

SOEPpapers

on Multidisciplinary Panel Data Research

75

Hans-Jürgen Krupp

The German Socio-Economic Panel: How It All Began

Berlin, January 2008

SOEPPapers on Multidisciplinary Panel Data Research at DIW Berlin

This series presents research findings based either directly on data from the German Socio-Economic Panel Study (SOEP) or using SOEP data as part of an internationally comparable data set (e.g. CNEF, ECHP, LIS, LWS, CHER/PACO). SOEP is a truly multidisciplinary household panel study covering a wide range of social and behavioral sciences: economics, sociology, psychology, survey methodology, econometrics and applied statistics, educational science, political science, public health, behavioral genetics, demography, geography, and sport science.

The decision to publish a submission in SOEPPapers is made by a board of editors chosen by the DIW Berlin to represent the wide range of disciplines covered by SOEP. There is no external referee process and papers are either accepted or rejected without revision. Papers appear in this series as works in progress and may also appear elsewhere. They often represent preliminary studies and are circulated to encourage discussion. Citation of such a paper should account for its provisional character. A revised version may be requested from the author directly.

Any opinions expressed in this series are those of the author(s) and not those of DIW Berlin. Research disseminated by DIW Berlin may include views on public policy issues, but the institute itself takes no institutional policy positions.

The SOEPPapers are available at
<http://www.diw.de/soeppapers>

Editors:

Georg **Meran** (Vice President DIW Berlin)

Gert G. **Wagner** (Social Sciences)

Joachim R. **Frick** (Empirical Economics)

Jürgen **Schupp** (Sociology)

Conchita **D'Ambrosio** (Public Economics)

Christoph **Breuer** (Sport Science, DIW Research Professor)

Anita I. **Drever** (Geography)

Elke **Holst** (Gender Studies)

Frieder R. **Lang** (Psychology, DIW Research Professor)

Jörg-Peter **Schräpler** (Survey Methodology)

C. Katharina **Spieß** (Educational Science)

Martin **Spieß** (Survey Methodology)

Alan S. **Zuckerman** (Political Science, DIW Research Professor)

ISSN: 1864-6689 (online)

German Socio-Economic Panel Study (SOEP)
DIW Berlin
Mohrenstrasse 58
10117 Berlin, Germany

Contact: Uta Rahmann | urahmann@diw.de

The German Socio-Economic Panel: How It All Began

By Hans-Jürgen Krupp

The Socio-Economic Panel—usually referred to today as SOEP¹—has become an integral part of the global scientifically-based research infrastructure in the social, economic, and behavioral sciences. The data set is used widely today, both in Germany and internationally, and has long since transcended narrow disciplinary boundaries. Now, with 25 waves (in 2008), the SOEP household panel encompasses a vast amount of data covering a quarter of a century.

But SOEP is more than just an example of successful science and research policy in practice, a project that has involved numerous universities, an economic research institute, a commercial survey institute, the German Research Foundation (DFG), several federal ministries, a number of state-level science and technology ministries, and a federal-state program providing joint funding for research. It is, at the same time, the achievement of the many researchers who have shaped, supported, and participated in this project over the years.

Against the background of SOEP's now universally recognized success, it may be of interest to look back on the last 30 years and examine the origins of this longitudinal study. My focus in the following will therefore be on the period up to the project's approval, and thus, on the process of SOEP's birth. This history of the Socio-Economic Panel starts with very personal experiences, judgments, and misjudgments. Reporting on these is crucial, however, to provide a better understanding of the motives that ultimately led to SOEP.

¹ For many years, the only term used in the German Research Foundation's Collaborative Research Center (Sfb 3) and at DIW in Berlin was "the panel," since at that time, no other comparable panel study existed in Germany—of individuals, households, or firms. Taking solely its "generic name" into consideration, the term that applies best to SOEP is not "panel" but the one in common parlance today, "household panel," although it is imprecise since SOEP can be used also as a panel study of individuals both cross-sectionally and longitudinally. So "SOEP" makes a lot of sense. The way in which "socio-economic" is written in German has changed as well from "Sozio-ökonomisch" to "Sozio-oekonomisch", thereby rendering the German Umlaut "ö" as "oe" and making the acronym "SOEP" understandable in both German and English. The acronym SOEP is used throughout this paper, although it was not used at the beginning of the study.

