Dr. Kristina Nyström

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Kristina Nyström defended her Ph.D. dissertation in economics at Jönköping International Business School, Sweden, in March 2006. The title of the thesis was: "Entry and Exit in Swedish Industrial Sectors". She is currently working as a researcher in the field of entrepreneurship and industrial dynamics at the Ratio Institute in Stockholm.

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Max Planck Institute of Economics
Entrepreneurship, Growth and Public Policy Group
Seminar Room V03

To live or let die? Interdependencies in the Dynamics of Entry and Exit

This paper investigates the interdependence between firm entry and exit from an industrial dynamics perspective. The paper discusses how entry and exit rates in industrial sectors are affected by previous exit and entry rates. Economic theory presents two different approaches to how entry and exit of firms are interrelated, the multiplier effect and the competition effect. This paper intends to investigate which force is the predominant one, for entry and exit patterns respectively. The empirical analysis is based on data for 25 Swedish manufacturing industries at the 2-digit SIC level, during the period 1991-2000. In the estimation work the study applies a dynamic panel data approach as suggested by Anderson and Hsiao (1981) and Arellano and Bond (1991). With respect to entry, the empirical results support the multiplier effect such that entry stimulates future entry, but also a competition effect such that past exit induces additional entry. With regard to exit, on the other hand, the competition effect rules, implying that previous entry causes subsequent exit and previous exit reduces subsequent exit.