

# ***The Report of the External Advisory Board on the 2009 performance and future plans of the Institute for Economics of HAS***

## ***1. The research profile of IE***

Based on the 2009 Annual Report of the Institute of Economics (IEHAS) and the discussions that took place at the first External Advisory Board (EAB) meeting held at the Institute on Monday September 27<sup>th</sup> 2010, the Board outlined its ideas regarding the mission and research profile of IE.

Thus concerning *the mission*, the EAB unanimously supports the conception of the IEHAS as the leading economics research institution in Hungary, an institute with a growing international reputation and renown, and with an increasingly visible and active research profile in Europe and more widely.

Formulation of such a mission statement was seen as a useful tool to communicate the Institute's values, aspirations and purpose so that employees make decisions that are consistent with and support the objectives of the institution. While statements of an organisation's vision are commonly used to express its values and aspirations, mission statements more often express the organization's core purposes or goals, often in quite concrete terms. Ideally, they do so in such a way that performance can be evaluated periodically in relations to the goals set out in the mission statement. The essential point is to provide research focus and incentive structures based on academic excellence.

Next, concerning the *research profile* of the Institute, the EAB considered that this was – and should be – principally determined by the research interests and activities of the IE's research staff. This does not imply, of course, that Institute managers have no role in shaping the profile by developing a research strategy for the Institute; however, the principal tool through which the Institute can implement a strategy would be through its personnel and recruitment policy. To put it more directly, the most effective way to build a top class research institute is by hiring outstanding researchers.

To a very large extent, therefore, the profile of the IEHAS is shaped by the involved scholars and we should accept the set of topics that has grown out of the voluntary choice of the researchers, which today is at the focus of their attention. The crucial point of this argument is that since senior and widely respected scholars are concentrated at the Institute, it is self-evident that there will be some form of self selection. Those younger people will join who want to work with these senior colleagues. The presence of these senior experts, and the expectation of getting guidance and assistance in these fields, is the source of attraction. In this way, success and reputation feed on themselves.

At present the Institute of Economics is engaged in high quality research in economics, much of it of international standard; it also serves as an independent think-tank through working on a variety of contracts with government departments and agencies; and it assembles important data-bases to support research, while also building research capacity. These are all important and valuable activities.

As noted above, academic excellence should be the guiding principle underlying all the Institute's work, not least because this is the key area in which the Institute can claim to be unique in Hungary. There are many other research institutes and even consulting firms that undertake a diverse range of applied and policy-oriented research and studies for government agencies, and some of what IEHAS does might even overlap sometimes with such commercial work. But IEHAS's crucial comparative advantage is its high-level expertise in modern economics, both analytical and applied, so that when it undertakes policy-related work it can do so on the basis of a sound conceptual analysis and a good evidence base. Hence some of the work of the IEHAS can contribute to the development of evidence-based policy in Hungary.

Some EAB members were concerned that some of the specific research topics and themes undertaken at IEHAS might be duplicated at other institutes and centers in Hungary, both in Budapest and elsewhere. The Board concluded that it is often advantageous to have more than one approach to research in a given area, and a degree of competition between institutes can often be desirable.

## **2. *Research results***

The External Advisory Board considers the research results of the Institute satisfactory. Some parts of the research output are remarkable contributions to the understanding of the economy. Further improvement is certainly welcome, but we do not see the necessity of drastic change in direction.

We observe that the research activities of the Institute of Economics cover two different markets, in other words, two areas of utilizing the research outputs. One type of outputs is created for the domestic and the other one for the world research "market". As for the second category, research addressed to the world-wide community, special attention is paid to get attention in Europe. This division is clearly demonstrated in the figures below.

Before discussing and evaluating the publication records of the Institute we make some notes on the methodology of evaluation. We base our evaluation on the principles of the Grading Committee in Economics at the Hungarian Academy of Sciences, GCE, for both the Hungarian and English language publications. To evaluate the performance of individuals applying for the degree of 'doctor of sciences' awarded by HAS, GCE primarily uses the quality list of journals in business and economics released by the Vienna University of Economics and Business Administration. We denote it as Wie08, indicating that it was made in 2008, although GCE uses Wie03.

