

Marko Glažar

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Summary

This paper presents simulation results of specific reforms in the context of Europe 2020. Results of the reform simulations have been obtained using the dynamic stochastic general equilibrium model (DSGE), while baseline scenario has been obtained using the production function methodology.

The DSGE model, QUEST with endogenous growth for all EU member states has been calibrated by D'Auria et al. (2009) on the basis of the model by Roeger et al. (2008). It is one of the models of the Directorate-General for Economic and Financial Affairs (DG ECFIN). The basis for the DSGE models is the theory of general equilibrium and modern macroeconomic models. Their use is crucial in analysis of different economic policies. The models enable us to obtain a comprehensive image of consequences of a specific reform on main macroeconomic variables by the means of setting preferences to the agents, technologies (what the agents can produce) and institutions (interaction among economic agents). The main advantage over standard macroeconomic models is robustness to the institutional changes in the economy. What is more, it even enables forecasting the consequences of institutional changes in the economy.

The paper analyses three sets of reforms. In the first part we deal with lowering the capital costs for the companies, improving the competitiveness in the final products market and reducing the administrative costs. In the second part we analysed reforms in the labour market and in the third part the reforms in the field of innovation and knowledge.

The baseline scenario with no reforms shows relatively low potential GDP growth of 2 % for the period 2011-2020, which is about half of the pre-crisis growth level. The reforms that we simulated would add from 0.2 p.p. to 0.6 p.p. in the first and third scenario respectively. The reforms would raise the level of GDP in 2020 by 1.7 % in the first and by 5.8 % in the third scenario.