

Tiedekunta-Fakultet-Faculty Valtiotieteellinen tiedekunta		Laitos-Institution-Department Department of Economics	
Tekijä-Författare-Author Kähkönen, Mikko			
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<p>Tiivistelmä-Referat-Abstract</p> <p>The objective of this study is to analyse the effects of an enlargement of a common market on economic growth and incomes. The analytical framework is developed by Uwe Walz (1998). The underlying growth model draws on the work of Grossman and Helpman (1991). Growth is explained with continuous developing of new differentiated intermediate inputs in an R&amp;D sector. The use of these intermediates yields economies of scale and further, productivity gains in final goods production. The countries' specialisation patterns are determined together with the mentioned scale economies and agglomeration advantages and disadvantages arising from transport costs.</p> <p>The new country to the common market is considered to be technologically lagging compared to the initial countries. The differences in technology are of such magnitude that the entrant cannot take part in the R&amp;D activity at all. The study of the enlargement is divided into two sequences: liberalisation of trade and liberalisation of migration.</p> <p>The result of removing the barriers to trade is faster economic growth and income convergence between the initial common market countries. The enhanced welfare is observed as better wages in the new member state. The specialisation patterns become less drastic, with the reallocation of resources leading to the innovating activity being more evenly distributed.</p> <p>In the case of labour mobilisation, faster growth is achieved with qualifications. The migration of unskilled workers to the initial common market countries slows down growth. The immigration of skilled workers in turn leads to faster growth if and only if it was used relatively less intensively in the new member country prior to the enlargement. In this case wages converge.</p> <p>The starting point of the study consists of the following papers:</p> <p>Grossman, G. M. &amp; Helpman, E. (1991): Innovation and Growth in the Global Economy. The MIT Press, Cambridge, Ma. USA.</p> <p>Walz, U. (1998): Does an Enlargement of a Common Market Stimulate Growth and Convergence? Journal of International Economics 45, 297 – 321.</p> <p>Walz, U. (1996): Transport costs, Intermediate Goods, and Localized Growth. Regional science and Urban Economics 26, 671 – 695.</p>			
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