THE WEBINAR TO BEGIN SHORTLY AFTER 2:00 PM (EST)

REMI 2.0 LAUNCH SERIES ENCORE

OVERVIEW: DYNAMIC VS. STATIC

what does REMI say? sm

Presented by Marley Buchman, Senior Economic Associate

Launch Series Schedule and Outline

- **Session 2: Solutions-based Analysis: Modeling Policy using REMI**
  - Jan. 24th and Jan. 26th, 2:00 PM EST
- **Session 3: Economic and Demographic Dimensions of Regional Growth**
  - Jan. 31st and Feb. 2nd, 2:00 PM EST
- **Session 4: From Start to Finish: Completing a REMI Analysis**
  - Feb. 7th and Feb. 9th, 2:00 PM EST

Register at www.remi.com

Static vs. Dynamic Overview

- Static thinking is “Zero-Sum” or “Fixed-Pie” whereas Dynamic thinking is “Positive-Sum”
- Static analysis is a snapshot, it doesn’t account for how the policy effects change through time
- Dynamic analysis looks at the direct, indirect, and induced effects of a policy across time

Presidential Candidates Dynamic Policy Thinking

- "It will provide major tax relief for middle income and for most other Americans. There will be a major tax reduction…It'll simplify the tax code, it'll grow the American economy at a level that it hasn't seen for decades." – **Donald Trump** on Tax Reform
- "Investing in our infrastructure is about so much more than creating good-paying jobs: it's about maintaining our status as the world's economic superpower. That means making smart investments in ports, airports, roads, and waterways to address the key chokepoints for the movement of goods in our economy—connecting businesses and farmers to their suppliers and customers and enhancing U.S. competitiveness in the global economy" – from **Hillary Clinton's** Infrastructure Spending Plan

Static View vs. Dynamic View

STATIC	DYNAMIC
"Zero-sum game" or "fixed pie"	"Positive-sum game" or "growing pie"
Imports take jobs from U.S. workers	Free trade is mutually beneficial
Raising minimum wage to $15/hour increases pay for over 40% of U.S. workers (~40 million)	Many workers will be unemployed at $15/hour minimum wage – earned income tax credit is more efficient
Immigrants take jobs from native born	Immigration grows the economy
Who pays taxes is a fight among interest groups and classes	Some taxes (e.g. corporate profits tax) disproportionally harm growth; others (e.g. carried interest) are "loopholes" without economic growth benefit

Dynamic Modeling

- Dynamic economic modeling can capture the potential of an economy
  - Estimates future gains from innovation and increased productivity
  - Choosing policies that lead to productivity increases helps economies break from a zero-sum situation
  - Captures interactions occurring throughout the economy between both market factors and demographic factors

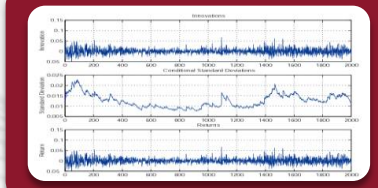
Dynamic Methodologies

Input-Output (IO) Tabulation [Dynamic]

- Industry-to-industry transactions and social accounting matrices
- Supply chains, regional purchase concepts, and multipliers

Computable General Equilibrium (CGE) [Dynamic]

- Long-term effects after markets "clear" back to an equilibrium
- Dynamic adjustments to population, fuel mixtures, market shares, etc.



Econometrics

- Estimation of statistical parameters from historical data
- Strength of responses, elasticities, preferences, and "time lags"

New Economic Geography (NEG) [Dynamic]

- Endogenous productivity adjustments from industry/labor clustering
- Full trade flows by industry and interregional competitiveness

Model Simulations