

## Environment template (REF5)

<b>Institution: University of Leicester</b>
<b>Unit of assessment: Department of Economics</b>
<b>a. Overview</b> <p>Since RAE 2008, the Department of Economics at the University of Leicester, from which all members of the Unit come, has consolidated its position in international rankings and made progress towards its next objective: to acquire and maintain a place as one of the top ten economics departments in the country. To this end, we have both complemented existing strengths and invested in previously under-represented areas of research. The result is a young, dynamic, and internationally oriented department with a constantly improving research profile.</p> <p>Current research conducted by staff members covers all the main areas of Microeconomics, Macroeconomics and Econometrics and aims to achieve results of the highest quality in all fields. Particular strengths are in three major groupings: <b>(i)</b> theoretical economics, <b>(ii)</b> monetary policy and banking, and <b>(iii)</b> applied microeconomics and micro-econometrics. These will be described in more details in section c below.</p>
<b>b. Research strategy</b> <p>Since RAE 2008, the strategy of the Unit has been to attract the most highly productive economists and the most promising PhD students, and to create and maintain conditions that incentivise and facilitate their research.</p> <p>Over the assessment period our organisational practices have been consistently supportive of these ambitions:</p> <ul style="list-style-type: none"><li>• we have regarded research accomplishment as the crucial element in all staffing decisions, including recruitment, promotion and appraisal;</li><li>• we have kept teaching loads to very reasonable levels in order to release staff time for research. The standard teaching load for research active members of staff is now two courses per year, i.e. 40 hours of lectures plus, on average, 20 hours of classes. In addition, newly appointed junior members of staff have an automatic 40% reduction in their non-research workload in their first year, 30% in their second year and 20% in their third year. The value of this investment is measured and supported through annual appraisal processes and ongoing intensive mentoring of junior staff;</li><li>• we have run a weekly research seminar series throughout the assessment period. Seminar attendance is strongly encouraged and has become integral to the Unit's research culture. Irrespective of the speaker's field, seminars are now regularly attended by the vast majority of academic staff members and PhD students;</li><li>• we have also run a weekly series of internal seminars, where staff members present their research. Staff members are encouraged to present research at an early stage, when comments are most useful, and collaborations may be spurred most effectively. As a rule, all staff members give one internal seminar every year;</li><li>• we have maintained a lively working paper series, with, on average, more than 20 papers per year;</li><li>• we have encouraged and provided support, both financially and in terms of research infrastructure, for a number of visiting appointments (recent examples include Gabriella Chiesa, Paola Valbonesi, and Peter Rousseau);</li><li>• we have pursued active collaboration with the international research community. Over the review period, staff members have had research links with many other national and international institutions. This is attested, for example, by most staff members having co-</li></ul>

authors from other institutions, including the Universities of Oxford, Stanford, and Harvard;

- we have taken full advantage of the University's policy of granting one semester of study leave in every seven. Practically all staff members who have been at Leicester for four years or more have enjoyed at least one semester of study leave in the review period. In case of "congestion," priority is given to those who have been invited at prestigious institutions, have received an invitation to revise and resubmit a paper to a top journal, or are working on particularly promising research projects;
- we have guaranteed flexibility in teaching and administration loads in order to facilitate shorter study-leave arrangements in the UK and abroad. This has been especially useful to promote the non-academic impact of our research (see REF 3a) and in supporting early career colleagues at critical stages of their research, resulting in the strong promotion trajectory for junior staff outlined below;
- we have provided support for the organisation of various national and international conferences at Leicester (recent examples include the 2011 NIE conference and the 2012 REStud May Meeting);
- we have encouraged and provided extensive support for research grant applications. Grant applications are peer reviewed both within the Department and the College of Social Sciences. The College also provides examples of successful applications and administrative support in costing and developing bids;
- we have continuously monitored the research activities of each member of staff through our Research Committee. Besides analysing the staff's returns via the University's staff research management database, the Research Committee regularly makes use of research questionnaires, which provide up-dated information on on-going research projects. This is especially useful in view of the long delays for publication in Economics. In addition, the Research Committee is responsible for developing existing and new strategies and providing advice and guidance for publication plans and research grant applications, and building a strong exit trajectory from this REF;
- we have helped to create, and have been actively involved in the management of, the Institute of Finance, an interdisciplinary research institute that is a joint venture with the Departments of Mathematics and Computer Science and the School of Management. The Institute received 'Research Institute' status on 22 February 2012;
- we have encouraged and achieved, throughout the review period, a culture of participation in the broader life of the Unit. This resulted in much greater participation, with members preferring to work within the environment of the department rather than working at home. This provides greater opportunity for discussing on-going work, exchanging ideas, and starting new collaborations.

