

Online Appendix to
Has the Euro Shrunk the Band?
Price Convergence in a Currency Union

Luca Macedoni*
Aarhus University

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*lmacedoni@econ.au.dk

1 Product Level Regressions

Table 1: Bread and Cereals

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.022*** (0.008)	-0.021** (0.009)	-0.009 (0.010)	-0.007 (0.010)	-0.001 (0.009)	-0.007 (0.008)	0.014** (0.006)
Log(Distance)		0.017** (0.008)	0.016** (0.008)	0.015* (0.008)	0.010* (0.006)	0.010 (0.006)	0.002 (0.005)
Common Border		0.004 (0.014)	0.001 (0.014)	0.003 (0.014)	-0.008 (0.011)	-0.004 (0.012)	-0.012 (0.008)
Common Language		-0.035** (0.015)	-0.036** (0.014)	-0.035** (0.014)	-0.015 (0.012)	-0.023* (0.014)	-0.008 (0.008)
Island		0.038*** (0.009)	0.035*** (0.010)	0.028*** (0.010)	0.008 (0.009)	0.018** (0.009)	-0.006 (0.007)
Landlocked		0.020** (0.010)	0.016 (0.011)	0.011 (0.011)	-0.009 (0.008)	-0.003 (0.009)	0.011 (0.007)
Fixed ERR			-0.017* (0.010)	-0.023** (0.011)	-0.044*** (0.010)	-0.029*** (0.009)	0.007 (0.007)
Log(Expenditures)				-0.004** (0.002)	-0.004** (0.001)	-0.003** (0.002)	0.004*** (0.002)
R^2	0.01	0.09	0.10	0.10	0.13	0.09	0.05
# Observations	496	496	496	496	477	477	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.11$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 2: Meat

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.049*** (0.006)	-0.051*** (0.006)	-0.040*** (0.007)	-0.040*** (0.007)	-0.029*** (0.007)	-0.032*** (0.007)	-0.010 (0.007)
Log(Distance)		0.028*** (0.007)	0.027*** (0.007)	0.027*** (0.007)	0.011** (0.005)	0.014*** (0.005)	-0.003 (0.007)
Common Border		0.035*** (0.012)	0.033*** (0.012)	0.033*** (0.012)	0.018** (0.008)	0.024*** (0.008)	-0.000 (0.013)
Common Language		-0.029*** (0.010)	-0.030*** (0.010)	-0.030*** (0.010)	-0.025*** (0.007)	-0.026*** (0.008)	-0.020** (0.010)
Island		0.020*** (0.008)	0.017** (0.008)	0.016* (0.008)	0.017*** (0.006)	0.017*** (0.006)	-0.030*** (0.008)
Landlocked		-0.009 (0.006)	-0.013* (0.007)	-0.014** (0.007)	-0.007 (0.005)	-0.008 (0.005)	-0.001 (0.008)
Fixed ERR			-0.016 (0.010)	-0.017* (0.010)	-0.012 (0.008)	-0.008 (0.008)	0.014 (0.009)
Log(Expenditures)				-0.001 (0.002)	-0.004*** (0.001)	-0.003*** (0.001)	0.006*** (0.002)
R^2	0.09	0.18	0.19	0.19	0.24	0.18	0.09
# Observations	496	496	496	496	473	473	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 3: Fish

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.014*	0.013*	0.006	0.011	0.014	0.012	0.013*
	(0.008)	(0.007)	(0.010)	(0.009)	(0.009)	(0.009)	(0.007)
Log(Distance)		0.003	0.004	0.002	0.007	0.002	-0.015***
		(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Common Border		-0.005	-0.003	0.001	0.009	0.002	-0.001
		(0.013)	(0.013)	(0.012)	(0.010)	(0.012)	(0.011)
Common Language		-0.017	-0.017	-0.015	-0.019*	-0.017	-0.018
		(0.016)	(0.016)	(0.015)	(0.010)	(0.014)	(0.014)
Island		0.044***	0.046***	0.031***	0.044***	0.031***	-0.015*
		(0.008)	(0.009)	(0.009)	(0.011)	(0.009)	(0.008)
Landlocked		-0.011	-0.008	-0.017**	-0.015*	-0.017**	-0.002
		(0.007)	(0.008)	(0.008)	(0.008)	(0.008)	(0.007)
Fixed ERR			0.010	-0.001	-0.012	-0.003	0.025***
			(0.010)	(0.010)	(0.010)	(0.009)	(0.007)
Log(Expenditures)				-0.009***	-0.009***	-0.008***	-0.003**
				(0.002)	(0.001)	(0.002)	(0.001)
R^2	0.01	0.10	0.10	0.15	0.22	0.15	0.12
# Observations	496	496	496	496	489	489	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 4: Dairy Products

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.029***	-0.029***	-0.011	-0.007	-0.001	0.008	0.007
	(0.007)	(0.007)	(0.009)	(0.009)	(0.006)	(0.008)	(0.008)
Log(Distance)		0.033***	0.031***	0.030***	0.018***	0.019***	-0.002
		(0.008)	(0.008)	(0.007)	(0.004)	(0.005)	(0.005)
Common Border		0.029**	0.025*	0.029**	0.016*	0.020*	-0.002
		(0.014)	(0.013)	(0.012)	(0.008)	(0.012)	(0.011)
Common Language		-0.025**	-0.026**	-0.024**	-0.013	-0.014	-0.034***
		(0.012)	(0.012)	(0.011)	(0.008)	(0.011)	(0.012)
Island		0.014*	0.009	-0.005	-0.007	-0.006	-0.024***
		(0.008)	(0.008)	(0.008)	(0.006)	(0.006)	(0.007)
Landlocked		0.015**	0.008	-0.000	-0.007	-0.008	0.001
		(0.008)	(0.008)	(0.008)	(0.006)	(0.007)	(0.007)
Fixed ERR			-0.027***	-0.038***	-0.046***	-0.046***	0.005
			(0.009)	(0.010)	(0.007)	(0.008)	(0.008)
Log(Expenditures)				-0.009***	-0.004***	-0.004***	0.001
				(0.002)	(0.001)	(0.001)	(0.001)
R^2	0.03	0.11	0.12	0.16	0.16	0.16	0.06
# Observations	496	496	496	496	486	452	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 5: Oils and fats

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.024*** (0.008)	-0.027*** (0.008)	-0.022** (0.010)	-0.017* (0.010)	-0.012 (0.009)	-0.013 (0.009)	0.007 (0.007)
Log(Distance)		0.033*** (0.009)	0.032*** (0.009)	0.030*** (0.008)	0.021*** (0.007)	0.023*** (0.008)	0.002 (0.005)
Common Border		0.011 (0.015)	0.010 (0.015)	0.014 (0.014)	0.004 (0.012)	0.006 (0.013)	-0.006 (0.010)
Common Language		-0.014 (0.016)	-0.015 (0.016)	-0.013 (0.016)	-0.007 (0.012)	-0.006 (0.012)	0.001 (0.013)
Island		0.006 (0.009)	0.004 (0.009)	-0.011 (0.009)	-0.020*** (0.008)	-0.015** (0.008)	-0.012 (0.008)
Landlocked		-0.026*** (0.009)	-0.028*** (0.009)	-0.037*** (0.009)	-0.043*** (0.007)	-0.041*** (0.008)	-0.005 (0.007)
Fixed ERR			-0.008 (0.010)	-0.020* (0.011)	-0.027*** (0.010)	-0.024** (0.010)	0.006 (0.008)
Log(Expenditures)				-0.009*** (0.002)	-0.007*** (0.002)	-0.008*** (0.002)	0.001 (0.001)
R^2	0.02	0.11	0.12	0.15	0.16	0.14	0.02
# Observations	496	496	496	496	492	492	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.12$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}^g$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 6: Fruit

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.019** (0.008)	0.018** (0.008)	0.024** (0.010)	0.027*** (0.010)	0.016* (0.009)	0.026*** (0.009)	0.010 (0.007)
Log(Distance)		0.014* (0.008)	0.014* (0.008)	0.012* (0.007)	0.008 (0.007)	0.011* (0.006)	0.002 (0.006)
Common Border		0.013 (0.015)	0.012 (0.015)	0.015 (0.015)	0.016 (0.015)	0.012 (0.013)	0.022* (0.013)
Common Language		-0.018 (0.016)	-0.019 (0.016)	-0.017 (0.015)	-0.005 (0.020)	-0.011 (0.015)	-0.011 (0.012)
Island		0.044*** (0.010)	0.042*** (0.010)	0.029*** (0.010)	0.021** (0.010)	0.020** (0.009)	0.002 (0.007)
Landlocked		0.008 (0.008)	0.006 (0.009)	-0.002 (0.009)	-0.005 (0.008)	-0.002 (0.008)	-0.005 (0.006)
Fixed ERR			-0.008 (0.009)	-0.018* (0.010)	-0.024*** (0.009)	-0.021** (0.008)	0.003 (0.007)
Log(Expenditures)				-0.008*** (0.002)	-0.005*** (0.002)	-0.006*** (0.002)	-0.001 (0.001)
R^2	0.01	0.09	0.09	0.12	0.08	0.08	0.02
# Observations	496	496	496	496	486	486	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}^g$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 7: Vegetables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.006 (0.009)	0.009 (0.009)	0.012 (0.010)	0.013 (0.010)	0.008 (0.006)	0.010 (0.007)	0.008 (0.009)
Log(Distance)		0.010 (0.007)	0.010 (0.007)	0.010 (0.007)	0.012** (0.005)	0.011** (0.005)	-0.012 (0.008)
Common Border		0.008 (0.014)	0.007 (0.014)	0.008 (0.014)	0.013 (0.011)	0.012 (0.012)	-0.005 (0.014)
Common Language		-0.026 (0.017)	-0.026 (0.017)	-0.025 (0.017)	-0.014 (0.011)	-0.014 (0.012)	-0.001 (0.012)
Island		0.040*** (0.009)	0.039*** (0.009)	0.036*** (0.010)	0.027*** (0.008)	0.027*** (0.008)	0.040*** (0.010)
Landlocked		0.043*** (0.010)	0.042*** (0.011)	0.040*** (0.011)	0.012* (0.007)	0.016** (0.008)	0.028*** (0.010)
Fixed ERR			-0.006 (0.011)	-0.008 (0.011)	-0.022*** (0.008)	-0.021*** (0.008)	0.044*** (0.011)
Log(Expenditures)				-0.002 (0.002)	-0.003*** (0.001)	-0.003** (0.001)	0.005** (0.002)
R^2	0.00	0.09	0.09	0.09	0.11	0.09	0.08
# Observations	496	496	496	496	494	494	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 8: Sugar

