Dr. Oliver Falck

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Dr. Oliver Falck is presently on the research staff of the Ifo Institute for Economic Research in the department of Human Capital and Innovation. He earned his Masters in Economics from the University of Passau in 2000 and his Ph.D. in Economics from the Technical University of Freiberg, under the supervision of Prof. Dr. Michael Fritsch, in 2006. His research interests include Innovation, Entrepreneurship, and Economic Growth. Currently he is working in the trans-European project "How to construct Europe" within the CESifo network on the topic "Do we need national or European Champions?"

April 17th, 4:00 pm
Max Planck Institute of Economics
Entrepreneurship, Growth and Public Policy Group
Seminar Room V03

Do We Need National Heavyweight Champions? The Impact Of Big Business Presence On Productivity Growth

One central element of the EU’s Lisbon Strategy is to make Europe “the most competitive and dynamic knowledge-based economic region in the world” by 2010. Although there are many different ways to reach this goal, the idea of an industrial policy that promotes European or national heavyweight champions as the best way to compete in a globalized world has become (again) en vogue among politicians. But why should business size matter for growth? In the Schumpeterian tradition there are arguments in favour of big businesses enhancing growth. Big businesses may be especially innovative as they can take advantage of all the increasing returns associated with R&D. However, organizational literature and political economists warn of inflexible heavyweights channelling all their energy in unproductive lobbying. A uniquely rich industry-level dataset for Germany – containing data merged from the Ifo Innovation Survey, the Ifo Productivity Database, and the German Social Security Statistics – is used to test whether larger business size in an industry fosters growth in terms of total factor productivity (TFP). The results suggest that the direct effects of firm size on TFP is negative while the indirect innovation enhancing effect of large businesses on TFP is only positive in the case of process innovation.