In our submission to the 2008 RAE, our stated goal for the future was to "consolidate and build on [the Department's] existing research strength in all core areas of economics." Throughout the assessment period, we have continued to foster a culture where research is at the heart of the unit's activities. We have attracted leading researchers and promising junior scholars, and developed our more experienced staff members into leaders in their fields, thus strengthening the research environment for future years. Against this backdrop our strategic goal for the next five years is to acquire and maintain a strong placement among the top ten economics departments in the UK. This means, above all, producing research that is published in top journals, is widely cited, and has both academic and non-academic impact.

The only proven route to this goal is through active staff recruitment (at all levels) and staff development strategies. The College of Social Science, of which Economics is part, has agreed a substantial ongoing investment plan for the Unit. The recent recruitment of Martin Jensen after the REF census date is both evidence of this policy and a statement of intent for the next REF period. We shall have several hiring opportunities as early as 2014, with plans in place to hire especially at the junior level and to further strengthen our presence in the areas of Macroeconomics and Finance, thus contributing to a balanced research environment.

Our plans in respect of our post-graduate research students are to initiate a major reform of our PhD programme. We intend to move towards a two-year master programme in Economics, which should become the main (if not the only) route to PhD. This requires a significant investment in terms of resources devoted to post-graduate teaching. However, it will guarantee that all PhD students benefit from a common, robust analytical background, and will facilitate a better selection of PhD candidates, increasing both the quality of the PhD students that we are able to attract, the quality of the research that they can pursue at Leicester and the likelihood of them obtaining external funding.

### c. People

The Unit has a large proportion of young, international members, both in terms of academics and research students. About two thirds of the staff are under the age of 45, and we have approximately 40 PhD students.

We are a generalist Unit, whose research covers the main areas of Economics. We have particular strength in:

*Theoretical Economics.* The theory group has grown in the last years as a result of intense recruitment and now includes **al-Nowaihi, Bose, Currarini, Dhami, Polisson, Wallace** and **Winter**. This is a remarkable group of theorists, one of the strongest in the country. Their work is mainly focused on game theory, but they are also conducting research in the field of behavioural economics and decision theory.

*Monetary Policy and Banking.* This group includes **Andrianova, Charemza, Demetriades, Gefang, Hall, and Mise**. Staff in this group have been actively engaged with policy makers at both national and international levels. For example, in May 2012 **Demetriades** was appointed as Governor of the Central Bank of Cyprus and member of the European Central Bank Governing Council (having since been on secondment). They have also been actively involved in various externally funded research projects over recent years. We plan to further strengthen this group through new recruitment in 2014.

*Applied Microeconomics and Micro-econometrics.* The applied microeconomic theory group includes **Adriani, Denicolò, Fraser, Ladley, Varvarigos** and **Zanchettin**. Their research ranges from classic fields, such as public economics and industrial economics, to relatively newer ones, such as environmental economics or the economics of cultural transmission. In the last few years, the Unit has also recruited intensively in the area of micro-econometrics, especially at the junior level. As a result, there is now a lively group of researchers in this field, which includes **Baltagi, Foreaux Koppensteiner, Georgarakos, Matheson, Ohinata, Oliveira, and Rocky**.

#### Staffing strategy and staff development

Over the assessment period, the size of the Unit has increased marginally and we have experienced a particularly high staff turnover. Although this phenomenon is not uncommon among economics departments, at Leicester it was certainly more pronounced than in the past, contributing to create a younger and more vibrant environment.

