

# Policy, Politics and Meta-Analysis

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# One personal thank you

- From my academic experience



- On the importance of simple ideas

# Another personal thank you

- From my policy experience



- On the importance of crazy ideas

# One nice example

(DFID funded + none of authors here)

- “Financial liberalization and economic growth: A meta-analysis”
- Silke Bumann, Niels Hermes & Robert Lensink
- *Journal of International Money and Finance* 33: 255–281 (2013)
- Why? Shows how effect of FL on growth varies: by level of development (LICs less) and time (80s more, 70s -)

# The structure of this talk is as follows

- Talk is in two parts
- Policy and politics; Meta-analysis
- Secrets and lessons I think I learned from 5½ years as policy-doer
- Show you some (preliminary!!) MRA results that try to respond to these lessons/concerns

# Policy and politics

- The drive for evidence-based policymaking
- Q: What does the evidence say?
- MRA to the rescue
- Old + Simple + Crazy = Powerful?

# The myth of the policy cycle

- Policy-maker or policy-doer: Useful distinction?
- Highlights process, politics and uncertainty
- Recalls supply and demand: role of media and public in policy debate

# MAER Net to the rescue

- How to further increase effectiveness of Meta-Analysis of Economics Research Network?
- Can MRA be the myth-busting machine?  
beware of average, let's meet in the middle
- I would dare to put forward a couple of ideas

# Whither impact?

- Impact may increase with more extensive dissemination of form/content, method/results
- Can we explain purpose MRA in 3 minute video?
- Can we explain various MRA methods in a video?
- Can we explain various MRA results in a video?
- Can we have one-page MRA “policy note” or “press release”?
- Youtube channel, twitter, Instagram

# Three more secrets

- Target media and policy-doers, *simultaneously*
- Never say to a policy-maker/media “more research is needed”
- Be aware of “independent” think-tanks

"The whole problem with the world is that fools and fanatics are always so certain of themselves, and wiser people so full of doubts."

Bertrand Russell

ANOTHER ANGRY VOICE



# An MRA example

- One example of an issue in which MRA can have a powerful influence
- The Great European Crisis of 2009-2018
- Is it the Euro's fault?
- Too soon, too broad, too fragile, too incomplete, too fake (non-genuine)?

NBER WORKING PAPER SERIES

CURRENCY UNIONS AND TRADE:  
A POST-EMU MEA CULPA

Reuven Glick  
Andrew K. Rose

Working Paper 21535  
<http://www.nber.org/papers/w21535>

NATIONAL BUREAU OF ECONOMIC RESEARCH  
1050 Massachusetts Avenue  
Cambridge, MA 02138  
September 2015

# ***Currency Unions and Trade: A Post-EMU Mea Culpa***

Reuven Glick and Andrew K. Rose

- Use gravity models to estimate CU effect on trade, using recent data which incl European Economic and Monetary Union (EMU)
- 1. assumption of symmetry between the effects of entering and leaving a currency union is reasonable but uninteresting.
- 2. EMU typically has a smaller trade effect than other CUs , often estimated to be negligible or negative.
- 3. “most importantly,” estimates of the CU effect on trade are sensitive to the exact econometric methodology; **“we find no substantive reliable and robust effect of currency union on trade.”**

## Campos, Fidrmuc and Korhonen (2015)

- “Too Early to Tell? A Systematic Review of Business Cycles Synchronisation after EMU”
- Further => comprehensive (trade, bc sync, **etc**)
- Idea is to exploit differences before/after EMU

# Campos, Fidrmuc and Korhonen (2015)

- Motivated by advances in OCA
- Endogenous OCA
- More importantly, newer, credibility criteria
- This suggest the power of old+simple ideas

# Optimum Currency Areas

- Main idea is that, in a currency area, asymmetric economic shocks are dealt with through the internal redeployment of resources rather than currency realignments
- What reduces the incidence/severity of asymmetric shocks?

