

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

Timothy Dunne, Shawn Klimek,  
and James A. Schmitz, Jr.

*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)

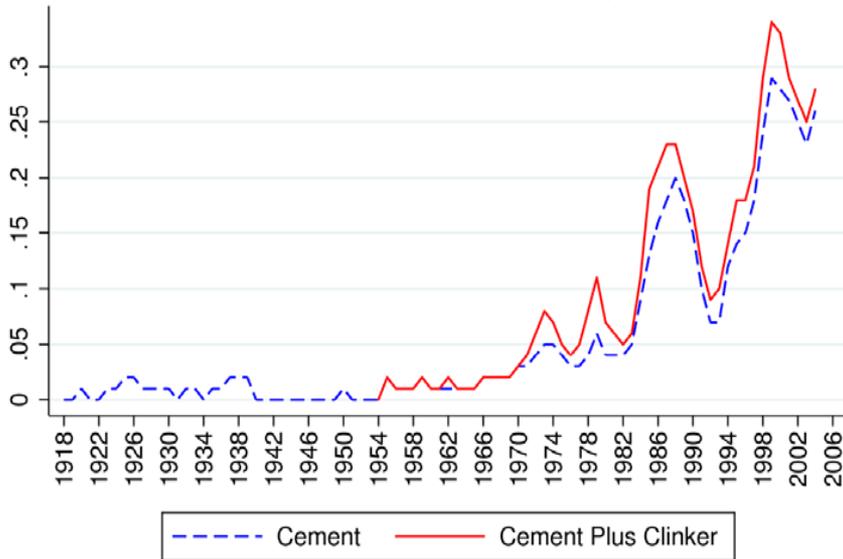
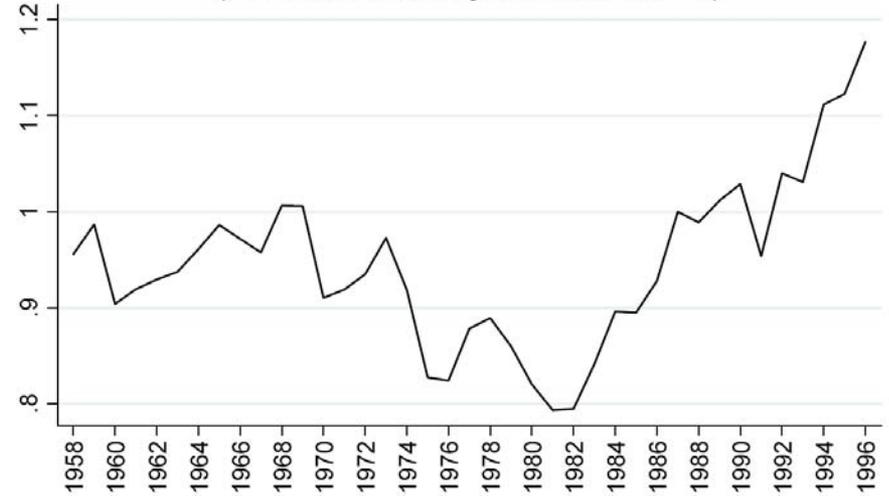


Figure 2.  
Total Factor Productivity  
U.S. Cement Industry  
(NBER Manufacturing Database, 1987=1)

