Discussion of:
“The Evolution of National Retail Chains: How We Got Here”
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This Paper’s Contribution

- Careful data description of the evolution of the U.S. Retail Sector
  - 1977-2002
- Marriage of two under-utilized datasets
  - Census of Retail Trade
  - Longitudinal Business Database
- Work on firm dynamics at the intersection of:
  - IO
  - Macro
- True facts
Facts About Single-Unit Retailers

- Mom & Pop are not dead
  - $\approx$1 million firms are single-unit establishments
  - $\approx$ 94% of all retail firms
  - $\approx$two-thirds of all retail establishments
  - $\approx$one-third of sales and employment

- And Mom & Pop aren’t dying
  - Positive employment and sales growth by single-unit firms
  - #single-unit firms ($\approx$establishments) unchanged

- But their relative importance is declining
  - 1977: About half of sales and employment were single-unit
  - 2002: Share falls to about one-third
Emerging Mega-Firms

- Mega-firms, defined:
  - Multiple establishments operating in ≥15 states
  - Aside: What about the internet?
    » Is Amazon.com a “mega” firm? What about eBay?

- They are a small share of firms (≈500 firms)

- But a large (35%) and growing share of retail employment (up from 22% in 1977)
  - Decomposed into:
    » Increased #firms: 500 firms today, up from 250 in 1977
    » #Establishments per mega-firm unchanged
    » Workers per establishment rose
      - Average worker at a mega-firm has 185,000 coworkers (up from 92,000)
Firm Dynamics: How Did We Get Here?

- **Mom & Pop** (Single-unit firms)
  - High job creation and high job destruction

- **Mega-firms**
  - Moderate job creation and low job destruction

- **Similarities: Entry**
  - Around three-quarters of job creation due to establishment entry
    » (Big diffs in share attributable to firm entry)

- **Differences: Exit**
  - Nearly two-fifths of Mom & Pop’s exit within 5 years
  - Exit rate of Mega-firm establishments about half this
Bigger Picture Questions

- **IO:** Why do mega-firm establishments exit much less often than Mom & Pop’s?
  - Are they smarter? Or is it bureaucratic inertia?
  - Financing constraints?
  - Within-firm, between-establishment externalities?

- **Political economy:** Will we see a rise in “firm-specific” legislation?

- **Labor:** Possible implications for unionization?

- **Macro:** Role of changing firm-size distribution in the Great Moderation (\(\downarrow\) macro volatility)?
  - More big firms \(\rightarrow\) fewer exits?