LAUNCHING OF THE SOCIAL PPOLICY AND DEVELOPMENT CENTRE PROJECT

SPECIFICATION OF THE INTEGRATED SOCIAL POLICY MACROECONOMIC MODEL

By

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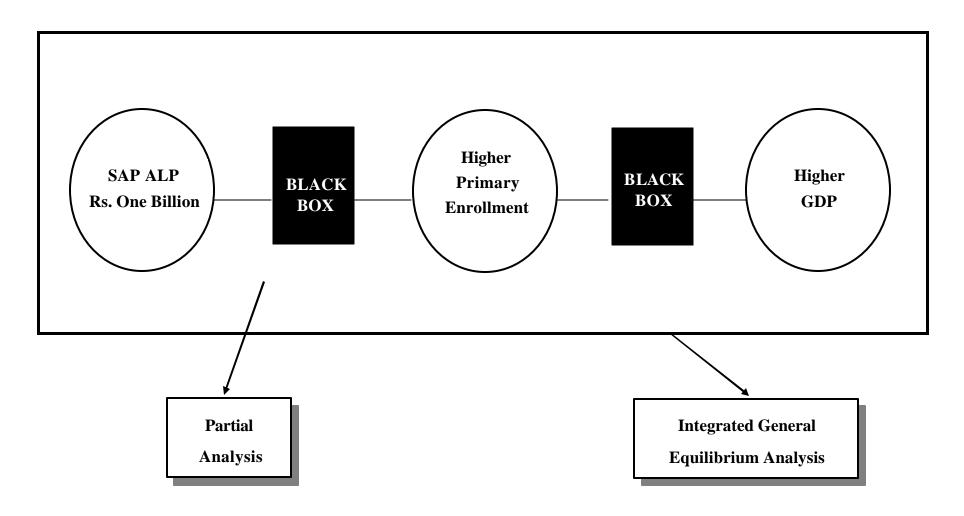
Specification Of The Integrated Social Policy Macroeconomic Model

INTRODUCTION

WHY INTEGRATED APPROACH TO SOCIO-ECONOMIC PLANNING?

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PROBLEM: Analyse the Impact of SAP (Rs. 1 billion for Girls Primary education)

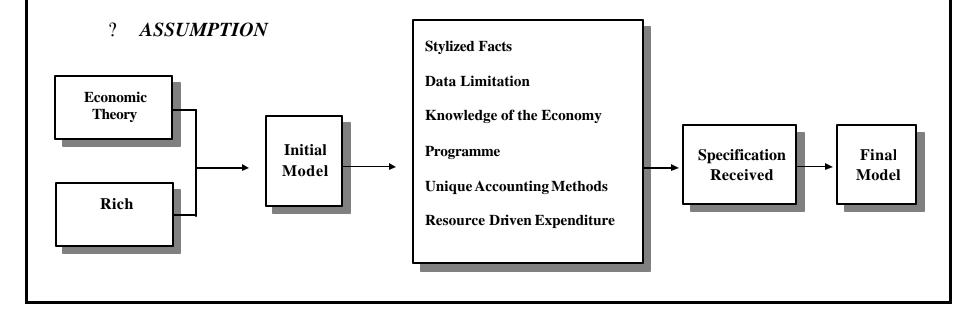


IS MACROECONOMETRIC MODELLING A MEDICATION FOR ALL SOCIO-ECONOMIC PLANNING?

ASSUMPTIONS AND SOME LIMITATIONS OF THE MODEL

- ? Is Macroeconometric Modelling a Medication for all Socio-Economic Planning
- ? Ideally, the Econometric Model should be based on:
- a) Sound Economic Theory
- b) Rich Specification
- c) Long Consistent Time Series Data Base
- d) Realism
- e) Dynamic

Incorporation of all these attributes may or may not be possible in the Model particularly for a less developed country like Pakistan.



IS THE MODEL RICH IN SPECIFICATION?

STRUCTURE OF THE MODEL

MACRO ECONOMY		PUBLIC FINANCE					SOCIAL S	SECTOR
				_				
PRODUCTION BLOCK	AGRICULTURE	FEDERAL REVENUE BLOCK	TAXES]		DEBT DEBT SERVICE		INPUT
	MANUFACTURE		NON-TAXES		FEDERAL DEFECIT			ENROLLMENT
	SERVICE				BLOCK			OUTPUT
		FEDERAL EXPENDITURE	RECURRING			SERVICE	EDUCATION BLOCK	LABOUR FORCE
MACRO	CONSUMPTION	BLOCK	D EVELOPMENT	廾				ENTRANTS
EXPENDITURE BLOCK	INVESTMENT			_				HUMAN
		PROVINCIAL	TRANSFERS	П				CAPITAL INDEX
MACRO INPUT DEMAND BLOCK	LABOUR	REVENUE BLOCK	TAXES	_		DEBT SERVICING USE OF		
	CAPITAL		NON-TAXES	┚┝	PROVINCIAL DEFICIT			INPUT
BLOCK	CATTAL			,	BLOCK	CASH	HEALTH	OUTPUT
		PROVINCIAL EXPENDITURE	RECURRING	41		BALANCE	BLOCK	PUBLIC
TRADE	EXPORT	BLOCK	D EVELOPMENT	廾				HEALTH INDEX
BLOCK	IMPORT			_				
		LOCAL	TRANSFERS				HEALTH	INPUT
MONETARY BLOCK	MONEY	REVENUE BLOCK	TAXES				BLOCK	OUTPUT
	SUPPLY		NON-TAXES					
	PRICE LEVEL			_				
		LOCAL EXPENDITURE	RECURRING					
		BLOCK	D EVELOPMENT					

HOW LARGE IS THE INTEGRATED SOCIAL POLICY MODEL?

LIST OF VARIABLES IN BLOCKS AND MODEL

BLOCK		Endogenous Variables			Exogeneous Variables		Lagged/Predetermine Variables		Total Variables in the
		Behavioral	Identity	Total	Block	Model*	Block	Model*	Block
A	Macro Economic Production Block	3	5	8	4	4	0	0	12
В	Macro Input Demand Block	4	5	9	2	2	4	4	15
С	Macro Economic Expenditure Block	4	7	11	4	3	5	5	20
D	Federal Revenue Block	5	4	9	9	8	4	4	22
Е	Federal Expenditure Block	5	2	7	2	2	4	4	13
F	Federal Deficit Block	0	3	3	2	3	2	0	7
G	Provincial Revenue Block	4	7	11	6	3	0	0	17
Н	Provincial Expenditure Block	10	3	13	1	1	10	10	24
I	Provincial and Total Budget Deficit	0	3	3	0	0	0	0	3
J	Local Revenue Block	3	4	7	1	1	1	1	9
K	Local Expenditure Block	8	4	12	2	1	8	8	22
L	Trade Block	3	3	6	4	3	1	1	11
M	Monetary Block	1	1	2	1	0	2	2	5
N	Price Block	6	1	7	4	0	6	4	17
О	Human Capital Index Block	18	36	54	22	20	22	22	98
P	Public Health Index Block	10	13	23	7	7	11	11	41
Q	Index of Economic Infrastructure Block	0	7	7	1	0	2	2	10
R	Index of Fiscal Effort Block	0	4	4	5	0	4	4	13
	Total Variables in the Model	84	112	196		58		82	

^{* =} Whenever a variable is used in one block it is not replicated in the subsequent blocks

Total number of simultaneous equations =189

Total number of recursive equations = 7

Total number of equations =196

CONCLUDING REMARKS