

# Competition, Firms' Size, and Demand Spillovers: Evidence from Italy

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Abstract ID: 173

Inviato: 31/03/2023

Evento: XXI Workshop Annuale SIEPI

Argomento: 2. Concorrenza, antitrust

Parole chiave: Competition, Difference-in-Differences., Entry-Exit Dynamics, Firm Size

*This paper examines the impact of increased competition on firms' entry and exit dynamics and their size, using a market reform introduced in Italy in 2006 as a quasi-natural experiment. The Bersani Decree Law aimed to improve market competition by relaxing constraints on the establishment of economic activities, and the restaurant sector is used to test the impact of the policy. The data used in the study is sourced from the Italian Chambers of Commerce registry, and the study employs a Difference-in-Differences (DID) methodology to leverage the institutional framework of the Bersani Law. The study finds that the reform succeeded in promoting competition, leading to an 8% increase in the number of activities. The study also analyzes differences in the effects among cities and shows that the effect of the law is positive, with significance only seen in 2008 in the district capitals, whereas the effect on surrounding cities is shown to have a continuous increase over the following years.*