

Firm Dynamics and Productivity Growth during the Industrial Revolution

Réka Juhász, Mara Squicciarini and Nico Voigtländer

Abstract

The transition from millennia of stagnating per-capita incomes to sustained economic growth constitutes the most important structural break in economic history. A key feature of the Industrial Revolution was the unprecedented growth in manufacturing productivity. So far, productivity growth during this period has been studied mostly at the country level, or – in some cases – at the aggregate sectoral level. However, theoretical and empirical research over the past decade has pointed to the importance of firm dynamics for understanding aggregate productivity. The dearth of firm-level data has thus far made it impossible to study this channel in the context of the Industrial Revolution. This paper uses a novel dataset of French firms across various industries to study the evolution of firm productivity before and during the onset of industrialization. First, we document a set of novel stylized facts about firms in innovative and traditional sectors during the Industrial Revolution in France. Second, we exploit regional variation to estimate the extent to which different firm dynamics account for different levels of industrialization across France in 1850. Third, we estimate the extent to which productivity gains were driven by firm entry relative to the intensive margin.