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?
  o Very important to answer this precisely
  o Type of imperfection dictates solution
  o 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