# O.C.A.

- Criterion 1 (Mundell): Labour Mobility
- Criterion 2 (McKinnon): Trade Openness
- Criterion 3 (Kenen): Export Diversification

Federal Reserve Bank of Minneapolis  
Research Department Staff Report XXX

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## Rethinking Optimal Currency Areas\*

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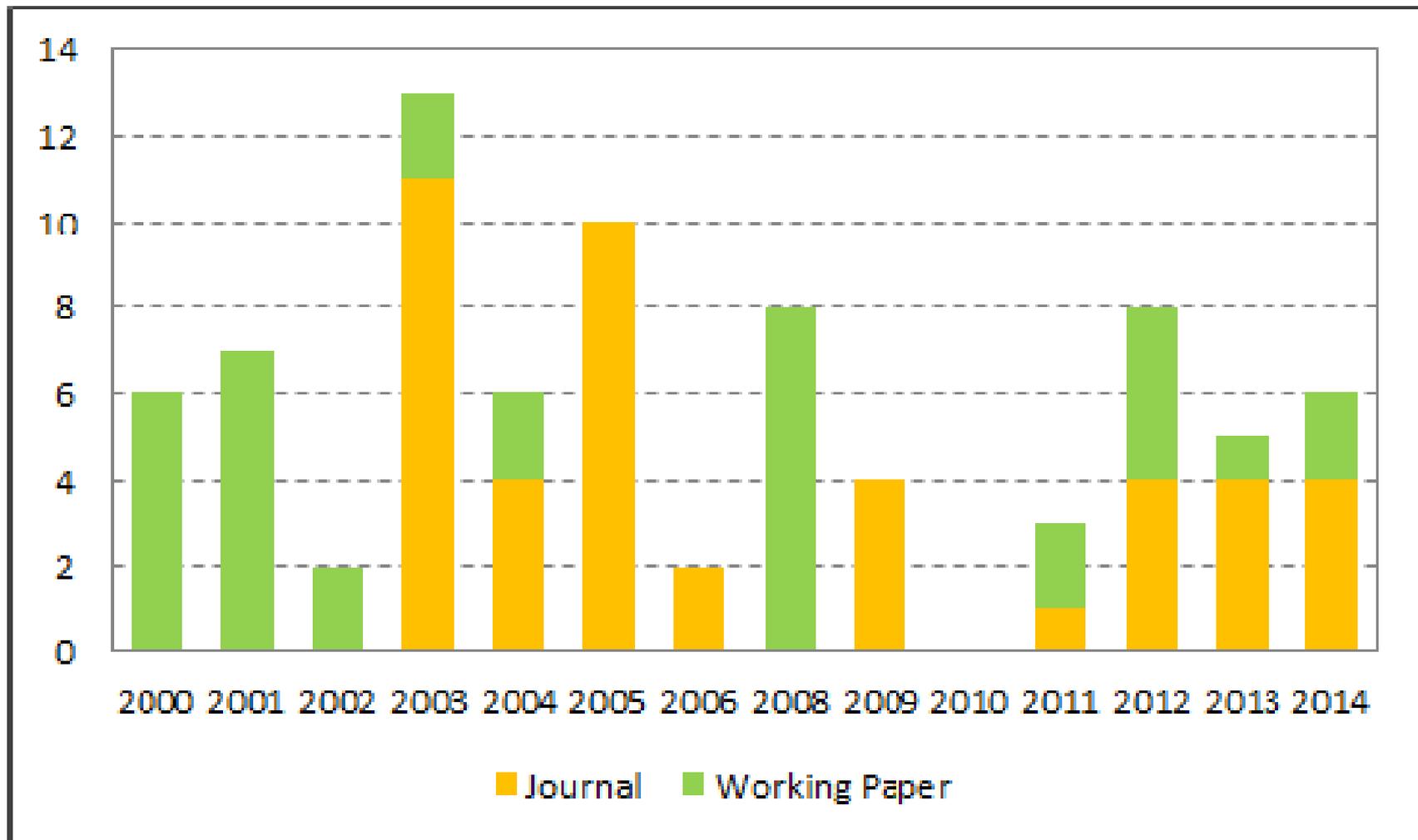
Patrick J. Kehoe

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- Traditional Mundellian criterion (similar shocks should form unions) assumes commitment to monetary policy
- Without commitment a new criterion emerges: countries with dissimilar credibility shocks, namely those that exacerbate time inconsistency problems, should form unions
- When countries have dissimilar credibility shocks, benevolent unions can help overcome the time inconsistency problems individual countries face
- “Existing unions can mitigate time inconsistency problems by admitting new members even when such members have more severe time inconsistency problems, because policy adjusts as the composition of the union changes”

# What have we been doing?

- Look at business cycles correlations
- About 30 studies, out 2000 - 2014
- About 2000 coefficients
- Covering 23 European countries



