

Title: Regional Impacts of the Internationalization of Financial Systems: The Case of Mercosul

Author: Adriana Moreira Amado¹, University of Brazialia

ABSTRACT

The paper is mainly concerned with the internal consequences of processes of economic integration, especially with aspects associated to the financial and monetary spheres. First it will be observed the position of the orthodoxy on the convergence of growth trends between regions, demonstrating that they make their case on convergence mainly because they assume decreasing marginal returns to capital.

It will also analyse the heterodoxy and observe that it makes ther case on the divergence of trends of growth and demonstrates that this divergence is more rapid in regional terms than in national terms as a consequence of the economic frontiers absence of the first ones. There is a lack of analysis of money in this family of models, this was filled up by Dow and Chick who introduced money in those models and showed that money emphasises the divergent trends of growth

The general theoretical framework of the paper will be developed in order to highlight some aspects of the possibility of monetary integration of Mercosul. Contrary to other international experiences, where the financial integration was a sovereign process led by national economies, in the case of this peripheral bloc, Mercosul, the financial integration has been led by market mechanisms specially associated by the rapid process of internationalization of the domestic financial system of the countries of the bloc, this process was conducted taking the bloc as a whole and not only the national economies separately and this will have important consequences to the regional economic organization of those countries.

¹ The author is Associated Professor of the Department of Economics of the University of Brasília, Brazil.