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.026*** (0.007)	-0.028*** (0.007)	-0.032*** (0.011)	-0.028*** (0.011)	-0.018** (0.008)	-0.021** (0.008)	0.013** (0.006)
Log(Distance)		0.018** (0.008)	0.018** (0.008)	0.016** (0.008)	0.012** (0.006)	0.013** (0.006)	-0.010* (0.005)
Common Border		0.012 (0.014)	0.013 (0.014)	0.017 (0.013)	0.010 (0.010)	0.014 (0.012)	-0.030*** (0.010)
Common Language		-0.002 (0.013)	-0.002 (0.013)	-0.000 (0.013)	-0.007 (0.013)	-0.005 (0.013)	0.018 (0.014)
Island		0.020** (0.008)	0.021** (0.009)	0.007 (0.009)	0.012 (0.007)	0.010 (0.007)	-0.005 (0.007)
Landlocked		-0.007 (0.008)	-0.005 (0.008)	-0.014 (0.009)	-0.007 (0.007)	-0.008 (0.008)	-0.012* (0.007)
Fixed ERR			0.006 (0.011)	-0.005 (0.011)	-0.031*** (0.009)	-0.019** (0.009)	0.010 (0.007)
Log(Expenditures)				-0.009*** (0.002)	-0.005*** (0.001)	-0.005*** (0.001)	0.000 (0.001)
R^2	0.02	0.07	0.07	0.11	0.15	0.10	0.06
# Observations	494	494	494	494	469	469	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.11$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 9: Food n.e.c.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.038*** (0.006)	-0.037*** (0.006)	-0.031*** (0.007)	-0.030*** (0.007)	-0.022*** (0.007)	-0.029*** (0.007)	0.006 (0.004)
Log(Distance)		0.014** (0.006)	0.013** (0.006)	0.013** (0.006)	0.010** (0.004)	0.011** (0.005)	0.002 (0.005)
Common Border		0.013 (0.011)	0.012 (0.011)	0.012 (0.011)	0.002 (0.009)	0.006 (0.011)	0.000 (0.008)
Common Language		0.003 (0.010)	0.003 (0.010)	0.003 (0.010)	0.009 (0.010)	0.008 (0.010)	0.002 (0.006)
Island		0.036*** (0.007)	0.034*** (0.007)	0.033*** (0.007)	0.021*** (0.006)	0.029*** (0.007)	-0.018** (0.007)
Landlocked		0.025*** (0.007)	0.023*** (0.007)	0.022*** (0.007)	0.015** (0.006)	0.020*** (0.007)	0.001 (0.005)
Fixed ERR			-0.010 (0.008)	-0.011 (0.008)	-0.025*** (0.008)	-0.012 (0.008)	-0.003 (0.005)
Log(Expenditures)				-0.001 (0.001)	-0.000 (0.001)	-0.001 (0.001)	-0.002 (0.001)
R^2	0.07	0.16	0.16	0.17	0.19	0.16	0.03
# Observations	496	496	496	496	473	473	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 10: Coffe and tea

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.020*** (0.007)	-0.020*** (0.006)	0.004 (0.007)	0.006 (0.007)	0.002 (0.007)	0.005 (0.007)	0.021*** (0.006)
Log(Distance)		0.028*** (0.007)	0.026*** (0.007)	0.025*** (0.007)	0.020*** (0.005)	0.025*** (0.006)	0.011** (0.005)
Common Border		0.009 (0.013)	0.004 (0.013)	0.005 (0.013)	0.008 (0.010)	0.008 (0.012)	-0.004 (0.011)
Common Language		0.021 (0.017)	0.020 (0.016)	0.020 (0.016)	0.011 (0.012)	0.016 (0.014)	0.020 (0.013)
Island		0.023*** (0.007)	0.016** (0.008)	0.010 (0.008)	0.004 (0.008)	0.009 (0.008)	-0.021*** (0.007)
Landlocked		0.026*** (0.007)	0.017** (0.008)	0.013 (0.008)	0.002 (0.008)	0.011 (0.008)	-0.010 (0.007)
Fixed ERR			-0.036*** (0.009)	-0.041*** (0.009)	-0.038*** (0.008)	-0.039*** (0.008)	-0.031*** (0.008)
Log(Expenditures)				-0.004*** (0.001)	-0.003** (0.001)	-0.003** (0.001)	0.001 (0.001)
R^2	0.02	0.11	0.14	0.15	0.14	0.15	0.05
# Observations	496	496	496	496	489	489	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 11: Soft drinks

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.024*** (0.006)	-0.025*** (0.006)	-0.019*** (0.007)	-0.017** (0.007)	-0.014** (0.006)	-0.016** (0.007)	0.007 (0.007)
Log(Distance)		0.016*** (0.005)	0.015*** (0.005)	0.014*** (0.005)	0.009** (0.004)	0.010** (0.005)	0.002 (0.005)
Common Border		0.005 (0.010)	0.004 (0.010)	0.006 (0.010)	-0.001 (0.008)	0.000 (0.009)	-0.003 (0.009)
Common Language		-0.021** (0.010)	-0.021** (0.010)	-0.020** (0.010)	-0.010 (0.009)	-0.014 (0.010)	-0.022* (0.012)
Island		0.057*** (0.008)	0.055*** (0.008)	0.048*** (0.008)	0.026*** (0.007)	0.036*** (0.007)	-0.007 (0.007)
Landlocked		-0.000 (0.007)	-0.002 (0.007)	-0.007 (0.008)	-0.003 (0.006)	-0.006 (0.006)	-0.015** (0.007)
Fixed ERR			-0.008 (0.007)	-0.014* (0.008)	-0.012* (0.007)	-0.008 (0.007)	0.011 (0.007)
Log(Expenditures)				-0.005*** (0.002)	-0.002 (0.001)	-0.003** (0.001)	0.001 (0.001)
R^2	0.02	0.20	0.20	0.21	0.13	0.15	0.05
# Observations	496	496	496	496	487	487	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 12: Spirits

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.083*** (0.011)	-0.086*** (0.011)	-0.043*** (0.013)	-0.041*** (0.013)	-0.042** (0.017)	-0.039*** (0.013)	0.020*** (0.008)
Log(Distance)		0.043*** (0.014)	0.039*** (0.013)	0.039*** (0.013)	0.025*** (0.009)	0.024*** (0.009)	0.006 (0.006)
Common Border		0.013 (0.025)	0.005 (0.024)	0.006 (0.024)	0.023 (0.014)	0.015 (0.014)	0.017 (0.015)
Common Language		-0.011 (0.024)	-0.013 (0.024)	-0.013 (0.024)	-0.009 (0.014)	-0.009 (0.016)	-0.003 (0.013)
Island		-0.005 (0.015)	-0.017 (0.017)	-0.023 (0.017)	0.022 (0.018)	0.009 (0.013)	-0.031*** (0.010)
Landlocked		-0.018 (0.013)	-0.035** (0.015)	-0.038** (0.015)	-0.007 (0.011)	-0.011 (0.011)	-0.004 (0.009)
Fixed ERR			-0.064*** (0.020)	-0.069*** (0.019)	-0.016 (0.020)	-0.020 (0.015)	-0.018** (0.009)
Log(Expenditures)				-0.004 (0.003)	-0.006*** (0.002)	-0.006*** (0.002)	-0.002 (0.002)
R^2	0.07	0.11	0.14	0.14	0.14	0.11	0.04
# Observations	496	496	496	496	458	458	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.17$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 13: Wine

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.062*** (0.007)	-0.065*** (0.007)	-0.016** (0.008)	-0.016** (0.008)	-0.011 (0.008)	-0.003 (0.009)	0.006 (0.006)
Log(Distance)		0.040*** (0.008)	0.036*** (0.008)	0.036*** (0.008)	0.017*** (0.005)	0.011* (0.006)	0.003 (0.004)
Common Border		0.030** (0.015)	0.021 (0.014)	0.021 (0.014)	0.010 (0.009)	0.009 (0.013)	-0.007 (0.007)
Common Language		0.022 (0.018)	0.019 (0.016)	0.019 (0.016)	-0.005 (0.010)	0.011 (0.011)	0.018** (0.009)
Island		0.044*** (0.010)	0.031*** (0.010)	0.030*** (0.010)	0.054*** (0.007)	0.055*** (0.008)	-0.008 (0.008)
Landlocked		0.003 (0.008)	-0.015 (0.010)	-0.016 (0.010)	-0.006 (0.006)	-0.010 (0.007)	-0.004 (0.006)
Fixed ERR			-0.073*** (0.012)	-0.073*** (0.012)	-0.048*** (0.009)	-0.045*** (0.010)	-0.009 (0.007)
Log(Expenditures)				-0.000 (0.002)	-0.001 (0.001)	0.000 (0.001)	0.001 (0.001)
R^2	0.09	0.21	0.28	0.28	0.33	0.27	0.01
# Observations	496	496	496	496	464	421	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.11$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 14: Beer

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.059*** (0.009)	-0.062*** (0.009)	-0.010 (0.010)	-0.011 (0.010)	-0.030*** (0.009)	-0.017* (0.009)	0.016* (0.009)
Log(Distance)		0.036*** (0.011)	0.032*** (0.010)	0.032*** (0.011)	0.023*** (0.008)	0.023** (0.010)	0.018** (0.008)
Common Border		0.035* (0.020)	0.024 (0.019)	0.024 (0.020)	0.026** (0.013)	0.021 (0.016)	0.021 (0.016)
Common Language		0.027 (0.022)	0.024 (0.021)	0.024 (0.021)	0.024* (0.014)	0.024 (0.017)	-0.009 (0.020)
Island		0.037*** (0.012)	0.022* (0.012)	0.024* (0.012)	0.022** (0.009)	0.027** (0.011)	-0.019* (0.012)
Landlocked		-0.000 (0.010)	-0.020* (0.011)	-0.019 (0.011)	-0.012 (0.008)	-0.010 (0.010)	-0.006 (0.009)
Fixed ERR			-0.077*** (0.013)	-0.076*** (0.013)	-0.046*** (0.010)	-0.059*** (0.011)	-0.014 (0.011)
Log(Expenditures)				0.001 (0.003)	-0.000 (0.002)	-0.000 (0.002)	0.001 (0.002)
R^2	0.06	0.13	0.19	0.19	0.19	0.17	0.03
# Observations	494	494	494	494	465	465	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.13$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 15: Clothing Materials

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.010 (0.009)	0.011 (0.009)	-0.005 (0.011)	-0.004 (0.011)	-0.013 (0.012)	-0.008 (0.012)	-0.025** (0.011)
Log(Distance)		-0.014* (0.008)	-0.012 (0.008)	-0.012 (0.008)	-0.003 (0.008)	-0.007 (0.007)	0.000 (0.009)
Common Border		-0.018 (0.015)	-0.014 (0.015)	-0.014 (0.015)	0.013 (0.018)	-0.001 (0.015)	0.001 (0.019)
Common Language		-0.020 (0.014)	-0.020 (0.014)	-0.019 (0.014)	-0.005 (0.018)	-0.013 (0.014)	0.017 (0.017)
Island		0.053*** (0.013)	0.056*** (0.013)	0.054*** (0.016)	0.050*** (0.017)	0.049*** (0.015)	0.040*** (0.012)
Landlocked		0.029*** (0.009)	0.035*** (0.009)	0.034*** (0.010)	0.023** (0.010)	0.036*** (0.010)	0.026*** (0.009)
Fixed ERR			0.023** (0.011)	0.023** (0.011)	0.029** (0.012)	0.028** (0.011)	0.033*** (0.011)
Log(Expenditures)				-0.001 (0.003)	0.000 (0.003)	-0.002 (0.003)	0.007*** (0.003)
R^2	0.00	0.09	0.10	0.10	0.08	0.10	0.07
# Observations	365	365	365	365	329	329	365

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.11$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 16: Garments

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.055*** (0.010)	-0.052*** (0.010)	-0.058*** (0.015)	-0.061*** (0.015)	-0.030* (0.016)	-0.045*** (0.015)	-0.029*** (0.009)
Log(Distance)		-0.017* (0.010)	-0.017* (0.010)	-0.016 (0.010)	-0.004 (0.011)	-0.020** (0.010)	-0.015* (0.008)
Common Border		-0.025 (0.022)	-0.024 (0.022)	-0.026 (0.023)	-0.040** (0.018)	-0.032 (0.024)	-0.008 (0.016)
Common Language		-0.053*** (0.018)	-0.053*** (0.018)	-0.054*** (0.018)	-0.016 (0.015)	-0.032 (0.021)	-0.002 (0.017)
Island		0.071*** (0.013)	0.073*** (0.013)	0.082*** (0.015)	0.057*** (0.019)	0.082*** (0.015)	0.023* (0.014)
Landlocked		0.012 (0.011)	0.014 (0.012)	0.020 (0.012)	-0.010 (0.011)	0.003 (0.012)	0.033*** (0.011)
Fixed ERR			0.009 (0.016)	0.016 (0.016)	-0.006 (0.016)	0.009 (0.015)	0.029*** (0.011)
Log(Expenditures)				0.006* (0.003)	0.001 (0.003)	0.006** (0.003)	0.004 (0.003)
R^2	0.05	0.12	0.12	0.13	0.13	0.12	0.04
# Observations	496	496	496	496	423	423	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.14$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 17: Clothing n.e.c.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.020** (0.009)	-0.020** (0.009)	-0.023* (0.012)	-0.022* (0.012)	-0.020 (0.013)	-0.021* (0.011)	-0.012 (0.009)
Log(Distance)		0.009 (0.009)	0.010 (0.009)	0.009 (0.009)	-0.002 (0.010)	-0.004 (0.008)	-0.004 (0.008)
Common Border		-0.002 (0.017)	-0.001 (0.017)	0.000 (0.017)	-0.015 (0.015)	-0.009 (0.016)	0.008 (0.010)
Common Language		-0.012 (0.017)	-0.012 (0.017)	-0.011 (0.017)	-0.021* (0.012)	-0.025 (0.017)	-0.012 (0.010)
Island		0.032*** (0.010)	0.033*** (0.011)	0.028** (0.012)	0.032*** (0.012)	0.031*** (0.010)	-0.021** (0.009)
Landlocked		0.014 (0.010)	0.015 (0.010)	0.013 (0.011)	-0.007 (0.009)	-0.004 (0.009)	-0.009 (0.008)
Fixed ERR			0.006 (0.012)	0.002 (0.012)	-0.005 (0.012)	0.002 (0.011)	0.015* (0.009)
Log(Expenditures)				-0.003 (0.002)	-0.006*** (0.002)	-0.004* (0.002)	-0.004*** (0.002)
R^2	0.01	0.05	0.05	0.05	0.14	0.07	0.04
# Observations	496	496	496	496	441	441	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.12$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 18: Materials for repair of dwelling

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.017*** (0.005)	-0.016*** (0.005)	-0.003 (0.006)	-0.004 (0.006)	-0.005 (0.005)	-0.005 (0.006)	0.000 (0.005)
Log(Distance)		-0.011*** (0.004)	-0.012*** (0.004)	-0.012*** (0.004)	-0.007** (0.003)	-0.011*** (0.004)	-0.008* (0.004)
Common Border		-0.019** (0.009)	-0.022** (0.009)	-0.022** (0.009)	-0.018** (0.007)	-0.020** (0.009)	-0.010 (0.008)
Common Language		-0.018* (0.011)	-0.019* (0.011)	-0.019* (0.011)	-0.006 (0.009)	-0.016 (0.010)	-0.011 (0.011)
Island		0.050*** (0.006)	0.046*** (0.006)	0.048*** (0.007)	0.039*** (0.007)	0.045*** (0.007)	-0.001 (0.007)
Landlocked		0.002 (0.005)	-0.003 (0.006)	-0.002 (0.006)	-0.003 (0.005)	-0.003 (0.005)	-0.003 (0.005)
Fixed ERR			-0.019*** (0.006)	-0.018*** (0.007)	-0.026*** (0.006)	-0.018*** (0.006)	0.022*** (0.006)
Log(Expenditures)				0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	-0.002 (0.001)
R^2	0.02	0.18	0.19	0.19	0.23	0.19	0.07
# Observations	494	494	494	494	487	487	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.08$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 19: Liquid fuels

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.026*** (0.010)	-0.025** (0.010)	-0.012 (0.014)	-0.004 (0.014)	0.003 (0.011)	-0.005 (0.014)	-0.025 (0.015)
Log(Distance)		0.015 (0.012)	0.017 (0.011)	0.017 (0.011)	0.026*** (0.007)	0.019* (0.011)	-0.023* (0.013)
Common Border		0.011 (0.023)	0.011 (0.023)	0.020 (0.022)	0.019 (0.017)	0.022 (0.023)	-0.023 (0.016)
Common Language		-0.017 (0.026)	-0.016 (0.027)	-0.018 (0.025)	-0.016 (0.019)	-0.015 (0.026)	0.003 (0.012)
Island		-0.027** (0.012)	-0.032** (0.013)	-0.038*** (0.013)	-0.040*** (0.009)	-0.037*** (0.013)	-0.036*** (0.014)
Landlocked		0.016 (0.012)	0.010 (0.013)	-0.001 (0.013)	-0.004 (0.010)	0.003 (0.014)	0.014 (0.012)
Fixed ERR			-0.021 (0.015)	-0.035** (0.015)	-0.035*** (0.013)	-0.035** (0.015)	0.011 (0.014)
Log(Expenditures)				-0.008*** (0.003)	-0.005** (0.002)	-0.008** (0.003)	0.004 (0.003)
R^2	0.02	0.06	0.07	0.09	0.18	0.10	0.11
# Observations	231	231	231	231	224	224	231

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}^g$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 20: Solid Fuels

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.033** (0.015)	0.033** (0.015)	0.024 (0.022)	0.027 (0.021)	0.050*** (0.017)	0.041** (0.018)	-0.040*** (0.012)
Log(Distance)		0.026** (0.013)	0.027** (0.013)	0.027** (0.013)	0.017 (0.012)	0.021* (0.012)	0.014 (0.009)
Common Border		-0.038* (0.023)	-0.036 (0.022)	-0.026 (0.021)	-0.006 (0.018)	-0.017 (0.019)	0.001 (0.018)
Common Language		-0.005 (0.027)	-0.005 (0.027)	0.005 (0.023)	-0.022 (0.018)	-0.013 (0.020)	0.023 (0.018)
Island		-0.029* (0.016)	-0.027* (0.016)	-0.028* (0.015)	-0.018 (0.014)	-0.024* (0.014)	-0.005 (0.010)
Landlocked		0.007 (0.014)	0.010 (0.014)	-0.004 (0.015)	-0.005 (0.013)	-0.003 (0.013)	0.003 (0.010)
Fixed ERR			0.012 (0.020)	-0.017 (0.020)	-0.059*** (0.014)	-0.037** (0.015)	0.031*** (0.012)
Log(Expenditures)				-0.018*** (0.004)	-0.016*** (0.003)	-0.017*** (0.003)	0.004** (0.002)
R^2	0.02	0.07	0.07	0.14	0.17	0.14	0.05
# Observations	300	300	300	300	299	299	300

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.15$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}^g$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 21: Furniture

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.022*** (0.007)	-0.022*** (0.007)	0.002 (0.008)	0.003 (0.008)	-0.000 (0.006)	-0.002 (0.007)	-0.001 (0.007)
Log(Distance)		0.011* (0.006)	0.009 (0.006)	0.009 (0.006)	0.005 (0.004)	0.009* (0.005)	0.009 (0.006)
Common Border		-0.001 (0.012)	-0.005 (0.012)	-0.004 (0.012)	0.001 (0.009)	0.000 (0.011)	0.009 (0.009)
Common Language		-0.000 (0.014)	-0.001 (0.014)	-0.001 (0.014)	-0.002 (0.011)	-0.001 (0.012)	0.014 (0.009)
Island		0.062*** (0.009)	0.056*** (0.009)	0.052*** (0.010)	0.017** (0.008)	0.024** (0.009)	-0.020** (0.009)
Landlocked		0.013* (0.007)	0.004 (0.007)	0.002 (0.007)	-0.005 (0.006)	-0.002 (0.007)	0.001 (0.007)
Fixed ERR			-0.036*** (0.008)	-0.038*** (0.009)	-0.054*** (0.007)	-0.046*** (0.008)	0.002 (0.008)
Log(Expenditures)				-0.002 (0.002)	-0.003** (0.001)	-0.004** (0.002)	-0.001 (0.001)
R^2	0.02	0.18	0.21	0.21	0.24	0.19	0.02
# Observations	492	492	492	492	448	448	492

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 22: Carpets

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.011 (0.012)	0.009 (0.010)	0.003 (0.013)	0.007 (0.013)	0.008 (0.010)	0.007 (0.012)	-0.015* (0.009)
Log(Distance)		0.045*** (0.009)	0.045*** (0.009)	0.044*** (0.008)	0.030*** (0.008)	0.038*** (0.008)	0.005 (0.006)
Common Border		0.036** (0.017)	0.037** (0.017)	0.040** (0.017)	0.036*** (0.013)	0.036** (0.014)	-0.001 (0.011)
Common Language		0.013 (0.028)	0.013 (0.028)	0.015 (0.028)	-0.003 (0.015)	0.009 (0.022)	-0.007 (0.017)
Island		0.121*** (0.012)	0.123*** (0.013)	0.110*** (0.013)	0.097*** (0.013)	0.105*** (0.013)	-0.013 (0.008)
Landlocked		0.024** (0.010)	0.026** (0.010)	0.019* (0.011)	0.005 (0.009)	0.016* (0.009)	0.005 (0.007)
Fixed ERR			0.008 (0.013)	-0.002 (0.013)	-0.019** (0.010)	-0.001 (0.012)	0.007 (0.009)
Log(Expenditures)				-0.007*** (0.002)	-0.005*** (0.002)	-0.007*** (0.002)	0.002 (0.002)
R^2	0.00	0.31	0.31	0.32	0.30	0.31	0.02
# Observations	494	494	494	494	457	457	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.14$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 23: Household appliances

