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**Article**

## Institutional Change and the 'Irresistible Force'

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## INSTITUTIONAL CHANGE AND THE 'IRRESISTIBLE FORCE'

ROBERT HAVEMAN\*

It is rare that one is able to be an 'up close' observer of the radical transformation of an important institution. I have had that privilege. It started in the 1998-99 academic year when I – and my colleague/spouse, Barbara Wolfe – were invited to spend a few months as visitors at the Center for Economic Studies (CES) in Munich. CES, an Institute of the University of Munich (LMU), dedicated to bringing together scholars from around the world for discussion, was founded and directed then by Hans-Werner.

During that visit it was announced that Hans-Werner had been appointed to be the President of the Ifo Institute. That he had accepted this appointment was a surprise, as Ifo was not known to be an academic and scholarly research center. In fact, it was a large and rather dowdy center dedicated to churning out reports and data for the government and the business community. At that time, the status of the Ifo Institute was also downgraded from a research service provider to a center of policy analysis and research, and its budget was cut.

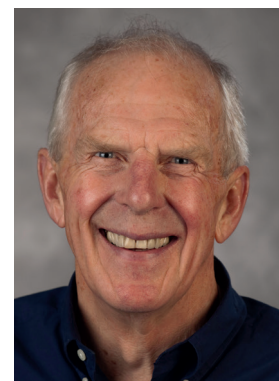
The appointment of Hans-Werner as President was a shock to Ifo's system; it was a classic example of an immovable object being struck by an irresistible force. One of Hans-Werner's first acts was to begin a research lecture/seminar series designed to reveal research results and to prompt discussion. Barbara Wolfe and I were invited to present the inaugural lecture at the 'new' Ifo. We presented our research on the work and well-being impacts of the Clinton welfare reform legislation in 1996. The large room was filled with then-Ifo staff. They were not young and were clearly cut from some bureaucratic mold. Unlike academic research seminars, this one prompted few, if

any, questions and stimulated no debate – except for questions raised by Hans-Werner himself. My main thought was: "does this man know what he is getting himself into?" It was clearly the wrong question; it should have been "do these folks know what is about to happen to them?" Well, that was sixteen years ago. Since that time, Hans-Werner has transformed the Ifo Institute into a unique and high quality economic research organization.

In the period after 2000, I have been a visitor at Ifo, a Research Professor and a member and Chair of the Scientific Advisory Council (SAC). I witnessed firsthand the early selective downsizing of Ifo, and then the restructuring and growth that followed. Ifo has developed a strong research orientation and close connections with numerous domestic and foreign research institutes, and Ifo has transitioned to the status of a 'research institute'. This turn has elevated Ifo into its position as one of the most prestigious research institutes in Germany and one of Europe's leading economic think tanks.

Hans-Werner's leadership has led to the establishment of eight research areas, each headed by a recognized and distinguished department head. The positions of these young, though established and highly regarded, department heads are now combined with a chair at the LMU and thought of as equivalent in terms of prestige to university professor appointments. Each Ifo department is committed to applied, policy-oriented economic research. The research staff regularly publishes its studies in the leading international journals. In recent rankings, Ifo staff produced more publications than any other economics research organization in Germany. Ifo also ranked at the top of all of the economics institutes and faculties in the German speaking countries in terms of economists under the age of 40 years.

The original data collection/reporting/monitoring mandate is now carried out using modern research methods and the products of this effort are now publicized to the world community. The prominent Ifo Business Climate Index reflects state-of-the-art business cycle analyses. The Database for International



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Institutional Comparisons (DICE) offers cross-country comparisons of systematic information on institutions and regulations.

While Ifo is known for its research contributions, most of these studies have their origins in on-going policy discourse in Germany and Europe. They stand as notable examples of how the latest theoretical insights and empirical methods of economics can illuminate and guide policies. At the same time Ifo's staff regularly participates in public debate. The Ifo stands as an outstanding 'bridge between academic research and public discourse'. Finally, Ifo serves an important educational function. Its doctoral program (and that of CES) hosts more than 40 doctoral candidates and provides them an environment conducive to writing outstanding dissertations and the opportunity to present research results in visible international venues.

Today, the Ifo Institute excels at research, policy advice, and doctoral training. During this radical institutional change cooperation between the SAC and both the Executive Board and the department heads was highly productive. The contribution that Hans-Werner has made to the transformation of the Ifo Institute must rank high on this list of his accomplishments.