

# INDEX-VOLUME 1B

*Note:* Page numbers followed by “f” and “t” indicate figures and tables respectively

## A

- Actual pension amount (APA), 1732–1733
  - and artificial income concept, 1733–1734
  - old-age dependency ratio, 1743
  - for specific year, 1733
- Adjustment factor (AF), 1746–1747
- ADLI. *See* Agriculture development led-industrialization
- AEEI. *See* Autonomous energy efficiency improvement
- AEZ. *See* Agro-ecological zone
- AF. *See* Adjustment factor
- AGE analysis, global. *See* Global applied general equilibrium analysis
- Agent-based modeling, 1378
- AgLU model, 860–861
- Agricultural incentives, distortions to, 903–904
  - national NRAs, 904–906
  - nominal rates of assistance, 906f, 907–908, 907f
  - RRA calculation, 904
  - RRA mapped on income, 905f
- Agricultural price distortions, 880–881
- Agriculture development led-industrialization (ADLI), 935–936
- Agriculture towards 2050, 960
  - baseline robustness
    - agricultural growth importance, 977
    - agricultural price elasticity, 976t, 977
    - distributional assumptions, 976, 976t
    - ENVISAGE and LEITAP, 971–972, 971t
    - ENVISAGE land supply function, 970
    - LEITAP model, 970
    - nested CET function, 970–971
    - price variability across crops, 974t, 975
    - sensitivity analysis, 972–973, 973t
  - demand-side assumptions, 965–967
  - global implications
    - agricultural growth in baseline, 969–970
    - average global producer price, 967–968, 967f
    - land supply and price growth, 969, 969t
    - productivity growth, 968–969, 968f
  - global stock-to-use ratios, 961–962, 962f
  - multiple structural factors, 961, 961f
  - supply-side assumptions
    - average productivity increase, 964t, 965
    - LEI group, 963
    - segments land, 963, 963t
- Agro-ecological zone (AEZ), 823
- AIDADS. *See* An Implicitly Directly Additive Demand System
- AIDS. *See* Almost Ideal Demand System
- AK model. *See* Auerbach and Kotlikoff model
- Almost Ideal Demand System (AIDS), 944–945
- Altertax procedure, 881–882
- An Implicitly Directly Additive Demand System (AIDADS), 830, 950–951
- AnalyseGE, 843, 1375
  - for GEMPACK users, 1370–1371
- Anderson–Neary approach
  - to aggregation, 920
  - to tariff aggregation, 922
- Anderson–Neary Trade Restrictiveness Index (TRI), 923
- APA. *See* Actual pension amount
- APEC. *See* Asia Pacific Economic Cooperation
- Apparent labor market imperfections. *See* Static macro–micro distributional models
- Applications, CGE model
  - heterogeneous firms and carbon policy
    - carbon coalitions, 1545–1546
    - CO<sub>2</sub> emissions, 1546, 1547f, 1547t
    - CO<sub>2</sub> leakage rates, 1546–1548, 1548f
    - CO<sub>2</sub> prices, 1546, 1547t
    - global emission distribution, 1546
    - global welfare cost, 1550–1551, 1550f
    - OECD coalition policy, 1549, 1549t
    - tariff yield, 1548, 1549t
  - policy instruments, 1540
  - production sectors, 1540–1541
  - regions, 1540, 1541t
  - trade policy applications
    - global social welfare, 1542–1543
    - liberalization, 1544
    - manufacturing tariff global welfare, 1542, 1543f
    - productivity impacts, 1543
    - trade–cost reduction regional welfare impacts, 1541–1542, 1542t
    - unilateral policy impacts, 1543f, 1544–1545, 1545f, 1546f
    - variety impacts, 1544–1545, 1545t
- Apprenticeship system, 1377
- AR4, IPCC’s, 978
- AR5. *See* Fifth Assessment Report

Armington calibration, 1533  
   gravity regression, 1533–1534  
   iceberg trade cost, 1533  
 Armington model, 1593–1594  
 Armington trade, 1519  
   composite commodity, 1519  
   price index, 1519–1520  
 Armington trade theories, 1519–1520  
 Armington-based model, 1552–1553  
 Asia Pacific Economic Cooperation (APEC), 846  
 Auerbach and Kotlikoff model (AK model), 1721–1722  
   disadvantages, 1725  
   Gauss-Seidel technique, 1721–1722  
   idiosyncratic economic risk sources, 1725–1726, 1728  
   LSRA, 1722  
   multiregion models, 1724–1725  
   retirement age, 1722  
 AUSFTA. *See* Australia–US Free Trade Agreement  
 Australia–US Free Trade Agreement (AUSFTA), 850  
 Autonomous energy efficiency improvement (AEEI),  
   954, 1013

## B

Back-of-the-envelope model (BOTE model), 1301–1302  
   for explaining  
     CGE results, 1304–1309  
     short-run, 1302–1304  
 Balance-of-trade function, 922  
 Bangladeshi apparel firms, 1266  
 Bank's LINKAGE model, 879–880  
 Bargaining theories, 1689  
 Base-year household-based data, 1415–1416  
 Baseline forecasting, CGE modeling, 1314  
   historical and forecast simulations relationship, 1314,  
     1315f  
 USAGE 1998–2005 forecasts, checking of,  
   1315–1316  
   computers, 1320–1321  
   electricity, 1321  
   exogenous movements improving performance,  
     1317–1319, 1317t  
   forecast performance measurement, 1316  
   genuine forecast overall performance, 1317, 1317t  
   large-error commodity, 1322  
   Mavromatis changes, 1323–1324, 1324t  
   TCF sector, 1322–1323  
   trend assumptions, 1319–1320  
 Bayes' rule, 1473–1474  
 BEA. *See* Bureau of Economic Analysis  
 Bilateral trade responses, supply-side reinterpretation  
   bilateral trade prediction, 1253–1254  
   firm heterogeneity, 1255–1256  
   homogeneous productivity, 1254  
   Melitz/Chaney interpretation, 1255  
   Pareto distribution productivity, 1254  
   productive firms, 1254

  structural interpretation, 1257  
   supply-side interpretation, 1254  
   trade costs, 1255  
 Binswanger's approach, 1134  
 Bioenergy, 862–864  
   environmental issues, 864  
   ethanol using, 863  
   GTAP-BIO model, 863–864  
   using GTAP-BIO-AEZ model, 864  
   MTBE, 863–864  
   US biofuel policy formation, 863  
 BLS. *See* Bureau of Labor Statistics  
 Border measures, 881  
 Border price, 880  
 BOTE model. *See* Back-of-the-envelope model  
 Bottom-up approach, 1390  
   diabetes prevention campaign, 1391  
   FEDERAL model, 399  
   feedback, 1392  
   micro-oriented policies, 1390–1391, 1391f  
 Bureau of Economic Analysis (BEA), 1007–1008  
 Bureau of Labor Statistics (BLS), 1007–1008

## C

Calibration, 1346, 1393  
   accounts and unit choice  
     equilibrium, 1532  
     monopolistic competition indexes, 1532–1533  
     replication check, 1531  
     trade calibration, 1532–1533  
 Armington calibration, 1533  
   gravity regression, 1533–1534  
   iceberg trade cost, 1533  
 issues, 1536–1537  
 Krugman calibration, 1534  
   benchmark firm-level pricing, 1534  
   firm-level demand function, 1534–1535  
 labor supply, 1675  
 Melitz calibration  
   benchmark productivity, 1535–1536  
   firm-level quantity, 1535–1536  
   sunk cost payment, 1535  
   zero-cutoff-profit condition, 1535  
 Capital, 1455–1456  
 Carbon policy, 1545–1546  
   and CO<sub>2</sub>  
     emissions, 1546, 1547f, 1547t  
     leakage rates, 1546–1548, 1548f  
     prices, 1546, 1547t  
 Catastrophic climate change, 1118  
 CDE. *See* Constant difference of elasticity  
 Central bank objectives, 1486–1487  
 Centre d'Etudes Prospectives et d'Information  
   Internationales (CEPII), 822, 884  
 CEPII. *See* Centre d'Etudes Prospectives et d'Information  
   Internationales

- CET. *See* Constant elasticity of transformation
- CEX. *See* Consumer expenditure survey
- CFC. *See* Chlorofluorocarbon
- CGE econometric modeling
- biases of technical change, 1134
  - Binswanger's approach, 1134
  - CEX, 1136
  - computing confidence intervals, 1189–1201
  - consumer behavior
    - closed-form representation, 1165–1166
    - using Euler equations, 1172–1174
    - full expenditure, 1171–1172
    - indirect utility function, 1168–1169
    - Roy's identity, 1169–1170
  - demands for goods and leisure
    - budget shares, 1184, 1185t
    - estimation, 1181, 1181t
    - fitted budget shares, 1182–1183, 1183t
    - group budget shares, 1184–1186, 1185t
    - price and income elasticities, 1182, 1183t
    - rank-three model, 1182, 1210t
    - rank-two model, 1182, 1209t
  - econometric approach, 1134
  - intertemporal allocation
    - age profile, 1186–1188, 1187f, 1188f
    - cohorts, 1186, 1187t
    - of full consumption, 1186
    - parameter estimation, 1188–1189, 1189t
  - Kalman filter, 1135. *See also* Kalman filter
  - producer behavior
    - autonomous technical change, 1141
    - concavity condition, 1142
    - homogeneity restrictions, 1142
    - induced technical change, 1141
    - input groups, 1138–1139
    - sector list, 1138, 1139t
    - share elasticities, 1141
    - state-space model, 1140
    - technical change rate, 1141
    - transition equation, 1143
    - translog form, 1140
    - sensitivity analysis, 1137
  - CGE model. *See* Computable general equilibrium model
  - CGE modeling. *See* Computable general equilibrium modeling
  - CGE modeling validation, 1271–1272
    - through BOTE analysis
      - BOTE models, 1301–1309
      - qualitative validation, 1297–1298
      - quantitative validation, 1298–1301
    - code checking
      - using checking simulations, 1276–1281
      - nominal homogeneity test, 1275
      - real homogeneity test, 1275
    - through GDP identity, 1281
    - devoting space reasons, 1282
    - input-output database, 1281–1287
    - in nominal terms, 1285–1287
    - real GDP change, 1281
    - in real terms, 1287–1292
    - multiple validating procedures, 1272
    - through regression analysis
      - regression equation, 1310–1311
      - regression outcome, 1310
      - state employment effects, 1309–1310, 1310f
  - CGE monopolistic competition theory, 1514
    - applications, 1540–1551
    - calibration, 1531–1537
    - general equilibrium formulation
      - using Cobb-Douglas technology, 1526
      - expenditure function, 1525–1526
      - goal, 1525
      - multiregion general equilibrium, 1526–1527, 1528t
    - Krugman model, 1515
    - large model computation
      - computing large-scale, 1537
      - convergence report, 1539–1540, 1539f
      - decomposition algorithm, 1538–1539, 1539f
      - Dixit-Stiglitz scale, 1538
      - off-the-shelf algorithm, 1537
      - recalibration, 1538
    - Melitz structure, 1514
    - theory computation
      - Feenstra's description, 1529–1530
      - optimal tariff across structures, 1530, 1530f
      - welfare impacts across structures, 1527, 1529f
  - trade theories
    - Armington trade, 1519–1520
    - Krugman trade, 1520–1521
    - Melitz trade, 1521–1522, 1525
  - Change solution methods, 1339, 1341
  - change strategy and GEMPACK
  - complementarity equation, 1340
  - exogenous variables, 1339
  - GAMS, 1340–1341
    - modelers, 1341
  - levels strategy, 1340
  - linearized equations, 1342–1343
  - Newton–Raphson step, 1340–1341
  - Chile, 925–927
  - Chlorofluorocarbon (CFC), 1070
  - Climate and energy policy, 1012–1013, 1015–1016
    - Asian crisis
      - in Australia and in US, 1022
      - key aspects, 1021
      - risk shock, 1022
    - baseline issues, 1013
    - demographic change
      - Blanchard approach, 1025
      - policy implications, 1025–1026
    - financial crisis, 1026–1034

Climate and energy policy (*Continued*)

