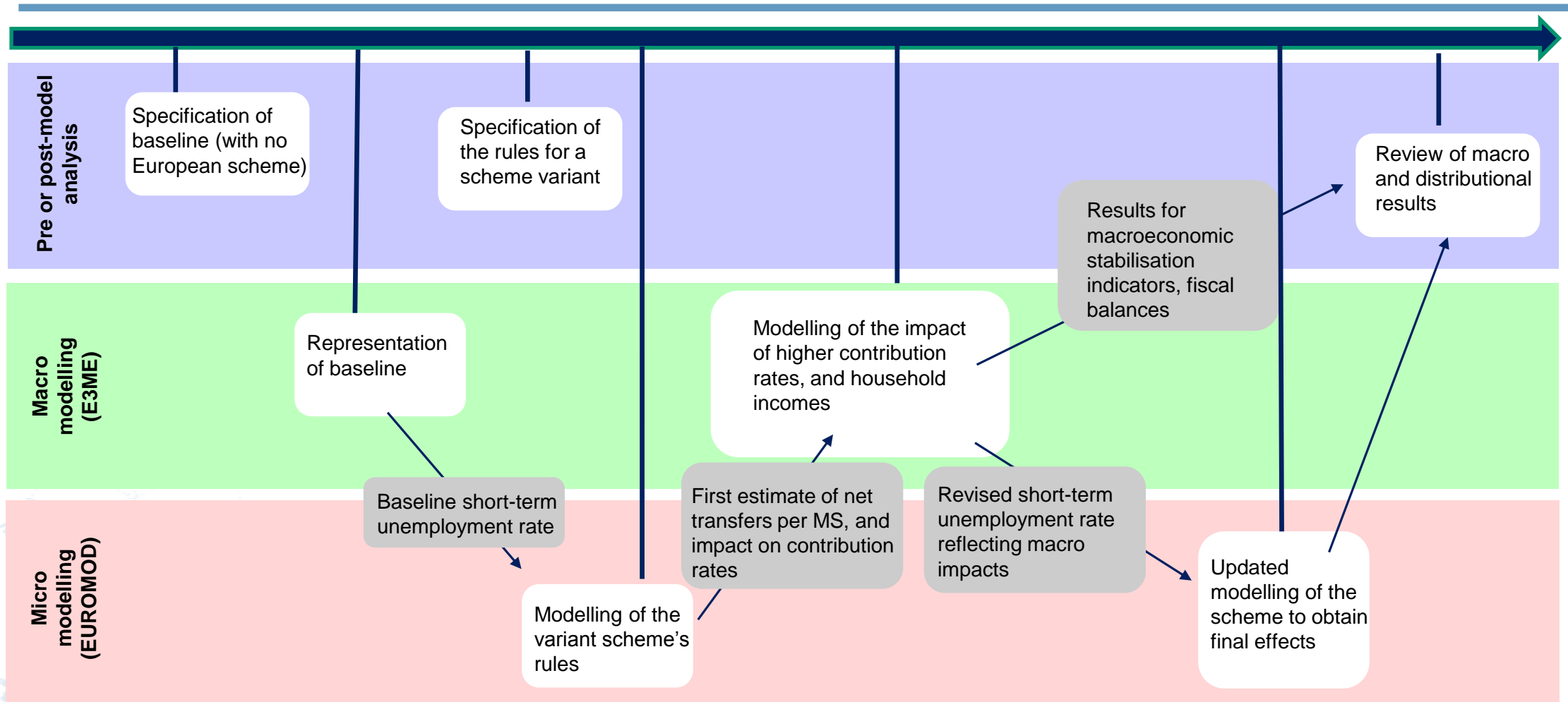


# Outline

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- Macroeconomic modelling of the backward-looking analysis (using the E3ME model)
- Constructing hypothetical future macroeconomic scenarios for testing the effectiveness of a EUBS