One of the problems with the Wie08 quality list is that it does not correlate strongly with other quality lists (see Mingers, J. and A. Harzing (2007): *Ranking Journals in Business and Management: A Statistical Analysis of the Harzing Dataset*, *European Journal of Information Systems*, 16/4). For this reason we will base our evaluation also on other rankings as well. For example, the journal quality list made by the Association of Professors of Business and Economics in German Speaking Countries (denoted as VHB08).

Tables below classify some publications, the not listed ones are published in journals not ranked by any of the 18 journal quality lists we know (categories: A\*, A, B, C, D, E. Category A usually contains the best journals in the field, while A\* the top ones among the best).

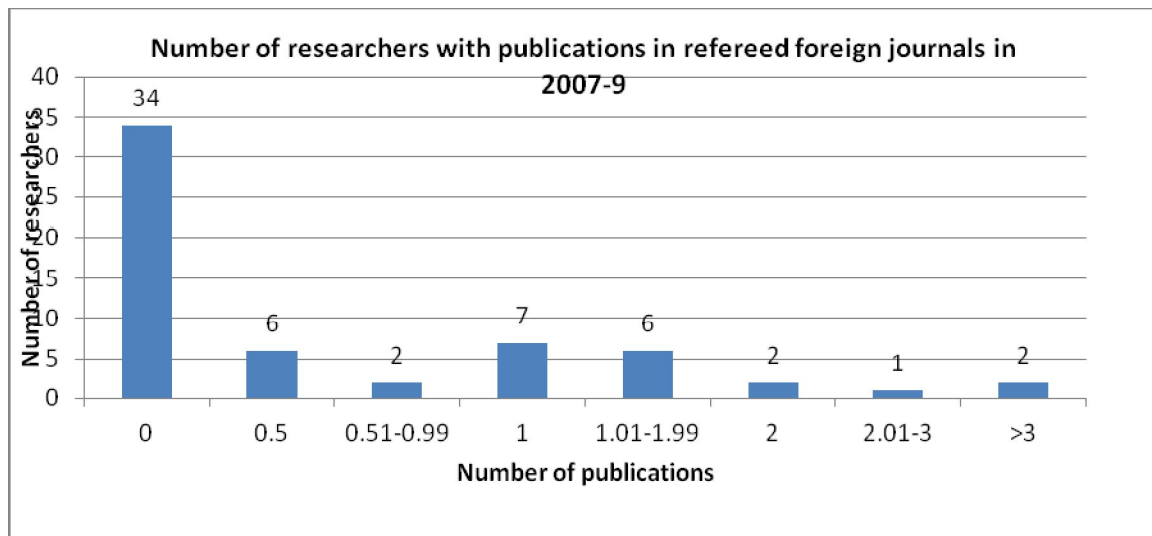
**Table 1: Publications in ranked journals (Harzing, A.: Journal Quality list, 37<sup>th</sup> ed., 2010)**

<i>Author(s)</i>	<i>VHB08 category</i>	<i>Wie08 category</i>
<b>2009</b>		
Telegdy et al	A	A
Békés et al	Not listed	A
Bakucs and Fertó (and Fogarasi)	B	A
Darvas	A	A
Havas	Not listed	Not listed but B by Wie03
<b>2008</b>		
Csorba	Not listed	Not listed but A by Wie03
Havas	B	Not listed
Fertó	D	A
Fertó and Soós	D	A
<b>2007</b>		
Csorba	B	A
Simonovits (J of E)	B	A
Simonovits (EJPE)	Not listed	A

Table 1 indicates that members of the Institute have been conducting high quality research, as having publications in A quality journals by international ratings in Austria and/or Germany. Comparatively, using absolute measures, we may consider the performance of the Institute more favorable than that of similar institutions in Hungary.

