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Scale-free distribution of firm-size distribution in emerging economies

Štefan Lyócsa^{a,b}, Tomáš Výrost^{c,d}

Abstract

We test firm-size distributions in 10 emerging economies in Europe, using data on total assets of 1 884 006 firms. On the economy level, power-law firm size distribution is plausible for 8 countries with scaling parameter $\alpha \approx 2$. At the industry level, power-law firm size distribution is not rejected for 53% of all cases. However, an alternative log-normal distribution that might follow from Gibrat's law also appears to be likely as at the economy level it was not ruled out for 9 countries and 74% of industry-level cases.

Keywords: firm size, power-law, Central and Eastern Europe, market structure, NACE

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Highlights:

- We test firm-size distributions of 1 884 006 firms in 10 European economies.
- Power-law firm size distribution is plausible for 8 countries.
- At the industry level, power-law is not rejected for most cases.
- Alternative log-normal distribution is also likely.
- Dynamic firm growth models should account for right-tailed distributions.

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