

Institution: University of St Andrews 
Unit of Assessment: 18 Economics and Econometrics
<p>a. Context</p> <p>Research in the School develops along a number of strands in Micro and Macroeconomics and delivers Impact in economic policy nationally and internationally. Key users of our research are policymakers, including central banks, regulatory authorities and government departments, but our research also impacts upon economics teachers and students as it finds its way into syllabuses of graduate courses at top higher education institutions in the UK and abroad. To impact upon these economic actors, the School fosters research of the highest standard and supports the engagement of its academic staff with final users, enabling the School's research to shape the economic debate and policy discourse in various areas. The School's impact strategy sees Engagement as the first, essential step on the road to Impact, leaving our scholars (often established, senior staff) the freedom to work in their specific fields and to ensure conversion of engagement into actual impact.</p>
<p>b. Approach to impact</p> <p>Structure: Our approach to Impact is to develop links and collaborations with key people and institutions. We see Engagement as being the first, key step towards Impact. In order to promote Engagement we have relied mainly on the establishment of thematic centres, each having policy-relevant research as a goal. The Centre for Dynamic Macroeconomic Analysis (CDMA) was established by a direct grant from the University in 2003 to foster research in Macroeconomics. The internal research affiliates include professors George Evans, Andrew Hughes Hallett, Kaushik Mitra and Alan Sutherland who are established in the policy arena. In Microeconomics, the restructuring of the School during the current census period and the retirements of certain staff have resulted in the closure of the Centre of Research, Industry, Enterprise and the Firm (CRIEFF), established in 1991. The focus of research activities and policy work in Micro is shifting from Applied Industrial Organization to Bounded Rationality. In concrete terms, this means coalescing around the activities of our new Experimental Economics laboratory as well as exploring various policy initiatives stemming from more theoretical research. There will be a formal centre to coordinate the research activities in this area and to refocus our approach to Impact in ways that better fit the new research priorities in Microeconomics. In the short term, we expect at least some of this research to provide “proof of concept” experimental evidence with the potential to translate into policy recommendations.</p> <p>The School and the CDMA maintain a working paper series to stimulate basic research, with papers from these series being read by policymakers (see the case studies for evidence). The School devotes a significant part of its budget towards hosting a number of conferences and workshops every year that are notable for the involvement of key policymakers and their interaction with academics. Our aim is to provide an environment that facilitates the creation of new ideas and to enact our strategy of encouraging and facilitating Engagement in policy circles.</p> <p>Impact on public policy: The engagement of final users has made it possible for even the most theoretical research carried out in the School to stimulate the interest of policymakers. For example, Mitra and Evans, authors of two of our impact cases, are theorists. Andrew Hughes Hallett has been actively involved in policy advising to international organizations, including the World Bank, the Council of the European Union, the European Commission, the ECB and various central banks, since 2007. He has been a member of the Council of Economic Advisers to the Scottish Government since 2007 – he was reappointed in 2011 – and in such capacity participated in a working group (with Nobel Laureates Joseph Stiglitz and Sir James Mirrlees) to design an economic policy framework and accompanying institutions for an independent and/or fiscally autonomous Scotland (2012-14). Hughes Hallett and David Ulph were members of the Independent Expert Group advising the Calman Commission and advised the Scottish Parliament when it considered the Scotland Bill. Ulph advises HM Revenue & Customs and HM Treasury on tax matters. He also set up and ran the SIRE Policy Forum which interacted with Scottish</p>

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Government economists, leading to revisions in the way the Government measures the environmental impact of its departments. John Beath, now emeritus professor and a former member of CRIEFF, delivered Impact in the current census period through being Chair of the Economic Research Institute in Northern Ireland until 2009.

The CDMA has hosted talks by influential policymakers including Richard Fisher, President of the Federal Reserve Bank of Dallas and Dr Seppo Honkapohja, Board Member, Bank of Finland. The CDMA conference "[Expectations in Dynamic Macroeconomic Models](#)" stands out in terms of engagement activity: six of the papers presented were co-authored with people who have positions in central banks. James Bullard, President and CEO of the Federal Reserve Bank of St. Louis, delivered the keynote address. Notable was the interaction between policymakers and academics, the latter group including Michael Woodford (Columbia University) and Roger Guesnerie (Paris School of Economics). The conference brought together an informal group that has initiated subsequent conferences with the same title at the [Federal Reserve Bank of St. Louis in 2012](#) and the [Federal Reserve Bank of San Francisco in 2013](#), and one is scheduled at the Bank of Finland in 2014. These conferences were attended by policymakers including the Presidents and CEOs of both FRBs. In a similar vein, the School hosted the [SIRE Conference on Finance and Commodities](#) run in St Andrews in July 2013, which featured keynote presentations by Helyette Geman (a scientific advisor to the European Commission on agricultural commodities) and Alexander Eydeland (Morgan Stanley, New York). Again, there was designed interaction between policymakers, banks (both central and private) and academics, the last group including Eduardo Schwartz (UCLA Anderson School of Management) and Ronnie Sircar (Department of Operations Research and Financial Engineering, Princeton).

