

A Work Project, presented as part of the requirements for the Award of a Master's degree in International Development & Public Policy from the Nova School of Business and Economics.

**THE DRIVERS OF GROWTH THROUGH STRUCTURAL POLICIES:  
HETEROGENEOUS EFFECTS OF LABOR AND PRODUCT MARKET  
REFORMS**

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**Abstract:**

This work project examines the macroeconomic effects of Product Market Regulation (PMR) and Employment Protection Legislation (EPL) reforms across 26 OECD economies. Using Local Projections, evidence suggests the benefits of PMR and EPL reforms vary by region and degree of economic openness. Northern Europe experiences stronger positive impacts on productivity, while Southern Europe sees better inflation slowdown and a trade-off between employment and productivity. Open economies see greater positive outcomes. The findings point to the importance of understanding contextual factors surrounding reform outcomes.

**Keywords:**

Structural Reforms, Political Economy, Local Projections, Macroeconomic Outcomes, Institutions, Comparative Analysis.

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# 1 Introduction

The most recent Nobel Laureates of Economics, Daron Acemoglu, Simon Johnson, and James Robinson, have been prominent researchers in understanding what drives a country's growth, development, and, ultimately, its success story. Daron Acemoglu and James Robinson argue that "inclusive institutions"- be they political or economic, and how their capacity to adapt, reform and innovate have had a pivotal role in lifting countries out of poverty (Acemoglu and Robinson 2012). Their distinction comes in a time where economic and productivity growth challenges persist within the most advanced economies (OECD 2024a) (OECD 2023) (Dabla-Norris et al. 2015), following a decrease in pro-reformistic dynamism (OECD 2024b). According to the recently launched IMF World Economic Outlook, the global economy has been through a "prolonged period of structural weakness". And there will be no growth without a strong drive for structural reforms (IMF 2024). Policymakers around the globe have wondered about new tools and plans to boost economic growth, employment, and productivity. For instance, the European Commission, over the past few months, published the Draghi Report, a vision that aims to profoundly transform Europe, by boosting a new competitive landscape and providing solutions to the challenges mentioned above, amid global geopolitical uncertainty. Draghi in its report insists on the core idea of a reformist EU targeted to decrease regulatory burdens or increase skill-oriented policies (European Commission 2024). Across the Atlantic, in the US, a fever for deregulation has spread with the expectation that the recently elected president may lead to a deregulation shock (Thomson Reuters 2024) (Dudley 2024). Even though structural reforms may be seen as the saviors of economic deficiencies, they do not come as "free lunches". Policymakers have agreed that some policy changes imply political costs. Such costs are argued as the reasons why policymakers avoid and delay the execution of such structural policy changes, despite the long-term gains (ECB 2015). These potential costs are often concentrated, affecting vested interest groups that benefit from *status-quo* (IMF 2024).

The social acceptability of reforms is then an important nuance in determining the political feasibility of a reform (IMF 2024). A component of such political feasibility is the short-term and medium-term effects on how these structural reforms do indeed materialize. For that matter, a trend employing Local Projections (LP) methods to estimate these dynamic effects has been popularized. This methodology estimates the effects of policy shocks in shorter time lengths, in comparison to Growth Regression Models used for long-term estimates.

This dissertation contributes to the body of research that uses the LP methodology, examining the macroeconomic short and medium-term dynamic impacts of labor and product market reforms. We focus on two indicators: Product Market Regulation (PMR), and Employment Protection Legislation (EPL). The database used was developed by Duval and Furceri (2018) where they identified the major structural policies that took place in the 26 most advanced OECD countries between 1970 and 2013. Following Duval and Furceri (2018), we explore how these policy shock effects are shaped by region/geography and trade openness. These have been argued as important determinants of growth (Rodrik 2003). Evidence suggests varying effects on how these policies materialize in certain contextual factors. Thus, understating how the “broader context” influences reform implementation is important, as it may inform policymakers on how structural policies develop macroeconomically, given certain constraints. Ultimately, helping solve today’s aversion to reform-making. Although we point to varying evidence on how these policies materialize, further economic research is needed to produce more robust findings on the influence of institutions and economic openness when dealing with structural reforms.

The next section delves into the most pressing findings of the literature on these reform topics and their influence on growth, focusing on EPL and PMR, and the motivation behind estimating such heterogenous effects; Section 3 goes deeper into the econometric methodology employed in the paper and how these reforms were identified. Section 4 focuses on interpreting the most

relevant econometric results, as well as its analysis and discussion. Section 5 concludes the dissertation work, highlighting the main findings, their limitations, and finally what should be done in future research.

## **2 Literature Review: Effect of Structural Policies on Growth**

Structural Reforms can be defined as policy decisions that transform the fundamental architecture of an economy, enhancing the efficiency of resource allocation within the economy, and ultimately creating winners and losers (IMF 2024). These operate essentially within the Labor Markets and Product Markets, by making them more competitive, flexible, and dynamic, through deregulation. These structural reforms have been advocated by international institutions as important drivers for economic growth. For instance, OECD, through their “Going for Growth” initiative has contributed to growing evidence on policy recommendations on structural reform as mechanisms to boost macroeconomic performance (OECD 2023). IMF, through its “World Economic Outlook,” has also underpinned the importance of these reforms in recovering countries from a “prolonged period of structural weakness” (IMF 2024). Vast literature has indeed presented findings on how these reforms impact positively economic growth and GDP per capita, beginning on a 5-year horizon, with its wider effects materializing in longer time spans of up to 10 years (Marrazzo and Terzi 2017) (Ari, Pula, and Sun 2022) (De Grauwe, Campos, and Ji 2023).

A commonly used methodology to assess the impact of these structural reforms has been the Growth Regression Model. This, however, has been mostly used to estimate results on a long-term basis, when the *steady state* is accomplished. On the other hand, from a public policy perspective understanding the short and medium-term effects of these reforms has never been so important. Today’s growth and productivity challenges have been accompanied by a decline in pro-reform dynamism in advanced economies. Thus, grasping how these policies perform within an electoral cycle horizon, for example, is crucial to informing policymakers on their

decision-making processes. For that matter, Local Projections (LP) come in handy. They have been popularized by Jorda's (2005) seminal paper, enabling the estimation of dynamic effects of policy shocks in both the short and medium term. LPs estimate impulse responses directly by regressing sequentially the dependent variable at each forecast horizon on the lagged values of independent variables, by employing fewer dynamic restrictions and being more robust to misspecification (Duval, Bouis, and Eugster 2016). As such, they have been used in studying the effects of labor and product market reforms. In specific, this literature survey focuses on reforms related to Product Market Regulation (PMR) and Employment Protection Legislation (EPL), for temporary (EPLT) and regular (EPLR) contracts.

**Product Market Regulation (PMR)** is a commonly used indicator developed by the OECD aiming to understand how pro-competition regulatory settings and frameworks compare with international best practices (OECD 2024b). These include regulatory firm-level barriers to entry and expansion, sectorial-specific indicators, and overall state intervention in the economy (OECD 2024b). Many have argued about the influence of reforms within this area to increase macroeconomic outcomes. By employing this LP methodology, Duval, Bouis, and Eugster (2016) found that PMR reforms have no short-term costs. In their paper covering 26 advanced economies, and five network industries (electricity and gas, land and air transport, postal services, and telecommunications) spreading across data between 1975-2011, they find a growth in total productivity (TPF), driven by an increase in output and labor productivity, while ensuring a relative price decline (Duval, Bouis, and Eugster 2016). Not only do they not find any employment cost upon post-PMR reform, but they showcase that PMR deregulation, when applied in countries with tougher employment protection legislation, leads to a positive increase in short-term job creation. Gal and Hijzen (2016), using internationally comparable firm-level 1998-2013 data based on Orbis of regulated industries with the LP method, studied the short-term effects of PMR reforms in 18 advanced economies. Their findings suggest an increase in

capital and GDP of 4% and 3%, respectively, in 2 years. On top of it, they also estimate a 1.5% increase in employment in the short term. They also found that these PMR reforms do indeed contribute to bolstering firm entry levels and, so, competition (Gal and Hijzen 2016). By studying the pro-competition PMR reforms introduced in the 90s in OECD countries, evidence was also found on their positive impact on aggregate employment (Rachel, Harrison, and Macartney 2007). These findings are further reinforced by other papers concerning the idea that increasing competition leads to greater employment levels (Nicoletti and Scarpetta 2005); Gal and Theising 2015). Following a similar approach based on Jorda's LP dynamic effect of structural reforms, using data from 1960 to 2013, Bordon, Ebeke, and Shirono (2016) were able to find a lagged positive effect of PMR Reforms on a five-year horizon on employment. By controlling endogeneity through the augmented inverse probability method, they discovered a bit more than one percentage point increase within those 5 years. Similarly, Égert and Gal (2016) find a 5-year horizon positive effect of 0.7% on GDP per capita and 0.5% on multi-factor productivity (MFP), from the evolution of the ETCR - a common indicator to evaluate sectorial regulatory stances on energy, transport, and communication. They find however a negative correlation between PMR reforms and the aggregate employment rate. In this line of thought, de Haan, Wiese, and Jalles (2023), by applying the LP methodology for 25 OECD countries between 1970 – 2020, and controlling for endogeneity, were able to find that product market reforms temporarily led to an increase in unemployment.

Even though PMR reforms seem effective in capturing greater economic performance on GDP and Productivity, the same is hard to tell for Labor Market Reforms, notably in **Employment Protection Legislation** (EPL). EPL is a set of legislative norms that determine how dismissal and hiring processes should occur. In that sense, a liberalizing reform should facilitate both processes. As such, both theoretically and empirically, they have been harder to prove, in terms of understanding its effectiveness and success. Besides, they have proven to be more dependent

upon external conditions, notably on the state of the economy or whether such policies are being applied solely or alongside others. This is the case once again with Bordon, Ebeke, and Shirono (2016). By applying LP methodology, they point to the lagged positive impact of structural reforms, notably EPL for regular contracts (EPLR) on employment by about one percentage point on a five-year horizon. Moreover, they also point out evidence suggesting that these reforms can be bolstered once applied in cooperation with other policies. On the other side, Égert and Gal (2016) have pointed to the lack of aggregate robust significant results on the impact of EPL on the aggregate employment rate. They find however positive differentiated effects on employment when discriminating based on different demographic and educational segments of the population. This emphasizes the sensitive nature of EPL and its capacity to provide different effects depending on the circumstances surrounding the reform. Others, such as Rünstler (2021), building on Duval and Furceri's (2018) narrative database and reform identification approach find interesting macroeconomic results from labor market reforms, namely EPL. His methodology, a Bayesian narrative panel Vector Auto-Regression (VAR), focuses on quarterly data from euro-area countries, between the first quarter of 1998 to the last quarter of 2018. In his study, he finds that the deregulation of EPL, namely for EPLR, leads to positive results in labor productivity, and initially small positive results in GDP and Employment, which tend to build up in the medium term as the policy materializes (Rünstler 2021). Égert and Gal (2016) also found this when estimating the impact of EPL (mostly EPLR) on GDP per capita in 5-10-year impacts. Concerning employment rate, Di Tella & MacCulloch (2002) find a similar conclusion as Rünstler stating the impact of greater labor market flexibility on higher employment rate, when analyzing 1984 - 1990 data for 21 OECD economies, using dynamic panel data techniques. In a companion paper to the first, Aumond, Di Tommaso, and Rünstler (2022), using the same quarterly dataset and similar reform identification processes but now through the LP method, arrive at different conclusions. In their paper, they found

moderate negative employment rate short-run effects of both EPL reform types (regular- EPLR; and temporary-EPLT). They also refer to the heterogeneous effects of EPL reforms depending on different demographic groups, by showcasing that young and elderly workers are the most affected by these short-term adjustments to reforms.

Crucial to this dissertation is the work of Duval and Furceri (2018) when estimating aggregate macroeconomic outcomes resulting from structural policy changes. By applying Jorda's LP, with a series of interaction terms, and a narrative approach methodology (both seen more extensively in later sections) for reform impact assessment and identification analysis, respectively, they found that product and labor market reforms do indeed contribute to the increase of macroeconomic outcomes, but only gradually and in the medium term. They find that the success of specific labor market policies, such as Active Labor Market Policy (ALMP), Unemployment Benefits (UB), or EPL, is conditional on the state of the economy. Specifically, when looking at PMR reforms they find a 1.5% and almost 2.25% output increase, in the medium and long term (Duval and Furceri 2018). They did not find, however, statistically significant results when measuring the impact on employment and productivity, nor were they able to tell significant differences when these policies were introduced in expansion and recession periods. As for Employment Protection Legislation (EPL), they were not able to find generalizable statistically significant results in the short and medium term in output, employment, and productivity.

