

The Role of Interregional Trade in the US Economy

Topic: Why Do Regions Matter? Recent Developments in Interregional I-O Analyses II

Author: Geoffrey J.D. HEWINGS

Interregional trade in the US is far more important than international trade yet has received relatively little formal attention since the pioneering work of Leontief, Isard and Polenske. In this paper, the focus is on analysis with a model that highlights five midwestern states, Wisconsin, Illinois, Indiana, Ohio and Michigan and the Rest of the US (an aggregation of the remaining states). The paper has two main components. The first explores answers to three questions using a variety of decomposition techniques: (1) What is the role of interregional interaction in the regional economic growth? (2) Is the interregional trade playing a key role in distributing the regional economic growth across the region? and (3) what is the spatial pattern of diffusion of the regional economic growth? The second component explores combined spatial and sectoral hypothetical extraction method to highlight the nature and strength of intersectoral interdependence.