Appendix Table A1
Number of years since deregulation

This table presents the results of difference-in-differences models incorporating the number of years since deregulation and using data for state-pairs with trade flows are above $10 million 1977 dollars. Column 1 shows a *Within*-OLS model and column 2 a *Within*-Poisson estimator, both with state-pair fixed effects. For the OLS model, ln(*TRADE_SHARE*), the log trade share of the destination-state among origin-state's exports, is the dependent variable. For the Poisson model the dependent variable is *TRADE_SHARE*. The explanatory variables are as follows (indicator variable names are preceded by the prefix *D_*): ln(*GDP_DEST*) is the destination-state's GDP; ln(*WAGE_DEST*) is the destination-state's wage index; *D_1993* is equal to one if year is equal to 1993, and zero if it is equal to 1977; *DEREG_YEARS*×*D_DEREG* (the variable of interest) is the interaction of the number of years since effective deregulation (*DEREG_YEARS*) with the indicator variable that equals one if the state-pair deregulated interstate banking entry as of 1993, and zero otherwise (*D_DEREG*). The *Within* model has origin-state clustered standard errors while the *Within*-Poisson model relies on robust standard errors. *t*-Stats are reported in parentheses below coefficient estimates. *, **, *** denote statistical significance at 10%, 5%, and 1% levels, respectively.

	Within		*Within*-Poisson	
	1		2	
ln(GDP_DEST)	1.0103	***	0.7640	***
	(9.78)		(6.36)	
ln(WAGE_DEST)	-0.1376		0.0206	
	(0.60)		(0.06)	
D_1993	-1.1762	***	-1.0171	*
	(6.04)		(4.48)	
DEREG_YEARS×*D_DEREG*	0.0205	***	0.0211	***
	(4.46)		(3.66)	
Number of observations	3512		3512	
Number of std. error clusters	48		robust std. errors	
Origin-destination state-pair fixed effects	yes		yes	
Regression *F*-stat [chi^2]	48.25	***	[66.91]	***
Within-R^2	0.0986			

Appendix Table A2

Ex ante potential for risk-sharing and potential to trade: Poisson difference-in-differences regressions

This table presents the results of difference-in-differences models using *Within*-Poisson estimators with state-pair fixed effects for testing the impact of banking deregulation on trade taking into account the ex ante potential for risk-sharing and trade. All regressions are with state-pair data with trade flows above $10 million 1977 dollars. Columns 1 and 2 show the results for two samples, the state-pairs that offered, respectively, the lowest and highest potential for risk-sharing according to a measure adapted from Acharya, Imbs, and Sturgess (2011), while columns 3 and 4 repeat the exercise for a measure taken from Morgan, Rime, and Strahan (2004). Columns 5 and 6 give the results for two samples split by the difference in manufacturing industry structure proxying for ex ante potential for intra-industry trade while columns 7 and 8 present the results for state-pairs that were most similar and dissimilar in terms of endowments, respectively. In all columns, *TRADE_SHARE*, the trade share of the destination-state among origin-state's exports, is the dependent variable. The explanatory variables are as follows (indicator variable names are preceded by the prefix *D_*): ln(*GDP_DEST*) is the destination-state's GDP; ln(*WAGE_DEST*) is the destination-state's wage index; *D_1993* is equal to one if year is equal to 1993, and zero if it is equal to 1977; *D_DEREG* is equal to one if the state deregulated interstate banking entry as of 1993, and zero otherwise (as none of the states had deregulated interstate banking entry as of 1977); *D_1993×D_DEREG*, the interaction of *D_1993* with *D_DEREG*. All models rely on robust standard errors. *t*-Stats are reported in parentheses below coefficient estimates. *, **, *** denote statistical significance at 10%, 5%, and 1% levels, respectively.

