## Contents

## Part I The History in Outline

1			n	3 7
2	<b>The</b> 2.1		s of Macroeconometric Models	9
		Econo	mies	9
	2.2	Genera	al Equilibrium Models	9
	2.3	Model	s of Business Cycles	10
	2.4	J.M. K	Leynes' Macroeconomic Theory	12
	Refe			13
3	Mac	roecon	ometric Models of the United States and Canada	15
	3.1	First N	Acromodels by L.R. Klein	15
	3.2			16
	3.3	The Q	uarterly Macroeconometric Models. The Brookings Model .	18
	3.4	-	s Developed at Public and Commercial Institutions. Models	
			-	21
		3.4.1	•	21
		3.4.2		22
		3.4.3		23
		3.4.4		23
		3.4.5		24
		3.4.6		25
		3.4.7		25
		3.4.8		26
		3.4.9		26
	3.5	Model		27
		3.5.1	-	28
		3.5.2		28

xiii



		3.5.3	The Quarterly DRI-WEFA Model—The GLOBAL INSIGHT Model	. 29
		3.5.4	The Quarterly Michigan Econometric Model and	
		5.5.4	S. Hymans RSQE Model	. 30
		3.5.5	The Current Quarterly Model	
		3.5.6	The FRB/US Model	
		3.5.7	The Fair MC Model	
	3.6		acroeconometric Models of Canada	
	5.0	3.6.1	The Models of the Government of Canada	
		3.6.2	The Rhomberg Model	
		3.6.3	The Bank of Canada Models	
		3.6.4	The University of Toronto Models	
		3.6.5	The CANDIDE Model	
		3.6.6	Other Models	
	D.C.	3.6.7		
	Refe	erences		. 42
4	Mod	lelling A	Activities in Europe. Macroeconometric Models of the	
			gdom	. 47
	4.1	Introd	uction	. 47
	4.2	First N	Aacroeconometric Models of the UK Economy	. 48
	4.3	The A	nnual Multisectoral Model of the UK Economy	. 48
	4.4	The Q	uarterly Models	. 49
		4.4.1	The London Business School (LBS) Model	
		4.4.2	The National Institute of Economic and Social Research	
			(NIESR) Model	. 50
		4.4.3	The H.M. Treasury Model	
		4.4.4	The Bank of England Model	
		4.4.5	The Liverpool University (LPL) Model	
	4.5	From	Keynesian to Neoclassical Specification	
		4.5.1	Supply Side and Production Functions	
		4.5.2	Modelling Labour Markets	
		4.5.3	Rational Expectations	
	4.6		opments in the Last Twenty Years	
		4.6.1	The Oxford Economic Forecasting Model	
		4.6.2	Reconstruction of the LBS Model	
		4.6.3	The COMPACT Model	
		4.6.4	The Bank of England Models	
		4.6.5	ESRC Macroeconomic Modelling Bureau	
		4.6.6	The Long-Run Structural Macroeconometric Model	
	Refe	erences		60
5	Mo		the French Economy	
	5.1	Annu	al Models and Indicative Planning	
		5.1.1	FIFI Model	
		5.1.2	The Annual Forecasting INSEE Models	. 64

	5.2	Annual Models of the Second Generation
		5.2.1 The Annual DMS Model
		5.2.2 The Annual GAMA Models
		5.2.3 Other Annual Models
	5.3	Quarterly Models of the French Economy
		5.3.1 The METRIC Model
		5.3.2 The PROTEE Model
	5.4	Disequilibrium Models
	5.5	Models Built in the Last Twenty Years
		5.5.1 The MESANGE Model
		5.5.2 The MANEGE Model
	Refe	erences
6		Dutch Macroeconometric Models
U	6.1	Introduction. J. Tinbergen's Contributions
	6.2	Annual Models of the Central Planning Bureau (CPB)
	0.2	6.2.1 The Verdoorn-Koyck Model
		6.2.2 The CS, VINTAF and FREIA Models
	6.3	The Quarterly CPB Models
	0.5	6.3.1 The Driehuis Model
		6.3.2 The KOMPAS, FREIA-KOMPAS and FKSEC Models 76
	6.4	The CPB Models in the 1990s and Later
	0.4	
		• • • • • • • • • • • • • • • • • • • •
	(5	
	6.5	
	6.6	The Models of the Academic Institutions
		6.6.1 The SECMON Model
	D - C	6.6.2 The Groningen University Models
	Refe	erences
7		Models of the Nordic and Baltic Countries
	7.1	Introduction
	7.2	The Models of the Danish Economy
		7.2.1 The ADAM Model
		7.2.2 The SMEC and CLEO Models
		7.2.3 The MONA Model
	7.3	The Models of the Estonian Economy
		7.3.1 The ESTMOD Model
	7.4	The Models of the Finnish Economy
		7.4.1 The KESSU Model
		7.4.2 The BOF and QMED Models
	7.5	The Models of the Lithuanian Economy
		7.5.1 The LITMOD Model
	7.6	The Models of the Norwegian Economy
		7.6.1 The MODIS and MODAG Models