Ideas

First, it must be said that in the 1960s and 70s, the new possibilities for data processing were overestimated, while the importance of longitudinal data was underestimated. This can be seen in my own “second book” (Habilitation thesis), entitled “The Theory of Personal Income Distribution” (Krupp, 1968). Along with a theoretical part, it contained a section on “distributional policy simulations,” which were carried out at a medium level of aggregation and based on empirical data. The necessity of panel data was demonstrated in both the theoretical and the empirical part, although the term itself was not used explicitly.

The theoretical part of the thesis distinguished between permanent and transitory income elements. These terms were linked to the discussion of Keynes’ consumption function and to Milton Friedman in particular. If one had interpreted the transitory elements as individual income fluctuations over time, one would have needed panel data to estimate them. I avoided this by employing an artful device. “Transitory” can mean both the different individuals in a cross-section as well as the same individuals over time. Both of these possibilities are discussed in the book, and the conclusion ultimately reached is that the sum of all transitory income elements in a period equals zero. This allows one to put the longitudinal data problem aside. As a logical consequence, the simulation part of the paper offers no inter-temporal interpretation of this theoretically interesting element. And as a result, the concluding recommendations for future research stress the need for more differentiated cross-sectional income data, but not for panel data.

To provide an empirical validation of simulation results, one has to know the situation at the beginning of the first period as well as at the end of the first period or in other words, the beginning of the second. Thus, one needs data sets for different points in time. The question of whether this would entail a sequence of cross-sections or of longitudinal sections is not dealt with in my Habilitation thesis, however. There were no doubt a number of good reasons for this. The economic thinking of the 1960s was largely macroeconomic in orientation. At that time, almost no one considered the possibility of conducting microanalyses, although the group around Guy Orcutt had already drafted the first concepts for microeconomic simulation models at the end of the 1950s—first in Madison, Wisconsin, and later in Washington, D.C. (Orcutt et al., 1957). I had even encountered these concepts myself as a post-doc at Madison in 1962. With the

Survey of Consumer Finances, I had also come into contact with a university-based survey, that is, a major survey conducted outside of official statistics.

In the 1960s, the disaggregation of macroaggregates into “group models” seemed like the most promising path. This choice was no doubt a sensible one given the limited computer capacities of that time. And with group models, the difference between real longitudinal or panel data and a sequence of cross-sections does not play a significant role.

In the year 1975, a study commissioned by the German “Commission for Economic and Social Change” appeared under the title, “Opportunities for improving the income and wealth statistics” (Krupp, 1975). It reveals the same ambivalence described above between theoretical insights into longitudinal design on the one hand and practical neglect of this idea on the other. In this study one aspect of distribution analysis is to look at the stability of the income flow, which can only be measured longitudinally. In the section of the study on this topic (p. 25f), a convincing argument for the collection of longitudinal data is presented. Yet the conclusions sound exceedingly timid: “As interesting as the idea may be, pursuing it still remains unrealistic. It is unlikely that the resources for such a large-scale statistical endeavor will become available in the foreseeable future. Furthermore, one must ask whether the potential increase in information generated justifies the large statistical effort required.”

The study made a number of concrete recommendations for improving the income statistics, and also demonstrated their feasibility. However, these suggestions were only realized to a limited extent. This was no doubt among the reasons why future efforts focused on creating a data provision system based in the research community. Given their relevance, the findings and suggestions contained in this study were incorporated into the plans for the later SOEP: in particular, the recommendation to include foreigners and people living in institutions. For the statistical system in Germany at that time, this was an unprecedented novelty.

Just a few years later, in 1978, the chance arose to significantly improve the data situation by applying for funds from the German Research Foundation (DFG) to create a new Collaborative Research Center, the later Center “Microanalytical Foundations of Social Policy”.² By then,

² Its acronym was “Sfb 3,” which is written out in German as Sonderforschungsbereich 3 and referred to in English as Collaborative Research Center 3.

privacy issues and the data protection debate had limited the access to official data, and particularly microdata, so severely that it began to appear more practical for social and economic scientists to collect the data themselves, just as natural scientists had been doing for 200 years.

One of the main objectives of the new Collaborative Research Center (Sfb 3) was to develop micro-simulation models. Preliminary work in this area (cf. Krupp, 1978 a, b) had demonstrated that cross-sectional data did not take one far in developing and testing hypotheses or estimating the parameters of dynamic microsimulation models. Consequently, the research application proposed that the panel would “enable the collection of longitudinal data, which are indispensable for testing causal hypotheses.” This idea infuses large segments of the research application.