	Acharya, Imbs, and Sturgess (2011)				Morgan, Rime, and Strahan (2004)				Intra-industry trade				Comparative advantage (Heckscher-Ohlin inter-industry trade)			
	Lowest potential for risk-sharing		Highest potential for risk-sharing		Lowest state-pair fluctuations		Largest state-pair fluctuations		Largest difference in SIC-2 manuf. industry structure		Smallest difference in SIC-2 manuf. industry structure		Smallest difference in endowments		Largest difference in endowments	
	1		2		3		4		5		6		7		8	
ln(GDP_DEST)	0.9030	***	0.7090	***	0.9777	***	0.6195	***	0.6114	***	0.8952	***	0.7751	***	0.7971	***
	(7.95)		(3.32)		(7.13)		(3.21)		(2.64)		(6.72)		(4.78)		(5.20)	
ln(WAGE_DEST)	-0.0349		0.0116		-0.0987		-0.0684		0.4807		-0.1886		0.5866		-1.0774	***
	(0.08)		(0.02)		(0.24)		(0.11)		(0.83)		(0.45)		(1.27)		(2.75)	
D_1993	-1.1163	***	-0.9723	***	-1.2094	***	-0.7553		-1.1019	***	-1.0776	***	-1.449	***	-0.2393	
	(3.74)		(2.94)		(4.67)		(1.61)		(2.74)		(3.93)		(4.86)		(0.96)	
D_1993×D_DEREG	0.1587	***	0.1074	*	0.1906	***	0.0463		-0.0059		0.2176	***	0.1731	***	0.0078	
	(3.84)		(1.95)		(5.36)		(0.57)		(0.08)		(5.49)		(3.29)		(0.17)	
Number of obs.	1840		1672		2040		1472		1526		1986		1858		1654	
Regression chi^2	99.40	***	28.67	***	97.61	***	16.52	***	17.40	***	101.94	***	50.47	***	52.15	***
Robust std. errors	yes		yes		yes		yes		yes		yes		yes		yes	
Origin-destination state-pair FE	yes		yes		yes		yes		yes		yes		yes		yes	

Appendix Table A3

Ex ante potential for risk-sharing and potential to trade: Poisson-IV regressions

This table presents the results of IV-regression models using Poisson estimators with state-pair fixed effects for testing the impact of banking integration on trade taking into account the ex ante potential for risk-sharing and trade. All regressions are with data on state-pairs with trade flows above $10 million 1977 dollars. Columns 1 and 2 show the results for two samples, the state-pairs that offered, respectively, the lowest and highest potential for risk-sharing according to a measure adapted from Acharya, Imbs, and Sturgess (2011), while columns 3 and 4 repeat the exercise for a measure taken from Morgan, Rime, and Strahan (2004). Columns 5 and 6 give the results for two samples split by the difference in manufacturing industry structure proxying for ex ante potential for intra-industry trade while columns 7 and 8 present the results for state-pairs that were most similar and dissimilar in terms of endowments, respectively. In all columns, *TRADE_SHARE*, the trade share of the destination-state among origin-state's exports, is the dependent variable. The explanatory variables are as follows (indicator variable names are preceded by the prefix *D_*): ln(*GDP_DEST*) is the destination-state's GDP; ln(*WAGE_DEST*) is the destination-state's wage index; *D_1993* is equal to one if year is equal to 1993, and zero if it is equal to 1977. The endogenous variable *BANK_INTEG* is the fraction of banking assets owned by out-of-state banks that belong to the other state in a given state-pair (i.e., it is the total banking assets owned by state *m*'s banks in state *i* plus the total banking assets owned by state *i*'s banks in state *m*, divided by the sum of the banking assets of states *i* and *m*). IVs are as in Morgan, Rime, and Strahan (2004): indicator variables that equal one if the origin- (destination-) state has deregulated entry by 1993 and zero otherwise; and the number of years the origin- (destination-) state has deregulated interstate entry. All models rely on origin-state clustered standard errors. *t*-Stats are reported in parentheses below coefficient estimates. *, **, *** denote statistical significance at 10%, 5%, and 1% levels, respectively.

