



Committee for the Evaluation of Economics Study-Programs

The Hebrew University of Jerusalem

Evaluation Report

November 2008

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Chapter 1 - Background

At its meeting on October 10, 2006 the Council for Higher Education (CHE) decided to evaluate study programs in the fields of Economics during the academic year 2007-2008.

Following the decision of the CHE, the Minister of Education, who serves ex officio as a Chairperson of the CHE, appointed a committee consisting of:

- *Prof. Elhanan Helpman* - Harvard University, U.S.A.
- *Prof. David M. Kreps* – Stanford University, U.S.A. Committee Chairperson.
- *Dr. Leora Meridor* - The Private Sector, Israel.
- *Prof. Joel Mokyr* - Northwestern University, U.S.A.
- *Prof. Ariel Pakes* - Harvard University, U.S.A.
- *Prof. Robert S. Pindyck* - Massachusetts Institute of Technology (MIT), U.S.A.

Ms. Noa Nof Steiner - Coordinator of the committee on behalf of the Council for Higher Education.

Within the framework of its activity, the committee was requested to¹:

1. Examine the self-evaluation reports, submitted by institutions that provide study programs in Economics, and to conduct on-site visits at those institutions.
2. Present the CHE with reports for the evaluated academic units and study programs - a separate report for each institution, including the committee's findings and recommendations.
3. Submit to the CHE a separate report regarding the examined field of study within the Israeli system of higher education.

The entire process was conducted in accordance with the CHE's Guidelines for Self-Evaluation (of December 2006) and on the basis of the questions regarding the mission of the departments of Economics which were compiled by the committee.

¹ An example of the Letter of appointment for the committee members is attached as **Appendix 1**.

Chapter 2 - Committee Procedures

The Committee members received the self-evaluation reports, in November 2007, and began to hold discussions regarding these reports.

The Committee held its first meeting on March 24, 2008, during which it discussed fundamental issues concerning Economics study programs in Israel and the quality assessment activity.

In March-April 2008, the committee members visited the institutions. During the visits, the committee met with officials of each institution as well as faculty and students.

This report deals with the **Department of Economics, the Hebrew University of Jerusalem.**

The committee's visit to the Hebrew University of Jerusalem took place on March 30, 2008. The following committee members participated in the on-site visit: Prof. Elhanan Helpman, Prof. David Kreps, Prof. Joel Mokyr and Prof. Ariel Pakes. The schedule of the visit, including the list of participants representing the institution, is attached as **Appendix 2.**

In order to avoid the appearance of conflict of interests, Dr. Leora Meridor, who has been an adjunct lecturer of the assessed institution, did not participate in the assessment.

The committee members thank the management of the Hebrew University and the Department of Economics for their self-evaluation report and for their hospitality towards the committee during its visit to the institution.

Chapter 3: Evaluation of the Hebrew University of Jerusalem - Department of Economics

* The evaluation is based on the information and the data provided in the self-evaluation report, the committee's visit to the institution and the general impressions of the committee.

The Department of Economics at the Hebrew University of Jerusalem has a truly illustrious history. Economics was taught at the Hebrew University as far back as 1936, and the Department was founded in 1953, under the leadership of Don Patinkin. For many years, this Department was the unquestioned leader of academic economics in Israel, training many if not most Israeli academic and public sector economists. The Department attained an outstanding international reputation and, at its zenith, it was recognized as one of the leading departments of economics in the world. Members of the department made leading edge contributions to program of integrating economic theory and practice and, in so doing, made significant contributions to the development of the Israeli economy. Because in particular of the presence of Prof. Israel Aumann in the Department of Mathematics at Hebrew University, the Hebrew University has been one of if not *the* leading producer of game theorists in the world, and as non-cooperative game theory has become a staple of economic analysis, the Hebrew University has made a very significant impact on academic economics by that means.

The Department today continues to be a strong presence in economics, although its prominence in the world has declined significantly. (Its primacy in Israel was challenged by Tel Aviv University's department, but this should not be of concern; the challenge was made by Tel Aviv rising to world prominence, and not through a decline of Hebrew University.) Individual members of the department are prominent scholars, and the various scholars, including department members, associated with the Center for Rationality are a leading force in the world in their specific area. But the Department is no longer uniformly as prominent as it once was, or as it would need to be, to be comparable to the top-10 departments worldwide.² The number of senior faculty members has stabilized for the past half decade at about 20, down from about 30 a decade ago.