Interestingly, one major substantive justification was *not* mentioned in the research application. It related to the descriptive use of longitudinal panel data: namely, the fact that important changes over time often do not show up in cross-sectional data at all. Thus the duration of unemployment is a different matter entirely than the level thereof. A similar argument holds for poverty. Only with longitudinal data is it possible to determine whether a society is dealing with an entrenched poor population or with individuals who appear as poor only for short phases.

In the first research application for Sfb 3 from the year 1978, which was completed in large part in 1977, for the research years 1979, 1980, and 1981, a panel study was portrayed as a potential future outcome of the Collaborative Research Center, and the funds requested were to be used only for the panel’s preparation. This meant that according to the original plans, the actual “panel project” was to begin at least three years later. There were a number of reasons for this. First of all, the panel’s advocates had to accept that a project of this magnitude would require thorough preparation, although not more than three years. Second, over the course of the SPES projects,³ the forerunner of Sfb 3, urgent data needs had arisen that could and would now be met through special cross-sectional surveys without any panel character. And finally, given the dimensions of the Collaborative Research Center, the applicants did not want to impose exaggerated funding

³ The Collaborative Research Center 3 built on the experiences of the socio-political research group founded in 1971 at the University of Frankfurt, and later expanded to the University of Mannheim, with the programmatic title “Socio-political decision and indicator system for the Federal Republic of Germany” (SPES). The SPES project was itself set up as an interdisciplinary one, which was true even more for the Collaborative Research Center 3. The increased multidisciplinary broadened the spectrum of the problems to be dealt with and made a differentiation of models inevitable.

requests on the German Research Foundation's Reviewer Committee. While this might seem overly timid to us today, especially against the backdrop of SOEP's later success, the 9.7 million DM (about 5 million Euros) requested for three years was already a lofty sum.⁴

The application for Collaborative Research Center 3 was evaluated on May 17 and 18, 1978. Since the plan foresaw the creation of several surveys, data problems played a prominent role in the peer review discussions. Interestingly, they revolved primarily around the question of whether the real reason for creating an independent survey was the Federal Statistical Office's highly inflexible position of categorical refusal to release microdata. The application pointed out—rightly, as it turned out—that this problem could be solved in the long term. However, at the same time, it was emphasized that the survey had its own objective justification and would in no way be rendered superfluous by improved access to official data. Thus the “panel project” was mentioned, but longitudinal data did not play a role in the discussion. Nevertheless, one of the evaluators—a statistician—posed the right question: he asked whether it might not be better to use a panel study for the micro-simulation models. The applicants responded that their plans constituted a compromise with the arguments cited above.

Preparation

In January 1979, the work of Collaborative Research Center 3 began, and with it the preparations for the household panel. This phase was used to the fullest in every respect, as the research report which was written in 1981 on the first three years clearly attests. Interestingly, this report dealt in detail with the arguments that had been raised against a panel up to that stage.

Apparently, there had been a number of arguments questioning whether a panel study was necessary, or whether at least cheaper procedures than a panel approach were possible. It had been proposed that individual cross-sections or at least sequence of cross-sections be used to derive quasi-panel data by reinterpreting the individual observations—for example, by compiling observations on different individuals of different ages into an overall observation of one

⁴ If one had wanted to realize SOEP at all costs, it would have been necessary to give up the cross-sectional surveys. One argument against this was that using a panel to meet these data needs would have resulted in delays that could not be accepted by the Collaborative Research Center, given the team-oriented organizational structure of such centers. It may also have played a role that in 1977, I was responsible for the panel section of the research application and at the same time I was President of the Frankfurt University during a very difficult period. Thus, the time available for my research work was limited.

individual fictive person. The question of whether longitudinal data could be restricted from the outset to a retrospective survey also played a major role in the discussion. Fortunately, to answer these questions, it was possible to draw on experiences gleaned in other areas within the Collaborative Research Center. They clearly revealed the limitations of retrospective questions for the investigation of key research issues—for example, poverty questions, where data on household income is indispensable.

