

Interregional dispersion of impacts from regional economic shocks: A CGE explanation

Topic: CGE applications

Author: John Robert Madden

Co-Authors: James Giesecke

The ultimate effects on regions of economic shocks are influenced by a variety of interregional factors such as changes in competitiveness with other regions, interregional input-output linkages and factor mobility, particularly via interregional migration. There are circumstances where the first two of these factors may have opposing effects, and elucidating which might dominate requires a numerical model of the underlying regional structure. To investigate these issues we simulate a number of regional economic shocks with a multiregional computable general equilibrium model. We carefully interpret the results, disentangling the effects resulting from the various mechanisms which link regions. We demonstrate the importance to our results of the type of shock, the model closure and the speed of lagged responses in wages and interregional migration.