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Fluctuation of firm size in the long-run and bimodal distribution. (English) Zbl 1233.91211
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Summary: We study empirically and analytically growth and fluctuation of firm size distribution. An empirical analysis is carried out on a US data set on firm size, with emphasis on one-time distribution as well as growth-rate probability distribution. Both Pareto's law and Gibrat's law are often used to study firm size distribution. Their theoretical relationship is discussed, and it is shown how they are complementable with a bimodal distribution of firm size. We introduce economic mechanisms that suggest a bimodal distribution of firm size in the long run. The mechanisms we study have been known in the economic literature since long. Yet, they have not been studied in the context of a dynamic decision problem of the firm. Allowing for these mechanism thus will give rise to heterogeneity of firms with respect to certain characteristics. We then present different types of tests on US data on firm size which indicate a bimodal distribution of firm size.

MSC:

91B82 Statistical methods; economic indices and measures

Full Text: [DOI](#)

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