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.009 (0.007)	-0.009 (0.007)	0.003 (0.008)	0.004 (0.008)	0.002 (0.006)	0.003 (0.007)	0.006 (0.007)
Log(Distance)		-0.003 (0.006)	-0.004 (0.006)	-0.005 (0.006)	0.003 (0.005)	-0.004 (0.005)	-0.004 (0.006)
Common Border		-0.017 (0.011)	-0.019* (0.011)	-0.018 (0.011)	0.005 (0.009)	-0.009 (0.010)	-0.018* (0.011)
Common Language		0.029** (0.014)	0.029** (0.014)	0.029** (0.014)	-0.003 (0.014)	0.017 (0.014)	0.018* (0.010)
Island		0.062*** (0.008)	0.059*** (0.008)	0.055*** (0.009)	0.051*** (0.009)	0.056*** (0.008)	0.005 (0.007)
Landlocked		0.016** (0.007)	0.012* (0.007)	0.010 (0.007)	0.001 (0.007)	0.008 (0.007)	-0.006 (0.006)
Fixed ERR			-0.017** (0.007)	-0.020*** (0.007)	-0.028*** (0.007)	-0.016** (0.007)	0.022*** (0.007)
Log(Expenditures)				-0.002 (0.002)	-0.003* (0.001)	-0.002* (0.001)	-0.002 (0.001)
R^2	0.00	0.16	0.17	0.17	0.29	0.20	0.07
# Observations	492	492	492	492	432	432	492

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 24: Non-durable household goods

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.019*** (0.005)	-0.019*** (0.005)	0.000 (0.006)	0.001 (0.006)	0.009** (0.005)	0.004 (0.005)	0.003 (0.004)
Log(Distance)		0.002 (0.005)	0.000 (0.005)	0.000 (0.005)	0.004 (0.004)	0.001 (0.004)	-0.001 (0.004)
Common Border		0.000 (0.012)	-0.003 (0.011)	-0.003 (0.011)	-0.006 (0.008)	-0.004 (0.009)	0.006 (0.011)
Common Language		-0.002 (0.013)	-0.004 (0.013)	-0.003 (0.013)	-0.007 (0.008)	-0.007 (0.010)	-0.000 (0.014)
Island		0.029*** (0.006)	0.024*** (0.006)	0.022*** (0.007)	0.014** (0.006)	0.018*** (0.006)	-0.012* (0.007)
Landlocked		0.003 (0.005)	-0.004 (0.006)	-0.005 (0.006)	-0.002 (0.004)	-0.004 (0.005)	0.001 (0.006)
Fixed ERR			-0.028*** (0.007)	-0.030*** (0.007)	-0.040*** (0.006)	-0.033*** (0.006)	0.006 (0.006)
Log(Expenditures)				-0.001 (0.001)	-0.002* (0.001)	-0.002 (0.001)	-0.003** (0.001)
R^2	0.03	0.08	0.11	0.12	0.20	0.13	0.03
# Observations	494	494	494	494	483	483	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.08$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 25: Pharmaceutical

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.009 (0.012)	-0.008 (0.011)	0.018 (0.014)	0.015 (0.014)	0.002 (0.011)	0.008 (0.012)	-0.008 (0.013)
Log(Distance)		0.042*** (0.010)	0.040*** (0.010)	0.041*** (0.010)	0.022*** (0.008)	0.031*** (0.009)	0.008 (0.009)
Common Border		0.012 (0.020)	0.006 (0.020)	0.004 (0.020)	0.005 (0.017)	0.004 (0.018)	-0.016 (0.018)
Common Language		0.011 (0.025)	0.010 (0.025)	0.009 (0.026)	-0.020 (0.019)	-0.008 (0.022)	0.036 (0.024)
Island		-0.029** (0.011)	-0.037*** (0.012)	-0.029** (0.012)	-0.006 (0.010)	-0.016 (0.011)	-0.025** (0.011)
Landlocked		0.040*** (0.014)	0.031** (0.015)	0.035** (0.015)	0.015 (0.011)	0.026** (0.013)	-0.006 (0.013)
Fixed ERR			-0.038*** (0.014)	-0.032** (0.015)	-0.032*** (0.012)	-0.027** (0.012)	-0.013 (0.016)
Log(Expenditures)				0.004* (0.002)	0.002 (0.002)	0.003 (0.002)	0.004* (0.002)
R^2	0.00	0.05	0.06	0.07	0.06	0.06	0.03
# Observations	496	496	496	496	483	483	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.15$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 26: Medical Products

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.024*** (0.007)	-0.024*** (0.008)	-0.004 (0.010)	-0.003 (0.010)	0.005 (0.008)	-0.006 (0.008)	0.008 (0.005)
Log(Distance)		0.017** (0.008)	0.016** (0.008)	0.015** (0.007)	0.012** (0.006)	0.011 (0.007)	0.002 (0.006)
Common Border		0.013 (0.016)	0.010 (0.016)	0.011 (0.016)	-0.005 (0.011)	-0.003 (0.013)	-0.020* (0.011)
Common Language		-0.008 (0.016)	-0.009 (0.015)	-0.009 (0.015)	-0.006 (0.010)	-0.005 (0.014)	0.005 (0.011)
Island		0.009 (0.009)	0.003 (0.009)	-0.001 (0.009)	-0.005 (0.008)	0.003 (0.008)	-0.023*** (0.008)
Landlocked		0.016* (0.009)	0.008 (0.010)	0.006 (0.010)	0.005 (0.009)	0.006 (0.009)	-0.005 (0.007)
Fixed ERR			-0.030*** (0.010)	-0.033*** (0.011)	-0.030*** (0.009)	-0.024** (0.009)	0.005 (0.007)
Log(Expenditures)				-0.002 (0.002)	-0.002 (0.002)	-0.003* (0.002)	0.001 (0.002)
R^2	0.02	0.04	0.06	0.06	0.06	0.06	0.04
# Observations	490	490	490	490	467	467	490

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 27: Cars

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	0.026*** (0.010)	0.027*** (0.010)	0.044*** (0.011)	0.045*** (0.011)	-0.007 (0.011)	0.013 (0.011)	0.010 (0.007)
Log(Distance)		0.012* (0.007)	0.011 (0.007)	0.010 (0.007)	0.014** (0.006)	0.012* (0.007)	0.003 (0.006)
Common Border		-0.020 (0.019)	-0.023 (0.019)	-0.022 (0.019)	0.001 (0.014)	-0.008 (0.018)	0.025* (0.013)
Common Language		-0.026 (0.024)	-0.027 (0.024)	-0.026 (0.024)	-0.037*** (0.012)	-0.028 (0.021)	-0.020 (0.013)
Island		-0.007 (0.010)	-0.012 (0.010)	-0.015 (0.011)	0.002 (0.011)	0.006 (0.010)	-0.032*** (0.008)
Landlocked		0.010 (0.009)	0.003 (0.010)	0.001 (0.010)	0.002 (0.008)	0.007 (0.009)	-0.014* (0.008)
Fixed ERR			-0.026*** (0.010)	-0.029*** (0.010)	-0.020* (0.010)	-0.014 (0.011)	-0.008 (0.008)
Log(Expenditures)				-0.002 (0.002)	-0.001 (0.002)	0.000 (0.002)	-0.002 (0.002)
R^2	0.02	0.04	0.05	0.05	0.14	0.04	0.05
# Observations	494	494	494	494	408	408	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.13$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 28: Motor Cycles

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.005 (0.008)	-0.002 (0.008)	0.006 (0.010)	0.013 (0.010)	-0.008 (0.010)	0.007 (0.010)	0.002 (0.007)
Log(Distance)		0.008 (0.007)	0.007 (0.007)	0.004 (0.006)	0.007 (0.006)	0.007 (0.006)	0.007 (0.006)
Common Border		-0.008 (0.016)	-0.009 (0.016)	-0.003 (0.016)	-0.006 (0.012)	-0.010 (0.015)	0.005 (0.010)
Common Language		-0.021 (0.014)	-0.021 (0.013)	-0.018 (0.013)	0.004 (0.012)	-0.004 (0.013)	0.004 (0.008)
Island		0.038*** (0.009)	0.035*** (0.009)	0.019** (0.009)	0.020** (0.010)	0.015 (0.009)	-0.015* (0.009)
Landlocked		0.012 (0.008)	0.008 (0.009)	-0.005 (0.009)	-0.010 (0.007)	-0.006 (0.008)	-0.013* (0.007)
Fixed ERR			-0.013 (0.009)	-0.029*** (0.010)	-0.024** (0.010)	-0.027*** (0.010)	-0.010 (0.007)
Log(Expenditures)				-0.013*** (0.002)	-0.007*** (0.002)	-0.012*** (0.002)	-0.001 (0.001)
R^2	0.00	0.07	0.07	0.17	0.15	0.15	0.02
# Observations	463	463	463	463	429	429	463

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.11$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 29: Accessories for transport

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.022*** (0.005)	-0.021*** (0.006)	-0.009 (0.007)	-0.006 (0.007)	-0.013** (0.006)	-0.010 (0.006)	0.007 (0.005)
Log(Distance)		0.009* (0.005)	0.008 (0.005)	0.007 (0.005)	0.003 (0.004)	0.008* (0.005)	0.001 (0.004)
Common Border		-0.002 (0.011)	-0.005 (0.010)	-0.002 (0.010)	-0.004 (0.009)	-0.002 (0.009)	0.010 (0.008)
Common Language		-0.000 (0.011)	-0.001 (0.011)	0.000 (0.011)	-0.001 (0.012)	-0.001 (0.011)	-0.004 (0.012)
Island		0.032*** (0.007)	0.029*** (0.006)	0.017** (0.007)	0.016** (0.007)	0.016** (0.007)	-0.005 (0.005)
Landlocked		0.011* (0.006)	0.006 (0.007)	-0.000 (0.007)	-0.013** (0.006)	-0.003 (0.006)	-0.006 (0.004)
Fixed ERR			-0.018*** (0.007)	-0.027*** (0.007)	-0.027*** (0.006)	-0.025*** (0.006)	-0.009* (0.005)
Log(Expenditures)				-0.007*** (0.002)	-0.004*** (0.001)	-0.006*** (0.001)	-0.003*** (0.001)
R^2	0.03	0.11	0.12	0.16	0.17	0.16	0.03
# Observations	494	494	494	494	455	455	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 30: Fuels for transport

