

Macro Roundup Article

Headline: [Labor Market Conflict and the Decline of the Rust Belt](#)

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Tweet: According to @lee_ohanian @AEIecon, labor market conflict explains half of the decline in the Rust Belt's share of total manufacturing employment between 1950 and 2000.

Summary: This paper hypothesizes that the decline of the Rust Belt was due in large part to the persistent labor market conflict that was prevalent throughout the region's main industries. [Labor conflict] results in lower investment and productivity growth, which causes employment to move from the Rust Belt to the rest of the country. The model also features rising foreign competition as an alternative source of the Rust Belt's decline. Quantitatively, labor conflict accounts for around half of the decline in the Rust Belt's share of manufacturing employment. Consistent with the data, the model predicts that the Rust Belt's employment share stabilizes by the mid 1980s, once labor conflict subsides. Rising foreign competition plays a more modest role quantitatively, and its effects are concentrated in the 1980s and 1990s, after most of the Rust Belt's decline had already occurred.

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