

Highway-type Public Capital, Congestion Tax and Non-tradable Goods in A Small Open Economy

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December, 2011

Abstract

We construct a static general equilibrium model with highway-type congested public capital. A non-tradable goods are introduced into this small open economy. We obtain the effects of the terms of trade, as well as congestion tax, on the congestion level and the welfare. We also find that the optimal congestion tax is higher in free trade than in autarky. About the weak influence of non-tradable goods, we argue that it could results from the the choice of price numeraire, which does matter in this model.

Keyword: higeway-type public capital, congestion, non-tradable

JEL classifications: F41, H41

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