- FTAA, 1034–1062
- global financial crisis
  - key aspects, 1022
  - key results, 1023–1024
  - long-run implications, 1023
  - risk, 1023
- macroeconomic policy
  - global fiscal consolidation, 1020–1021
  - MSG model, 1020
  - trade imbalances, 1020
- pandemics
  - bird flu, 1024–1025
  - SARS, 1024
- policy issues
  - carbon policy, 1016
  - environmental policy, 1014
- trade liberalization, 1018
  - adjustment path, 1019
  - Australian real GDP, 1018–1019, 1018f
  - short-run adjustment process, 1019
  - trade imbalances, 1019–1020
- trade policy
  - FTAA, 1017
  - NAFTA, 1017
- Climate change
  - AR5, 978
  - baseline emissions, 981
    - carbon emissions, 981, 982f, 982t
    - climate implications, 983–984, 983f
  - economic impacts, 980, 980t
    - in different regions, 984, 985f
    - GDP, 984, 984f
    - high-income countries, 986
    - most impacted regions, 986
  - in ENVISAGE, 979
  - greenhouse gas emissions, 980
  - Hope's PAGE model, 979
  - IPCC's AR4, 978
  - Nordhaus' DICE model, 979
  - parameterization, 980
  - regional concordance, 988, 989t
- Climate policy evaluation
  - bequests, 1729–1730
  - budget constraints, 1729–1730
  - calibration
    - baseline path, 1743–1746, 1745t
    - disability risk, 1739–1740
    - income inequality measurement, 1738, 1739t
    - labor productivity, 1737–1738, 1738t, 1739f
    - normal retirement ages, 1740–1741
    - pension system, 1743
    - population structure, 1736–1737, 1737f
    - preferences, 1740
    - retirement pattern, 1742f, 1743
    - targets, 1743, 1744t
    - tax system, 1742–1743
  - demographics, 1728–1729
  - efficiency calculation, 1734–1735
  - equilibrium conditions, 1735–1736
  - intracohort heterogeneity, 1728–1729
  - pension system, 1732–1733
    - APA, 1733
    - budget, 1734
    - in German law, 1733
    - individual pension benefits, 1732–1733
  - policy reform simulation
    - funded pension system, 1747
    - pension reforms macroeconomic effects, 1747–1750, 1748t
    - pension system progressivity, 1747
    - retirement age increasing, 1746–1747
  - preferences, 1730
  - production technology, 1731
  - retire combinations, 1730–1731
  - retirement decision, 1731
  - sensitivity analysis
    - higher progressivity, 1753, 1754t
    - pension privatization, 1754–1755, 1754t
  - tax system
    - and pension system, 1732
    - taxable labor income, 1732
  - welfare and efficiency effects, 1750
    - of higher progressivity, 1751–1752, 1752t
    - of pension privatization, 1752–1753, 1753t
    - of retirement age, 1750, 1751t
  - welfare calculation, 1734
- Cobb-Douglas production function, 1083
- Cobb-Douglas technology, 1759
- Code checking
  - using checking simulation, 1276–1280
  - nominal homogeneity test, 1275
  - real homogeneity test, 1275
- Cohort model, 1411
- Collective wage bargaining, 1695
  - calibrating bargaining power parameter, 1696–1698
  - empirical implications, 1699–1700
  - general equilibrium, 1696
  - linear utility function, 1698–1699
- Collective wage-bargaining model, 1689
- Communications network, 1612–1613
- Comprehensive datasets, 1412–1413
- Computable general equilibrium model (CGE model), 878, 885–886, 1213, 1244–1245, 1386
  - accounting identities, 1563
    - Armington aggregation, 1565
    - carbon aggregate, 1565
    - import value, 1563
    - international transportation services cost, 1565
    - output value, 1563

- benchmark flows, 1563, 1564f
- general equilibrium model
  - activity levels, 1566, 1566t
  - bilateral trade flows, 1568
  - calibrated substitution elasticity, 1568
  - energy goods, 1567, 1567t
  - heterogeneous firms goods variables, 1566, 1567t
  - non-energy goods, 1568–1569
  - prices, 1566–1567, 1567t
  - set indices, 1566, 1566t
- global economic integration, 844
  - APEC, 846
  - AUSFTA, 850
  - DDA, 844–845
  - Drusilla Brown, 851
  - EU enlargement, 847
  - factor markets globalization, 855–857
  - GATT, 844
  - global CGE modeling, 853–854
  - GTAP, 848
  - GTAP-based analyses, 845
  - NUTS, 848–849
  - standard LoV specification, 852–853
  - trade facilitation, 854–855
  - USDA, 846–847
  - WTO disciplines, 845
- global environmental issues, 857
  - bioenergy, 862–864
  - fossil fuel-based climate policy analysis, 857–858
  - land use in CGE analyses of climate policy, 859–862
- GTAP version 7-based, 1562–1563
- GTAP in GAMS formulations, 1562–1563
- implementation issues, 841–844
- software, 841–844
- systematic sensitivity analysis, 840–841
- validation, 837
  - GTAP-E model, 839–840
  - NAFTA, 838
  - using policy shocks, 838
  - real business cycle literature, 839
  - replicative validity, 837
  - rule of two, 838–839
  - simulation models, 838
- Computable general equilibrium modeling (CGE modeling), 1331
  - See also* MONASH model
  - goodness-of-fit test, 1312–1313
  - historical simulation, 1313
  - time-series estimation of parameters, 1311–1312
- Computing confidence intervals, 1189–1190
  - household parameters, 1190, 1191t
    - base case values and standard errors, 1191, 1193t
    - covariance matrix, 1190, 1191t
    - Delta method and Monte Carlo result comparison, 1194, 1194f
    - Jacobian matrix, 1190, 1191t
    - sensitivity analysis relationship, 1200
  - uncertainty sources
    - contributions to variance in capital, 1197, 1198f
    - contributions to variance in carbon emissions, 1197–1200, 1199f
    - contributions to variance in leisure, 1197, 1198f
    - variance components, 1196–1197, 1196f
    - variance components for leisure, 1197, 1199f
    - variance contributions, 1195, 1195f
- Constant difference of elasticity (CDE), 829, 950–951
  - Armington assumption, 941–943, 1520
  - for CGE frameworks, common, 1214–1215
  - standardization of, 1332
  - maximizing of, 1722
  - in private consumption behavior modeling, 829
  - production functions, 1421
  - production modeling, 886
  - specifying preferences, 1515
- Constant elasticity of transformation (CET)
  - in disaggregation, 848–849
  - in fixed aggregate output, 941–943
  - in labor varieties, 1659
    - goods from destination market, 1247–1248
- Constant returns to scale (CRTS)
  - Armington formulation, 1517
  - Euler's theorem, 1328
  - flexible prices, 886
  - grain production, 1302–1303
  - MPSGE syntax, producers in, 1365
  - multisector general equilibrium (MSGE) models, early
    - generation of, 1572, 1597
  - output value, 1140
  - in production estimation, 1008
  - real homogeneity test, 1275
  - secondary energy goods, 1567
- Consumer behavior
  - See also* CGE econometric modeling
  - closed-form representation, 1165–1166
  - data issues
    - CEX, 1175–1176
    - full-time workers, 1177
    - measuring price levels, 1176–1177
    - reference worker, 1177
    - regional real wages, 1177, 1178f
    - regional wages, 1177, 1178f, 1209t
  - using Euler equations, 1172–1174
  - full expenditure, 1171–1172
  - indirect utility function, 1168–1169
  - quality-adjusted household leisure measurement
    - leisure for adults, 1179, 1180f
    - log consumption, 1179, 1180f
    - log variance, 1179, 1180f
    - for non-workers, 1179
    - quantity of leisure, 1178–1179
  - Roy's identity, 1169–1170
- Consumer expenditure survey (CEX), 1136

- Consumer heterogeneity, 1500
  - Consumer price index (CPI), 1136
  - Consumer tax equivalent (CTE), 880–881
  - Copenhagen Accord, 1071–1072
    - applications, 1095
    - carbon prices, 1100–1101, 1100f, 1100t, 1101t
    - CO<sub>2</sub> atmospheric concentration, 1097, 1098f, 1099f
    - CO<sub>2</sub> emission, 1097, 1098f
    - comparisons, 1104–1105, 1104f, 1105f
    - emissions control rate, 1101, 1102t
    - global temperature projections, 1098–1100, 1099f, 1099t
    - impact, 1106, 1106t
    - modeling, 1095–1096
    - participation rates, 1096, 1097t
    - policy options, 1096
    - results, 1097
  - Counterfactual, concern with, 902
    - See also* Price-distorting policy effects
  - agricultural policies, 902–903
  - distortions to agricultural incentives, 903–904
    - assistance to exportable, 907f
    - national NRAs, 904–906
    - nominal rates of assistance to agricultural, 906f, 907–908
    - RRA calculation, 904
    - RRA mapped on income, 905f
  - institutional history, 903
  - NRAs over time evolution, 908–909
    - complementary force, 909
    - country's tradable food products, 910
    - domestic polity, 909
    - international financial institutions, 909–910
    - PAE, 908–909
    - RIE, 908–909
  - political economy theory, 903
  - projecting cost of trade-distorting policies, 915
    - agricultural tariffs, 918–919
    - average import-weighted tariff protection rates, 916t
    - comparison, 916–918
    - global liberalization of agricultural and merchandise, 917t, 918t
    - using standard GTAP model, 915
  - projecting developing country NRAs, 910
    - farm products, 915
    - GDP, 913
    - GTAP economy-wide model, 911–913
    - NRA averages by region and product, 913, 913t
    - relationship between NRA and product's trade status, 911, 912t
    - trade-related policies, 910–911
  - projecting global commodity markets, 902
  - Counterfactual microsimulation, 1668
    - discrete-choice function, 1669
    - reproduction problem, 1669
    - switching probabilities, 1770
  - Cournot conjectural variations model, 1576–1577
  - Cournot–Nash–Armington oligopoly, 1580t
  - CPI. *See* Consumer price index
  - CRTS. *See* Constant returns to scale
  - CTE. *See* Consumer tax equivalent
- ## D
- DAI. *See* Distortions to Agricultural Incentives
  - Database, 1345
    - calibration, 1346
    - using full levels-based approach, 1347
    - using matrix function, 1347
    - monetary units, 1346
    - percentage changes, 1346
    - physical units, 1346
    - storage, 1346
  - DDA. *See* Doha Development Agenda
  - Delivery modes, 1615–1616
  - DICE. *See* Dynamic Integrated model of Climate and Economy
  - DICE/RICE models, 1078–1080
    - constant elasticity utility function, 1081–1082
    - economic variables
      - CO<sub>2</sub> emissions, 1086
      - Cobb–Douglas production function, 1083
      - damage function, 1084
      - emissions-reduction rate, 1086
      - features, 1085
      - global warming impact, 1084, 1085f
    - geophysical relationships, 1087
      - carbon cycle, 1087–1088
      - greenhouse gases and climate change, 1088
  - GRG algorithm, 1092
  - Negishi approach, 1092
  - objective function, 1080–1081
  - policy evaluation model, 1080
  - policy optimization model, 1080
  - PPAD graphs, 1093
  - problem solvers, 1093
  - social welfare function, 1081
  - welfare improvements, 1082
  - Discrete-choice approach, 1668
  - Discretionary fiscal stimulus, 1494
    - ARRA stimulus package, 1495–1496
    - estimated GDP effects, 1497f
    - model comparison exercise, 1496–1499
    - short-run fiscal policy, 1495
  - Distortions to Agricultural Incentives (DAI), 882
  - Dixit–Stiglitz mechanism, 1593–1594
  - Doha Development Agenda (DDA), 844, 878, 934
  - Doha negotiations, 881
  - Domestic taxes, 823–824
  - DSGE model. *See* Dynamic stochastic general equilibrium model
  - Dynamic ageing, 1409–1410
    - See also* Static aging approach
  - Dynamic general equilibrium modeling