By this time, the conditions determining the personnel situation had changed. In April 1979, I became President of the German Institute for Economic Research (DIW, today called DIW Berlin), which allowed me more time for research than my post as President of Frankfurt University and thus also for my responsibilities as project director of the “panel project”. It was especially important that in January 1981, the young economist Ute Hanefeld joined the panel project group, just in time for the Collaborative Research Center’s application process. She was working as a doctoral student, a position then in Germany called “junior researcher” , and she became a driving force in the project, providing crucial support to the project director as well. She traveled to the United States, studied the different panel projects underway there, coordinated the evaluation of the various surveys carried out within the Collaborative Research Center for the purposes of SOEP’s planning, and established contact with the fieldwork organizations that came into consideration.

The high scientific standards that she became acquainted with in the US paid off both for her and also for what became the SOEP, where she set about to implement these same standards with uncompromising zeal. As a result, she succeeded in overcoming various forms of resistance to a random sample as opposed to a quota sample. The idea arose to postpone the first main wave of the later SOEP to the year 1984, in contrast to the original plans, and to start first with two pilot waves. And in fact, the first main wave did ultimately take place in 1984, but for different reasons.

The Cooperative Research Center’s application for the second phase of research, 1982 to 1984, was submitted to the DFG in June 1981. It contained the first comprehensive description of SOEP’s objectives, and explained SOEP’s importance, both for analyzing processes of social

change and as a data basis for conducting microsimulations, spawning hypotheses for future research, and testing their causal interpretation⁵.

The basic conception and argumentation for SOEP elucidated in this research application was the same one that was later realized in the first main sample. The intense consultation process that I will describe in the following shaped how the SOEP study was designed and structured.

Given the complexities involved in setting up a household panel, the difficulties that emerged in the evaluation and approval process came as no surprise. Ultimately, with funding needs of around two million DM per year (about 1 million euros), SOEP was dealing with sums that were and still are far from common in the social and behavioral sciences, although they probably would have been seen as more usual in disciplines such as engineering, the natural sciences, or medicine. At the beginning of the 80s, many reviewers and evaluators asked themselves what might be possible with that much money in other important projects.⁶

The evaluation of the application for the second research phase of the Collaborative Research Center 3 took place on September 24 and 25, 1981. The Center Sfb 3 had already put the performance of its simulation models to the test in the book “Alternatives to Pension Reform `84” (Krupp et al., 1981, Galler and Wagner, 1986). It was therefore unsurprising that the evaluation was very favorable for the second research phase of the Center. The same was essentially true for the proposed panel study as well, but the long-term nature of the project demanded special attention. At its meeting of November 25 and 26, 1981, the Reviewer Committee of the German Research Foundation (DFG) therefore concluded that a decision could not be reached. “We fundamentally acknowledge and applaud this initiative by the Collaborative Research Center; the conceptual preparations thus far (...) have been carried out with great care.” But before the committee could make a final decision, several questions remained to be answered. Some members wanted to know about the planned use of panel data by the different Sfb projects within the Collaborative Research Center. Others questioned the sustainability of the proposed organizational structure given its connection to DIW in Berlin. In the area of expenses,

⁵ In those days, such reports were written in German. And up to now, translating it into English has not been worthwhile. For the first description of SOEP in English, see Hanefeld (1984). For a retrospective description, see Wagner, Frick, and Schupp (2007).

⁶ Many of these problems may be best classified as eccentricities, such as one evaluator’s sincere proposal that American panel study experts only be invited if able to speak German. Such experts simply did not exist. The translation problems were solved nonetheless.

they asked that potential means of saving money be discussed. Finally, there was a request to consider methodological alternatives. As a result, the committee recommended that the application be revised based on the results of a colloquium held with evaluators and experts.⁷

According to the German Research Foundation (DFG), the connection to the DIW is “no doubt a good opportunity that can be seen as an adequate short-term solution.” This argumentation seems somewhat perplexing to us today—as it did then as well—since the connection to the DIW was designed precisely to achieve the desired long-term institutional stability. And over the years, this setup has proven its worth. It should not be forgotten that in 1981, the DIW had already expressed its commitment to prolong SOEP for another ten years if the DFG terminated its support at a prior stage. Of course, SOEP’s position within the DIW was not, and never has been, easy. In the beginning, this was because of the institute’s clear macroeconomic orientation at a time when SOEP was pushing to expand these horizons into the field of microeconomics. Later, it was more SOEP’s achievements that stirred envy within the DIW. But DIW supported SOEP all the time.

