Editorial

One of the ever growing trends in schools is to “internationalize” curricula and activities. But isn’t there a huge difference between mindless mimicking and activities that adopt truly best practices and go beyond local excellence? This newsletter is a brief tour through our international activities that illustrates what international exposure and aspirations mean to us.

To be as informative and useful as possible, the newsletter is – as always – rich in details. To balance this perspective and to let you see the forest for the trees, this opening column is different. I explain our aspirations in general and shed light on how we commit ourselves to a path towards these aspirations.

Our aspirations, like in any research-oriented department, are primarily manifested by the quality and impact of our research. This is reflected in the level of target journals where our faculty members are expected to publish their research. To channel research effort to the target journals, our main instrument is a ranking of journals we use for evaluation.

As you may know, five years ago we have adopted a very innovative ranking of scholarly journals. The idea of our ranking has been to count recursive impact factors instead of simple impact factors. A recursive impact factor reflects the position of a journal in an entire network of journals, whereas a simple impact factor reflects only position in its closest neighborhood. This implies that citations from generally more widely cited journals count more than citations from narrowly cited journals.

The first edition ranking has a nice history; we have released the ranking in 2011 only to see that some other well-known institutions, such as Tinbergen Institute (a joint graduate school and research institute for three major universities in the Netherlands), adopted a similar ranking a few months later. In a word, it was a wise choice.

Now, having five years of experience with the ranking, it turned out that we could aspire for more. We have decided to release the second edition that puts an ever larger weight on the most respectable journals. We will see in five years how successful we will be in light of these aspirations.

An important side-effect of our lasting commitment to international research are successful promotions of faculty members. The promotions are based on the successful record in respectable international journals and on recommendations from renowned economists across the world. Three colleagues have been recently promoted Associate Professors, three other colleagues are currently in the process towards being promoted Associate Professors, and one another colleague is just waiting for being promoted Professor in Economics.

Given our small size, this is indeed a remarkable achievement.

Martin Gregor
Director
INTERNATIONALLY RENOWNED AP TESTS NEWLY RECOGNIZED
Our school has set up cooperation with the Center for Talented Minds in the Czech Republic. Through this cooperation, prospective students are able to use the results of the internationally renowned Advanced Placement (AP) tests. We use the results of AP tests for admission scores for the Czech bachelors program in Economics and Finance and the AP scores are recognized as an equivalent for selected compulsory courses in both the Czech and English undergraduate programs.

“The College Board is very pleased to have the Institute of Economic Studies of Charles University, one of Europe's oldest higher education institutions, join the more than 700 universities in 70 countries already recognizing Advanced Placement exams. Students in more than 120 countries took AP exams in May 2016,” said Judith Hedges, International Director, College Board.

BEST SCHOOL OF ECONOMICS FOR THE FIFTH TIME IN A ROW
As in the last four consecutive years, the daily Hospodářské noviny has ranked us as the best school of economics in the Czech Republic. The newspaper appreciated mainly our international environment. Furthermore, the ranking covered the level of interest of prospective students, the quality of research and the quality of teachers and their individual approach, as well as the school’s cooperation with potential employers. Being at the top of this ranking is also relevant for potential employers when assessing the education of job applicants.

YOUNGEST ASSOCIATE PROFESSORS AT CHARLES UNIVERSITY
In April 2016 three of our colleagues became Associate Professors at Charles University. Congratulations to Julie Chytilová, Ladislav Krížoufek and Tomáš Havránek (from left) for their achieved promotion. It is worth mentioning that two of our colleagues were only 31 years old at the time of the appointment and therefore rank among the youngest Associate Professors promoted within Charles University.

OPEN DAY
Besides the regularly organized Open Days for Czech prospective students in January and June, a September Open Day for students seeking a degree in English has also become a tradition.

The September Open Day program included subject-focused talks with academic staff, meeting current IES students, a guided tour around the building and a late afternoon reception.

In 2017 we will look forward to meeting new prospective undergraduate students of our Bachelor in Economics and Finance (BEF) degree program, which is conducted in English, on the afternoon of September 11. The Open Day for Czech programs including a possible consultation for students seeking the English bachelor’s or master’s degrees will take place at the IES building at 9:00 a.m. on January 6 and June 9. See our website for detailed information.