# Linking the micro and macro models

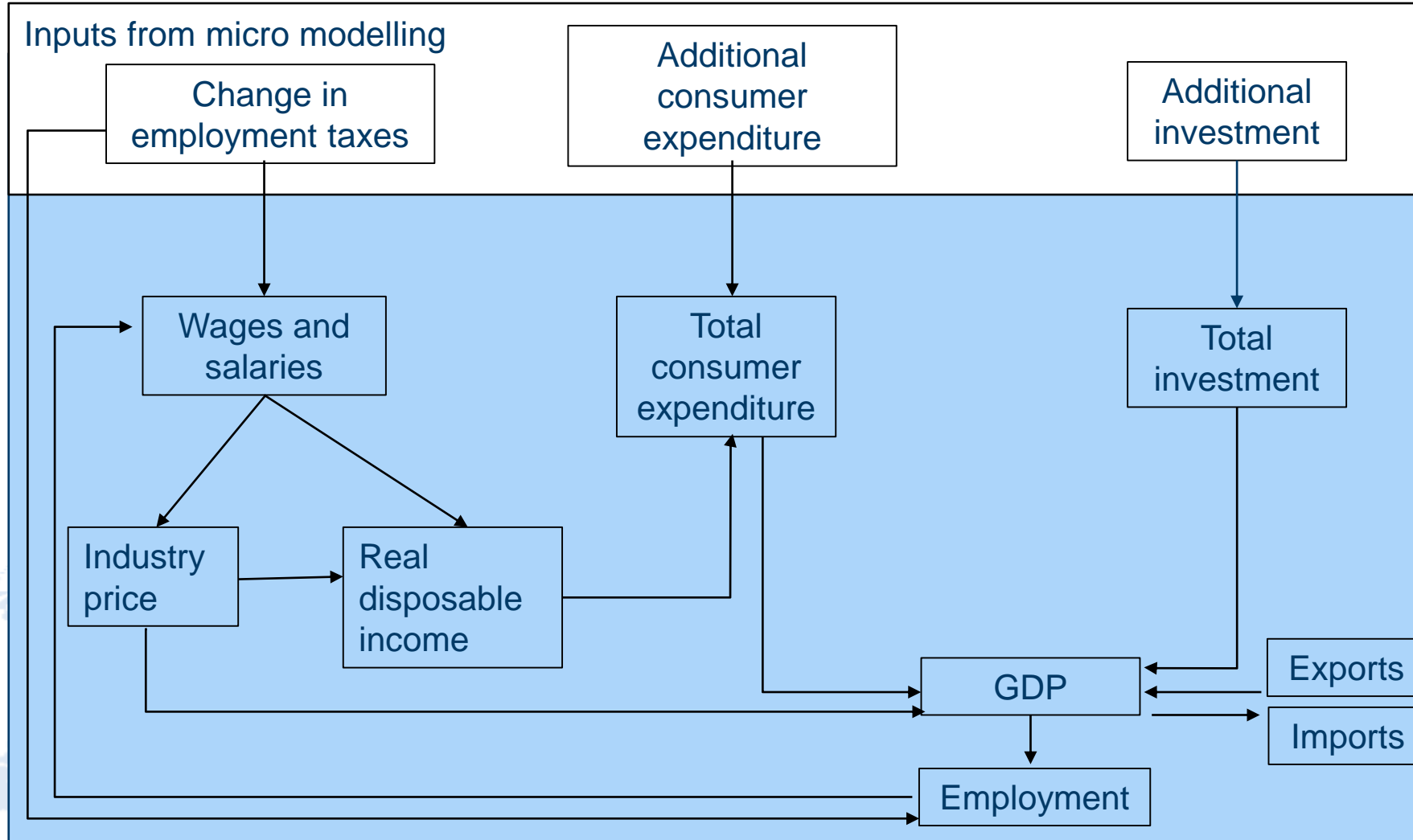


# Macroeconomic channels of impact

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- Compared with existing national schemes, EUBS may be
  - more generous (so higher contributions and benefits)
  - less generous (so national topping-up continues)
- When contributions are raised
  - 50:50 split across employers and employees
- When EUBS benefit paid
  - equivalent system: paid to government, so how spent?
  - genuine system: paid to households, and assume all spent
- Second-round effects
  - trade spillovers
  - monetary policy