The colloquium called for by the evaluators took place on February 1, 1982. It had the character not of a meeting of evaluators but of a discussion with advisors. Central themes of the planned panel study were discussed again at length: the question of a quota vs. a random sample, the inclusion of foreigners and people living in institutions, as well as the usefulness of pilot studies and pretests. By this time, the fieldwork organization “Infratest Sozialforschung”—on its own initiative—had also proposed to conduct a third pilot study.

In August 1982, the revised research application was submitted to DFG. It was more in-depth than the first version and also significantly longer. While 65 pages had sufficed for the preliminary version of the year before, the final application now contained 177 pages, not including the tender or the survey institutes’ bids. The application now also offered a very consistent justification for the necessity of a household panel and an overview of existing panel

⁷ One of the remaining problems, although not discussed in the statement of the Grants Committee, was the choice of a fieldwork organization. The invitation to tender had been issued to nine firms. Four of these (IFAK, GfK, Infratest Sozialforschung, and Marplan) had submitted a bid. These differed widely in quality and made clear that creating a panel meant treading new ground for German fieldwork organizations. The Infratest team probably understood the long-term commitments and risks this entailed best. Their calculations were exceptionally thorough and detailed, but also added up to the highest total price. Taking into account the amount and quality of the work specified in the Infratest bid, theirs still came out to be the most economical.

studies on the national and international levels. The results were clear. Comparable studies existed only in the USA. These were discussed in all their strengths and weaknesses to draw conclusions for what would later become the SOEP study.

Of crucial importance was the detailed conceptualization of the panel included in the application, specifying the overall sample size, survey population and survey instruments, tracking of survey respondents over time, and panel maintenance. Emergency measures were even introduced for dealing with the danger of high panel mortality.⁸

DIW attempted to make the Reviewer Committee's decision easier by promising to provide additional funds for basic infrastructure. However, this meant that the Federal Economics Minister and the Senator for Science and Culture of the State of Berlin first had to give their agreement. The Federal Minister of Economic Affairs showed very little understanding, stating that "it is doubtful whether this project would provide such substantially new findings as to justify the high total financial expense." He proposed that the more reliable official microcensus be utilized instead, predicting that the panel "would encounter major difficulties in practical implementation—in both collecting and processing the data—that would not fail to have an impact on the reliability and validity of the data." What a severe misprognostication this proved to be is seen in the fact that the German Federal Statistical Office itself later made use of the SOEP data for the German contribution to the European Community Household Panel (ECHP).⁹ Fortunately, the Federal Ministry of Research and Technology was equipped with better forecasting capabilities, and offered significant financial support to SOEP through its special grants program for empirical social research.

⁸ In line with the stipulations of the German Research Foundation (DFG), alternatives and their cost effects were discussed. The new application was based on a revised bid from Infratest Sozialforschung submitted in response to the revised call for tenders of April 6, 1982. GfK and Marplan submitted competing bids. Although the final decision in favor of Infratest did not take place at this stage, its bid was already favored because "Infratest made a more realistic estimate of the costs entailed than the other institutes based its detailed analysis of the problems." Furthermore, Infratest had also expressed its willingness to cover the VAT costs for the first two waves, amounting to DM 350,000 on the total of DM 3,193,000, considering these "investment costs".

⁹ The ECHP ran from 1994 to 2001 and has now been replaced by the EU SILC study. After the Federal Statistical Office collected panel data itself on a test basis for three waves (1994 to 1996), SOEP data were entered into the ECHP data bank from 1997 on (and thus also retrospectively back to 1994).

The Decision

The DFG's Reviewer Committee meeting took place on October 26 and 27 in the form of a large colloquium attended by experts and representatives from different federal ministries, along with the committee members themselves. Exceptionally useful lectures were presented by Greg Duncan and Charles A. Lininger, who shared American experiences from the Panel Study of Income Dynamics (PSID) and the Survey of Income and Program Participation (SIPP).

A difficult discussion unfolded between the DFG and representatives of different ministries. The German Research Foundation assumed that the household panel results would be useful for policy design and that cofinancing by the beneficiary ministries would therefore make sense. Underlying this was the general question of whether or not this kind of data base should be considered the responsibility of basic research. The discussion was guided by two considerations. On the one hand, the ministries had stated their refusal to provide advance financing for later results. On the other, the research community had raised the compelling argument that mixed financing could endanger the scientific independence of the panel and should thus be avoided, especially at the outset. Both considerations led to the same outcome: the project received purely research-based financing. The Federal Ministry of Research and Technology transferred funds to the German Research Foundation from its special grants program for empirical social research. This co-funding had been stipulated by the German Research Foundation in the grant approval notice as a condition for its own support. However, no concrete sum had been mentioned in that document, just a "portion of the required funds".

