Abstract:
Motivated by the work of Melitz (2003), Helpman, et al. (2004) and Yeaple (2005), micro-firm data provided by the World Bank Enterprise Survey is used to study the empirical productivity distribution across 15 Latin American countries. This paper differs from previous work in identifying four types of firms by their ownership characteristics and their exporting status. We compare the productivity distribution of these four types of firms to reflect on theoretical modeling deficiencies. First, the productivity distributions for each type show no sign of a productivity cut-off at the lower end, contrary to current theoretical modeling. Second, we see that exporting activities are nonexclusive to firms with high productivity. In other words, by distinguishing groups of firms with different degrees of international involvement (domestic producers, exporters, nationally-owned and foreign-owned firms), we find that the productivity distributions of different groups of firms overlap with one another. This contradicts with the modeling in Melitz (2003), which suggests sorting into different international engagement according to productivity level. Third, we find a superior productivity distribution among foreign-owned firms as compared to domestic firms. The foreign ownership premium is significant and more prevailing in the services sectors than the manufacturing sectors. Exporters also show superior productivity, but this productivity premium is only enjoyed by the nationally-owned manufacturers. Lastly, with the cross-country data, we find a positive relationship between the overall productivity level and a country's development level, as often found in other research. In addition, we find that firms in the services sectors are less constrained by the macroeconomic development level of the country and are able to advance is productivity level with individual micro-firm characteristics than firms in the manufacturing sector.