A discussion of:
Organizational capital and global value chain participation: fostering productivity growth in the digital economy

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The research question

- Does higher investment in organizational capital magnifies the productivity gains from backward participation in GVCs?

- Are such gains larger in highly digital industries?

The key findings

- Positive and statistically significant impact of **GVC backward participation** on **labor productivity** growth.
- The productivity returns from GVC backward participation increase with investment in **organizational capital**...
- ... but only in highly **digital sectors**.

Productivity

- The paper focuses on the productivity of labor
- Extend to Total Factor Productivity (from EUKLEMS)
- Explain how and why labor productivity is adjusted to include intangible capital

GVC participation

GVC participation can be measured:

- **backwardly**, for imported inputs used to produce goods that are shipped abroad
- **forwardly**, for producing and shipping inputs that are further re-exported
- **two-sided**, for activities that are neither at the beginning nor at the end of the chain

The paper focuses on a measure of backward participation

- What about forward and two-way participation?
- Try using more updated measures (Borin and Mancini, 2017; Borin, Mancini and Taglioni, 2021)

Organizational capital

- Key variable of the analysis.
- No unique definition
  - "unique systems and processes employed in the investment, production, and sales activities of the enterprise, along with the incentives and compensation systems governing its human resources." (Lev and Radhakrishnan, 2005)
  - "Organizational capital satisfies four properties: (1) it affects firm performance; (2) it changes slowly over time; (3) being intangible, it is not perfectly observable; and (4) it must be produced at least partly in-side the firm with the active participation of the firm's top management." (Dessein and Prat, 2022)
- More space could be devoted to explain how you measure this variable and why.

Digital intensity

Not clear what makes a sector high, medium, and low digital

Estimation and results

The main equation of the paper is:

$$\Delta ln(Y/H)_{i,c,t} =$$

$\alpha_1 \Delta ln(K^J/H)_{i,c,t} + \alpha_2 \Delta ln(K^I/H)_{i,c,t} + \alpha_3 ln(P_{gvc})_{i,c,t-2} + \alpha_4 ln(K^{org}/H)_{i,c} + \alpha_5 ln(P_{gvc})_{i,c,t-2} * ln(K^{org}/H)_{i,c} + \lambda_i + \lambda_t + \eta_{i,c,t}$Some questions:

- Is intangible capital both on the right and left hand side of the equation?
- Why is Organizational capital time-invariant? Is it the starting/avg/end level? Would expect it to be lagged

Table 1 shows estimates of equation 1.

Table 1 – Benchmark estimates

	(1)	(2)	(3)	(4)	(5)	(6)
	All sample			All sample		
VARIABLES	Total Intangibles			Intang Excl R&D		
DlnKH_intan	0.155***	0.154***	0.245*			
	(8.071)	(8.018)	(1.655)			
DlnKH_intan_xrd				0.142***	0.139***	0.210***
				(6.860)	(6.777)	(2.890)
DlnKH_rd				-0.001	-0.000	-0.060
				(-0.126)	(-0.051)	(-1.628)
DlnKH_ICT	0.047***	0.047***	0.026	0.042***	0.043***	0.032
	(4.930)	(5.002)	(0.692)	(4.070)	(4.188)	(0.719)
DlnKH_NonICT	0.179***	0.176***	0.079	0.182***	0.179***	0.121
	(7.382)	(7.279)	(0.662)	(7.422)	(7.320)	(0.702)
DlnLH	0.107***	0.106***	-0.302	0.098**	0.098**	0.022
	(2.824)	(2.800)	(-0.795)	(2.549)	(2.544)	(0.231)
lnKH_og_avg	**0.002****	**0.008*****	**0.070****	0.002	**0.008****	**0.067****
	(2.095)	**(2.591)**	**(1.988)**	(1.567)	**(2.372)**	**(2.447)**
log_backp = L,	0.003	**0.020****	**0.160***	0.004	**0.021****	**0.165****
	(1.299)	**(2.413)**	**(1.876)**	(1.566)	**(2.460)**	**(2.197)**
c.lnKH_og_avg#cL2.log_backp		**0.003****	**0.030***		**0.003****	**0.030****
		(2.112)	**(1.902)**		**(2.080)**	**(2.376)**
Observations	1,507	1,507	1,440	1,374	1,374	1350
R-squared			0.080			0.074
Number of ctrysec	126	126		115	115	
Year and Ind FE	gls		IV	gls		IV
z-statistics in parentheses						
*** p<0.01, ** p<0.05, * p<0.1						

Digital intensity

Both the research questions assessed in the paper and the authors' main findings are extremely interesting but they could be clearer on several methodological aspects.

Thank you