

Talent, Geography, and Offshore R&D

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Broad Comments

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Summary of contribution:

- 1 Empirical evidence on MNCs production and R&D activities:
 - ↑ed invention intensity of affiliate in host with better talent pool
 - Invention and production tend to be co-located
 - Geography matters for location of affiliates' production and invention

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- ① Empirical evidence on MNCs production and R&D activities:
 - ↑ed invention intensity of affiliate in host with better talent pool
 - Invention and production tend to be co-located
 - Geography matters for location of affiliates' production and invention
- ② Develops a model consistent with empirical facts:
 - Two motives account for significant part of observed offshore R&D
 - Talent acquisition
 - Market-access
 - Quantifies the gains from R&D offshoring

Relation to Arkolakis, Romondo, Rodríguez-Clare and Yeaple 2018, henceforth ARRY:

- ① It would be nice to have a more direct discussion of the relation to ARRY in introduction
 - Describing how the story changes in ARRY
 - ARRY has innovation only at HQ, and that countries specializing in production could be hurt
 - Related to this paper's counterfactual on no innovation efficiency transferred, that is, $\phi_{oi}^R = 0, i \neq 0$

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- ② Variety-level labor productivity is given by:

$$T_m z^P \phi_{oim}^P \eta_m$$

- where η is a draw from multivariate distribution which is special case of that in ARRY which does not allow for correlation across draws
- Could this paper also allow for correlation across η draws as in ARRY?

R&D Spillovers:

- Bilir and Morales (2020) point to:
 - Headquarters (HQ) having stronger spillovers to affiliates overseas than R&D at one affiliate to other affiliates
 - Is there a parsimonious way to incorporate this in the paper?
 - For example, with scale effects associated with employment in R&D in HQ
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 - For example, with scale effects associated with employment in R&D in HQ
 - And then interacting this with HQ innovation efficiency $\tilde{z}^R$ by way of power function?
- It would be nice to check empirically if there are R&D spillovers from foreign affiliates' R&D to other foreign non-affiliate firms

The broader story:

- Is there a systematic difference between the type of R&D activities of affiliates and headquarters?
 - Other than making different blueprints for consumers?
- Affiliates could be innovating on different parts of the value chain to make a single product?
 - e.g., Apple. How does this fit into the story?
- Why is vertical FDI not a first-order part of the main narrative?