Contents

List	t of Text Boxes	page xiii
4cl	knowledgments	XV
	About This Book	1
	Objectives	1
	What's New in the Second Edition	3
	Organization	3
	Resources for New CGE Modelers	5
	For the Instructor	6
1.	Introduction to Computable General Equilibrium Models	8
	Economic Models, Economists' Toys	8
	What Is a Computable General Equilibrium Model?	10
	A Standard CGE Model	15
	CGE Model Structure	16
	CGE Model Database	16
	CGE Model Applications	18
	Summary	19
	Key Terms	19
	Practice and Review	20
2.	Elements of a Computable General Equilibrium Model	24
	Sets	25
	Endogenous Variables	25
	Exogenous Variables	26
	Model Closure	27
	Exogenous Parameters	27
	Equations	37
	Macroclosure	38
	Nonlinear and Linearized CGE Models	40
	Model Calibration	42

viii

Contents

	Normalizing Prices	43
	Price Linkages	45
3	Numeraire	50
1	Structure of a CGE Model	52
\$	Summary	53
]	Key Terms	54
]	Practice and Review	55 55
3. 7	The CGE Model Database	58
]	Introduction to the Social Accounting Matrix	59
	Accounts in a SAM	60
ľ	Microeconomic Data in a SAM	69
	Macroeconomic Data in a SAM	70
S	Structure Table	73
	Jpdating the SAM	81
	Elasticities Database	83
	Summary	85
	Key Terms	85
ŀ	Practice and Review	86
	Final Demand in a CGE Model	87
_	Final Demand Data in a SAM	88
	ncome Data in a SAM	89
	wo-Stage Domestic Final Demand	91
	Jtility-Maximizing Private Households	94
	Demand Response to Income Changes	97
	Demand Response to Relative Price Changes	98
	Comparing Utility Functions Used in CGE Models	102
	mport Demand	108
	Export Demand	111
_	Consumer Welfare	113
	ummary	119
	Ley Terms	119
	ractice and Review	120
10	echnical Appendix 4.1: Elasticity Parameters in Utility	
	Functions	121
	upply in a CGE Model	123
_	roduction Data in a SAM	124
	iput-Output Coefficients	125
	roducer Behavior in a CGE Model	127
	echnology Tree and Nested Production Functions	128
In	termediate Input Demand	130

Contents	ix
----------	----

		400
	Factor (Value-Added) Demand	133
	Combining Intermediate Inputs and Factors	136
	Input Prices and Level of Output	137
	Export Supply	1 41
	Summary	144
	Key Terms	144
	Practice and Review	145
	Technical Appendix 5.1: Inputs as Substitutes or	
	Complements – Energy Nesting in CGE Models of Climate	
	Change Mitigation	146
6.	Factors of Production in a CGE Model	149
	Factors of Production Data in a SAM	150
	Factor Mobility	151
	Factor Endowment Change	154
	Factors as Complements and Substitutes	155
	Factor Productivity Change	158
	Factor Unemployment	162
	Factors and Structural Change	164
	Summary	166
	Key Terms	167
	Practice and Review	167
7.	Trade in a CGE Model	168
, •	Trade Data in a SAM	169
	Exchange Rates	170
	Terms of Trade	174
	Trade Theory in CGE Models	177
	Factor Endowment Changes, Trade, and Terms of Trade	178
	World Price Changes and Factor Income Distribution	183
	Booming Sector, Dutch Disease	185
	Trade Margins in International Trade	188
	Summary	190
	Key Terms	190
	Practice and Review	191
8.	Taxes in a CGE Model	193
•	Trade Taxes	197
	Production Taxes	205
	Sales (and Intermediate Input) Taxes	208
	Factor Use Taxes	212
	Income Taxes	216
	Second-Best Efficiency Effects	219
	Properties Transmission	

X

Marginal Welfare Burden of a Tax Preferential Tariffs Summary Key Terms	22 23 23
Practice and Review	23
9. Regulations in a CGE Model	23
Types of Regulations	23
Non-Tariff Measures in International Trade	23
Regulations to Correct Negative Production Externalities	24
Summary	25.
Key terms	25.
Practice and Review	25.
10. Conclusion: Frontiers in CGE Modeling	25′
Model Exercises	26:
Introduction	26.
Model Exercise 1: Set Up the GTAP Model and Database	268
Model Exercise 2: Explore the GTAP Model and Database	278
Model Exercise 3: Run the GTAP Model	284
Model Exercise 4: Soaring Food Prices and the U.S. Economy	303
Model Exercise 5: Food Fight: Agricultural Production	
Subsidies	307
Model Exercise 6: How Immigration Can Raise Wages	314
Model Exercise 7: The Doha Development Agenda	320
Model Exercise 8: The Marginal Welfare Burden of the U.S.	
Tax System	327
Model Exercise 9: Climate Change – the World in 2050	335
Model Exercise 10: Successful Quitters – The Economic	
Effects of Growing Antismoking Attitudes	343
Model Exercise 11: Deep Integration: Removing Tariffs and	
NTMs in the T-TIP	352
Appendix A: Social Accounting Matrix for the United States, 2007	
\$U.S. Billions Appendix D. Drice and Opendia IV 1.11 1.15 C. 11.	367
Appendix B: Price and Quantity Variables and Definitions in a Standard CGE Model	2.60
Glossary	369
	371
Practice and Review Answer Key Chapter 1	385
Chapter 2	385
Chapter 2 Chapter 3	385
Chapter 4	386
Chapter 5	387 388
	200

X

Chapter 6	388
Chapter 7	389
Chapter 8	389
Chapter 9	390
Model Exercise Answer Key	391
Model Exercise 2	391
Model Exercise 3	392
Model Exercise 4	393
Model Exercise 5	394
Model Exercise 6	396
Model Exercise 7	397
Model Exercise 8	399
Model Exercise 9	400
Model Exercise 10	401
Model Exercise 11	403
References	407
Author Index	419
Subject Index	421