- approaches to model comparison
  - comparable variables, 1482, 1482t
  - comparative approach, 1481
  - endogenous model variables, 1481
  - model builders, 1480–1481
  - model comparison conduct, 1483–1484
  - systematic comparisons, 1480–1481
- approaches to policy evaluation
  - comparable variables, 1483, 1483t
  - fiscal policy rules, 1483
  - model-specific equations, 1482
  - monetary policy shock, 1484–1485
  - nonlinear difference equations, 1481
  - policy rules, 1481, 1483–1484
- augmented models, 1502
  - New Keynesian model, 1503t–1504t
  - small-scale New Keynesian model, 1503t
- data sources and treatment
  - CNP16OV, 1502
  - data series, 1502
  - FEDFUNDS, 1502
  - GDPC1, 1502
  - GDPDEF, 1502
  - measurement equations, 1502
  - original data sources, 1502
- estimation challenges, 1478–1480
- macroeconomic model database, 1504
- model solution and estimation methods, 1465–1472
  - EP solution method, 1468–1470
  - linear approximation, 1466
  - linear difference equations solving, 1467–1468
  - linear quadratic dynamic programming, 1470–1471
  - perturbation methods for, 1471–1472
- New Keynesian models, 1441, 1443, 1473
  - Bayesian methods, 1473–1475
  - innovations, 1442
  - Lucas critique, 1441–1442
  - medium-scale models, 1443
  - medium-scale models for policy analysis, 1453–1454, 1458, 1464–1465
  - model with microeconomic foundations, 1444, 1448, 1450–1453
  - RBC approach, 1442–1443
  - small model, estimation of, 1475–1478
- policy evaluation and robustness, 1485
  - ARRA stimulus package, 1495–1496
  - discretionary fiscal stimulus, 1494–1499
  - model comparison exercise, 1496–1499
  - robust monetary policy rules, 1485–1494
- questions and future research, 1499
  - consumer heterogeneity, 1500
  - endogenous uncertainty, 1501–1502
  - financial intermediation, 1500–1501
  - heterogeneous expectations, 1501–1502
  - long-run growth, 1499–1500
  - producer heterogeneity, 1500
  - rational expectations vs. learning, 1501
  - regulatory policy, 1500–1501
  - using structural models, 1464–1465
- Dynamic GTAP model (G-Dyn model), 855–856
- Dynamic Integrated model of Climate and Economy (DICE), 1079–1080
  - ‘generalized consumption’, 1081
  - as IAM model, 1079–1094
    - introduction to, 1079–1080
    - purpose of, 1079
  - new feature of, 1085
  - as policy optimization model, 1080–1081
  - social welfare function, 1081
- Dynamic labor supply, 1674
  - calibrating labor supply, 1675
  - household production, 1675
  - long-term reaction consistency, 1674
  - short-term consistency, 1674
- Dynamic macro–micro modeling, 1404–1405
  - See also* Global Income Distribution Dynamic model (GIDD model); Static distribution oriented macro–micro models; Static macro–micro distributional models
  - CGE dynamic model, 1405
  - data, 1412–1413
  - dynamic microsimulation, 1405
    - crucial element in, 1406–1407
    - dynamic change sources, 1407
    - dynamic shifts in, 1407
  - DYNASIM, 1406
  - earnings determination, 1406
  - heterogeneity, 1408
  - income generation model, 1406
  - labor market participation choice, 1406
  - Markovian equation, 1407–1408
  - methodological issues of, 1408–1412
- endogenous growth, 1405
- estimation, 1412–1413
- linkages with macro models, 1414
  - issues, 1414
  - static microsimulation, 1414
- validation issues, 1412–1414
- Dynamic microsimulation, 1405
  - crucial element in, 1406–1407
  - dynamic change sources, 1407
  - dynamic shifts in, 1407
  - DYNASIM, 1406
  - earnings determination, 1406
  - heterogeneity, 1408
  - income generation model, 1406
  - labor market participation choice, 1406
  - Markovian equation, 1407–1408
  - methodological issues, 1408, 1412
    - aging, 1408–1409
    - cohort model, 1411
    - dynamic ageing, 1409–1410

Dynamic microsimulation (*Continued*)  
 education decisions, 1411  
 fertility decision, 1411  
 mate-matching techniques, 1410  
 Monte Carlo lottery, 1410  
 static aging approach, 1408–1409  
 survival functions, 1412  
 Dynamic stochastic general equilibrium model (DSGE model)  
 business cycle issues, 1647  
 dynamic programming with explicit representation, 1378  
 heterogeneity within, 1384–1385  
 New Keynesian DSGE models, 1440  
 DYNASIM, 1393

## E

EAP. *See* East Asia and Pacific  
 East Asia and Pacific (EAP), 955–956  
 Eastman–Stykolt specification, 1575  
 ECA. *See* Europe and Central Asia  
 ECB. *See* European Central Bank  
 Economy-wide linkages, 1606–1607  
 EEX. *See* Energy-exporting region  
 Efficiency wage model, 1689  
 EIT. *See* Energy-intensive sector; Energy-intensive production  
 ELES. *See* Extended linear expenditure system  
 EMF. *See* Energy Modeling Forum  
 Emissions Prediction and Policy Analysis model. *See* EPPA model  
 Emissions trading scheme (ETS), 1071  
 Endogenous uncertainty, 1501–1502  
 Energy Modeling Forum (EMF), 936, 1078  
 Energy-exporting region (EEX), 1540  
 Energy-intensive industries, 1161  
 Energy-intensive production, 1540–1541  
   carbon border tariff yield rates, 1516  
   CGE model with Melitz treatment of, 1543  
 Energy-intensive (EIT) sector, 1540–1542  
 Entrepreneurs, 1459–1461, 1500–1501  
 Environmental Protection Agency (EPA), 823  
 ENVISAGE model, 945–947  
   AIDADS, 950–951  
   bilateral trade, 951  
   capital market, 952  
   closure rules, 952–953  
   flexible functional forms, 947–948  
   hierarchical production nesting, 948, 948f  
   nested CES approach, 948  
   production factors, 951–952  
 EP. *See* Extended path  
 EP solution method, 1468–1470  
 EPA. *See* Environmental Protection Agency  
 EPPA model, 858  
 Equation groups, CGE model, 1343

block equations, 1344–1345  
 complicated demand systems, 1344  
 cost-minimizing mix, 1343–1344  
 input demands structure, 1344f  
 market-clearing equations, 1344  
 price equations, 1344  
 SAM plus elasticities, 1345  
   elasticities, 1345  
   SAM structure, 1345  
   storage, 1345  
   transaction values matrices, 1345

Equivalent variation (EV), 1706

Ethnicity, 1681

ETS. *See* Emissions trading scheme

ETS simulation design

*See also* Monash Multi-Regional Forecasting model (MMRF model)

Europe and Central Asia (ECA), 955–956

European Central Bank (ECB), 1496

EV. *See* Equivalent variation

Exogenous variables, 1392–1393

Export supply, 1246

bilateral trade response supply-side reinterpretation, 1254

bilateral trade prediction, 1253–1254

firm heterogeneity, 1255–1256

homogeneous productivity, 1254

Melitz/Chaney interpretation, 1255

Pareto distribution productivity, 1254

productive firms, 1254

structural interpretation, 1257

trade costs, 1255

form schedule estimation, 1249

single exporter, 1250

single importer, 1251–1252

mechanisms

using CET framework, 1248

CET production, 1247–1248

heterogeneous firms theory, 1248–1249

using Melitz technology, 1249

NAFTA, 1249

producer behavior, 1247

single-country models, 1247

supply–demand systems

equal export supply elasticities evolution, 1252–1253

estimation strategy, 1252

export supply elasticities, 1252

inverse supply elasticities, 1253

magnitude of elasticities and large degree, 1253

Monte Carlo simulation data, 1253

Extended linear expenditure system (ELES), 827–828, 1421

Extended path (EP), 1466

## F

Factor market

globalization, 855–857



- Factor markets globalization, 855–857
- Fallback option, 1695
- FAO. *See* Food and Agriculture Organization
- FDI. *See* Foreign direct investment
- Federal Reserve's FRB-US model, 1442
- Feenstra estimator, 1237
- Feenstra method problems, 1239–1240
- Fifth Assessment Report (AR5), 978
- Financial accelerator model, 1459
- Financial crisis
  - modeling approach
    - regions in aggregation, 1026, 1027t
    - risk premia, 1026–1027
  - risk in Europe, 1028
    - effective exchange rate, 1028, 1028f
    - real consumption, 1031, 1031f
    - real gross domestic product, 1031–1032, 1032f
    - real investment, 1029, 1030f
    - short-term interest rate, 1029, 1030f
    - trade balance, 1029, 1029f
  - risk in US, 1032–1033, 1033f
- Financial intermediation, 1500–1501
- Financial market frictions, 1459
  - credit market imperfections, 1459–1461
  - financial accelerator model, 1461
- Firms, 1446–1447
- Fitted budget shares, 1182–1183, 1183t
- Fixing real wages, 1687
- Food and Agriculture Organization (FAO), 939
- Foreign direct investment (FDI), 1572, 1603
- Foreign supply line (FS line), 1617
- Foreign–foreign substitution, 1228
  - price variation exploitation, 1228
    - CES preferences, 1228–1229
    - commodity level bilateral trade, 1229–1230
    - cross-product variation, 1230–1231
    - demand equation, 1230
    - expenditures and price indices, 1230
    - MFN, 1231
    - NAFTA, 1230
    - quantities, 1229
    - using Romalis approach, 1230–1231
    - time-series literature, 1231
  - problems with using trade costs
    - ad valorem* trade costs, 1232
    - using cross-sectional variation, 1231
  - drawback, 1232
    - trade cost approach, 1232
    - transportation costs, 1232
- Formal labor, 1681
- Forward-looking dynamic modeling, 1674
- Fossil fuel-based climate policy analysis, 857–858
- Four-parameter rules, 1490
- Free Trade Agreement of the Americas (FTAA), 1017, 1034
  - anticipated tariff reductions, 1056–1058, 1058f
  - carbon dioxide emissions, 1058, 1061f
  - modeling approach, 1036
  - reference case
    - bilateral trade flows, 1038
    - initial tariffs, 1037–1038, 1039t
  - simulations, 1037, 1038t
  - tariff reductions under NAFTA
    - change in aggregate trade flows, 1012t, 1051
    - FTAA-p vs. NAFTA-p, 1053, 1056f
    - NAFTA-p vs. reference case, 1050–1051, 1050f
    - tariff reform, 1045
    - trade flow value, 1045–1046
  - trade liberalization and growth, 1035
    - trade agreements indirect effect, 1036
    - trade and productivity link, 1035
- Free trade agreement (FTA), 818–819
- Free Trade Area of Americas (FTAA), 841, 1243–1244
- FS line. *See* Foreign supply line
- FTAA. *See* Free Trade Agreement of the Americas; Free Trade Area of Americas
- FTA. *See* Free Trade Agreement
- Fuhrer and Moore's model, 1442
- Full-time labor, 1680
- Fully integrated approach, 1393
  - calibration, 1393
  - specifications, 1394
  - Stone–Geary model, 1393–1394

## G

- G-Cubed model, 995
  - baseline generation, 1011
  - economic agents, 998
  - financial capital, 995
  - firms, 999
    - capital stock changes, 1000
    - forward-looking Tobin's  $q$ , 1001–1002
    - goal, 1000–1001
    - goods and services purchase, 999
    - production function, 999–1000
    - at second tier, 999
    - tier-structured constant, 999
    - at top tier, 999
    - top-tier optimization problem solving, 1001
  - government, 1005–1006
  - Henderson–McKibbin–Taylor rule, 1007
  - households, 1002
    - capital services, 1004
    - financial wealth, 1003
    - human wealth, 1002–1003
    - investment decision, 1004
  - key features, 997, 997t
  - labor market, 1004–1005
  - macroeconomic theory, 996
  - numerical implementation, 1010
  - parameterization, 1007–1008, 1010
    - energy unit cost function, 1008