The reasons for outflow have been through retirement (Hoskins, Pollock) and some leaving academia (Kedir, Zhang), but the majority of leavers moved to other academic institutions in or outside the UK (De Fraja, Gil-Molto, Lee, Makris, Moscone, Renou, Rivas, Tudela, Valente, and Zimper).

Our recruitment policy has been very successful in attracting both leading researchers and younger staff on a rapid upward trajectory. More than a half of Category A staff members have been recruited since 2008, including **Adriani, Currarini, Denicolò, Foreaux Koppensteiner,**

**Gefang, Georgarakos, Ladley, Matheson, Ohinata, Oliveira, Polisson, Rockey, Varvarigos, Wallace, and Winter.**

At the senior level, we hired four new professors (**Currarini, Denicolò, Wallace, and Winter**) to replace the five who left (De Fraja, Lee, Pollock, Renou, and Valente). Whilst there remains room for further expansion, especially in such fields as Macroeconomics and Finance, the Unit's overall research profile has been strengthened.

The most significant improvements have been made at the junior level. The Unit has devoted a considerable amount of resources to attracting junior staff. As mentioned above, newly appointed junior members of staff have an automatic 40% reduction in their workload in their first year, 30% in their second year and 20% in their third year. These non-research discounts are further increased for "New Blood" lecturers. This scheme, which was introduced some years ago at the University level, provides a guaranteed period of 4 years with heavily reduced teaching commitments, accelerated study leave and extra funding for research travel. This has proven extremely attractive. The Unit benefited from recruiting three researchers under this scheme (Renou, Zhang and Tatsiramos) though all have recently moved on.

The new lecturers that we have appointed and retained over the review period have all made impressive starts to their research careers and thus testify to the Unit's progress in supporting research performance. Using academic seniority as a criterion, these junior researchers can be divided into three groups. The first group (**Adriani, Gefang, Georgarakos, and Varvarigos**) includes researchers who had already had an academic appointment before joining the Unit. These are very productive young researchers who are already well known internationally in their fields of research. The second group (**Ladley, Mise, and Rockey**) consists of researchers whose first academic appointment was before 1 August 2010. Researchers in this group have already delivered output of high international standing. The third group includes those whose first academic appointment was after 1 August 2010 (**Foureaux Koppensteiner, Matheson, Ohinata, Oliveira, and Polisson**). This is a group of very promising junior scholars who have already made a mark and promise to become international leaders in their fields of expertise.

As regards career development, all junior staff members are assigned a mentor among the senior and mid-career staff. The role of the mentor is to both foster and appraise their research progress. It is also common practice to assign a senior, or mid-career, and a junior staff member as thesis supervisors to each research student. This has the advantage of allowing junior staff to gain supervision experience and also to interact with more senior staff members on specific research topics.

Junior researchers may also benefit from financial support provided by the College of Social Sciences through small, competitively allocated research grants. Such grants have recently been obtained, for example, by **Ladley, Rockey, and Foureaux Koppensteiner**. The College also fosters and funds interdisciplinary networks and two of our staff, **Foureaux Koppensteiner** and **Matheson**, are currently leading such a network to analyse health outcomes using existing large datasets.

All staff are encouraged and supported to visit, on a short term basis, centres of excellence abroad. The aim is to allow them to expand their network and to gain international exposure. Generous support is also provided to attend conferences and workshops. Although the support is not unlimited, we can say that no staff member has been unable to attend a conference for lack of funds over the assessment period.

A policy of timely promotion for successful researchers is key to attracting promising young scholars and to keeping more senior ones. The University operates an annual promotions round, during which every member of the Unit is considered for reward by means of promotion, additional salary increments, or lump-sum achievement bonuses. Research achievements carry a very high weight in decisions on whom to put forward from the Unit for the promotions round, and are assessed on the basis of the quality of publications and acceptances of papers in journals, external profile, and successful bids for research funding. Among the senior staff base, over the review period **al-Nowaihi, Dhimi, and Mutuswami** have been promoted to professors, and **Andrianova** and **Zanchettin** to readers. Furthermore, some of the new recruits have already been promoted to reader (**Adriani**) or senior lecturer (**Rockey**,

## **Varvarigos).**

The University is committed to the Concordat to Support the Career Development of Researchers. In 2011, the University was awarded the European Commission 'HR Excellence in Research' award in recognition of this commitment. Staff performance is monitored and evaluated at regular intervals by a Concordat Steering Group, which includes representatives of the College of Social Science and reports to the University Research Policy Committee.

