Wrap-up Session

(Alan Powell)

Too much good stuff!

? Overview & integration

IMPOSSIBLE!
(at any rate, for me)

Traditional task of wrappers-up:

Overview & integration

Overview & integration
IMPOSSIBLE

So, will confine myself to:

3 'aspects' of conference material

Too much good stuff!

3 'aspects' of conference material

? **methodology of AGE**
? **applications of AGE**
? **selling the message**

? methodology of AGE
(calibration, estimation, standard GTAP utility fn)
? applications of AGE
(esp GTAP related, & esp current policy relevant? services, CAP)
? selling the message communication with policy makers

A random selection on each:

communication:

Søren Frandsen on communication!

A 'random' selection on each:

methodology:

DSW (Dawkins, Srinivasan & Whalley) *Handbook of Econometrics* article on calibration; David Hummels; Rob McDougall

Now on to DSW:

Calibration is not a dirty word.

A random selection on each:

services trade:

in prospect, not done yet, but on GTAP's agenda [Dee /GTAP Adv Board/Mattoo]

why, even real business cycle macroeconomists do it!

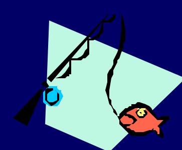
Calibration is rather like estimation …

econometric estimates were available and

were based on positive degrees of freedom, but …

but, with zero degrees of freedom!

undisciplined specification searches



[fishing expeditions, giving the data the third degree] seem to be the rule rather than the exception, so …

This would look bad for calibrationists if

all too often the combination of a limited data supply + poorly formed consciences

?

[effectively] negative degrees of freedom

… all too often the combination of a limited data supply +
poorly formed consciences
?
[effectively] negative degrees of freedom

That is, there is no basis for statistical inference …

David Hummels' advice:

Estimate, don't test!

THUS

in practice, the alleged superiority of econometric estimates often is illusory.

David Hummels' advice:
Estimate, don't test!
& on another front:

Armington vs Krugman: getting quality and variety into the models

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But:

Don't worry!

& on yet another front:

Repair of the utility/demand system in standard GTAP

[Rob McDougall]

Use the new GTAP .tab file if you want to insulate yourself from (probably small) glitches, esp. in calculation of CV

Back to calibration:

[1st quibble]

What is best-practice technique in calibration?

(positive/normative)

DSW gave us the positive approach by describing what leading practitioners do: we could do with some instruction on what they *should* do.

Calibration is here for the

foreseeable future

Benchmark data set should be an *equilibrium*

that is, a solution of the model, given the settings of its parameters

What is best-practice

technique in calibration?

2nd quibble

No good reason for insisting on demand = supply in all markets

[e.g., involuntary unemployment for certain types of labor, with employment being demand determined by industry activity levels at (say) an institutionally fixed (rigid) real wage rate]

We can still insist that a benchmark data set is a solution of our model, and calibrate to ensure that this is so.

Søren's Creed

- **More focus on the *story* and communication**
- **Don't use the word *welfare* when talking to policy makers**
- **Theory**
- **Data, data, data, ….data!**
- **More data!**
- **Institutions**
- **Get the clientele involved early**

All good advice!

'general'
[? economy-wide, or in the case of GTAP, world-wide] is more important than 'equilibrium' in the description of what we do.
[Hahn, 1980]

The Optimist's Creed

A model is a way or organizing what we know about a problem

Mechanical use of a model to spew out policy 'results' has no redeeming feature

???????

The Pessimist's Creed

We don't, and can't, know anything about the problem

The Realist's Creed

A model is a way of organizing what we think we know about a problem

The end