

ASK AN ECONOMIST



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Q: *What's behind the dramatic increase in international trade? What can be done to increase it even further?*

A: World trade has increased dramatically over the past few decades. What may be surprising to some people is that less than one-quarter of the growth in trade between 1948 and 2006 was due to the emergence of new trading partners. The large majority of the increase in world trade came from countries that had traded with one another since before the first year in the sample.

When discussing barriers to trade, people usually think of transportation costs, market access and tariffs. However, a survey of firms¹ found that the biggest barriers to trade actually are:

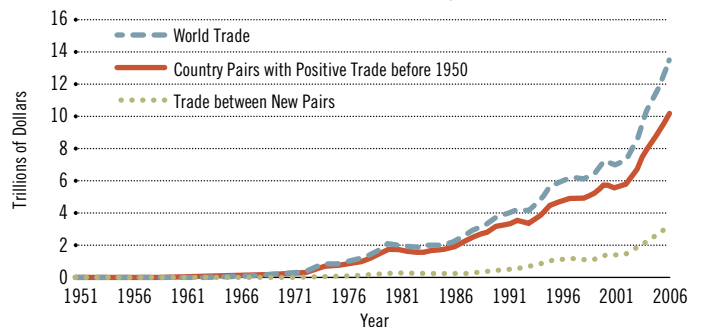
- i) identifying contacts,
- ii) understanding customers in the destination,
- iii) coping with regulations and the legal environment, and
- iv) building networks and relationships.

In a recent paper, my co-authors, Pushan Dutt and Daniel Traca, and I built on this insight and looked at the role of experience in international trade.² We found that more experience between a particular exporter-importer pair of countries lowers bilateral trade costs and increases bilateral exports. This is because the

accumulation of experience over time helps to overcome the informational, contractual and cultural barriers involved in trade.³ Our finding clarifies the large difference between trade flows among existing partners and new partners. The accumulated experience of countries that have been trading since before 1948 effectively makes trade with that country much cheaper.

The benefits of experience tend to be shared among firms and industries; so, this is where there is opportunity to help increase international trade: by supporting the entry of early exporters—those first few companies that start trading with a new country. This would lower the trade costs and encourage entry by new firms and products into export markets.

Decomposition of World Exports into Trade between Country Pairs That Traded Prior to 1950 and Emergence of New Trade



SOURCE: Dutt, Santacreu and Traca.

ENDNOTES

- 1 See Telephone Survey of UKTI Inward Investment and Trade Development Customers and Non-Users: Summary Report, OMB Research: London, 2005.
- 2 Read the working paper, “The Gravity of Experience,” at <http://research.stlouisfed.org/wp/more/2014-041>.
- 3 Experience is measured as the number of years for which a pair of countries has been trading.

St. Louis Fed's Free Resources on Personal Finance and Economics Grow in Popularity

April is National Financial Literacy Month, a good time for the Federal Reserve Bank of St. Louis to remind teachers and others of the many educational resources it has offered for years, first on paper and now online, too, all at no charge.

In 2011, the St. Louis Fed began providing economic and financial education materials online for use in the full range of classrooms—from kindergarten through college. That year, Bank economic education staff developed 23 online courses. Today, the Bank has **43 online courses (17 of which are available in Spanish), 70 videos and 123 lessons**. Many lessons have complementary activities for interactive whiteboards.

The subject matter includes personal finance topics, such as credit, budgeting and saving; also covered are economic topics, such as supply and demand, opportunity cost, comparative advantage, and present value. The online courses allow teachers to enroll their students, who can then take the pre- and post-tests and receive grades from the program. This system allows teachers to track student progress and address any areas of concern.

The Bank's educational materials are specifically designed to be used in **economics, personal finance, history, civics, mathematics or language arts classes** and are aligned with national standards in those fields. All materials also align with the Common Core State Standards. All materials are free.

The Federal Reserve Bank of St. Louis also cooperates with the Federal Reserve banks of Atlanta, Boston and Philadelphia to administer an online **professional development program** for educators. This program allows teachers, at their convenience, to receive continuing education credit, Federal Reserve certification or graduate credit for five topics: inflation, unemployment, gross domestic prod-

uct, monetary policy and money. The St. Louis Fed also offers free, face-to-face professional development for educators within its District.

The data below show growth in the use of the St. Louis Fed's free online resources from 2013 to 2014.

Item	2013	2014	Percent Change
Enrollments in Online Courses	327,227	540,948	65
Pageviews of Education Websites	4,423,965	7,544,677	71
Visits to Education Websites	543,930	916,467	68
Downloads of Educational Materials	304,585	334,504	10

The St. Louis Fed's efforts to teach others about personal finance and economics have received many accolades. Last month, the St. Louis Fed was chosen by the Institute for Financial Literacy as its **Organization of the Year** in its EIFLE awards (Excellence In Financial Literacy Education).

Besides teachers, students and the general public are welcome to use the Bank's educational resources on personal finance and economics. Many are designed for parents and their children to use together. To get started, go to **www.stlouisfed.org/education**.

Meanwhile, the Bank has a new educational resource on site that is open to one and all: the *Inside the Economy*[™] Museum. Located inside the Bank, in downtown St. Louis, the museum features nearly 100 exhibits, games, sculptures and videos. In a fun and interactive way, visitors learn how the economy works. For hours and more information, see **stlouisfed.org/economymuseum**.