

“Causal Impact of Public Investment”

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Discussion by Johannes Fleck
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The topic of the paper

- **EU governments currently committing to historical investments**
 - Green transition, defense spending, infrastructure modernization, ...
- **Surprisingly large variation of multiplier estimates in the literature**
 - Key reasons: endogeneity, state dependence, *anticipation effects*
- **Roadmap of the paper (first version)**
 - Construct investment spending forecast errors from EU (archive) data
 - Use errors to estimate dynamic and cumulative spending multipliers

Clarify the terminology and describe the data

- **Unexpected deviations of multi-year projects to capture anticipation effects...**

What exactly is unexpected and/or un-anticipated?

- Timing and/or amount of *initial* announcement, t^* ?
 - Timing and/or amount of *follow-up* spending, in t^*+n ?
- **Investment spending data: composition matters!**
 - Broken down by investment *category*? (Defense, infrastructure, education, etc)
 - Available by project (and project timeline)?
 - Does the composition change over time? Can this affect anticipation?

Address open ends in the methodology

- **“Q4 threat” to exogeneity: shock to GDP + investment spending**
 - Concerns: “use-it-or-lose-it” spending, last-minute budget fixes
 - Could show that October forecast errors are orthogonal to IP, PMI, etc
- **Constructing potential GDP using HP filter is problematic (Hamilton 2018)**
 - HP filter known to mischaracterize potential during extreme GDP volatility
 - Sample includes Financial Crisis, Euro Area Debt Crisis, Covid19 pandemic
 - Could use lagged GDP or structural potential estimates (OECD, IMF, AMECO)

This paper is timely and important

- **Looking forward to future versions!**