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TITLE: REGIONAL INTEGRATION IN COLOMBIA: ON COURNOT'S PROBLEM AND THE NEW ECONOMIC GEOGRAPHY

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ABSTRACT:

In this paper we explore an alternative approach to bridge the gap between New Economic Geography (NEG) theory and practice. We address Krugman's frustration with the preliminary efforts in the direction of developing "computable geographical equilibrium" models. We depart from Haddad and Hewings (2005) modeling approach, which offers some preliminary steps in the marriage of some of the theoretical foundations of NEG with spatial computable general equilibrium (CGE) models. We argue that this approach should not be neglected as a potential modeling strategy to be pursued in order to reinforce policy relevance of NEG-based models. In our case study, we apply the proposed methodology to look at the spatial implications of reductions in transportation costs within the Colombian economy. The results are shown to be in line with NEG models, reproducing empirical regularities evidenced from econometric estimates.