1 Final Remarks

The primary objective of this thesis was to construct a DSGE model for evaluating the influence of monetary policy on regions within the same country that possess distinct productive structures. The impulse response functions revealed discernible differences in the intensity of reactions, attributable to variations in capital elasticity and technological levels among firms in different regions, while the direction of the reactions remained consistent.

From this information, one can infer that a national monetary policy may not uniformly exhibit effectiveness across all regions. Consequently, contemplating the implementation of alternative policies in parallel may be necessary to ensure the desired effects are achieved. Alternatively, the formulation of monetary policy should consider regional variables, allowing the intensity of the policy to be weighted according to the characteristics of each region.

Regardless of the decision, it is evident that a country with diverse regions should consider that the interest rate, among many available monetary policy mechanisms, is not universally optimal and will have different impacts on different regions.

1.1 Future Challenges

The model presented here incorporates features characteristic of a New Keynesian model. For future studies, it should be considered to include additional elements, such as: (1) non-Ricardian households, given that a significant portion of the Brazilian population lacks access to credit; (2) habit formation, as this feature provides a more accurate description of household behavior; (3) labor market, as rigidities within it contribute to a better alignment of the model with reality; (4) a fiscal authority, recognizing the significance of government decisions on private agents; (5) adjustment costs on investment, acknowledging that higher investments can increase its overall expense; (6) inclusion of bonds and other assets, as there are various financial products within the economy; (7) consideration of the foreign market, recognizing the influence of other global economies on internal decisions.