On the other hand, Figure 1 indicates that there are two researchers with more than three refereed foreign publications in the period of three years. There is also a growing number of researchers who published one or two publications in refereed foreign journals in the same period. However, also one observes a predominant number of 34 researchers who have no publications in the international market in the given period. One should note as an international comparison, that in France an academic having a research-only contract should publish four articles in four years in journals appearing on the quality list.

**Figure 1 Number of Researchers with Publications in Refereed Foreign Journals (2007-09)**



**Figure 2 Number of Researchers with publications in Hungarian Journals (2007-09)**

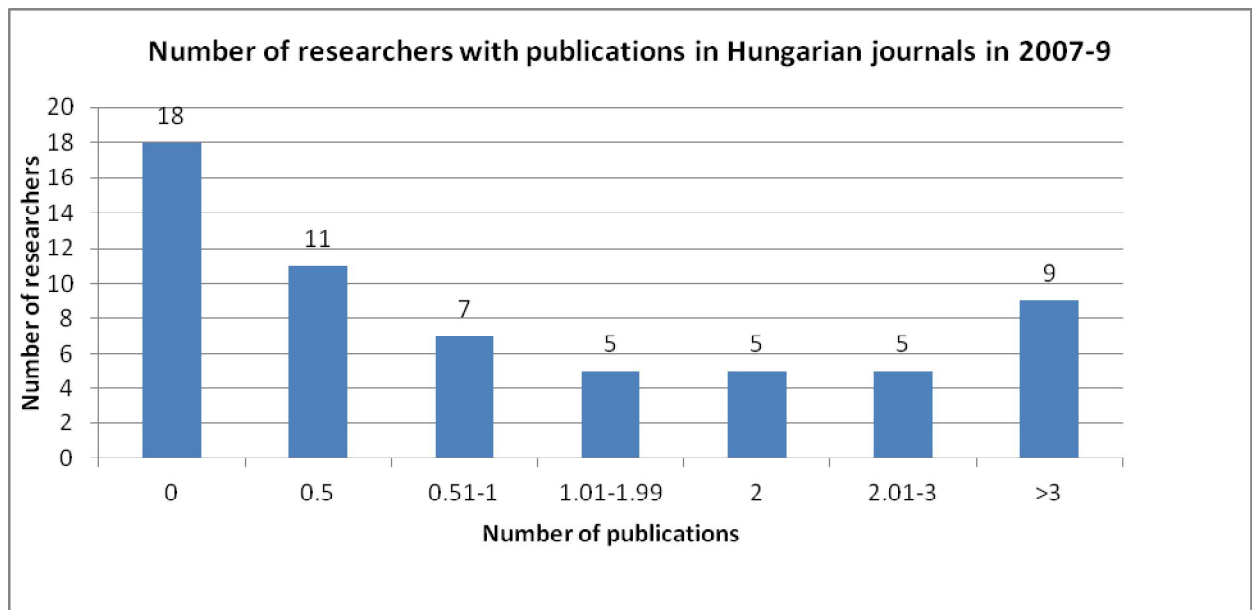


Figure 2 demonstrates research of the Institute towards the domestic markets. 18 researchers have no publication in this market and there is a group of nine researchers having on average one refereed publication in Hungarian journals per year.

**Figure 3 Number of Researchers with Publications (2007-09)**



Figure 3 provides evidence on the number of researchers with no publications in the period of three years. This shows 7 persons. We note that this group consists of young researchers just at the beginning of their career, researchers close to retirement who are not productive anymore and unsuccessful researchers who have already left the IEHAS

Overall, it seems that the output of the internationally acclaimed research is far from evenly distributed across the Institute. We also note that researchers without publications tend to undermine the credibility of the Institute's overall research effort.

### **Quality of the Research Output at the IE of the HAS**

We consider the internal ranking of the IEHAS of the peer-reviewed foreign articles as fully adequate, representing high international standards, and we also note that the IEHAS review is stricter than the evaluation of the MAB or most of the Hungarian institutions involved in economics research. These strict internal evaluation requirements create an excellent motivation, especially for the younger and middle-aged researchers.

