

# Strategic Plan for the Institute for International Economic Studies (IIES) – Spring 2016

## A. Current Situation

The Institute for International Economic Studies (IIES) was founded on July 1 1962. Since 1971, the IIES has been located within the university, and in the late 1980s, it was formally made part of the Faculty of Social Sciences. At present, the academic staff consists of six tenured professors and three professor emeritus (from November 2016, five tenured professors and four professor emeritus), 1 tenured associate professor, 11 assistant professors, one long-term visiting researcher (three-year appointment) and one three-year post doc. The IIES also often has visiting scholars for shorter or longer periods of time. 20 graduate students and four research assistants (the latter being graduate students in the first or second year of the graduate program) also work at the Institute. The administrative staff consists of five employees, making the total staff amount to around 50 people.

The IIES has undergone a substantial expansion at the junior (assistant professor) level since the last strategic plan was created in 2009. This expansion has been made possible by generous grants for international recruitment from the Wallenberg Foundations, Söderbergsstiftelserna, special money from the university rector, and Handelsbanken's Research Foundations, as well as funding from several ERC grants.

## B. Goals

The main objective of IIES is to *produce outstanding research with high impact*. Research of outstanding quality, in turn, has been operationalized as publications in the very best international scientific journals in the field.

Research at the IIES covers a wide variety of areas, such as political economy, macro, climate change and the economy, economic development, mass media, and the labor market. The research focus is determined by the interests of the researchers and not by any central directives. While researchers at IIES are all economists, a growing body of research at IIES has lately been in the intersection of other social sciences such as political science, psychology and the natural sciences.

The IIES is a research institute but everyone in the research staff also participates in teaching. The teaching is done at the undergraduate, masters and graduate level. IIES does not administer its own teaching program, so all teaching is administered through the Department of Economics. The IIES also has a long tradition of taking a great responsibility in advising graduate students. Besides those with funding and an office from the IIES, the institute's researchers also serve as advisors to another group of students, mainly from the Department of Economics. An important second objective of the IIES is thus to *produce high-quality instruction in economics, and to foster a new generation of outstanding economists*. This objective, in turn, is operationalized as producing new Ph.Ds with the ability to take up a position in top academic departments or employment in Swedish or international policy-making bodies and organizations.

IIES staff also have a long tradition of independently serving as experts for international organizations, Swedish or foreign policy-making bodies. They also participate very actively in the debate about economic policy, both internationally and domestically. For example,

researcher at IIES have served as members and Chairs (2007-2011, 2013-2016, 2016-) of the Fiscal Policy Council. These tasks fall within the so-called third task of the university, something that IIES encourages. Researchers at IIES have also played an important role in the work of the Royal Swedish Academy of Sciences, and especially in the work by the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. Currently, three of six members of the Economic Sciences Prize Committee are professors at IIES.

The IIES has been very successful in its long and persistent efforts to support high-quality research. In the past fifteen-twenty years, IIES members have made a number of key contributions within different fields of economics. In a recently published review of research in leading economic journals it was noted that despite its relatively small size, researchers at IIES accounted for half of the publications in top-five journals over the period 2002-2013 and that the number of publications in these top-five journals by IIES researchers exceeded the total number of such publications by all economist researchers active in Norway, Denmark, or Finland. Moreover, research by IIES staff is well-cited, with for example five researchers having more than 10,000 Google Scholar citations. IIES researchers have also received a number of prizes and awards. It is no exaggeration to say that the IIES is commonly considered to be one of the strongest European research environments in economics and internationally leading in some areas of specialization.

The success of the IIES is associated with three aspects of the environment. First, all hires are done at the international level and subject to international competition. This ensures that the quality of incoming researchers is very high. Second, there are continuously visits by foreign top researchers and many IIES researchers also visit top academic departments abroad – both of which are strongly encouraged. A strong international presence implies that researcher, as well as students, are well aware of the research frontier and what is required to be at that level. Third, like every institute or department at the frontier of research, the IIES hires, and funds, a significant number of graduate students and jointly (together with the Department of Economics, SOFI, and Stockholm School of Economics) organize the Stockholm Doctoral Course Program in Economics, Econometrics and Finance (SDPE). This joint undertaking, where a significant part of the teaching is done by IIES researchers, has developed into one of the strongest doctoral course programs in Europe. The steady inflow of “new blood”, both through the hire of assistant professors in the international market and especially through the PhD program, is of great importance and ensures a lively and creative atmosphere for graduate students, junior researcher as well as professors.