- G-Cubed model (*Continued*)
  - input-output transactions, 1007–1008
  - materials unit cost function, 1008
  - physical capital, 995
  - regions and sectors, 998, 998t
  - trade imbalances, 1006–1007
  - versatility, 996–997
- G-Dyn model. *See* Dynamic GTAP model
- GAMS. *See* General Algebraic Modeling System
- GATS. *See* General Agreement on Trade in Services
- GATT. *See* General Agreement on Tariffs and Trade
- Gauss–Seidel iterative solution technique, 1720–1722
- Gauss–Seidel technique, 1721–1722
- GCM. *See* Global circulation model
- GDP from expenditure side (GDPEXP), 1287
- GDP from income side (GDPINC), 1287
- GDPEXP. *See* GDP from expenditure side
- GDPINC. *See* GDP from income side
- GEMPACK. *See* General Equilibrium Model PACKage
- Gender, 1681
- General Agreement on Tariffs and Trade (GATT), 844, 878
- General Agreement on Trade in Services (GATS), 1602
- General Algebraic Modeling System (GAMS), 935, 1333–1334
  - special syntax, 1335
- General Equilibrium Model PACKage (GEMPACK), 843, 1334–1336
  - scales, 1374
  - special syntax, 1335
- General equilibrium trade models, 1557–1562
- General-purpose software, 1335–1336
  - change solution methods, 1339
    - change strategy and GEMPACK, 1341–1343
    - levels strategy and GAMS, 1340–1341
    - linearized equations enable substitution, 1342–1343
- GEMPACK IDE's, 1338
- input intelligible to modelers, 1335
  - GEMPACK, 1335–1336
  - Leontief equation, 1335
- insulate modelers
  - CGE modelers, 1337
  - endogenous variables, 1337
  - GEMPACK, 1337
  - iterative methods, 1337
  - Newton–Raphson method, 1337
  - programming approaches, 1337
  - solver, 1337
- run on different computers, 1338–1339
- wide range of models, 1336
  - aggregation levels, 1336–1337
  - MPSGE, 1336
- Windows programs
  - to control simulations, 1338
  - to examine data, 1338
  - IDE programs, 1339
  - to results, 1338
- Generalized method of moments (GMM), 1233–1234
- Generalized reduced gradient algorithm (GRG algorithm), 1092
- GIAM. *See* Global integrated assessment model
- GIDD model. *See* Global Income Distribution Dynamic model
- Gigatons of carbon (gtC), 981
- Global 1–2–3 model
  - bilateral trade volume, 943–944
  - climate modules, 954
  - emissions, 954
  - ENVISAGE model, 945–946
  - extensions, 946–947
  - model dynamics, 953–954
  - nested CES structure, 944–945
  - price transmission notion, 945
- Global applied general equilibrium analysis (AGE analysis, global), 815–816
  - CGE modeling of global environmental issues, 857–864
  - future directions, 864–867
- GTAP, 815–816
  - modeling framework standard, 825–837
  - model validation and systematic sensitivity analysis, 837–841
  - software and implementation issues, 841–844
- Global Bank, 834
- Global CGE modeling
  - See also* Post-1990s CGE modeling; Regional CGE modeling
  - applications, 940
  - DDA analysis, 937
  - difficulties, 935–936
  - extensions, 937–938
  - FUND model, 939–940
  - global economic prospects, 938
  - GTAP database, 936–937
  - model inter-comparison, 936
  - PAGE model, 939–940
  - at World Bank, 935
- Global circulation model (GCM), 980
- Global economic integration, 844
  - APEC, 846
  - AUSFTA, 850
  - DDA, 844–845
  - EU enlargement, 847
  - factor market globalization, 855–857
  - GATT, 844
  - global CGE modeling, 853–854
  - GTAP, 848
  - GTAP-based analyses, 845
  - NUTS, 848–849
  - standard LoV specification, 852–853

- trade facilitation, 854–855
- USDA, 846–847
- WTO disciplines, 845
- Global economic welfare, 888
  - global merchandise trade liberalization, 888
  - using standard GTAP price distortion database, 891–892
  - terms-of-trade effect, 891
- Global environmental issues, 857
  - bioenergy, 862–864
  - fossil fuel-based climate policy analysis, 857–858
  - land use in CGE analyses of climate policy, 859–862
- Global forward looking
  - core drivers, 955–956
  - elderly dependency ratio, 957–959, 958f
  - food demand implication, 956
  - income growth rates, 959, 960f
  - labor force growth, 956–957
  - population, 955–956, 955f
  - working age population, 956–957, 956f
  - youth dependency ratio, 957–959, 957f
- Global goods markets, price distortions in
  - Altertax procedure, 881–882
  - border measures, 881
  - CEPII, 882
  - DAI database, 882
  - DAI rates, 885
  - ITC, 882
  - producer price distortion structure in, 883t
- Global Income Distribution Dynamic model (GIDD model), 1385–1386, 1414
  - See also* Dynamic macro–micro modeling; Static distribution oriented macro–micro models; Static macro–micro distributional models
- motivation and originality, 1415
  - base-year household-based data, 1415–1416
  - household surveys, 1415
- policy simulations, 1425–1427
  - agricultural incomes, 1429
  - agricultural population in, 1428f
  - climate change, distributional impacts, 1430–1431
  - free trade in agriculture, 1427–1428
  - free trade in global poverty, 1427t, 1429–1430
  - global incidence of climate change damages, 1431f
  - regional growth incidence curves, 1429f
  - removal of agricultural distortions, 1429
- potential difficulties, 1422–1423
- scenario and global distribution
  - business-as-usual scenario, 1423
  - changes in inequality, 1424–1425
  - global income inequality, 1423t
  - GMC, 1425
  - income distribution, 1424
- solution algorithm, 1416–1417
  - demographic changes, 1418–1419
  - demographic projections, 1419t
  - educational change, 1418–1420
  - four age/education groups, 1420
  - LAVs, 1417–1418
  - macroeconomic changes, 1420–1421
  - methodological framework, 1417f
  - microeconomic changes, 1421–1423
  - population coverage by region, 1415t
- Global integrated assessment model (GIAM)
  - See also* ETS simulation design
- Global middle class (GMC), 1425
- Global Trade Analysis Project (GTAP), 815–816, 879, 933–934, 1218, 1332, 1516–1517
  - database, 816–817, 821, 825
  - CEPII, 822
  - EPA, 823
  - global migration, 823–824
  - GTAP database philosophy, 822
  - GTAP version 5 database, 824–825
  - IFPRI, 822
  - multilateral trade liberalization, 822
  - OECD, 822–823
  - open-sourcing model, 824
  - problem in, 821
  - SALTER project, 824
  - as economic model, 825
  - FTAs, 818–819
  - growth measures in, 816, 817f
  - GTAP Advisory Board, 818
  - institutional innovation, 816–817
  - network, 818–820
    - through Internet, 819–820
  - pricing strategy, 817–818
  - rock star status, 821
  - standard GTAP modeling framework, 826
    - Global Bank, 834
    - global trade, 835
    - guiding principles, 825–827
    - modeling private consumption behavior, 829
    - regional household, 827–828
    - regional welfare decomposition, 830
    - regional welfare measurement, 830
    - transport sector, 835
    - treatment of imports, 835–836
- Global Trade and Environment Model (GTEM)
  - See also* Monash Multi-Regional Forecasting model (MMRF model)
- GMC. *See* Global middle class
- GMM. *See* Generalized method of moments
- Gov demands, 1348
- Government fiscal balances, 886–887
- GRG algorithm. *See* Generalized reduced gradient algorithm
- Group budget shares, 1184–1186, 1185t
- GTAP. *See* Global Trade Analysis Project
- GTAP philosophy, 825–826
- GTAP-BIO model, 863
- GTAP-BIO-AEZ model, 864

GTAPeGEMPACK marriage, 842–843  
 gtC. *See* Gigatons of carbon  
 GTEM. *See* Global Trade and Environment Model

## H

Habit formation, 1457–1458  
 Harmonized system (HS), 849  
 Harris–Todaro approach, 1703, 1704  
 Hazard functions. *See* Survival functions  
 Henderson–McKibbin–Taylor rule, 1007  
 Heterogeneity within aggregate households, 1666  
 Heterogenous firm models, 1594–1595  
 HIC. *See* High-income  
 High-income (HIC), 955–956  
   regional concordance, 989t  
 Home–foreign substitution  
   CGE practitioners, 1224  
   contemporaneous trade response, 1224  
   domestic production, 1223  
   middle tier and estimate substitution, 1222–1223  
   relative demand curves, 1223  
   time-series variation, 1223–1224  
   triple-nested utility function, 1222  
   two nests, 1222  
 Hotelling rents, 1091  
 Hou demands, 1348  
 Household composition, 1662–1663  
 Household-specific expenditure structures, 1673  
   consumption structures, 1674  
   savings, 1673–1674  
 HS. *See* Harmonized system  
 HS6 products, 924  
 Hump-backed wage profile, 747–748

## I

IAC. *See* Industries Assistance Commission  
 IAM. *See* Integrated assessment model  
 IAM research issues, 1106–1107  
   carbon prices, 1107, 1108t  
   complexity, 1109–1110  
   discount rate  
     alternative assumptions, 1115, 1115t  
     descriptive approach, 1114  
     generational discount rate, 1113  
     problem, 1116  
     Ramsey equation, 1113–1114  
     Ramsey–Koopmans–Cass model, 1113  
     real return on capital, 1112–1113  
   modeling technological change  
     global warming models, 1126  
     LBD model, 1125  
     research model, 1124–1125  
   positive vs. normative models, 1110–1111  
   SCC, 1107  
   strategic relationship, 1123  
     difficulty, 1123–1124  
     Nash non-cooperative equilibrium, 1123  
     non-cooperative framework, 1123  
   transparency, 1109  
   uncertainty, 1116–1117  
     catastrophic climate change, 1118  
     in climate change, 1117  
     extreme values, 1119, 1121t  
     fat tails, 1118  
     policy failure, 1119  
     tail event, 1118  
     thin-tail uncertainty, 1117  
 IDE. *See* Institute for Developing Economies; Integrated development environment  
 IFPRI. *See* International Food Policy Research Institute  
 IGEM. *See* Intertemporal General Equilibrium Model  
 IIASA. *See* International Institute for Applied Systems Analysis  
 IIP. *See* Implied inflation variability premium  
 IMF. *See* International Monetary Fund  
 Implied inflation variability premium (IIP), 1490  
 Import demand elasticities  
   Armington assumption, 1217–1218  
   CGE models, 1220  
   CGE practitioner, 1222  
   equation systems without instruments  
     data clouds, 1235f, 1236–1237, 1236f  
     errors in supply and demand equation, 1238  
   Feenstra estimator, 1237  
   hyperbola equation, 1235  
   identifying import demand elasticities, 1234  
   import demand equation, 1237–1238  
   using insight and points out, 1237  
   Leamer hyperbola, 1238  
   median elasticities, 1238–1239  
   supply and demand system equation, 1234–1235  
   time-series data, 1235–1236  
 external validity, 1242–1243  
   point estimation and standard errors, 1243–1244  
   product composition and aggregation, 1244–1245  
   variable elasticities, 1245–1246  
 foreign–foreign substitution, 1228  
   exploiting price variation, 1228–1231  
   using trade costs in, problems with, 1231–1232  
 goal, 1220  
 GTAP model, 1218  
 home–foreign substitution  
   CGE practitioners, 1224  
   contemporaneous trade response, 1224  
   domestic production, 1223  
   middle tier and estimate substitution, 1222–1223  
   relative demand curves, 1223  
   time-series variation, 1223–1224  
   triple-nested utility function, 1222  
   two nests, 1222  
 instrumental variable approaches, 1233