This work project follows on Duval and Furceri (2018) work, by analyzing how the impacts produced by these structural policies might have been shaped by the “broader context” surrounding reforms, such as a country’s regional and economic openness status. Many economists have addressed the role of geography as a driver for development, and prosperity (Gallup, Sachs, and Mellinger 1998) (McArthur and Sachs 2001). Diamond, in his book “Guns, Germs and Steel: The Fates of Human Society”, sustained geography as destiny, meaning the

cause to which some countries succeed or not so (Diamond 1997). Others, also delve into this point, by further adding the role of “inclusive institutions” or “social infrastructure”, instead, as the main drivers surrounding a country’s success story and long-term growth (Acemoglu and Robinson 2012) (Hall and Jones 1999) (Acemoglu, Johnson, and Robinson 2004). Acemoglu and Robinson, however, point to the role of geography and the broader environment in shaping such “inclusive” or “extractive” institutions (Acemoglu, Johnson, and Robinson 2001). Regardless, economists have pointed to the role of specific country-level constraints that might put at risk aggregate findings of structural reforms (Onorato, Prati, and Papageorgiou 2010) (Marrazzo and Terzi 2017). In much the same spirit, the focus here lies in understanding how these broader context differences, namely geography and trade openness, may influence short-to-medium-term responses to reforms. Even though geography may seem to be a poor specification, as it hides a lot of other factors (notably institutional differences that cannot be fully explained by the location of countries), the grouping strategy employed later tries to preserve some of these aspects. Trade openness has also been advocated as an important element of growth and convergence (Sachs and Warner 1995) (Rodrik, 2003). Hence our grouping strategy on trade openness as a possible variable affecting the performance of these structural policy changes.

### **3 Data and Methodology**

#### **3.1. Baseline Econometric Approach**

The econometric approach employed in the study follows the same strategy and implementation techniques developed by Duval and Furceri (2018). The work project extended their analysis by including cross-effect specifications, as detailed in the next section.

The econometric approach, known as the Local Projection (LP), is grounded in the method introduced by Jordà (2005)’s method to calculate impulse response functions (IRFs). These represent the response of variables of interest to a specific shock over a given time horizon

(Jordà 2005). In the context of this work project, a shock reports to reform, and the IRF quantifies how the reform has affected an outcome variable over time, compared to a counterfactual scenario, without such reform (Jordà and Taylor 2024).

Local Projection is the method employed to estimate these dynamic effects, by running a series of sequential regressions at different time horizons. For each horizon,  $k$ , the dependent variable is regressed on the shock, given a set of controls and specifications (Jordà and Taylor 2024) (Jordà 2005). This sequential approach allows for the direct estimation of how a shock- a reform, evolves and how its effects materialize over time, at different points in the future (Jordà 2005) (Duval and Furceri, 2018). The LP method has been widely adopted in recent years enabling one to directly estimate the impact of a shock on each horizon, providing a view of how the shock propagates through the economy over time. The estimated coefficients at each horizon capture the marginal effect of the reform and can then be visualized as IRFs, illustrating the dynamic path of the outcome variable in response to the initial shock.

The baseline equation is:

$$y_{t+k,i} - y_{t-1,i} = \alpha_i + \gamma_t + \beta_k R_{i,t} + \theta X_{i,t} + \varepsilon_{i,t} \quad (1)$$

Following Duval and Furceri's (2018) the following were included: (1) **Dependent Variables** ( $y$ )- macroeconomic outcomes: GDP, total employment, productivity, and price variation; (2) **Independent Variables** ( $R_{i,t}$ )- reform shocks that were identified;  $\beta_k$  represents the coefficient measuring the effect of each of the reform shocks, on the variable of interest; (3) **Fixed effects**- for countries ( $\alpha_i$ ); and time period ( $\gamma_t$ ); (4) **Control variables** ( $X_{i,t}$ )- economic crisis with respective lags, economic growth rate with respective lags, the studied reform shock with respective lags; (6) **Error term** ( $\varepsilon_{i,t}$ ).

The baseline results of Equation (1) were initially estimated, using OLS. The results obtained

were similar to the baseline results of the authors, which suggests the model's validity. The coefficients for the shocks,  $\beta_k$ , were estimated for each horizon:  $k= 1, 2, 3, 4,$  and  $5,$  and the IRFs were obtained by plotting these estimated coefficients. A 90% confidence interval for the shock coefficients was calculated using the standard deviations of the estimated shock coefficients, based on clustered robust standard errors (Duval and Furceri 2018). The baseline results and charts on the shock coefficients can be found in Table 1- Appendix.

### 3.2. Heterogeneous Effects Econometric Approach

Building on baseline equation (1) we extended the model to allow for heterogenous effects. To measure whether there were such effects, new specifications were included in the baseline scenario of Equation (1):

$$y_{t+k,i} - y_{t-1,i} = \alpha_i + \gamma_t + \beta_k R_{i,t} + \omega_k (R_{i,t} \cdot Z_{i,t}) + \theta X_{i,t} + \varepsilon_{i,t} \quad (2)$$

These new model specifications include a cross-interaction term ( $R_{i,t} \cdot Z_{i,t}$ ), which aims to investigate how the “broader context” of reform ( $Z_{i,t}$ ), influences the impact of the shocks on a given outcome ( $y$ ). Just like Equation (1), Equation (2),  $\beta_k$ , and  $\omega_k$  were estimated following the techniques implemented by Duval and Furceri (2018), as seen above. This new cross-effect interaction term was introduced to capture the heterogeneous impacts. In this case  $\omega_k$  indicates the heterogeneity on the differential/relative effect of the reform for the specified group of countries studied compared to the remaining. These coefficient results can be found in the Appendix. In this case,  $Z_{i,t}$ , is a vector for two categorical dummy variables for geographic location and economic openness.

- **Geographic Location:** By grouping countries according to their geography<sup>1</sup>. The analysis accounts for regional variations that may be important to assess the institutional quality or

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<sup>1</sup> Exceptions made for English-speaking countries.

the context of a reform, and the capacity to transform policy adoption into policy execution. Countries were grouped : (1) **Asia**: with Japan and South Korea; (2) **Anglo-Saxon**: Australia, Canada, Ireland, UK, United States of America, and New Zealand; (3) **Central Europe**: Austria, Belgium, France, Germany, Luxembourg, Netherlands and Switzerland; (4) **East Europe**: Czechia and Slovakia; (5) **North Europe**: Denmark, Finland, Iceland, Norway, and Sweden; (6) **South Europe**: Greece, Italy, Portugal, and Spain.

- **Economic Openness**: High economic openness countries vs low economic openness countries. This categorization assesses whether exposure to international competition influences the impact of reforms. The categorization involves a grouping strategy based on the degree of openness of the 26 countries between the years 1974 and 2014. The degree of openness is defined as the sum of exports and imports of goods and services, relative to GDP (OECD 2011). The data used for Import and Export (both as a share of GDP) was extracted from the World Bank DataBank<sup>2</sup>. A more open economy was considered when the average for the whole period of a certain country was higher than the weighted OECD average, as displayed in Figure 1. Two major groups were built: (1) **More Open Economies**: Austria, Italy, Spain, Greece, France, United Kingdom, Germany, New Zealand, Canada, Portugal, Finland, Czechia, South Korea, Sweden, Norway, Iceland, Denmark, Slovakia, Switzerland, Netherlands, Belgium, Ireland and Luxembourg; and (2) **Less Open Economies**: United States, Japan and Australia.

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<sup>2</sup> Retrieved from <https://databank.worldbank.org/> (October 1<sup>st</sup>, 2024)

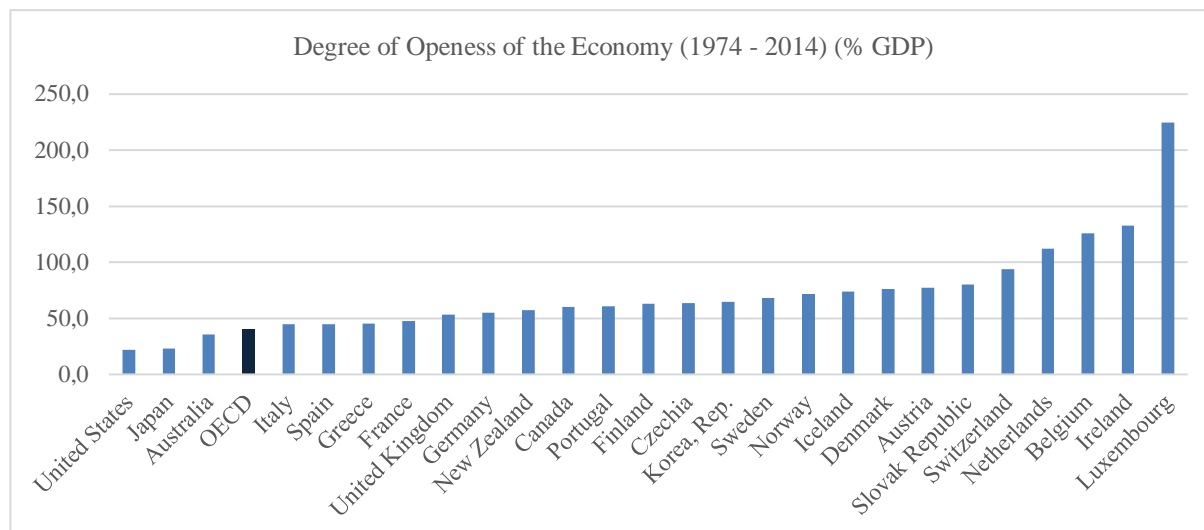


Figure 1- Degree of Openness of the 26 Economies, per country. Source: Own elaboration

### 3.3. Characterization of the Main Variables

As mentioned, we consider the specifications and techniques developed by Duval and Furceri (2018). The core idea developed by the authors in their paper was to understand how these products and labor market reforms affect the economy, namely in GDP, employment, productivity and inflation. These four will constitute the **main dependent variables** this paper will report on. The macroeconomic series in the database referring to the above-said indicators were taken from the OECD's Statistics and Projections database (Duval and Furceri 2018), covering data from 1970 to 2014. These variables are all treated as logarithmic. These macroeconomic indicators allow for a more comprehensive understanding of post-reform impact. The **independent variables** are the reform shocks- Product Market Regulations (PMR) and Employment Protection Legislation (EPL), covering data between 1970 - 2013.

- **Product Market Regulation (PMR)** encapsulates a various number of sectoral policy changes. This aggregate indicator is the result of seven other indicators of product market regulation which are telecom, electricity, gas, post, rail, and air passenger transport and road freight. This condensed aggregate indicator was created by putting together these changes. Overall, the PMR serves as a measure to assess how a country's

regulatory framework affects market competition, namely on distortions to competition, such as barriers to entry (OECD 2024).

- **Employment Protection Legislation (EPL)** is split into two groups- EPLR and EPLT, referring to regular and temporary contracts, respectively. This indicator quantifies the costs and procedures when it comes to hiring and firing employees individually or collectively (OECD 2021). Thus, it evaluates the strictness of the labor market. A possible reform could be “easing hiring and dismissal regulations for regular workers” (Duval and Furceri 2018).

### **3.4. Characterization of the Data Set**

The narrative panel dataset used in this paper was developed by Duval and Furceri (2018), and it includes information on 26 OECD Advanced Economies<sup>3</sup>, spread around from 1970 to 2013. The database focuses extensively on structural policy changes. The identification of the policy changes followed the “narrative approach”, firstly introduced by Romer (Duval and Furceri 2018). The dataset includes such changes by categorizing them according to their type: Labor Market (LM) or Product Market (PM). As for Labor Market, the database includes reforms on Employment Protection Legislation (EPL for both regular and temporary workers, EPLR and EPLT, respectively), Unemployment Benefits (UB), Active Labor Market Policies (ALMP), and Labor Tax Wedge (TW). In PM, Product Market Regulation (PMR) is the indicator used, and that single indicator includes extensive sectoral policy changes, as seen above.

Apart from their type, the reforms are also characterized according to their nature (Reform or Counter-Reform). For instance, the indicators on PMR and EPL were mostly identified by Duval, and it results from the analysis of reports like the OECD Economic Surveys for each of the countries studied and other country-specific reports. Following the identification, a series

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<sup>3</sup> The countries are Austria, Australia, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovakia, Spain, Sweden, Switzerland, United Kingdom, and the United States of America.

of filtering processes were initiated to classify them according to their nature, type, and timing (Duval and Furceri 2018). Such steps include treating the information according to the normative language used in the documentation, how many times the policy action is reported, or the changes in the existing OECD respective indicators, among others. The policy changes identified and filtered were then categorized for each country, with  $R_{i,t}$  being set a value of “-1” in each sector and year where there is a counter-reform; “0” for each sector and year where non-reform occur; and “1” for each sector and year witnessing a reform (Duval and Furceri, 2018). Thus, the identification strategy used in this paper focuses on capturing policy change events across the 26 economies, without delving into how the specific associated indicators of these reforms evolve. Furthermore, the reform database does not provide information about the baseline or historical stance of product and labor market regulations.

Duval and Furceri (2018) classified the reform according to its type, nature, subperiod of occurrence, and geographic context. In the database, one can also find other types of labor market reforms that were considered. This work project focuses on PMR, EPLT, and EPLR. The most active subperiod for pro-reform behavior took place between 1990-1999 and 2000-2009, as seen in Figure 2. The most counter-reformistic time gap, according to Figure 3, occurred in 1974-1979 with 10 counter-reforms in total. The 80s are where one can start by noticing a more pro-reforming trend, with PMR (7) and EPL (4 for regular, 8 for temporary), notably in South and Central Europe. The 90s, the most pro-reformistic subperiod, registered 42 PMR reforms and 23 EPL reforms. North, South, and Central Europe were the most dynamic regions. Finally, from 2000-2009 and 2010-2013, there was a combined total of 63 reforms. Of those, 28 for PMR, 18 for EPLT, and 17 for EPLR. Most of these reforms took place in Europe, with a significant boost in the number of reforms in Eastern and Southern. Europe.

