Referee report on the paper titled "A Note on the Estimation of Long-run Relationships in Panel Equations with Cross-Section Linkages"

This paper addresses the relevant and novel problem of estimation and inference in a cointegrated panel data model with dependent cross-sectional units. In particular, the author(s) provide the reader with successful answers to two interesting questions. First, is it possible to quantify the efficiency gain of systems estimators with respect to single-equation estimators when the sample sizes in both the time series as well as the cross-sectional dimensions are empirically plausible? Second, although the use of systems estimators is generally justified in terms of efficiency, is it possible to improve over the efficiency of single-equation estimators with alternative inference procedures, such as the bootstrapping? Both answers are obtained by means of a set of articulated Monte Carlo experiments.

The paper is carefully organized in three main sections. In section 2 the author(s) illustrate the simulation design. In section 3 the simulation results from comparing the empirical performance of single-equation estimators (FM-OLS and DOLS) with systems estimators (FM-SUR and DSUR) are discussed in terms of estimate biases and standard errors for different sample sizes. Section 4 describes how to apply bootstrap techniques in order to implement statistical inference within the FM-OLS estimator.

The main results that the single-equation FM-OLS estimator combined with bootstrap techniques allows the researcher to obtain more accurate estimation and inference than standard panel SUR estimators when the sample dimensions are reasonable from the view point of the practitioner.

The paper is well written; the methodology is well documented and illustrated; the research questions are clearly defined; the results obtained are useful for the applied researcher. For these reasons, I recommend this paper for publication as is.