

## Strategic plan for the IIES – Spring 2009

The IIES is a research institute, founded in the early 1960s. 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 permanent academic staff includes ten tenured professors, and four (from September 1, seven) assistant professors. In addition, there are two visiting professors, one post doc, and a varying number of visiting foreign scholars. Around fifteen Ph.D. students and three research assistants, who are in the early stage of the graduate program, also work at the Institute. The administration includes four employees, making the total staff around 40 people.

This short strategy document begins by formulating the most important long-term goals of the institute (Section A), and goes on by an assessment of how well we are currently fulfilling these goals, at the same time noting some important trends and threats (Section B). The final part discusses strategic actions in the medium term to meet these threats and maintain or improve fulfillment of the overall goals (Section C).

### A. Overall Goals

#### 1. Research

By its statutes and its special status, the prime task of the IIES is research. In the early period, there was a clear focus on international economics, but nowadays the IIES staff does research on many different topics (and on the boundaries to other social sciences). The most important objective of the IIES is, therefore, to *produce theoretical and empirical research in economics on important topics, which is of outstanding quality*. Outstanding quality refers to publication in the very best international scientific journals in the field, and impact of the research on the economics profession.

#### 2. Teaching and advising

Through an explicit agreement with the Department of Economics, everyone in the IIES research staff participates in the teaching of undergraduate and graduate economics at the university. The IIES has always taken special responsibility for the advising of graduate students (on top of those with an IIES office, the institute's researchers also serve as advisors of another group of Ph.D. students, mainly from the Department of Economics). A second important goal of the IIES is, therefore, to help *provide high-quality instruction in economics, and to foster new generations of outstanding economists*. The latter specifically refers to the placement of new Ph.Ds, in particular their ability to take up positions in top academic departments, or jobs in Swedish or international policy-making bodies or organizations.

#### 3. The third task

There is also a long tradition whereby members of the IIES research staff independently serve as experts for international organizations, Swedish or foreign policy-making bodies; they also participate very actively in the debate about economic policy. These activities, which fall within the so-called third task of the university, do not correspond to an explicit goal of the IIES – indeed, by a long-standing principle, the institute never takes on outside

research contracts as an organization. But the fact that individual IIES members are sought after experts or participants in the policy debate is an indicator of high-quality research. It may also enhance the institute's ability to secure additional funding, e.g., through external donations, and bring increased goodwill inside and outside the university.

## **B. Current goal fulfillment, trends and threats**

### 1. Quality of research

Long and persistent efforts to support high-quality research have been quite successful. In the past ten to fifteen years, IIES members have made a number of key contributions within different fields of economics. In any given year, several articles are typically published in the top five international general interest journals of economics, and another set in top field journals. The work is well cited and IIES researchers have 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 such as political economics.

This success is associated with two aspects of the environment. First, the IIES has been seamlessly integrated with the international research community, with many visits by foreign top researchers and many visits by IIES researchers at top academic departments abroad. Second, its research has been able to pick up – and to some degree help define – new “hot” areas. As a result, the research focus has gradually changed, with the renewal largely being driven by newly recruited junior researchers, and sometimes by creative work of Ph. D. students. Three factors have thus been critical to the success: *recruitment* of new research staff, the *infrastructure* for research, and the *financing* of the recruitments and research-related costs.

#### *Recruitment*

Up to the mid 1990s, basically all recruitments, from senior researchers to Ph.D. students, were done within Sweden. In the same way, virtually all researchers leaving the institute took up appointments elsewhere in Sweden. The situation is now very different. As for the professorial level, the last few appointments have been of researchers working abroad, and the last few leaving the IIES have all left for positions at foreign top universities.

Similarly, the search for younger researchers has exclusively taken place in the yearly international market for new Ph.D. economists. Each year, the IIES participates in this market and has managed to recruit a number of brilliant young researchers from top universities in Europe and the US to six-year research positions. These positions are designed to mimic the US position as “tenure-track assistant professor”, with a personal evaluation after six years. 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.

The international mobility thus offers opportunities as well as threats of departure by key people. While the research environment is a key factor in these mobility decisions, the level of remuneration is not unimportant – in particular, when the standard salary difference is a factor of two or more. So far, we have not really been able to tackle that general problem. However, a recent appointment of a full professor (from Princeton) was made possible by a generous private donation (and a matching contribution from the university). In full agreement with the university and the faculty, these additional funds could be used to supplement the regular professorial salary to an internationally competitive level. Keeping the remuneration for new tenure-track-like appointments at an international level has been possible through generous grants from a private foundation, and more recently through the use of research grants obtained from the ERC.

If these alternative means of creating positions with better terms than the standard university positions in Sweden were to dry up, this would pose a serious threat to our ambition to recruit staff with the highest international standing.