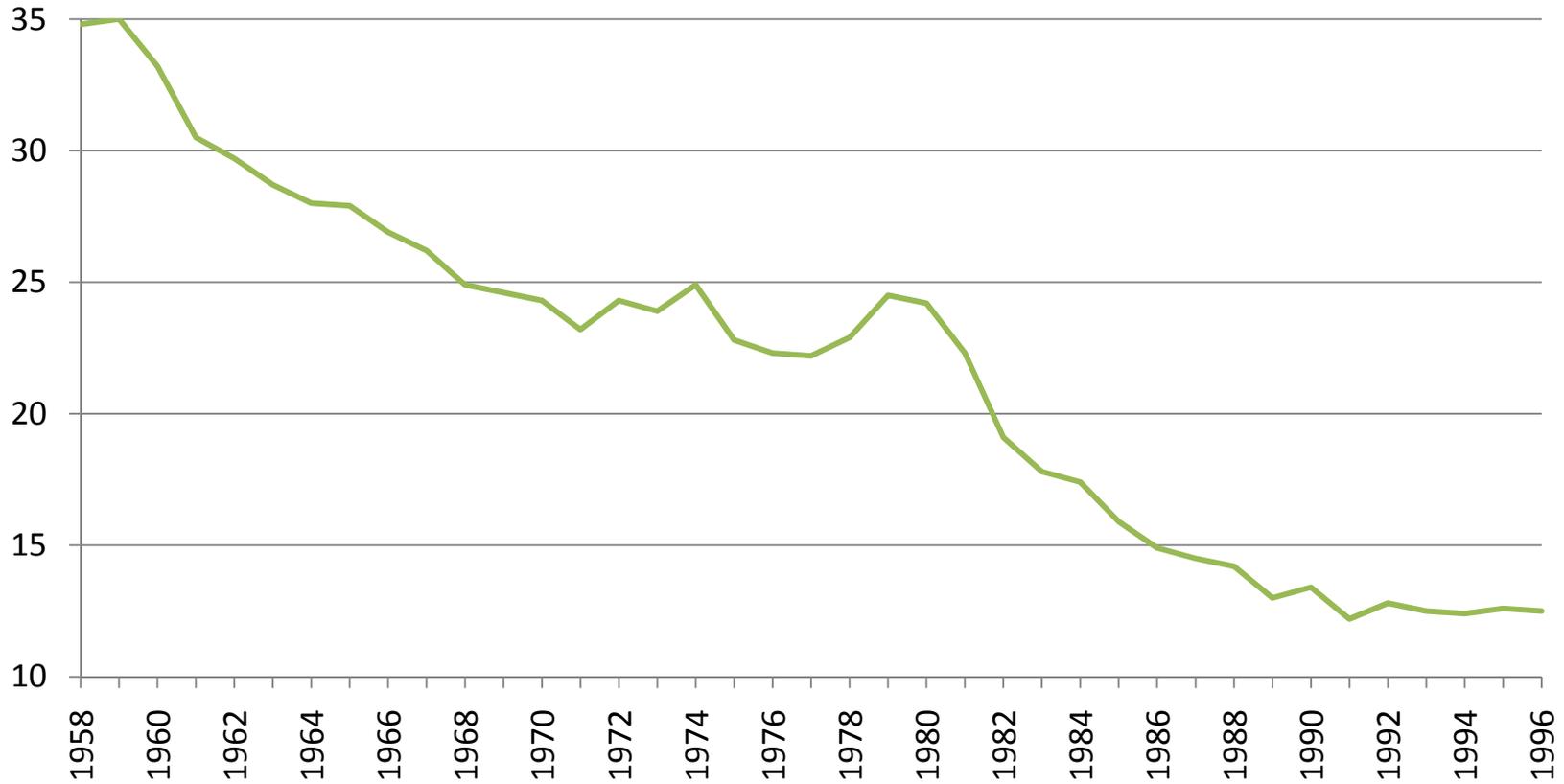


# *Basic Time Series Evidence*

- Paper has very strong statement about imports-productivity connection, but:
- Imports
  - 1920-1970:  $\leftrightarrow$ , 1970-2006:  $\uparrow$
- Productivity
  - 1958-1982:  $\downarrow$ , 1982-1996:  $\uparrow$
- Summary
  - 13 years (1982-1996): Imports  $\uparrow$ , Productivity  $\uparrow$
  - 13 years (1970-1982): Imports  $\uparrow$ , Productivity  $\downarrow$
  - 12 years (1958-1970): Imports  $\leftrightarrow$ , Productivity  $\downarrow$
- Shows importance of plan to use geographic variation

