

## **International Economic Integration**

Economics 650  
Spring, 2000  
E-mail HUTCHIWK@MUOHIO.EDU

W.K. Hutchinson  
Office Hours: T-R  
2:00-3:15 & 4:45-6:00  
or by Appointment

### **Course Outline**

International economic integration encompasses issues that range from cooperative border crossing policies to full economic and/or monetary union. However, one frequently thinks of preferential trading agreements, PTAs, when economic integration is mentioned. We shall begin with an analysis of why countries would wish to become more integrated and assess the costs and benefits associated with increased integration. Progressing from free trade agreements to economic union, we consider monetary union as a separate possibly penultimate step to political union.

Once we have completed a general analysis of economic integration we shall examine various cases where economic integration has occurred. For example, various stages of the European Union, the issues of admitting new members, the North American Free Trade Agreement, NAFTA, Mercosur, APEC, as well as the many free trade agreements among African countries.

Once we have completed the general analysis of economic integration, each participants will present and facilitate the discussion of two articles. These presentations constitute 30 percent of the course grade. The particular articles that one presents will be determined by each person drawing two numbers. The drawing takes place on the first day of class and presentations begin on March 7, 2000, so everyone knows when their presentation is to occur. A secondary market may exist for presentation dates (papers).

This is a graduate seminar in which each participant is expected to be an active contributor. Reading assignments should be completed before class and each participant is responsible for understanding the material, regardless of who might be leading the discussion.

Each participant will write a paper that extends the theoretical and/or empirical work of an existing journal article. The journal article and proposed extension must be approved by the instructor. This paper constitutes 40 percent of the course grade. The final examination constitutes 20 percent of the course grade. The remaining 10 percent of the course grade depends on class participation.

## Reading Assignments

### I. General Analysis: (January 11-March 2)

- (1) Bhagwati, Jagdish (1993) "Regionalism and Multilateralism: An Overview" in J. De Mello and A. Panagariya (eds.) *New Dimensions in Regional Integration* Cambridge: Cambridge University Press pp. 22-57.
- (2) Krugman, Paul (1993) "Regionalism Versus Multilateralism: Analytic Notes" in J. De Mello and A. Panagariya (eds.) *New Dimensions in Regional Integration* Cambridge: Cambridge University Press pp. 58-89.
- (3) Krueger, Anne O. (1999) "Are Preferential Trading Arrangements Trade Liberalizing or Protectionist?" *J. of Economic Perspectives* 13:4 pp. 105-124.
- (4) Bhagwati, Jagdish, David Greenaway and Arvind Panagariya (1998) "Trading Preferentially: Theory and Policy" *Economic Journal* July pp. 1128-1148.
- (5) Ethier, Wilfred (1998) "The New Regionalism" *Economic Journal* July pp. 1149-1161.
- (6) Whalley, John (1998) "Why Do Countries Seek Regional Trade Agreements?" in J. Frankel (ed.) *The Regionalization of the World Economy* Chicago: University of Chicago Press pp. 63-90.
- (7) Frankel, Jeffrey, Ernesto Stein, and Shang-Jin-Wei (1998) "Continental Trading Blocs: Are They Natural or Supernatural?" in J. Frankel (ed.) *The Regionalization of the World Economy* Chicago: University of Chicago Press pp. 91-120.
- (8) Cohen, Benjamin (1997) "The Political Economy of Currency Regions" in Edward D. Mansfield and Helen V. Milner (eds.) *The Political Economy of Regionalism* New York: Columbia University Press pp. 51-76.

### II. Applications (March 7-April 27)

- (9) Spencer, Peter (1997) "Monetary Integration and Currency Substitution in the EMS: The Case for a European Monetary Aggregate" *European Economic Review* 41 pp. 1403-1419.
- (10) Tavlas, George S. (1997) "The International Use of the U.S. Dollar: An Optimum Currency Area Perspective" *World Economy* 20:6 September pp. 709-747.
- (11) Frankel, Jeffrey and Shang-Jin-Wei (1998) "Regionalization of World Trade and Currencies: Economics and Politics" in J. Frankel (ed.) *The Regionalization of the World Economy* Chicago: University of Chicago Press pp. 189-226.

- (12) Engel, Charles and John H. Rogers (1998) "Regional Patterns in the Law of one Price: The Roles of Geography Versus Currencies" in J. Frankel (ed.) *The Regionalization of the World Economy* Chicago: University of Chicago Press pp. 153-187.
- (13) Faini, Riccardo (1997) "Integration or Polarization? Regionalism in World Trade During the 1980s" in Riccardo Faini and Enzo Grilli (eds.) *Multilateralism and Regionalism after the Uruguay Round* New York: St. Martins Press pp. 144-160.
- (14) Baldwin, Richard E. (1994) "EU Enlargement" in Richard E. Baldwin *Towards and Integrated Europe* London: Center for Economic Policy Research pp. 155-195.
- (15) Foroutan, Faezeh (1993) "Regional Integration in Sub-Saharan Africa: Past Experience and Future Prospects" in J. De Mello and A. Panagariya (eds.) *New Dimensions in Regional Integration* Cambridge: Cambridge University Press pp. 234-277.
- (16) Nogues, Julio J. and Rosalinda Quintanilla (1993) "Latin America's Integration and the Multilateral Trading System" in J. De Mello and A. Panagariya (eds.) *New Dimensions in Regional Integration* Cambridge: Cambridge University Press pp. 278-318.
- (17) Saxonhouse, Gary R. (1993) "Trading Blocs and East Asia" in J. De Mello and A. Panagariya (eds.) *New Dimensions in Regional Integration* Cambridge: Cambridge University Press pp. 388-422.
- (18) Fischer, Stanley (1993) "Prospects for Regional Integration in the Middle East" in J. De Mello and A. Panagariya (eds.) *New Dimensions in Regional Integration* Cambridge: Cambridge University Press pp. 423-452.
- (19) Hanson, Gordon H. (1996) "Economic Integration, Intra-industry Trade, and Frontier Regions" *European Economic Review* 40 pp. 941-949.
- (20) Kowalczyk, Carsten and Donald Davis (1998) "Tariff Phase-Outs: Theory and Evidence from GATT and NAFTA" in J. Frankel (ed.) *The Regionalization of the World Economy* Chicago: University of Chicago Press pp. 227-258.
- (21) Armstrong, Kenneth A. (1998) "Legal Integration: Theorizing the Legal Dimension of European Integration" *Journal of Common Market Studies* 36:2 June pp. 155-174.
- (22) Donges, Juergen B. Andreas Freytag and Ralf Zimmermann (1997) "TAFTA: Assuring Its Compatibility with Global Free Trade" *The World Economy* 20:5 August pp. 567-583.