

# IAB-DiskAB

Invitation

## Productivity As If Space Mattered: An Application to Factor Markets Across China

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Although firms are dispersed across space and may face radically different production conditions, this dimension of firm heterogeneity is often overlooked. Differences between factor markets, especially for labor, are stark. To pursue this line of inquiry, we model firm hiring across local labor markets. We then use the model to estimate and quantify the role of distinct regional labor markets in firm input use, productivity and location by combining firm and population census data. Considering modern China as a country with substantial regional variation, we find labor costs vary by 30-80%, leading to 3-17% differences in TFP once nonlabor inputs are considered. Favorably endowed regions attract more value added per capita, providing new insights into within-country comparative advantage and specialization.

**Monday, July 1, 2013**

**13:00**

**Room 164 (BA building)**