



INSTITUT FÜR HÖHERE STUDIEN
INSTITUTE FOR ADVANCED STUDIES
Vienna

*Research and policy advice
during the pandemic:
Experiences in the field of economics*

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Introduction

How do science and public policy interact in times of crisis?

- Economic researchers as objects (vs. subjects) of investigation

- Here: Impressions of past two years from the perspective of
 - a (quantitative macro) economist working at
 - one of the main economic and social research institutes in AT who is
 - regularly involved in applied research and policy advice projects
 - in the areas of public finance, labor markets, and related economic policy.

Comparison to „normal times“?

- Many similarities (eg. conflicts of interest between different actors and interest groups)

- Main differences in “basic/background conditions”:
 - Magnitude of crisis, speed of changes and multi-dimensionality of impacts
 - Amount and multi-dimensionality of uncertainty
 - Intrinsic „multi-disciplinarity of crisis“
 - Urgency of analyses to inform political decision-making

- In reaction, more-than-usual
 - creativity in combining existing – and advancing new – methods (eg. nowcasting)
 - collaboration across disciplines and research institutes

Example: „Growth, Prosperity, Solid Finances and the Corona Crisis”

- Collection of projects commissioned by Ministry of Finance (BMF) in spring 2020
- Analyses of economic and public finance consequences of pandemic and planned policy measures
- Different time horizons (and areas of impact):
 1. Immediate analyses of the acute crisis
 2. Analyses for the (sectoral) “rebooting” of the economy after the acute crisis
 3. Scenarios of economic development, fiscal consolidation and policy measures for the time after the immediate crisis (medium to long term)
 4. Analyses for preventing future pandemics and increasing economic resilience
 5. Specific analyses of labor market developments

Some particularities of the BMF project series

- Project collection commissioned jointly to three research institutes (IHS, WIFO, EcoAustria)
- Close interaction between research institutes and policy-makers/institutions in design of sub-projects and at interim reporting; review process across research institutes for project reports
- Collaboration within sub-projects
 - between the three research institutes
 - between researchers from different „disciplines“ (mainly within IHS, eg. health sciences, psychology, sociology, economics)
- Combination of economic methods/models within sub-projects (eg. nowcasting, microsimulation models, macroeconometric models, dynamic quantitative GE macro models)

