Referee report on „The wage premium of globalization: Evidence from European Mergers and Acquisitions"

The paper uses a panel dataset of more than 87000 firms and 432 acquisitions to estimate the ATT (average treatment effect on the treated) using propensity score matching. The authors find a positive wage effect for cross-border acquisitions (wages grow more in targets than in the control group), low paying firms before the mergers, and in Western Europe. In principle the paper is well written and applies the right methods. Some clarifications are neede however.

1. The selection equation does not condition on wages/wage growth before the acquisitions, thus it cannot be taken for granted that wage levels have a common support. Moreover, I would report the bias reduction statistics.

2. In the text the authors write that low paying firms before the acquisition are sort of catching up, in Table 3, however, the reverse is stated. This must be clarified because the interpretations change considerably: if above median paying firms pay even higher wages after the acquisitions, (Table 3), then foreign firms appear to pick successful firms which become even more successful (due to complementarities of acquirer and target?) post acquisitions; if the reverse is the case, the interpretation of the authors may apply (globalization does not hurt workers).

3. The following questions remain, however: 1. why do the targets catch up? Is it because of market for corporate control effects (underperforming firms are taken over), technology transfer/complementarities? or is it due to market power (mergers lead to higher profits and therefore higher wages)? At least estimates of the effects on employment and/or sales would be instructive: if it is market power, one would expect decreases of employment/sales.

4. The authors have a seven year panel, but estimate only the t+1 effects. For some acquisitions, one could look at t+2 and t+3 effects.

5. The number of mergers is extremely small (432) compared to the number of firms (87000) and the time frame (7 years). Any explanation? Maybe related, the authors must exclude full mergers from the sample (since they look at wages in the target which must remain as a going concern), is there a selection bias here?

Minor points:

* Cross border not boarder.
* p.9: Size should be non-linearly related to the probability of being taken over, so a quadratic term of employees should be put into the selection equation.