Reply to Referee Report 1

“The implicit goal is to provide support for an assumption that is an essential part of the theoretical model”

AC – no, this should be clarified. The age distribution is in itself an important feature of industrial structure. In the introduction I have added some other reasons why the age distribution is of interest – it sheds light on the likely under-representation of very young firms in some previous studies that investigate how firm performance varies with age; and also it could be of commercial interest (e.g. to banks who might choose to condition their loans on firm age (Winker 1999)).

In the past I have been impressed how much attention has been given to the firm size distribution, and more recently, the firm growth rates distribution. As such, I am confident that research on regularities in the firm age distribution will prove to be more useful than one might initially have thought. Furthermore, data on firm age is becoming more widely available in administrative datasets, and so I expect it will attract increasing attention in the years to come.

“as a stand-alone paper, it falls short of delivering what is needed to make it publishable. First of all, the theoretical model that motivates the paper (the first 7 pages or so) has already been presented in a separate paper by the author [Coad (2010)]. The contribution of the current paper is then on the empirical analysis provided in Sections 3, 4, and 5. While the findings reported in these sections are interesting, the analysis is not sufficiently thorough to justify its publication.”

AC – a number of readers have commented on the theoretical model, as if it were the main contribution of the paper. This means I should clarify my position – this paper is an empirical paper. In my defense, however, let me point out that the theoretical model was not mentioned in either the abstract, the introduction or the conclusion (and so I can’t be accused of claiming it to be the main point of the paper). So, to say that the theoretical model is the core of the paper, and to say that this model occupies “the first 7 pages or so” seems a bit of an exaggeration.

The referee asks for more detailed analysis of survival of firms in specific cohorts - “Why not present (visually) the survival probabilities for older cohorts to provide support for this implied property?”

AC: This is an interesting suggestion, but (perhaps my reply could be anticipated) this is burdened by data limitations. To track the survival probabilities for older cohorts, one would need longitudinal data on firm age for these older cohorts (with firms leaving the sample only if they exit the industry), and this data is simply not available to me at present.

Constant entry rate may hold at the aggregate level, but not at the industry level

AC: this is a good point, I have clarified this in Section 5. In this paper, I talk about aggregate properties, that are not expected to hold at a disaggregated, industry level of analysis.