

What the paper does.
What the paper finds.
Comments.
A more general comment.
IV validity.

Discussion of Gorg and Hanley.

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- Assess empirically the impact of international outsourcing in services on
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 - R& D

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 - R& D
- Uses firm-level data for Irish firms spanning over 2000-2004.
- Uses IV techniques to make causal statements.

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- The results suggest different channel than increased residual profits.

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- Do we have any information on the source country of the outsourcing? a lot might be from the USA.
- Isn't the absence of a skill / lab. pty variable problematic in the wage equation? Very low fit.
- Third firm effects? Specially important for macro effects since the population of outsourcers / innovators is typically very small.

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 - Why don't all firms do it?
 - Why don't all countries do it?
- Another view of it is what is the source of exogenous variance that make some firms/countries outsource and benefit from it while others cannot? **IV strategy needed.**

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- Potential source of problems:
 - a positive shock on costs (land prices) \Rightarrow simultaneous will to reduce other costs (outsourcing + process innovation) or increase sales (product innovation/upgrading).
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- What are the first stage results?