

Abstract

The first chapter studies two major stages of European integration, the expansion of the European Union (EU) in 2004 and the Schengen Area in 2008, and their impacts on economic performance in subregions of Central and Eastern European (CEE) countries. Using European regional data at the NUTS3 level and a disaggregated synthetic control method, I construct counterfactuals for sub-regions of CEE countries. This approach allows me to assess regional treatment effects (RTEs) and to study the heterogeneous effects of European integration. I find that the benefits of EU and Schengen memberships to annual GDP per capita are approximately 10% less in border regions relative to interior areas. The results expose regional economic disparities, as border regions lost out relative to interior regions since European integration. Furthermore, integration facilitators in border regions, such as fewer geographical barriers, more service employment, and positive attitudes toward the EU, did not reduce economic disparities. The results show that the gap persists regardless of some complementarities. Thus, the main implication of this paper is that sub-regions of CEE countries are far from being fully converged and that European integration instead seems to have spurred sub-regional divergence.

The second chapter asks if spatial concentrations of economic activities have deep historical roots in European cities. This paper explores a unique quasi-natural experiment of opening borders within cities that were historically a single urban entity and were divided due to border shifts following major historical conflicts. I found that after inter-city borders were opened local economic activities, measured by remotely sensed nightlights, became more concentrated close to the pre-division city centers. This raises an important question of what type of border opening is more important in spurring agglomeration; the free movement of goods or of people? When looking into potential mechanisms behind the impact, using national business register databases, I find that proximity to former historical centers is more prominent, particularly after the allowance of the free movement of people as a part of the Schengen agreement in 2008, whereas gaining broader market access following the 2004 EU enlargement is less important. I account for two main channels. First, I show that firms

in the consumption sectors are more exposed to the free movement of people and are more likely to start operating closer to historical city centers than firms in the production sectors, which are less affected by local market potentials. Second, I show that cities where cultural and language differences are not barriers to cross-border cooperation are more influenced by the free movement of people than cities where these barriers still exist. Hence, spatial agglomerations near pre-division city centers are more apparent in almost borderless cities.

The third chapter evaluates the potential economic cost of controlling European borders during the pandemic. I use unconventional data sources such as NASA's Black Marble Nighttime Lights (NTL) products to provide insights into the socioeconomic impact of border restrictions on European municipalities. I find heterogeneity in the effects on the economic consequences of border controls. My results suggest that the impacts of travel limitations vary across cities; cross-border cities tend to lose relative to interior cities, particularly small border cities. Moreover, I find a larger decline in NTL radiance in border municipalities of new member states compared to old member states. Using the municipality-type subgroups, this paper concludes that industrial, consumer, and service-oriented border cities are adversely affected by temporary segregation. In addition, there was a significant reduction in NTL in municipalities where people oftentimes commute to foreign cross-border areas for shopping, leisure, and business purposes; where a large number of residents are employed; and where people have a high awareness of EU-funded cross-border activities and perceive living near the international border as economic potential rather than a barrier.