## **C Resources**

### *Staff and funding*

Up until the mid 1990s, recruitment at all levels (PhD students to professors) was basically done in Sweden. Since the end of the 1990's, the search for younger researchers has exclusively taken place in the yearly international market (the so-called *job market*). The IIES participates in this market every year and has managed to recruit a number of brilliant young researchers from top universities in Europe and the US to six-year research positions. Many of these young scholars have done very well, and some of them have – after a successful internal evaluation at the end of the track – obtained newly created senior positions as lecturer or professor at the IIES. Others have left before the end of the track, either for family reasons or because they have been offered attractive positions at foreign universities.

There has been a considerable increase in the size of the group of junior staff since 2008/2009 when new sources for the funding of recent PhDs emerged. In 2007, there was one assistant professor at the IIES (another two were on leave of absence for the academic year 2007/2008 and then left the IIES for family reasons), in 2009 it had expanded to six assistant professors, and in 2016 the junior faculty consists of 13 people (including one visiting researcher and one post doc).

This expansion was deemed crucial to ensure a sufficient mass of researchers in the institute's core areas of research (macro and applied micro/development/political economics). IIES has been able to implement this expansion through grants from Handelsbanken's Research Foundations, ERC, and especially through generous grants received in connection with the IIES 50<sup>th</sup> years anniversary (from the Wallenberg Foundations, Söderbergsstiftelserna, special money from the university rector and a lump-sum government grant).

A donation from Swedbank (with a matching donation from the university) also made it possible to recruit a prominent professor (Per Krusell) from Princeton University in 2008.

Individual researchers have also been highly successful in acquiring prestigious grants, including a Wallenberg Scholar grant (Per Krusell), a Distinguished Professor grant from the Swedish Research Council (Torsten Persson), and three ERC Advanced Grants (Per Krusell and Torsten Persson (twice)).

Researchers at IIES have also been successful in acquiring grants from The Swedish Research Council, Riksbanken's Jubileumsfond, and Söderbergsstiftelserna, as well as large grants for funding for data and field work from foreign funders, such as PEDL and IGC (both based in England).

Since a larger number of employees also entails a greater long-term need for contributions to salary funding, the IIES has now tried to broaden its scope and IIES researchers have applied (and to some extent also obtained) funding from donors that are new to the IIES – such as Formas and Forte and the IIES will continue on this path to the largest possible extent since it is now more than ever highly dependent on external funding to maintain the size of the current research group in the longer term.

The faculty grants available to the IIES have been on a long-term declining trend in real terms. The adjustment for wage and price increases has not kept pace with the actual increase in wage costs and other costs. A budget deficit has been avoided in two ways. The first is rationalization: it has been possible to considerably reduce the number of administrative staff over the years. The second is an increased reliance on external grants (see above). There is now little room to further shrink the administration without serious consequences for the quality of our support structure.

### *Premises*

Premises constitute a scarce asset at Stockholm University. In the autumn of 2013, the IIES succeeded in expanding its space by obtaining more office space on floor 9 in the A-building – the floor located just above the main IIES floor (floor 8). This was a necessity for it to be possible to make full use of the funding obtained in connection with the jubilee. The IIES has made considerable reconstructions over the years, transforming larger offices into smaller ones in order to make optimal use of the existing space and also expanding its kitchen space

some years ago to make room for more colleagues. The IIES is very happy about its current location centrally on the main campus, close to the Department of Economics (with which there is a great deal of interaction both at the formal and the informal level) and with easy access to lecture halls, class rooms, the university library and all restaurants and cafés located on campus or just outside of the campus borders. The IIES is also very easily reached by both underground and bus.

