

Can NIE research narrow the range of scenarios we are likely to see or identify inconsistent assumptions describing scenarios?

John Wallis

Interests

- Interests, incentives, and structures
 - “Property rights:” control and assignment over economic, social, political, and natural resources.
 - Coase theorem works, but transactions costs are positive, so institutional design matters
- Scenarios that ignore how interests will change and the likely response, are potentially far off base.

Corruption

- Policies that work are likely to look corrupt, or be implemented in ways that look corrupt.
- Venally corrupt: key interests will be bought off to secure passage and implementation of a policy.
- Systematically corrupt: economic interests created by policies will be used to cement political coalitions, which will alter the policy.

Prices

- The assumption that price changes will occur within a CGE framework may be problematic.
- First, in developing countries price changes and taxes may not (will not?) be applied across the board.
- Second, quantity restrictions may not have straightforward price effects (Suharto and Nestle).