Comments on "The Euro's Trade Effect: A Meta-Analysis" by Petr Polak

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Summary

Polak gather a large number (>3,000) estimates of the currency union effect on trade from a large number (>50) of studies. These are then analyzed using standard meta-analysis techniques. Publication bias is lower than it was before 2010, and there is an economically small but statistically significant effect of the Euro on trade, about 4%.

Analysis

The data set here is excellent, the focus is good, the techniques are standard and the results are believable. Thus I think that some version of this should certainly be published by *JES*. Accordingly, I make a number of suggestions below; all are intended to be helpful and constructive.

Larger Comments

I understand what the paper is all about, and the value of using all the underlying estimates. But the only weighting here is done by standard error. Now when I report a result, I also do a large number of sensitivity analyses, most of which are reported. They're meant to show robustness, not to be taken equally seriously. But the paper here – in common with the literature – takes all estimates equally seriously; the default estimate and robustness checks. Is that really appropriate? I realize that addressing this issue would require a new technique, and that this paper tries *not* to develop new techniques, so perhaps there's a way to exclude some of the estimates as a sensitivity check. But treating all the estimates equally leaves me with a feeling of serious discomfort.

It is important – but easy – to clarify early on whether *all* the estimates here rely on the Euro (as opposed to some other currency union). (I feel pretty sure that is *not* the case, but there should be no uncertainty.) If that is not the case, then there should either be a dummy for estimates with EMU data, or the analysis can be re-run only on estimates relying only on EMU.

To my mind, there's too much emphasis on publication bias, given the brevity of the paper and the relatively weak results.

Table 1 could be improved:

1. For No. of years, is that total span of years, or total span of years in EMU. Shouldn't both be included?
2. Why is the dependent variable 1 only for imports; why not 1 for one-way trade, 0 for two-way?

3. I don't understand the country data disaggregation dummy.
4. Are all the estimates based on panels? If not, shouldn't there be a cross-sectional dummy?
5. What about dummies for estimation with time-varying country/exporter/importer fixed effects?
6. What about a dummy for a PPML technique?
7. What about a dummy for data/results/programs posted on the internet?

Estimation of the gravity equation has changed a lot in the last decade or so, and equation (1) ceased to be state of the art before that (as forcefully pointed out by Baldwin and Taglioni in this context). But best practice seems to be ignored here. Why should one take equally seriously results based on empirical models that ignore multilateral resistance and those that take it seriously? Alternatively, why isn't there a dummy variable that indicates state of the art estimation?

A number of the variables can't be estimated if dyadic fixed effects are included (e.g., adjacency, common language, etc.); ditto time-varying country effects (e.g., GDP). You should be able to deal with that better.

It might be valuable – and it would be easy – to do the analog to Figure 1 and the estimation of (4)-(5) if one used a single "preferred" estimate from each paper; this would show the value of using all estimates, rather than just a single one.

Tables and figures should be self-contained; it should be possible to look at each one and understand it without looking at anything else. As is, they're poorly labelled and titled, and hard to follow. Please improve them!

Smaller Comments

I think it would be useful if a native English speaker went through the text once for copy-editing; there are a number of minor grammatical mistakes that distract and could be eliminated easily.

The long paragraph on p1 should be split into two, probably at "This paper goes beyond …"

Model 4 is used on p7 long before it's been introduced.

"Redrawn" at the bottom of p9 is unclear.

It would be better to combine tables 3 and 4 into a single table, and test for equally explicitly.

Tables 1 and 5 should have variables listed in the same order.

I found the top of p12 hard to follow.