

Comments on Beyer / Smets

**Has mobility decreased? Reassessing regional  
labour market adjustments in Europe and the US**

**Jens Suedekum**

Düsseldorf Institute for Competition Economics (DICE)

Eltville, June 2014

## THE PAPER IN A NUTSHELL

- Update of Blanchard / Katz (1992) and Decressin / Fatas (1995) using better and more data
  
- Methodological twist: Region-specific shocks vs. heterogeneous adjustment to aggregate shocks (latter turns out to be important!)
  
- Main results:
  - i) US and EU regions not so different in their adjustment behaviors
  - ii) Importance of “migration” somewhat more important in the US, has decreased over time (both in US and EU)

## MAIN COMMENTS

- Is the BK (1992)-approach still “state-of-the-art” ?
- Weak micro-foundations. Ignorance of spatial equilibrium. Nature of the “shocks” somewhat unclear.
- By now: Much *more* and *better* regional data is available!  
[For example: on wages, housing rents, cross-regional migration flows (even by education level), etc.]
  - No need to infer migration only indirectly!
  - “Has mobility decreased?” –  
Descriptive answer (at least for Germany): **NO!**

## PRINCIPAL ALTERNATIVES (current “gold standards” in econ geography)

- Counterfactual analysis in calibrated **SGE** models, maybe at some point: **DSSGE** models

[E.g.: Ahlfeldt, Redding, Sturm & Wolf – ECTA 2014]

→ *How many individuals relocate after a “shock” (e.g., fall of Berlin wall), and where do they move to, in general equilibrium?*

- Reduced form approach of identifying regional adjustments

[e.g.: Autor, Dorn, Hanson – AER 2013; Dauth, Findeisen, Südekum – JEEA 2014]

→ *Along which margins do US/German regions adjust to “shocks” (e.g., the “rise of China”). Identification of causal effects by IV.*

## MAIN MESSAGE CONSISTENT WITH OTHER FINDINGS?

Trade shocks induced little mobility responses in US! Similar for Germany

(Autor/Dorn/Hanson 2013; Autor/Dorn/Hanson/Song, 2014; Dauth/Findeisen/Südekum 2014)

→ Consistent with this paper!

Focus here is a bit different:

Did the role of migration as an adjustment force decrease over time?

Answer of the paper: **YES!**

How to square this with the descriptive evidence of rising mobility?

Would be interesting to see this question addressed with a different identification approach.

## IS MIGRATION AN EQUILIBRATING FORCE?

- In standard neoclassical models: YES!
- In many economic geography models with increasing returns and agglomeration effects: NO!
- Current view in the econ literature:  
High-skilled migration exacerbates regional disparities!
- Should (at least) be discussed in a paper on regional labor markets!  
Policy prescription in Section 8 (“reduce barriers to mobility”) sounds straightforward, but things are more complicated

## **MORE SPECIFIC / MINOR COMMENTS**

- Give some more intuition for what are the regional / aggregate shocks, how regions responded differently to those shocks
- Contribution of Section 5 (descriptive evidence on relative regional unemployment rates) unclear to me.
- Several further papers that should be discussed / cited in Section 2
- Numbering of sections is inconsistent