

# **Comments on Girardin's Core Study**

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## **A Fine Review**

- Especially good theoretical structure
- Some empirics
- Sensible (debatable) conclusions

## Critical Problem

- What's the externality/imperfection to which regional cooperation is the solution?
  - Very important to answer this precisely
  - Type of imperfection dictates solution
  - 3 suggestions:
    1. regional interdependencies
    2. regional financial crises
    3. common financial structure and problems

## A few issues

1. Where do regional spillovers come from?
  - Trade? Finance channel? Productivity shocks?
2. Are the three suggestions really aspects of the same underlying phenomena?
3. Note that the theory generally imply fixing exchange rates is terrible
4. A clearer taxonomy would be helpful

## **Some Suggestions seem Implausible**

- Regional peer pressure/information externalities
- Incentives to deviate from open cooperation in absence of sanctions
- Benchmarking risks much talk, little action

# Empirics

- Have to adjust for “gravity” effects in assessing trade integration
- CIP a very low threshold for financial integration
- Business cycle analysis could be improved:
  1. more structure on sources of shocks
  2. more countries
  3. closer link to theory
  4. more ec, less tech!

# The European Experience

A fine survey, but some doubts remain:

- Snake's failure means "open coordination" difficult?
- EMU's success a one-off (German Unification)?
- Common goals (peace) absent in Asia?
- Common leadership (France-Germany) absent too?

## **Action Plan**

- Precision clashes with fuzziness of content
- Seems quite heroic without sanctions, clear objectives
- Could be linked better to theory, data, history