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Abstract

The Brazilian economy, with significant differences in the distribution of economic activity across regions, presents a challenge to models that adopt a perfectly competitive market structure. This paper employs an interregional CGE model of the Brazilian economy to explore the long-run impacts of positing changes in transportation structure and scale economies on regional

and national welfare. In particular, the transportation cost structure is modeled explicitly as a margin rather than in an iceberg form; scale economies are addressed as a way to mimic the imperfectly competitive structure of the Brazilian economy and to capture some of the potential impacts of core-periphery relationships in production structure. This paper complements a previous study by Haddad and Hewings (2005) that focused on the short-run implications of similar experiments.