Among the publications in the period of 2007-2009, the External Advisory Board rates especially highly, among others, publications in Economic Journal, International Journal of Industrial Organization, Review of International Economics, the World Economy, Economics Letters, Agricultural Economics, Journal of Banking and Finance, and Journal of Economics.

While the IEHAS produces some excellent research results, there is still room for improvement in the overall quality of the research. However, these improvements might depend on the incentive and accountability structure of the Institute, and also on the resource allocations within the HAS.

## **REPEC Ranking of the Institute of Economics as of July 2010**

The website <http://ideas.repec.org/top/top.hungary.html> provides a ranking of the top 25% of Institutions and Economists in Hungary as of July 2010. This RePEc ranking is based only on authors who had registered with the RePEc Author Service. For Hungary, 125 authors and 29 institutions were affiliated. One notes that IE of the HAS was ranked first, very close to the second Department of Economics of the CEU, followed with some gap by the Corvinus University, MNB, Pécs and other institutions.

The same website also ranks the top 25% of authors in Hungary. While clearly János Kornai leads the list of the best Hungarian economists, one finds László Halpern and Miklós Koren among the best five, and Zsolt Darvas, Ákos Valentinyi, András Simonovits, Gábor Kézdi, Imre Fertő, and Álmos Telegdy among the first dozen. Both these rankings show an excellent and to an extent a superior position of the IEHAS in the Hungarian economics research.

We realize that such rankings are always biased in some direction as it is not fully clear how to correct for publication length, co-authorship, multiple affiliations (very typical for the Economic Institute of the HAS), the size of the institution, and the egalitarian versus elitist concept of measurement (how many articles in lesser rated journals equal the value of one article in the top journal). However, we still think that this ranking is illuminative and surely serves as a good basis for our overall positive evaluation of the research at the IE.

### **Some Final Remarks on Research Results**

We advise the Institute always to single out successful and efficient researchers in its reports and materials, i.e. to highlight names of people who conduct interesting and internationally or domestically acclaimed research. One notes that, for example, the UK's National Institute for Economic and Social Research at their website names each research team when they discuss a project or research area. Also the Institute website should mention media links, dissemination activities linked to Institute research, so the research output of the Institute is better known, and more widely appreciated.

Finally, we would mention, in the same spirit as above, that the External Advisory Board notices that some of the most excellent and interesting research of the Institute (for example dealing with minority issues) is too little known in the international network of economists and other social scientists. We advise the Institute to have a more active policy of promoting such research in the domestic and international context, and also to motivate researchers in the same direction.

### ***3. Plans and strategy***

When evaluating the plans and strategy, in addition to the report provided by the Management, the Board also consulted the strategy paper published by the Scientific Council of the institute (available at <http://www.mtakti.hu/institute/strategy.html>).

The strategy puts forward the aim of achieving “internationally acclaimed academic results while also focusing on timely economic policy issues”. The Board endorses this approach and supports the idea that the activity of the management should be directed to facilitate this to the maximum possible extent.

We agree that strategically it is a reasonable target for the IE to occupy the unique position: to create an internationally excellent and sustainable research institute. The direct and primary goals therefore, could be to develop and foster a strong research culture, which includes operating an efficient staffing policy.

The strategy emphasizes that IEHAS strongly encourages the researchers to publish in top quality academic journals while it is also underlined that intermediate research results should be disclosed through discussion papers (on paper and on online) and at various seminars, workshops and symposia. This is fully endorsed by the Board. A productive research culture basically means the freedom of discussion, openness of academic debate, and critical thinking. Colleagues should be reading and talking about each other’s papers, criticisms should form part of normal academic debate, staff seniority should have no bearing on whether one can criticize or be criticized. Also, it is very important that one can expect internationally acclaimed outputs only when exposure to international peer criticism is maintained throughout the whole research process (from proposal design to dissemination).

The Board also fully agrees that the recruitment of talented young researchers is a key element in this process. While it is understood that the operation of efficient staffing policies and the maintenance of incentive structures should fit the general practices and culture of HAS, expansion of the pool from which new, young talents can find their ways to the Institute is encouraged. The tradition of young talents’ summer seminars, the links of the institute to various PhD schools, is highly appreciated. Ways of strengthening this direction could include building further strategic partnerships with high quality universities.

