Comments to CPB – Model Strategy

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CPB – Suite of Models

- Interesting overview
  - Macroeconometric model (Saffier) + Intl models (Nigem/World Scan)
  - Empirical models: Leading indicators + BVAR
  - Bookkeeping models (governmental budgets, transfers etc)
  - Micro/Labour supply models
- Many of the same experiences as in SSB/Ministry
  - Quarterly/Annual?
  - Too detailed?
  - Difficult to communicate with academia
  - Recriutment issues?
  - But: Details and simplicity are demanded by stakeholders!

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Current approach: Loos' & Enrich' DSGE

- Between Saffier and D(S?)GE:
  - Aggregated
    - But n>1
    - Government policy instruments >1 (?)
  - Behaviour based on microeconomic optimising agents
    - Agents may be rationed, have deviating preferences etc?
  - Forward looking
  - Intertia/Sluggishness (Short-run) (?)
  - Disequilibrium (labour-market, capital market, other?) (?)
  - Simultaneous estimation (?)
  - Not stochastic (?)
- Empirical tools - BVAR
- Labour supply and demand models – detailed (?)

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Organizing of modeling work and analyses

- Both modelling and all policy analyses at CPB ?
- Cooperation between the macro group and other groups (public finance etc) at CPB?
- How many man years?
- Governmental policies and all election programmes annually?
  - How much of the resources is allocation for these analyses?
- Research and publication activities?
- Funding of modeling work, policy analyses, research?
- Recruitment?

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Climate analyses and the MSG6-model: shortcomings

- Small, open economy characteristics ->
  - Exogenous world market prices -> No terms-of-trade effects
  - Climate policies are regional/global -> Interactions with other economies (EU) and Rest of the World
- Technological change are exogenous
  - Models only substition- and scale effects of climate policies
- New technologies are important for climate analyses:
- Diffusion of new climate technologies
  - Implementation
  - Absorption processes
  - Learning effects
- Modeling the innovation processes of new climate technologies
  - Research and Development (R&D)

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Three CGE models for climate policy analyses

1
MSG-TECH
hybrid
top-down/bottom-up

2
SNoW
Norway and
Rest of the world

3
ITC
Endogenous technological change

- Incorporate existing and future technologies (different approaches) – Diffusion and innovation
- Norway in a global perspective

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