

# Time to Accumulate: The Great Migration and the Rise of the American South

Dongkyu Yang  
University of Colorado - Boulder  
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  - ▶ Migration as a driver of economic change for the migration origin has received less attention.
    - c.f. Migration destination, migrants
- ⇒ Propose **migration-induced labor scarcity** as a contributor to **structural change in the American South**, by analyzing **the American Great Migration**.

# Motivation

- ▶ During the era of the Second Great Migration (1940-1970), millions of Black and White Southerners left the South.
- ▶ This period and after is also characterized by structural change and economic development in the South.
- ▶ The South's economic transformation contributed to the migration (Day, 1967; Boustan, 2016), but ...



Figure: Florida migrants on their way to New Jersey (1940).

# This Paper

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Focusing on the **Second Great Migration (1940-1970)**, I argue that

- ▶ large out-migration induced local **capital deepening** and **capital-augmenting technical change**,
- ▶ ... resulting in the subsequent **structural change and non-agricultural development** in the South.



# This Paper: Overview

1. **Stylized model** with two factors of production: labor and capital.
  - Interpret the Great Migration using established theoretical results (macroeconomics and trade).
  - **Prediction:** Factor substitution and trade  $\Rightarrow$  *Structural change*.
2. **Empirical analysis** tests the predictions.
  - Shift-share instrumental variable strategy (e.g., [Derenoncourt 2022](#)).
  - **Finding:** Greater exposure to Northern migration pull factors  $\Rightarrow$  *Structural change, capital accumulation*.
3. Fully calibrated **quantitative model** in realistic geography.
  - Builds on dynamic spatial equilibrium frameworks.
  - **Contribution analysis:** Factor substitution  $>$  trade



# Perspective - History

# History: The South

- ▶ Even after the Civil War and slavery's abolition, the Southern labor market tended to be separated from the rest of the country ( "The North"), especially until World War I and the 1920s border closure.

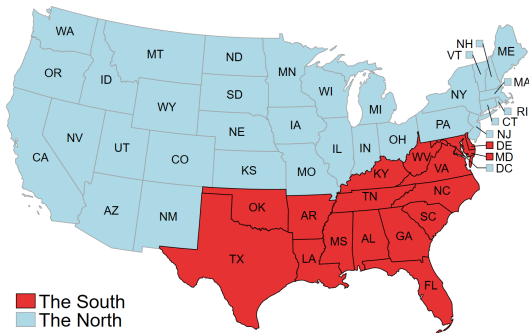


Figure: The American South (Analysis Sample).

# History: The Migration

- ▶ Then, economic booms in the North attracted Southerners of all races, especially after World War II and until the 1960s.

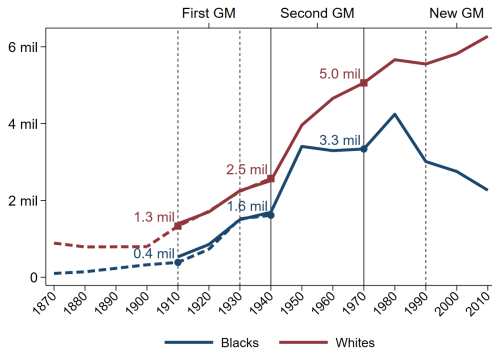


Figure: Southern-Born Population Living in the North, 1870-2010.

\* Dashed lines from the Full-count Census. Straight lines from the IPUMS sample.  
Reproduced from [Bazzi, Ferrara, Fiszbein, Pearson and Testa \(2023\)](#).

# History: Structural Change

- ▶ Still in 1940, the South's economy lagged behind the North's.
- ▶ The South experienced a rapid structural change during the mid-20th century, as well as a catch-up in non-agricultural wages.

Trends in non-agricultural wages

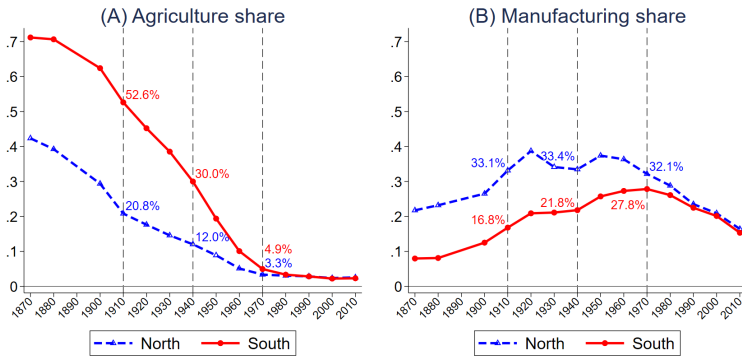


Figure: Employment share by region, 1870-2010.

# History: Capital Accumulation

- ▶ ... accompanied by catch-ups in agricultural mechanization and manufacturing capital investment.

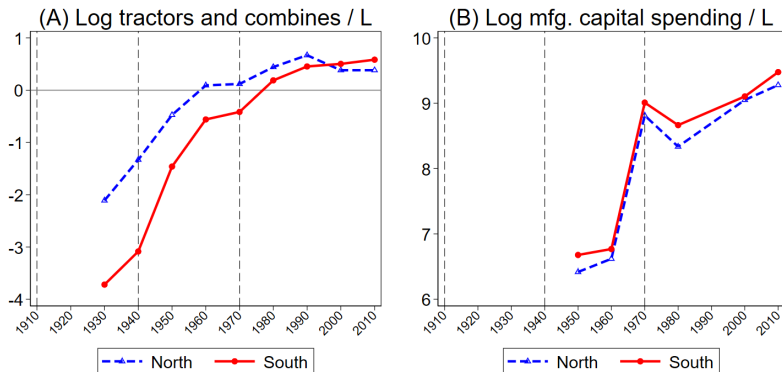


Figure: Capital investment by region, 1930-2010.