As a result of our recruitment and promotion policy, the Unit has now a very young age profile. Currently, professors average just above 50 years, readers just above 40, and lecturers about 35. This contributes to creating a lively and vibrant research environment and guarantees the sustainability of the Unit's progress. Further recruitment at the junior level is planned in the next few years.

The Unit maintains high standards of research integrity. Research is discussed and presented in the internal seminar series from the very early stages of each project. The College Research Ethics Committee reviews any research project with ethical considerations and escalates it to the University Ethics Committee if there are particularly complex issues.

### Research students

The Unit recognises the contribution that a vibrant group of PhD students can make to its research ethos and devotes considerable resources to its Master and PhD programmes. The PhD programme has been successful for a number of years and has now moved into a more mature phase, having developed an international profile, accommodating a joint doctoral programme with the University of Milan, for example.

In the academic year 2012/13, we admitted 15 new students, bringing the total number of PhD students in the Unit to approximately 40. PhD students work in all of the core areas of research of the Unit, with a majority of students focusing on empirical work.

Every year, a number of 4-year Graduate Teaching Assistantships are awarded in open competition to those studying for a PhD within the Unit. Assistantships, the total number of which is about 30, provide a maintenance grant and cover fees at home/EU level (for a limited number, at international level), and give students teaching experience while studying for their PhD. Like that of staff members, the teaching load for GTAs is very reasonable and averages approximately 95 hours. In addition, 3 PhD students hold fully funded scholarships from various institutions.

Students have at least two supervisors, chosen among senior and junior staff members, with whom they meet at least fortnightly. All staff members are involved in PhD supervision, and many supervise several students. There is a strict monitoring system to ensure that supervision works effectively. During their first year, PhD students must attend a number of specialised courses. At the beginning of each semester, each student meets his/her supervisors and the Director of the programme to choose which courses must be attended.

We also have regular PhD students' "conferences" (attended also by staff) where each student is required to present his or her work at least once per year. In addition, PhD students must attend the regular departmental seminars mentioned above. They also run "reading groups" in which recent important papers in all fields of economics are studied and discussed.

PhD students are housed in dedicated office accommodation within the Unit and have everyday access to staff. They have the use of earmarked computer equipment, their own desk space and other research resources, including data sets, library access, access to Graduate School research training programmes, etc. They are encouraged to attend national and international conferences, and are supported financially to do so.

Our PhDs have been successful in the international job market. For example, among the students who have been registered since 2008, first destinations have included academic positions in the Universities of York, East Anglia, Bath, Lancaster, Loughborough, Birmingham, and Bologna. This means that we are now a regular provider of staff to UK and other European

universities. Many more of our PhD students come from developing countries and take academic positions in their country of origin after graduating.

In the past, our efforts were mainly directed towards reaching a critical student mass. Over the last five years, this aim has been gradually achieved. The PhD programme has now moved into a more mature phase, where we are no longer planning any increase in the number of PhD students, but are focusing on their quality. We believe that the planned reform mentioned above (i.e., to provide a two-year pre-PhD programme that would become the main, if not the only, route to PhD., thus giving students a common and solid analytical background) is a major step in this direction.

#### **d. Income, infrastructure and facilities**

The total income returned on RA4 is £547K, of which £163K in 2008/9, £ 51K in 2009/10, £57K in 2010/11, £104K in 2011/12 and £172K in 2012/13. This reflects three large grants, obtained by research groups coordinated by **Andrianova**, **Demetriades** and **Charezma**, and a number of smaller grants. Given that the majority of staff members are pure or applied theorists, that most of the micro-econometricians have been appointed only recently, and that the overall career profile is orientated towards the younger end of the spectrum, the absolute and per capita levels of grant income are appropriate to the character and mix of the Unit.

