



Release: embargoed: Tuesday 18<sup>th</sup> October – 23:59

## Launch of the £250,000 Wolfson Economics Prize

The world's economists were challenged to answer the question of how to manage the orderly exit of one or more member states from the European Monetary Union by a new Economics Prize worth £250,000 (€286,000) launched today (19<sup>th</sup> October, 2011).

The prize is targeted at top academic economists from around the world by Policy Exchange, the London-based think-tank. Neil O'Brien, Director of Policy Exchange, said:-

*"The Wolfson Economics Prize is an exciting and important academic project. The Prize will help answer some of the many important - yet unanswered - questions from over a decade ago when the EMU was first set up. While there's been a lot of speculation about countries leaving the euro, there has been too little detailed research on the many complex questions this would raise."*

It is funded by Lord Wolfson of Aspley Guise, who is sponsoring the prize. He explained the motives behind the initiative:-

*"There is now a real possibility that political or economic pressure may force one or more states to leave the euro. If this process is mismanaged it could threaten European savings, employment and the stability of the international banking system. This prize aims to ensure that high quality economic thought is given to how the euro might be restructured into more stable currencies."*

*"Consideration will need to be given to what a post-euro Eurozone would look like, how transition could be achieved and how the interests of employment, savers, and debtors would be balanced. Importantly, careful consideration must also be given to managing the potential impact on the international banking system."*

The Wolfson Economics Prize, which is a one-off prize, will be the second biggest cash prize to be awarded to an academic economist after the Nobel Prize. The prize will be sponsored by the Charles Wolfson Charitable Trust, a family charity. The award process will be managed by Policy Exchange, the independent think tank based in Westminster, London.

The deadline for submissions will be January 31<sup>st</sup>, 2012. Entrants will be judged by a panel of leading academic economists.

Since its launch in 1999, the European Monetary Union has become the second most important currency in the world, with 15-20 per cent more euros than dollars in global circulation. The euro has major significance for market transactions, central bank holdings, pension funds, insurance companies and government agencies around the world.

Lord Wolfson said:

*“The stakes are enormous. The future of the world economy will, in large part, be governed by what happens over the next few years in Europe. I, along with most European businessmen, hope that the Eurozone will stabilise, but in the event it does not Europe must not sleepwalk into a policy vacuum. This prize aims to incentivise the world’s brightest economic minds to help fill that policy void: their endeavours may well prevent Europe from descending into a financial chaos that would destroy savings, jobs, and social cohesion.*”

Contact:-

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Notes:-

*Lord Wolfson of Aspley Guise*

Lord Wolfson was educated at Radley and Trinity College, Cambridge where he graduated with a degree in law.

He started working for Next in 1991 as a Sales Assistant and joined the Board as Sales & Marketing Director in 1997. In 1999 he was made Managing Director and was appointed Chief Executive in August 2001. Since becoming Chief Executive profits have doubled to over £500m, earnings per share have grown at 16% per annum compound, the share price has more than doubled from £10 to over £25, outperforming the FTSE 100 by over 125%. Next operates in over 500 shops and employs over 40,000 people.

Lord Wolfson was created a Peer by the Government in June 2010. He is a trustee of Policy Exchange and the Charles Wolfson Charitable Trust.

*Policy Exchange*

Policy Exchange is an independent, non-partisan educational charity. It works with academics and policy makers from across the political spectrum and produces research work on a wide range of economic and financial topics. Policy Exchange will act as the secretariat for the Wolfson Economics Prize.

Issues for applicants to address

Applicants will be asked to explore in detail the issues that exit from EMU would raise. These include:-

- Whether and how to redenominate sovereign debt, private savings, and domestic mortgages in the departing nations.
- Whether and how international contracts denominated in euros might be altered, if one party to the contract is based in a member state which leaves EMU.
- The effects on the stability of the banking system.
- The link between exit from EMU and sovereign debt restructuring.
- How to manage the macroeconomic effects of exit, including devaluation, inflation, confidence, and effects on debts.
- Different timetables and approaches to transition (e.g. “surprise” redenomination versus signalled transitions).
- How best to manage the legal and institutional implications.
- A consideration of evidence from relevant historical examples (e.g. the end of various currency pegs and previous monetary unions).

Translated press release

Press releases in French, German, Greek, Italian and Spanish are available on the Policy Exchange [website](#).

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