Referee’s Report on “Reassessing the link between firm size and exports”

This paper analyzes the relationship between firms’ size, measured by employment, and export-intensity. The paper argues that due to heterogeneity across firms this relationship might change along the export-intensity distribution. The paper estimates standard OLS and quantile regressions and shows that increases in size have a stronger effect on export-intensity on firms that start from low levels of export intensity than on firms that start from high levels of export-intensity.

Comments:

1. As the author rightly points, many authors and institutions have pointed out that the relative small size of firms might explain the lower amount of exports, as a share of output, in Spain. Hence, a policy recommendation is to remove the barriers that might preclude the expansion of firms in Spain. However, in Melitz-type models, firms success at export is determined by firms’ productivity and not by size. In fact, the size of firms is a consequence of firms’ productivity. If productivity is the key variable to raise exports, the author should explain why it is still important to focus on the size of firms when analyzing export performance.

2. Previous studies have pointed out that size explains both the extensive margin of trade (whether the firm exports or not) and the intensive margin of trade (the share of exports in total output). The author only analyzes the intensive margin of trade, and does not explain why the extensive margin is left out of the analysis. This is strange as many policies aimed to increase exports are focused on raising the number of firms that participate in foreign markets.

3. Wagner (2006) already uses quantiles regressions to analyze the relationship between export intensity and size. This paper is not included in the references. If previous work has already addressed this topic, the author should explain the contribution of his paper.

4. The author does not make reference to papers that have analyzed the role of size on export status and performance of Spanish firms, neither in manufactures (Mañez et al., 2004; Fariñas and Martín-Marcos, 2007) nor in services (Minondo, 2013).

5. The author makes reference to export propensity ratios in Table 1 before explaining how they are calculated. Without knowing the methodology followed by the author, the reader is surprised to find percentages over 100%. The author should also explain in more detail how the export propensity variable is calculated. An example would help the reader to understand the difference between the standard export propensity ratio and the normalized measure proposed by the author.
6. In many cases, Table 1 shows that the export-intensity of medium-size firms is larger than the export-intensity of large firms. The author should try to explain this result. Perhaps, large firms are productive enough so they use direct investment to reach foreign markets, reducing the need for exports.

7. As explained by Wagner (2001), the decision on how much a firm exports is not independent on the decision to export. In footnote 5 the author explains that there is no selection bias. This result is important, so it would be convenient to present it in the text. It would be interesting as well to estimate a regression following the methodology proposed by Wagner (2001).

8. It would be interesting to test whether the estimated quantile coefficients are statistically different.

9. It would be interesting to perform a numerical exercise showing how much Spanish exports would increase if firms raised their size along different quantiles.

10. There is a typo in the first sentence of the introduction “emphasize this firm heterogeneity...”.

References