#### *Infrastructure*

Having recruited a set of talented people is certainly 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 in both directions between the institute and top departments requires money for travel and visits. Freeing up maximal time for research, teaching and advising requires an efficient administration that can help out with research applications, travel, organization of conferences, workshops, and seminars, and various other forms of administrative support. Facilitating empirical research, as this is becoming increasingly data intensive, requires powerful computers, help with data collection and programming, and other forms of research assistance. The IIES has always given high priority to provide its researchers with excellent support services of these kinds, which are financed by a combination of faculty and external grants.

Other conditions for a productive research environment are more subtle. They include e.g., commonly held norms for research quality, good relations between research staff, Ph.D. students, and administrators, a seminar culture of open discussion where the argument a person makes rather than her place in the hierarchy 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.

#### *Financing*

As for most other departments, the faculty grants available to the institute 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 and other costs. At the same time, the institute's research staff has expanded and its wage bill increased beyond normal wage growth as the staff has become more competent and more senior. 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, largely in pace with the computer revolution. The second route is an increased reliance on external research grants, which has been pursued to the point of creating several new permanent positions that continuously have to be externally financed. Such deliberate risk-taking builds on the idea that as long as we recruit excellent people,

these will also be able to raise money “for their own salary”. This higher exposure to risk is an important explanation as to why the IIES has chosen to keep a substantial reserve of cumulated surpluses.

While these ways of countering the lower basic financing have been successful so far, further declining faculty grants would create clear threats. The administration cannot possibly be shrunk further without serious consequences for the quality of our support structure. As mentioned above, it is also essential to provide other forms of infrastructure. A very small administration also creates additional risks, such as vulnerability to the departure of key employees. Finally, the strategy of recruiting very talented people has, so far, enabled us to considerably expand the external grants – most recently two large grants from the ERC and one large grant from Mistra – but this strategy entails increasing risks.

## 2. Quality of teaching and advising

Broadly speaking, the IIES has been successful also in fulfilling this goal. Everybody in the IIES research staff teaches roughly the same amount, although newly recruited junior researchers get a teaching rebate during the first part of their six-year track. Professors teach both at the undergraduate level and in the Ph.D. program, while junior researchers teach mostly in the latter. The course program for Ph.D. students is a two-year program, which is run jointly between the university and the Stockholm School of Economics. It has gradually developed into one of the best in Europe, with many applicants from a variety of countries (more than 50% of the students are now non-Swedish).

Research by Ph.D. students has always been an important part of the IIES research environment. After a competitive application procedure twice a year, a number of students, who have completed the course program, are given a shared office, a set of advisors, and financial support to write their Ph.D. dissertation at the institute. The majority of these students also spend a year as special students in the world’s leading economics departments in the US. Every year, some three to five of these students take their Ph.D.

These students have typically done very well. Some have stayed in Sweden, often for personal reasons, and have taken on jobs at other academic departments, or research positions in policy-making bodies such as Sveriges Riksbank. But many have gone on to jobs abroad: some to assistant professorships (or similar) at excellent universities in Europe or North America, others to organizations such as the IMF, World Bank, ECB or the Bank of England. Like many top academic departments elsewhere, the IIES has adopted a “quarantene” policy, whereby we do not employ our own students until at least two years have passed since obtaining the Ph.D..

As in the case of research quality, threats to the present system are associated with recruitment and financing.

### *Recruitment*

A continued supply of excellent students via the Ph. D. program of the university, and to some extent the Stockholm School of Economics, is essential to producing future generations of young scholars that are internationally competitive. Diminished resources for

Ph.D. support at both schools (in combination with higher salaries for Ph.D. students) have already shrunk the entering class every year from between 25 and 30 to between 20 and 25 students. Moreover, if the proposals to introduce fees for international students become reality, this might diminish Stockholm's relative attractiveness for international applicants.

#### *Financing*

An important part of the package given to the IIES Ph.D. students is external financing. So far, we have been able to finance them with a string of research grants, often from a private source in the form of tax-free stipends. If these grants were to dry up, or if there were to be regulations banning the use of stipends for Ph.D. students, the scale and scope of our Ph.D. advising program would be seriously threatened.

#### 3. Third task

While still lively, there is perhaps a slight downward trend when it comes to the participation of IIES research in public life and policy debate, among the younger researchers. An obvious explanation is that such participation – at least in the Swedish policy discussion – is inherently more difficult for a foreign researcher. Another possible explanation is the stiffer competition for academic jobs and our own up-or-down evaluations for continued employment after the initial six years increase the pressure to publish or perish.

### **C. Strategy for the medium term**

We now discuss possible actions over the next five years or so, to help maintain or enhance the goal fulfillment with regard to research and teaching quality, and to meet some of the threats mentioned in Section B. In view of that discussion, the most important issues concern recruitment, infrastructure and financing.