It is an obvious criterion for an efficient academic work environment that new staff should be recruited competitively, through open advertising or search procedures, and should be appointed on merit. Nothing else matters. Also, promotion should be based on academic merit, largely judged through achieved performance in publishing research and winning new funding.

Researchers who are not in fact research active should be redeployed to other activities where possible, or in the worst cases should be encouraged to leave. For instance, they might well be able to teach at a college or university where research was not expected as part of the job.

The list of areas where IEHAS is active and plans to be active can, by its nature, only be temporary. It is the very nature of academic research that much depends on the interests of the currently active and potentially employed new talents in the institute. Nevertheless, the general commitment of the management to build and maintain open databases to facilitate

research is appreciated as this helps in expanding research activities in some preferred areas (current plans include building high quality databases in labour market, household, regional categories and in international trade). Still, further attempts to support building research infrastructure in other fields are to be encouraged. Moreover, without saying anything about preferred areas, the Board draws attention to the need for additional support for serious research in economic theories.

#### **4. The SWOT analysis**

In our understanding Kenneth Andrew's concept is that strategy is the match between what a company can do (organizational strength and weaknesses) within the universe of what it might do (environmental opportunities and threats) (Andrew, K. P. (1971): *The Concept of Corporate Strategy*, Irwin). The main elements of the criticism of SWOT analysis include the issue that managers are given few insights about how to assess either side of the equations systematically (Collis, D. J. and C. A. Montgomery (1995): *Competing on Resources*, Harvard Business Review, July-Aug, 118-128. Keeping this in mind, we accept further suggestions for improvement.

<b>Organizational resources</b>	
<b>Strength:</b> <ul style="list-style-type: none"> <li>- owning skills in conducting research</li> <li>- tradition and ability to publish in best journals of the field</li> <li>- open performance evaluation system</li> </ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>- internationally not sufficiently expressed results</li> <li>- lack of possible focus, wide product portfolio</li> <li>- omission of some core fields of economics</li> <li>- implementing conclusions of performance evaluation</li> </ul>
<b>Environment</b>	
<b>Opportunities:</b> <ul style="list-style-type: none"> <li>- low domestic competition</li> <li>- long-range demand for research in economics</li> <li>- set of unsolved current problems economics, growth</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>- well paid think-tanks outside the institution</li> <li>- international brain-drain</li> <li>- low priority for social sciences</li> <li>- low growth of Hungarian economy, lack of financial resources</li> <li>- less developed economy raises fewer actual problems</li> <li>- more developed economies provide better research culture and staffing policy</li> </ul>

## ***5. Other Remarks***

We would note that the intellectual performance of the leading researchers of IE is actually better than their international publication record. There are a few excellent studies where the first Hungarian publications were not followed (or were much too slowly followed) by international publications. That is a sad situation, and it is the researcher himself who must be blamed for this kind of “provincialism”. The leadership of IEHAS is using various moral and financial incentives for encouraging international publication -- but perhaps more can be done.

The background explanation for the gap between IEHAS research output in Hungarian and international journals is not fully understood. Perhaps it is explained by the lack of effort (or courage) to subject the research output to the high standards of international publication. But perhaps there are cases when the doctrinaire bias of certain journals must have played a role. Even if one such case had happened, it would deserve close attention, because path-breaking new ideas need encouragement.

IE is an important node in the network of national and international economic research. It has many valuable connections to other researchers in Hungary and outside Hungary. It has an intellectual “radiation”, and the IEHAS compiled network based databanks are valuable resources.

Research cannot be separated from teaching and from the dissemination of the results of research. The institute is a place where young people are learning the skills of research by working with experienced senior scholars, receiving their advice, guidance and criticism. A further merit of IEHAS is the participation of several members in higher education. Many members of the Institute are teaching at various universities. The combination of research at the institute with teaching at a university should be extended to other members of IEHAS. It is a natural obligation of all successful researchers to participate in the education of younger generations.