THE GLOBAL VALUE OF CITIES

Discussion, Madrid, 2025

By Giovanni Peri

What this paper does: Data and Method

- Data from 700 million careers, and their wages in 220,000 cities in the world in 191 countries, following people over time.

- Use modern and careful AKM estimation, they decompose wages in
  - individual and
  - “city” components

- They also do due diligence, a bit boring but useful stuff
  - checking robustness to imputation and
  - Providing bounds

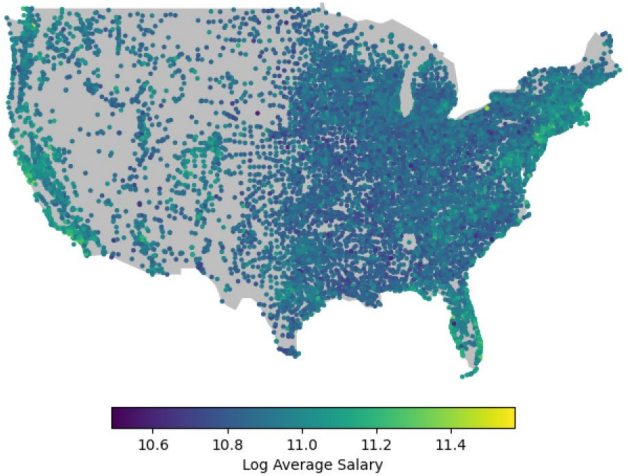
What this paper does: Analysis

- They do a lot of really interesting stuff and they provide to us with:
  - A useful accounting of what generates the "Value of migrating" internationally and nationally.
  - What is the city-component of wages=value of cities.
  - Look at some correlates of values of cities and of within-country city-variation.
  - Look at how city-wages depend on city value and on allocative efficiency of establishment-workers in the city (assortative matching).

On Data

- Granularity: May be too fine. Looking at countries and regions I know I see more locations than I can even name. Maybe a bit of aggregation helps.
- Most clear pattern across countries. Within countries selection, sampling and imputation may be masking patterns more.
- Does more selection in Linked-in for poorer places appear as less within country dispersion?

(a) USA



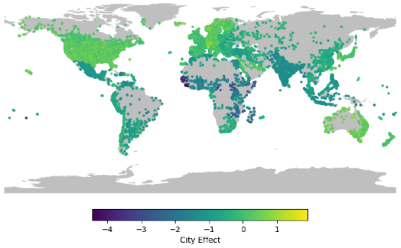
(c) Italy

Central fact, reassuring

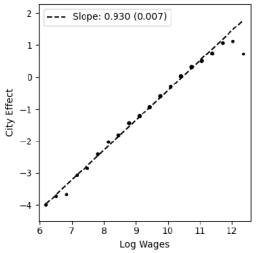
Cross-country differences in city-wages explain most (90%) of the very large cross-cities average wage differences.

Within country differences, still important, but explain much less (50%) of smaller average wage differences

