

# **Evaluation of the Research and Professional Activity of the Institutes of the Czech Academy of Sciences (CAS) for the period 2010–2014**

## **Final Report on the Evaluation of the Institute**

**Name of the Institute: Economics Institute of the CAS, v. v. i.**

**Fields, in which the Institute registered its teams:**

Economics and business

Observer representing the Academy Council of the CAS: Pavel Janoušek

Observer representing the Institute: Štěpán Jurajda, substitute observer Daniel Münich

**Commission No. 10: Social sciences**

Chair: doc. JUDr., PhD., LL.M. Kristian Csach

Date(s) of the visit of the Institute: October 19 - October 23, 2015

Programme of the visit of the Institute: see attached Minutes from the visit

Evaluated research teams:

*No. 1 - Economics Institute*

## **A. Evaluation of the Institute as a whole**

### **1. Introduction**

According to the presentation of the Institute (and the team) and the provided data this is a very professional group that has built a world-class department along the lines of top-places. They have an excellent publication record, very good student placements (from their PhD Program), a broad research portfolio, and an age structure skewed towards the young. Among all the teams that we have seen, this might be characterized as the best presented and most impressive one. They have a clear profile that is in line with the best places in Europe and the US. They emphasize quality of publications over quantity and have a two-tier quality control system, consisting of a well-staffed international Advisory Board and the Executive and Supervisory committee. We can only congratulate the CAS for such an achievement!

### **2. Strengths and Opportunities**

High quality internationally visible research

Joint structured PhD program with Charles University

Good student placements

International contacts and reputable guest researchers

Community outreach via IDEA

### **3. Weaknesses and Threats**

Underfunding

Excessive administration

Not a clear dividing line (if any) between CERGE-EI and EI

Possible deterrent effect of the impossibility to long-term employment contracts

### **4. Recommendations**

The allocation system for funding within the CAS should be changed so as to give more weight to quality. As it is common at research institutions around the world, journal publications should be evaluated by a strongly convex schedule giving most of the weight to the top journals (bearing in mind the differences between particular fields of research and their “publishing policy”) and essentially lower weight to low-ranked journals. An initiative to make additional funds available to CERGE-EI for data acquisition and empirical research would be welcome. The excessive administration should be drastically reduced and the funds thus saved should be made available for research.

## **5. Detailed evaluations**

### ***Declaration on the quality of the results and share in their acquisition***

The publication record of CERGE-EI is first-rate. They publish in the leading journals of the profession, inclusive of top-5 publications (Econometrica, Journal of Political Economy, Review of Economic Studies, Quarterly Journal of Economics, and American Economic Review). Many of the most successful papers are co-authored by CERGE-EI staff together with renowned international researchers, as it is best practice today.

### ***Declaration on societal relevance***

CERGE-EI contributes to an important body of knowledge actively and with international recognition. On top of its impressive scientific achievements it also reaches out to the wider public with its IDEA think tank that publishes policy studies and organizes seminars and media events.

### ***Declaration on the involvement of students in research***

CERGE-EI was the only team that was able to provide us with clear-cut information on student training and their actual placement. They run a structured PhD program, consisting of coursework and a dissertation phase, jointly with Charles University (the CERGE part). The program has successfully placed students in all relevant parts of the world, of course, with an emphasis on Europe and the US. It was somewhat unfortunate that the narrow time window did not allow for a confidential meeting of the commission with students.

### ***Declaration on the position in the international and national context***

CERGE-EI has successfully positioned itself as one of the leading research centres in economics on the European continent. It is also well recognized overseas, about which both the publications and the student placements bear evidence. As already emphasized above, it is a role model for how a successful research institution should be organized.

### ***Declaration on the vitality and sustainability***

Despite the impressive success story of CERGE-EI we identified three problems that may threaten its functioning in the long run:

- (1) Relative to their success this group is severely underfunded. Due apparently to a point-system that does not distinguish sufficiently between world-class publications and grey literature, they obtain funding shares that are not in proportion to the quality of their output. This strikes us as an instance where rules were substituted for standards. (Below a certain quality threshold, publications should not count at all; otherwise strategic gaming incentives are introduced, as producing pages cluttered with letters is much cheaper than producing a scientific paper.) And this has adverse consequences. For one, salaries cannot be raised to a level that would attract and/or retain world-class seniors. Second, even though the tenure procedure operates at a scientific level comparable to one of the top-10 departments in the world, the return is not a legally binding commitment as would be expected in other parts of the world, but only the issuance of a permanent contract (no waiver of the right to fire being involved). This may make it very hard to attract young talent – but, of course, makes the existing successes

even more admirable. Thirdly, the fluctuation in permanent faculty is excessive, because the most successful researchers are naturally those that attract the best outside offers. As a consequence CERGE-EI has to rely too much on “2<sup>nd</sup> –affiliation” researchers and on part-time staff.

- (2) The group is lacking a sufficiently large empirical arm. This is partially due to the aforementioned financial restrictions, since economic theory is cheaper than empirical work (which requires investments into data bases and data collection). But it also has to do with a lack of participation of other groups at CAS. For instance, the Econometrics Department at the Institute of Information Theory and Automation could greatly benefit from closer cooperation with CERGE-EI. Given the current circumstances, CERGE-EI might support the econometricians with research project guidance and cooperation, experience, ambition and the presentation skills aimed at international recognition.
- (3) CERGE-EI appears to be haunted by an excessive administrative burden that is externally driven. This may be explained by the fact that it is a joint operation of CAS and Charles University. But it strikes us that this can at best be an excuse. In neighbouring Austria the Vienna Graduate School of Finance (VGSF) is run jointly by three institutions (the Vienna University of Economics and Business, the University of Vienna, and the Institute for Advanced Studies) already for over ten years. Yet, VGSF has never developed such an excessive administrative apparatus as CERGE-EI has. Therefore, one should consider ways in which the administrative burden at CERGE-EI be drastically reduced in an efficient way. The resources thus saved might productively be used to relax the underfunding problem of research. However, the Commission could not assess whether the administrative burden is higher compared to other Institutes of the CAS.

### ***Declaration on the strategy and plans for the future***

These problems aside, the Economics Institute of CAS constitutes a show-case of how basic research in the social sciences can be efficiently organized. To add to that, CERGE-EI has also been very successful in attracting outside funding, both from private sponsors and from EU sources. Most remarkable they have recently won an ERC grant – the gold standard in research funding.

However, there was no consensus within the commission as to whether or not the model of CERGE-EI is replicable and transferable to other institutes and other research fields. Clearly, this model is the unique result of a joint effort by public stakeholders, Charles University, and the EI itself, aided by outside funding. The question of the “institutional” future of the cooperation between the EI and Charles University and the shift towards CAS or University or a semi-autonomous body remains open. However, the clear procedural rules enacted by the Institute might be inspirational (albeit not 1 to 1 transferable) to other Institutes.

## **B. Evaluation of the individual teams**

### **Evaluation of the Team No. 1: Economics Institute**

- 1. Introduction**
- 2. Strengths and Opportunities**
- 3. Weaknesses and Threats**
- 4. Recommendations**
- 5. Detailed evaluations**

As the research team equals to the Institute as such, the same stated regarding the Institute applies to the research team.

**Date:** February 22, 2016

**Commission Chair:** doc. JUDr., PhD., LL.M. Kristian Csach