



Figure 7: Cumulative distribution of net receivables/assets

by

$$\beta_i = b_i - \delta_i \quad (28)$$

The constant b_i is the coefficient that determines the rent earned by firm i due to its option of exerting low effort in the production chain and δ_i is the per-period premium necessary to satisfy the IR constraint, and will be small for durable production chains associated with low probabilities of obsolescence π^H . We showed earlier that b_i is increasing in i , reflecting the fact that upstream firms are more “remote” from the final product, and hence require sharper incentives. Thus, provided that δ_i is small, β_i will be increasing in i also. For economies with less vertical integration, the incidence of upstream firms is higher as compared with more vertically integrated economies. This suggests the hypothesis that economies with less vertical integration have higher net receivables. This hypothesis appears to be borne out in the comparison between Japan and the U.S.

Figure 7 plots the cumulative distribution of net receivables to total as-