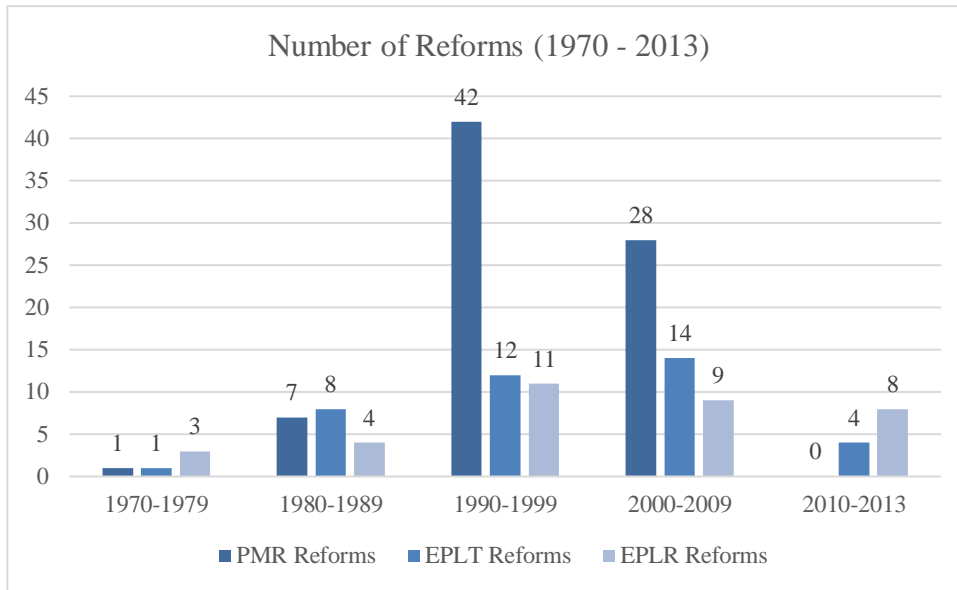


Figure 2- Number of Reforms per type, per subperiod. Source: Own Elaboration

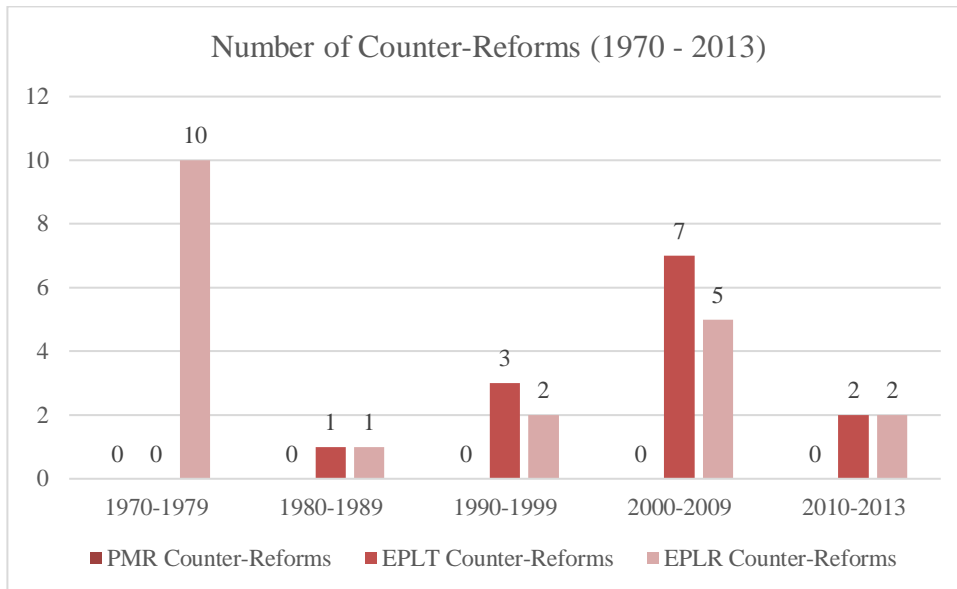


Figure 3- Number of Counter-Reforms per type, per subperiod. Source: Own Elaboration

#### 4. Discussion of Results and Economic Interpretations

The heterogeneous effects were computed following Equation (2). A total of 96 specific models were run- one reform per macroeconomic outcome for each cross-effect. As LP estimates go up to 5 temporal horizons, 480 individual regressions were computed in total. The results on the cross-interaction coefficient effects can be found in the Appendix- for geography effects (Appendix-Table 2 to 7) and economic openness (Appendix-Table 8 to 9). The analysis was set

on the most pressing results, notably statistically significant ones<sup>4</sup>.

Duval and Furceri's (2018) baseline replication findings (Table 1- Appendix) point to the statistically significant positive impacts of PMR reforms on output, in the medium term (horizon 4 and 5). However, the replication evidence suggests no statistically significant results of PMR reforms on labor productivity and employment. As for EPL, they suggest no statistically significant results on output, employment, or productivity. The baseline replication findings also analyze the average aggregate effects on the price levels. No statistically significant impacts were found on either EPL or PMR, despite the latter leading to decreasing price levels.

#### **4.1. Heterogeneous Effects: Geography**

Most of the prominent results were found in Europe. The statistically significant results on the cross-effect coefficients are suggestive on the heterogeneity behind of the reform relative performance.

When considering PMR reforms within specific geographies, it was found varying effects of the reforms. Overall, Asian Economies- South Korea and Japan, seem to perform relative worse on PMR Reforms. The cross-effect coefficients on these reforms are generally negative when measuring their relative impact on employment and GDP (both statistically significant), and productivity (not significant). Taking closer attention to the data, one finds that only four reforms were implemented in major financial, political, and economic unstable periods – “The Lost Decade” in Japan or “The Chaebol Crisis” in Korea. It, then, raises the question of whether such contextual factors may have affected the performance of the reforms, which could have undermined institutional and governance frameworks and policy enforcement mechanisms, further disrupting the reform’s performance. Central Europe and Anglo-Saxon countries show

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<sup>4</sup> Statistically significant results are considered every time the p-value of the cross-effect coefficients were equal or below 10%, 5%, and 1%, with the following scheme: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \* $p < 0.1$

no statistically significant results on the relative impact of PMR on GDP, Employment, and Productivity, when compared to the remaining. Conversely, Eastern European countries exhibit statistically significant differential positive effects on GDP only on later horizons, when compared to the remaining. Evidence suggests PMR reforms should lead to a GDP increase in the medium-long term (3.0\* and 3.7\*\*\* percent at H4<sup>5</sup> and H5, respectively), performing relatively better than the remaining economies and reinforcing the argument in which reform benefits take time to materialize. Marrazzo and Terzi (2017) found similar findings when they compared structural reforms in more advanced and emerging economies: the benefits take longer to appear, in the latter, but are often more substantial. Southern Europe, on the other hand, sees PMR reforms increasing employment at statistical significance levels, with its magnitude suggesting a relatively better performance when compared to the other 22 countries. As such, and by following Figure 4, one can notice a consistent increase in employment, initially from 1.24\* percent in the short-term (H1) up to 7.32\*\* percent at (H5), in the long-term. It comes, however, at the cost of productivity, which exhibits a statistically significant mild and gradually relative decline, starting at around -1.0\* percent (H1) up until around -5.0\*\* percent (H5). Both effects on employment and productivity strengthen progressively over the five horizons. This trade-off is likely to be related to Southern European rigid labor market structures and the high dependence on low-productivity sectors, such as tourism. Moreover, they mirror Southern Europe's, worse institutional government effectiveness and regulatory quality indicators (World Bank 2023), as well as its chronic productivity challenges when compared to other European economies. Northern European countries, in comparison, see PMR Reforms yielding a statistically significant mild and gradually differential positive impacts on productivity across all five horizons when compared to the remaining economies. Figure 5 shows that relatively positive diverging path of Northern European economies. Initially, the

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<sup>5</sup> “H” stands for Horizon (e.g. H4- Horizon 4).

policy is set to increase productivity by only 1.30\*\* percent (H1). As the policy materializes, its effect increases (and so does its statistical significance), culminating in a 5.70\*\*\* percent, five-time horizon after the reform's implementation. Ultimately, such results point to the institutional capacity of North European economies to harness reform benefits effectively and so transform *de jure* policy into *de facto* action. Their government effectiveness and regulatory quality indicators are argued to be among the best according to the World Bank Worldwide Governance Indicators (World Bank 2023). Such gains come at the cost of employment as the cross-effect coefficients showcase a statistically significant differential negative performance on employment levels: from -0.65 \* percent on H1 to -3.16\*\* percent on H5. Both South and North Europe see no statistically significant relative results on the impact on GDP. When it comes to price levels, the heterogeneous effects on a geographic basis suggest that PMR reforms lead to a statistically significant dynamic relative decrease in the South European price levels when compared to the remaining. Figure 6 exhibits the coefficient trends, starting at -1.86 \*\*\* percent (H1) impact and leveling at -6.15\* percent (H5), at the end. Such gains can be attributed to lagging competitiveness issues within Southern European economies, and thus higher relative benefits once the reforms are put into place, in a similar line of thought as the marginal benefits of reforms seen above (Marrazzo and Terzi 2017).

Across EPL reforms, heterogenous effects were also found. Asia, Anglo-Saxon countries, Central Europe, and Eastern Europe showcase there is no statistically significant impact of both EPLT and EPLR on GDP. In Northern Europe, however, EPLR reforms exhibit a statistically significant relative positive impact on GDP over the medium term (1.98\*\* percent at H2 to 6.39\*\* percent at H5), supporting the literature on delayed reform benefits. This relatively better performance of Northern European compared to the other economies underscores North Europe's capacity to effectively capitalize on the institutional capacity to accommodate the reforms as well as allowing them to materialize. The positive effects of EPLR on GDP are not

new and further support the literature (Bordon, Ebeke, and Shirono 2016). Conversely, Southern Europe demonstrates a contrasting trend. EPLR reforms in this region yield a delayed statistically significantly worse performance on GDP in the medium term (-1.22\* percent at H2 to -3.68\*\* percent at H5), when compared to the remaining economies. This negative relative marginal performance of EPLR reflects the presence of structural or institutional deficiencies that may impede the region’s ability to adapt to the flexibility introduced by EPL reforms.

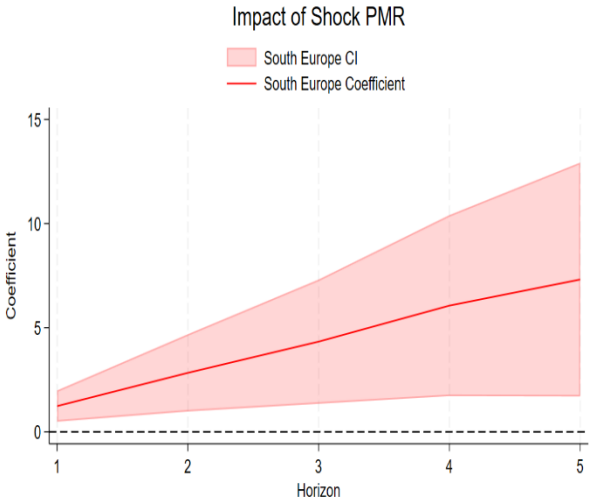


Figure 4- PMR Shock on Employment (%) - South Europe

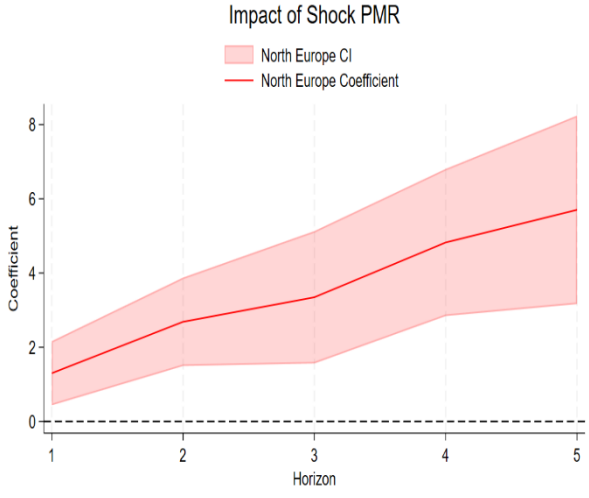


Figure 5- PMR Shock on Productivity (%) - North Europe

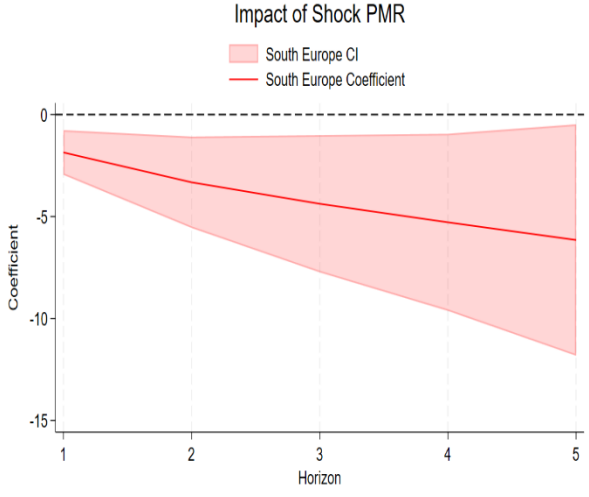


Figure 6- PMR Shock on Prices (%) - South Europe

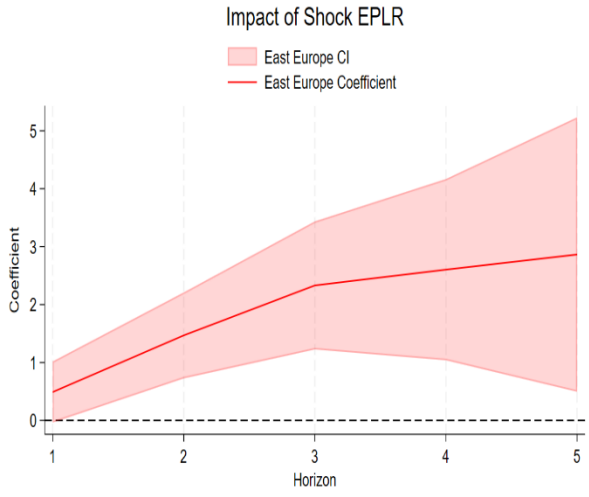


Figure 7- EPLR Shock on Employment (%) - East Europe

Regarding EPL reforms on employment, only East European economies showcase consistent statistically significant results. In this case, Eastern Europe seems to perform relatively better, compared to the remaining 24, in capturing greater results on employment in the medium term. Its effects, as presented in Figure 7, are only felt well after the reform implementation at 1.47\*\*\* percent (H2) and stabilized at 2.86\*\* percent (H5) with the magnitude of the effect far exceeding the aggregate findings.

