

Factor proportionality in multiple households closed CGE models: Further evidence

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Resumo/Abstract:

Balasko and Tourinho observed that the factor contents of different consumers consumption bundles computed from a countrys CGE model with multiple households are proportional or almost proportional in the case of four different countries. In spite of the fact that we only had these cases to illustrate our finding, we speculated that this was a more general phenomenon, and called it a "law". Here we provide more evidence on its validity, showing that the factor demands in the CGE models for seven additional countries are also collinear. The finding that the law of proportionality of factor contents is observed for a total of eleven very diverse countries is claimed to be definitive evidence of its validity for the current generation of CGE models, a fact that has broad implications for the interpretation of their results.