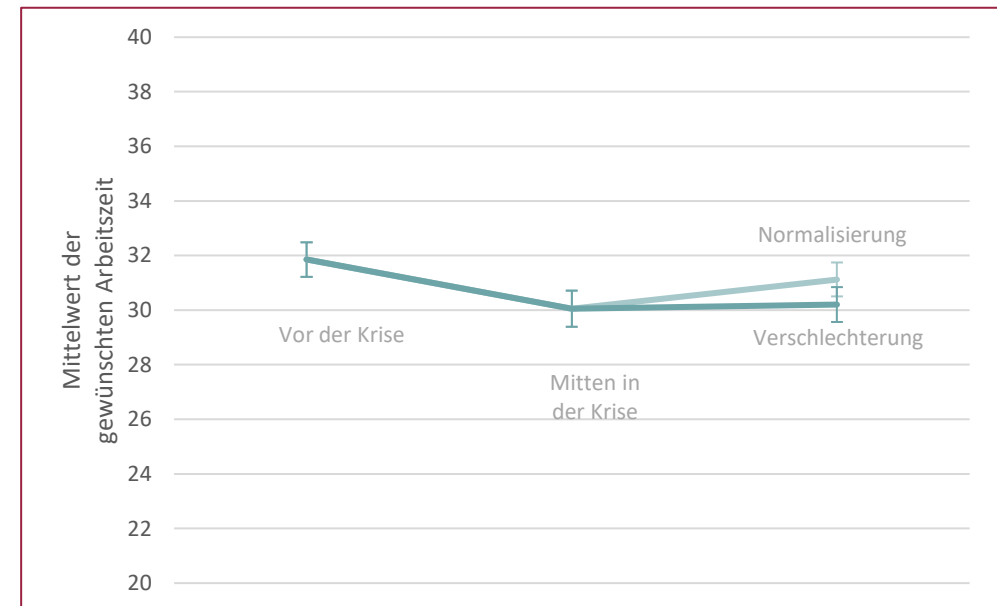
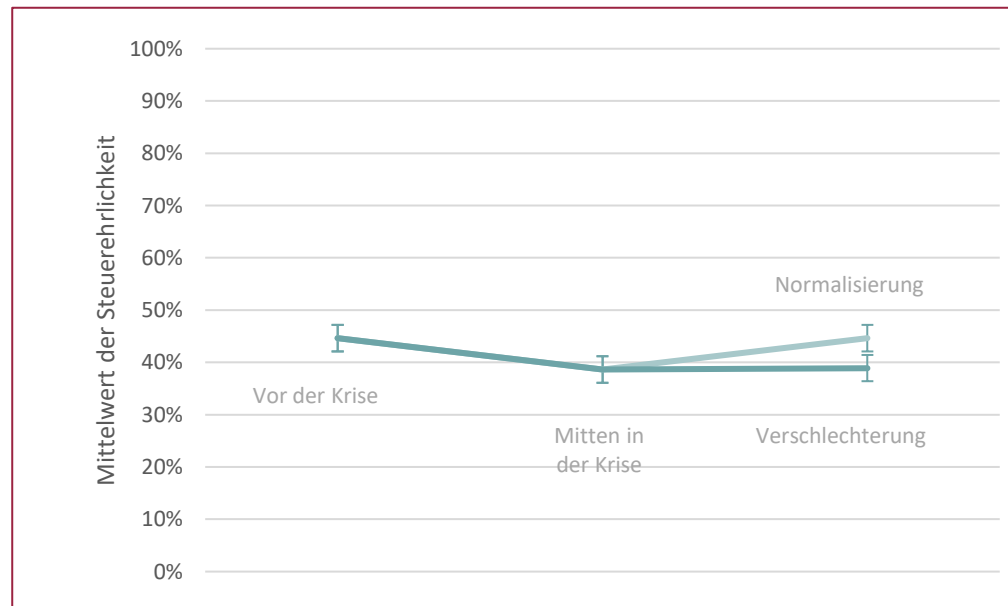
„Macroeconomic impacts of behavioral changes due to the Corona crisis: Tax compliance, working hours and retirement age” (1/3)

- Economic psychologists and quantitative macroeconomists at IHS
- Empirical analysis:
 - *How do the experiences of the Corona crisis change people's preferences regarding tax compliance, desired working hours and desired retirement age?*
 - Online survey with experimental questionnaire design, July 2020
- Quantitative macroeconomic analysis:
 - *What macroeconomic and fiscal consequences can be expected as result of these preference/behavioral changes due to the Corona crisis?*
 - Simulations with dynamic macroeconomic GE model (using empirical results as inputs)

„Macroeconomic impacts of behavioral changes due to the Corona crisis: Tax compliance, working hours and retirement age” (2/3)

➤ Empirical results:

- short-term decline in tax compliance, short- and long-term reduction in desired working hours
- no effect on desired retirement age



„Macroeconomic impacts of behavioral changes due to the Corona crisis: Tax compliance, working hours and retirement age” (3/3)

➤ Quantitative macro results:

- Estimated *temporary behavioral changes* in tax compliance and, particularly, in labor supply have *relevant macroeconomic and fiscal effects* [GDP: -3.55%, budget deficit: +0.92% of GDP]
- If *permanent behavioral changes* in labor supply are also taken into account, the *effects are even greater in the short term* [year 1: GDP: -3.83%, budget deficit: +1.21% of GDP] and *remain relevant in the medium to long term* [year 5: GDP: -2.17% , budget deficit: +0.85% of GDP]

➤ Outlook:

- „Behavioral macroeconomics“ a lively area of research and methodological development
- Project as IHS-internal “pilot” toward incorporating more results and insights from behavioral economics into macroeconomic models for research and policy advice

Concluding remarks/reminders

- Co-players in the field: *Scientists – Policymakers/Institutions – Citizens/Residents/?*
- Room for improvement: increase in (non-negotiable) transparency/accountability from
 - scientists: making assumptions and limitations of analyses explicit (and explaining to their audience)
 - policy makers/institutions: publish information about commissioned studies and their results
- Communication of science – often a challenge, always work, *but* integral part of our „job“
 - Question of resources?
 - Refocus on communicating content rather than capturing short-term attention?



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Thank you for your attention!

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