



# Reaping the Harvest of Economic Reforms: The Case of Social Safety Nets in Egypt

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# CGE are A hypothetical, structural modeling exercise NOT a forecast

According to Devarajan et al 2002, CGE can inform public policy when they:

- a) Exhibit consistency between results from CGE models and other types of analysis
- b) capture particular features of the economy, such as some structural rigidities and institutional constraints, that simpler analysis failed to capture
- c) Provided a consistent framework to assess the linkages and trade-offs among different policy packages.

# But CGE can undermine Policy Decisions if

- They are too complicated (are not the simplest model suited to the task)
- Are pushed beyond the domain of their applicability
- The black box syndrome (results whose link with the policy change is opaque)
- Are taken as a forecast not as a hypothetical model that theorizes the interlinkages in the economy
- Fail to make explicit their assumptions and definitions

# Strength and Limitations of Paper

**Strength:** Data Driven, Rigorous, informed by current literature, relevant/topical, timely, Broad in scope as it inputs taxation (VAT) and wheat flour subsidy reform, disaggregated social accounting matrix (SAM) to make precise calculations

**Limitations:** Inadequate context, simulations are not easy to read (organization), assumptions about the structure of the economy

# Can mathematical models address moral problems?

# Context

- Using an economywide model requires some reflections on the socio-political context and on the procedures and processes that enabled or necessitated the policy interventions modeled. Comparison with other countries is common when constructing CGE models but these ahistorical comparisons may serve the technical aspects of the model but each economy has its own historical and political trajectory

# Organization and Readability

- The narrative account of the simulations are difficult to read
- The paper needs to expand the discussion section and reorganize it so as to consolidate its arguments and findings
- The authors are not explicit in addressing the limitations and caveats to their argument

# The Structure of the Economy

- The limitation applies to the mathematical analytics and the way they are interpreted and read.
- Is the available data sufficient, sound and meaningful?
- What is the moral meaning of these choices?
- How does the model assign value? (Mazzucato)
- The different simulations quantify the effects of various interventions but these interventions carry moral implications and meanings. They are not similar nor do they mean the same thing.



If people are afraid of calculations of cost effectiveness, it's because they don't want some distant, faceless, bureaucracy using cold data to make decisions that affect such an intensely personal aspect of their lives. But the problem isn't the numbers themselves—it's *who is using them to make the critical decisions.*

Blog post on decision making from Economics and Ethics December 2014