# Key macroeconomic expenditure channels (per country)



# What the modelling doesn't capture

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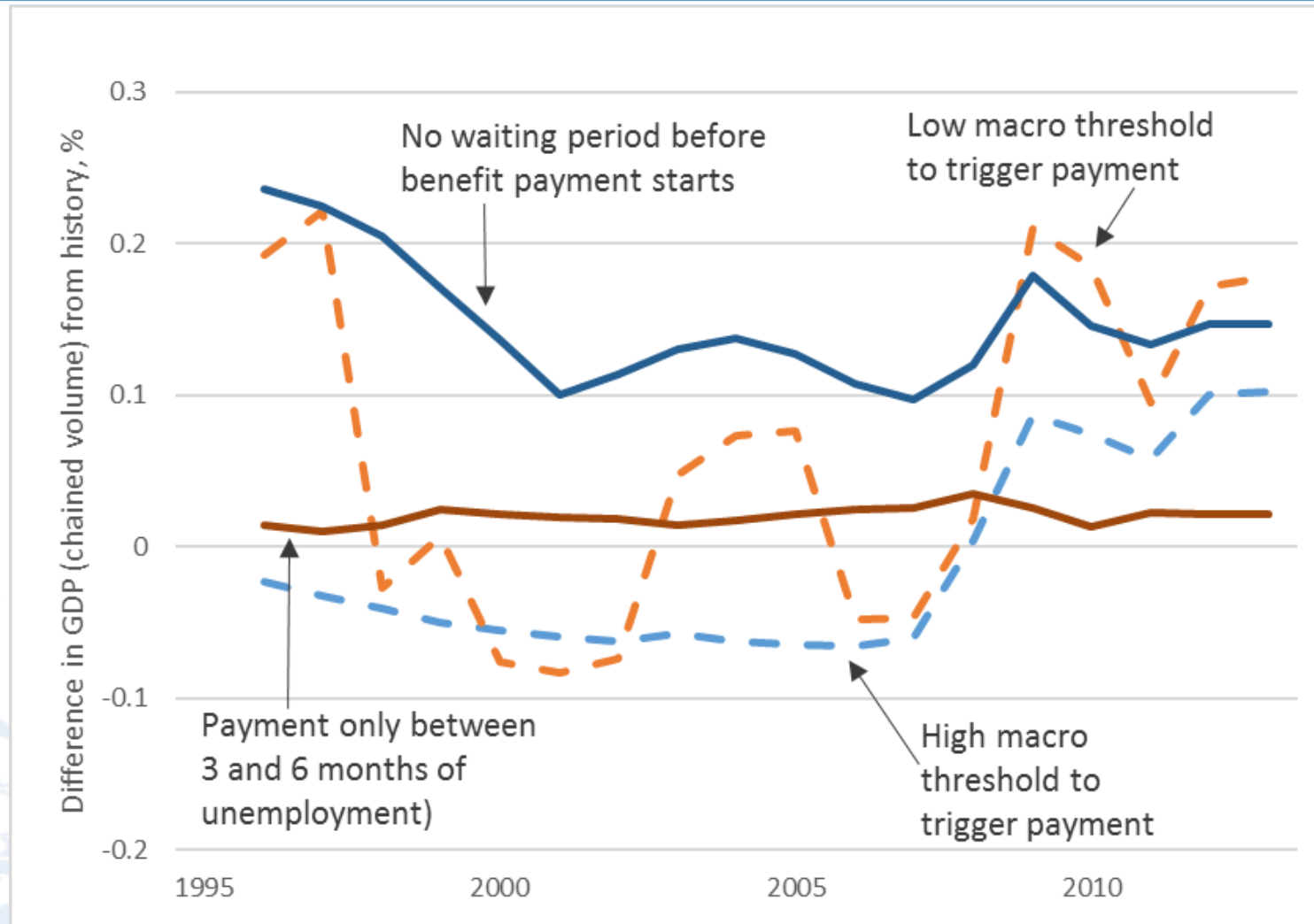
- The 'added value' that would arise if a country's access to capital markets is constrained
  - avoiding the short-term exacerbation of recession due to enforced additional austerity
- 'Self-insurance' responses (e.g. a reduction in precautionary saving)
- Migration in response to changes in unemployment
- Some potential hysteresis effects (notably deterioration in skills during unemployment)

