

# CIFREM SEMINARS

## Entry barriers in Italian retail trade (with Elena Viviano)

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**2 PM - DISA seminar room**

**Faculty of Economics- Via Inama, 5**

*The 1998 reform of the Italian retail trade sector delegated to the regional governments the regulation of entry of large retail shops. We use the local variation in regulation to determine the effects of entry barriers on firm performance for a representative sample of retail trade firms. We address the endogeneity of entry barriers through local fixed effects and using political variables as instruments. We also control for differences in trends and for area-wide shocks. We find that entry barriers are associated with substantially higher profit margins and substantially lower productivity of incumbent firms. Liberalizing entry has a positive effect on investment in ICT, which the recent literature has shown to be the main driver of the remarkable sectoral productivity growth in the US. Consistently, more stringent entry regulation results in higher inflation: lower productivity coupled with higher margins resulted in higher consumer prices.*