

Comments to „The Wage Premium of Globalization: Evidence from European Mergers and Acquisitions “, Economics – The Open-Access, Open-Assessment E-Journal, Discussion Paper No. 2012-6

I think the general topic of the paper is very interesting. Are there pay differences between foreign-acquired and domestically-owned firms? Using firm level data from 16 European countries over the time period 1999-2006 and propensity score matching techniques, the authors find a positive wage premium of cross-border merger and acquisitions.

However, a couple of questions arose when reading the paper:

- i) Reading the introduction I got the impression that the research question is about the overall effects of globalization on wages. However, I think the actual research question is a much narrower one, namely to consider the pay differences between foreign acquired and domestically owned firms. I would suggest re-writing the introduction accordingly. I also would tone down the contribution in the title, abstract and conclusions. The advantage of doing so is that the applied technique (propensity score matching) seems to be appropriate then. However, when one would be interested in the overall effects of globalization, matching methods, relying on the stable unit treatment value assumption, would be inappropriate, as they would ignore general equilibrium effects.
- ii) Becker and Muendler (2010) emphasize that MNEs change their foreign presence only infrequently but these scant changes are associated with salient employment shifts. They use German manufacturing MNEs data and their majority-owned foreign manufacturing affiliates and document that not accounting for extensive-margin adjustment biases conventional intensive-margin estimates leading to small estimates of those effects. A similar problem could be prevalent in the present study. At least I would like to see a discussion about why focusing only on cross-border merger and acquisitions and not controlling for the wage changes in existing affiliates is the relevant margin to look at.
- iii) If you do not decide to restructure the introduction, specifically the first two paragraphs, I think that there are a couple of references that could be added in the introduction. Specifically, the first paragraph misses a reference to (new) trade theory papers or at least to a graduate textbook in international trade. The second paragraph gives some references, but I would like to have seen additional once, like for example Alesina and Wacziarg (1998), Epifani and Gancia (2010) and Ram (2009).
- iv) Concerning the results, I would like to have seen a larger focus on the differences to the existing literature. Where is the advantage of applying data from a cross-section of 16 European countries visible in the results?

References

Alesina, A., and R. Wacziarg (1998): “Openness, country size and government,” *Journal of Public Economics* 69, 305–321.

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Epifani, P., and G. Gancia (2009): "Openness, Government Size and the Terms of Trade," *Review of Economic Studies* 76, 629–668.

Ram, R. (2009): "Openness, country size, and government size: Additional evidence from a large cross-country panel," *Journal of Public Economics* 93, 213–218.