ACHIEVEMENTS
Success of our students at the Rotman European Competition 2016
At the end of August, a team of our students Lucie Kraicová, Katarína Líšková, Marek Hauzr and Martin Hronec with Luboš Hanus as an advisor traveled to Rome to represent our school in the Rotman European Trading Competition. During the competition, teams executed trades on a financial instruments market simulator. Our team won a great third place in the competition scoring, which was better than, for example, London Business School, Stockholm University, Copenhagen Business School and Vienna University of Economics and Business.

You achieved an excellent result, placing third in the competition. Did you have any ambition to be among the winners, or was it a pleasant surprise for you?

Of course, one of our goals was to place highly, but no one expected a third-place finish. Firstly, we wanted to try things that are not normally accessible, gain new experience, and mainly to have fun.

And how was the competition itself? When looking at the photos from the event, it is an actual simulation of real conditions on a market with different financial instruments.

The competition was divided into several cases, where different simulations of a real market took place. In the first case, it was a simulation of a trading pit, where all participants had to physically find their opposite number and trade directly with them (similarly as in the earlier days of trading). In the other four cases, bonds were traded, power forwards with simulation of consumption and offers depending on the ambient world, as well as stocks with different volatility nearly without a market-maker (the market was generated by the participants) and bonds, where the price depended on an actual risk, time and different news that the participants received. Each of the four cases had several parts, which took approximately fifteen minutes and the final ranking was based on the average of individual placings.

How did you prepare for the competition?

The main part of preparation was studying of the assignment and preparation of models. One month before the competition, testing servers were opened and we could try all cases except the Quantitative Outcry, which we could try not earlier than in Rome. In the case of trading with electricity, where the market was generated only by the participants, the organizer provided us with several preparation cases before the competition. At the end, we used only one of the prepared models in the competition. Other models were either not needed because head counting was sometimes faster or the model in the particular simulation did not work precisely.

Did the competition meet your expectations? What was the atmosphere among the individual teams?

The competition far surpassed our expectations. Some of the things that happened on the simulated market would probably not have happened in the real world, but as simulations they were prepared very well. We also did not expect that the physical trading without computers in the trading pit would be such fun and that we would take third place. We are also very glad that we won first place in the Interest Rate Case prepared by the EIB Institute. Generally, the competition was perfectly organized and the atmosphere among teams was partly competitive, partly friendly.

What would you recommend to future possible participants in the competition in the coming years?

They should be actively interested in trading and portfolio management. Also, they should find out if the competition is actually happening next year. What is also important is preparation and practicing trading directly on the Interactive Trader platform, which is used also at the competition. Furthermore, some of the experience gained this year can be useful. Regarding the competition, the main thing is to enjoy it and know that common sense is often more useful than complicated models.
In early May, two of our students won a prize within the Journalism Award 2015, which is regularly presented by the Open Society Fund. Adam Nedvěd and Tomáš Ducháček received the Google Award for young talents of data journalism for their project „Monitoring of public contracts before the Office for the Protection of Competition.” The jury appreciated their fresh perspective on the agenda of public contracts.

The jury also positively evaluated the work on the project „Their approach, from the professional point of view, is very good. They have already carefully studied this topic, they understand it and they are ready to continue to develop it. In conjunction with experienced data analysts and journalists, there is an opportunity to prove new findings about the dynamics of the functioning of the Office for the Protection of Competition.”

Our students won the national final of the CFA Institute Research Challenge

In early February a team of our students – Pavel Růžek, Tomáš Juchelka, Robert Kaplan, Robert Ševinský and Ondřej Sláma – won first place in the national final of the CFA Research Challenge. The competition simulates the work of investment analysts. The task was to evaluate the company Unipetrol, write a report and prepare a subsequent presentation. Thanks to this success, our team was sent to represent the Czech Republic in the Regional Level in Chicago. The high quality of their report was confirmed also in Chicago, where the team got the best evaluation within its group of six universities. The Chicago Regional Level hosted 106 universities from all over the world. The winners of the Regional Levels then met in the Global Final, where one team emerged as the global champion of the CFA Institute Research Challenge.

Read the following interview with Robert Kaplan about our team’s experience from the competition.

Why did you decide to participate in this competition? What was your main motivation?