The scientific discussion with the evaluators clearly revealed the learning process that all those involved had gone through. Furthermore, everyone was now well aware of the particularities of longitudinal data. The discussion was infused by the common desire to make a household panel possible, accompanied by the shared concern that financial difficulties could still endanger the entire undertaking. A variety of different options and possibilities for saving money were therefore taken carefully into consideration.

The project was approved on December 6, 1982, based on the DFG's Commissioning Committee Meeting of November 24-25, 1982. The German Research Foundation's stipulations and

recommendations reflect the high level of discussion that took place among the evaluators and have provided an exceptionally useful contribution to SOEP's development. They included:

- establishment of a scientific advisory board¹⁰
- good documentation
- clear data protection regulations for sharing data with other researchers
- oversampling of the foreign population
- resolution of methodological problems, as well as retrospective data-checking,
- research to maintain the representativeness of the survey
- close cooperation with the survey institute.

The approval also included a temporal perspective. The decision was based on "the intention to first enable five survey waves to be conducted." This did not exclude the possibility that, "if necessary, a wave could be left out after the first survey waves." In view of the fact that today there exist about 25 waves without gaps, the intention to carry out just five may seem too modest. At that time, however, five waves alone were undoubtedly counted as an enormous success. The Collaborative Research Center and its representatives had always been reserved in discussing the minimum necessary duration of SOEP. It was clear, on the one hand, that this kind of panel would increase exponentially in value the longer it continued, but on the other, that a funding institution like the German Research Foundation could not be expected to take responsibility for the long-term funding of an infrastructure project. As a result, those involved always answered such questions with a duration of five years, although it was absolutely clear that this was in fact too short. It was thus all the more gratifying that the German Research Foundation DFG explicitly stated this duration as the minimum sensible duration.

Thanks

The approval for the panel project was by no means a foregone conclusion. In 1982, the Federal Republic of Germany had fallen into difficult budgetary straits that also left their mark on the funding available for research programs. The German Research Foundation's efforts to support a

¹⁰ From today's perspective, when SOEP is an asset to social scientists all over the world, it is hard to understand why the DFG recommended appointing an advisory board oriented toward the interests of the Collaborative Research Center (Sfb 3) and not of potential panel data users.

project of this kind reflect a far-sighted perspective that was undoubtedly not easy to convey—even within the organization itself.

The approval for SOEP's start was also the result of the dedicated efforts of numerous individuals. History is, after all, the result of people's actions. Not all those who worked to see SOEP realized can be mentioned by name here: at the colloquium and evaluation meeting of October 1982 alone there were 78 people in attendance according to the list of participants. Yet this report would remain incomplete if I failed to mention at least a few of the key individuals active during the decisive year of 1982.

Of central importance for the emergence of SOEP was the German Research Foundation. Worthy of particular mention are the Head of the Collaborative Research Centers Division, Dr. Dieter Funk, and the Head of the Social Sciences Division, Helga Hoppe, as a Sociologist, who provided enthusiastic assistance with the difficult procedures involved in the application submission, evaluation, and approval process. It should be mentioned that the General Secretary of the German Research Foundation, Dr. Carl Heinz Schiel, and Elke Tielinski-Kampick, as a member of staff, took part in the meeting of October 1982 as well. The German Research Foundation statutory bodies were represented by Professors Werner Meißner, E. Otten, and Bernhard Schäfers. German Research Foundation Executive Committee member Professor Franz E. Weinert, a renowned psychologist, took part in the advisory meeting of February 1982.

The German Research Foundation's final decision ultimately rested on the recommendations of its evaluators. They had expended considerable effort on a project that was outside their immediate disciplines but whose importance for scientific progress, in terms of both content and methodology, they recognized. The evaluators who participated in the September 1981 evaluation, the February 1982 advisory meeting, and the October 1982 evaluation were Dr. Peter Hoschka and Professors Karl M. Bolte, Hartmut Esser, Joachim Frohn, Bernhard Gahlen, Klaus-Dirk Henke, Franz-Xaver Kaufmann, Hermann Korte, Burkhard Lutz, Werner Mangold, Dieter Mertens, Friedhelm Neidhardt, Bert Rürup, Bernhard Schäfers, Hans Schneeweiß, Burkhard Strümpel, Hans Peter Widmaier, and Rolf Ziegler.

