



A CASE OF INSTITUTIONAL ENTREPRENEURSHIP

ROBERT SOLOW*

Institution-building is a difficult and stressful process, as anyone knows who has ever tried to do it, or even observed it at close hand. My wife once had a T-shirt on which was inscribed a profound remark attributed to Jean-Paul Sartre: “in football, everything is complicated by the presence of the opposing team”. I have no idea if the attribution is authentic; but I will add that institution-building must be more complicated than football because even the presence of one’s own team often creates intended or unintended difficulties for someone trying to create or re-create an institution. That is why I have chosen to pay tribute to Hans-Werner Sinn’s imagination, skill and determination in the creation of the CESifo we know today, and to remind everyone of the importance of this effort not only for economics in Munich but for German economics as a whole. Naturally I can only describe the view of an interested and sympathetic outsider, but that is not an unimportant or irrelevant standpoint.

I think back 20 years, to the mid-90s. Hans-Werner Sinn (HWS) is already professor at LMU, already ambitious to build something in economics. There are a few outstanding German economists, but no real center of active economic research with a clear footprint on the world scene. The Institut für Weltwirtschaft in Kiel has a long tradition, but it is not widely known as a source or meeting-place for new ideas. The Ifo Institute was known almost entirely for its business-cycle ‘barometer’ but contributed little or nothing to macroeconomics or business cycle theory.

If I remember correctly, HWS had already started a seminar series under the auspices of the newly-created Center for Economic Studies (CES), and had already

begun to invite speakers, advisers and participants from other universities in Germany, in the rest of Europe, and, when possible, from even further away. In 1994 he started what became the series of Munich Lectures in Political Economy, and he started it with the brilliant choice of Avinash Dixit as the first Lecturer. This was not at all a routine act of academic busywork. It was in fact a piece of academic entrepreneurship. Astutely managed, it put Munich on the world map of economics. The fact that so many of the Lecturers were leaders in political economy and public finance only makes the personal influence of HWS easy to see.

Then, in 1999, he became President of Ifo and the opportunity arose to build a new combined institution on a larger scale. What followed was a truly innovative episode, a case of institutional entrepreneurship if ever there was one. The program of Ifo was reformed to encompass business-cycle research in the modern manner. The journal *CESifo Economic Studies* was created, published in English. The CESifo network came into existence to make Munich a legitimate competitor to the CEPR in London and the NBER in Cambridge. Munich joined Paris, Barcelona and Toulouse as a major Google-worthy center of economic thought on the continent of Europe.

It is impossible to imagine this transformation happening without the will, energy and intellectual force of Hans-Werner Sinn. It was not an accidental or naturally evolving process. I think that HWS had from the beginning an approximate vision of a goal, perhaps not in every detail, but something closely resembling the CESifo complex of today: an internationally effective, interlocking, vertically integrated set of activities ranging from basic academic teaching and research to public discussion of contemporary issues of public policy. And all this was accomplished while HWS continued to think about economics in general, the German economy in particular, and to take strong positions on debatable issues of public policy. It is a remarkable record of effort and achievement.

* The 1987 Nobel Laureate in Economics, Institute Professor Emeritus at MIT and Robert K. Merton Scholar at the Russell Sage Foundation.