Figure 12: City Effects, Global

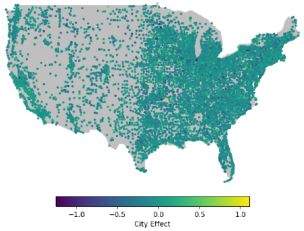


(a) Estimated City Effect

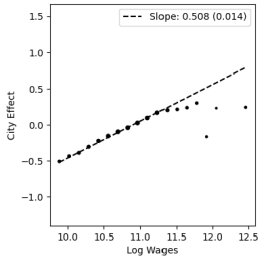


(b) Log City Wages vs City Effect

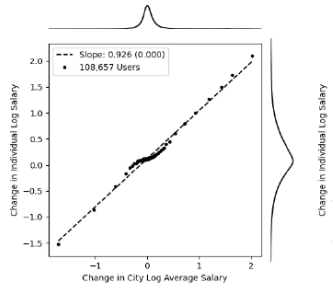
Figure 13: City Effects, USA



(a) Estimated City Effect



(b) Log City Wages vs City Effect

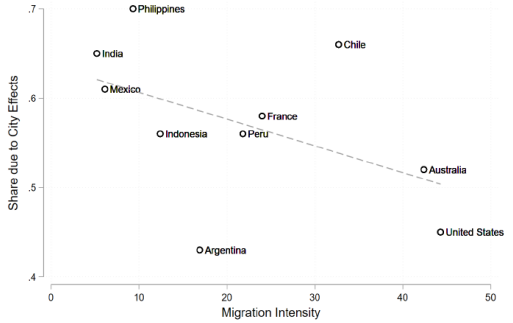


(a) Full Sample

This is why we observe much smaller gain in within country than international moves

Second very interesting fact

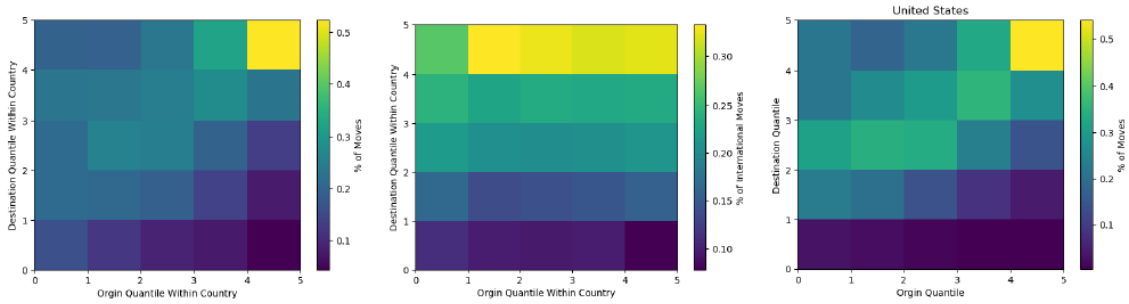
- High income and high internal mobility country have less variation across city effects. Is it measurement error?



- Why is mobility of professionals lower in poor countries? Are amenities more different across cities in poor countries so that they offset the productivity differences?

- Cities are squalid, unhealthy, polluted, countryside is better in developing countries.

A very interesting fact, underdeveloped



(a) Within Country Moves (b) Cross Border Moves (c) US: Transition Matrix

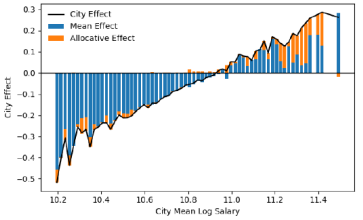
- International immigrants from any country to any other country only go to the best cities in that country.
- International immigrants help allocative efficiency in destination. They also increase sorting/efficiency in firm allocation (Orefice and Peri, Restat 2025)
- Countries with more international immigrants are more efficiently allocated.

Another Underdeveloped Fact

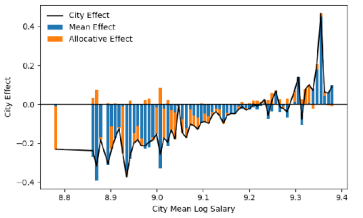
- You focus on the decomposition of pure average city effect and establishment sorting within city in determining average wages.

- I find more first-order the more traditional AKM decomposition of variance (wage differentials) across cities between:
  - City effect
  - Individual effect
  - Correlation between the two

- Has assortative matching between cities and people increased? Inside countries?



(a) USA Decomposition



(c) India Decomposition

Also interesting:
Positive Assortative matching firm-workers in a city

- Matching within a city is the "efficiency" measure you construct. This is an interesting object separate from city-value.

- That can be interestingly associated to local features: a city can have a low average productivity, but be good at matching assortatively firms and people.

- Is it Labor market efficiency? Free markets/competition?

Overall: Great data and paper

- Will stimulate a lot of thinking.
- Already it confirms/clarifies important ideas on international and internal migrations.
- As more people will use these data is really useful to have stylized facts. And the data will be refined.