Referee Report on Manuscript MS 667: "The Wage Premium of Globalization: Evidence from European Mergers and Acquisitions"

This paper analyses the effects of international mergers and acquisitions (M&A) on wages in acquired firms. Using a propensity score matching technique the authors find that acquired firms are characterised by higher post acquisition wage growth than firms in the control group. They also provide some evidence on heterogeneous effects among firms with different pre acquisitions wage levels.

In the introduction the authors should be more explicit about their contribution to the existing literature and especially explain what distinguishes their paper from previous contributions such as Almeida (2007) and Girma and Goerg (2007).

Title and abstract suggest that the authors study effects of globalization on wages, but this paper only analyses effects of international M&A and no other aspects of globalization such as exports, FDI, and offshoring.

The data bases AMADEUS and ZEPHYR seem to be well suited to study effects of M&A on outcome variables such as productivity, profits, investment etc. However, the information on wages (only average wages) is much less detailed than in other empirical studies on this topic.

The lack of information on employee characteristics in the data set makes the results somewhat difficult to interpret. Do wages in acquired firms rise because existing workers receive higher wages or because there is a change in the average skill level after acquisition (e.g. due to a layoff of low skilled employees)? What are the theoretical mechanisms driving the results? What explains the heterogeneous effects across the wage level distribution? To explain the findings, it might help to see how M&A affect other outcome variables such as productivity, profits and capital intensity or to show at least how they change after the merger in descriptive statistics.

How exactly is wage growth defined in the matching estimates? Is it measured from the year before the acquisition or at the year of acquisition? Is it measured in percentage points? The interpretation is not in line with descriptive statistics. In Table 1 0.075 is interpreted as 7.5%, but in Table 3 a point estimate of 3.45 is interpreted as 3.45%.

It would be good to have some information about the quality of the matching, such as balancing tests and information about the common support condition. It would also be interesting to compare the results of the propensity score matching to other matching estimators and results from OLS/ fixed effects regressions.

The results in Table 3 are somewhat confusing. For instance, there is a significant effect of all M&A on wages in the full sample M&A-50, but there is no significant effect of cross-border or domestic M&A and the coefficient are smaller in magnitude. Should the effect of all M&A not be a weighted average of the effects of domestic M&A and cross-border M&A?

Why are there no firms from Austria, Finland, the UK and other countries in the sample?

The sample selection should be discussed in more detail, also regarding the importance of missing values in key variables.

Is the high wage growth rate of 20% in some regions in line with aggregate statistics?

In table 7 the authors talk about previous research on M&A. The relevant papers should be cited explicitly.