The eleven representatives of federal and state ministries who took time for the evaluators colloquium in October 1982 should also not go unmentioned. They included Gertrud Brauer, a

Government Director in the Ministry for Cultural Affairs of the State of Hesse responsible for Johann Wolfgang Goethe University in Frankfurt am Main, and Hans W. Groscurth, a Senior Government Councilor to the Senator for Science and Cultural Affairs responsible for the DIW. The Federal Ministry for Research and Technology was represented by Undersecretary Dr. Leitersdorf. The Federal Statistical Office also showed great interest, as seen in the participation of four staff members (Senior Government Directors Martin Nourney and Dr. Werner Nowak, as well as Government Directors Manfred Euler and Horst Steiger).

Finally, all the members of the Cooperative Research Center should be mentioned: together, they invested a vast amount of work, effort, and creativity in an innovative and visionary project, but one that was by no means risk-free. The Speakers of the Cooperative Research Center during these years were Wolfgang Zapf, Richard Hauser, and Reinhard Hujer. Managing Directors were Eike Ballerstedt and Klaus Kortmann. The names of those on the “Project’s Council”, which was comprised mainly of the heads of projects, offer a good overview of the structure of the Cooperative Research Center. When the second research application was submitted, it consisted of the following senior scholars: Wolfgang Zapf (Speaker), Reinhard Hujer and Richard Hauser (Deputy Speakers), Karl Ulrich Mayer, Hans-Jürgen Krupp, Gerriet Müller, Heinz P. Galler, Christof Helberger, Heinz Grohmann, Ralph Brennecke and Klaus Kortmann, and Wolfgang Glatzer, Dr. Joachim Merz, Gernold Frank, as well as Maria Volkert, Gerhard Bauer and Bernhard Engel (Staff Representatives)¹¹.

In 1984, the first wave of SOEP—which was being referred to as “the panel”—went into the field. The survey had been in concrete planning since 1981. For that purpose the Cooperative Research Center Sfb 3 had set up a panel committee where all the details of the survey and questionnaire were discussed and determined in an interdisciplinary context. The ultimate form of SOEP that emerged from this process is evidence that in science as elsewhere, teamwork can bear extremely fruitful results.

At a later stage, crucial expertise was contributed by the SOEP’s Scientific Advisory Committee, as well, whose first chairmen were Bernhard Schäfers and Hartmut Esser. In retrospect, one can

¹¹ Gert G. Wagner, who became Director of SOEP in 1989, was in 1982 a doctoral student (advised by H.P. Gallen and C. Helberger) and became Managing Director of Sfb3 in May 1983. Jürgen Schupp, who became Deputy Director in 2004, was a student helper.

say that a successful balance was achieved in the SOEP's content between the necessary continuity from year to year and the necessary change over the course of time.

“Progress” in Science

It can be seen as a historical irony that the central motive for submitting the application for the panel diminished in importance over time, although without SOEP having become in any way less useful as a result. In fact, precisely the contrary was the case.

The SPES project and the Cooperative Research Center Sfb 3 intended to create a complex micro-macro simulation model.¹² The micro part of this model required, on the one hand, a cross-sectional microdata base, and on the other, data that could be used to generate behavioral hypotheses. The objective was to overcome the weaknesses of large macroeconomic simulation models by allowing for more differentiated conclusions and for empirical validation through the inclusion of micro-modules. Thus, these projects intended to tackle the micro foundations of macroeconomics in very concrete terms.

By taking on “the micro foundations of macroeconomics”, the later SOEP project was squarely in the mainstream of the contemporary scientific development of its time. And German economics moved to the worldwide forefront of this development with the state-of-the-art data provided by SOEP. As a result, microeconomics experienced a boom, which in turn benefited SOEP and further increased its acceptance.