**Figure 3:** Number of publications

# Country coverage

- 23 countries, 15 EMU members
- Germany, Austria, Belgium, Greece, Spain, Finland, France, Ireland, Italy, Netherlands, Portugal, Slovakia, Slovenia, Estonia, Latvia
- Denmark, UK, Sweden, Norway
- Czech Republic, Hungary, Poland, Romania

# How is bcsync measured?

- $\text{Corr}(Q_i; Q_j)$  is corr btw de-trended econ activity
- correlation between country  $i$  and country  $j$
- de-trended (how? quadratic de-trending, HP filtering, fourth-differencing)
- indicator of economic activity (real GDP, industrial production, employment or unemployment rate)
- Who is country  $j$  (reference)? Germany or Eurozone
- What is threshold of corr to be “synchronised”?

# What is threshold of bcsync (to be considered “well-synchronised”)?

- Core euro is .5 to .7, non euro .5, NMS .3 to .5
- Max: Germany average .76
- Min: Norway average .15
- Greece avg is .384
- UK is .434 and CZ .353

**Table 1:** Meta-statistics

	Number of obs.	Mean	St. deviation	Median	Maximum	Minimum
Germany	74	0.756	0.216	0.83	0.985	0.18
Austria	103	0.645	0.233	0.68	0.984	-0.037
Belgium	99	0.692	0.23	0.73	0.996	0
Greece	103	0.384	0.337	0.4	0.971	-0.65
Spain	109	0.628	0.269	0.7	0.99	-0.08
Finland	100	0.447	0.306	0.46	0.994	-0.21
France	111	0.729	0.193	0.753	0.98	0.26
Ireland	99	0.485	0.343	0.51	0.975	-0.365
Italy	108	0.641	0.282	0.705	0.992	-0.28
Netherlands	103	0.607	0.306	0.68	0.98	-0.581
Portugal	102	0.527	0.281	0.57	0.975	-0.179
Denmark	86	0.48	0.308	0.52	0.952	-0.267
UK	90	0.434	0.321	0.435	0.966	-0.656
Sweden	85	0.502	0.297	0.506	0.96	-0.303
Norway	28	0.122	0.251	0.182	0.54	-0.62
Czech Rep.	67	0.353	0.379	0.368	0.972	-0.901
Hungary	69	0.525	0.314	0.5	0.993	-0.33
Poland	69	0.385	0.306	0.364	0.92	-0.69
Slovakia	71	0.307	0.43	0.33	0.937	-0.673
Slovenia	67	0.494	0.351	0.58	0.973	-0.489
Estonia	59	0.443	0.365	0.42	0.891	-0.37
Latvia	56	0.446	0.383	0.43	0.927	-0.49
Romania	53	0.278	0.381	0.392	0.89	-0.5
Total	1911	0.519	0.334	0.57	0.996	-0.901

# How does bcsync changed before and after EMU?

- Basic stats suggest substantial increase
- We find this is statistically significant
- Largest absolute increase: UK
- Only country which we don't see increase:  
Greece

# Preliminary FAT and MRA results

# Publication bias: vary by country (*DE PL NO RM*)



Graphs by country

# MRA specification

- Variables related to publication and author (WP; CB)
- Dummy for reference area (Eurozone or DE)
- Dummy for indicator of economic activity (GDP, ind prod, etc)
- Variables related to methodology and design (filters, window, countries, YEARS)

# MRA results so far show

- Publication and author variables: Publication year matters most (+)
- Affiliation does not matter (CB is ok)
- Contrasting effects of reference (GER (-) and sig, Eurozone (+) but nonsig)
- Annual data higher bcsync than quarterly
- GDP higher bcsync than ind.prod., infl
- BlanchardQuah decomp (-), filters (+)

# Main findings (so far)

- Evidence suggest degree of synchronization increased over time, significantly since 1999
- Publication bias seems highly country-specific
- Substantial differences across countries (pattern of EMU core-periphery) and time
- Evidence of upward trend on bcsync: good EMU

# In summary

- MRA should play central (and I argue much larger) role in evidence-based policy
- Strategy to attack policy-doers, media, public
- What are the policy relevant topics of the next 5 years? I think the Europe Integration Project is a treasure-trove of such topics
- OCA is a window from which one can see/motivate other topics