For this assessment period, the grants obtained by the research group coordinated by **Demetriades** and by **Andrianova** relate to an active field of research on public ownership of banks, which has led to several publications in leading journals and has also had a significant impact on policy. In a series of papers, members of this group have compared the performance of privately and publicly-owned banks, finding that the latter perform much better than previously thought. This line of research provides theoretical underpinnings for the policy of bank nationalisation that has been adopted by many countries during the crisis of 2008 and also more recently. For example, the financial crisis that hit Cyprus in the spring of 2013 led to the *de facto* nationalisation of the country's major banks. **Demetriades**, who in May 2012 was appointed Governor of the Central Bank of Cyprus, has played a major role in the process.

The grant obtained by the research group coordinated by **Charezma** relates to their work on a "monetary policy index" which has been used for many years by the Bank of Poland as its main forecasting tool. More recently, it has been adopted also by other central banks.

The official return on RA4, however, reflects only a part of the grant funded research in which the Unit's members have been involved. This is partly due to many staff members having joined the department only recently, and also to the wide range of funded research that staff members are involved in with other academic research institutions. For example, when **Denicolò** joined the Department in 2010, he had just obtained a grant of 140K Euros from Microsoft, which has been managed by the Bologna Centre for Law and Economics (but which he has been able to use in the last three years). Likewise, since **Winter** joined the Unit in 2012, he has been able to rely on a Google grant of 30K USD and a grant from the German-Israeli foundation of 198K Euros, which he had obtained earlier. **Ohinata** can use a £250K MRC Early career fellowship that she obtained just prior to joining Leicester. Conversely, Moscone was awarded a £284K ESRC grant during the assessment period. Since he later moved, however, this is not fully reflected in the above figures.

One of our strategic aims for the next five years is to enlarge the base of research grant applicants and improve our rate of income capture. Among the steps that will be taken in this direction are:

- the dissemination of good practices: those who have been more successful in applying for funding can advise others. Furthermore, wider College initiatives to improve grant performance (pump-priming for network grants, masterclasses on funding schemes to which social scientists do not usually apply, and the funding of interdisciplinary networks that will in time apply for very large grants) will support UoA initiatives;
- the promotion of collaborations between theorists and more applied economists, which may lead to research projects that are more suitable for grant application;

- a policy of encouraging more applied theorists to apply;
- the assignment of all overheads which accrue to the department to the principal investigator. This allows increased expenditure on the research, full teaching replacement, and acts as an additional incentive for grant capture.

In respect of research infrastructure and facilities, the Unit compares favourably with its world-leading counterparts. All staff members have individual offices with up-dated computer equipment, and have wide on-line access to libraries and data sets including DataStream and Bloomberg.

We stand ready to meet any *ad hoc* need that may arise in terms of research facilities. For example, after recent recruitment in the field of micro-econometrics (**Foreaux Koppensteiner**) a need for more powerful computing equipment was identified. This was promptly met by the acquisition of a technical enhancement to the University's super computer which allowed it to be used more flexibly with very large data sets. Another example is the construction of a laboratory for experimental economics equipped with 20 computer terminals and specialised software which is used by **Winter** and others. A further example is the acquisition of 12 Bloomberg terminals funded via the University's Research Equipment and Infrastructure Fund.

#### e. Collaboration and contribution to the discipline or research base

All members of staff belong to a rich network of national and international relationships and actively contribute to the scientific community in a number of ways. For example:

