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Session 8

Tear Down this Wall:
On the Persistence of Borders in Trade

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Tear down this Wall!

On the persistence of borders in trade

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Motivation

- Frequent claims of a borderless world
- Empirical findings:
 - Borders matter (McCallum 1995, Engel & Rogers 1996)
 - Distance matters (Disdier & Head 2007)
- Can we remove the effect of borders?

Motivation

- We still don't know much about the origins of border effects
- Three main hypotheses:
 1. Border effects due to political trade barriers
 2. Border effects due to fundamentals
 3. Border effects are an artifact (due to mis-measurement of distance)

H1: political barriers

- Border effects arise from political/ administrative barriers to trade
 - Tariffs, Quotas
 - Differences in standards
 - Currencies
 - Red tape
 - ...
- Border effect can be quickly and completely removed (given political/ administrative barriers are removed)

H2: fundamentals

- Border effects arise from differences in economic fundamentals that typically run along political borders
 - Ethnic/ linguistic or other networks
 - Infrastructure
 - Natural geography
- Border is “endogenous”; border effects can only slowly be reduced, not entirely removed (Networks, Infrastructure)

H3: artifact

- Trade costs are highly nonlinear but this nonlinearity is general, not related to borders as such
 - Production is highly concentrated, shipments are highly localized: as within-unit distances are overestimated relative to between-unit distances we find artificial border effects
- Border effect cannot be changed, unless trade costs are measured properly

This paper

German Unification to test H1-H3 to
ariation over time

t mutually exclusive but

k change (near perfect removal of red
:.)

v change, never complete (infrastructure,
ks)

change (location pattern)

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_8147

