

LEADERSHIP BY EXAMPLE

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The paths of Hans-Werner Sinn and myself began to cross in the late 1970s, when he was still at Mannheim University, and the crossings became more regular when he moved to Munich and founded CES in 1991. I then became a member of the CES Council and continued in that role until 2009, the last eight years as Council Chairman. During that period I was able to witness the buildup and development of CES, a development that was closely associated with the academic profile and initiatives of its leader. Although my ring-side position was later extended to a view of the whole CES-ifo system, I hope I may be forgiven for concentrating my remarks on CES.

The remarkable history of CES, both before and after its merger with the Ifo institute will no doubt be told in other contributions to this issue. Let me just note that the strongest feature of the CES as a research institute has been its commitment to combine fundamental research with the analysis of economic policy. Another striking characteristic of the growth of CES has been its development into a hub of European economic research. These developments would not have been possible without the strong leadership of Hans-Werner Sinn. This leadership has been dual in nature. A good leader can lead through wise management combined with a strong vision for the future of his institution. But he can also provide leadership by example. Hans-Werner Sinn has done both. In the following, I will focus especially on the second dimension of his leadership.

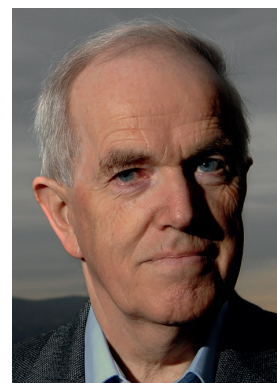
Watching Hans-Werner at work as an empire-builder – I use this concept in an entirely positive sense! – I have been filled with admiration but also, at least in the early years, with some surprise. For the young economist that I first met almost forty years ago did

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not seem to me to be destined for a career along these lines. Consider his early research interests: he wrote his diploma thesis on the Marxian Law of the declining rate of profit and went on to write his doctoral dissertation on the pure theory of choice under uncertainty. The choice of the former topic reflects the interest in Marxian thought that was strong in the 1960s and '70s. The latter was a hot topic of research among academic economists at the time, offering many challenges for further development to a gifted theorist. But none of them were areas that seemed particularly relevant as a preparation for a career as an influential actor on the scene of economic policy debate. They were topics that could create excitement among the participants in departmental seminars but hardly among a larger audience.

I had to revise this view of Hans-Werner's academic profile when reading his habilitation thesis on *Capital Income Taxation and Resource Allocation* (the title of the English version, published in 1987). This is still a book on theory but of a more applied and policy-relevant kind than his previous work, and it established his reputation as someone who produced results of the highest relevance for economic policy. This combination of theoretical study and policy application Hans-Werner brought with him to CES and later CESifo. Not only did he encourage the combination through the institute's choice of research topics and the selection of staff members and visitors, he also continued his own work along these lines by exploiting his skills both as a theorist and policy analyst in work on a series of highly relevant topics. Prominent examples of such contributions are his books on German unification (together with his wife Gerlinde), globalization, the euro crisis and the global environment. Although not all economists can aspire to write so many books and articles on such a broad range of topics, the example of someone who is not only enthusiastic about economic theory but also convinced that it has much to offer to those who wish to build a better economy and society is bound to be inspiring to the young economist.

While Hans-Werner has done a lot to encourage young economists, a notable feature of his activities is



that he also has a keen eye for the contributions that older economists can make. In his books and articles this attitude is displayed in the attention that he pays to the work of previous generations of economists, and he has made CES an important meeting place not only for the young generations of researchers but also for interaction between the young and the not-so-young. A nice example of this is the 1998 conference that featured a discussion between two grand old men of public economics, James Buchanan and Richard Musgrave. They presented their alternative views on the nature of public economics and the proper attitude that economists should have to the state – supplemented by insightful comments both from the audience and Hans-Werner. The book that came out of the lectures (*Public Finance and Public Choice*, 1999) should be read by every public economist whose ambition is to become not only clever but also wise. It is a nice testimony to the impact of CES in promoting not only new results but also deeper reflection.

One of the interesting aspects of becoming older is that you see that the young people that you know are suddenly approaching retirement. In the case of Hans-Werner, however, I definitely take his ‘retirement’ with a grain of salt. One has to take note of his formal retirement from some of his positions. But that he should retire from economic research and debate is inconceivable!