# Article information:

On the benefits of a monetary union: Does it pay to be bigger?
<https://ideas.repec.org/a/eee/inecon/v97y2015i2p448-463.html>

# Article summary:

1. The adoption of a common currency like the euro can be beneficial for the members of the monetary union, as spill-over effects generated by inflationary policies of small open economies outweigh costs of not tailoring monetary policy to country-specific shocks.

2. Enlargement of a monetary union to another group of small open economies can bring about welfare gains for all countries involved.

3. Monetary integration of two large economies, such as the euro area and the U.S., will not bring about welfare gains for either country.

# Article rating:

Appears moderately imbalanced: The article provides some useful information, but is missing several important points or pieces of evidence that would be required to present the discussed topics in a balanced and reliable way. You are encouraged to seek a more balanced perspective on the presented issues by exploring the provided research topics and looking at different information sources.

# Article analysis:

The article "On the benefits of a monetary union: Does it pay to be bigger?" presents a New-Keynesian open economy model to analyze the appropriate domain of a currency area. The authors argue that adopting a common currency like the euro can be beneficial for members of the monetary union, as spill-over effects generated by inflationary policies of small open economies are likely to outweigh the costs of not tailoring monetary policy to country-specific shocks. They also suggest that enlarging the monetary union to another group of small open economies can bring welfare gains for all countries involved.

While this paper provides valuable insights into the creation and enlargement of multi-country currency areas like the eurozone, it has some potential biases and limitations. Firstly, it assumes that all countries in a monetary union have similar economic structures and preferences, which may not always be true. Secondly, it does not consider political factors that may affect the success or failure of a monetary union, such as differences in fiscal policies or institutional arrangements.

Moreover, the article does not explore counterarguments against its claims. For instance, some economists argue that having a common currency can lead to asymmetric shocks and create imbalances between member states. Additionally, there is evidence suggesting that larger countries benefit more from being part of a monetary union than smaller ones.

Furthermore, while the authors suggest that enlarging the monetary union can bring welfare gains for all countries involved, they do not provide evidence supporting this claim. It is possible that adding new members could lead to increased heterogeneity within the union and make it more difficult to coordinate macroeconomic policies.

In conclusion, while this paper provides useful insights into the benefits of a monetary union and its appropriate domain, it has some potential biases and limitations. Future research should consider political factors and explore counterarguments against its claims to provide a more comprehensive analysis of multi-country currency areas.

# Topics for further research:

* Asymmetric shocks in a monetary union
* Imbalances between member states in a currency area
* Political factors affecting the success of a monetary union
* Differences in fiscal policies in a currency union
* Institutional arrangements in a multi-country currency area
* Benefits of a monetary union for larger vs smaller countries

# Report location:

<https://www.fullpicture.app/item/d9559559c046517832aeb821d4b32f6c>