² As noted in the first paragraph of the Executive Summary of the general report, MALAG explicitly identified this standard of comparison for the Departments in the research universities of Israel.

The Department continues to attract and graduate very able students. An undergraduate student-to-faculty ratio in economics of around 40:1 is one of the better ratios for the Israeli research universities, but it is still quite high in absolute terms; in comparison, in all of social sciences at Hebrew University, the ratio is around 17:1. The department produces around 30 MAs per year and a handful of Ph.D. students, also of consistently high quality.

Strengths

- The Institute for Rationality is an undoubted strength, in terms of attracting individuals with interests in the specific fields studied at the Institute.
- Our perception, admittedly based on impressions gathered briefly, is that both the senior faculty of the department and the leadership of the University recognize the problems facing the Department and have the will to take steps to solve those problems.
- The planned Israeli School of Economics, a graduate program offered jointly with Tel Aviv University, is an excellent and innovative idea, which should help keep a steady supply of strong graduate students.

Weaknesses

- The general weaknesses facing Israeli institutions trying to attract world-class academics apply in this case as in all others. But they are particularly acute for a department that aims to hire in competition with the very strongest departments in the world.
- The split campus of the University, which has split the theorists in the Department (who sit at the Center for Rationality at Givat Ram) from the rest of the Department (at Mt. Scopus) is a major weakness. We return to this point in our recommendations.
- We appreciate the reasons the department strengthened the mathematical and theoretical requirements of the undergraduate major, as explained in the self-study report on page 25. But, as we explain in our general report, we do not believe that this is the right direction to take in undergraduate education; we believe this weakens the quality of undergraduate education offered, where our disagreement with the department stems, we believe, from different beliefs about how to measure the quality of education offered. (As a screening device, this probably strengthens the quality of undergraduates.)

- The historical strengths of Hebrew University can, and we believe to some extent has, become a weakness, in terms of the governance of the Economics Department. Notwithstanding past glories, the Department today is in a position of relative weakness, relative to the very strongest young economists in the world, facing a very competitive and active market in talent. Administrative processes and procedures that made sense when the university had its choice of the available talent have become impediments and weaknesses.

Summary Judgments and Recommendations

Hebrew University's Economics Department needs to renew itself in terms of faculty, and it should seek to renew itself with individuals who are among the best economists in the world. To do this, terms of employment and the appointment and promotion processes themselves need to be made competitive and "friendlier" to prospective applicants. The goodwill of the University's leadership is an important asset, but it is insufficient: it must be backed up with concrete policies and procedures that allow the Department to seek, hire, and retain world-class talent. The recommendations of our general report in terms of recruitment and retention of faculty should be followed.

We observed in the section on weaknesses that the split campus is a major problem for the Department. No good (and feasible) solution exists. The faculty members attached to the Center for Rationality, a connection which is one of the strengths of the Department, have a strong preference to remain at Givat Ram. And while they may have offices at Mt. Scopus, it is not realistic to expect them to be in them except when absolutely necessary. Moving the entire faculty to Givat Ram splits the social sciences and splits the economists from colleagues in the Department of Business Administration. But the internal split of the department is, perhaps, worst of all, especially insofar as it prevents daily interaction between theorists and more applied members of the department, at an (intellectual) time when interaction between economic theory and application is particularly important and fruitful.

For undergraduate students, we suspect that the current arrangement is best. But for graduate students, the internal split is as bad as for the faculty. And, for the faculty, we think a unified department is more important than connections with other disciplines. Thus, and with a full appreciation that this is far from ideal, we recommend that the department be unified at Givat Ram.

The Hebrew University is properly looked to as a leader in economics education in Israel, setting the standards that others emulate. With this in mind, we recommend that the Department take the lead in integrating theory and application in the undergraduate curriculum. To the extent that it helps in creating strong applied courses, we recommend that the Department be given the flexibility to hire emeriti who can present the sort of courses we are seeking.

Signed by:



Prof. Elhanan Helpman



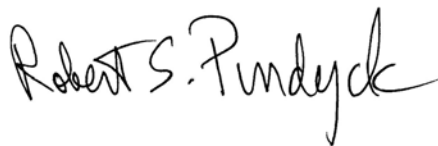
***Prof. David M. Kreps
Chairperson***



Prof. Joel Mokyr



Prof. Ariel Pakes



Prof. Robert S. Pindyck