	Acharya, Imbs, and Sturgess (2011)		Morgan, Rime, and Strahan (2004)		Intra-industry trade		Comparative advantage (Heckscher-Ohlin inter-industry trade)	
	Lowest potential for risk-sharing	Highest potential for risk-sharing	Lowest state-pair fluctuations	Largest state-pair fluctuations	Largest difference in SIC-2 manuf. industry structure	Smallest difference in SIC-2 manuf. industry structure	Smallest difference in endowments	Largest difference in endowments
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
ln(GDP_DEST)	0.8542 ***	0.6759 ***	0.9044 ***	0.5885 ***	0.5784 ***	0.8697 ***	0.7446 ***	0.7853 ***
	(6.93)	(3.25)	(5.82)	(3.37)	(2.62)	(5.74)	(4.64)	(5.25)
ln(WAGE_DEST)	-0.2140	-0.1008	-0.2616	0.0338	0.4595	-0.4195	0.4885	-1.0867 ***
	(0.50)	(0.18)	(0.63)	(0.04)	(0.66)	(1.23)	(1.18)	(2.46)
D_1993	-0.8587 ***	-0.7944 **	-0.9038 ***	-0.8065 *	-1.0662 ***	-0.7698 ***	-1.2298 ***	-0.2290
	(3.08)	(2.18)	(3.61)	(1.72)	(2.88)	(2.88)	(4.59)	(0.76)
BANK_INTEG	9.1664 **	5.2339	6.6295 ***	21.0854	4.4051	8.9069 ***	4.2757	11.1135
	(2.03)	(1.23)	(2.63)	(1.44)	(0.36)	(4.09)	(1.52)	(0.89)
Number of obs.	1840	1672	2040	1472	1526	1986	1858	1654
Number of clusters	48	48	48	48	48	48	48	48
Clustered std. errors	yes	yes	yes	yes	yes	yes	yes	yes
Origin-destination state-pair FE	yes	yes	yes	yes	yes	yes	yes	yes

Appendix Table A4

Non-bank financial integration as of 1977

This table presents the regression model results that take into account ex ante potential financial integration as of 1977 using data on state-pairs with trade flows above $10 million 1977 dollars. State-pairs are split into two samples according to their potential to have experienced low (columns 1 and 3) or high (columns 2 and 4) net potential flows prior to 1977 using a measure adapted from Kalemli-Ozcan et al. (2010). Columns 1 and 2 use difference-in-differences *Within*-Poisson state-pair fixed-effects estimators while in columns 3 and 4 use the IV-Poisson estimators with state-pair fixed effects. In all columns, *TRADE_SHARE*, the trade share of the destination-state among origin-state's exports, is the dependent variable. The explanatory variables are as follows (indicator variable names are preceded by the prefix *D_*): ln(*GDP_DEST*) is the destination-state's GDP; ln(*WAGE_DEST*) is the destination-state's wage index; *D_1993* is equal to one if year is equal to 1993, and zero if it is equal to 1977; *D_DEREG* is equal to one if the state deregulated interstate banking entry as of 1993, and zero otherwise (as none of the states had deregulated interstate banking entry as of 1977); *D_1993×D_DEREG*, the interaction of *D_1993* with *D_DEREG*. The endogenous variable used in columns 3 and 4, *BANK_INTEG,* is the fraction of banking assets owned by out-of-state banks that belong to the other state in a given state-pair (i.e., it is the total banking assets owned by state *m*'s banks in state *i* plus the total banking assets owned by state *i*'s banks in state *m*, divided by the sum of the banking assets of states *i* and *m*). IVs are as in Morgan, Rime, and Strahan (2004): indicator variables that equal one if the origin- (destination-) state has deregulated entry by 1993 and zero otherwise; and the number of years the origin- (destination-) state has deregulated interstate bank entry. The *Within*-Poisson models rely on robust standard errors while the IV-Poisson models have origin-state clustered standard errors. *t*-Stats are reported in parentheses below coefficient estimates. *, **, *** denote statistical significance at 10%, 5%, and 1% levels, respectively.