- Co-authorships. Approximately a half of the submitted research output was co-authored with people from other institutions, including Harvard and Stanford.
- Interdisciplinary research. Various staff members conduct research at the frontier between different disciplines and so produce research outputs (not all of which are submitted for assessment) which are published in non-economics journals. For example, **al-Nowaihi** and **Dhami**'s research on behavioural economics lies at the frontier with psychology, and part of it has been published in psychology journals. **Rockey** has contributed to research in biology, and **Ladley** in engineering. Some of **Denicolò**'s research has been published in law journals. **Foureaux Koppensteiner** and **Matheson** lead a large interdisciplinary group working on health outcomes.
- Scientific societies and research groups. **Currarini** is a Research Associate of Fondazione Eni Enrico Mattei and the Euro-Mediterranean Center for Climate Change. **Denicolò** is a member of CEPR. **Hall** is a Visiting Research Fellow of the National Institute of Economic and Social Research. **Winter** has been an Elected Council Member of the Game Theory Society since 2011, and Fellow nominated for the Society for the Advancement of Economic Theory in 2012. He also won the Humboldt Prize, awarded by the German government, in 2011. **Wallace** is an associate fellow at Warwick.
- Review of application for research funders. Staff members have acted as reviewers of research fund application at the national and international level. For example, they routinely act as referees for the US National Science Foundation, the Israel Science Foundation, the Italian CNR and the French CNRS.
- PhD thesis committees. Staff members are regularly asked to take part in thesis defence committees, both at the national and international level. Recent international examples include Toulouse, the European University Institute, Copenhagen, and Helsinki.
- Journal editorship. Staff members widely contribute to the management of economics journals in different ways. For example, **Hall** is the Editor of *Economic Modelling*. **Currarini** is an associate Editor of *Research in Economics*, and **Winter** is on the Editorial Board of *Games and Economic Behavior*. **Wallace** was the Business Manager and a member of the Editorial Board of the *Review of Economic Studies*, and is now an Associate Editor of the *Economic Journal*. All staff members are actively involved in the

refereeing process and as a group we have acted as referees for most economics journals.

- Participation in conferences. Over the review period, staff members and PhD students have given presentations in more than 200 scientific conferences. They acted as keynote speakers on several occasions. For example, **Denicolò** gave a keynote presentation at the EARIE conference in Istanbul in 2010. **Hall** gave keynote speeches at the 2013 ICEBR conference in Malaysia, the 2010 and 2013 “Macromodels” conferences in Poland, and the ISCEF conference held in Tunisia in 2012. **Winter** was a keynote speaker at the third International Meeting on Experimental and Behavioral Economics in Granada 2009.
- Organisation of conferences. The Unit has contributed to the organisation of many scientific conferences and workshops at Leicester. These include: the 2011 NIE conference, the 2012 REStud May meeting, various meetings of the Money Macro and Finance research group and conferences organised by **Andrianova**, **Charemza**, and **Demetriades** as part of their research projects. We have also contributed to the organisation of conferences that took place elsewhere. For example, **Adriani** has co-organised the last three editions of the workshop on “Institutions, Individual Behavior, and Economic Outcomes” held in Alghero, Italy. **Currarini** helped organise the conferences of the Coalition Theory Network in Paris (2012) and Warwick (2013). **Hall** has contributed to the organisation of the regular LINK meetings held at the United Nations (2008, 2009, 2010, 2011 2012), and a conference on the crises in the Euro area hosted by the Bank of Greece and held in Vouiliagmeni in 2013. For the past five years, **Winter** has organised the annual “Jerusalem Workshop in Economic Theory” jointly with Nobel Prize winner Eric Maskin.
- Relationships with non-academic users of research. Many staff members are members of prominent think-tanks, policy groups and other external bodies, providing a rich network of stable partnerships with non-academic beneficiaries of research. For example, in May 2012 **Demetriades** was appointed Governor of the Central Bank of Cyprus and member of the European Central Bank (ECB) Governing Council. **Hall** has consulted for the ECB and the central banks of various countries, including Greece and the Russian Federation. **Charemza** worked for several years with the central bank of Poland and maintains strong relationships with that institution. **Denicolò** is a member of the Economic Advisory Group on Competition Policy (EACGP) at the European Commission.

Other ways in which we have contributed to the discipline have already been mentioned above. These activities have enhanced the Unit’s national and international visibility. According to the Tilburg ranking of economics departments, based on the five-year period 2008-2012 Leicester is now ranked 40<sup>th</sup> in Europe and 13<sup>th</sup> in the UK. In the previous five-year period (2003-2007) we were 46<sup>th</sup> in Europe and 16<sup>th</sup> in the UK. We are determined to further improve our position in future years.