#### *Plans for recruitment*

One of the IIES professors will retire in the summer of 2009, while three more professors turn 65 in 2013-14 and are expected to retire two years later. Most of these retiring professors are expected to keep an association with the IIES as emeritus professors and will thus continue to occupy some office space. Renewal of the professorial staff should ideally take place gradually rather than suddenly and should properly balance internal promotion and external recruitment.

In the coming five years, the IIES should thus create new permanent positions to be open for application by junior researchers who receive a positive internal evaluation after completing his/her first six years at the institute. To avoid expanding the risk of having to finance every new position with external grants, it makes sense to plan on using some of the faculty grants presently used for the retiring professors for this purpose – particularly as all the people with new positions have been promoted to professor.

In other words, it will be better not to automatically replace all professors at the precise time of their retirement. Some new positions should probably be advertised, but only when it is known that one or more candidates of outstanding international standing are eager to apply from the outside. In those few instances, it may be necessary to seek new donations to

supplement the regular professorial salary. The IIES should aim at making one, possibly two, top appointments of this kind in the next five years.

An alternative to recruiting top faculty on a full-time basis is to employ leading scholars on a part-time basis as Visiting Professors. Such arrangements require recurrent visits over an extended period, which enable the visitor to actively participate in joint research projects with the institute's staff, and in graduate training and advising. At present, the IIES has two visiting professors, and this number should be expanded to three or four in the coming period.

To ensure a lively research environment and an ongoing renewal of research topics, it is essential to keep recruiting new junior faculty. Hopefully, it will be possible to continue employing new Ph.Ds of the highest quality to six year tenure-track-like positions, and to bring down the attrition of these young researchers before the end of their six-year track. The most important factor in attracting and keeping talented young faculty is undoubtedly the institute's own research environment. But other factors also go into the location decision, as excellent candidates can typically choose between several competing job offers. An internationally comparable salary has already been mentioned, but other factors can be even more important. In particular, many of the people the IIES attempts to recruit have partners and thus face a two-career problem. In those cases, it would be very helpful if the university could offer some help in the job search of the partners, in the form of a centralized placement service.

The right number of junior faculty with tenure-track-like positions at the IIES is perhaps between six and eight. Given a six-year track and some unavoidable attrition, this means that the institute should seek to recruit one or two new junior researchers in every one of the coming years.

Regular participation in the international market for junior researchers also has some positive side effects, beyond the actual recruitment. Interviewing and inviting top fresh Ph.D.s from the world's leading universities helps the IIES staff and Ph.D. students to follow the expansion of the research frontier. It also brings visibility and goodwill to the IIES among young researchers; in fact, many junior researchers who came to the institute during their job search, but chose to accept positions elsewhere, have later returned as IIES visitors.

An alternative to these longer junior appointments is to recruit post-docs for shorter stays, one or two years. Post-doc positions have not been very common in economics, and IIES has only received post-docs on an intermittent basis. In the future, we should probably expand the post-doc program to at least one or two post-docs per year.

#### *Plans for infrastructure*

It is essential to maintain a lean but efficient administration. Even though the responsibility for some administrative tasks, such as the admission of graduate students and management of visitors and seminars are decentralized to individual researchers, these and other tasks would not be handled nearly as smoothly as they do without the present efficient IIES administrators. 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.

The present location of the IIES, where the institute occupies a whole floor in the A-building, has many advantages. However, the recruitment plans described above would put increased pressure on office space over time. There are some limited possibilities to expand the number of offices within the present floor, including a planned conversion of the present institute library into two offices. It is also possible to create a larger number of offices for faculty by giving graduate students less office space (e.g., asking three rather than two students to share the same office). In the longer run, more substantial expansion is probably needed, however, and a new Economics Center – one of the main alternatives for the university's construction plans in the Albano area – might offer the additional space.

A third area of infrastructure where improvement will be needed over the next few years is computing. Many IIES researchers are turning towards much more computation intensive projects and much larger data sets, for example in the long-term Mistra-financed projects on various aspects of economics and climate change. It will be necessary to meet these demands by more powerful computational servers – and more powerful office stations on site. At present, the IIES has also made an agreement with the main KTH computer center (PFD), which will allow the use of supercomputers for very heavy computation and estimation tasks.

#### *Plans for financing*

While the IIES might hope to get some additional faculty or university funds over the next few years, it appears that most of the planned expansion has to be financed through external research grants. To increase the predictability, it is desirable that additional grants are large and long-term. IIES researchers will therefore apply more aggressively for such grants, for example the ERC's Advanced and Starting grants, or the program grants from the Swedish Research Council and the Bank of Sweden Tercentenary Foundation.

As mentioned above, the IIES recently obtained a large donation from Swedbank to make it possible recruit a top scholar from the US. It may be necessary to seek additional large donations – when the present economic and financial crisis has come to an end – in connection with filling future positions.