# Key macro impact findings from the backward-looking simulations

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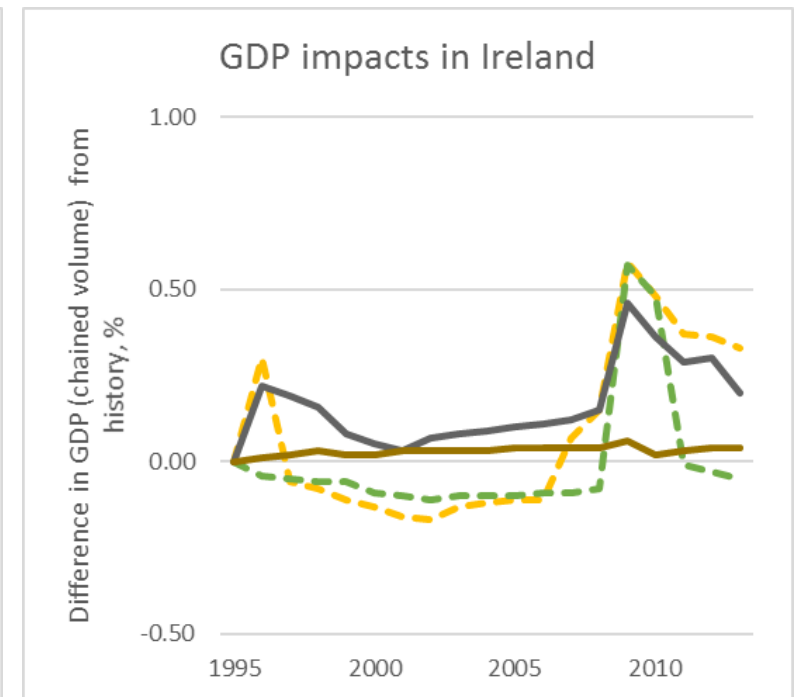
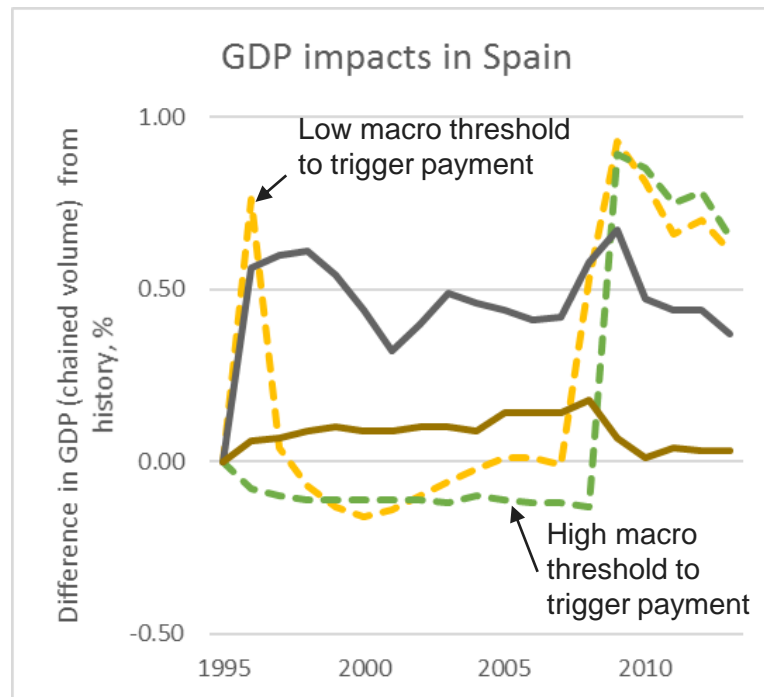
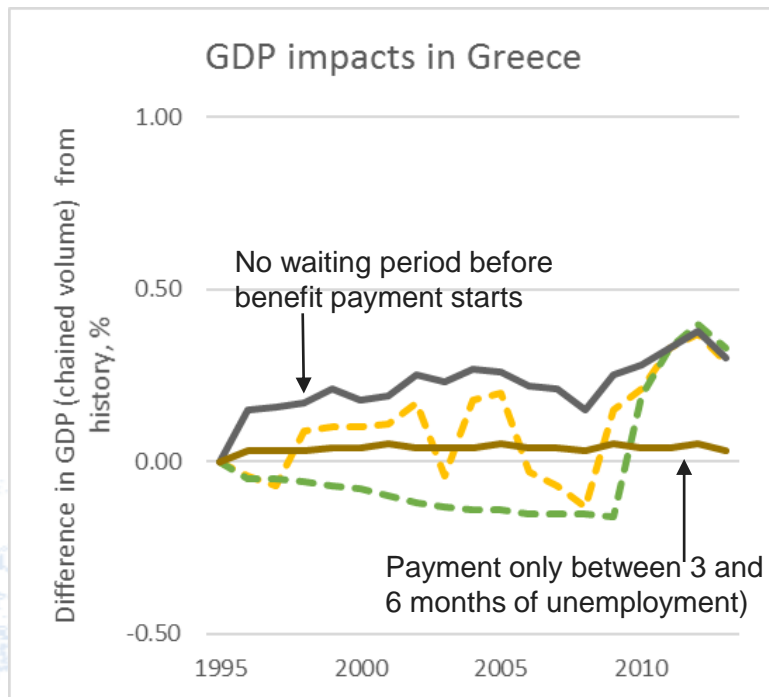
- Scale of impact reflects difference in generosity between national and EUBS systems
  - plus spillover trade effects
- ‘Equivalent’ schemes are more targeted on the years when macro conditions are bad
  - ‘trigger’ is either pulled or not, so relatively low cost
  - but more strongly polarised (fewer countries qualify for pay-outs)
  - threshold can be too high
- ‘Genuine’ schemes provide stronger support for individuals
  - in any year so less targeted on macro stabilisation, and higher cost
  - but more countries receive benefits