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.007 (0.005)	-0.009* (0.005)	-0.001 (0.006)	0.001 (0.006)	0.007 (0.005)	0.002 (0.005)	0.007 (0.005)
Log(Distance)		0.017*** (0.005)	0.017*** (0.005)	0.016*** (0.005)	0.017*** (0.004)	0.017*** (0.005)	0.009** (0.004)
Common Border		0.005 (0.009)	0.003 (0.009)	0.005 (0.009)	0.014** (0.007)	0.004 (0.008)	0.002 (0.009)
Common Language		-0.007 (0.009)	-0.007 (0.010)	-0.007 (0.010)	-0.015** (0.007)	-0.005 (0.009)	-0.002 (0.012)
Island		0.026*** (0.006)	0.024*** (0.006)	0.019*** (0.007)	0.010 (0.006)	0.017*** (0.006)	0.002 (0.005)
Landlocked		-0.014*** (0.005)	-0.017*** (0.005)	-0.020*** (0.005)	-0.019*** (0.004)	-0.020*** (0.005)	-0.001 (0.005)
Fixed ERR			-0.013** (0.006)	-0.016*** (0.006)	-0.019*** (0.005)	-0.015*** (0.006)	0.004 (0.005)
Log(Expenditures)				-0.003** (0.001)	-0.003*** (0.001)	-0.003** (0.001)	0.002* (0.001)
R^2	0.00	0.16	0.16	0.17	0.19	0.17	0.04
# Observations	494	494	494	494	486	486	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.08$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 31: Equipment for sound recording

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.008 (0.012)	-0.012 (0.012)	-0.035** (0.014)	-0.036** (0.015)	0.010 (0.022)	-0.021 (0.016)	0.005 (0.013)
Log(Distance)		0.035*** (0.010)	0.037*** (0.010)	0.037*** (0.010)	0.043*** (0.013)	0.036*** (0.010)	0.015 (0.011)
Common Border		0.009 (0.023)	0.013 (0.023)	0.012 (0.023)	-0.007 (0.022)	0.014 (0.024)	0.016 (0.025)
Common Language		0.064** (0.027)	0.065** (0.027)	0.065** (0.027)	0.045* (0.027)	0.060** (0.030)	0.034 (0.032)
Island		0.025* (0.014)	0.032** (0.014)	0.035** (0.015)	0.053* (0.032)	0.036** (0.016)	0.003 (0.012)
Landlocked		-0.012 (0.011)	-0.004 (0.012)	-0.002 (0.012)	-0.015 (0.014)	-0.002 (0.012)	0.025** (0.012)
Fixed ERR			0.034** (0.015)	0.037** (0.015)	0.029 (0.018)	0.025 (0.016)	0.063*** (0.017)
Log(Expenditures)				0.002 (0.003)	0.007 (0.004)	0.003 (0.003)	-0.002 (0.002)
R^2	0.00	0.06	0.07	0.07	0.13	0.06	0.08
# Observations	494	494	494	494	419	419	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.18$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 32: Photographic equipment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.098*** (0.016)	-0.100*** (0.016)	-0.072*** (0.023)	-0.079*** (0.024)	-0.098** (0.042)	-0.081*** (0.026)	-0.039** (0.019)
Log(Distance)		0.020 (0.017)	0.018 (0.017)	0.020 (0.017)	0.024 (0.021)	0.016 (0.017)	-0.020 (0.016)
Common Border		0.049 (0.034)	0.043 (0.034)	0.037 (0.033)	0.034 (0.037)	0.040 (0.037)	0.000 (0.038)
Common Language		-0.026 (0.038)	-0.027 (0.038)	-0.030 (0.037)	-0.052 (0.043)	-0.047 (0.039)	-0.054 (0.040)
Island		0.069*** (0.022)	0.059*** (0.023)	0.075*** (0.024)	0.020 (0.027)	0.058** (0.027)	0.087*** (0.020)
Landlocked		-0.055*** (0.018)	-0.065*** (0.020)	-0.053*** (0.020)	-0.046** (0.020)	-0.043** (0.021)	-0.004 (0.018)
Fixed ERR			-0.043 (0.028)	-0.027 (0.028)	0.031 (0.043)	0.004 (0.031)	0.042* (0.022)
Log(Expenditures)				0.013*** (0.004)	0.009 (0.007)	0.007 (0.005)	0.002 (0.004)
R^2	0.06	0.12	0.12	0.14	0.10	0.10	0.05
# Observations	463	463	463	463	348	348	463

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.25$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 33: Information processing eq.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.006 (0.018)	-0.008 (0.018)	-0.078*** (0.029)	-0.084*** (0.029)	0.019 (0.059)	-0.062** (0.027)	-0.093*** (0.026)
Log(Distance)		0.003 (0.017)	0.008 (0.017)	0.011 (0.016)	0.048 (0.031)	0.009 (0.015)	0.004 (0.015)
Common Border		-0.007 (0.040)	0.008 (0.039)	0.003 (0.040)	0.008 (0.026)	0.001 (0.032)	0.005 (0.035)
Common Language		-0.034 (0.042)	-0.030 (0.040)	-0.032 (0.041)	-0.055* (0.028)	-0.042 (0.036)	0.003 (0.039)
Island		0.069*** (0.021)	0.089*** (0.022)	0.108*** (0.023)	0.055** (0.027)	0.079*** (0.023)	-0.053*** (0.020)
Landlocked		-0.030 (0.020)	-0.003 (0.021)	0.008 (0.021)	-0.025 (0.020)	-0.014 (0.019)	-0.014 (0.019)
Fixed ERR			0.105*** (0.030)	0.120*** (0.031)	0.068*** (0.024)	0.087*** (0.028)	0.067** (0.026)
Log(Expenditures)				0.011*** (0.004)	0.020** (0.010)	0.011** (0.004)	-0.004 (0.004)
R^2	0.00	0.04	0.07	0.09	0.12	0.07	0.06
# Observations	496	496	496	496	437	437	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.24$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 34: Recording media

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.021*** (0.007)	-0.019** (0.007)	0.007 (0.009)	0.007 (0.009)	0.007 (0.009)	0.006 (0.009)	-0.002 (0.009)
Log(Distance)		-0.007 (0.007)	-0.009 (0.007)	-0.009 (0.007)	-0.010 (0.007)	-0.010 (0.007)	-0.002 (0.006)
Common Border		0.010 (0.015)	0.004 (0.015)	0.005 (0.015)	-0.002 (0.015)	0.003 (0.015)	0.006 (0.015)
Common Language		-0.031* (0.017)	-0.032* (0.017)	-0.032* (0.017)	-0.026 (0.019)	-0.026 (0.018)	-0.020 (0.013)
Island		0.054*** (0.009)	0.047*** (0.009)	0.045*** (0.010)	0.041*** (0.011)	0.048*** (0.010)	0.001 (0.012)
Landlocked		0.025*** (0.008)	0.015* (0.008)	0.014 (0.009)	0.005 (0.008)	0.011 (0.008)	0.007 (0.009)
Fixed ERR			-0.038*** (0.010)	-0.039*** (0.010)	-0.043*** (0.010)	-0.039*** (0.010)	0.008 (0.010)
Log(Expenditures)				-0.001 (0.002)	-0.001 (0.002)	-0.002 (0.002)	-0.001 (0.002)
R^2	0.01	0.10	0.13	0.13	0.15	0.14	0.01
# Observations	492	492	492	492	459	459	492

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.13$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 35: Durables for recreation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.056*** (0.007)	-0.058*** (0.007)	-0.014 (0.009)	-0.008 (0.009)	-0.006 (0.008)	-0.009 (0.009)	-0.021*** (0.007)
Log(Distance)		0.027*** (0.007)	0.024*** (0.006)	0.019*** (0.006)	0.018*** (0.005)	0.020*** (0.006)	0.014*** (0.005)
Common Border		0.015 (0.014)	0.007 (0.013)	0.008 (0.013)	0.008 (0.010)	0.009 (0.013)	-0.008 (0.013)
Common Language		0.001 (0.013)	-0.002 (0.014)	-0.003 (0.013)	-0.005 (0.009)	-0.002 (0.013)	0.017 (0.016)
Island		0.033*** (0.009)	0.021** (0.009)	0.006 (0.010)	-0.015* (0.009)	0.003 (0.010)	-0.032*** (0.009)
Landlocked		-0.003 (0.008)	-0.020** (0.008)	-0.030*** (0.008)	-0.022*** (0.007)	-0.029*** (0.008)	-0.006 (0.007)
Fixed ERR			-0.064*** (0.010)	-0.076*** (0.010)	-0.075*** (0.008)	-0.074*** (0.010)	-0.008 (0.008)
Log(Expenditures)				-0.008*** (0.002)	-0.007*** (0.002)	-0.008*** (0.002)	0.001 (0.002)
R^2	0.10	0.20	0.28	0.32	0.34	0.31	0.11
# Observations	406	406	406	406	391	391	406

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.11$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 36: Games

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.038*** (0.009)	-0.037*** (0.009)	-0.025** (0.010)	-0.028*** (0.010)	-0.033*** (0.010)	-0.032*** (0.011)	-0.003 (0.010)
Log(Distance)		0.001 (0.008)	0.000 (0.008)	0.001 (0.008)	-0.004 (0.007)	0.004 (0.007)	-0.006 (0.007)
Common Border		-0.017 (0.015)	-0.020 (0.015)	-0.022 (0.016)	-0.021* (0.012)	-0.021 (0.016)	-0.015 (0.014)
Common Language		0.009 (0.024)	0.008 (0.023)	0.007 (0.024)	-0.029** (0.012)	0.004 (0.021)	0.020 (0.024)
Island		0.097*** (0.012)	0.094*** (0.012)	0.102*** (0.013)	0.103*** (0.016)	0.098*** (0.013)	-0.007 (0.013)
Landlocked		0.024*** (0.009)	0.019** (0.010)	0.024** (0.010)	0.018** (0.008)	0.024*** (0.009)	0.004 (0.008)
Fixed ERR			-0.018 (0.012)	-0.012 (0.012)	-0.012 (0.011)	-0.009 (0.012)	0.019* (0.011)
Log(Expenditures)				0.005** (0.002)	0.007*** (0.002)	0.005** (0.002)	-0.001 (0.002)
R^2	0.03	0.22	0.22	0.23	0.30	0.23	0.02
# Observations	496	496	496	496	458	458	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.13$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 37: Equipment for sport

