Does Foreign Competition Spur Productivity? Evidence from Post-WWII U.S. Cement Manufacturing

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Discussion by Chad Syverson
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Overview

• Underlying idea is simple: monopoly power foments rent-seeking and inefficiency—take it away, and productivity grows

• Case study specifics
  – Rents here grabbed by workers
    • How is clear (union power), but why is not clear
    • Interesting side issue
  – Rents destroyed by entry of foreign competitors

• Basic strategy: document productivity/imports relationship
  – Especially as manifested in labor contracts
Overview: Comment

- Solid plan, and current version lays foundation
- But I felt a bit like Tantalus
**Basic Time Series Evidence**

Figure 1.
U.S. Cement Imports
(Relative to U.S. Production)

Figure 2.
Total Factor Productivity
U.S. Cement Industry
(NBER Manufacturing Database, 1987=1)
Basic Time Series Evidence

• Paper has very strong statement about imports-productivity connection, but:
  • Imports
  • Productivity
• Summary
  – 13 years (1982-1996): Imports ↑, Productivity ↑
• Shows importance of plan to use geographic variation
Did the Union Actually Save Jobs?

Production Workers (Thousands)


10 15 20 25 30 35
Did the Union Actually Save Jobs?

Production Workers (Thousands) and the Real Price of Cement

Note: prices in 1970s might explain either tolerance or start of imports
**Foreign Ownership**

- Currently, ~90% of U.S. cement production is foreign-owned (close to zero in 1982)
  - E.g., Cemex, Lafarge, Holcim, Heidelberg, Oldcastle
- This grows steadily over time after being zero forever, too (though specifics cloudy)
- Could this explain productivity movements as well?
  - Do these firms bring in new production practices?
  - Are they better at weakening unions?
Clinker Grinding Plants

• Several clinker-grinding plants built after 1992
• Some (many?) built to grind imported clinker
• Classified as cement plants in the Census data
• Unclear whether there are effects on measured aggregate productivity
  – Depends on TFP of grinding plants relative to kiln plants
  – Grinders have small employment, relative output less clear
Will the Next Paper Be about Steel?

- 1982 was pivotal for another mfg industry: steel mills
- TFP patterns do look similar ($\rho = 0.81$). Any meaning?
Overall Comments

• Great topic (a personal favorite)
• Empirical plan painstaking but high-reward
  – Can be a fantastic complement to Schmitz JPE paper
• Make sure to use geographic variation
• Where did union power show up—wages, probably
• Role of foreign ownership still an open question
• Clinker grinding plants
• Steel?