	Within-Poisson regressions				IV-Poisson regressions			
	Smallest output/income distance		Largest output/income distance		Smallest output/income distance		Largest output/income distance	
	1		2		3		4	
ln(GDP_DEST)	0.8170	***	0.8201	***	0.8301	***	0.6634	***
	(5.55)		(4.55)		(4.75)		(4.06)	
ln(WAGE_DEST)	0.0940		0.1801		-0.0667		-0.0240	***
	(0.21)		(0.33)		(0.15)		(0.04)	
D_1993	-1.1353	***	-1.2266	***	-0.9444	***	-0.8697	**
	(3.80)		(3.53)		(3.54)		(2.10)	
D_1993×D_DEREG	0.1746	***	0.1086	**				
	(3.57)		(2.15)					
BANK_INTEG					7.1370	*	13.2009	**
					(1.69)		(2.38)	
Number of observations	1812		1700		1812		1700	
Number of std. error clusters	robust errors		robust errors		48		48	
Origin-destination state-pair FE	yes		yes		yes		Yes	
Regression Chi^2	61.31	***	45.17	***				

Appendix Table A5
Prior Political Economy Links

This table presents the results taking into account ex ante political links as of 1977 using data for state-pairs with trade flows above $10 million 1977 dollars. State pairs are split into two samples according to the smallest (columns 1 and 3) or largest (columns 2 and 4) dissimilarity in political histories ten years prior to 1977. In columns 5 and 6, results for a sample with Republican-controlled states with smallest political distances are shown. Columns 1, 2 and 5 use difference-in-differences *Within* Poisson estimators while in columns 3, 4 and 6 use IV-Poisson estimators. All regressions are with state-pair fixed effects. In all columns, *TRADE_SHARE*, the trade share of the destination-state among origin state's exports, is the dependent variable. The explanatory variables are as follows (indicator variable names are preceded by the prefix *D_*): ln(*GDP_DEST*) is the destination-state's GDP; ln(*WAGE_DEST*) is the destination-state's wage index; *D_1993* is equal to one if year is equal to 1993, and zero if it is equal to 1977; *D_DEREG* is equal to one if the state deregulated interstate banking entry as of 1993, and zero otherwise (as none of the states had deregulated interstate banking entry as of 1977); *D_1993×D_DEREG*, the interaction of *D_1993* with *D_DEREG*. The endogenous variable used in columns 3 and 4, *BANK_INTEG*, is the fraction of banking assets owned by out-of-state banks that belong to the other state in a given state pair (i.e., it is the total banking assets owned by state *m*'s banks in state *i* plus the total banking assets owned by state *i*'s banks in state *m*, divided by the sum of the banking assets of state *i* and *m*). IVs are as in Morgan, Rime, and Strahan (2004): indicator variables that equal one if the origin (destination) state has deregulated entry by 1993 and zero otherwise; and the number of years the origin (destination) state has deregulated interstate entry. The *Within* Poisson models rely on robust standard errors while the IV-Poisson models have origin-state clustered standard errors. *t*-Stats are reported in parentheses below coefficient estimates. *, **, *** denote statistical significance at 10%, 5%, and 1% levels, respectively.

	Within-Poisson regressions		Poisson-IV regressions		*Within*-Poisson	Poisson-IV
	Smallest political party distance	Largest political party distance	Smallest political party distance	Largest political party distance	Smallest political party distance when Republicans are in power	Smallest political party distance when Republicans are in power
	1	2	3	4	5	6
ln(GDP_DEST)	0.7841 ***	0.9153 ***	0.6526 ***	1.0383 ***	0.9917	0.9297
	(4.69)	(6.55)	(4.44)	(6.75)	(1.21)	(1.17)
ln(WAGE_DEST)	0.3755	-0.4237	0.0723	-0.5388	-0.1366	-0.1555
	(0.77)	(1.02)	(0.16)	(1.15)	(0.11)	(-0.10)
D_1993	-1.3354 ***	-0.8558 **	-0.9151 ***	-0.8476 ***	-1.1619	-1.234 *
	(4.11)	(3.10)	(3.16)	(2.60)	(1.37)	(-1.71)
BANK_INTEG	0.1265 **	0.1972 ***	8.8302 *	21.3917 **	-0.0668	28.9771
	(2.30)	(4.08)	(2.30)	(2.46)	(0.54)	(1.29)
Number of obs.	1876	1636	1876	1636	370	370
Num. of clusters	robust errors	robust errors	48	48	robust errors	18
State-pair fixed effects	yes	yes	yes	yes	yes	yes
Regression Chi^2	41.98 ***	71.90 ***			28.24 ***	