Mechanisms of the urban productivity premium: Evidence from Italian firms

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The paper in a nutshell

- Explores the urban productivity premia for firms, distinguishing between the effect of sorting (firm-component) and of agglomeration economies (city-component)
- Exploits data on location of Italian firms over time (2005-2014) to isolate the impact on productivity of moving to urban areas
- Empirical analysis
  - Two-step productivity estimates with firm/city FE *à la* Abowd et al (1999) and Combes et al (2008) to calculate the size of firm/city-effects
  - DiD/synthetic control method approach to identify the productivity impact of relocation and the dynamics of the estimated effect
- Causal focus, careful discussion of endogeneity issues
- Estimated productivity premium for firms moving into cities of 15pp

General comments

- Important contribution to the study of localisation/agglomeration economies
- Little empirical evidence in the literature on the quantification of urban productivity premium and on firm-specific impact of relocation → important implications
  - Confirm the role of large cities as places where learning processes are at play influencing economic dynamism of local players (De La Roca & Puga 2017)
  - Relocation leads to productivity boosts → Easing barriers for (internal) mobility
- Sound and robust analysis adopting counterfactual methods (in a relatively novel way)
- Paper carefully written, easily readable, well-structured
  - More in-depth Discussion of results?
    (present broader implications, reflect upon external validity)

Further comments/suggestions/doubts

- Italian context - how specific is it?
    - Densely populated territory, few very large cities. Definition of large city is >500k inhabitants – how sensitive are results to this definition?
    - Firms highly attached to LLM, low propensity to mobility. Many moves driven by the crisis?
    - Firms shut down during crisis are mainly manufacturing – heterogeneity of results by manuf/services?
- More clarity in the description of LLM?
  LLM ≠ city and movers from e.g. non-urban to urban can be within LLM
- Profile of relocating firms
    - How many firms are actually used for the DiD estimates (2010, 2011, 2012 movers)? In some cases, these may be relatively few (urban small to urban big total: 22k)
    - Most firms move within very short distance. Of these, how many remain within the same municipality (not just same LLM)? Should these be counted?

Further comments/suggestions/doubts

- After accounting for pre-trends, the finding that relocation *always* pays off holds
  - What is driving the productivity increase of e.g. non-urban to non-urban or urban to urban movers? (or urban small to urban small/ urban big to urban big/ urban big to urban small/ urban to non-urban)
  - Is the magnitude of the *urban* productivity premium really 15pp? Should we not discount the overall positive effect of relocation (regardless of where)?
- Endogeneity:

1. Relocating firms are eminently different from non-relocating firms, before relocation

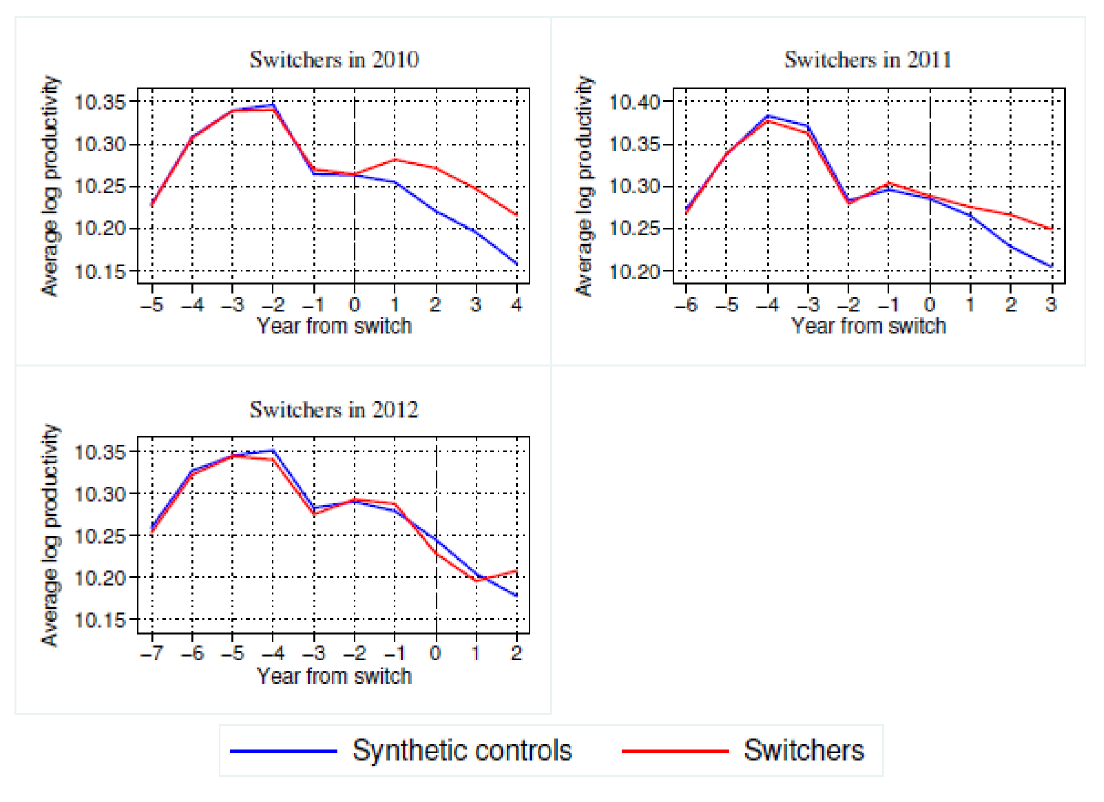
   Pre-treatment trends of T and C are matched with synth. Do you have information on e.g. ownership change?

2. Assumption of random mobility of firms across cities

   Positive shocks to an urban area do not drive firms' mobility because costs of mobility outweigh benefits. What about shocks in non-urban areas, forcing mobility?

Further comments/suggestions/doubts

- Discussion of synth result: not all discrepancies are significant (Hard to calculate placebo gaps in your setting)
- Switchers in 2009?
- Synth robustness tests
  - Placebo cutoff test?
  - Can ‘donor’ firms be affected by the arrival of the new firm(s), competitor in the same sector and LLM? Donors from neighbouring province to minimise spillovers?



Overall, very interesting and convincing paper

CODICE DEL SLL 2011	DENOMINAZIONE DEL SLL 2011	Popolazione residente - Totale
313	MILANO	3,685,101
1209	ROMA	3,479,572
1517	NAPOLI	2,510,848
106	TORINO	1,734,202
1914	PALERMO	880,046
820	BOLOGNA	847,058
315	BERGAMO	802,731
1612	BARI	737,008
915	FIRENZE	687,304
710	GENOVA	681,097
1956	CATANIA	676,742
540	PADOVA	664,591
301	BUSTO ARSIZIO	623,023
536	VENEZIA	606,002
304	COMO	535,951
2016	CAGLIARI	504,580
508	VERONA	458,940
321	BRESCIA	445,346
1208	POMEZIA	432,169
1624	TARANTO	385,358
303	VARESE	355,059
1217	FROSINONE	339,369
1543	SALERNO	329,950
811	REGGIO NELL'EMILIA	327,534
350	LECCO	325,312
606	UDINE	323,115
807	PARMA	316,770
1501	CASERTA	305,915