# EA19 GDP impacts of selected EUBS variants



Dotted lines are equivalent systems

# Country impacts of selected EUBS variants



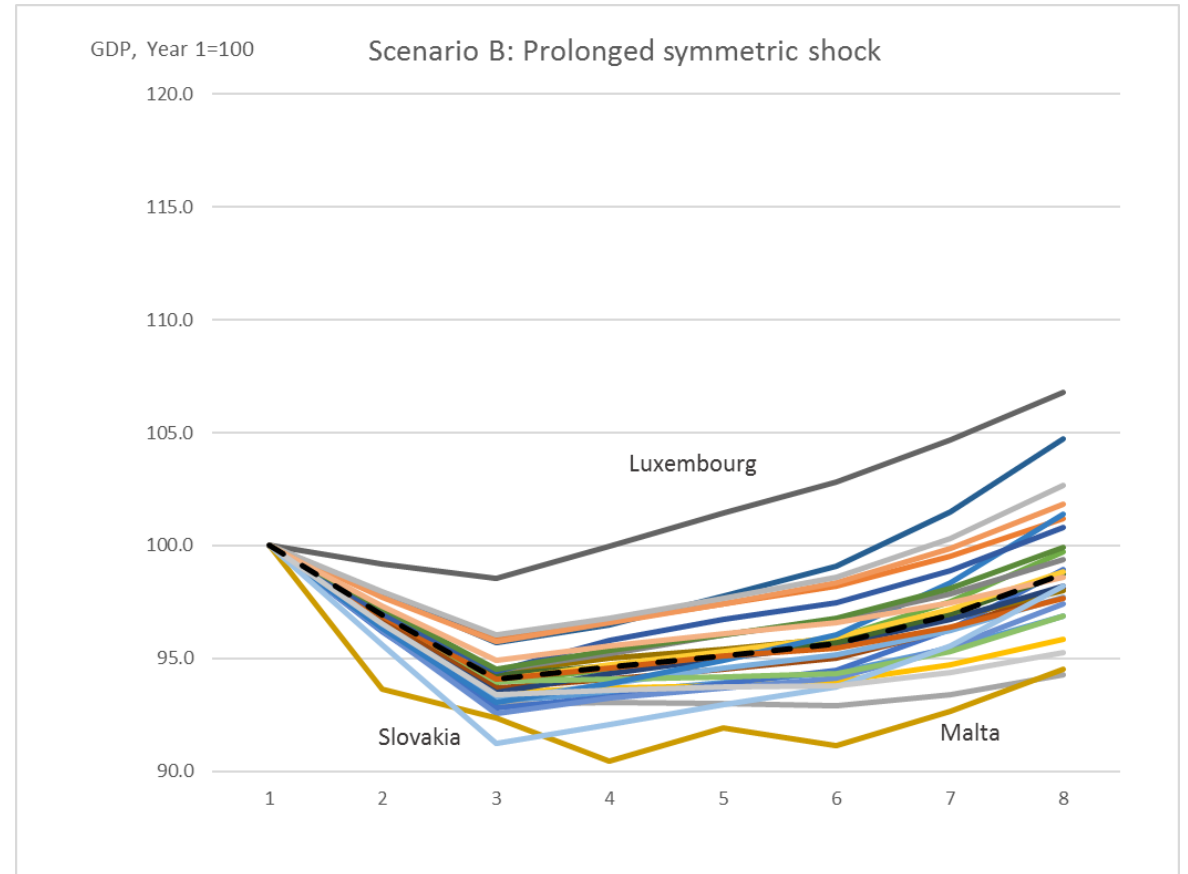
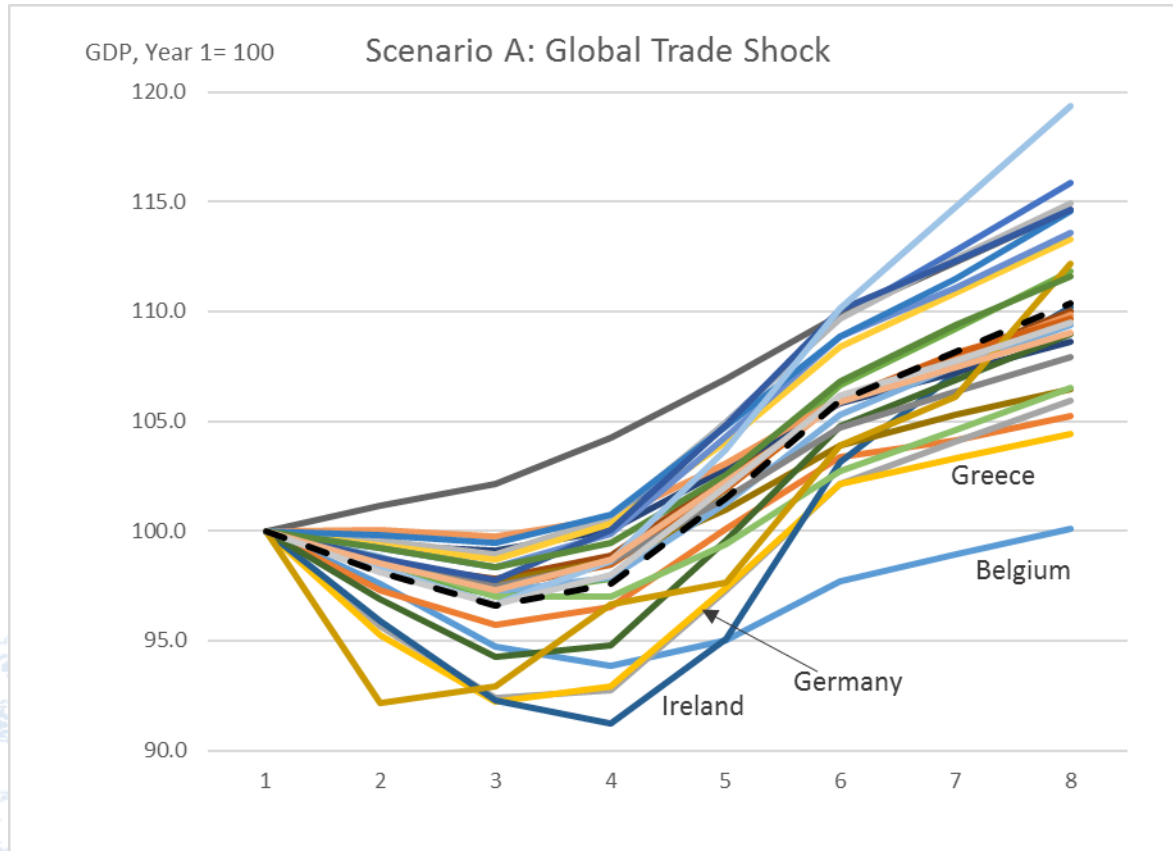


# Constructing a benchmark for forward-looking scenarios

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- The purpose: scenarios that differ in character from 1995-2013 to test the effectiveness of the EUBS variants in different macroeconomic circumstances
- The question of new governance arrangements / Banking Union
  - might affect how future shocks would play out (*need* for macro stabilisation)
  - ... but (assumed here) not the *impact* of an EUBS
- Four scenarios that flex
  - distribution of impact across countries
  - symmetric versus asymmetric
  - short versus long duration

# Hypothetical future macroeconomic scenarios



# Hypothetical future macroeconomic scenarios

