Abstract

This diploma thesis deals with alternative estimation possibilities of the gravity model in trade. We provide the reader with a synthetic methodological overview of the technical problems with the estimation of gravity equations. Consequently, we test for the heterogeneity of data sets used in gravity models of trade which leads us to a conclusion that behavioural patterns of exporters and importers built in the datasets are very complicated and a single generalized specification of gravity equation can lead to bias in estimates and/or to similarly generalized conclusions that hide important robust idiosyncrasies in behavior present in some subsamples of economic agents. Both the theory of estimation techniques and dataset heterogeneity are applied in the empirical part estimating Austria's export function.