

Comments to CPB – Model Strategy

Finansdepartementet

17. October 2016

Brita Bye

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
 - Recruitment issues?
 - But: Details and simplicity are demanded by stakeholders!

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
 - Inertia/Sluggishness (Short-run) (?)
 - Disequilibrium (labour-market, capital market, other?) (?)
 - Simultaneous estimation (?)
 - Not stochastic (?)
- Empirical tools - BVAR
- Labour supply and demand models – detailed (?)

3

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?

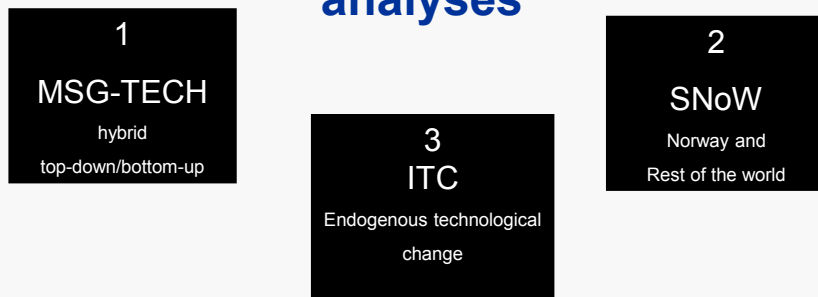
4

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 substitution- 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)

5

Three CGE models for climate policy analyses



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

6