# In summary (2)

- Other potentially very important EU topics
- monetary policy and growth
- migration
- Euro effect on trade and on financial integration
- costs and benefits of deep integration
  
- Win-win-win:
- better policy, better research as well as even more recognition to role MRA can play

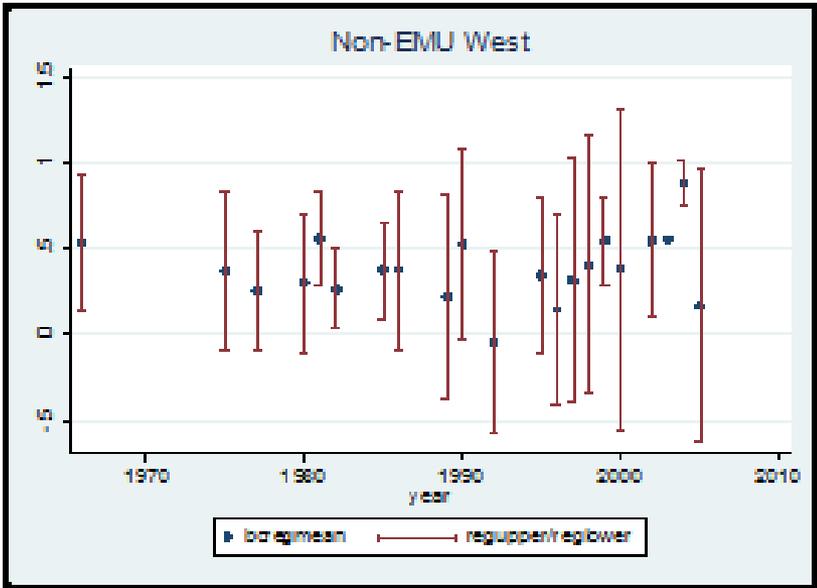
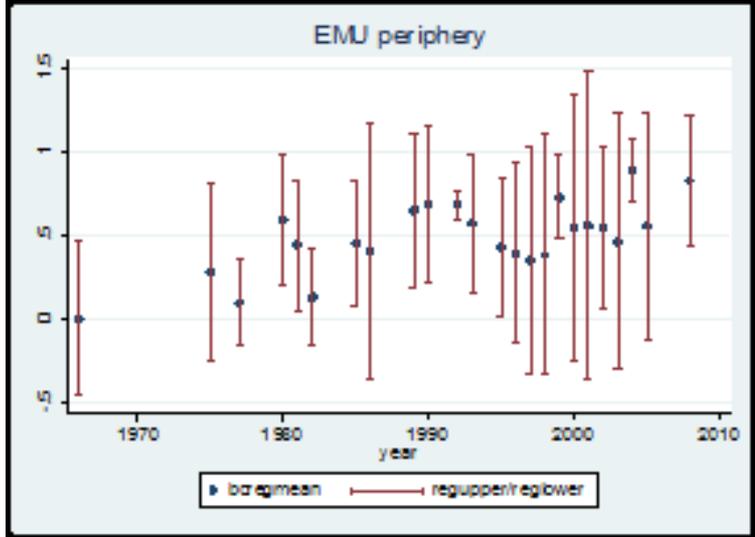
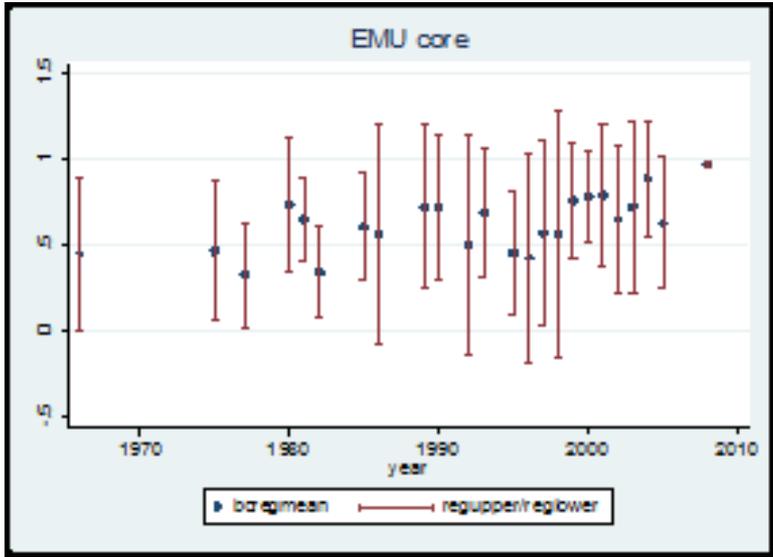
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Table 4: Meta-regression

