

Firm Efficiency, Industry Performance and the Economy: Three-Way Decomposition with an Application to Andalusia

Topic: Structural analysis

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An economy may perform better because the firms become more efficient, the industries are better organized, or the allocation between industries is improved. In this paper we extend the literature on the measurement of industry efficiency (a decomposition in firm contributions and an organizational effect) to a third level, namely that of the economy. The huge task of interrelating the performance of an economy to industrial firm data is accomplished for Andalusia.