

"The Wage Geography of Brazil after the Reforms"

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What has been the impact of the trade liberalization on the regional and industrial wage structure in Brazil? This paper attempts to shed light on the determinants of the evolution of wages during the period 1986-1999. We approach this question relying on the main insights of the new economic geography of trade and traditional trade theory. The main findings of the paper suggest that there has been significant convergence of wages across regions and industries. Furthermore, we find that wage premia have increased in those regions with higher share of skilled workers or higher average years of schooling. Regarding the role of factor endowments, we find that regions with a higher share of the mining production have increased their wage premia. The impact of the endowment of agricultural land is ambiguous. Finally, we find strong evidence of a decrease in the expected wage-geographical-gradient that should exist towards the economic poles of Mercosur, either Sao Paulo or Buenos Aires. The paper discusses the econometric identification problems faced by the estimation of regression models with fixed effects (by region/industry) with time-invariant regressors, such as the geographic distance of states to Sao Paulo or Buenos Aires.