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.020*	-0.021*	-0.018	-0.013	-0.020**	-0.018	-0.005
	(0.010)	(0.011)	(0.015)	(0.015)	(0.010)	(0.014)	(0.009)
Log(Distance)		0.024**	0.024**	0.021**	0.022***	0.027***	0.016*
		(0.010)	(0.010)	(0.010)	(0.007)	(0.009)	(0.008)
Common Border		0.005	0.004	0.009	0.017	0.014	-0.003
		(0.022)	(0.022)	(0.021)	(0.013)	(0.018)	(0.015)
Common Language		-0.014	-0.014	-0.012	-0.004	-0.009	0.017
		(0.018)	(0.018)	(0.017)	(0.010)	(0.015)	(0.016)
Island		0.017	0.017	0.000	0.019*	0.003	-0.003
		(0.011)	(0.011)	(0.012)	(0.011)	(0.012)	(0.010)
Landlocked		-0.002	-0.003	-0.013	-0.017*	-0.015	0.008
		(0.011)	(0.012)	(0.013)	(0.009)	(0.011)	(0.008)
Fixed ERR			-0.004	-0.017	-0.025**	-0.021	0.006
			(0.015)	(0.016)	(0.011)	(0.014)	(0.009)
Log(Expenditures)				-0.010***	-0.006***	-0.008***	0.005***
				(0.003)	(0.002)	(0.003)	(0.002)
R^2	0.01	0.04	0.04	0.07	0.16	0.09	0.03
# Observations	496	496	496	496	460	460	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.13$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 38: Plants and flowers

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.024***	-0.023***	-0.003	-0.002	-0.007	-0.007	-0.023***
	(0.007)	(0.007)	(0.008)	(0.008)	(0.007)	(0.008)	(0.007)
Log(Distance)		0.004	0.003	0.002	0.012**	0.004	0.007
		(0.007)	(0.007)	(0.007)	(0.005)	(0.007)	(0.005)
Common Border		0.002	-0.002	-0.001	0.011	0.006	0.003
		(0.014)	(0.014)	(0.013)	(0.011)	(0.014)	(0.011)
Common Language		0.020	0.020	0.021	0.010	0.014	0.028*
		(0.019)	(0.018)	(0.018)	(0.011)	(0.018)	(0.015)
Island		0.058***	0.051***	0.047***	0.012	0.032***	-0.027***
		(0.009)	(0.010)	(0.011)	(0.009)	(0.010)	(0.009)
Landlocked		0.015*	0.006	0.004	-0.013*	-0.003	-0.000
		(0.008)	(0.009)	(0.010)	(0.007)	(0.009)	(0.008)
Fixed ERR			-0.032***	-0.035***	-0.043***	-0.040***	0.008
			(0.009)	(0.010)	(0.009)	(0.009)	(0.009)
Log(Expenditures)				-0.002	-0.002	-0.003*	-0.002
				(0.002)	(0.001)	(0.002)	(0.001)
R^2	0.02	0.14	0.16	0.16	0.16	0.17	0.06
# Observations	465	465	465	465	429	429	465

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.10$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 39: Pets

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.035*** (0.006)	-0.034*** (0.006)	-0.008 (0.006)	-0.008 (0.007)	-0.014*** (0.005)	-0.012** (0.005)	-0.001 (0.004)
Log(Distance)		0.010 (0.007)	0.008 (0.007)	0.008 (0.007)	0.007 (0.005)	0.008 (0.006)	0.006 (0.005)
Common Border		0.005 (0.013)	-0.001 (0.012)	-0.002 (0.012)	0.001 (0.009)	0.000 (0.010)	0.009 (0.009)
Common Language		0.015 (0.016)	0.013 (0.015)	0.013 (0.015)	0.005 (0.011)	0.007 (0.012)	0.011 (0.013)
Island		0.024*** (0.007)	0.014* (0.007)	0.017** (0.008)	0.017*** (0.005)	0.015** (0.006)	-0.011* (0.006)
Landlocked		0.015** (0.007)	0.002 (0.008)	0.004 (0.008)	0.008 (0.006)	0.007 (0.007)	-0.012** (0.006)
Fixed ERR			-0.043*** (0.008)	-0.041*** (0.009)	-0.042*** (0.007)	-0.040*** (0.008)	-0.006 (0.006)
Log(Expenditures)				0.002 (0.001)	0.001 (0.001)	0.002 (0.001)	0.002 (0.001)
R^2	0.07	0.11	0.16	0.17	0.24	0.20	0.04
# Observations	463	463	463	463	458	458	463

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.08$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 40: Printed matter

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.036*** (0.005)	-0.036*** (0.005)	-0.039*** (0.008)	-0.040*** (0.008)	-0.041*** (0.011)	-0.041*** (0.008)	-0.005 (0.004)
Log(Distance)		0.002 (0.005)	0.003 (0.005)	0.003 (0.005)	0.012* (0.007)	0.004 (0.005)	0.004 (0.003)
Common Border		0.010 (0.011)	0.011 (0.011)	0.010 (0.011)	0.025** (0.011)	0.011 (0.010)	0.000 (0.007)
Common Language		0.003 (0.013)	0.003 (0.013)	0.003 (0.013)	0.017 (0.016)	0.006 (0.014)	-0.001 (0.007)
Island		0.036*** (0.007)	0.037*** (0.007)	0.038*** (0.007)	0.019** (0.009)	0.035*** (0.007)	-0.006 (0.005)
Landlocked		0.001 (0.006)	0.002 (0.006)	0.003 (0.007)	-0.005 (0.006)	0.004 (0.006)	-0.001 (0.004)
Fixed ERR			0.005 (0.008)	0.006 (0.008)	0.004 (0.010)	0.009 (0.008)	0.009** (0.004)
Log(Expenditures)				0.001 (0.001)	-0.000 (0.002)	0.001 (0.001)	-0.002* (0.001)
R^2	0.07	0.14	0.14	0.14	0.14	0.13	0.03
# Observations	492	492	492	492	470	470	492

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.09$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 41: Electrical Appliances

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.021*** (0.006)	-0.020*** (0.006)	-0.014** (0.007)	-0.015** (0.007)	-0.015** (0.006)	-0.017*** (0.006)	-0.001 (0.005)
Log(Distance)		0.005 (0.005)	0.005 (0.005)	0.005 (0.005)	0.004 (0.005)	0.004 (0.005)	0.003 (0.004)
Common Border		0.008 (0.011)	0.007 (0.011)	0.006 (0.011)	0.000 (0.008)	0.006 (0.009)	0.000 (0.007)
Common Language		-0.001 (0.012)	-0.001 (0.012)	-0.001 (0.012)	-0.005 (0.009)	-0.004 (0.011)	-0.004 (0.009)
Island		0.048*** (0.007)	0.046*** (0.007)	0.047*** (0.007)	0.022*** (0.008)	0.036*** (0.007)	-0.000 (0.007)
Landlocked		0.025*** (0.006)	0.022*** (0.006)	0.023*** (0.006)	0.001 (0.005)	0.016*** (0.006)	0.007 (0.006)
Fixed ERR			-0.010 (0.007)	-0.008 (0.007)	-0.030*** (0.006)	-0.014** (0.007)	0.016*** (0.006)
Log(Expenditures)				0.001 (0.001)	0.000 (0.001)	0.000 (0.001)	0.001 (0.001)
R^2	0.03	0.17	0.18	0.18	0.21	0.17	0.03
# Observations	496	496	496	496	476	476	496

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.08$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 42: Jewellery

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.011 (0.009)	-0.014 (0.009)	0.021** (0.010)	0.020** (0.010)	0.008 (0.009)	0.012 (0.009)	0.027*** (0.009)
Log(Distance)		0.017** (0.008)	0.014* (0.008)	0.015* (0.008)	0.011 (0.007)	0.012* (0.007)	-0.004 (0.006)
Common Border		-0.020 (0.015)	-0.027* (0.015)	-0.027* (0.016)	-0.009 (0.012)	-0.021 (0.014)	-0.013 (0.013)
Common Language		0.031 (0.021)	0.029 (0.021)	0.029 (0.021)	0.016 (0.013)	0.022 (0.018)	0.000 (0.027)
Island		0.038*** (0.011)	0.028** (0.011)	0.030** (0.012)	0.041*** (0.011)	0.035*** (0.011)	-0.010 (0.008)
Landlocked		-0.023*** (0.009)	-0.036*** (0.010)	-0.035*** (0.010)	-0.029*** (0.008)	-0.028*** (0.009)	-0.011* (0.007)
Fixed ERR			-0.051*** (0.012)	-0.050*** (0.011)	-0.043*** (0.010)	-0.041*** (0.010)	0.008 (0.009)
Log(Expenditures)				0.001 (0.002)	-0.003 (0.002)	-0.000 (0.002)	-0.000 (0.002)
R^2	0.00	0.10	0.13	0.13	0.17	0.14	0.06
# Observations	494	494	494	494	468	468	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.014$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

Table 43: Personal effects

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Euro	-0.006 (0.012)	-0.004 (0.011)	0.009 (0.012)	0.007 (0.012)	0.006 (0.010)	0.001 (0.010)	0.013 (0.010)
Log(Distance)		0.010 (0.009)	0.009 (0.009)	0.010 (0.009)	0.008 (0.007)	0.014* (0.007)	0.025*** (0.008)
Common Border		-0.005 (0.021)	-0.008 (0.021)	-0.010 (0.021)	-0.013 (0.015)	0.007 (0.019)	-0.005 (0.013)
Common Language		-0.006 (0.028)	-0.007 (0.028)	-0.008 (0.028)	-0.001 (0.018)	-0.016 (0.022)	0.016 (0.018)
Island		0.094*** (0.014)	0.091*** (0.014)	0.099*** (0.016)	0.032*** (0.012)	0.045*** (0.012)	-0.038** (0.015)
Landlocked		0.036*** (0.010)	0.031*** (0.011)	0.035*** (0.011)	0.019* (0.010)	0.029*** (0.010)	0.000 (0.012)
Fixed ERR			-0.019 (0.012)	-0.013 (0.012)	-0.041*** (0.011)	-0.025** (0.011)	-0.014 (0.013)
Log(Expenditures)				0.005* (0.003)	-0.004* (0.002)	-0.000 (0.002)	0.002 (0.003)
R^2	0.00	0.16	0.16	0.17	0.20	0.12	0.04
# Observations	494	494	494	494	433	433	494

Heteroskedasticity robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. (5) WLS. (6) FGLS. Details in the main text. $\bar{c}_g = 0.13$. (1-6): dependent variable = c_{ij}^g . (7): dependent variable = $100 * b_{ij}$, where b_{ij}^g is the linear trend coefficient on the threshold.

2 Sample of three-digit COICOP goods

This section replicates the estimation procedure and the econometric analysis using of the paper using more aggregated Harmonized Index of Consumer Prices. In particular I use data on 38 COICOP three-digit goods (20 of which are tradable). Table 44 provides the list of goods used.

