gold members and basic members. In 2019 the following collective members supported the CES's activities:

General partners

- Czech National Bank
- Faculty of Economics and Administration, Mendel University in Brno
- University of Economics in Prague
- PRIGO University

Gold members

- CERGE-EI
- Faculty of Economics, Technical University of Ostrava
- Faculty of Economics and Administration, Masaryk University
- University of Finance and Administration

Members

- AMBIS College
- Faculty of Economics, University of South Bohemia in České Budějovice
- Faculty of Economics, Technical University of Liberec
- Faculty of Economics and Administration, University of Pardubice
- Institute of Economic Studies, Faculty of Social Sciences, Charles University

- Moravian Business College Olomouc
- School of Business Administration in Karvina, Silesian University in Opava
- Škoda Auto University
- University of Economics and Management

The CES also receives substantial long-term support from the CERGE-EI Foundation and the Council of Scientific Societies in the Czech Republic.

In 2019 the CES's finances were substantially affected in particular by the organization of the CES-SEAM conference in Brno. The Society's income, which totalled 790,765 CZK, came from individual and collective membership fees and a grant from the Council of Scientific Societies in the Czech Republic to support the biennial conference, the Young Economist of the Year competition and the Experts to Schools project. Expenditures totalled 723,190 CZK, the majority of which was spent on the CES-SEAM conference. The difference between incomes and expenditures amounted to 67,575 CZK. At the end of the year the CES had 201,627 CZK in its current account and cash float.