



Special Issue: Challenges in the Post Pandemic Economy—Selected Papers of the 2022 Annual Meeting of the Austrian Economic Association

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During the high phase of the COVID-19 pandemic, countries worldwide adopted drastic health policy measures to contain the spread of the coronavirus. These measures, which included business closures, school closures, curfews, travel restrictions, and many more, had a serious impact on economic activity, both on the demand side and the supply side. Consumer spending dropped sharply, as consumption possibilities were limited and many suffered income losses, either due to job loss or short-time work. Production was harmed by disturbances in international supply chains. Against the background of an impending massive economic downturn, fiscal policymakers complemented health policy measures by comprehensive financial support for companies, organizations and private individuals. Central banks, in turn, implemented large-scale expansionary monetary policies to support the economic recovery and prevent deflationary episodes, which may have resulted from the short-fall in demand. While highly expansionary fiscal and monetary policies were considered adequate by most economists at the time of crisis, there was a consensus that these policies could have undesired side-effects once the pandemic was over and the economy recovering.

The 2022 Annual Meeting of the Austrian Economic Association (NOeG), hosted at the University of Vienna, provided a forum for economists to discuss the economic challenges faced in the aftermath of the COVID-19 pandemic. The global rise in inflation rates, labor market disruptions, and rising government debt levels featured prominently in the debate, as these were among the most pressing consequences of the pandemic in advanced economies (see ILO-OECD, 2020).

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More than 90 papers from all major fields of economics were presented at the meeting to an audience of 150 participants. Among the highlights were keynote lectures by Kurt Mitman (Institute for International Economic Studies, Stockholm University) and Moritz Kuhn (University of Bonn) as well as a panel discussion between Kurt Mitman, Moritz Kuhn, Martin Kocher (Austrian Federal Minister of Labour and Economy) and Sepp Zuckerstätter (Vienna Chamber of Labour).

The two contributions featured in this Special Issue are closely related to the overarching theme of the 2022 Annual Meeting of the Austrian Economic Association (NOeG). The first paper of this special issue titled “Dealing with the COVID-19 Pandemic in Slovenia: Simulations with a Macroeconometric Model” by Weyerstrass et al. (2023) presents a comprehensive assessment of the effectiveness of fiscal policy interventions in the context of the COVID-19 crisis, specifically applied to the Slovenian economy. The study uses the medium-sized macroeconometric framework for the small open economy of Slovenia, referred to as SLOPOL11. The authors examine two counterfactual scenarios based on data up to 2021: an optimistic scenario assuming no further pandemic-related shocks and a pessimistic scenario accounting for additional COVID-19-related disruptions in the subsequent two years. Additionally, the authors identify optimal fiscal policy measures during the COVID-19 pandemic. Weyerstrass et al. (2023) emphasize the significance of a balanced approach encompassing both supply-side and demand-side fiscal policies, with a particular emphasis on increased government expenditures on R&D during times of crisis.

The second contribution in this special issue, authored by Koller et al. (2023), addresses inter-country variations in energy costs within the manufacturing sector, a significant challenge arising from the surge in energy prices due to the conflict in Ukraine. Koller et al. (2023) introduce a hierarchical decomposition model inspired by index decomposition analysis, and grounded in input-output models. Within this framework, the authors disentangle unit energy costs (UEC) into two distinct components: the structural component, representing industry composition, and the autonomous component, capturing, for example, variations in energy usage efficiency. Their analysis identifies a prominent role of the industry-mix component for Austria relative to Germany, which can be attributed to the presence of energy-intensive industries. Their findings highlight the critical role of sectoral disaggregation in gaining a comprehensive understanding of the effects of industry composition. They demonstrate that disparities in UEC among countries arise not only due to differences in the prominence of energy-intensive industries within their respective sectors but also due to variances in sub-industry composition within those sectors.

References

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