



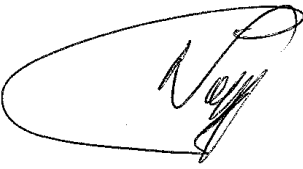

CELSA - Collaborative research project - Application form - COVER PAGE

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3. Identification of third and fourth co-investigator(s) (if applicable)

Expand table if more than four research units are involved.

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¹ Faxed signatures will be accepted.**3. Non confidential and public friendly summary (max. 2000 characters)**

Project title: Firm-level hubs and impact of granularity on the propagation of shocks and aggregate output fluctuations in a small open economy

Summary: In modern economics it is believed that individual firms have a negligible impact on the macro economy as shocks to individual firms will average out. Recent research however shows a highly skewed distribution of firms with regard to size: 20% of firms account for 80% of total sales, employment and exports. In small countries this ratio is closer to 10:90. Using complete company-level data for two small economies, Belgium and Slovenia, our research aims to demonstrate that some large firms do in fact have a disproportionately large effect on the regional and national economy. It will illuminate the networks of firms that enable the functioning of the national economy and expose the "hub" enterprises at their center and their coordinating roles. During economic downturns this high concentration of output and employment in just a few regional hubs of economic activity can have a potentially big impact, propagated through a network of up(down) stream suppliers. Such extremely skewed distributions may justify government intervention when things go awkward for superstar companies that are "too big to fail". Our research will enable policy makers to gain insight into the regional structure of the economy. Also, it will provide new tools for identifying and monitoring the economic activity in big networks of companies. Ultimately, the project aims to deliver policy suggestions while showcasing the potential of hub firms to generate strong positive or negative ripple effects across their spheres of influence.

4. List 5 key words

Granularity, firm size distribution, hub firms, transmission of output shocks, coordinated price changes