



Norwegian Ministry
of Finance

Macroeconomic models and policy

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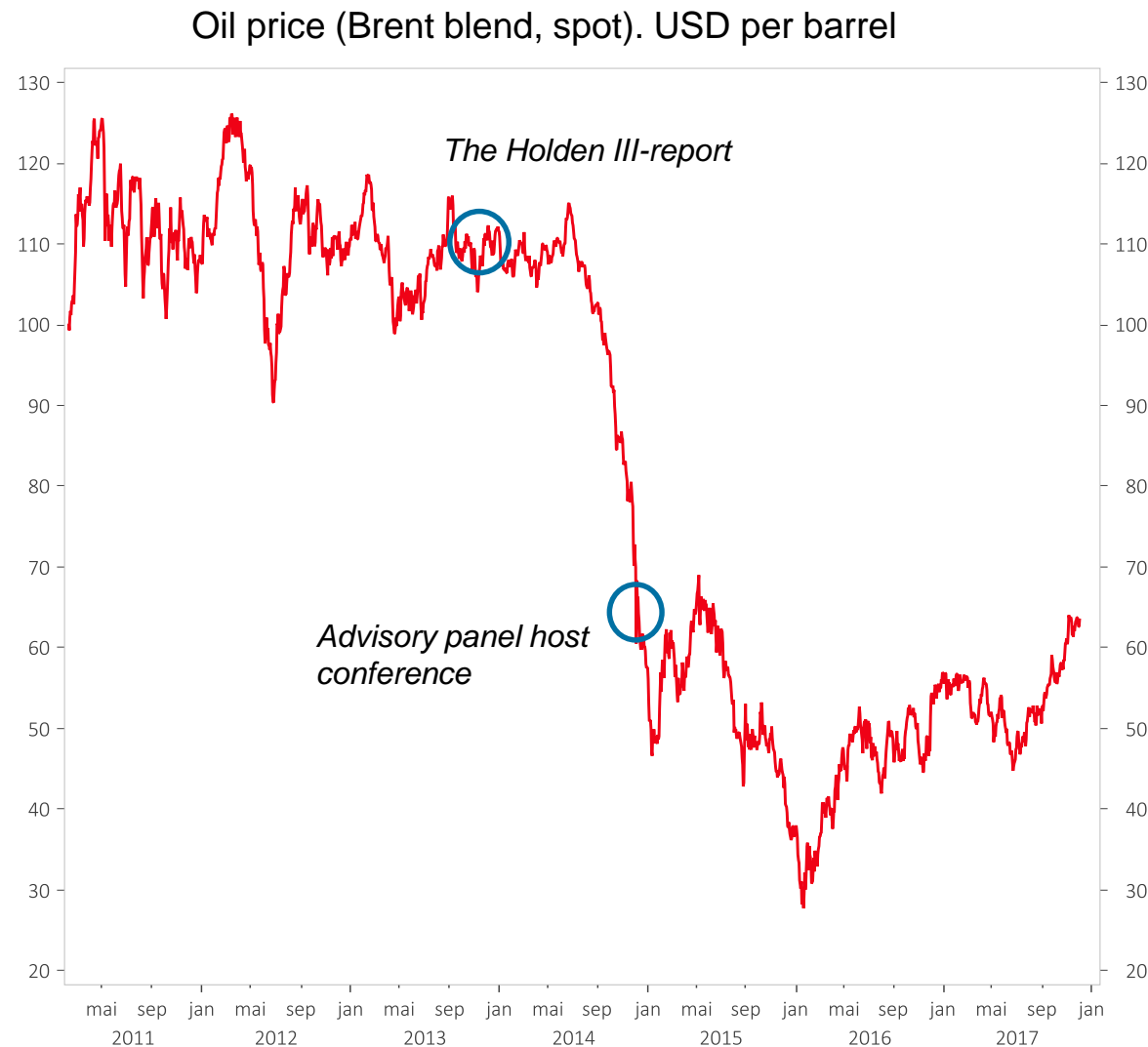
Why do we need economic models?

Our ambition has evolved:

«At the Oslo University Institute of Economics, considerable effort has been directed towards working out a technique for preference function determination in the macroeconomic field. On the basis of our experience with actual interviewing of responsible politicians according to our technique and the construction of the ensuing preference function and its experimental use for determining an optimal solution, I am confident that the problem can be given a practicable workable solution if a sufficiently careful analysis is made in each case.»

Ragnar Frisch, *Oslo Decision Models*, (1957)

Model-based analyses can be of significant importance



- The Holden III-Committee on wage formation (2013) discussed vulnerabilities to a fall in oil prices
- Helped prepare the social partners, policymakers and the general public

An evolving need for economic models

- Large range of policy issues
- The economy is complex
- A suite of models is needed
- Wrong models may do more harm than good
- Politicians must also take non-economic factors into account

The Ministry has a growing suite of models

- KVARTS: forecasting and policy analysis
- Empirical models for short-term forecasting
- DEMEC: Long-term developments and public finances
- SNoW: Emissions projections, climate change policy
- MOSART: Detailed analyses of the pension system
- LOTTE: Detailed analyses of the tax system



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More information about the Advisory Panel:

https://www.regjeringen.no/no/tema/okonomi-og-budsjett/norsk_okonomi/finansdepartementets-radgivende-utvalg-f/