- using GDP revenue function approach, 1234
  - OECD, 1233–1234
  - OLS, 1233
  - structural parameter estimation, 1233
  - using UN Comtrade data, 1234
- magnitudes
  - cross-section and panel, 1240–1241
  - using instrumental variables, 1241
  - low elasticities, 1242
  - using macroeconomic time-series context, 1241–1242
  - preferential commitments, 1242
  - time-series estimation, 1241
  - time-series papers, 1241
- monopolistic competition models, 1217
- price elasticity estimation, 1220–1222
- problems with Feenstra method, 1239–1240
- problems with time-series estimation, 1224
  - attenuation bias, 1225
  - category-specific unit values, 1225
  - non-classical measurement error, 1226
  - prices, 1225
  - sector price, 1225
  - significant measurement error, 1225–1226
  - simultaneity, 1227
- prominent trade policy-focussed models, 1221t
- single-country trade models, 1219
- substitution possibilities, 1220
- trade elasticities, 1217–1218
- Income distribution in CGE modeling
  - DSGE, 1384–1385
  - dynamic macro–micro modeling, 1404–1405
    - data, estimation and validation issues, 1412
    - dynamic microsimulation, 1405
    - linkages with macro models, 1414
    - methodological issues, 1408
- GIDD model, 1414
  - demographic and educational changes, 1418
  - distributional impacts of climate change, 1430
  - free trade in agriculture and global poverty, 1427
  - macroeconomic changes, 1420–1421
  - microeconomic changes, 1421
  - motivation and originality, 1415
  - policy simulations, 1425
  - scenario and global distribution, 1423
  - solution algorithm, 1416–1417
- macro-oriented policies, 1384
- micro-oriented policies, 1384
- policy analysis, 1384
- static distribution oriented macro–micro models, 1387
  - bottom-up approach, 1390
  - fully integrated approach, 1393
  - recursive two-way linkage, 1392
  - top-down approach, 1387
- static macro–micro distributional models, 1394
  - final reflections on, 1404
  - household income generation on labor market, 1399
  - modeling rationing on labor market, 1399
  - random changes or reweighting, 1395
  - rational individual choice of employment sector, 1396
- Income generation model, 1406
- Income–expenditure condition, 922
- Independence Chain MH algorithm, 1475
- Industries Assistance Commission (IAC), 1338–1339
- Informal labor, 1681
- Input-output balance conditions, GDP identity, 1285–1287
- Input-output database
  - for CGE model, 1282–1285, 1283t
- Institute for Developing Economies (IDE), 835–836
- Instrumental variables (IV), 1233
  - using GDP revenue function approach, 1234
  - OECD, 1233–1234
  - OLS, 1233
  - structural parameter estimation, 1233
  - using UN Comtrade data, 1234
- Integrated assessment model (IAM), 979, 1069–1070
  - development, 1078
  - DICE and RICE models, 1078–1079
  - organization sponsorship, 1078, 1078t
  - previous surveys, 1074, 1074f
  - simplification, 1093–1094
  - tax system, 1094
- Integrated development environment (IDE), 1338
- Integrated economic and climate modeling
  - climate change problem, 1072
  - climate monitoring, 1070
  - framework convention, 1071
  - greenhouse gas emission, 1070
  - Kyoto Protocol, 1071
- Copenhagen Accord, 1071–1072
- economic modeling, 1072
  - climate damages, 1073–1074
  - corn production, 1073
  - unit of account, 1072–1073
- energy modeling, 1077
- IAM, 1069–1070
- MRG modeling approach, 1077
- necessity, 1075–1076
- policy optimization models, 1075
- Interest rate rules, 1486
- Intergovernmental Panel on Climate Change (IPCC), 936, 1070
- International Food Policy Research Institute (IFPRI), 822, 953
- International Institute for Applied Systems Analysis (IIASA), 963
- International Monetary Fund (IMF), 1083–1084, 1496, 1604–1605

International Standard Classification of Education (ISCED), 1736  
 International Trade Center (ITC), 882  
 International Trade Commission (ITC), 846–847  
 Intertemporal General Equilibrium Model (IGEM), 1078–1079  
 Inv demands, 1348  
 Investment goods, 1348  
 Involuntary unemployment, 1688  
   bargaining theories, 1689  
   calibration, 1694  
   collective wage-bargaining model, 1689  
   efficiency wages, 1689, 1693  
   search-and-matching model, 1688, 1689, 1690  
 IPCC. *See* Intergovernmental Panel on Climate Change  
 ISCED. *See* International Standard Classification of Education  
 ITC. *See* International Trade Center; International Trade Commission  
 IV. *See* Instrumental variables

## J

Jordan canonical form, 1467

## K

Kalman filter, 1135, 1143–1145  
   application, 1143  
   asymptotic variance, 1149  
   concavity constraints equation, 1146  
   explanatory variables, 1146  
   filtering, 1144  
   likelihood ratio, 1151  
   observation equation, 1144  
   over-identification test, 1204t  
   smoothing, 1144  
   specification test, 1150  
   state equation, 1144  
   two-step, 1147  
   validity test, 1205t  
 Krugman calibration, 1534  
   benchmark firm-level pricing, 1534  
   firm-level demand function, 1534–1535  
 Krugman trade, 1520  
   Dixit-Stiglitz price index, 1520–1521  
   at firms, 1521  
 Krugman trade, 1520–1521  
 Krugman-based model, 1553–1555  
 Kyoto greenhouse gases, 954  
 Kyoto Protocol, 1014–1015  
   in developed countries, 858  
   EU ETS, 1100–1101  
   first international treaty, 978  
   Framework Convention in, 1071  
   G-Cubed, 1016  
   in Japan, 936

## L

Labor demand, 1676  
   functional implementation  
     free parameters, 1678  
     labor demand estimations, 1676  
     nested CES function, 1677f, 1677  
     NNCES approach, 1678  
     NNCES setup of production function, 1678f, 1678  
     using Translog production function, 1677  
 labor demand heterogeneity dimensions,  
   1679  
   ethnicity, 1681  
   formal labor, 1681  
   full-time labor, 1680  
   gender, 1681  
   informal labor, 1681  
   occupation, 1680  
   part-time labor, 1680  
   rural labor, 1681  
   skill type, 1679–1680  
   urban labor, 1681  
 labor heterogeneity in, 1682  
   cross-classifying all dimensions, 1682  
   demand elasticities, 1684  
   finding labor demand parameters, 1682  
   one-to-one relationship, 1683  
   Rimmer and Dixon dimensions, 1682  
   two-level nesting options, 1683f, 1683  
 Labor market coordination  
   collective wage bargaining, 1695  
     calibrating bargaining power parameter,  
       1696–1698  
     empirical implications, 1699–1700  
     general equilibrium, 1696  
     linear utility function, 1698–1699  
 dual labor market, 1701–1704  
 Harris–Todaro approach, 1703, 1704  
 informal sector, 1701–1704  
 involuntary unemployment, 1688  
   bargaining theories, 1689  
   calibration, 1692, 1694–1695  
   collective wage-bargaining model, 1689  
   efficiency wage model, 1689  
   efficiency wages, 1693  
   search-and-matching model, 1688, 1689,  
     1690  
 long-term trends  
   non-proportionality effects, 1701  
   secular upwards trend, 1700  
   unemployment benefits, 1700  
 market scope, 1684  
   crucial empirical question, 1686  
   efficiency weighting, 1685  
   follow-up problems, 1685  
   homogenizing forces, 1686

- one-way transformation, 1686
- prima facie*, 1685
- questions, 1684
- wage curve as calibration target, 1704
  - efficiency wage formation, 1705
  - estimations, 1704
- wage-forming mechanism, 1687
  - CPI, 1687
  - dominant type of literature, 1688
  - fixing real wages, 1687
  - structural parameters focus, 1688
  - wage curve, 1687
- Labor market in CGE models
  - labor demand, 1676–1684
    - functional implementation, 1676–1679
    - labor demand heterogeneity dimensions, 1679
    - labor heterogeneity in several dimensions, 1682–1684
  - labor market coordination
    - collective wage bargaining, 1695–1700
    - informal sector and dual labor market, 1701–1704
    - involuntary unemployment, 1688, 1690–1692, 1694–1695
    - long-term trends in unemployment, 1700–1701
    - market scope, 1684–1687
    - wage curve as calibration target, 1704–1706
    - wage-forming mechanism, 1687–1688
  - labor supply, 1650–1676
    - dynamic, 1674–1676
    - household-specific expenditure structures, 1673, 1674
    - microsimulation, 1666–1673
    - several representative households, 1660–1666
    - single representative household, 1651–1660
- labor–market related questions, 1651–1653
  - location of initial shock, 1648
  - outcome variables of interest, 1649
  - typical studies classification, 1649–1650
- question-driven approaches, 1646
- welfare analysis, 1706
  - for microsimulated households, 1709–1710
  - for representative households, 1706–1709
  - utility weighting, 1710–1711
- Labor supply, 1645, 1650
  - dynamic labor supply, 1674
    - calibrating labor supply, 1675
    - household production, 1675
    - long-term reaction consistency, 1674
    - short-term consistency, 1674
  - household-specific expenditure structures, 1673
    - consumption structures, 1674
    - savings, 1673–1674
- microsimulation, 1666
  - counterfactual, 1668–1670
  - data adjustments, 1672, 1673
  - data consistency between modules, 1672–1673
  - data discrepancies, 1672
  - data inconsistency issues, 1672
  - integrated model 1671
  - iteration in soft link, 1671
  - macro modules linkage, 1670
  - micro modules linkage, 1670
  - micro labor supply, 1667–1668
  - motivation for, 1667
  - one-way linkage, 1670
  - residual household, 1672
- several representative households, 1660, 1661
  - age, 1665
  - elasticity estimation sources, 1665–1666
  - heterogeneity within aggregate households, 1666
  - household composition, 1662, 1663
  - income class, 1664
  - income types, 1664
  - occupation, 1663
  - sectoral employment, 1663
  - skill type, 1661–1662
  - wage level, 1665
- single representative household, 1651
  - different labor varieties, 1659
  - hours of work, 1651
  - income elasticity, 1653
  - participation, 1656–1659
  - wage elasticity, 1654, 1656
- Labor–market related questions, 1648
  - location of initial shock, 1648
  - outcome variables of interest, 1649
  - typical studies, 1649–1650
- Land use in CGE analyses, climate policy, 859
  - AgLU model, 860–861
  - critical issue, 861
  - GTAP compatible, 859
  - GTAP-based CGE models, 862
  - homogeneity issue, 859–860
  - LEITAP model, 859
  - physical characteristics, 859
  - problems and challenges, 861
  - residential and commercial lands, 862
  - risk aversion, 860
- Latin America and Caribbean (LAC), 955–956
- LAV. *See* Linkage aggregate variable
- LBD model. *See* learning by doing model
- Learning by doing model (LBD model), 1125

LEITAP model, 859  
 Leontief equation, 1335  
 LES. *See* Linear expenditure system  
 LES/ELES. *See* Linear and extended linear expenditure systems  
 Linear and extended linear expenditure systems (LES/ELES), 950–951  
 Linear approximation, 1466  
   first-order Taylor series, 1466  
   percentage deviation, 1466  
 Linear expenditure system (LES), 829  
 Linear quadratic dynamic programming, 1470  
   linear constraints, 1471  
   Riccati equation, 1471  
   unique solution, 1471  
   value-function iteration, 1471  
 Linkage aggregate variable (LAV), 1417–1418  
 LINKAGE model of global economy, 885–886  
   aggregation involving, 887  
   using CES functions, 886  
   comparative static version, 887  
   government fiscal balances, 886–887  
   production structures, 886  
 Log-linearized system, 1448–1450  
 Long-term labor supply, 1674  
 LSRA. *See* Lump-sum redistribution authority  
 Lucas critique, 1464–1465  
 Lump-sum redistribution authority (LSRA), 1722

