



MARGINAL STABILITY IN CRITICAL NETWORK- ECONOMIES

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Overview

- This paper suggests a novel model accounting for the propagation of shocks along the supply chain
- *Interesting features:*
 - Dynamic
 - Differentiation between fast and slow factors
 - The results suggest that shocks can persist for a long time depending on ε (initial conditions)



Model

- Are slow variables fixed over time or slowly changing? And if so what are the underlying rules?
- Is the input-output network constant over time? Perhaps account for changes in the supply chain (e.g. shift from primary to secondary materials, new technologies, servitization)
- How robust is the model to alternative production functions? (e.g. Cobb Douglas)
- How are α , β and q calibrated?
- What's the role of labour in the model?

Available labour per firm seems to be fixed – can labour shift across sectors?



Results and interpretation

- What is the interpretation of ε ? Is it a function of initial endowments in terms of technology and trade relations?
- If ε is small then a small shock can persist for a long time.

Does small ε correspond to less advanced and less integrated and complex economies?

On the other side, there is also evidence, suggesting that the more open an economy, the more exposed to external shocks and less effective its own fiscal and monetary policy.



Suggestions and recommendations

- Highlight the notion of resilience and how it compares to the economic literature
- What policy questions could be answered using this model? (e.g. protectionism, technological changes etc.)



THANK YOU!

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