

Welcoming Speech, Lambert T. Koch, Rector of the University of Wuppertal

12 June 2015

Secretary of State Dr. Horzetzky, Members of Parliament, Ladies and Gentlemen!

Welcome to our prize-giving ceremony!

- And a very special welcome to you, Professor Griffith, to whom we are honoured to award this year's Schumpeter Prize.
- No less warmly I welcome you, Mr. Wölfges, CEO of the Stadtparkasse Wuppertal. It's your generous financial commitment that gives us the material basis of today's ceremony. Thank you very much!

When the Schumpeter School of Business and Economics was officially launched in 2008 – and I was privileged to be an active participant in that process – it was not without clear deliberation of strategic goals and: how they were to be achieved. Among the aspects, that were important to us, were:

- firstly, that national economies of the 20th and 21st centuries are subject to a developmental logic that depends centrally on continuous feedback loops between entrepreneurship and innovation on the one hand, and changing market conditions on the other;
- secondly, that examination and understanding of the phenomena, associated with that feedback, requires both: a sensible division of labour between the various strands of economics, and, at the same time, a renewed and strengthened unity of disciplinary perspectives of the sort that Schumpeter himself regarded as indispensable for the solution of major problems facing society;
- thirdly, that economics, as an academic discipline, must not become an end in itself. It must constantly address real issues and seek answers to the problems of the day. The very best models, if their results are divorced from reality, are no more meaningful or useful than the 'Glass Bead Game' in Hermann Hesse's novel of that title.

All three of these aspects were of central importance to Josef Alois Schumpeter, from whom our School – and the prize we are today awarding – take their name.

If we reflect on the enormous economic challenges facing our world, for example in connection with

- financial market turbulences,
- the political implications of European currency problems, or
- the controversy about the planned free trade agreement with the USA,

... if we reflect on those challenges, we soon understand why economics in particular has been so severely criticized in recent years. As the discipline that should be in a position to put forward concrete solutions for political action, it has continually lost ground – at least in our country. To me, as an economist who was always proud of his discipline, this is a painful admission.

Schumpeter's fundamental conviction was that economics is a science of realities. It can no longer be overlooked that this sometimes has been forgotten. Of course mathematics is an indispensable aid for selected aspects of economics, and a proven medium for structuring appropriate questions and positions.

But the idea that concrete recommendations could be derived with exactitude from gigantic mathematical models has long since been consigned to the realm of dreams. However there remains a reluctance to interrogate the pseudo-precision of those models too rigorously. Economists in many cases would rather dispense with political recommendations.

That's the sad thing about it – because in our increasingly complex, internationally networked and intermeshed economies, good counsel is more needed than ever.

As most of you certainly know, Schumpeter was at one level an empiricist through and through. Perhaps not in the modern sense. But his work was informed with his own personal experience, not seldom anecdotally expressed. So, many sayings ascribed to him echo his experience as Austrian finance minister, or as a (finally unsuccessful) banker:

- There's for instance the splendid aphorism: "A dog will put aside a supply of sausages before a democratic government allocates a budget reserve". One can only say: how pertinent!
- On another occasion Schumpeter observed that nothing showed the character of a people more clearly than their currency policy. Doesn't it make you wonder what the current policy of the European Central Bank means for Europe?

- And then there's his exposing comment on intellectuals as "people who have no first-hand knowledge – of the kind that only practical experience can give". As onlookers their greatest chance of personal success lay in their nuisance-value – their ability to disturb, like he said.

From which we may with some confidence conclude that Schumpeter thought, academics should raise their voices, should intervene, should constructively disturb – especially in view of what he repeatedly called "the chaos of capitalism". He even suggested, and not without reason, that capitalism would die one day from "a nervous breakdown of its entrepreneurs".

It need not come to that. Not if our economists, in particular, have the courage to engage more closely with the real "chaos of capitalism", and to accept the urgent task of advising the political decision-makers. For that to happen they will need

- in the first place a top-level theoretical training of the sort offered by the Schumpeter School;
- they will need a knowledge of economic history, and a wide knowledge of micro and macro-economic research;
- young people will need rigorous methodological training in order to prepare faultless empirical analyses;
- and their discipline, economics, must open its mind to neighbouring fields such as political science, psychology and sociology.

Ladies and Gentlemen, I have to say, I really rejoice in the fact that our Schumpeter Prize this year goes to an economist who does not close her eyes to reality but scrutinizes it intensely, and ... that at a high methodological level. The immensely topical relation between politics and economic well-being plays a key role in her work. I am certain, then, that in Professor Rachel Griffith we have a holder of the award who does great honour to the intentions of the Schumpeter School and to its prize.

Thank you!