## M

MAcMaps, 882  
 Macro-oriented policies, 1384  
 Macroeconomic changes, 1420–1421  
 Macroeconomic model database, 1504  
 Magic bullets, 1216  
 Magnitudes  
   cross-section and panel, 1240–1241  
   using instrumental variables, 1241  
   low elasticities, 1242  
   using macroeconomic time-series context, 1241–1242  
   preferential commitments, 1242  
   time-series estimation, 1241  
   time-series papers, 1241  
 Market access, CGE modeling, 1602–1603  
   challenges, 1603–1604  
   conceptual issues, 1606  
     aggregate productivity, 1613  
     commercial services, 1607t  
     communications network, 1612–1613  
     delivery modes, 1615–1616  
     direct cost channels, 1606–1607  
     downstream linkages, 1606–1607, 1610–1612  
     intermediation, 1607–1610, 1612  
     machinery sector, 1610, 1612  
     market access channels, 1615–1616  
     market service productivity, 1614f  
     OECD regulatory indexes, 1614–1615, 1614f  
     productivity channels, 1612  
     productivity-enhancing role, 1613  
     service sector productivity, 1614  
     value-added content of final demand, 1609t  
   data issues, 1604  
     balance trade data, 1605  
     deepen coverage, 1605  
     FDI data, 1605–1606  
     IMF data, 1604–1605  
     services trade data, 1604–1605  
     trade in services, 1604  
 GATS, 1602  
 implementation issues  
   modeling changes in policy, approaches to, 1619–1622  
   change effects in policies, 1620–1621  
   focus on cross-border delivery of services, 1619–1620  
   quantifying policies, 1616–1619  
   whether models, 1621–1622  
 sector specificity modes, 1627–1628  
 services liberalization models  
   modeling regional services liberalization, 1625–1627  
   pioneering work, 1622  
   post-1990s CGE modeling, 1623  
 setting future research priorities, 1634  
   discriminatory policies, 1637  
   distribution margin estimations, 1635  
   international trade, 1636  
   market power, 1635  
   theoretical structure development, 1635–1636  
 supply modes, 1627–1628  
 value-added linkages, 1628–1629  
   database aggregation, 1630, 1632t  
   Italian regulatory policy, 1634  
   macroeconomic impact, 1632t, 1633–1634  
   MFP, 1630  
   PMR index, 1630  
   productivity and regulation in services, 1631t  
   regression analysis–MFP and regulation, 1631t  
   value-added composition of economy, 1629t, 1633t  
   value-added share comparison, 1633t  
 Market access channels, 1615–1616  
 Market clearing, 1289–1290  
   equations, 1344  
 Markov Chain Monte Carlo method (MCMC method), 1474  
 Markup rates, 1574–1575  
 Master program, 1378  
 Mate-matching techniques, 1410  
 Mathematical Programming System for General  
   Equilibrium analysis (MPSGE), 1334  
   special syntax, 1335  
 Maximum likelihood estimator (MLE), 1144



- McKibbinSachs Global model (MSG model), 1020
- MCMC method. *See* Markov Chain Monte Carlo method
- Medium-scale models for policy analysis, 1453–1454
- capital, 1455–1456
  - capital accumulation, 1455
  - financial market frictions, 1459
    - basic financial accelerator model, 1461
    - credit market imperfections, 1459–1461
  - first-generation New Keynesian model, 1454–1455
  - habit formation, 1457–1458
  - investment, 1455–1456
  - Lucas critique, 1464–1465
  - model dynamics, 1461–1462
    - government sector, 1464
    - monetary policy shock in, 1462f
    - Smets–Wouters model, 1461–1462
    - two medium-scale DSGE models, 1462–1463, 1463f
  - price indexation, 1458
  - sticky wages, 1458–1459
  - SVAR model, 1454
- Melitz calibration
- benchmark productivity, 1535–1536
  - firm-level quantity, 1535–1536
  - sunk cost payment, 1535
  - zero-cutoff-profit condition, 1535
- Melitz model, 1265–1266, 1594
- Melitz structure, 1514
- Melitz trade, 1521–1522
  - CES-weighted average productivity, 1524
  - Dixit–Stiglitz price index, 1522
  - Pareto distribution, 1523
  - productivity, 1522
  - supply, 1525
- Melitz trade theories, 1521–1522, 1525
- Melitz-based model, 1555–1557
- Methyl tert-butyl ether (MTBE), 863–864
- MFN. *See* Most favored nation
- MFP. *See* Multifactor productivity
- Micro datasets, 1404
- Micro labor supply, 1667–1668
- Micro-oriented policies, 1384
- Microeconomic changes, 1421–1423
- Microeconomic foundations, simple model with, 1444
  - firms, 1446–1447
  - government, 1447–1448
    - spending shock, 1453f
  - households, 1444–1446
  - log-linearized system, 1448–1450
  - model dynamics, 1450–1453
  - monetary policy, 1448
    - government spending shock, 1453f
    - monetary policy shock, 1451f
    - technology shock, 1452f
- Middle East and North Africa (MNA), 955–956
- Missing price-distorting measures, concern with, 880
- agricultural price distortions, 880–881
  - effects of global removal, 887–888
    - on agricultural and food output and trade, 895, 895t
  - agricultural and food self-sufficiency liberalization, 895–896, 897t
  - agricultural and merchandise trade liberalization, 899t
  - effects on poverty using elasticities approach, 900
  - effects on product prices, 896
  - effects on sectoral value added, 897–898
  - impact of full trade reform, 893–895
  - global economic welfare, 888–892
    - using GTAP database, 898–900
  - national economic welfare, 888–892
  - quantities produced and traded, 893
  - regional and sectoral distribution of welfare effects, 892–893
    - share of agricultural and food production, 896t
    - shares of global output exported, 894t
- global goods markets, price distortions in
- Altartax procedure, 881–882
  - border measures, 881
  - CEPII, 882
  - DAI database, 882
  - DAI rates, 885
  - ITC, 882
  - producer price distortion structure in, 883t
- LINKAGE model of global economy, 885–886
- aggregation involving, 887
  - using CES functions, 886
  - comparative static version, 887
  - government fiscal balances, 886–887
  - production structures, 886
  - non-tariff farm policy measures, 881
  - WTO's Doha negotiations, 881
- MLE. *See* Maximum likelihood estimator
- MMRF model. *See* MONASH Multi-Regional Forecasting model
- MNA. *See* Middle East and North Africa
- Mobile capital, 1365
- Model builders, 1480–1481
- Model-specific rules, 1488
  - four-parameter rules, 1490
  - IIP, 1490t
  - robustness, 1490–1492, 1491t, 1492t
  - Taylor principle, 1488–1489
  - three-parameter rules, 1489–1490
  - two-parameter rules, 1488–1489
- Modeling regional service liberalization, 1625–1627
- Modeling Resource Group (MRG), 1077
- MONASH Multi-Regional Forecasting model (MMRF model), 858
- See also* Computable general equilibrium modeling (CGE modeling)

- Monetary policy, 1448
  - Monetary units, 1346
  - Monopolistic competition, 1583–1585
    - calibration, 1588t–1589t
    - using Dixit–Stiglitz preferences, 1583
    - efficiency, 1584–1585
    - fixed CDRs, 1587–1590
    - fixed costs, 1585–1587
    - framework choice, 1590–1592, 1594
    - heterogenous firm models, 1594–1595
    - industry-level scale economies, 1592–1593
    - large groups, 1590–1594
    - markups, 1584–1585
    - Melitz model, 1594
    - scale, 1583–1585
    - SDS preferences, 1583
    - small groups, 1590–1593
    - specification, 1588t–1589t
    - stepwise solution with local linearization, 1592f
    - variety, 1584–1585
  - Most favored nation (MFN), 937, 1231
  - MPSGE. *See* Mathematical Programming System for General Equilibrium analysis
  - MPSGE code, 1369–1370
  - MRG. *See* Modeling Resource Group
  - MSG model. *See* McKibbinSachs Global model; Multisectoral growth model
  - MSGE model. *See* Multisector general equilibrium model
  - MTBE. *See* Methyl tert-butyl ether
  - Multifactor productivity (MFP), 1630
  - Multilateral organizations, 878
  - Multilateral policy reform simulation
    - See also* Multiregional world model
    - macroeconomic effects
      - consumption tax rates, 1785–1786
      - government expenditures hike, 1786
      - healthcare benefits, 1785
      - privatization, 1785
      - transition path debt levels, 1786
    - welfare effects
      - government expenditures hike, 1789
      - healthcare benefits, 1789
      - of multilateral reforms, 1786
  - Multiregional CGE models, 1373
  - Multiregional world model
    - calibration
      - actual and simulated population comparison, 1763, 1764t
      - age-specific productivity, 1766
      - baseline path, 1767–1768, 1767t
      - benchmark population, 1762
      - country-specific simulation, 1768, 1769t
      - debt-to-GDP levels, 1766
      - demographic structure, 1763
      - factor prices, 1771–1772, 1772t
      - GDP and components, 1769–1770, 1770t
      - health expenditures, 1766–1767
      - low-skill intensive goods, 1772
      - policy parameters, 1765–1766, 1765t
      - population age structure, 1763
      - preference, 1765–1766, 1765t
      - production, 1763–1765, 1764t
      - production and trade balance, 1772, 1773t
      - tax rates, 1771
      - year-specific productivity, 1766
    - closed and open economy differences, 1790–1791
    - computational approach
      - non-traded goods sectors, 1762
      - for solving dynamic world equilibrium, 1761–1762
    - demographics
      - immigration treatment, 1756
      - individual life cycle, 1755, 1756f
    - government sector
      - age-specific health, 1761
      - employee payroll tax rate, 1760
      - expenditures, 1761
      - pension benefit, 1761
      - progressivity, 1760
    - household sector
      - asset endowment, 1757–1758
      - consumption and leisure, 1759
      - consumption utility, 1757
      - gross labor income, 1758
      - lifetime utility, 1756–1757
      - total asset, 1759
    - production sector, 1759–1760
  - Multisector general equilibrium model (MSGE model), 1571–1572
    - model selection and validation, 1595–1596
      - general equilibrium literature thrives, 1596–1597
      - market structure and free trade impact, 1596, 1596t
  - monopolistic competition, 1583
    - choice of framework, 1590–1592
    - fixed CDRs, 1587–1590
    - fixed costs, 1585–1587
    - groups large, 1590–1592
    - groups small, 1590–1592
    - variety, efficiency, markups and scale, 1583
  - oligopoly, 1573
    - entry, 1577
    - exit, 1577
    - fixed incumbents, 1574
    - market power aspects, 1581–1582
    - reduced-form collusion, 1574
  - Multitemporal CGE models, 1373
- ## N
- NAFTA. *See* North American Free Trade Agreement
  - NAICS. *See* North American Industry Classification System
  - NAIRU. *See* Non-accelerating inflation rate of unemployment

- Nash function, 1695
  - National economic welfare, 888
    - liberalization of global merchandise trade, 888
    - using standard GTAP price distortion database, 891–892
    - terms-of-trade effect, 891
  - National governments, 878
  - National Income and Product Account (NIPA), 1007–1008
  - Negishi algorithm, 1089
  - Nested CES approach, 948
  - New Keynesian economics, 1439–1440
  - New Keynesian models, 1441, 1443, 1465–1466, 1473
    - Bayesian methods, 1473
      - Bayes' rule, 1473–1474
      - Independence Chain MH algorithm, 1475
      - MCMC method, 1474–1475
      - posterior covariance matrix, 1475
      - posterior distribution, 1474–1475
      - using Random Walk Chain MH algorithm, 1475
    - EP solution method, 1468–1470
    - estimation challenges, 1478–1480
      - prior and posterior distribution, 1479f
      - prior and posterior distributions comparison, 1480
      - lack of identification, 1480
    - innovations, 1442
    - linear approximation, 1466
      - first-order Taylor series, 1466
      - percentage deviation, 1466
    - solving linear difference equations, 1467–1468
    - linear quadratic dynamic programming, 1470
      - linear constraints, 1471
      - Riccati equation, 1471
      - unique solution, 1471
      - value-function iteration, 1471
    - Lucas critique, 1441–1442
    - medium-scale models, 1443, 1453–1454, 1458, 1464–1465
    - microeconomic foundations, simple model with, 1444, 1448, 1450–1453
    - perturbation methods, 1471–1472
      - quadratic approximations, 1472
      - second-order Taylor series, 1472
      - univariate problem, 1472
    - RBC approach, 1442–1443
    - small new Keynesian model
      - using Bayesian approach, 1476
      - data series, 1476
      - prior distribution, 1477, 1477t, 1478t
      - DSGE models, 1475–1476
      - using DYNARE software package, 1477–1478
      - New Keynesian Phillips curve, 1476
  - Newton–Raphson step, 1340–1341
  - NGO. *See* Non-governmental organization
  - Negishi approach, 1092
  - NIPA. *See* National Income and Product Account
  - NNCES. *See* Non-separable, nested CES
  - Nomenclature d'unités territoriales statistiques (NUTS), 848–849
  - Nominal rates of assistance (NRA), 880–881
    - over time evolution, 908–909
      - complementary force, 909
      - country's tradable food products, 910
      - domestic polity, 909
      - international financial institutions, 909–910
      - PAE, 908–909
      - RIE, 908–909
  - Non-accelerating inflation rate of unemployment (NAIRU), 562, 1278
  - Non-classical measurement error, 1226
  - Non-corporate sector, 802–803
  - Non-export final demanders, 1348
  - Non-governmental organization (NGO), 878
  - Non-pecuniary conditions, 1685
  - Non-separable, nested CES (NNCES), 1678
  - Non-tariff farm policy measures, 881
  - Nordhaus' DICE model, 979
  - North American Free Trade Agreement (NAFTA), 838, 1017, 1230
    - tariff reductions
      - change in aggregate trade flows, 1012t, 1051
      - NAFTA-p vs. reference case, 1050–1051, 1050f
      - tariff reform, 1045
      - value of trade flows, 1045–1046
  - North American Industry Classification System (NAICS), 1138
  - NRA. *See* Nominal rates of assistance
  - NUTS. *See* Nomenclature d'unités territoriales statistiques
- ## O
- Off-the-shelf algorithm, 1537
  - OLG model. *See* Overlapping generation model
  - Oligopoly, 1573–1574
    - using CES function, 1577–1579
    - Cournot conjectural variations model, 1576–1577
    - Cournot–Armington model, 1580–1581, 1580t
    - Eastman–Stykolt specification, 1575
    - entry, 1577
    - exit, 1577
    - fixed incumbents, 1574
    - heterogenous cost structure, 1580
    - market power aspects
      - labor market effects, 1582
      - OECD, 1581–1582
    - markup rates, 1574–1575
    - reduced-form collusion, 1574
    - single ex-factory price, 1579
  - OLS. *See* Ordinary least squares
  - On-line forums, 1377
  - Open-sourcing model, 866–867
  - Ordinary least squares (OLS), 1233, 1393–1394
    - coalition policy, 1545–1546, 1549, 1549t
    - commodity level bilateral trade flows for, 1233–1234