		7.6.2	The Quarterly KVARTS Model	 . 95
		7.6.3	The Quarterly RIMINI Model	 . 95
		7.6.4	Modelling Inflation in an Open Economy	
	7.7	Models	s of the Swedish Economy	 . 95
		7.7.1	The KOSMOS Model	
		7.7.2	The STEP Model	
		7.7.3	The SNEP Model	
		7.7.4	The GUESS Model	
		7.7.5	The Riks Bank RIXMOD and SOE Models	 . 97
	Refe	rences		 . 98
8	Mod	lels of th	ne Central and South European Countries	 . 101
	8.1	Introdu	uction	 . 101
	8.2	The M	odels of the Austrian National Economy	 . 101
		8.2.1	The LIMA Model	 . 101
	8.3	The M	odels of the Belgian Economy	 . 102
		8.3.1	The MIRABEL Models	 . 102
		8.3.2	The Belgian National Bank Models	
		8.3.3	The NONAME Model	
	8.4	The M	odels of the German National Economy	 . 103
		8.4.1	The BONN Models	
		8.4.2	The SYSIFO Model	 . 105
		8.4.3	The RWI Models of Business Cycles	 . 105
		8.4.4	The Freiburger Model	
		8.4.5	The Bundes Bank Quarterly Model	
		8.4.6	Disequilibrium Models	
		8.4.7	New Quarterly Models	
	8.5	The M	odels of the Greek Economy	 . 108
	8.6	The M	odels of the Irish National Economy	 . 108
		8.6.1	The Bank of Ireland Model	
		8.6.2	The HERMES and HERMIN Models	
	8.7	The M	odels of the Italian National Economy	
		8.7.1	The PROMETEIA Model	
		8.7.2	The Bank of Italy Model	
	8.8	The M	lodels of the Portuguese National Economy	
		8.8.1	The HERMIN Model	
	8.9	The M	lodels of the Spanish National Economy	 . 116
		8.9.1	The Academic Centres' Models	
		8.9.2	The Bank of Spain Models	 . 117
	8.10		lodels of the Swiss National Economy	
		8.10.1	The CREA Model	 . 117
		8.10.2	The Quarterly KOF Model	 . 117
		8.10.3	The Quarterly Model of the University of St. Gall	 . 118
	8.11	The M	Iodels of the Turkish National Economy	 . 118
	Refe	erences		 . 118

9	The	Models	of the Middle and East European Countries 12	23
	9.1	The M	odels of the Centrally Planned Economies	23
		9.1.1	Introduction	23
		9.1.2	The Models of the Czechoslovak National Economy 12	25
		9.1.3	The Models of the German Democratic Republic 12	26
		9.1.4	The Models of the Hungarian National Economy 12	27
		9.1.5	The Models of the Polish Economy	28
		9.1.6	The Models of the United Soviet Socialist Republics	
			(USSR)	
		9.1.7	The Models of the Yugoslav National Economy 1	37
		9.1.8	The Models of the Council of Mutual Economic	
			Assistance (CMEA) Countries	37
		9.1.9	The Models of the Centrally Planned Countries.	
			Recapitulation	
	9.2		odels of the Transition Economies	
		9.2.1	Introduction	
		9.2.2	The Models of the Bulgarian National Economy 1	
		9.2.3	The Models of the Czechoslovak National Economy 1	48
		9.2.4	The Models of the National Economy of the Czech	
			Republic	
		9.2.5	Models of the Hungarian National Economy 1	
		9.2.6	The Model of the Montenegrin National Economy 1	50
		9.2.7	The Macroeconometric Models of the Polish National	
			Economy	
		9.2.8	The Macroeconometric Models of Romania 1	55
		9.2.9	The Macroeconometric Models of the National Economy	
			of the Russian Federation	71
		9.2.10	The Macroeconometric Models of the Slovak National	- 4
			Economy	/4
		9.2.11	The Macroeconometric Models of the Slovenian National	70
		0 0 10	Economy	70
		9.2.12	The Macroeconometric Models of the Ukrainian National	
		0 2 1 2	Economy	//
		9.2.13	The Multicountry Models of the Middle and East European Countries	70
		0 2 1 4	Final Remarks	
	Dafe			
				01
10			econometric Models of the European Union and the	_
		RO Area		.91
	10.1			91
			Introduction	
			The EUROMON Model	
			The MAC SIM Model	
			The HERMIN Model	
		10.1.5	The GEM-E3 Model	.94

