

## RESEARCH PROJECTS 2014

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### **Project Title**

Understanding Firms in Emerging Transitional Economies: China and Central-Eastern Europe Compared

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### **Abstract**

Firm productivity is central to explain the performance of an economy as a whole. Recent research assesses how cross country income differences can be related to differences in the productivity dispersion across firms (a syndrome of resource misallocation). However, there is a tremendous lack of understanding on the role of macro-level institutions and firm-level factors in creating misallocation and productivity gaps. Employing unique datasets, this proposed project will be the first to study how firm performances differ and why they are different across emerging transitional economies - China and Central-Eastern Europe (CEE). The remarkable differences in the transition processes of China and CEE provide us with rich variations in both macro and micro level factors including legal and financial institutions, market competition, exports orientation and corporate governance. The findings will help us better understand the determinants of productivity gaps and implement policies that close these gaps.

