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Kizito Uyi Ehigiamusoe (<http://www.economics-ejournal.org/community/authors/author.2018-06-15.0331226994>) and Hooi Hooi Lean (<http://www.economics-ejournal.org/community/authors/author.2018-06-15.9178855442>)

Do economic and financial integration stimulate economic growth? A critical survey



PDF (http://www.economics-ejournal.org/economics/journalarticles/2019-4/version_1/count)

Abstract

The recent vote by Britain to quit European Union (EU) and the political pressures in some member countries to exit EU necessitates a critical evaluation of the long-run economic benefits of economic integration or union to member countries. Consequently, this paper examines recent empirical studies on the nexus between economic integration and economic growth in developed and developing countries. It also investigates the literature on the impact of financial integration on economic growth. Evidence from the study shows that though other views exist, but there are overwhelming supports for growth-enhancing effects of economic integration, albeit common currency adoption has insignificant effect on growth. The channels through which economic integration exerts its influence on growth include, capital accumulation, productivity growth, trade and financial integration. However, the study shows that the impact of financial integration on economic growth is inconclusive. Based on the findings, the study draws some implications and policy options.

JEL CLASSIFICATION: