PROGRAMME

The Final Oral Examination
for the Degree of

DOCTOR OF PHILOSOPHY
(Department of Economics)

Dan Li

2009 Central Univ. of Finance and Economics BA


December 9th, 2013
2:00 pm
Business and Economics Building (BEC), Room 371

Supervisory Committee:
Dr. Graham M. Voss, Department of Economics, UVic (Supervisor)
Dr. Nilanjana Roy, Department of Economics, UVic (Departmental Member)
Dr. Michael C. Webb, Department of Political Science, UVic (Outside Member)

External Examiner:
Dr. Mark Crosby, Melbourne Business School, The University of Melbourne

Chair of Oral Examination: Supervisory Committee:
Dr. Catherine Gaul, School of Exercise Science, Physical and Health Education, UVic
Abstract

The dissertation is mainly made up of three empirical theses on the Optimum Currency Area theory, business cycle synchronization, and intra-industry trade. The second chapter conducts an empirical test into the theory of Optimum Currency Area. I investigate the feasibility of creating a currency union in East Asia by examining the dominance and symmetry of macroeconomic shocks. Relying on a series of structural Vector Autoregressive models with long-run and block exogeneity restrictions, I identify a variety of macroeconomic disturbances in eleven East Asian economies. To examine the nature of the disturbances, I look into the forecast error variance decomposition, correlation of disturbances, size of shocks, and speed of adjustments. Based on both statistical analysis and economic comparison, it is found that two groups of economies are subject to dominant and symmetrical domestic supply shocks, and that the two groups respond quickly to moderate-sized shocks. Therefore, it is economically feasible for the two groups of economies to foster common currency zones.

The third chapter investigates the different effects of intra- and inter-industry trade on business cycle synchronization, controlling for financial market linkage and monetary policy making. The chapter is the first attempt to use intra- and inter-industry trade simultaneously in Instrument Variable estimations. I find that intra-industry trade increases business cycle
synchronization, while inter-industry trade brings about divergence of cycles. The findings imply that country pairs with higher intra-industry trade intensity are more likely to experience synchronized business cycles and are more feasible to join a monetary union. My results also show that financial integration and monetary policy coordination provide no explanation for synchronization when industry-level trade are accounted for.

The fourth chapter extends the third chapter and explores how the characteristics of global trade network influence intra-industry trade. Borrowing the concept of structural equivalence, the similarity of two countries’ aggregate trade relations with other countries, from the social network analysis, this study incorporates this measure of trade network to the augmented gravity model of intra-industry trade. I build up two fixed effects models to analyze intra-industry trade in the raw material and final product sectors among 182 countries from 1962 through 2000. Structural equivalence promotes intra-industry trade flows in the final product sector, but it does not influence intra-industry trade in the crude material sector. Moreover, structural equivalence has been increasingly important in boosting intra-industry trade over time.
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<th>Year</th>
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<tbody>
<tr>
<td>2009-13</td>
<td>China Scholarship Council Fellowship</td>
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<td>2010-11</td>
<td>Van Dusen Graduate Scholarship</td>
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