

Macro Roundup Article

Headline: [FDI and Superstar Spillovers: Evidence from Firm-to-Firm Transactions](#)

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Tweet: Evidence from Belgian btw 2002-14 suggests that large firms generate significant TFP spillovers to domestic suppliers. Firms that start a serious relationship with a superstar firm increase their TFP by 8% three or more years after the relationship is formed.

Summary: We use an event study approach, examining what happens when a firm begins supplying a foreign multinational for the first time. We uncover a sharp increase in productivity (which rises by about 8% after three years) and other performance measures (e.g. sales to firms other than the new multinational partner). The fraction of aggregate value accounted for by multinationals declined by about ten percentage points in Belgium in our sample period (2002 and 2014), which would suggest a strong headwind against productivity growth. However, in a novel result we are also able to document that when we look at similar events of starting a serious relationship with other “superstar firms” - defined as those who are in the top thousandth of the size distribution and/or export intensively - we find very similar performance impacts. Related: The Economics of Inequality in High-Wage Economies and The National Economic Council Gets It Wrong on the Roles of Big and Small Firms in U.S. Innovation and Mega Firms and Recent Trends in the U.S. Innovation: Empirical Evidence from the U.S. Patent Data

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