The competition is practically oriented, so the biggest motivation for me was to improve my knowledge in the methods of valuation, to get better oriented in annual reports and learn how to work in the Thomson Reuters Eikon system. We also had the opportunity to consult our report with professionals in the field and that helped us to move the quality of our work to a higher level. Thanks to the choice of the company evaluated, we also got a good insight to the oil and gas branch. To conclude, we wanted to improve our skills in the areas most relevant for working in finance. Besides that, we wanted our CVs to look better. In a way, the competition is a simulation of the work of an equity research analyst.

Preparation was time consuming. Was it difficult to coordinate the work of the team so that you all managed on time?

At the beginning, we had trouble agreeing on how to handle the project, and we did not have the roles strictly divided. Over time, we managed to coordinate ourselves well and divided the tasks effectively. For future teams, I would recommend not postponing the work till the last minute and clearly define clear deadlines. Surely each of us dedicated at least 100 hours to the project.

You were the winners of the Local Level, which opened the door for you to represent the Czech Republic at the Regional Level. Did the Regional Level in Chicago differ from the Local Level in Prague? What surprised you the most? What was the most beneficial for you?

Your valuation report was the best among the six teams in your group in the Regional Level. Do you think you caught the attention of the jurors? What was the most important aspect for achieving this excellent score?

We had several professional equity reports available; you can also find the winning reports from previous years online. We tried to reach the quality of both of these as much as we could and we tried to critically judge each other’s work. What might have helped us was also the fact that a fire occurred on the steam cracker at Unipetrol last year, which made the presentation more dynamic. Such an unexpected event can be grasped in many ways and there is no outright recipe for how to handle it, which means that it can be more interesting for the readers/jurors.

Some of the other teams beat you with the quality of their presentation. What made their presentations better?

Our presentation got better and better over time. However, it was clear that we were not used to presenting publicly. The most striking difference was between American teams and the rest. Throughout their studies, they constantly present, debate and practice their soft skills, so they are perfect. At the same time, they give presentations in their native language. However, we agreed that we value our analytical skills more than the presentation abilities, as we can develop those easily during our careers.

The advantage of the CFA program is its international recognition. More and more companies request the CFA qualification, as it is the most recognized qualification for students, passing the first exam should not be any problem, as the curriculum overlaps with some of our courses.

What would you recommend to our students if they plan to participate in the next edition of the CFA Research Challenge?

Participation in the competition takes an enormous amount of time. Therefore, the key factor is the composition of the team, where each member has to be actively involved. It is important to be prepared for the fact that construction of the model and formulation of the report and the presentation take well over 100 hours for each member of the team – if you want to do a good job. We would also recommend creating a high-quality presentation and be prepared for questions at the competition is focused sales, skills more than on theory and technical skills.
High-quality research at our school significantly strengthens our reputation as an elite research and educational institution. Contributions by our faculty members regularly appear in highly selective, refereed international journals. The quality of our research is also supported by the ranking of the largest database of academic economists in the world, RePEc. Here we regularly place third in the Czech Republic, right after the Czech National Bank and CERGE-EI. Five of our faculty members (Evžen Kočenda, Tomáš Havránek, Roman Horváth, Marek Rusnák and Zuzana Havránková) appear among the top ten Czech economists.

Selected publications from 2016:

In autumn, two international conferences were organized with participation of the Institute of Economic Studies – Challenges for Financial Stability in Europe and Climate Economic Modeling.

Energy and Climate Economic Modeling

In the beginning of November, Charles University and the University of Economics organized the 18th annual international conference Energy and Climate Economic Modeling. This conference was part of ECOCEP project Economic Modeling for Climate-Energy Policy. The keynote speakers were Robert Cairns (McGill University), Rick van der Ploeg (Oxford University) and Anna Alberini (University of Maryland), who dealt with the valuation of climate change impacts, the economic impact of climate change mitigation policies and the examination of climate change related risks, vulnerabilities and adaptation potential. The international atmosphere was supported by the fact that over half of the participants came to the conference from abroad.

You said you had previously been in Prague five years ago. Can you talk about what you did when you came here the last time?

Five years ago I was in the same building, in the Central Bank, talking about economic financial policies in Europe. Of course, I used then the opportunity to be a tourist for a short time, as Prague is a fantastic city. And so when I got the opportunity to come again and was invited to this conference, I was very happy to come. There are very few places I’d like to be more than in Prague.

Can you now describe your research to us?

My interest is mostly in financial stability and systemic risk, how stable the financial system is, the dangers of the financial system, how to control or regulate it, to try to minimize risk, what cannot be regulated and the danger or the negative consequences if we try to control the system in the wrong way. So, it’s really all about how the financial system works, how it functions, how it is regulated, what works and what does not work.