Sutherland has engaged with policymakers from the EU's Directorate General in Economics and Finance. He co-organised a conference "[International Capital Flows and Spillovers in a Post-Crisis World](#)", hosted by the Bank of England and co-sponsored by the School. Attendees included members of the IMF and the BoE. He also co-organised a conference at the IMF in April 2008 on International Macro-Finance. Roderick McCrorie presented a new econometric test for economic bubble detection at the Bank of England in 2012. He is also an academic assessor for the Government Economic Service.

Marco Mariotti and Paola Manzini, who are leading the transition in Micro towards Bounded Rationality, are actively engaged in communicating their work to the European Commission, the Behavioural Insight Team at the Cabinet Office and the Department of Work and Pensions. At the junior level, Luca Savorelli has already presented his work twice at the Institute for Prospective Technological Studies, one of the seven scientific institutes of the European Commission's Joint Research Centre.

c. Strategy and plans

The ultimate goal of our impact strategy is to have the research produced in the School inform and influence economic policy. The School encourages individual researchers to pursue their own "substrategies" in the manner most appropriate to their specific research area. The concrete channels of our strategy encompass: 1. Recruitment; 2. Impact support; 3. Financial support.

1. Our recruiting policy retains its traditional focus on policy relevance at all levels of research and historically we have appointed directly in the policy/engagement area. For example, David Ulph joined the School in 2006, having been Chief Economist and Director of Analysis at the Inland Revenue (2001-04) and the same at HM Revenue & Customs (2004-06). This policy has been continued in the current census period; in 2011 Hughes Hallett's FTE contribution was raised from 37.5% to 50%. Of the recently-appointed lecturers in the School, we have been mentoring and assessing engagement opportunities for Savorelli (Micro, Health Economics) and Gonzalo Forgues-Puccio (Macro, Economics of Corruption) in particular, and the latter and Alex Trew organised their [first CDMA conference](#) on Advances in Economic Growth in 2011. Inevitably, Impact is often skewed towards those who have already made their mark and who have needed time to do so and, in the near future, we expect the principal contribution to continue to be made by the School's senior professors. We are aware of the age profile of those currently providing Impact, it could well be that Ulph and Hughes Hallett will choose to retire in the next period, and on present plans they will be replaced early in the forthcoming census period

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to ensure that the impact of any replacement is supported by research done in the School.

2. Since demitting office as Head of School in 2010, David Ulph has acted informally as the School's director of Knowledge Exchange, Transfer and Impact. Given his experience, he advises all staff, but especially junior staff, in assessing (and sometimes pro-actively applying for) opportunities that can begin the process of engagement. Our two 0.5FTE Macro professors, Andrew Hughes Hallett and George Evans, do the same, with the former's advice more pointed towards opportunities for direct policy work and the latter towards establishing connections and interactions among academics and policymakers at conferences. The School uses sabbatical leave entitlement, alongside flexible teaching arrangements (e.g. concentrating teaching in one semester), to allow School members to have extended periods of leave (formal or informal) to pursue their end-user engagement activities as well as just pure research.
3. In the medium term the School will continue to support the CDMA's highly successful activities. Two major themes of the CDMA are "Expectations in Dynamic Macroeconomics" and the "Macroeconomics of Financial Globalisation": Professors Mitra and Sutherland have attracted ESRC grants of over £600K on these topics. Mitra (in collaboration with Seppo Honkapohja) is currently involved in analysing the hotly debated topic of adoption of Price Level or Nominal GDP targeting as monetary policies by central banks (in contrast to inflation targeting practised currently by almost all central banks), an idea that has been floated among others by Mark Carney, the current Governor of the Bank of England. Studying monetary and macro-prudential policies which prevent financial fragility and contagion at the international level, Sutherland's work is also highly policy-relevant. The recent appointments of three professors, Miguel Costa-Gomes, Manzini and Mariotti, and a wealth of junior colleagues, will facilitate the strategic shift of the School in Micro away from Applied Industrial Organization, leading to the establishment of a Centre for the Theoretical and Empirical Study of Bounded Rationality. Manzini and Mariotti have recently attracted grants of over £470K on these topics and are seeking external funding for the Centre. The prospective Centre will establish synergies with the newly set up Experimental Economics laboratory, directed by Professor Costa-Gomes, which we expect soon to produce research of ready consumption for end users, as well as attract additional funds.

d. Relationship to case studies

The case studies by George Evans and Kaushik Mitra relate to Impact stemming from research in Macroeconomics centred around the CDMA, and evidences the outgrowth of activities of the Centre, the research activities of its directors and engagement with end users. Although distinct, they both involve engagement with Dr. Seppo Honkapohja, a Board Member of the Bank of Finland which participates in ECB policy. A member of the CDMA Advisory Group, Honkapohja is a regular visitor to the School. Both impact cases pertain to Monetary Policy, and we note here that central bankers and other monetary authorities are notoriously guarded in respect of admitting external influences on their decisions. We have therefore looked for ways here of presenting indirect evidence of Impact.

Our other case study showcases policy impact in Micro. As noted above, David Ulph, with his wealth of experience in linking economic theory with government policy, was a direct appointment from HMRC. Engagement activity with the Office of Fair Trading in the UK and the Autorite de la Concurrence in France, stemming from research from his ESRC project on the Optimal Design of Decision and Enforcement Procedures for Competition Policy, lie at the heart of his case study.