

Institutions ... but which?

The importance of the institutional setting in determining the trade between EU member states.

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Abstract

The main goal of this paper is to identify and analyse main institutional determinants of the intra-EU trade. We try to answer the following question: **which institutions help two companies to trade, despite their location?** In order to achieve this, a gravity equation was constructed where formal and informal institutions were explicitly specified. The conclusions reached point to the importance of the legal framework, its quality as well as the intense home bias effect.