



Finansdepartementet

Development of a new macroeconomic model for fiscal policy analysis

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Presentation to the Advisory Panel on Macroeconomic Models and Methods – October 25, 2017



Model strategy

- Develop new model for medium-term fiscal policy analysis
- Aim is to complement existing models in use at the Ministry, with a focus on fiscal policy analysis
- KVARTS will remain the Ministry's primary tool for medium-term forecasting

The model strategy includes broad guidelines for the new model

- The new model should:
 - Include a role for fiscal policy over the business cycle
 - Describe the behavior of agents in a general equilibrium setting, so that both demand and supply effects of fiscal policy, as well as the impact of different sources of financing, are taken into account
 - Include a role for forward-looking expectations
 - Be parameterized on Norwegian data
 - Be relatively easy to interpret in light of economic theory
 - Be limited to what is necessary to analyze the impact of the most important fiscal policy instruments on the economy
- Theoretical consistency is a useful starting point, but must be weighed against empirical relevance and user friendliness

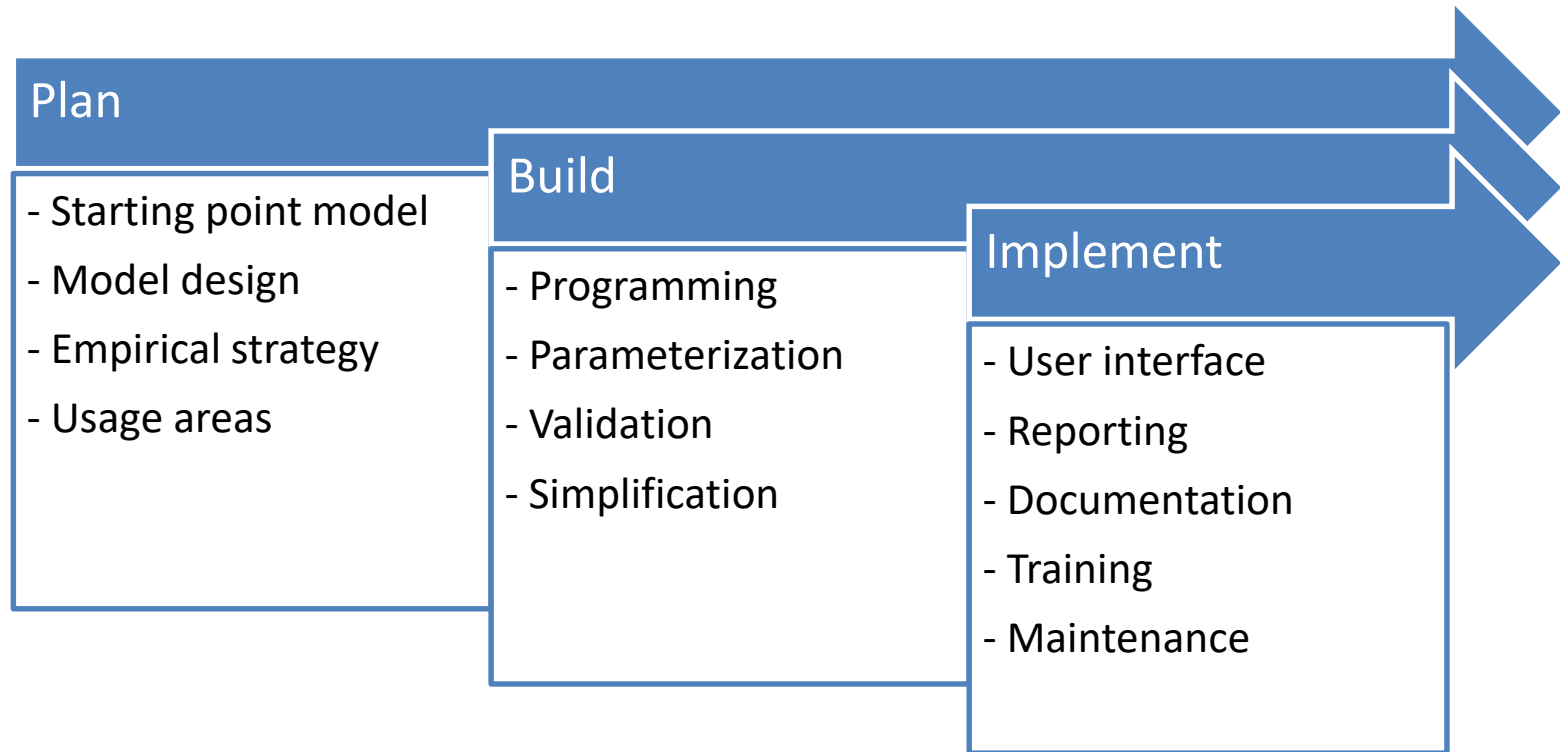
Project team

- Dedicated project team
 - Project leader and two economists have already been hired (one starting in December)
 - Hope that Statistics Norway can contribute to the project
- Project team will be physically located at Statistics Norway
 - Benefit from Statistics Norway's expertise in economic modelling and knowledge of the Norwegian economy

