



ANSWER KEY: Immigration and Structural Change

Table 3. Base factor intensities and tradability

	BASE FACTOR INTENSITIES			BASE TRADE SHARES	
	Land	Labor	Capital	Shares of imports in consumption	Share of exports in production
	Factor shares in industry costs				
AGR	11	16	16	11	16
MFG	0	24	10	25	15
SER	0	43	16	2	2

Table 4. % change in quantity

	ESUBQ = 0.7			ESUBQ =5		
	Output (QX)	Exports (QE)	Imports (QM)	Output (QX)	Exports (QE)	Imports (QM)
AGR	6.3	7.9	5.3	4.7	2.7	11.6
MFG	7.3	7.9	5.0	7.4	5.5	3.8
SER	7.0	14.8	4.2	7.0	10.0	-0.2

Table 5. % change in factor quantity						
	ESUBQ = 0.7			ESUBQ = 5		
	AGR	MFG	SER	AGR	MFG	SER
Land	0	0	0	0	0	0
Labor	13.9	10.4	9.9	11.7	10.5	9.9
Capital	3.5	0.4	-0.1	1.5	0.5	-0.1

Selected answers:

The AGR sector is the most capital intensive and SER is the most labor intensive. AGR is export-oriented and MFG is import-oriented.

Larger ESUBQ parameter values allow consumers to more easily shift to the domestic supply as their prices fall relative to imports. MFG consumers buy more domestic MFG as supply increases, dampening import demand. AGR consumers buy more imports due to slow growth in domestic supply.