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# Why does birthplace matter so much? Sorting, learning and geography

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## Abstract

We consider the link between birthplace and wages. Using a unique panel dataset we estimate a raw elasticity of wage with respect to birthplace size of 4.6%, two thirds of the 6.8% raw elasticity with respect to city size. We consider a number of mechanisms through which this birthplace effect could arise. Our results suggest that inter-generational transmission (sorting) and the effect of birthplace on current location (geography) both play a role in explaining the effect of birthplace. We find no role for human capital formation at least in terms of educational outcomes (learning). Our results highlight the importance of intergenerational sorting in helping explain the persistence of spatial disparities.

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