*Table 1- Coefficients for Figure 4, 5, 6 and 7*

<b>Shock PMR</b>							
Category	Outcome	H1	H2	H3	H4	H5	Figure
South Europe	Employment (%)	1,2377**	2,834**	4,3330**	6,0627**	7,3147**	4
North Europe	Productivity (%)	1,301**	2,686***	3,347***	4,823***	5,704***	5
South Europe	Prices (%)	-1,857***	-3,321**	-4,374**	-5,283*	-6,150*	6
<b>Shock EPLR</b>							
East Europe	Employment (%)	0,490	1,468***	2,331***	2,604**	2,864*	7

Overall, the effects of PMR and EPL reforms are geographically heterogeneous, with the “broader context”- institutional capacity and economic structures playing pivotal roles in determining the relative success of these policies in improving macroeconomic outcomes. While PMR appears to be more effective in delivering consistent positive economic results, EPL reforms exhibit more mixed results, suggesting EPL’s reform sensitivity addressed before.

### **4.3. Heterogeneous Effects: Economic Openness**

As for grouping OECD countries based on their economic openness status, relevant results were also found on the effects of reforms on PMR and EPL. Generally, countries with a higher degree of economic openness seem to perform better in capturing the macroeconomic positive effects when compared to the aggregate findings.

Starting with PMR reforms, countries that are more open economically exhibit a generally positive effect of these reforms on GDP; however, these cross-effect coefficients are not

consistently statistically significant across the horizons. On employment, the cross-effect coefficients suggest that PMR reforms within more economically open countries tend to face statistically significant relative positive impacts. These impacts start at 0.87\*\* percent, and they increase gradually and dynamically, leveling off at 3.57\*\* percent, as assessed by Figure 8.

In contrast, EPL reforms, notably EPLT, showcase more pronounced and statistically significant results. Evidence on countries with greater economic openness suggests existing the relative better performance of EPLT reforms on GDP, beginning at 1.12\*\*\* percent (H1) and maturing at 9.69\*\*\* percent (H5). The gradual relative increasing impact can be viewed in Figure 9, where the magnitude of these dynamic cross-effect coefficients gets wider as the policy materializes. Such GDP gains are joined by a moderately positive increasing impact of EPLT reforms on labor productivity, which also diverges over the time horizons. Its effects can be better analyzed using Figure 10, where one can notice the fast dynamic evolution of the coefficients, starting right after the introduction of the policy, at 1.75\*\*\* percent (H1) until 4.84\*\*\* percent in H3. From then on, the effect of the policy stabilizes and reaches a 5.20\*\*\* percent effect on H5. This means that after the implementation, the policy still leads to a relatively better result in productivity of around five percent, compared to other countries. These findings suggest that open economies perform effectively well in capturing the wider positive macroeconomic effects of EPL reforms. On Employment, EPL (both EPLT and EPLR) present no generally consistent statistically significant results. As for price levels, gains are followed by a statistically significant relative better performance in ensuring price decline, thanked to EPLT reforms: starting at -4.04 \*\* percent (H1) and maturing at - 7.68\* percent (H5), as explicit by Figure 11. Given that economic openness effects were analyzed within two groups, the cross-effect coefficients for less open economies are symmetrical to the ones found for more open economies, with the same statistically significant levels. Those estimates can be found in Table 9- Appendix. Thus, suggesting closed economies tend to perform generally

worse in capturing the effects of the studied policies. These results should be taken however with a “grain of salt” as this might be due to the small sample size (only three economies were considered small, with a small number of reforms each- Australia, Japan and the USA).

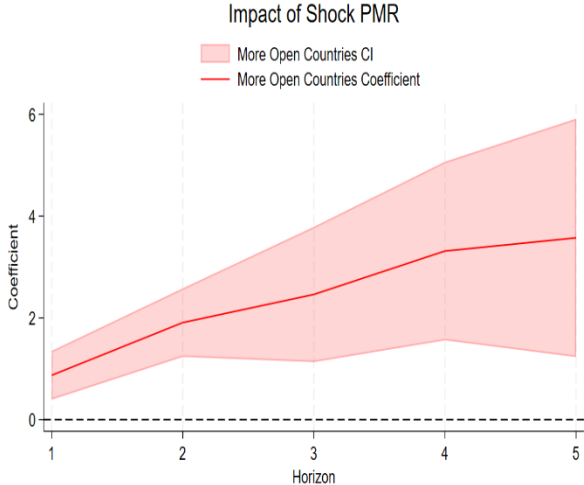


Figure 8- PMR Shock on Employment (%)- Open Countries

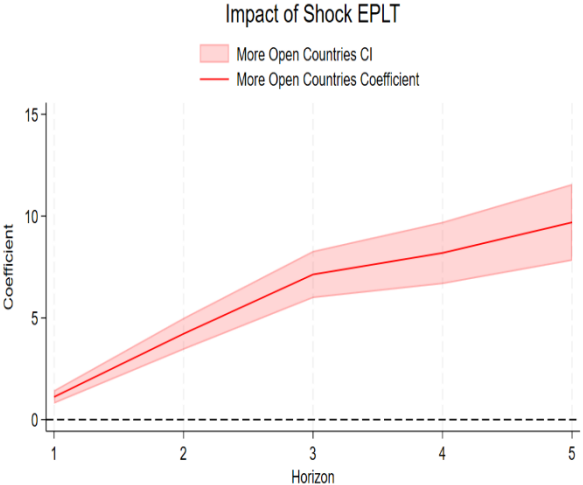


Figure 9- EPLT Shock on GDP (%)- Open Countries

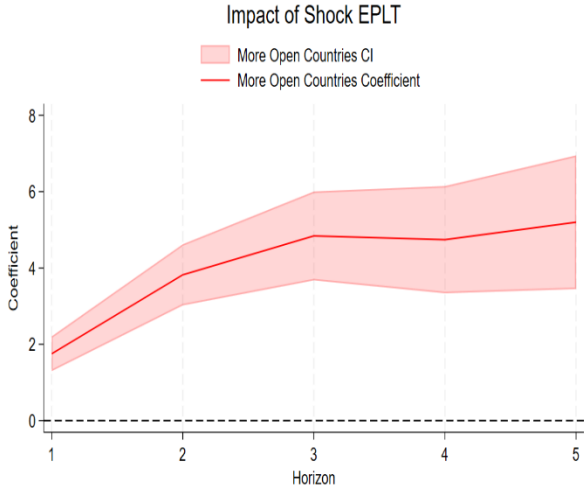


Figure 10- EPLT Shocks on Productivity (%)- Open Countries

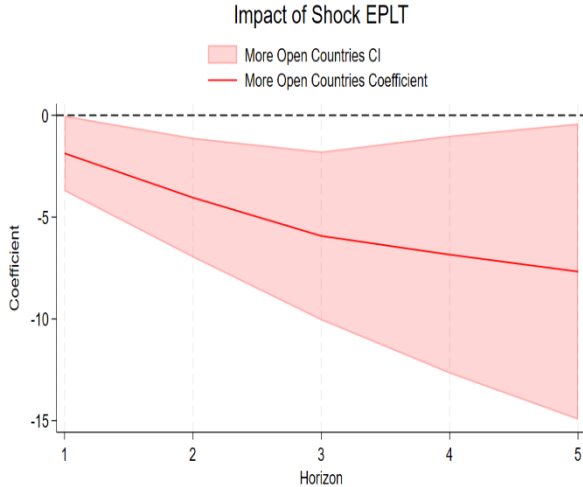


Figure 11- EPLT Shock on Prices (%)- More Open Countries

In summary, more economically open countries demonstrate stronger positive effects from PMR and EPL reforms, particularly in GDP, employment, and productivity. The results underscore the importance of economic openness to maximize the benefits of reforming.

Table 2- Coefficients for Figures 8, 9, 10 and 11

Shock PMR							
Category	Outcome	H1	H2	H3	H4	H5	Figure

More Open Countries	Employment (%)	0,855**	2,198*	2,329	3,470*	3,551*	8
<b>Shock EPLT</b>							
More Open Countries	GDP (%)	1,116***	4,219***	7,132***	8,189***	9,691***	9
More Open Countries	Productivity (%)	1,752***	3,821***	4,841***	4,742***	5,199***	10
More Open Countries	Prices (%)	-1,869	-4,043**	-5,926**	-6,845**	-7,677*	11

## 5. Conclusion

This work project sets out to investigate the macroeconomic impacts of Product Market Regulation (PMR) and Employment Protection Legislation (EPL) reforms on 26 OECD economies (1970 – 2013), utilizing the Local Projections methodology and techniques developed by Jorda (2005), and Duval and Furceri (2018). By extending the work of the latter, this dissertation aims to explore how these reforms interact with regional and economic openness factors. By providing novel evidence on heterogeneous effects, this dissertation points to the role of specific country-level constraints that might put at risk aggregate findings of structural reforms as pointed out by further literature (Onorato, Prati, and Papageorgiou 2010) (Marrazzo and Terzim 2017) (De Grauwe, Campos, and Ji 2023).

While only a few results showcase statistically significant results, key findings from the analysis reveal that the impacts of PMR and EPL reforms differ considerably according to regional and degree of economic openness, which sheds light on the complex nature of reforming. Thus, there is no such thing as a “one size fits all” reform. Following Duval and Furceri aggregate findings, PMR reforms seem to be more consistent. Northern Europe experienced stronger productivity gains compared to the others over time reflecting a strong government effectiveness to capture its benefits. In contrast, Southern Europe experiences notable better employment gains and a price-level slowdown, albeit productivity costs. EPL shows more limited and less consistent results. Once again, Northern Europe EPLR reforms yield delayed relatively better GDP results. Whereas South European EPL reforms lead to a relatively worse performance. We suggest that the consistency on the differential PMR and

EPL reform behavior of North and South Europe could be potentially linked to the institutional and regulatory quality and effectiveness behind reform implementation. Moreover, the research found that countries with higher economic openness experienced amplified relative better performances from PMR and EPL reforms. Open economies demonstrated stronger macroeconomic benefits, notably on GDP, employment, productivity, and price variation supporting the notion that greater competition enhances outcomes. These results should be, however, taken cautiously given the possible existence of potential sampling bias.

Despite these insights, several other limitations should be acknowledged. While the study points to diverging impacts coming from different contexts- such as regional settings or economic openness, this paper fails to recognize and address deeply what are the roots of such differentiated impacts. Moreover, given the nature of the reform variables used, this dissertation does not consider the intensity of each reform, nor how the specific indicator related to each reform has evolved in the past, nor all the reforms taking place within one aggregate variable (e.g. two reforms in two different PMR sub-sectors, in a given year, accounts as one PMR reform). The fact that only a few results yielded significant results raises concerns about robustness and general applicability of the findings.

In conclusion, this thesis contributes to the literature by offering a comprehensive analysis of the relative dynamic effects of PMR and EPL reforms, pointing to the importance of understanding how country specific contexts shape reform outcomes. Future research should strive to address what those factors are in detail and specifically measure their impact. Only by doing so, policymakers can build better tailored reforms, given specific country needs and circumstances, so as to effectively maximize their benefits.