Being originally from Iceland, did the financial crisis in Iceland determine your next steps in your research?

I’ve been working on this type of research since long before the Iceland crisis started, but it was very convenient to observe the financial crisis so closely in a country that I understand well, so I had insights into how the financial system works and it was beneficial for my research.

So maybe setting up the Systemic Risk Centre at the LSE was a result of that?

The SRC is funded by the British government. As the financial system and systemic risk are very important for the UK, they are keen to have people working on systemic risk and how to control it. Therefore, I was asked to set up this centre for them.

This conference was held just one week after the crisis at Deutsche Bank. Can you guess whether that crisis will have consequences similar to those of the financial crisis in 2008?

Deutsche Bank has always been the riskiest of the big global banks. This has been true since long before the crisis after 2008, so they always had more risk than anybody else. But the rest of the financial system is now more resilient, with many more buffers and a lot more protection places. So even if Deutsche Bank gets into difficulty, we are much better able to deal with it than in 2008. Firstly because we have more buffers, but also because the authorities understand it better. So I think we can deal with it.

Did the financial crisis change your perception of the so-called “black swans”?

I have never been a big fan of “black swans”, of things just happening randomly. The world is now different than what it was in 2008; people have finally learned what was wrong before 2008. We usually don’t make the same mistakes twice, so those events will not happen again. But the fundamentals of financial stability are still present and there will be another financial crisis some day in the future.

This conference also reflects on the Brexit and its possible consequences. Do you think that this critical event can bring some positive outcomes, such as the opening of new financial centers in Europe?

There is a very strong desire by some governments in Europe, most importantly in Germany and France, to use Brexit as an opportunity to bring a lot of financial activities from the City of London either to Berlin or to Frankfurt. I think the Brexit process will be run with this objective in mind. The importance of Paris or Frankfurt will become much greater as a consequence. But it is a bit early now to see where it will be at the end.

And can Prague also gain something out of Brexit?

I think that the Czech Republic will lose out with Brexit. The biggest liberal country in Europe, a country with access economic policy was the UK and the Czech Republic always had a similar view on economic policies as the UK, with a more liberal, more free-market orientation. Now with the UK gone, economic policy will move more toward France and the Mediterranean countries, toward more state control and I think the entire European Union will lose out and the Czech Republic will find it harder to keep its economic point of view.

So as not to end on a pessimistic note, could you give our students, who may be interested in risk management, recommendations on what to focus on in his or her future studies?

If someone is interested in risk management or risk control, it is important to...
One of the great advantages of studying at our school is its international character. More than 85% of all master’s and 70% of all bachelor’s courses are taught in English. International students can also join us through one of the English-based programs or come as exchange students. Czech and foreign students are thus in a daily contact within the classes so they need to be well prepared across a broad spectrum of fields. Having broad knowledge is therefore more important than having a more specific, detailed knowledge. Such a person also has to be really hardworking, highly intelligent and flexible, with good English and the ability to work with people who are very different, with different cultures and different nationalities, and be able to live in an environment that is very different. It just requires a specific type of person. But those people, if they have this kind of attitude and ability, have considerable potential for significant future success.

For example, I’ll also talk about projects from books with practical application of the knowledge that can best be described as “what I wish I’d known when I first started working in energy economics.” The core idea behind the course is to provide students with a more practical application of economic theory. It combines theoretical knowledge that anyone can acquire from books with practical application of the theory to real-world energy markets. For example, I’ll also talk about projects we do at work, which I believe can prepare students better for today’s competitive job market. Having worked in the area of energy economics for a couple of years, I’d like to pass on to students all the knowledge that can be described as “what I wish I’d known when I first started working in energy economics.” I will be delivering this course together with a colleague from Frontier who has over 20 years of industry experience, so it should be interesting!
STUDENT MOBILITY

Thanks to the Erasmus+ program, our students can choose from over 50 partner universities in the European Union. It is also possible to use inter-university agreements and inter-faculty agreements that provide many other opportunities. During the 2016/17 academic year, over 50 students have left for an exchange program abroad.

The most desired destinations are Université Toulouse, Aarhus University, Université Catholique De Louvain, University of Amsterdam, Durham University, and since 2016, also Bocconi University.

