

Workshop on Modeling the Economic Impact of the Expansion of the European Union

10, 15, 17 November 2004

The **European Union** is expanding eastwards. Which sectors in the East will expand their production and exports, leading to contractions of these sectors and displacement of workers in the West? In which sectors will trade and foreign investment liberalization lead to expansion of opportunities for investors and workers in the West? Will Western Europe be flooded with workers looking for jobs and willing to work for low pay? Or will the restrictions on labor mobility keep these workers at home but lead to a “giant sucking sound” as firms in the West invest in the East, moving jobs there?

This three day workshop will study the types of economic models being used to analyze the impact of economic integration episodes like the current EU expansion. How did these models perform in modeling past economic integration episodes in Europe and Latin America? How can we build models in the future?

Professor **Timothy Kehoe** of the University of Minnesota’s Department of Economics will direct this workshop, which will consist of nine sessions, 9-10 am, 10-11 am and 2-3 pm on 10, 15, 17 November. The schedule is on the next page.

This workshop is meant to foster the communication of work in progress. It will feature presentations by researchers from Spain, Sweden, and Latvia, by professors of the University of Minnesota and the University of Texas, and by graduate students from the University of Minnesota, and extensive discussions.

All are welcome to participate, especially graduate students looking for research topics. You can consult www.econ.umn.edu/~tkehoe/teaching/CGESworkshop-04.html for more information.

This workshop will be followed up by a more formal two day conference this winter at which finished versions of the research will be presented, possibly with other relevant work.

Please contact Wendy Williamson at wendy@econ.umn.edu or 612-625-2516 if you are interested in attending some or all of the workshop.

Wednesday 10 November

9-10 am: **“An Introduction to Applied General Equilibrium Analysis of Trade Liberalization,”** Timothy J. Kehoe, University of Minnesota and Federal Reserve Bank of Minneapolis. (CSOM 1-127)

10-11 am: **“Trade Liberalizations in Latin America and Eastern Europe: The Cases of Ecuador and Slovenia,”** Stanley Cho and Julian Diaz, University of Minnesota. (CSOM 1-127)

2-3 pm: **“Capital Flows and Real Exchange Rate Fluctuations Following Spain's Entry into the European Community,”** Gonzalo Fernandez de Cordoba, Universidad de Salamanca. (CSOM 1-127)

Monday 15 November

9-10 am: **“Modeling the Fixed Costs of Expanding Trade after Trade Liberalization,”** Kim J. Ruhl, University of Texas at Austin. (CSOM 1-127)

10-11 am: **“Trade Deficits in the Baltic States: How Long will the Party Last?”** Rudolfs Bems, Handelshögskolan i Stockholm/Stockholm School of Economics. (CSOM 1-127)

2-3 pm: **“Immigration Policies and Fiscal Deficits in the European Union,”** S. Nuray Akin, University of Minnesota. (CSOM 1-127)

Wednesday 17 November

9-10 am: **“Is Investment Allocation in the European Union Affected by the Relative Power of Labor Unions?”** Konstantinos Arkolakis and José Daniel Rodriguez, University of Minnesota. (CSOM 1-127)

10-11 am: **“Reexamining Real Exchange Rate and Consumption Fluctuations following Spain’s Entry into the European Community,”** Kristian Jonsson, Sveriges Riksbank/Bank of Sweden. (CSOM 1-127)

2-3 pm: **“What Went Wrong in Modeling the Impact of the North American Free Trade Agreement?”** Timothy J. Kehoe, University of Minnesota and Federal Reserve Bank of Minneapolis. (CSOM 1-136 — **please note room change**)

This workshop is part of a Research Collaborative sponsored by the Center for German and European Studies, University of Minnesota.