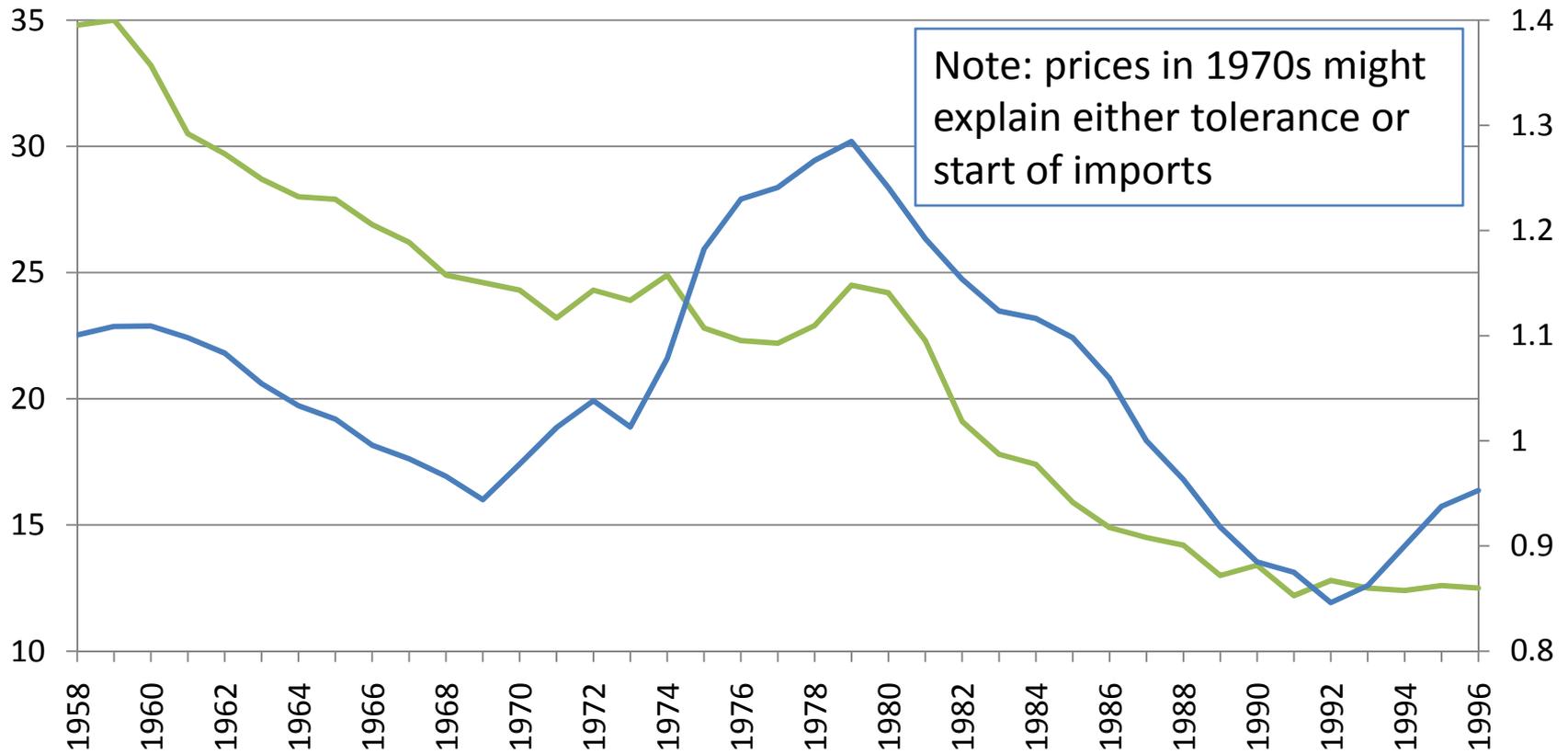
# *Did the Union Actually Save Jobs?*

**Production Workers (Thousands)**



# *Did the Union Actually Save Jobs?*

**Production Workers (Thousands) and the Real Price of Cement**



# *Foreign Ownership*

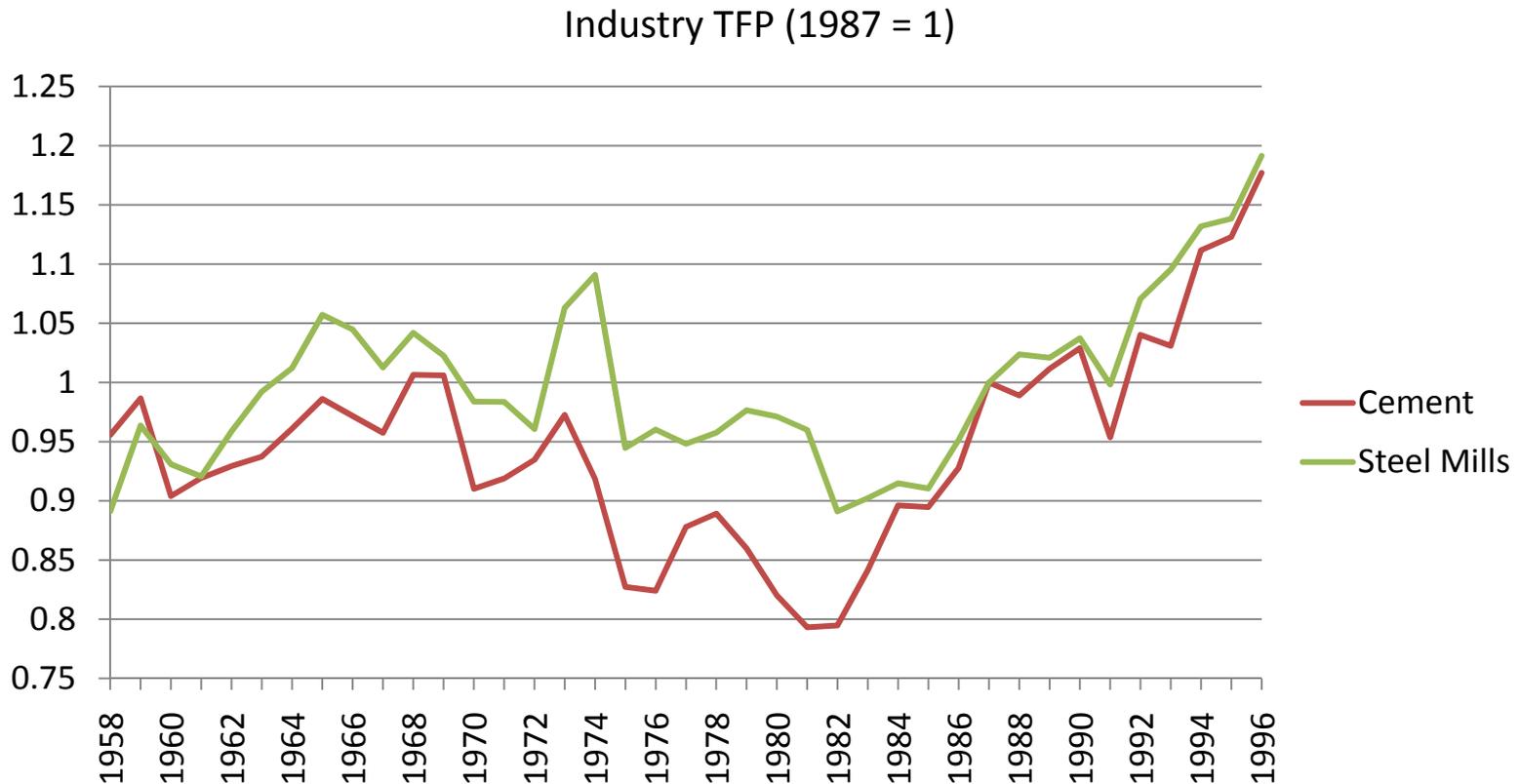
- Currently, ~90% of U.S. cement production is foreign-owned (close to zero in 1982)
  - E.g., Cemex, Lafarge, Holcim, Heidelberg, Oldcastle
- This grows steadily over time after being zero forever, too (though specifics cloudy)
- Could this explain productivity movements as well?
  - Do these firms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