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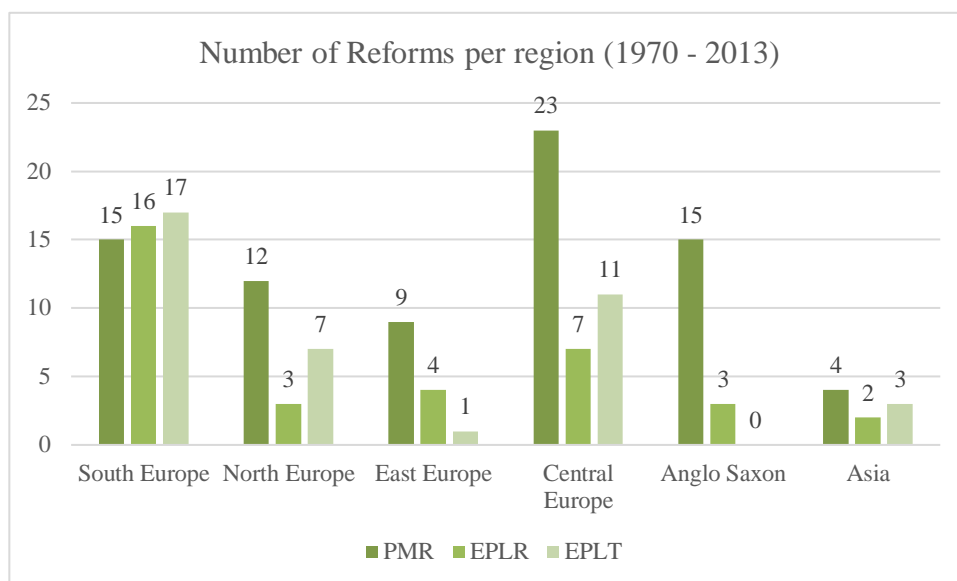
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## Appendix:



Graph 1- Total number of Reforms per type, per country. Source: Own Elaboration

Variables	26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices
	%	%	%	%
Shock_pmr				
1	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,244	0,188	0,269	0,332
2	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	0,347	0,381	0,361	0,665
3	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	0,438	0,541	0,487	0,995
4	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	0,562	0,687	0,664	1,226
5	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	0,696	0,827	0,764	1,438
Shock_eplt				
1	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,249	0,224	0,213	0,555
2	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	0,492	0,391	0,348	0,859
3	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	0,646	0,498	0,528	1,153
4	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	0,836	0,562	0,614	1,566
5	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	0,936	0,594	0,626	2,119
Shock_eplr				
1	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,200	0,232	0,213	0,309
2	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,298	0,401	0,396	0,645
3	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	0,586	0,615	0,461	1,008
4	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	0,845	0,841	0,567	1,445
5	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \*p < 0.1

Table 1- IRFs for Shock variables for 26 Advanced Economies- Replication Results Equation (1)

Impact of PMR Reform (percent) (Shock PMR) on Product (Chart 1), Employment (Chart 2), Productivity (Chart 3), and Prices (Chart 4) for the 26 Advanced Economies (commonly represented as OECD for simplicity). Replication Results of Duval and Furceri Baseline -Equation (1). These charts are based on the results obtained from Table 1:

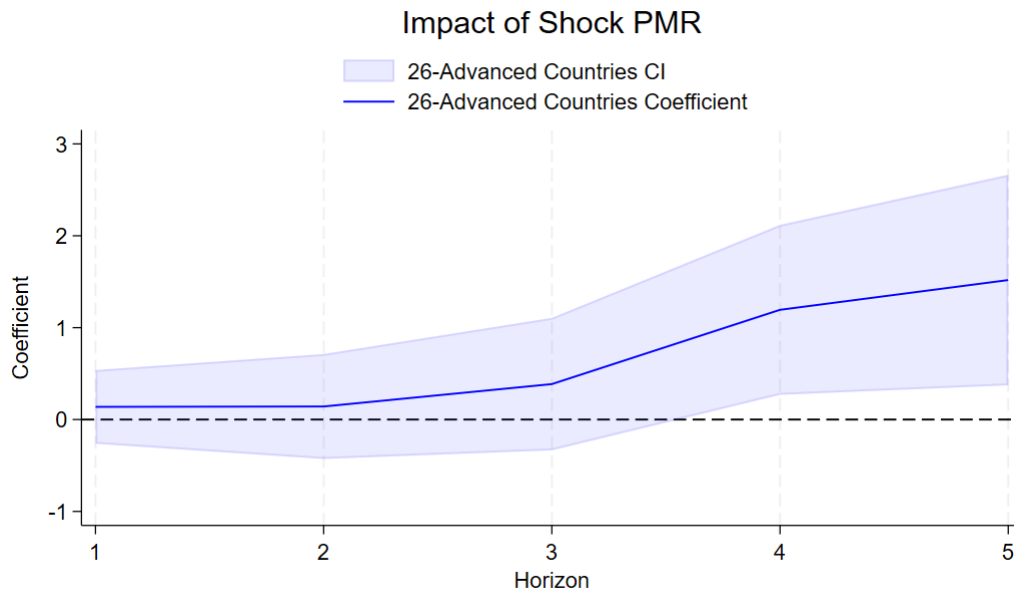


Chart 1

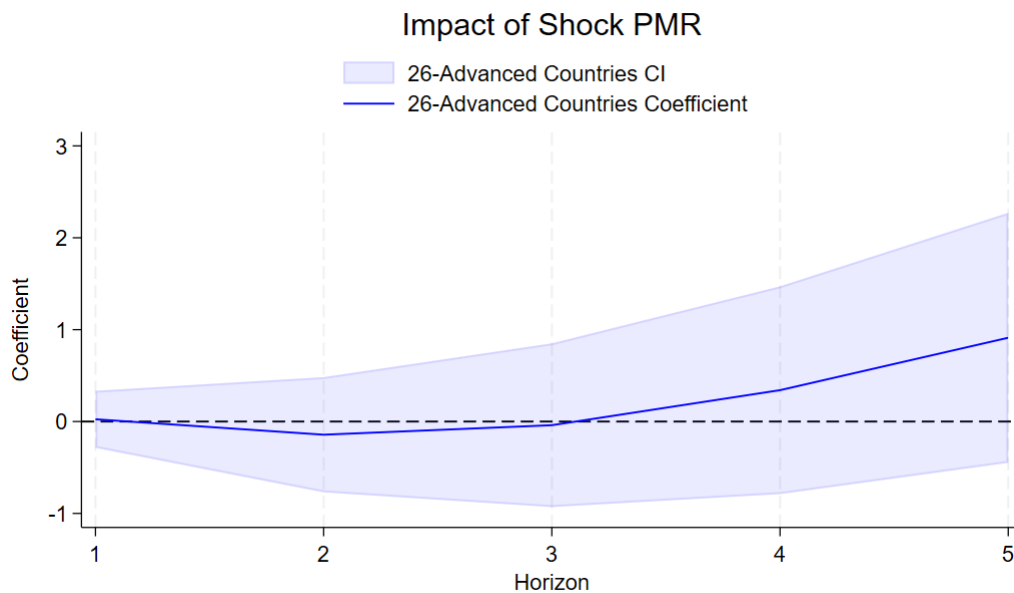


Chart 2

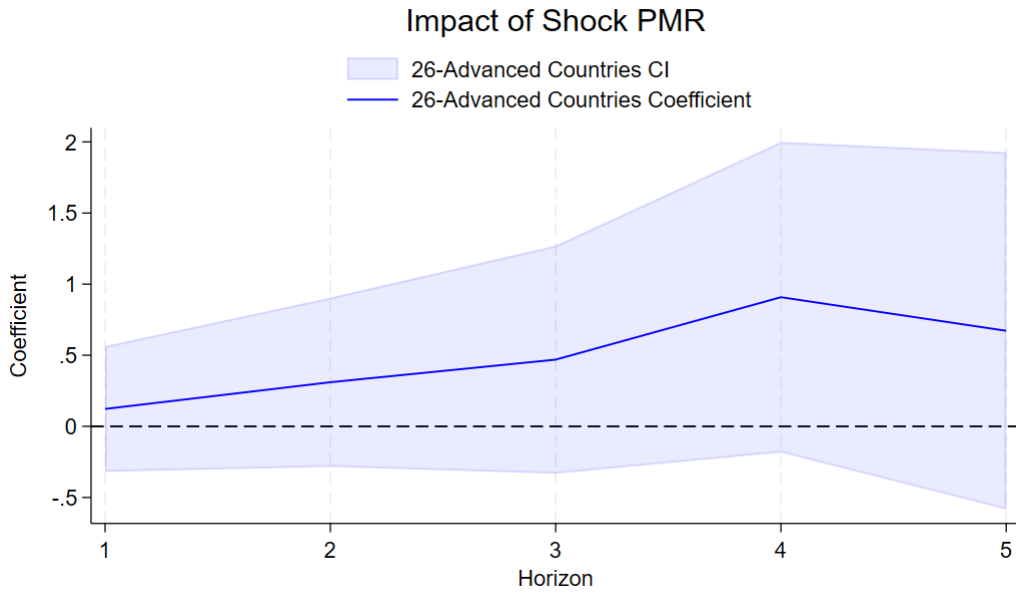


Chart 3

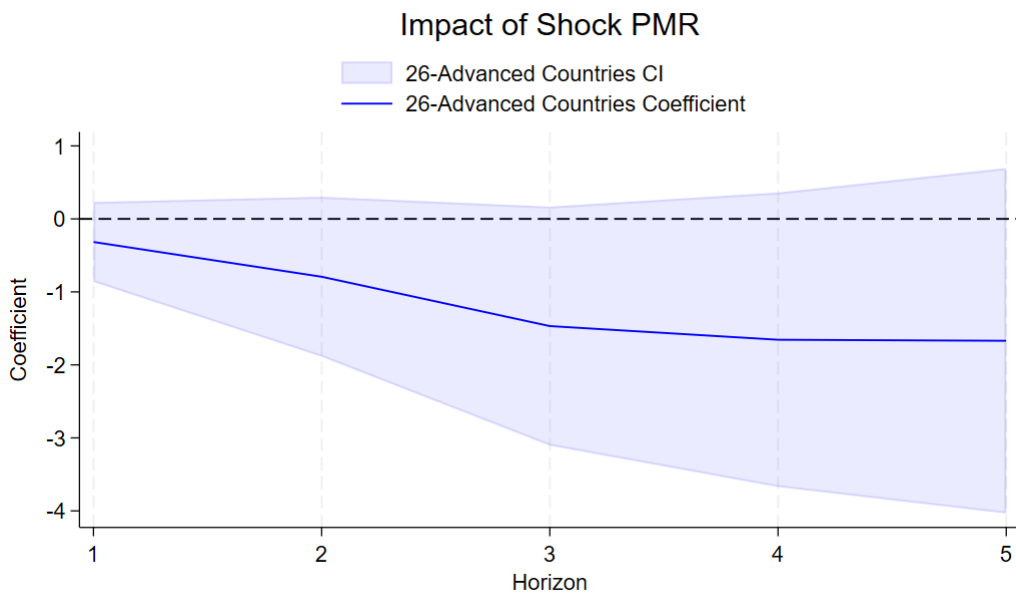


Chart 4

Impact of EPLT Reform(percent) (Shock EPLT) on Product (Chart 5), Employment (Chart 6), Productivity (Chart 7), and Prices (Chart 8) for the 26 Advanced Economies (commonly represented as OECD for simplicity). Replication Results of Duval and Furceri Baseline -Equation (1). These charts are based on the results obtained from Table 1:

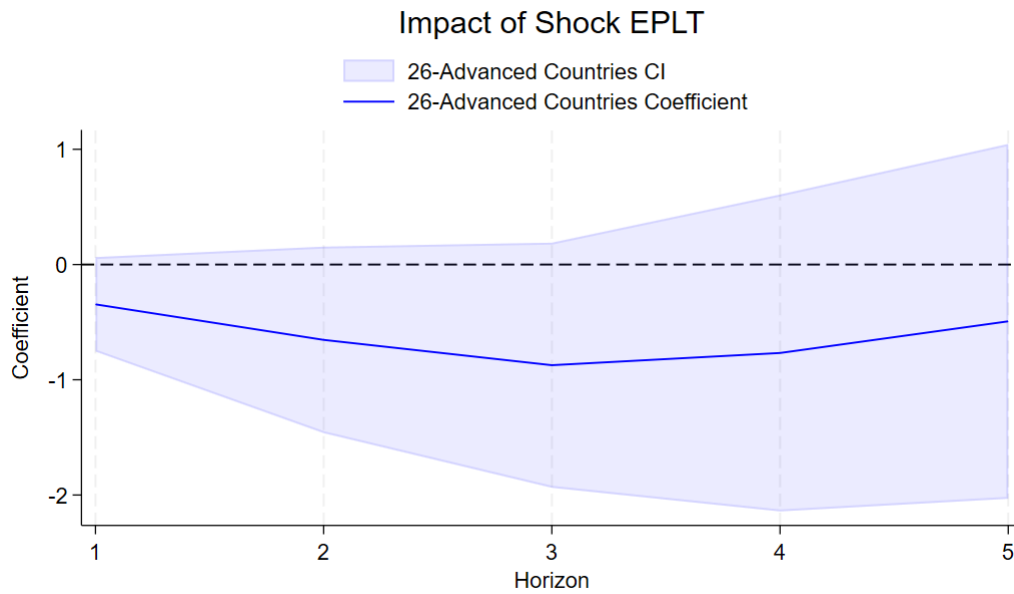


Chart 5

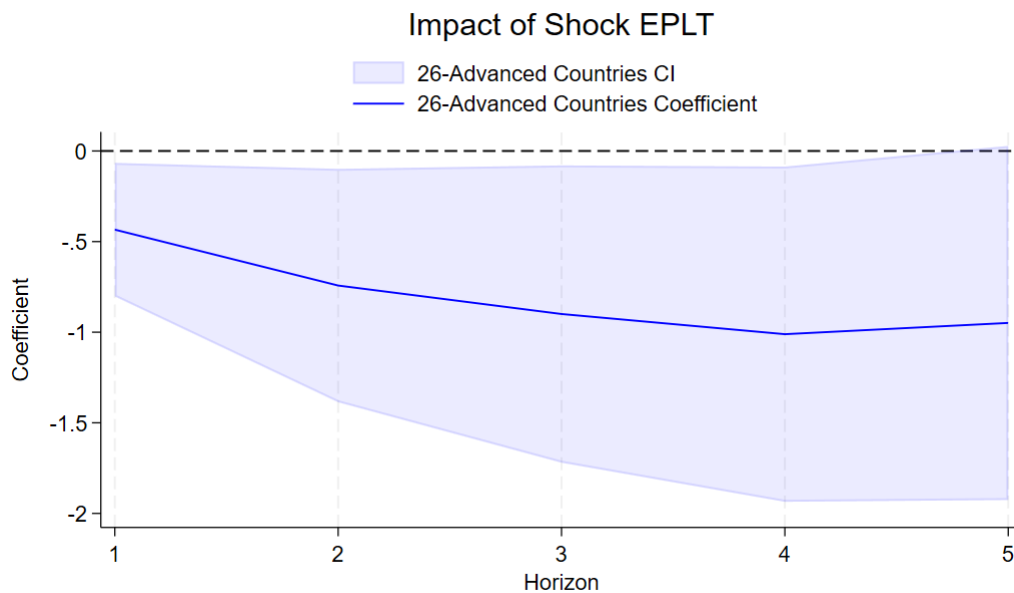


Chart 6

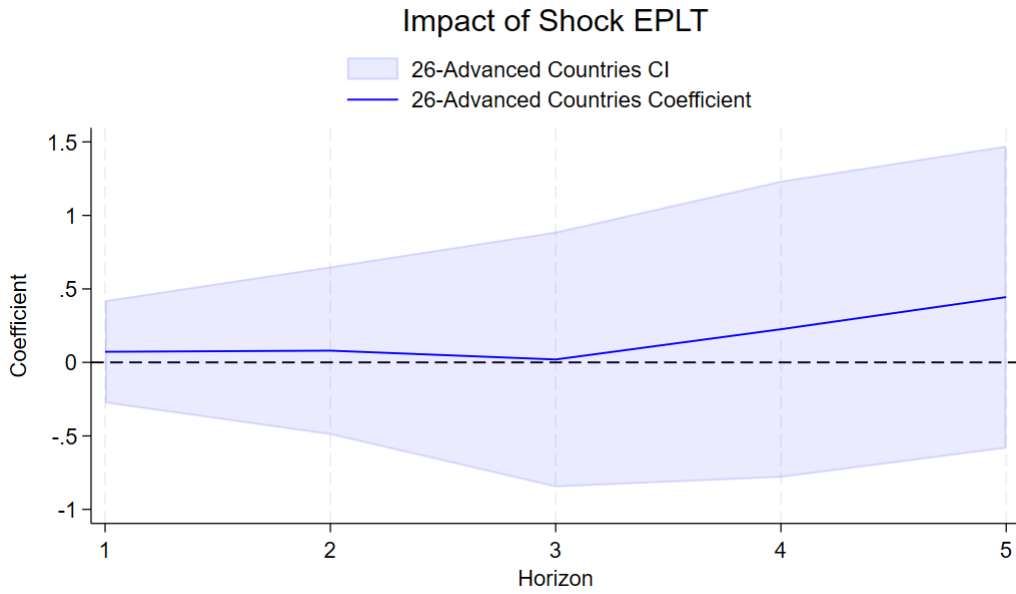


Chart 7

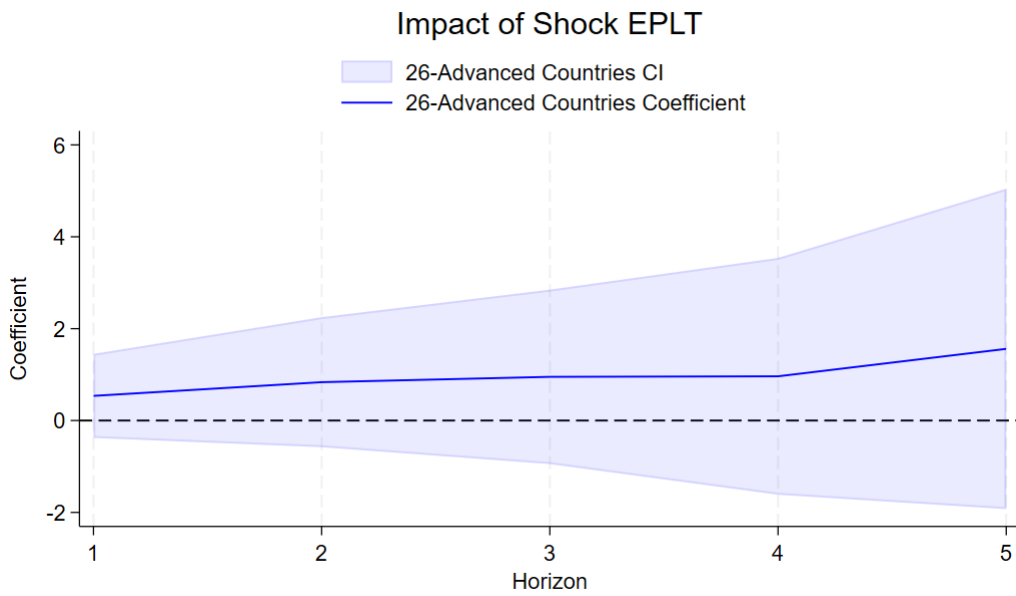


Chart 8

Impact of EPLR Reform (percent) (Shock EPLR) on Product (Chart 9), Employment (Chart 10), Productivity (Chart 11), and Prices (Chart 12) for the 26 Advanced Economies (commonly represented as OECD for simplicity). Replication Results of Duval and Furceri Baseline -Equation (1). These charts are based on the results obtained from Table 1:

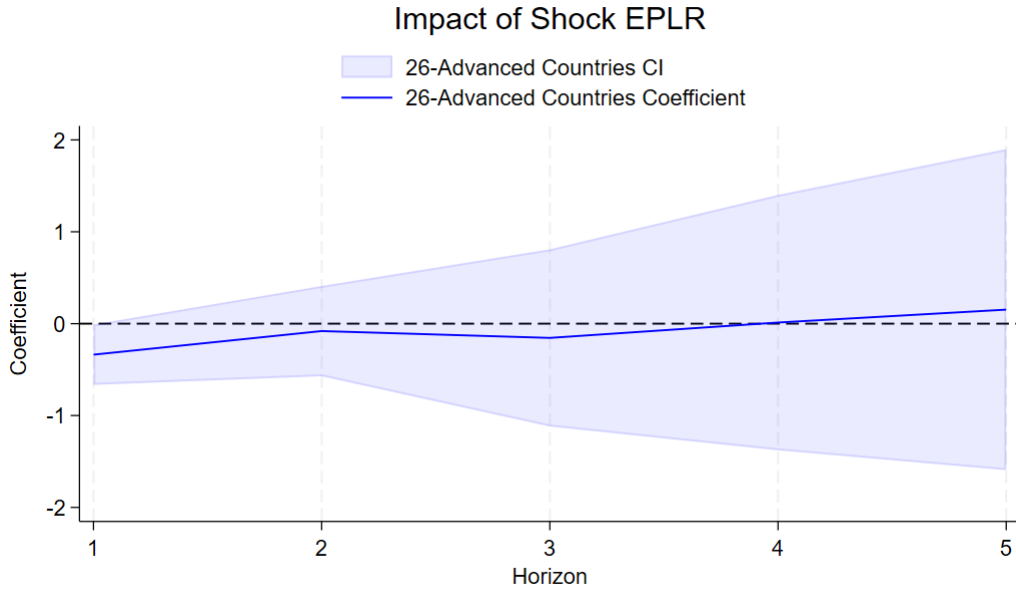


Chart 9

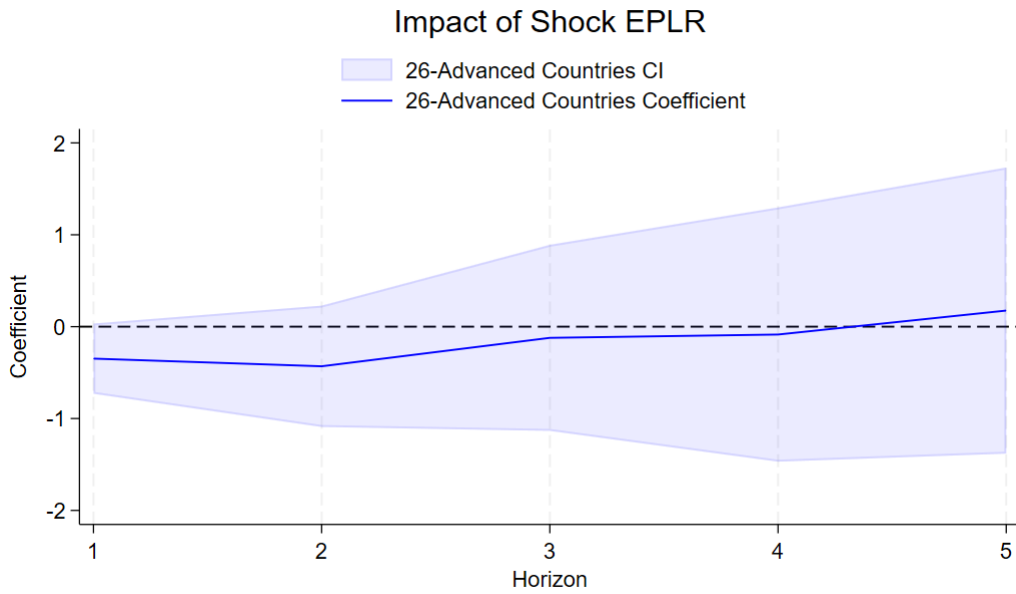


Chart 10

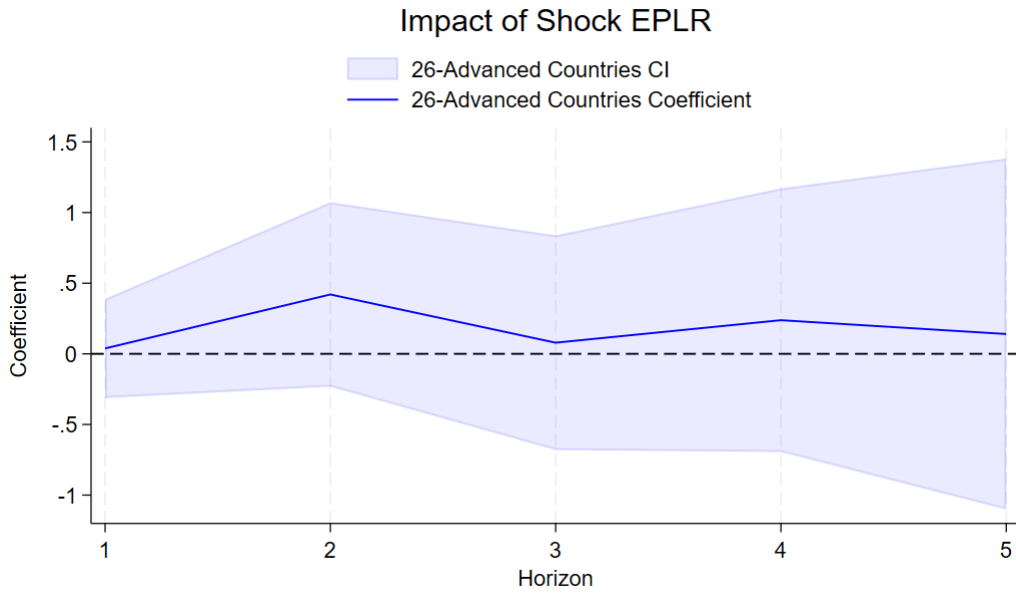


Chart 11

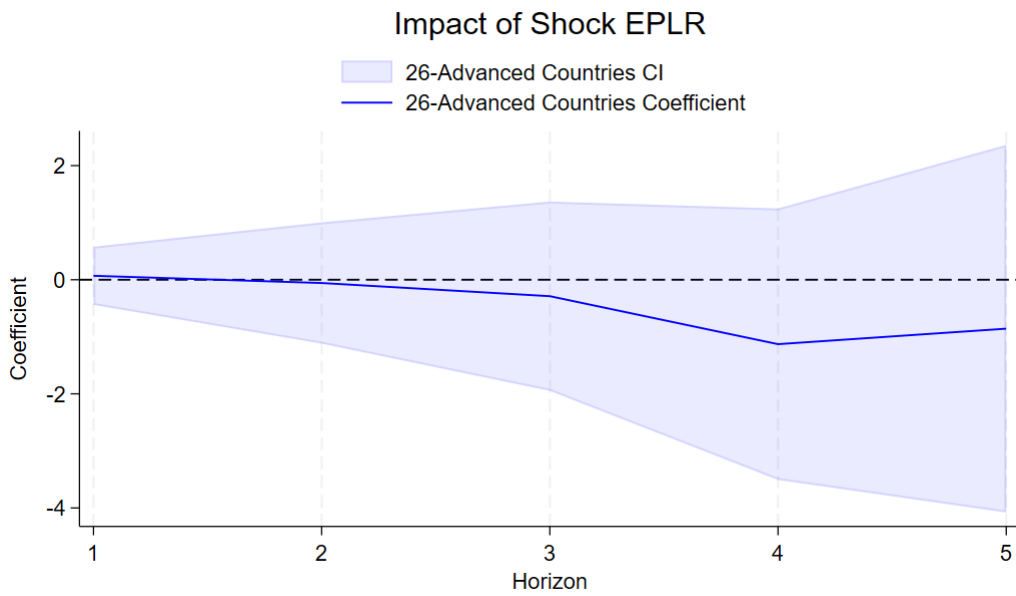


Chart 12

Variables	Cross Effect Asia				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
Region*shock_pmr								
1	<b>-1,847**</b>	<b>-1,181**</b>	<b>-0,713</b>	<b>0,402</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,818	0,518	0,432	0,701	0,244	0,188	0,269	0,332
2	<b>-4,308***</b>	<b>-2,002***</b>	<b>-2,302**</b>	<b>1,202</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	1,188	0,564	1,087	1,486	0,347	0,381	0,361	0,665
3	<b>-6,427***</b>	<b>-3,634***</b>	<b>-2,839</b>	<b>1,324</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	1,916	0,905	1,716	2,515	0,438	0,541	0,487	0,995
4	<b>-7,485**</b>	<b>-5,010***</b>	<b>-2,502</b>	<b>0,396</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	2,808	1,341	2,259	3,612	0,562	0,687	0,664	1,226
5	<b>-8,745**</b>	<b>-6,301***</b>	<b>-2,429</b>	<b>0,877</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	3,444	1,884	2,442	4,640	0,696	0,827	0,764	1,438
Region*shock_eplt								
1	<b>1,661</b>	<b>1,881**</b>	<b>-0,221</b>	<b>0,330</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	1,868	0,816	1,127	1,329	0,249	0,224	0,213	0,555
2	<b>0,404</b>	<b>2,128</b>	<b>-1,771</b>	<b>0,734</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	3,220	1,722	1,603	2,682	0,492	0,391	0,348	0,859
3	<b>-1,128</b>	<b>1,104</b>	<b>-2,253</b>	<b>1,907</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	4,156	2,345	1,962	3,338	0,646	0,498	0,528	1,153
4	<b>-0,966</b>	<b>0,661</b>	<b>-1,694</b>	<b>3,323</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	5,017	2,823	2,307	3,537	0,836	0,562	0,614	1,566
5	<b>-2,307</b>	<b>-0,712</b>	<b>-1,711</b>	<b>4,465</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	5,227	2,727	2,665	4,057	0,936	0,594	0,626	2,119
Region*shock_eplr								
1	<b>-3,819</b>	<b>-3,232</b>	<b>-0,672*</b>	<b>1,861</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	2,457	2,310	0,380	1,433	0,200	0,232	0,213	0,309
2	<b>-2,179**</b>	<b>-2,532*</b>	<b>0,214</b>	<b>0,795</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,867	1,481	1,168	2,292	0,298	0,401	0,396	0,645
3	<b>-2,514*</b>	<b>-1,081</b>	<b>-1,643</b>	<b>2,492</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	1,292	1,310	1,521	3,686	0,586	0,615	0,461	1,008
4	<b>-1,404</b>	<b>-1,037</b>	<b>-0,550</b>	<b>4,352</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	1,614	1,731	0,934	4,648	0,845	0,841	0,567	1,445
5	<b>-1,563</b>	<b>-0,775</b>	<b>-1,063</b>	<b>5,959</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	1,787	1,701	1,352	5,879	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \*p < 0.1

Table 2- IRFs Cross Effects Asia Variable vs 26 Advanced Countries

Variables	Cross Effect on the Anglo-Saxon				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
Region*shock_pmr								
1	<b>-0,447</b>	<b>-0,257</b>	<b>-0,170</b>	<b>0,452</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,563	0,329	0,552	0,487	0,244	0,188	0,269	0,332
2	<b>-0,702</b>	<b>-0,953</b>	<b>0,268</b>	<b>0,138</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	0,719	0,576	0,710	0,896	0,347	0,381	0,361	0,665
3	<b>-0,359</b>	<b>-1,133</b>	<b>0,838</b>	<b>-0,400</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	0,833	0,739	0,889	1,357	0,438	0,541	0,487	0,995
4	<b>-1,098</b>	<b>-1,369</b>	<b>0,349</b>	<b>-1,612</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	1,082	1,004	1,080	1,763	0,562	0,687	0,664	1,226
5	<b>-1,714</b>	<b>-1,661</b>	<b>0,057</b>	<b>-2,615</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	1,150	1,253	1,124	2,219	0,696	0,827	0,764	1,438
Region*shock_eplt								
1	<b>-0,423</b>	<b>-0,327</b>	<b>-0,104</b>	<b>-0,394</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,921	0,394	1,092	0,786	0,249	0,224	0,213	0,555
2	<b>-1,279</b>	<b>-1,690**</b>	<b>0,372</b>	<b>0,296</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	1,172	0,807	1,380	1,329	0,492	0,391	0,348	0,859
3	<b>-2,102</b>	<b>-2,658*</b>	<b>0,463</b>	<b>1,214</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	2,091	1,364	2,234	2,051	0,646	0,498	0,528	1,153
4	<b>-2,054</b>	<b>-3,766*</b>	<b>1,614</b>	<b>1,903</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	2,716	2,155	2,767	2,465	0,836	0,562	0,614	1,566
5	<b>-0,016</b>	<b>-2,741</b>	<b>2,604</b>	<b>4,017</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	4,012	2,560	3,211	3,231	0,936	0,594	0,626	2,119
Region*shock_eplr								
1	<b>1,518***</b>	<b>0,916*</b>	<b>0,563</b>	<b>-0,532</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,239	0,499	0,515	0,545	0,200	0,232	0,213	0,309
2	<b>1,302**</b>	<b>1,114</b>	<b>0,084</b>	<b>0,875</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,565	0,822	0,736	0,953	0,298	0,401	0,396	0,645
3	<b>0,453</b>	<b>0,600</b>	<b>-0,293</b>	<b>0,860</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	1,219	0,970	0,945	1,832	0,586	0,615	0,461	1,008
4	<b>-1,036</b>	<b>-0,626</b>	<b>-0,609</b>	<b>1,219</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	1,716	1,531	1,161	3,181	0,845	0,841	0,567	1,445
5	<b>-1,466</b>	<b>-1,701</b>	<b>-0,007</b>	<b>1,028</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	2,202	2,053	1,381	4,274	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p<0.05, \*p<0.1

Table 3- IRFs Cross Effects Anglo Saxon Variable vs 26 Advanced Countries

Variables	Cross Effect Europe Central				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
Region*shock_pmr								
1	<b>-0,046</b>	<b>0,216</b>	<b>-0,299</b>	<b>1,900**</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,350	0,341	0,448	0,895	0,244	0,188	0,269	0,332
2	<b>-0,228</b>	<b>0,203</b>	<b>-0,511</b>	<b>3,536*</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	0,566	0,710	0,762	1,773	0,347	0,381	0,361	0,665
3	<b>-0,351</b>	<b>0,109</b>	<b>-0,598</b>	<b>5,518**</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	0,782	1,013	1,015	2,651	0,438	0,541	0,487	0,995
4	<b>-1,024</b>	<b>-0,248</b>	<b>-0,949</b>	<b>7,342**</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	1,106	1,363	1,304	3,338	0,562	0,687	0,664	1,226
5	<b>-1,167</b>	<b>-0,701</b>	<b>-0,665</b>	<b>9,231**</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	1,365	1,615	1,565	4,070	0,696	0,827	0,764	1,438
Region*shock_eplt								
1	<b>-0,102</b>	<b>0,030</b>	<b>-0,156</b>	<b>-0,308</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,391	0,396	0,313	0,685	0,249	0,224	0,213	0,555
2	<b>-0,229</b>	<b>0,125</b>	<b>-0,356</b>	<b>-0,503</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	0,925	0,668	0,560	1,170	0,492	0,391	0,348	0,859
3	<b>-0,417</b>	<b>-0,098</b>	<b>-0,356</b>	<b>-0,641</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	1,498	0,835	0,963	1,717	0,646	0,498	0,528	1,153
4	<b>-0,429</b>	<b>-0,047</b>	<b>-0,412</b>	<b>-0,859</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	1,926	1,028	1,231	2,439	0,836	0,562	0,614	1,566
5	<b>-0,567</b>	<b>-0,391</b>	<b>-0,143</b>	<b>-0,861</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	2,253	1,438	1,178	3,251	0,936	0,594	0,626	2,119
Region*shock_eplr								
1	<b>-0,089</b>	<b>0,637</b>	<b>-0,647</b>	<b>-0,449</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,347	0,408	0,491	0,651	0,200	0,232	0,213	0,309
2	<b>0,160</b>	<b>0,393</b>	<b>-0,028</b>	<b>0,013</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,565	0,752	0,940	1,350	0,298	0,401	0,396	0,645
3	<b>0,590</b>	<b>0,208</b>	<b>0,671</b>	<b>0,754</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	0,861	1,033	1,008	2,187	0,586	0,615	0,461	1,008
4	<b>1,405</b>	<b>0,382</b>	<b>1,390</b>	<b>1,617</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	1,119	1,312	1,254	3,106	0,845	0,841	0,567	1,445
5	<b>1,691</b>	<b>0,024</b>	<b>2,092</b>	<b>2,423</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	1,299	1,458	1,402	3,955	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Table 4- IRFs Cross Effects Europe Central Variable vs 26 Advanced Countries

Variables	Cross Effect on East Europe				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
Region*shock_pmr								
1	<b>0,798</b>	<b>-0,623</b>	<b>1,418**</b>	<b>1,222</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,682	0,278	0,519	0,883	0,244	0,188	0,269	0,332
2	<b>1,203</b>	<b>-0,201</b>	<b>1,392</b>	<b>2,607*</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	0,859	0,450	0,826	1,323	0,347	0,381	0,361	0,665
3	<b>1,267</b>	<b>-0,496</b>	<b>1,738</b>	<b>3,772*</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	1,712	0,639	1,692	2,120	0,438	0,541	0,487	0,995
4	<b>3,016*</b>	<b>-0,593</b>	<b>3,579*</b>	<b>3,644</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	1,477	0,921	1,789	2,252	0,562	0,687	0,664	1,226
5	<b>3,962***</b>	<b>-0,047</b>	<b>3,975**</b>	<b>4,258*</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	1,252	1,114	1,607	2,167	0,696	0,827	0,764	1,438
Region*shock_eplt								
1	<b>-1,379**</b>	<b>-0,069</b>	<b>-1,309</b>	<b>2,084***</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,668	0,333	0,769	0,558	0,249	0,224	0,213	0,555
2	<b>0,041</b>	<b>1,181**</b>	<b>-1,164</b>	<b>3,902***</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	2,438	0,529	2,283	1,045	0,492	0,391	0,348	0,859
3	<b>0,621</b>	<b>2,664**</b>	<b>-2,091</b>	<b>4,484***</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	3,053	0,965	2,259	1,037	0,646	0,498	0,528	1,153
4	<b>1,943</b>	<b>2,751**</b>	<b>-0,866</b>	<b>4,926***</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	4,279	1,264	3,140	1,452	0,836	0,562	0,614	1,566
5	<b>3,583</b>	<b>2,823</b>	<b>0,681</b>	<b>3,953*</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	4,152	1,798	2,475	1,969	0,936	0,594	0,626	2,119
Region*shock_eplr								
1	<b>-0,450</b>	<b>0,490</b>	<b>-0,940**</b>	<b>-0,374</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,395	0,321	0,390	0,512	0,200	0,232	0,213	0,309
2	<b>-0,830</b>	<b>1,468***</b>	<b>-2,323***</b>	<b>-2,164**</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,683	0,451	0,706	1,008	0,298	0,401	0,396	0,645
3	<b>-0,901</b>	<b>2,331***</b>	<b>-3,262***</b>	<b>-2,693</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	1,565	0,672	1,109	2,044	0,586	0,615	0,461	1,008
4	<b>0,218</b>	<b>2,604**</b>	<b>-2,417</b>	<b>-4,459*</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	2,559	0,951	1,808	2,480	0,845	0,841	0,567	1,445
5	<b>0,190</b>	<b>2,864*</b>	<b>-2,695</b>	<b>-6,363*</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	3,217	1,440	1,959	3,251	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Table 5- IRFs Cross Effects East Europe Variable vs 26 Advanced Countries