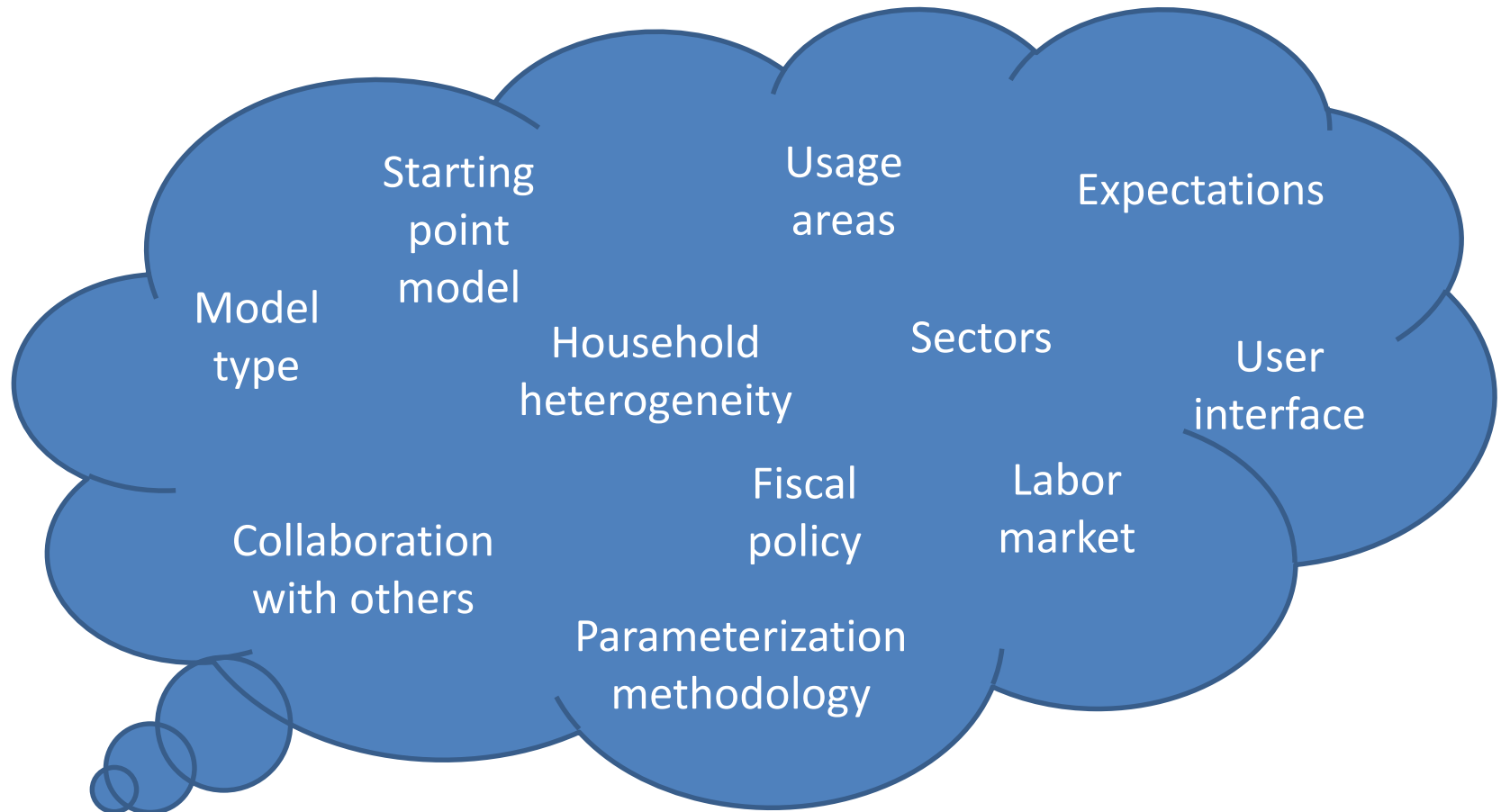
Governance

- The Ministry of Finance is the owner of the project
- Project is being conducted in cooperation with Statistics Norway
- A steering committee consisting of representatives from the Ministry of Finance, Statistics Norway, and academia?
- “Key questions in the modelling project will be presented to, and discussed by, the Ministry of Finance’s Advisory Panel on Macroeconomic Models and Methods (MMU)”
- Project is intended to last till end-2019
 - Responsibility for maintaining the model beyond that timeframe has not be decided

Project Plan



Many unanswered questions



Role of the MMU?

- Regular progress reports
- Discussion of key questions in the modelling project....when/at what stage?
- Forum for discussing broader topics of relevance to project, e.g. importance of heterogeneity in macroeconomic models?



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Thank you