



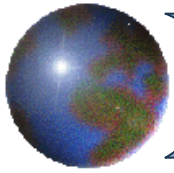
Discussion:

Structural Reforms in Education and Justice:

A Model-Based Assessment of
Macroeconomic Impacts for Portugal

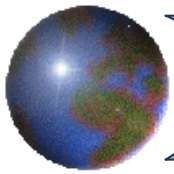
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Discussion: Kevin Wiseman, IMF



Paper Objective

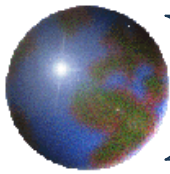
- ✚ Assess the impact of recent (2010-15) structural reforms in Education and Justice.



Methodology

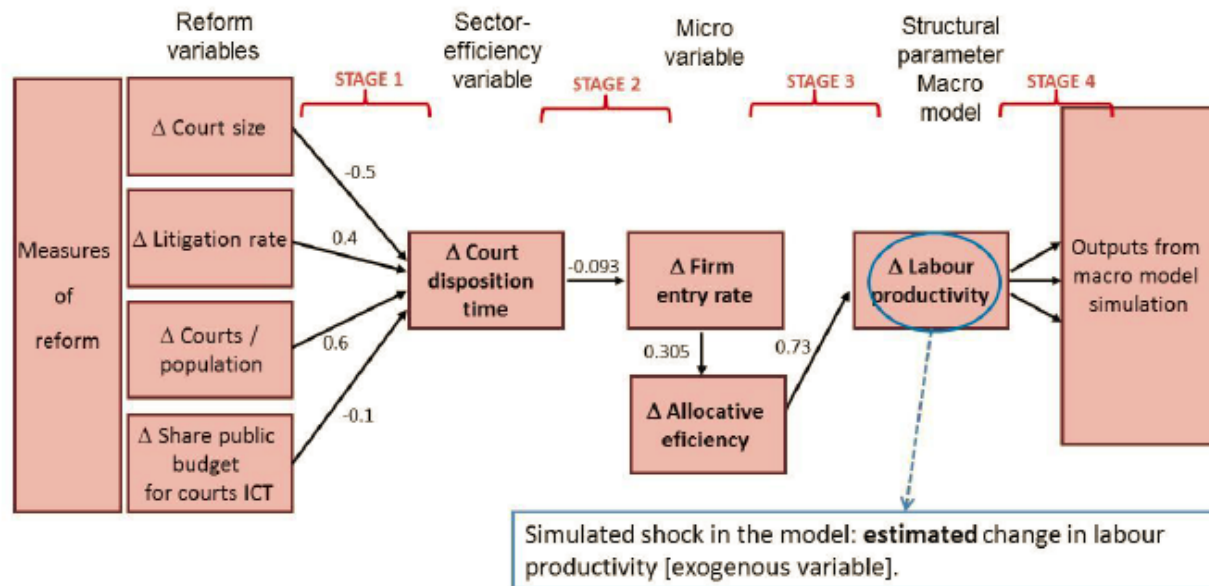
✦ Key features

- ✦ Collect key measures whose impact can be quantified.
- ✦ Assess each measure's expected impact on micro-variables in potential transmission channels.
- ✦ Simulate these effects in a rich but necessarily stylized macro model.
- ✦ Report short-term and long-term effects in the simulation for major macro series.



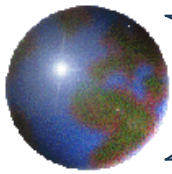
Methodology

Figure 3. Efficiency of Justice: allocative efficiency transmission mechanism and translation into shocks in the macro model



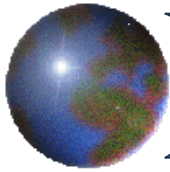
Source: own elaboration.

Note: the numbers next to the arrows are estimated elasticities provided by European Commission (2013, 2014) and are the same as in Table 1, in the 5th and 7th columns, and in Table 3, in the 4th and 6th columns.



Concluding Observations - Methodology

- ✦ Careful, prudent research design.
 - ✦ Leverages best available micro data
 - ✦ Focuses on attested channels
- ✦ Significant range of effect estimates and implementation possibilities require cautious interpretation.
- ✦ Sheds light on areas that need better data and empirical work, critical areas for macro model design.



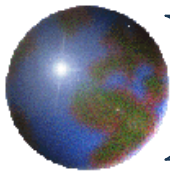
Inputs

✦ Justice

- ✦ 2 percent increase in judges per court
- ✦ 4 percent decline in courts per person
- ✦ 2 percent increase in the litigation rate
- ✦ .08 increase in index of ease / availability of pre-insolvency procedures

✦ Education

- ✦ Quantity: 40 percent decline in early school leavers
- ✦ Quality: A number of education reforms

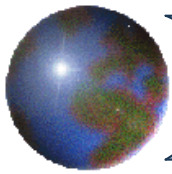


Quantitative Results

- Key question: How to aggregate?
 - All channels are presumably operative.
 - Summing results yields implausibly high numbers.
 - Empirical studies may neglect common causes.

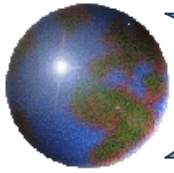
Justice	Growth ¹
Entry Costs	0.00
Labor Productivity	0.02
Financing Costs - IK	0.00
Financing Costs - TK	0.07
FDI	0.02
Self Employment	0.54
Liquidity Constraints	0.18
Education	
Quantity	0.05
Quality	0.01
Sum	0.91

¹ Average annual growth effect over the first 5 years, percent.



Concluding Observations - Results

- ✦ Judicial reforms represented a good start but were modest through the observed period.
- ✦ Reform appears to have stalled or may be partially reversed.
- ✦ Aggregation of reform effects unclear.
- ✦ Education improvements in school autonomy, instruction time, grade retention rate, and reduction of early leavers promising.



Thank You.