- Ordinary least squares (OLS) (*Continued*)
  - distribution markups with four-region MSGE model, 1581–1582
  - for domestic support estimation, 822–823
- Output, inputs and technology variables percentage
  - changes relationship, 1327–1328
- Overlapping generations model (OLG model), 1378, 1721

## P

- PAE. *See* Poor agrarian economy
- PAGE model, Hope's, 979
- Part-time labor, 1680
- Partial equilibrium trade models
  - Armington-based model, 1552–1553
  - Krugman-based model, 1553–1555
  - Melitz-based model, 1555–1557
- Pcom*, 1350
- Perturbation methods, 1471–1472
  - quadratic approximations, 1472
  - second-order Taylor series, 1472
  - univariate problem, 1472
- Petri model, 1622
- PMR. *See* Product market regulation
- Policy optimization models, 1075
- Policy quantification, 1616
  - discriminatory market access barriers, 1617, 1618f
  - GATS, 1619
  - non-discriminatory regulatory barriers, 1617–1619, 1618f
  - price-and cost-based estimation, 1616
- Policy simulations, 1425–1427
  - agricultural distortions, removal of, 1429
  - agricultural incomes, 1429
  - agricultural population in, 1428f
  - climate change
    - distributional impacts of, 1430–1431
    - damages, global incidence of, 1431f
  - free trade
    - in agriculture, 1427–1428
    - in global poverty, 1427t, 1429–1430
  - regional growth incidence curves, 1429f
- Polynomial parity arguments on directed (PPAD) graphs, 1093
- Poor agrarian economy (PAE), 908
- Population ageing, 106
- Post-1990s CGE modeling, 1623
  - comparison, 1623–1624
  - Dixit–Stiglitz structure, 1624–1625
  - using FDI data, 1624
  - improvements in, 1623
  - petri-type FDI, 1625
- Poverty module
  - using elasticities approach, 900
  - global liberalization of merchandise trade reform, 901t
  - proportionate decline, 900–902
- PPAD graphs. *See* Polynomial parity arguments on directed graphs
- PPP. *See* Purchasing power parity
- Price indexation, 1458
- Price variation exploitation, 1228
  - CES preferences, 1228–1229
  - commodity level bilateral trade, 1229–1230
  - cross-product variation, use of, 1230–1231
  - demand equation, 1230
  - expenditures and price indices, 1230
  - MFN, 1231
  - NAFTA, 1230
  - quantities, 1229
  - using Romalis approach, 1230–1231
  - time-series literature, 1231
- Price-distorting policy effects
  - GTAP, 879
  - missing price-distorting measures, concern with, 880–902
    - effects of global removal, 887–888
    - effects on poverty, using elasticities approach, 900
    - effects on product prices, 896
    - effects on sectoral value added, 897–898
    - global and national economic welfare, 888
    - global goods markets, price distortions in, 881
    - LINKAGE model of global economy, 885–886
    - quantities produced and traded, 893
    - regional distribution of welfare effects, 888
    - sectoral distribution of welfare effects, 888
  - OECD, 879
- Producer behavior
  - See also* CGE econometric modeling
  - autonomous technical change projection rate, 1163–1164, 1175f
  - capital input
    - projection of bias of technical change, 1162, 1171f
    - share change, 1151, 1152f
    - share change price effect, 1151, 1156f
    - technical change bias, 1152, 1160f
  - energy input
    - share change, 1151, 1154f
    - share change price effect, 1151, 1158f, 1159f
    - technical change bias, capital input, 1161, 1168f
    - technical change bias, labor input, 1152, 1162f
  - induced technical change
    - projection rate, 1163–1164, 1174f
    - rate of, 1156–1157, 1166f
- Kalman filter application, 1143–1145
  - filtering, 1144
  - observation equation, 1144
  - smoothing, 1144
  - state equation, 1144
- labor input
  - share change, 1151, 1153f
  - share change price effect, 1151, 1157f

- technical change bias, 1152, 1161f, 1162, 1172f
  - log relative output price
    - price effect, 1165f
    - reduction of, 1154–1155, 1164f
  - material input
    - share change, 1151, 1155f
    - technical change bias, 1152, 1162, 1163f, 1173f
  - Producer heterogeneity, 1500
  - Product market regulation (PMR), 1614
  - Productivity channels, 1612
  - Public transport type passenger vehicles, 1245
  - Purchasing power parity (PPP), 1072–1073
- R**
- R&D. *See* Research and development
  - Ramsey equation, 1113–1114
    - prescriptive view, 1114
    - Stern review, 1114
  - Ramsey-Koopmans-Cass model, 1113
  - Random changes. *See* Reweighting
  - Random Walk Chain MH algorithm, 1475
  - RBC approach. *See* Real business cycle approach
  - Real business cycle approach (RBC approach), 1442–1443
    - and modern New Keynesian models, 1440, 1443
  - Real exchange rate (RER)
    - and capital flows, 1028
    - after FTAA implementation, 1057–1058
  - Real GDP identity, 1287, 1290–1292
    - cost minimization, 1288
    - interpretation, 1292–1293
      - measurement, 1293
      - sales tax change effects, 1294–1295, 1294f
      - sales tax removal effects, 1296–1297, 1296f
      - technology terms, 1293
    - margin services, 1288–1289
    - market clearing, 1289–1290
    - production function, 1288
    - technical change, 1288
    - zero pure profits, 1288
  - Recursive two-way linkage, 1392
    - calibration, 1393
    - DYNASIM, 1393
    - exogenous variables, 1392–1393
    - fully integrated approach, 1393
    - macro policies, distribution effects of, 1392f
    - recursive procedure converges, 1393
    - standard Stone–Geary model, 1393–1394
    - theoretical specifications, 1394
  - Recursive-dynamic models, 1376
  - Reduced-form cost function, 1587–1590
  - Regional CGE modeling
    - See also* Global CGE modeling; Post-1990s CGE modeling
  - Regional distribution of welfare effects, 892–893
    - global gains, 893
    - sources of welfare gains, 892t
  - Regional Integrated model of Climate and the Economy (RICE), 1078–1080
    - family of models, 939–940
    - ‘generalized consumption’, 1081
    - as IAM model, 1079–1094
      - introduction to, 1079–1080
      - purpose of, 1079
      - new feature of, 1085
      - offshoot, 979
      - as policy optimization model, 1080–1081
      - social welfare function, 1081
  - Regional welfare, 830
  - Regression equation, 1310–1311
    - sample for, 911
    - state employment effects, 1310f
    - USAGE employment results, 1311
  - Regulatory policy, 1500–1501
  - Relative rate of assistance (RRA), 904
  - RES. *See* Resource factor
  - Research and development (R&D)
    - learning by doing (LBD) model, 1126
    - and production, 969–970
  - Resource factor (RES), 1541
  - Reweighting procedure, 1395–1396
  - Riccati equation, 1471
  - RICE. *See* Regional Integrated model of Climate and the Economy
  - RICE-2010 model, 1089
    - decarbonization, 1090, 1091f
    - economic growth rate, 1090, 1090t
    - Hotelling rents, 1091
    - Negishi algorithm, 1089
    - objective function, 1091
    - structure, 1089
  - Rich industrial economy (RIE), 908
  - RIE. *See* Rich industrial economy
  - Risk aversion, 860
  - Robust monetary policy rules, 1486
    - central bank objectives, 1486–1487
    - characteristics of simple rules, 1489t
    - interest rate rules, 1486
    - model averaging, 1492–1493
      - characteristics, 1493t
      - optimized model-averaging rules, 1494t
      - using TAY, CEE/ACEL and SW models, 1493–1494
      - two-parameter rule, 1493
    - model-specific policies, 1486
    - model-specific rules, 1488–1490
    - robustness of, 1490–1492
    - range of estimated models, 1487–1488
    - Taylor-style rules, 1485–1486

Rock star status, 821  
 Roy model, 1396  
 Roy's identity, 1169–1170  
 RRA. *See* Relative rate of assistance  
 Rural labor, 1681  
 Rybczynski's theorem, 1797

## S

SA. *See* South Asia  
 SALTER project, 824  
 SARS. *See* Severe acute respiratory syndrome  
 SCC. *See* Social cost of carbon  
 SDS preferences. *See* Spence–Dixit–Stiglitz preferences  
 Sea-level rise (SLR), 1084  
 Search-and-matching model, 1688  
 Sector-specific capital, 1365  
 Sectoral distribution of welfare effects, 892–893  
   global gains, 893  
   sources of welfare gains, 892t  
 Services liberalization models  
   modeling regional services liberalization, 1625–1627  
   pioneering work, 1622  
   post-1990s CGE modeling, 1623  
 Severe acute respiratory syndrome (SARS), 1024  
 Short-run fiscal policy, 1495  
 Significant measurement error, 1225–1226  
 SIMPLE model, 1348  
   checking models, 1374–1375  
   checking process, 1350  
   debugging models, 1374–1375  
   dimensionality  
     GEMPACK scales, 1374  
     multiregional CGE models, 1373  
     policy-oriented CGE modelers, 1372  
     skilled practitioner, 1373  
     solution time vs. number of sectors, 1372–1373,  
       1372t, 1373f  
     straight GAMS user, 1374  
   example model, database for, 1348, 1349t  
   in GAMS, 1356  
     GEMPACK modeler, 1364  
     GMS input file for, 1356  
   in GEMPACK, 1350  
     algebraic substitution, 1354  
     command file for, 1355t  
     data arrays, 1350  
     Dixonian form, 1354  
     equation for real GDP, 1353  
     equations, 1350, 1353  
     FACTOR indication, 1350, 1354  
     *Pcomp*, 1350  
     in service labor productivity, 1357t  
     SIMPLE. TAB, 1354  
     simulation, 1354–1356  
     TABLO input file for, 1351t–1353t  
     in MPSGE, 1365  
       \$demand, 1365, 1369  
       entity types, 1365  
       GMS input file for, 1366t–1369t  
       mobile capital, 1365  
       percentage-change results, 1370  
       \$Prod section, 1365  
       sector-specific capital, 1365  
       nominal value aggregation, 1348  
       non-export final demand structure, 1348, 1349f  
       non-export final demanders, 1348  
       results, 1370–1371  
 Simultaneity, as time-series estimate, 1227  
 Simultaneous approach. *See* Fully integrated approach  
 Single exporter, reduced form schedules, 1250  
 Single importer, reduced form schedules, 1251–1252  
 Single-country 1–2–3 model, 940  
 SITC 78520 bicycles, 1245  
 64-bit Windows, 1339  
 Skilled practitioner, 1373  
 SLR. *See* Sea-level rise  
 Small new Keynesian model  
   using Bayesian approach, 1476  
   data series, 1476  
   DSGE models, 1475–1476  
   using DYNARE software package, 1477–1478  
   New Keynesian Phillips curve, 1476  
   prior distribution, 1477, 1477t, 1478t  
 Smets–Wouters model, 1461–1462  
 Smoothing, 1144  
 Social cost of carbon (SCC), 1107, 1108t  
 Socio-Economic Panel (SOEP), 1736  
 SOEP. *See* Socio-Economic Panel  
 Solution software for CGE modeling, 1331–1332  
   CGE model features, 1343  
     code features, 1347–1348  
     database, 1345–1348  
     equation groups, 1343–1345  
   CGE pioneers, 1331  
   complementary techniques  
     apprenticeship system, 1377  
     on-line forums, 1377  
     supplied documentation, 1377  
     training courses, 1377  
   computational challenges, 1377–1378  
     links to models, 1378  
     OLG model, 1378  
   GAMS, 1333–1335  
   GEMPACK, 1334–1335  
   general-purpose software, 1335–1339  
     change solution methods, 1339–1343  
     GEMPACK IDE's, 1338  
     input intelligible to modelers, 1335–1336  
     insulate modelers, 1337  
     run on different computers, 1338–1339  
     wide range of models, 1336–1337

