**Simulations using the CGE Model**

**Exercise 5: Foreign Capital Inflows**

* **Shock**: Increase foreign capital outflows fivefold (i.e., +500%)
* **Four simulations** (same shock but using different closures):
  + Sim1: Full employment, Savings-driven investment
  + Sim2: Full employment, Investment-driven savings (scaled MPS adjustment)
  + Sim3: Unemployment for unskilled workers, Investment-driven savings (scaled MPS adjustment)
  + Sim4: Unemployment for unskilled workers, Investment-driven savings (uniform MPS adjustment)

**Exercise 6: Tariff Liberalization**

* **Shock**: Eliminate all import tariffs (i.e., -100%)
* **Four simulations** (same shock but using different closures):
  + Sim1: Full employment, Savings-driven investment, Fixed foreign savings
  + Sim2: Full employment, Investment-driven savings (uniform MPS), Fixed foreign savings
  + Sim3: Unemployment for unskilled workers, Investment-driven savings (uniform MPS), Fixed foreign savings
  + Sim4: Unemployment for unskilled workers, Investment-driven savings (uniform MPS) , Fixed exchange rate

**Group Exercises**

* **Flooding the fields**: Reduce crop productivity (TFP) by 20%
* **Running on empty**: Increase world oil (petroleum and fertilizer) prices by 30%
* **Lights out**: Reduce productivity (TFP) in the electricity sector by 20%
* **Buck stops** here: Reduce foreign remittance inflows by 50%
* **Emperor’s clothes**: Reduce world export prices for textiles and clothing by 30%
* **Saving the world**: Impose tax (negative subsidy) on fossil fuel-related imports of 50%