In connection with the inter-faculty and inter-university agreements, our students exclusively can study at, for example, Peking University HSBC Business School and the New Economic School in Moscow, which is the best school of economics in Russia. One of the most recent agreements is with Australian National University, which is among the most prestigious universities in the world. The offer also includes exotic destinations such as Hong Kong and South Korea.

STUDY ABROAD

A FEW IMPRESSIONS OF OUR STUDENTS FROM THEIR STUDIES ABROAD:

JAKUB ČÍŽEK,
MPhil in Management, University of Cambridge

“When I was accepted to the IES, I did not believe I would graduate.When I applied to Cambridge, I did not believe that I would be accepted. When I now look back, I must say that both were easier than I expected. My studies at Cambridge were surely a life experience that will be difficult to surpass. Trust yourself, work hard and you will see.”

MAREK ŠABATA,
Master of Science in Financial Engineering, Columbia University

“If you really want to study at a top US university, my final advice is simply to give it a shot! A bachelor’s degree from the IES will give you more than a sufficient background to tackle the coursework in any advanced degree at US universities.”

JAN POLÁCH,
MSc in Finance, London School of Economics and Political Science

“In comparison to my LSE classmates, I was received above-average training from the IES in mathematic skills. On the other hand, work on case studies was nearly unknown to me and I had to learn many new things.”

DEGREE ABROAD

Studies at our school are also a great starting point for further studies abroad. After finishing one of our bachelor’s programs, our students are typically very well prepared for master’s programs at highly esteemed universities abroad. Thanks to their excellent technical skills and wealth of experience with academic English, they are successful in being accepted to prestigious universities in the US, the UK and continental Europe. On many foreign schools, our students have already built up a good reputation that keeps the door open to other IES students.

In 2016 our graduates studied at or were accepted to the following renowned foreign universities:

- Princeton University
- Columbia University
- LSE
- University of Oxford
- University of Cambridge
- University of Zurich
- ETH Zurich
- Tilburg University
- Stockholm School of Economics
- Peking University HSBC Business School
- University of Bonn
- Swiss Federal Institute of Technology, Lausanne
- University of Lugano
- Duisenberg School of Finance
- University of St. Gallen
- University of Amsterdam
- Utrecht University
- University of Bologna
- University of Warwick
- Erasmus University Rotterdam
- Rotterdam School of Management
- University of Business and Economics, Beijing
CLASSMATES TO CLASSMATES

As a student society, E-klub brings together active students who are motivated to acquire some organizational skills and, at the same time, provide their classmates with an unforgettable experience of student life. These skills are not only beneficial for future careers, but also help to create a unique and friendly community of students.

This year, E-klub organized many social activities and sports tournaments, not to mention lectures and workshops providing hands-on experience, which were delivered in collaboration with big companies, banks and other student societies.

During the summer semester, students could benefit from a lecture concerning the energy market with a link to renewables provided by RWE (now Innogy). We were lucky to host the CFO of RWE East, Mr. Gerhardy. Secondly, there was a lecture on data science presented by Knoyd, which revealed some interesting analyses.

In the winter semester, David Navrátil, Chief Macroeconomist of Česká Spořitelna and Jan Hájek, an expert in the field of investment, gave lectures for our students. Both of the talks were organized with the help of other student organizations, namely the Prague Banking Club and Investors Club. Focus on hard and soft skills were given through Workshops including Assessment Center, Roles in Strategic Consulting, Risk Management and Project Management, which were focused on both hard and soft skills, were also given. We had a chance to cooperate with companies such as GE Money Bank, Boston Consulting Group, EY, Roland Berger, Creative dock, KPMG and others.

GOING TO E-GO

Every year in September, E-klub organizes E-GO, a kick-off event for all the new students at our institute. The event is organized by older students, members of E-klub, who prepare a wide range of activities, from icebreaking games and sports tournaments to various competitions. However, E-GO is not just an opportunity to meet new classmates, but also a way to get information about studying at university and student life. Furthermore, numerous teachers and PhD students came to this year’s E-GO to introduce themselves and their subjects in an informal way. Apart from that, members of E-klub give useful advice to the freshmen.

E-GO is a unique opportunity to meet new classmates before the beginning of the semester. It offers the possibility to talk to the new teachers and lecturers outside of school and have a great time participating in some fun activities. These are four unforgettable days that no new student should miss.

You can find more information about events and activities of E-klub at http://e-klub.cz and on Facebook.