Variables	Cross Effect North Europe				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
Region*shock_pmr								
1	<b>0,656</b>	<b>-0,646*</b>	<b>1,301**</b>	<b>-2,127</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,472	0,329	0,525	1,947	0,244	0,188	0,269	0,332
2	<b>1,041</b>	<b>-1,641**</b>	<b>2,686***</b>	<b>-3,668</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	0,681	0,632	0,724	4,059	0,347	0,381	0,361	0,665
3	<b>1,098</b>	<b>-2,243**</b>	<b>3,347***</b>	<b>-5,556</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	1,097	0,903	1,084	6,264	0,438	0,541	0,487	0,995
4	<b>1,949</b>	<b>-2,879**</b>	<b>4,823***</b>	<b>-5,361</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	1,479	1,315	1,205	7,770	0,562	0,687	0,664	1,226
5	<b>2,585</b>	<b>-3,160*</b>	<b>5,704***</b>	<b>-6,519</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	1,899	1,639	1,544	9,781	0,696	0,827	0,764	1,438
Region*shock_eplt								
1	<b>-0,431</b>	<b>-0,854</b>	<b>0,455</b>	<b>2,244</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,344	0,503	0,390	2,017	0,249	0,224	0,213	0,555
2	<b>-0,226</b>	<b>-0,870</b>	<b>0,682</b>	<b>3,041</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	0,614	0,619	0,668	2,309	0,492	0,391	0,348	0,859
3	<b>0,312</b>	<b>-0,275</b>	<b>0,646</b>	<b>3,311</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	1,477	0,746	1,285	2,371	0,646	0,498	0,528	1,153
4	<b>0,110</b>	<b>-0,025</b>	<b>0,216</b>	<b>5,002</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	1,857	0,915	1,343	3,787	0,836	0,562	0,614	1,566
5	<b>0,124</b>	<b>-0,299</b>	<b>0,497</b>	<b>5,361</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	1,842	1,039	1,208	4,405	0,936	0,594	0,626	2,119
Region*shock_eplr								
1	<b>0,181</b>	<b>-0,022</b>	<b>0,218</b>	<b>0,385</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,442	0,647	0,452	0,969	0,200	0,232	0,213	0,309
2	<b>1,982**</b>	<b>0,970</b>	<b>0,991</b>	<b>1,717</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,782	0,954	0,711	2,271	0,298	0,401	0,396	0,645
3	<b>4,759***</b>	<b>2,717</b>	<b>2,028</b>	<b>3,347</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	1,556	1,867	1,066	3,549	0,586	0,615	0,461	1,008
4	<b>5,711**</b>	<b>4,433</b>	<b>1,253</b>	<b>4,477</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	2,434	2,830	1,674	4,113	0,845	0,841	0,567	1,445
5	<b>6,389**</b>	<b>5,145</b>	<b>1,247</b>	<b>5,045</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	2,765	3,660	1,962	4,637	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Table 6- IRFs Cross-Effect North Europe Variable vs 26 Advanced Countries

Variables	Cross Effect South Europe				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
Region*shock_pmr								
1	<b>0,152</b>	<b>1,2377**</b>	<b>-1,040*</b>	<b>-1,857***</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,371	0,456	0,545	0,666	0,244	0,188	0,269	0,332
2	<b>0,920</b>	<b>2,834**</b>	<b>-1,829*</b>	<b>-3,321**</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	0,555	1,129	0,975	1,360	0,347	0,381	0,361	0,665
3	<b>1,355</b>	<b>4,3330**</b>	<b>-2,843*</b>	<b>-4,374**</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	0,854	1,813	1,561	2,045	0,438	0,541	0,487	0,995
4	<b>1,681</b>	<b>6,0627**</b>	<b>-4,212*</b>	<b>-5,283*</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	1,619	2,642	2,079	2,639	0,562	0,687	0,664	1,226
5	<b>1,905</b>	<b>7,3147**</b>	<b>-5,223**</b>	<b>-6,150*</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	2,363	3,413	2,455	3,449	0,696	0,827	0,764	1,438
Region*shock_eplt								
1	<b>0,239</b>	<b>-0,042</b>	<b>0,284</b>	<b>-1,523</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,389	0,492	0,331	0,941	0,249	0,224	0,213	0,555
2	<b>0,480</b>	<b>-0,165</b>	<b>0,655</b>	<b>-2,544*</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	0,818	0,877	0,621	1,402	0,492	0,391	0,348	0,859
3	<b>0,867</b>	<b>-0,126</b>	<b>1,030</b>	<b>-3,314*</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	1,030	0,954	1,021	1,901	0,646	0,498	0,528	1,153
4	<b>0,606</b>	<b>0,076</b>	<b>0,567</b>	<b>-4,801*</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	1,226	0,953	1,102	2,540	0,836	0,562	0,614	1,566
5	<b>0,214</b>	<b>0,676</b>	<b>-0,443</b>	<b>-5,930</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	1,405	0,971	1,089	3,634	0,936	0,594	0,626	2,119
Region*shock_eplr								
1	<b>-0,079</b>	<b>-0,631</b>	<b>0,516</b>	<b>0,281</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,447	0,468	0,502	0,395	0,200	0,232	0,213	0,309
2	<b>-1,216*</b>	<b>-1,448</b>	<b>0,163</b>	<b>-0,830</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	0,698	0,982	1,050	0,998	0,298	0,401	0,396	0,645
3	<b>-2,367**</b>	<b>-2,372</b>	<b>-0,101</b>	<b>-2,373</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	0,961	1,405	1,071	1,502	0,586	0,615	0,461	1,008
4	<b>-3,197**</b>	<b>-2,746</b>	<b>-0,590</b>	<b>-3,639</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	1,325	1,861	1,198	2,250	0,845	0,841	0,567	1,445
5	<b>-3,683*</b>	<b>-2,438</b>	<b>-1,415</b>	<b>-4,428</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	1,721	2,101	1,418	3,359	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Table 7- IRFs Cross-Effects South Europe Variable vs 26 Advanced Countries

Variables	Cross Effect More Open to Trade				26 Advanced Countries (Duval and Furceri Baseline Findings)			
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices
	%	%	%	%	%	%	%	%
more_trade*shock_pmr								
1	<b>0,855**</b>	<b>0,872***</b>	<b>0,008</b>	<b>0,437</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>
	0,379	0,290	0,601	0,695	0,244	0,188	0,269	0,332
2	<b>2,198*</b>	<b>1,907***</b>	<b>0,277</b>	<b>0,584</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>
	1,158	0,409	1,248	1,481	0,347	0,381	0,361	0,665
3	<b>2,329</b>	<b>2,460***</b>	<b>-0,131</b>	<b>0,485</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>
	1,786	0,807	1,482	2,114	0,438	0,541	0,487	0,995
4	<b>3,470*</b>	<b>3,313***</b>	<b>0,139</b>	<b>1,137</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>
	1,953	1,066	1,590	2,681	0,562	0,687	0,664	1,226
5	<b>3,551*</b>	<b>3,572**</b>	<b>-0,070</b>	<b>1,188</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>
	1,977	1,423	1,391	3,525	0,696	0,827	0,764	1,438
more_trade*shock_eplt								
1	<b>1,116***</b>	<b>-0,640*</b>	<b>1,752***</b>	<b>-1,869</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
	0,201	0,334	0,277	1,128	0,249	0,224	0,213	0,555
2	<b>4,219***</b>	<b>0,405</b>	<b>3,821***</b>	<b>-4,043**</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
	0,478	0,462	0,487	1,788	0,492	0,391	0,348	0,859
3	<b>7,132***</b>	<b>2,328***</b>	<b>4,841***</b>	<b>-5,926**</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
	0,706	0,581	0,708	2,522	0,646	0,498	0,528	1,153
4	<b>8,189***</b>	<b>3,488***</b>	<b>4,742***</b>	<b>-6,845**</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>
	0,930	0,760	0,854	3,552	0,836	0,562	0,614	1,566
5	<b>9,691***</b>	<b>4,557***</b>	<b>5,199***</b>	<b>-7,677*</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>
	1,147	1,025	1,064	4,425	0,936	0,594	0,626	2,119
more_trade*shock_eplr								
1	<b>-0,907</b>	<b>-0,653</b>	<b>-0,210</b>	<b>-0,186</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
	0,671	0,388	0,458	0,616	0,200	0,232	0,213	0,309
2	<b>-0,689</b>	<b>-0,945</b>	<b>0,375</b>	<b>-1,578</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
	1,236	0,833	0,674	1,038	0,298	0,401	0,396	0,645
3	<b>-1,245</b>	<b>-1,697*</b>	<b>0,590</b>	<b>-4,123**</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
	2,245	0,960	1,525	1,727	0,586	0,615	0,461	1,008
4	<b>-1,726</b>	<b>-2,405*</b>	<b>0,890</b>	<b>-7,495***</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>
	1,482	1,313	0,593	2,233	0,845	0,841	0,567	1,445
5	<b>-1,144</b>	<b>-2,714</b>	<b>1,843**</b>	<b>-9,628***</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>
	2,133	1,761	0,709	3,099	1,062	0,946	0,755	1,958

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Table 8- IRFs Cross-Effect More Openness to Trade Variable vs 26 Advanced Countries

Variables	Cross Effect Less Open to Trade				26 Advanced Countries (Duval and Furceri Baseline Findings)					
	Product	Employment	Productivity	Prices	Product	Employment	Productivity	Prices		
	%	%	%	%	%	%	%	%		
less_trade*shock_pmr	1	<b>-0,855**</b>	<b>-0,872***</b>	<b>-0,008</b>	<b>-0,437</b>	<b>0,138</b>	<b>0,025</b>	<b>0,122</b>	<b>-0,316</b>	
		0,379	0,290	0,601	0,695	0,244	0,188	0,269	0,332	
	2	<b>-2,198*</b>	<b>-1,907***</b>	<b>-0,277</b>	<b>-0,584</b>	<b>0,142</b>	<b>-0,143</b>	<b>0,310</b>	<b>-0,792</b>	
		1,158	0,409	1,248	1,481	0,347	0,381	0,361	0,665	
	3	<b>-2,329</b>	<b>-2,460***</b>	<b>0,131</b>	<b>-0,485</b>	<b>0,386</b>	<b>-0,040</b>	<b>0,469</b>	<b>-1,468</b>	
		1,786	0,807	1,482	2,114	0,438	0,541	0,487	0,995	
	4	<b>-3,470*</b>	<b>-3,313***</b>	<b>-0,139</b>	<b>-1,137</b>	<b>1,1942**</b>	<b>0,341</b>	<b>0,908</b>	<b>-1,656</b>	
		1,953	1,066	1,590	2,681	0,562	0,687	0,664	1,226	
	5	<b>-3,551*</b>	<b>-3,572**</b>	<b>0,070</b>	<b>-1,188</b>	<b>1,5183**</b>	<b>0,912</b>	<b>0,672</b>	<b>-1,670</b>	
		1,977	1,423	1,391	3,525	0,696	0,827	0,764	1,438	
	less_trade*shock_eplt	1	<b>-1,116***</b>	<b>0,640*</b>	<b>-1,752***</b>	<b>1,869</b>	<b>-0,345</b>	<b>-0,434*</b>	<b>0,072</b>	<b>0,537</b>
			0,201	0,334	0,277	1,128	0,249	0,224	0,213	0,555
		2	<b>-4,219***</b>	<b>-0,405</b>	<b>-3,821***</b>	<b>4,043**</b>	<b>-0,654</b>	<b>-0,743*</b>	<b>0,080</b>	<b>0,835</b>
			0,478	0,462	0,487	1,788	0,492	0,391	0,348	0,859
		3	<b>-7,132***</b>	<b>-2,328***</b>	<b>-4,841***</b>	<b>5,926**</b>	<b>-0,873</b>	<b>-0,900*</b>	<b>0,020</b>	<b>0,951</b>
		0,706	0,581	0,708	2,522	0,646	0,498	0,528	1,153	
4		<b>-8,189***</b>	<b>-3,488***</b>	<b>-4,742***</b>	<b>6,845*</b>	<b>-0,767</b>	<b>-1,011*</b>	<b>0,226</b>	<b>0,963</b>	
		0,930	0,760	0,854	3,552	0,836	0,562	0,614	1,566	
5		<b>-9,691***</b>	<b>-4,557***</b>	<b>-5,199***</b>	<b>7,677*</b>	<b>-0,493</b>	<b>-0,949</b>	<b>0,444</b>	<b>1,560</b>	
		1,147	1,025	1,064	4,425	0,936	0,594	0,626	2,119	
less_trade*shock_eplr		1	<b>0,907</b>	<b>0,653</b>	<b>0,210</b>	<b>0,186</b>	<b>-0,337</b>	<b>-0,348</b>	<b>0,038</b>	<b>0,069</b>
			0,671	0,388	0,458	0,616	0,200	0,232	0,213	0,309
		2	<b>0,689</b>	<b>0,945</b>	<b>-0,375</b>	<b>1,578</b>	<b>-0,081</b>	<b>-0,431</b>	<b>0,420</b>	<b>-0,057</b>
			1,236	0,833	0,674	1,038	0,298	0,401	0,396	0,645
		3	<b>1,245</b>	<b>1,697*</b>	<b>-0,590</b>	<b>4,123**</b>	<b>-0,155</b>	<b>-0,122</b>	<b>0,079</b>	<b>-0,288</b>
		2,245	0,960	1,525	1,727	0,586	0,615	0,461	1,008	
	4	<b>1,726</b>	<b>2,405*</b>	<b>-0,890</b>	<b>7,495***</b>	<b>0,012</b>	<b>-0,086</b>	<b>0,238</b>	<b>-1,129</b>	
		1,482	1,313	0,593	2,233	0,845	0,841	0,567	1,445	
	5	<b>1,144</b>	<b>2,714</b>	<b>-1,843**</b>	<b>9,628***</b>	<b>0,153</b>	<b>0,175</b>	<b>0,141</b>	<b>-0,858</b>	
		2,133	1,761	0,709	3,099	1,062	0,946	0,755	1,958	

\*\*\* p < 0.01, \*\* p<0.05, \*p<0.1

Table 9- IRFs Cross-Effects Less Openness vs 26 Advanced Countries