I estimate the bands of inaction c_{ij}^g for all goods and country pairs following the same algorithm described in the paper. The average threshold of the bands of inaction is 11.3%. At the good level, transport equipment has the lowest threshold (7%), while Tobacco has the highest (17%). Figure 1 shows the average threshold of the bands by good, and figure 2 by good and EMU membership.

Table 45 shows the results from using the entry in the EMU by Cyprus, Malta, Slovakia and Slovenia. The coefficient are similar to those estimated with the four-digit COICOP sample, although it loses significance in the first two specifications. Table 46 shows the results from the baseline regression. Country pairs that share a common currency exhibit thresholds of the bands of inaction that are 9% smaller than the average band. Table 47 shows the relationship between slope of time varying thresholds and euro. Table 48 uses the unbalanced panel, and table 49 shows the results from restricting the sample to country pairs in the EU, Schengen Area or both.

Table 44: Tradable and Non Tradable three-digit COICOP

Tradable		Non tradable	
Code	Description	Code	Description
CP011	Food	CP041	Rentals
CP012	Non-alcoholic beverages	CP043	Repair of dwelling
CP021	Alcoholic beverages	CP044	Services to dwelling
CP022	Tobacco	CP045	Electricity and gas
CP031	Clothing	CP062	Out-patient services
CP032	Footwear	CP063	Hospital
CP051	Furniture	CP073	Transport Services
CP052	Household Textiles	CP081	Postal Services
CP053	Household Appliances	CP094	Cultural services
CP054	Glassware and tableware	CP095	Books
CP055	Tools for house	CP096	Package Holidays
CP056	Goods for household maintenance	CP111	Catering Services
CP061	Medical products	CP112	Accommodation services
CP071	Vehicles	CP121	Personal Care
CP072	Transport Equipment	CP124	Social Protection
CP082-083	Telephones	CP125	Insurance
CP091	Audio-visual equipment	CP126	Financial services
CP092	Durables for recreation	CP127	Other services
CP093	Recreational items		
CP123	Personal effects		

Figure 1: Average Commodity Point ($100*c^g$) and 25-75 Percentile Range, by Three-Digit Tradable COICOP Good

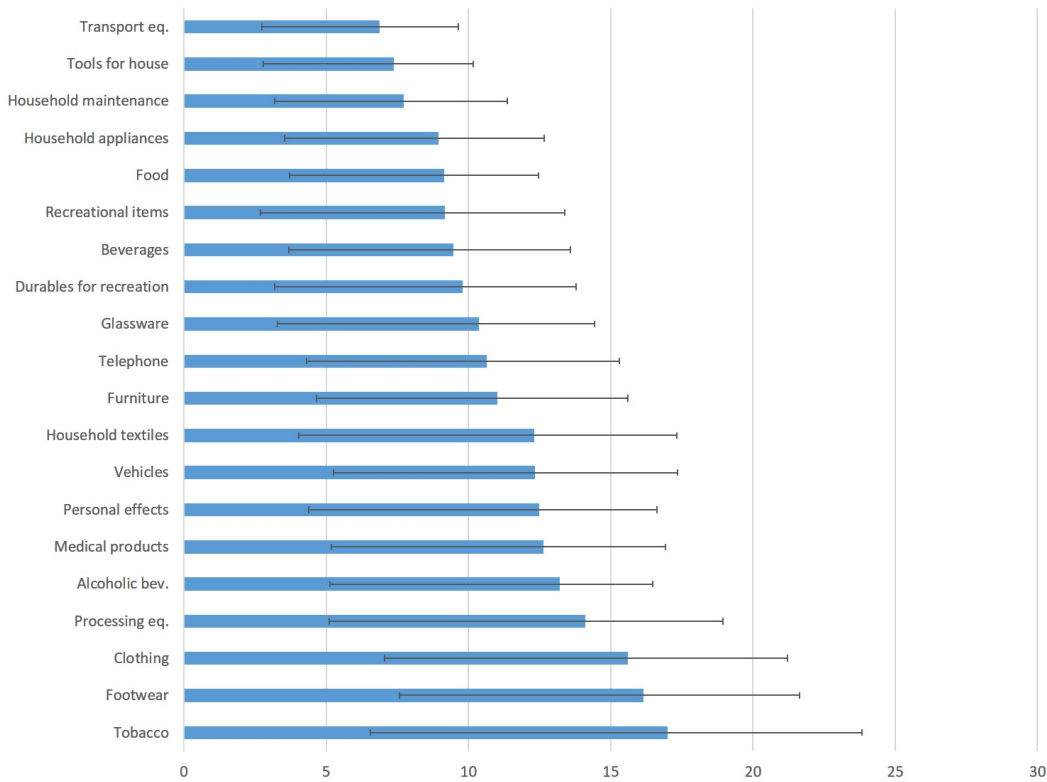
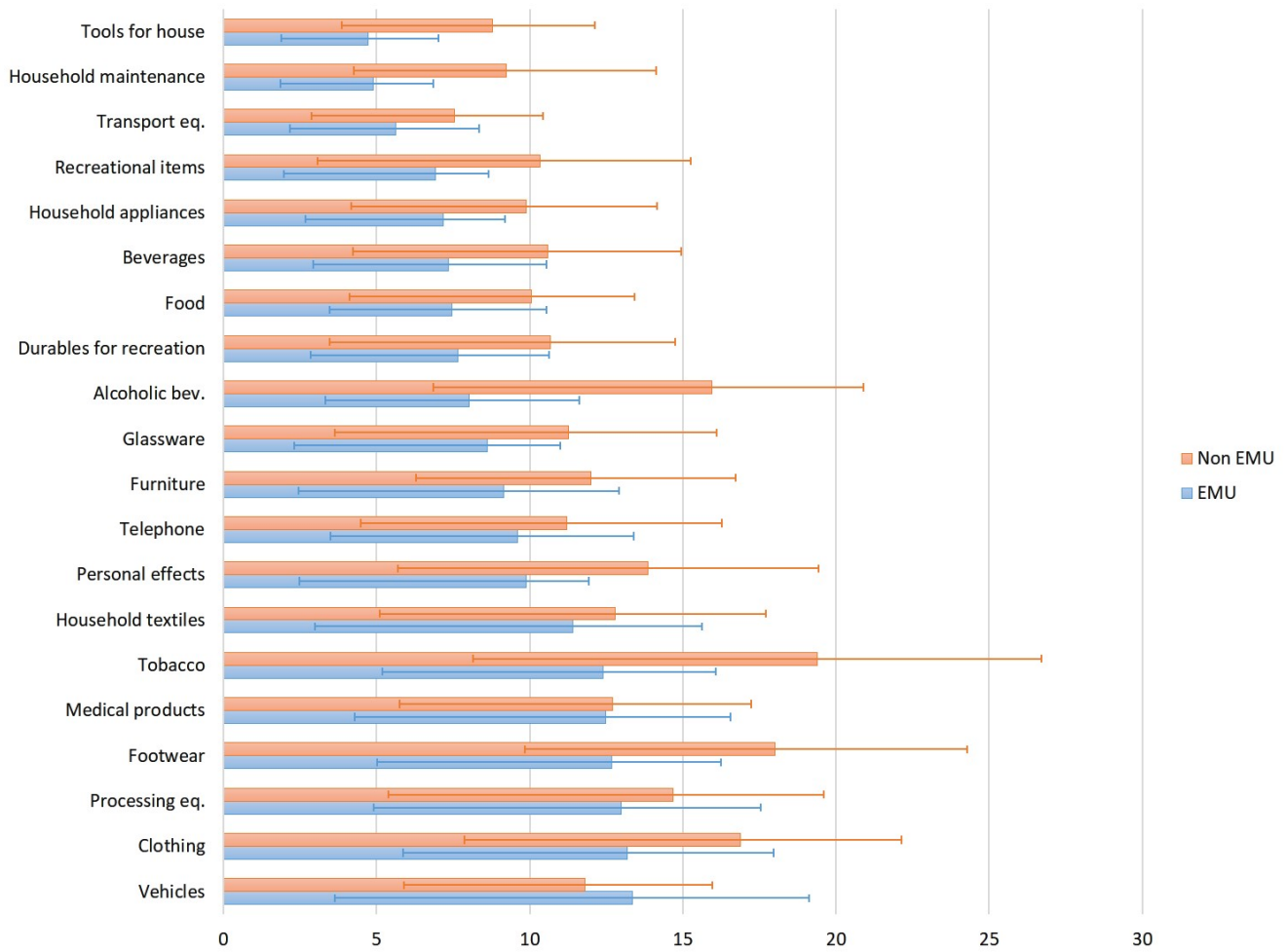


Figure 2: Average Commodity Point ($100*c^g$) and 25-75 Percentile Range, by Three-Digit Tradable COICOP Good



2.1 Regression Tables

Table 45: Entry to the EMU and Bands of Inaction

	(1)	(2)	(3)
Euro	-0.141 (0.096)	-0.137 (0.096)	-0.294** (0.146)
Good FE	Yes	Yes	Yes
Country i FE	No	Yes	Yes
Pair in EU and Schengen	No	No	Yes
R^2	0.02	0.07	0.09
# Observations	1905	1905	1025

Results from OLS. Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. Product and country switching fixed effects. Sample: tradable three-digit COICOP goods.

Table 46: The Euro and the Bands of Inaction

	(1)	(2)	(3)	(4)
Euro	-0.032*** (0.004)	-0.032*** (0.004)	-0.010** (0.005)	-0.010** (0.005)
Log(Distance)		0.012*** (0.004)	0.010*** (0.004)	0.010*** (0.004)
Common Border		0.002 (0.007)	-0.002 (0.007)	-0.002 (0.007)
Common Language		-0.003 (0.007)	-0.005 (0.007)	-0.005 (0.007)
Island		0.056*** (0.005)	0.050*** (0.005)	0.050*** (0.005)
Landlocked		0.007* (0.004)	-0.001 (0.005)	-0.001 (0.005)
Fixed ERR			-0.034*** (0.005)	-0.034*** (0.005)
Log(Expenditures)				0.000 (0.001)
R^2	0.11	0.19	0.21	0.21
# Observations	8928	8928	8928	8928

Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. Product fixed effects. Sample: tradable three-digit COICOP goods.

