

# **Independent quantitative analyses relevant for economic policy**

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- The Macedonian experience
- The Dutch experience
- CEA Macro model developed for Macedonia and operational

- The Dutch experience
  - Independent analyses relevant for economic policy from the CPB
  - Customers:
    - Government, ministries
    - Parliament, political parties
    - Trade unions, employers' associations
    - Public debate (media, "the taxpayer")

- CPB use:
- Quick scans of policy programmes:
  - Elections: Comparison of the medium term policy programs of all major political parties;
  - Formation of new coalition/government: Analysis of medium term plans
  - Annual budget cycle:
    - Short term alternatives of opposition parties
    - Exceptional circumstances: incidental requests by the government
- Input:
  - Short term or medium term forecast based on current government policy
  - New or alternative policy programme.

- **Methods used:**
  - Macro-models,
  - Simple spreadsheets;
  - Supplementary ad hoc analyses, e.g. by using other CPB-models;
  - Common sense (no pain no gain, no free lunches but trade-offs);
  - Specific knowledge of experts at Ministries.
  - Specific knowledge of experts at the CPB.

- **What is meant by measurable? Examples:**
- “Increase efficiency of the government”: How, which measures are to be taken? Or should it be interpreted as a general cut in the administrative expenditure of the government?
- “EU transfers to Macedonia will increase”: How, what funds, what sectors?
- “Reduce fraud with social benefits with 10%”: What are the policy measures taken, what are the costs of the extra verification, are there analysis available that make plausible that such a reduction of fraud is possible, what is the time-schedule of the extra expenditure and the expected saving on social benefits
- “Increase subsidies with 30%”: Which subsidies? Subsidies to corporations (e.g. for innovation), wage subsidies for long term unemployed or for agriculture and education?

- Merits and limitations:
  - Not exact forecasts but
  - No alternatives to modeling
  - Uncertainty is fact of life and decisions need to be made
  - Provides relevant output rapidly and in an consistent and transparent way for more scenarios that can be compared
  - Tool for communication and analysis so needed for Macedonian political parties because it can increase the quality and the discipline of the debate

- Macedonia has operational model CEA Macro model
- See the word material prepared for the weekly Kapital.
- Brief Microsoft excel presentation of the CEA macro model

*"The Center for Economic Analyses is a think tank, founded by economists, who share a common vision for the Republic of Macedonia as a new emerging European economy, integrated in the regional and world markets. CEA's mission is to continuously research the economic development and economic policy in the Republic of Macedonia and offer policy relevant recommendations and solutions"*

## **CEA CONTACT DETAILS**

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