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TITLE: History, globalization, and time-varying bilateral trade cost terms in gravity

ABSTRACT:

The presentation discusses the bilateral trade cost (terms) in gravity equations. Estimated bilateral trade cost terms are typically time-invariant in empirical gravity regressions. We consider trade cost terms that change over time. This yields two results: (1) We identify contemporary against total trade cost, enabling us to conclude on historical trade cost, i.e., trade cost as historical legacy. (2) We offer a natural illustration to globalization - international trade cost are less persistent than domestic trade cost.