Table 47: Euro and Slope of Bands of Inaction

	(1)	(EU)	(Sch.)	(EU+Sch.)	(Fixed ER)
Euro	0.002 (0.002)	-0.000 (0.002)	0.005* (0.002)	0.003 (0.003)	0.001 (0.002)
Log(Distance)	-0.001 (0.002)	-0.001 (0.002)	-0.002 (0.002)	-0.000 (0.002)	-0.001 (0.002)
Common Border	0.001 (0.004)	0.004 (0.003)	0.003 (0.003)	0.004 (0.004)	0.003 (0.004)
Common Language	-0.005 (0.004)	-0.011*** (0.004)	-0.010*** (0.003)	-0.010*** (0.004)	-0.008*** (0.003)
Island	-0.009*** (0.003)	-0.004 (0.002)	-0.021*** (0.006)	-0.013*** (0.004)	-0.005* (0.003)
Landlocked	0.002 (0.003)	0.006*** (0.002)	0.001 (0.003)	0.001 (0.002)	0.004 (0.002)
Fixed ERR	0.008*** (0.003)	0.015*** (0.003)	0.007** (0.003)	0.005 (0.003)	
Log(Expenditures)	0.000 (0.001)	-0.001* (0.001)	-0.002*** (0.001)	-0.002*** (0.001)	-0.001*** (0.001)
R^2	0.02	0.03	0.04	0.05	0.03
# Observations	8928	6804	5400	4158	4968

The dependent variable is the slope of the band of inaction. Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. Product fixed effects. Sample: tradable three-digit COICOP goods. (EU) restricts the sample to country pairs in the EU. (Sch.) restricts the sample to country pairs in the Schengen Area. (EU + Sch.) restricts the sample to country pairs in the EU and Schengen Area. (Fixed ER) restricts the sample to country pairs in a fixed exchange rate regime.

Table 48: Euro and Bands of Inaction

	(1)	(2)	(3)	(4)
Euro	-0.031*** (0.004)	-0.031*** (0.004)	-0.010** (0.005)	-0.009** (0.005)
Log(Distance)		0.012*** (0.004)	0.010*** (0.004)	0.010*** (0.004)
Common Border		0.004 (0.007)	-0.001 (0.007)	-0.001 (0.007)
Common Language		-0.005 (0.007)	-0.006 (0.007)	-0.006 (0.007)
Island		0.056*** (0.005)	0.050*** (0.005)	0.049*** (0.005)
Landlocked		0.008** (0.004)	-0.000 (0.005)	-0.000 (0.005)
Fixed ERR			-0.033*** (0.005)	-0.033*** (0.005)
Log(Expenditures)				-0.000 (0.001)
R^2	0.11	0.19	0.20	0.20
# Observations	9828	9828	9828	9828

Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. Product fixed effects. Sample: tradable three-digit COICOP goods. Unbalanced panel.

Table 49: EMU, EU and Schengen Area

	(EU)	(Sch.)	(EU+Sch.)	(EU+Sch.+Border)
Euro	-0.005 (0.005)	-0.021*** (0.006)	-0.014** (0.007)	-0.016 (0.013)
Log(Distance)	-0.001 (0.004)	0.014*** (0.004)	0.003 (0.004)	-0.005 (0.009)
Common Border	-0.019** (0.008)	0.009 (0.007)	-0.002 (0.008)	
Common Language	0.001 (0.010)	-0.008 (0.007)	-0.020* (0.010)	-0.005 (0.010)
Island	0.046*** (0.005)	0.024** (0.010)	-0.019*** (0.005)	
Landlocked	0.003 (0.005)	-0.001 (0.006)	0.003 (0.005)	0.011 (0.009)
Fixed ERR	-0.023*** (0.005)	-0.020*** (0.007)	-0.003 (0.008)	-0.033* (0.017)
Log(Expenditures)	0.003*** (0.001)	-0.006*** (0.001)	-0.004*** (0.001)	-0.004** (0.002)
R^2	0.18	0.22	0.15	0.25
# Observations	6804	5400	4158	540

Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. Product fixed effects. Sample: tradable three-digit COICOP goods. (EU): only pairs in the EU. (Sch.): only pairs in the Schengen Area. (EU+Sch.): only pairs both in the EU and Schengen Area. (EU+Sch.+Border): only pairs in the EU and Schengen Area that share a common border.

3 Asymmetric speed of convergence

In this section, I outline how the empirical strategy differs when I assume that the autoregressive coefficients outside of the bands of inaction are asymmetric. Let $\lambda_{ij}^{g,up}$ be the coefficient above the band, and $\lambda_{ij}^{g,down}$ below the band. $\lambda_{ij}^{g,up}$ captures the speed at which prices converge when they are higher in country i , and $\lambda_{ij}^{g,down}$ when they are higher in country j . The model is as follows:

$$\Delta x_{ijt}^g = \begin{cases} \lambda_{ij}^{g,up}(x_{ijt-1}^g - c_{ij}^g) + e_{ijt}^{g,out} & \text{if } x_{ijt-1}^g > c_{ij}^g \\ e_{ijt}^{g,in} & \text{if } c_{ij}^g \geq x_{ijt-1}^g \geq -c_{ij}^g \\ \lambda_{ij}^{g,down}(x_{ijt-1}^g + c_{ij}^g) + e_{ijt}^{g,out} & \text{if } -c_{ij}^g > x_{ijt-1}^g \end{cases} \quad (1)$$

Since now I have to divide the sample in three sets, the grid search over the possible values of c_{ij}^g is done within the 20th and 80th percentiles of $|x_{ijt}|$. This is done in order to estimate the two autoregressive coefficients with a sufficient number of observations. Furthermore, I drop all goods and country pairs that have less than 15 observations above and below the band when c_{ij}^g equals the 80th percentile of $|x_{ijt}|$. This procedure drops about 25% of the observations relative to the baseline model. I estimate the two coefficients and the threshold for the period 1999-2016. In table 50, I run the baseline cross-country regression using the estimated coefficient and the two thresholds as dependent variables. I have to rely on the unbalanced panel because of the large number of missing good and country pairs observations.

The results are similar to the baseline case. The estimated threshold exhibits a similar relationship with the euro and the other control variables of the baseline model. Furthermore, membership to the EMU is associated with an increase in the speed of convergence. Finally, there is a positive correlation between the speed of convergence and the size of the destination, but not between the speed and the size of the origin. This suggests that prices converge faster when they are higher in bigger economies, as λ_{ij}^{up} is larger in absolute value.

Table 50: Robustness

	(c_{ij}^g)	$(\lambda_{ij}^{g,up})$	$(\lambda_{ij}^{g,down})$	$(\lambda_{ij}^{g,down})$	$(\lambda_{ij}^{g,up})$
Euro	-0.013*** (0.003)	-1.237*** (0.374)	-1.250*** (0.366)	-1.155*** (0.357)	-1.279*** (0.365)
Log(Distance)	0.012*** (0.003)	0.466** (0.207)	0.393* (0.218)	0.429** (0.203)	0.387* (0.218)
Common Border	0.006 (0.005)	-0.227 (0.583)	-0.124 (0.554)	-0.207 (0.577)	-0.129 (0.555)
Common Language	-0.005 (0.004)	-2.306** (1.026)	-1.923** (0.867)	-2.325** (1.013)	-1.940** (0.866)
Island	0.025*** (0.003)	0.756*** (0.189)	0.939*** (0.198)	0.644*** (0.185)	0.957*** (0.198)
Landlocked	-0.002 (0.003)	-0.889*** (0.329)	-0.503* (0.260)	-0.874*** (0.313)	-0.519** (0.254)
Fixed ERR	-0.024*** (0.004)	-1.661*** (0.277)	-1.655*** (0.275)	-1.661*** (0.276)	-1.649*** (0.272)
Log(Expenditures)	-0.004*** (0.001)	-0.098* (0.056)	-0.118** (0.058)		
Log(Country i Exp.)				-0.252*** (0.092)	-0.089 (0.075)
Log(Country j Exp.)				-0.027 (0.067)	-0.144** (0.071)
R^2	0.21	0.09	0.11	0.09	0.11
# Observations	15463	15463	15463	15463	15463

Results from OLS. Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%. Dependent variables in the columns.

4 Asymmetric Thresholds

In this section, I outline how the empirical strategy differ when I assume that the thresholds for the bands of inaction are asymmetric. Let c_{ij}^g be the threshold of the band of inaction for shipping good g from i to j . I estimate c_{ij}^g by maximum likelihood using the following TAR model:

$$\Delta x_{ijt}^g = \begin{cases} \lambda_{ij}^{g,out}(x_{ij,t-1}^g - c_{ji}^g) + e_{ijt}^{g,out} & \text{if } x_{ij,t-1}^g > c_{ji}^g \\ e_{ijt}^{g,in} & \text{if } c_{ji}^g \geq x_{ij,t-1}^g \geq -c_{ij}^g \\ \lambda_{ij}^{g,out}(x_{ij,t-1}^g + c_{ij}^g) + e_{ijt}^{g,out} & \text{if } -c_{ij}^g > x_{ij,t-1}^g \end{cases} \quad (2)$$

where $e_{ijt}^{g,out} \sim N(0, \sigma_{ij}^{g,out2})$, $e_{ijt}^{g,in} \sim N(0, \sigma_{ij}^{g,in2})$. The estimation algorithm is identical to the baseline case, except that now we need to run a grid search for both c_{ji}^g and c_{ij}^g . I estimate the two

thresholds for the period 1999-2016. In table 51, I run the baseline cross-country regression using the two thresholds as dependent variables.

Table 51: Robustness

	(c_{ji}^g)	(c_{ij}^g)	(c_{ji}^g)	(c_{ij}^g)
Euro	-0.013** (0.005)	-0.014** (0.005)	-0.015*** (0.005)	-0.013** (0.005)
Log(Distance)	0.020*** (0.004)	0.018*** (0.004)	0.020*** (0.005)	0.017*** (0.004)
Common Border	0.010 (0.008)	0.009 (0.007)	0.010 (0.008)	0.009 (0.007)
Common Language	-0.009 (0.007)	-0.010 (0.008)	-0.010 (0.007)	-0.011 (0.008)
Island	0.031*** (0.006)	0.034*** (0.005)	0.031*** (0.006)	0.034*** (0.005)
Landlocked	0.001 (0.006)	0.005 (0.006)	-0.001 (0.006)	0.006 (0.006)
Fixed ERR	-0.025*** (0.006)	-0.022*** (0.006)	-0.026*** (0.006)	-0.020*** (0.006)
Log(Expenditures)	-0.004*** (0.001)	-0.005*** (0.001)		
Log(Country <i>i</i> Exp.)			-0.002 (0.001)	-0.007*** (0.002)
Log(Country <i>j</i> Exp.)			-0.006*** (0.002)	-0.003** (0.001)
R^2	0.15	0.17	0.16	0.17
# Observations	9424	9424	9424	9424

Results from OLS. Robust std. error in parenthesis. Cluster: country pair. ***: significant at 99%, ** at 95%, * at 90%.

The baseline results are robust to the alternative TAR model. Furthermore, the thresholds of the bands of inaction are smaller the larger the origin country is. This suggest that it easier to ship arbitrated goods from large to small economies. In other words, larger economies face smaller transaction costs when shipping goods abroad.