- Windows programs, 1338
- model-specific programs, 1333
- MPSGE, 1334–1335
- SIMPLE model, 1348–1371
  - checking models, 1374–1375
  - complementarities, 1377
  - debugging models, 1374–1375
  - dimensionality curse, 1372–1374
  - distributing models to non-licensees, 1377
  - example simulation, 1354–1356
  - in GAMS, 1356–1364
  - GAMS and GEMPACK feature comparison, 1375–1377
  - in GEMPACK, 1350–1354
  - in MPSGE, 1365–1370
  - optimization, 1376
  - training and documentation, 1377
  - understanding results, 1370–1371
- special-purpose programs, 1333
- standardization, 1332
- transferring models between software platforms, 1379
- South Asia (SA), 1429
- Spence–Dixit–Stiglitz preferences (SDS preferences), 1583
- SSA. *See* Sub-Saharan Africa
  - See also* Systematic sensitivity analysis
- Standard GTAP modeling framework, 826
  - allocative efficiency gains from, 833f
  - equations, 831–832
  - Global Bank, 834
  - global trade, 835
  - guiding principles, 825–827
  - imports treatment, 835–837
  - modeling private consumption behavior, 829
  - ORANI model, 834
  - regional household, 827–828
  - regional welfare
    - decomposition, 830
    - measurement, 830–831
  - transport sector, 835
  - Walras' law, 833–834
- Standard Stone–Geary model, 1393–1394
- Standardized modeling packages, 1379
- Static aging approach, 1408–1409
  - See also* Dynamic ageing
- Static distribution oriented macro–micro models, 1387
  - See also* Dynamic macro–micro modeling; Global Income Distribution Dynamic model (GIDD model)
- bottom-up approach, 1390
  - diabetes prevention campaign, 1391
  - feedback, 1392
  - micro-oriented policies, 1390–1391, 1391f
- fully integrated approach, 1393
  - calibration, 1393
  - standard Stone–Geary model, 1393–1394
  - theoretical specifications, 1394
- recursive two-way linkage, 1392
  - DYNASIM, 1393
  - exogenous variables, 1392–1393
  - macro policies, distribution effects of, 1392f
- top-down approach, 1387–1389
  - aggregation properties, 1389
  - using CGE model, 1388
  - macro policies distribution effects, 1388f
  - social welfare, 1389–1390
  - WTO, 1390
- Static macro–micro distributional models, 1394
  - See also* Dynamic macro–micro modeling; Global Income Distribution Dynamic model (GIDD model)
- A and B sectors, 1395
- final reflections
  - microsimulation, 1404
  - representative household approach, 1404
  - time dimension, 1404
- household income generation on labor market
  - a priori probability, 1401–1402
  - employment allocation, 1403
  - equation, 1401
  - individual labor force participants, 1400
  - using micro–macro modeling approach, 1399–1400
  - perfect competition framework, 1399
  - rigorous treatment, 1400–1401
  - Roy model, 1399
  - shock, 1400
  - simple model directions, 1402
  - top-down links, 1402–1403
- linkage variables, 1395
- market imperfections types, 1395
- rational individual choice of employment sector, 1396–1397
  - earners, 1397–1398
  - labor across sectors, 1399
  - using Roy model, 1396, 1398
  - sector allocation rule, 1397
  - static multisectoral model, 1398–1399
  - reweighting procedure, 1395–1396
- Sticky wages, 1458–1459
- Stochastic model
  - dynamic microsimulation, 1674
  - household problem solving, 1791–1792
  - macroeconomic computational algorithm, 1792
- Straight GAMS user, 1374
- Structural vector autoregression model (SVAR model), 1454
- Sub-Saharan Africa (SSA), 955–956
- Supply–demand systems
  - estimation strategy, 1252
  - elasticities
    - of export supply, 1252–1253

Supply—demand systems (*Continued*)  
 of inverse supply, 1253  
 magnitude of, 1253  
 large degree of, 1253  
 Monte Carlo simulation data, 1253  
 Survival functions, 1412  
 SVAR model. *See* Structural vector autoregression model  
 Systematic sensitivity analysis (SSA), 840, 1243, 1376

## T

Tariff aggregation, 919  
*See also* Price-distorting policy effects  
 Anderson—Neary approach, 922  
 balance-of-trade function, 922–923  
 Chile, 925–927  
 HS6 products, 924  
 impacts on real incomes of, 925, 926t  
 income—expenditure condition, 922  
 marginal impacts of tariff reductions, 921–922, 921f  
 OTRI approach, 919–920  
 reform involving, 920  
 structural economic models, 920  
 substitution levels, 924–925, 925f  
 tariff revenue aggregator, 923  
 using three-tier strategy, 923–924  
 traditional trade-weighted averages, 920–921  
 TRI, 923  
 uniform tariff measures, 920  
 Tariff rate quota (TRQ), 848–849, 884  
 Tariff revenue aggregator, 923  
 Taylor principle, 1488–1489  
 Taylor-style rules, 1485–1486  
 Taylor's model, 1442  
 TCF sector. *See* Textile, clothing and footwear sector  
 Textile, clothing and footwear sector (TCF sector),  
 1322–1323  
 Thin-tail uncertainty, 1117  
 Three-parameter rules, 1489–1490  
 Time-series data, 1235–1236  
 Top-down approach, 1387–1389  
 aggregation properties, 1389  
 using CGE model, 1388  
 macro policies distribution effects, 1388f  
 social welfare, 1389–1390  
 WTO, 1390  
 Trade elasticity parameters for CGM model  
 CES, 1213  
 export supply, 1246–1257  
 mechanisms, 1247–1249  
 reduced form schedules estimation, 1249–1252  
 supply—demand systems, 1252–1253  
 supply-side reinterpretation, 1253–1257  
 gravity, trade costs and structural estimation,  
 1257–1258  
 from firm-level data, 1264–1266  
 identification approaches, 1258

outside estimation imposing methods, 1258–1260  
 price data exploitation methods, 1260–1261  
 structural estimation of theories, 1261–1264  
 import demand elasticities, 1220–1246  
 Feenstra method problems, 1239–1240  
 foreign—foreign substitution, 1228–1232  
 home—foreign substitution, 1222–1224  
 instrumental variables approaches, 1233–1234  
 problems with time-series estimates, 1224–1227  
 systems of equations without instruments,  
 1234–1239  
 simple partial equilibrium diagram, 1214f,  
 1215  
 single-country trade models, 1219  
 Trade facilitation, 854–855  
 Trade Restrictiveness Index (TRI), 923  
 Trade theories  
 Armington trade, 1519  
 composite commodity, 1519  
 price index, 1519–1520  
 Krugman trade, 1520  
 Dixit—Stiglitz price index, 1520–1521  
 at firms, 1521  
 Melitz trade, 1521–1522  
 CES-weighted average productivity, 1524  
 Dixit—Stiglitz price index, 1522  
 Pareto distribution, 1523  
 productivity, 1522  
 supply, 1525  
 variables, 1518t  
 TRI. *See* Trade Restrictiveness Index  
 TRQ. *See* Tariff rate quota  
 Two-parameter rules, 1488–1489  
 Two-step Kalman filter, 1147  
 instrumental variables, 1203f, 1203t

## U

UN Conference on Trade and Development (UNCTAD),  
 822  
 UNCTAD. *See* UN Conference on Trade and  
 Development  
 Unilateral policy reform simulation  
*See also* Multiregional world model  
 government expenditures hike  
 by debt, 1780, 1782t  
 by taxes, 1780, 1781t  
 macroeconomic effects  
 factor prices in alternative policy paths, 1774  
 limiting growth in healthcare benefits, 1774–1776,  
 1777t  
 pension system privatization, 1774, 1775t  
 public expenditure debt financing, 1778, 1779t  
 tax policy, 1776–1778  
 welfare effects  
 government expenditures hike, 1784  
 healthcare benefits, 1784



- privatization, 1780–1784
  - of unilateral reforms in USA, 1780, 1783t
- Urban labor, 1681
- US Department of Agriculture (USDA), 846–847
- USDA. *See* US Department of Agriculture

## V

- Validation through BOTE analysis, CGE modeling
  - BOTE model, 1301–1302
    - for explaining CGE results, 1304–1309
    - for explaining short-run, 1302–1304
  - qualitative validation, 1297–1298
  - quantitative validation, 1298
    - CO<sub>2</sub> result, 1298
    - productivity Commission's estimation, 1300
    - source locating reasons, 1300–1301
    - tariff-cut result, 1299
- Value-added linkages, 1628–1629
  - comparison of value-added shares, 1633t
  - database aggregation, 1630, 1632t
  - detailed value-added composition, 1633t
  - Italian regulatory policy, 1634
  - macroeconomic impact, 1632t, 1633–1634
  - MFP, 1630
  - PMR index, 1630
  - productivity and regulation in services, 1631t
  - regression analysis—MFP and regulation, 1631t
  - value-added composition of economy, 1629t
- Value-added tax (VAT), 1582
- Value-function iteration, 1471
- Variable elasticities, 1245–1246
- Variety-scaled output, 1585–1587
- VAT. *See* Value-added tax
- ViewHAR, 1375
- ViewSQL, 1375

## W

- Wage curve, 1687
- Wage level, 1665
- Wage-forming mechanism, 1687
  - CPI, 1687

- dominant type of literature, 1688
- fixing real wages, 1687
- structural parameters, 1688
- using theories, 1688
- wage curve, 1687
- Wage-generating mechanism, 1649
- Walras' law, 833–834
- Welfare analysis, 1706
  - utility weighting, 1710–1711
  - welfare measurement
    - for microsimulated households, 1709–1710
    - for representative households, 1706–1709
- Welfare measurement
  - for microsimulated households, 1709–1710
  - for representative households, 1706–1709
- WHO. *See* World Health Organization
- Windows BATch language, 1375
- Windows programs, 1338
  - to control simulations, 1338
  - to examine data, 1338
  - IDE programs, 1339
  - to results, 1338
  - to run on different computers, 1338–1339
- World economy's dynamic equilibrium computation, 1792
  - capital and labor input-output coefficients, 1794
  - capital for traded goods, 1793–1794
  - excess demand, 1796
  - factor input-output ratios, 1795
  - labor input-output coefficients, 1794
  - Rybczynski's theorem, 1797
  - skill-specific labor supply, 1793–1794
- World Health Organization (WHO), 1024
- World Trade Organization (WTO), 878, 1390
  - Doha negotiations, 881
- WTO. *See* World Trade Organization

## Z

- Zero-cutoff-profit condition, 1535
- Zero-interest-paying asset, 1468–1469