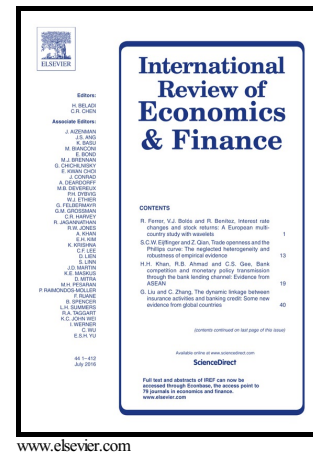


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Internal Imbalances in the Monetary Union with Asymmetric Openness[☆]

Shih-Fu Liu^{a*}, Yu-Ning Hwang^a, Ching-Chong Lai^{a,b,c}

^a*Department of Economics, National Chengchi University, Taiwan*

^b*Institute of Economics, Academia Sinica, Taiwan*

^c*Institute of Economics, National Sun Yat-Sen University, Taiwan*

*Correspondence to: Shih-Fu Liu, Department of Economics, National Chengchi University, 64, Sec. 2, Tzu-nan Rd., Taipei 116, Taiwan. Tel: +886 2 27822791#664; Email: liu98258503@gmail.com

Abstract

This paper develops a two-country, two-sector model under both monetary union and flexible exchange rate regimes featured with trade openness differentials, and then uses it to examine the relative macroeconomic effects of trade openness under both regimes. Some main results emerge from our analysis regarding an adverse shock of either country-wide productivity or country-wide government expenditure. First, the decline in output is greater

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