Comments on Chari-Chen-Dominguez paper
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Summary of paper

This is the first systematic analysis of cross-border M&A by firms in developing countries.
(Transaction-specific data; targets all US firms)
The main result is that acquired firms do better than comparison firms, as measured by operating income.
(There is also a stock market boost)
The benefits come through restructuring, including increased investment and employment cuts.
(The dynamic acquisition time assignment analysis remains to be done – only the random assignment results are presented.)

The data set is very rich, and the paper is carefully executed, well exposited and a pleasure to read.
Excellent empirical methodology with three components
1. Propensity score matching – control group chosen to be as similar as possible in likelihood of acquisition.
2. Difference-in-differences – controls for unobservable time-invariant differences.
3. Kernel matching – takes local averages of comparison group near each treated observation.

Comments

The full sample of 259 transactions is described in great detail, but the results are essentially for data-constrained subsets of 117-129 transactions. Need to know the make-up of the regression sample in terms of
1. Country of origin
2. Time of acquisition
3. Sector

Are Hong Kong and Singapore really developing? This depends very much on the year of transaction, since the sample period, 1984-2006 spans a significant change in those countries' status.
Are we controlling adequately for acquirer characteristics?
1. Not in the propensity score, but in the performance equations.
2. What exactly are the region effects – how regions are defined is not made explicit.
3. Do acquirer characteristics matter in the performance equations, in particular for identifying differences in performance among the acquisitions?

4. If data on acquirer characteristics is not available, one could at least use data on acquirers' country of origin, e.g. GDP per capita, share of manufacturing in GDP.

How does one interpret the fall in sales? What is behind that result, which appears to be the strongest effect of all – is there some insourcing going on? Since employment also falls, does productivity go up – one can look at sales per employee to check this?

The title is "Is Emerging Market Money Smart?" But the true issue might be, is it successful, or from successful countries? Alternatively, is it experienced? This is related to the issue of acquirer characteristics.

Does the nature of the acquisition matter for performance? In the Top 20 acquisitions by size, most are 100%, but some are about 50%, and two are only 3% and 6%. Is the performance effect about control or infusion of capital?

Returning to the bigger issue of direction of capital flows, raised in the introduction, the results in this paper, augmented by analysis of impacts of acquirer characteristics on performance, may provide some insight towards resolving the seeming paradox of capital flowing form poor to rich countries.

1. In particular, it can be the case that capital is flowing to access knowledge, distribution networks or management expertise, or is providing some subset of these to the acquired firms.
2. So the paper would be better rounded by returning to this theme at the end, if it is to be raised in the introduction and motivation.