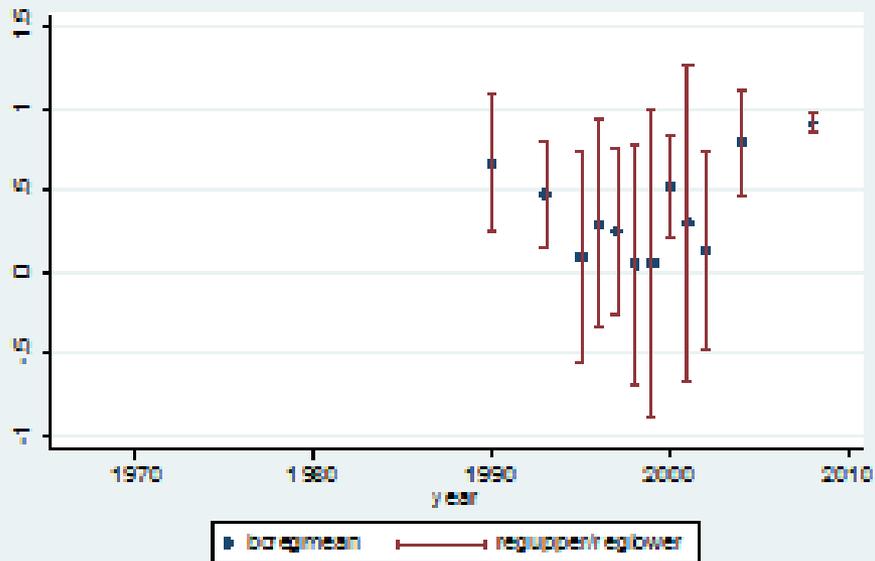
	(1)	(2)	(3)	(4)	(5)
	publication	ref_country	variable	method	preferred
obey dm	-0.007*** (-0.010)				
noestr dm	0.007 (1.253)				
year	0.001*** (0.012)				0.021*** (0.008)
journal	-0.070*** (-12.342)				-0.047 (-1.200)
wp	-0.220*** (-0.002)				
univ	0.004 (0.000)				
break	-0.002 (-1.402)				
Ref_country_Germany		-0.224** (-2.216)			
Ref_country_EU		0.120 (1.111)			
gdp			0.245*** (7.611)		0.158*** (4.394)
indepnd			-0.101*** (-3.200)		
demand			-0.327*** (-7.402)		
supply			-0.300*** (-7.140)		
in fl			-0.158***		

Table 4: Meta-regression

	(1)	(2)	(3)	(4)	(5)
	publication	ref_country	variable	method	preferred
			(-3.000)		
annual				0.328*** (8.740)	0.212*** (5.401)
quarterly				0.000*** (2.175)	
row				-0.000*** (-2.000)	
user				-0.000*** (-2.071)	
brand				-0.002*** (-0.140)	-0.001*** (-0.000)
filers				0.070*** (3.000)	0.174*** (5.308)
Germany	1.320*** (26.167)	1.040*** (8.070)	1.000*** (27.018)	0.824*** (14.000)	0.800*** (16.740)
Austria	1.100*** (20.300)	0.910*** (7.007)	0.840*** (27.000)	0.500*** (11.000)	0.640*** (12.000)
Belgium	1.084*** (20.070)	1.040*** (8.701)	0.980*** (20.000)	0.740*** (14.001)	0.700*** (10.000)
Greece	0.700*** (14.074)	0.401*** (4.104)	0.407*** (14.000)	0.104*** (3.004)	0.007*** (4.000)
Spain	1.170*** (22.701)	0.900*** (7.700)	0.800*** (20.000)	0.000*** (11.000)	0.670*** (10.100)
Finland	0.800*** (16.707)	0.540*** (5.410)	0.500*** (10.000)	0.000*** (0.404)	0.070*** (7.700)
France	1.340*** (26.110)	1.110*** (10.000)	1.000*** (20.000)	0.800*** (10.000)	0.840*** (17.000)



EMU CEE



Non-EMU CEE

