

IAB-DiskAB

Invitation

The GE Treatment Effect of Regional Trade Agreements

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FB B1

Matching estimators are an attractive econometric method to investigate the effects of regional trade agreements (RTAs) on bilateral trade flows because they can take into account selection into "treatment", i.e. into RTA membership. Exploiting this strength, Baier and Bergstrand (2009) (JIE) prominently apply matching estimators to evaluate RTAs. Unfortunately, their matching procedure has two important drawbacks: general equilibrium (GE) effects acting via the multilateral resistance terms are only approximately controlled for and unobserved heterogeneity is not taken into account. We overcome the former problem by using trade costs rather than trade flows as our dependent variable (thus avoiding the violation of the Stable Unit Treatment Value Assumption caused by GE effects) and tackle the latter by combining matching with a difference-in-difference approach. We demonstrate our estimation procedure in two ways. First, we quantify the treatment effect of the North American Free Trade Agreement. Second, we generalize our difference-in-difference approach to allow for multiple treatment periods and obtain an overall average RTA effect for all agreements covered in the data set.

Date:

Tuesday,
July 24, 2018

Time:

10:00 a.m.

Venue:

Regensburger Str. 100
Room E10
90478 Nürnberg