		10.1.6	The COMPACT Model	194
		10.1.7	The Aggregated Model for the European Union	195
	10.2	The M	odels of the EURO Area	195
		10.2.1	Introduction	195
		10.2.2	The Models of the European Central Bank. The AWM	
			Model	196
		10.2.3	The MZE Model	197
		10.2.4	The MORANA Model	200
		10.2.5	A Structural Model for the EURO Economy	200
	Refe	rences		200
11	The	Macroe	econometric Models of the Rest of the World Countries	203
••				
			acroeconometric Models of the Japanese National Economy	
	11.2		The Early Models	
			The Economic Planning Agency Models	
			The Bank of Japan Quarterly Models	
			The Macroeconometric Models of Academic Institutions .	
			The Macroeconometric Models of Commercial Institutions	
	11.3		econometric Models for the Far East Asian Countries	
	1110		The Systems of Models for Far East Asian Countries	
			The Macroeconometric Models of the Indonesian National	
		111012	Economy	207
		11.3.3	The Macroeconometric Models of the Philippine National	
			Economy	208
		11.3.4	The Macroeconometric Models of the South Korean	
			National Economy	209
		11.3.5	The Macroeconometric Models of the Economy of Taiwan	
			Province	210
	11.4	The M	acroeconometric Models of the Australian and New	
		Zealan	d Economies	211
	11.5	The M	acroeconometric Models of the Chinese National Economy .	212
		11.5.1	The Early Models	212
		11.5.2	The Models of the State Economic Information Centre	212
		11.5.3	The Demand-Oriented Models	213
	11.6	Macro	econometric Models of India, Pakistan and Sri Lanka	213
		11.6.1	The Early Macroeconometric Models for India	214
		11.6.2	The Macroeconometric Models of the Indian Economy in	
			the Late 1960s and 1970s	
		11.6.3	Later Macroeconometric Models of India	215
		11.6.4	The Macroeconometric Model of Pakistan	225
		11.6.5	Macroeconometric Models of the National Economy of	
			Sri Lanka	225
	11.7	The M	acroeconometric Models of the North African and West	
		Asian	Countries	226

## Contents

		11.7.1				
			Countries	. 227		
		11.7.2	The Macroeconometric Models of the Iraqi National			
			Economy	. 227		
		11.7.3	The Macroeconometric Model of the Kuwaiti National			
			Economy	. 228		
		11.7.4	The Macroeconometric Models of the Egyptian and			
			Iranian National Economies	. 229		
		11.7.5	Modelling the Maghreb Countries	. 230		
	11.8	Macroe	econometric Models of the African Countries			
		11.8.1	The Macroeconometric Models of the Ghanaian			
			National Economy	. 230		
		11.8.2	The Macroeconometric Models of the Kenyan National			
			Economy	231		
		11.8.3	The Macroeconometric Model of the Malawian			
		111010	National Economy	232		
		11.8.4	The Macroeconometric Models of the Nigerian National	. 202		
		11.0.1	Economy	233		
		11.8.5	The Macroeconometric Models of the South African	. 255		
		11.0.5	National Economy	234		
		11.8.6	The Macromodel of the Togolese National Economy			
	11.9		acroeconometric Models of the Latin American Countries			
	11.9	11.9.1	The Macroeconometric Models of the Maxican National	. 235		
		11.9.1	Economy	225		
		11.9.2	The Macroeconometric Models of the Venezuelan	. 235		
		11.9.2	National Economy	226		
	Dofor	<b>n</b>				
	Kelele	inces .	• • • • • • • • • • • • • • • • • • • •	. 230		
12	Macroeconometric Multicountry Models					
	12.1	Introdu	lction	. 241		
	12.2	Project	LINK	. 242		
	12.3	The W	orld Trade Models	. 244		
	12.4	The Ol	ECD-INTERLINK Model	. 245		
	12.5	The M	odels of the World Bank	. 247		
	12.6	The M	odels of the International Monetary Fund (IMF)	. 248		
		12.6.1	The MULTIMOD Models	. 248		
		12.6.2	The GEM Model	. 250		
	12.7	The M	odels of European Community. The QUEST Models	. 250		
	12.8	The M	odels of the US Federal Reserve Bank	. 261		
		12.8.1	The MCM Quarterly Models	. 261		
		12.8.2	The FRB/WORLD Model			
	12.9	The M	EMMOD Model of the Deutsche Bundesbank			
	12.10		odels of the National Institute of Economic and Social			
	-		ch (NIESR): GEM and NIGEM	. 262		
			The GEM Model			
			2 The NIGEM Model			

		The Multicountry Model MIMOSA	
		The Model FUGI	
		The Model of Oxford Economic Forecasting	
		The Multicountry Model PRIAMO	
		The Multicountry MC Model by R.C. Fair	
		Other Multicountry Models	
	Refere	ences	270
13		pilogue	
	Refere	ences	278
Par	t II 🗍	The Structure of Macroeconometric Models	
14	Intro	duction	281
	Refere	ences	283
15	Macro	oeconometric Models—The Classification	285
	15.1	Introduction	285
	15.2	Classifications of the National Economy in Macromodels	285
	15.3	Macroeconometric Models. Their Major Types	
	15.4	A Stylized Structure of the National Economy Models	291
	15.5	Model Dynamics. Rational Expectations. Long- and Short-Term	
		Relationships	
	15.6	The Microeconomic Foundations of Models' Specification	
	15.7	The Modelling of Supply	296
	15.8	The Stylized Version of the Macroeconometric Model Structure	200
	15.0	in the Last Twenty Years	298
	15.9	An Outline of Estimation Methods and Computational	200
	Dafar	Techniques	
16		lling the Behaviour of Households	
	16.1	The Consumer Demand Function	
	16.2	Equations Explaining Household Investment Demand	
	16.3	Equations Explaining Labour Force Supply	
	Refer	ences	312
17	The N	Aodels of the Enterprise Sector	315
	17.1	Introduction	
	17.2	Determination of Output	316
	17.3	Equations Explaining the Demand for Production Factors and	
		the Production Function	317
	17.4	The Demand Functions for Fixed Capital and Business	
		Investment	
	17.5	The Demand Functions for Employment and Working Time	
	17.6	The Production Supply and Production Function	
	17.7	Total Factor Productivity	333
	17.8	Equations Explaining Producer Prices	337

	17.9 Equations Explaining Average Wages	
18	Modelling Disequilibria and Equilibria         18.1 Introduction         18.2 Modelling the Global Disequilibria         18.3 Modelling Demand of Public Institutions (Social Consumption)         18.4 Modelling Inventories         18.5 Modelling Adjustments in the Production Sector         18.6 Modelling Unemployment         18.7 Modelling Foreign Trade         18.7.1 Introduction         18.7.2 Equations Explaining the Demand for Exported Goods         18.7.3 The Exports Supply Functions         18.7.4 The Imports Functions         18.7.5 The Equations Explaining the Supply of Imported         Commodities	347 348 350 350 352 353 356 356 356 357 358 359
	18.8 Price Systems       18.8.1 Introduction         18.8.1 Introduction       18.8.2 Equations Explaining the Prices of Domestic Final Goods         18.8.3 Equations Explaining Export and Import Prices       18.9 The Economic Mechanisms in the Real Sphere         18.9 The Economic Mechanisms in the Real Sphere       18.9 The Economic Mechanisms in the Real Sphere	362 362 362 363 364
19	The Modelling of Financial Flows	371 371 374 377
	References	
20	References       Modelling the Money and Capital Markets         20.1 Introduction       20.2         20.2 The Modelling of Credit Activities       20.3         20.3 Equations Explaining the Demand for Money and Financial Assets         20.4 Interest Rates       20.5         20.5 The Balance of Payments       20.6         20.6 The Exchange Rate Functions       20.7         20.7 Equations Systems       20.7	380 383 383 383 385 385 386 387
20	Modelling the Money and Capital Markets20.1 Introduction20.2 The Modelling of Credit Activities20.3 Equations Explaining the Demand for Money and Financial Assets20.4 Interest Rates20.5 The Balance of Payments20.6 The Exchange Rate Functions20.7 Equations Systems	<ul> <li>380</li> <li>383</li> <li>383</li> <li>385</li> <li>386</li> <li>387</li> <li>388</li> <li>392</li> <li>393</li> </ul>
21	Modelling the Money and Capital Markets20.1 Introduction20.2 The Modelling of Credit Activities20.3 Equations Explaining the Demand for Money and Financial Assets20.4 Interest Rates20.5 The Balance of Payments20.6 The Exchange Rate Functions20.7 Equations SystemsReferences	<ul> <li>380</li> <li>383</li> <li>383</li> <li>385</li> <li>386</li> <li>387</li> <li>388</li> <li>392</li> <li>393</li> <li>395</li> </ul>