Comments on
"The Geography of Equity Listings: Why Do Companies List Abroad?"

by Marco Pagano, Ailsa Roell, Josef Zechner

The paper is very thorough and the analysis is very detailed and interesting. The database that has been assembled is terrific.

Some of the main conclusions are as follows:

- Cross-listed firms are growing and export oriented. They are also large and not too leveraged.
- There has been a shift of equity listings to the United States. Fewer firms cross list in Europe.
- The United States' Exchanges attract high tech and high growth firms.
- European Exchanges have had some success in retaining traditional low-growth firms as well as newly privatized firms.
- A possible conclusion might be that the European Exchanges are on the whole less efficient.

I have an initial comment about one of the conclusions. Cross listings are typically accompanied by large equity offerings. Is it possible that the finding, according to which cross-listed firms are large and growing, an attribute of cross listing firms? Or perhaps it is simply an attribute of firms that issue lots of stock?

The paper raises a number of questions:

- How important is the phenomenon? Do these cross listings affect growth in a macro sense?
- Are European cross listings vehicles through which incumbent shareholders can more readily cash out?
- To what extent are the results driven by different listing requirements?
- It would be interesting to note whether there are any differences in post listing stock performance and corporate growth.
- It appears that growing firms from countries with inefficient exchanges tend to issue stock list abroad. Does this mean that such inefficiencies lead to capital inflows and currency appreciation?
- How are institutional holdings and pension funds affected, given the home equity bias—does it mean that the good companies list abroad so that pension funds are left to invest in those firms that don't go abroad--the more traditional firms?
- Are the results driven by the fact that banking in Europe tends to be universal-- the investment community in Europe, which include the banks tend to focus on past profits and collateral so that growing firms with intangible assets are difficult to underwrite in Europe?

- Are the results different for fixed income funding?
- Do taxes matter—are the shifts driven by tax differences?
- Do the cross listed firms become similar over time to firms in the host countries?
- Is cross listing followed by a shift of R&D spending and production in the cross- listed firms to the new host country?
- How does stock issuance at a premium affect the national accounts and wealth?

These questions may be dealt with in future research, as the paper is really very nicely self-contained.

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