

Skills, Innovation, and Growth: An Agent-Based Policy Analysis

By H. Dawid, S. Gemkow, P. Harting, K. Kabus, K. Wersching, Bielefeld, and M. Neugart, Bozen

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Summary

We develop an agent-based macroeconomic model featuring a distinct geographical dimension and heterogeneous workers with respect to skill types. The model, which will become part of a larger simulation platform for European policymaking (EURACE), allows us to conduct ex-ante evaluations of a wide range of public policy measures and their interaction. In particular, we study the growth and labor market effects of various policy types that promote workers' general skill levels. Using a calibrated model it is examined in how far effects differ if spending is uniformly spread over all regions in the economy or focused in one particular region. We find that the geographic distribution of policy measures significantly affects the effects of the policy even if total spending is kept constant. Focussing training efforts in one region is the worst policy outcome while spreading funds equally across regions generates a larger output in the long-run but not in the short-run.