At this point, it no longer mattered for SOEP that the project of many economists worldwide to establish the micro *foundations* of macroeconomics was increasingly misunderstood as *replacing* macroeconomics with microeconomics. Over the course of this development, large macrosimulation models had lost their scientific allure and it was no longer possible to make a research career based on a macro model. Thus, by the time the first waves of SOEP were released, the large interdependent micro-macro model that had originally been discussed was entering its terminal phase of life. And unfortunately, after the Collaborative Research Center “Microanalytical Foundations of Social Policy” (Sfb 3) came to an end, these efforts were

¹² One can derive an impression of the ideas prevalent at that time in Krupp (1978a,b) and later in Galler und Wagner (1986).

discontinued altogether. Today, SOEP is used widely in microsimulation models, but these are static partial models.¹³

In Germany at the beginning of the 21st century, we have lost sight, both academically and politically, of the broader macroeconomic relationships governing the economy as a whole. There are very few indications that this is doing German society good. In fact, it may well be that the macroeconomic situation will only come to mind again when it takes a turn for the worse, producing even more dire economic and societal conditions than those prevalent today. When and if this occurs, SOEP and its now very long and differentiated data records will also be able to cover a significant amount of the data demands, enabling a meaningful form of micro-macro modeling.

¹³ Static in the sense that there is no dynamic modeling of the population dynamics and certainly no connection to macroeconomic developments. Of course, by means of household panel data more detailed individual behavioral reactions (“behavioral response”) can be modeled on changes in the institutional framework.

References

- Galler, Heinz P. and Gert G. Wagner (1986). The Microsimulation Model of the Sfb 3 for the Analysis of Economic and Social Policy, in: Guy Orcutt et al. (Ed.), *Microanalytic Simulation Models to Support Financial and Social Policy*, Amsterdam et al., pp. 227-247.
- Hanefeld, Ute (1984). The German Socio-Economic Panel, in: American Statistical Association (ed.), *1984 Proceedings of the Social Statistics Section*, pp. 117-124.
- Hauser, Richard; Uwe Hochmuth and Johannes Schwarze (Eds.) (1994). *Mikroanalytische Grundlagen der Gesellschaftspolitik. Vol. 1. Ausgewählte Probleme und Lösungsansätze. Results of the Collaborative Research Center of the same name at the Universities of Frankfurt and Mannheim*, Berlin: Akademie Verlag.
- Hauser, Richard; Notburga Ott and Gert Wagner (1994). *Mikroanalytische Grundlagen der Gesellschaftspolitik. Band 2. Erhebungsverfahren, Analysemethoden und Mikrosimulation. Ergebnisse aus dem gleichnamigen Sonderforschungsbereich an den Universitäten Frankfurt und Mannheim*, Berlin: Akademie Verlag.
- Krupp, Hans-Jürgen (1968). *Theorie der personellen Einkommensverteilung. Allgemeine Grundzüge und verteilungspolitische Simulationen*, Berlin: Duncker & Humblot.
- Krupp, Hans-Jürgen (1975). Möglichkeiten der Verbesserung der Einkommens- und Vermögensstatistik, in: *Schriften der Kommission für wirtschaftlichen und sozialen Wandel*, Vol. 50., Göttingen: Verl. Otto Schwartz & Co.
- Krupp, Hans-Jürgen (1978a). The Contribution of Microanalytic Simulation Models to the Theory of Income Distribution, in: Griliches, Zvi; Krelle, Wilhelm; Krupp, Hans-Jürgen; Kyn, Oldrich (Eds.) *Income Distribution and Economic Inequality*, Frankfurt-New York-Toronto-Chichester: Campus - Halsted Press, pp. 160-172.
- Krupp, Hans-Jürgen (1978b). The Pros and Cons of Simulations on the Basis of Individuals or Groups in Micro-Models, in: Pfaff, Martin; (Ed.) *Problembereiche der Verteilungs- und Sozialpolitik. Schriften des Internationalen Instituts für Empirische Sozialökonomie*, Vol. 2., Berlin: Duncker & Humblot, pp. 445-452.
- Krupp, Hans-Jürgen; Heinz Peter Galler; Heinz Grohmann; Richard Hauser and Gert Wagner (Eds.) (1981). *Alternativen der Rentenreform '84 - Sonderforschungsbereich 3 der Universitäten Frankfurt und Mannheim "Mikroanalytische Grundlagen der Gesellschaftspolitik"*. Schriftenreihe Vol. 6, Frankfurt/New York: Campus Verlag.
- Wagner, Gert G.; Jürgen Schupp and Joachim Frick (2007). The German Socio-Economic Panel Study (SOEP) - Scope, Evolution and Enhancements, in: Ferrer-i-Carbonell, Ada; Grabka, Markus M.; Kroh, Martin (Eds). *Proceedings of the 7th International Socio-Economic Panel User Conference (SOEP 2006)*, Schmollers Jahrbuch 127 (1), pp. 139-169.