

Title: Productivity and firm exit and entry in manufacturing sector in EU countries

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Abstract: This study examines the connections between the magnitude of firm exit and entry and productivity in EU countries. The aim is to focus not only on productivity growth but also to examine how catching up-potential, measured as a country's relative distance to the international productivity frontier, interacts with firm entry and exit. The study has its foundations in the modern Schumpeterian growth theory and the hypotheses and models tested in the study are based on that theory. The importance of productivity enhancing restructuring has already been increasingly acknowledged. This paper aims to contribute to existing empirical literature by utilizing a dataset that contains information on all manufacturing subsectors in several EU countries between years 1997 and 2003. With this data set it is possible to obtain a more comprehensive picture of the pace, amount and effect that restructuring has recently had on productivity in Europe.

Key words: economic growth, productivity, firm entry, firm exit