### *Others*

The continuous recruitment of talented people is a necessary condition for successful research, but it may not be sufficient if a productive research environment – infrastructure in broad terms – is lacking. Some of the infrastructure requires resources in terms of funding or staff. Maintaining a vibrant international flow of people between the institute and top departments world-wide requires money for travel and visits. To ensure that the research staff can devote as much time as possible to research (primarily) but also to teaching and advising, it is required that there is an efficient administration that can help out with, for example, research applications. Furthermore, assistance with travel, the organization of conferences, workshops, seminars and other forms of administrative support are also required. The expanding empirical research is also becoming more data intensive and the researchers need help with data collection and programming and other forms of research assistance.

The IIES has always given high priority to providing its researchers with excellent support services of these kinds, which are financed by a combination of faculty and external grants. Besides regular administrative support and research assistance, the IIES has its own full-time IT support to be able to cater high-quality services to our researchers for both hardware and software. It is essential to maintain a lean but efficient administration. Keeping the administrative jobs interesting and challenging is thus an important issue. In particular, this calls for developing the specific interests and skills in the administrative staff – such as foreign languages and web communication – through job upgrading and various courses. One member of the administrative staff has also been given the possibility of expanding her skills by being a part time journal manager of a prominent journal in economics (*Review of Economic Studies*) which is hosted by the IIES and another administrator works part time at the IIES to be able to devote the rest of her time to her other commitments as the editorial secretary of *Ekonomisk Debatt* and to run her own language editing company.

Other conditions for a productive research environment are more subtle and include commonly held norms for research quality, good relations between research staff, PhD students and administrators, a seminar culture of open discussion where the argument a person makes, rather than his/her the formal position, is decisive. The IIES environment fulfills these conditions and a ruthless pursuit of relevance and excellence in research has gradually developed as an overriding social norm in the research staff.

### **D Plan of Action**

One professor (chair) of the IIES formally retired in 2009, two (chairs) in 2015 and one will retire in the fall of 2016. These professors keep and are expected to keep an association with the IIES as emeritus professors and will thus continue to occupy some office space. It has been decided that the renewal of professorial staff should take place gradually rather than suddenly and should properly balance internal promotion and external recruitment.

The latest recruitment at the professorial chair level was Per Krusell in 2008. This recruitment was made financially possible by a donation from Swedbank – topped up by some special funding from the university. New such donations would be needed in order to be able to offer competitive salaries at this level.

The plan is thus to open new permanent positions that junior researchers who receive a positive internal evaluation after completing his/her first six years at the IIES can apply for. To avoid expanding the risk of having to finance every new position with external grants, the plan is to use some of the faculty grants that have been used for retired/retiring professors for this purpose – in particular since those who have obtained a lectureship well into the past have also been promoted to professor. This strategy is currently of particular importance since the IIES has several junior researchers coming up for internal evaluation in the next couple of years (the first in line just having passed with a positive approval) and also due to the expansion of the junior faculty in the last few years that has been described above.

Some new positions should probably be announced at some point but only when it is well known that one or more candidates of outstanding international standing are eager to apply from the outside.

As has already been mentioned in the above sections, the IIES graduate students constitute a crucial part of the IIES environment and the IIES would not be the same without them. The current proposal to not allow IIES to fund their graduate students through tax-free stipends, despite the fact that the conditions are designed so as to mimic the conditions from which students on regular PhD positions benefit, is thus a huge threat to both the graduate program in economics as a whole, since most students at the IIES are funded with these types of tax free stipends, but more generally to the institute's ability to continue its position as a top-level research institution in Europe.

If we are given the chance, we will continue to give priority to research at a very high-quality level and much effort is and will also be devoted to continue to apply for external funding. The budget for 2016 has already been accepted by the IIES external board (in December 2015) and shows a deficit amounting to – 1285000:-. However, part of this deficit consists of prepaid jubilee money from the rector and the government so the actual forecasted deficit related to regular faculty funding is about – 310000. The result for 2017 is more difficult to forecast since there is still a large number of outstanding applications for funding starting in 2017 but the result is currently expected to be on par with that of the forecast for 2016.