# Perspective - Economics



# Theory: Assumptions

The production function takes the constant elasticity of substitution (CES) structure using labor  $L$  and capital  $K$ :

$$Y = \left( \rho (Z_L L)^{\frac{\sigma-1}{\sigma}} + (1 - \rho) (Z_K K)^{\frac{\sigma-1}{\sigma}} \right)^{\frac{\sigma}{\sigma-1}}, \quad (1)$$

with factor-augmenting technologies  $Z_L$  and  $Z_K$ . The CES parameters govern the elasticity of substitution ( $\sigma$ ) and production weight ( $\rho$ ).

- ▶ **Assumption 1:**  $\sigma^a > 1$  for agriculture but  $\sigma^m < 1$  for non-agriculture.
  - Estimates from [Herrendorf, Herrington and Valentinyi, 2015](#); [Oberfield and Raval, 2021](#), among others.
  - ⇒ Factors are reallocated across sectors from a common shock.
- ▶ **Assumption 2:** The South is labor abundant, and agriculture is labor-intensive.
  - “Old South,” as described in [Bateman and Weiss, 1981](#); [Whatley, 1985](#); [Wright, 1986](#).
  - ⇒ Changes in factor endowment affect the regional specialization.

# Theory: Factor Substitution

## Mechanism 1 (Alvarez-Cuadrado, Van Long and Poschke, 2017).

- ▶ **Question:** How an economy adjust when the economy-wide capital-to-labor ratio,  $k = K/L$ , changes?
- ▶ Out-migration makes labor more scarce and more expensive ...
  - A flexible sector ( $\sigma > 1$ , agriculture) substitutes labor for capital more flexibly,
  - ... while inflexible sector ( $\sigma < 1$ , non-agriculture) absorbs labor.

⇒ Structural change out of agriculture
- ▶ Formally, each sector's labor and capital share always takes an opposite direction to the changes in  $k$ .
  - The capital share in agriculture increases.

Mechanism 1 (formal statement)

# Theory: Factor Substitution

		Factor substitution	Trade	Directed technical change	Summary
Labor:	agriculture	↓			
	non-agri.	↑			
Capital:	agriculture	↑			
	non-agri.	↓			
Output:	agriculture	-			
	non-agri.	-			

**Table:** Theoretical predictions on economic allocation.

# Theory: The Role of Trade

## ► Assumptions:

- U.S. as two “countries”: the South and the North.
- Agriculture is labor intensive.

⇒ The South has a comparative advantage in agriculture.

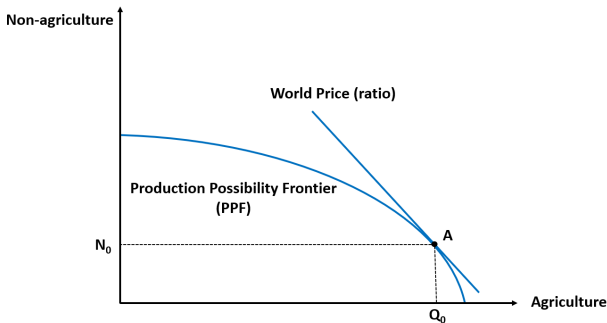


Figure: Basic Heckscher-Ohlin model.

# Theory: The Role of Trade

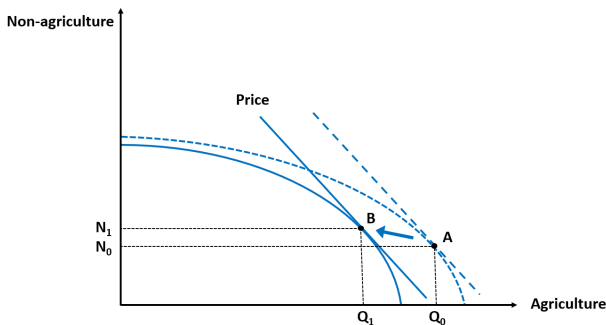


Figure: Rybczynski theorem (Rybczynski, 1955; Romalis, 2004).

- The decrease in the labor endowment in the South leads to
  - ... a relative contraction in agricultural production
  - ... but a relative increase in non-agricultural production.

## Theory: The Role of Trade

		Factor substitution	Trade	Directed technical change	Summary
Labor:	agriculture	↓	↓		
	non-agri.	↑	↑		
Capital:	agriculture	↑	↓		
	non-agri.	↓	↑		
Output:	agriculture	-	↓		
	non-agri.	-	↑		

**Table:** Theoretical predictions on economic allocation.

# Theory: Directed Technical Change

- ▶ With two factors of production, technical change can be biased toward a factor that becomes more abundant (when  $\sigma \neq 1$ , [Acemoglu, 2002, 2007](#)).
  - Market size effects ( $\sigma > 1$ ) vs. price effect ( $\sigma < 1$ )
- ▶ Agriculture ( $\sigma > 1$ , substitutes):
  - Relatively less labor  $\Rightarrow$  capital-augmenting/labor-augmenting  $\uparrow$
- ▶ Non-agriculture ( $\sigma < 1$ , complements):
  - More labor  $\Rightarrow$  capital-augmenting/labor-augmenting  $\uparrow$

Formal remark

# Theory: Directed Technical Change

		Factor substitution	Trade	Directed technical change	Summary
Labor:	agriculture	↓	↓	↓	
	non-agri.	↑	↑	↑	
Capital:	agriculture	↑	↓	-	
	non-agri.	↓	↑	-	
Output:	agriculture	-	↓	-	
	non-agri.	-	↑	-	

**Table:** Theoretical predictions on economic allocation.



# Preview of Results

		Factor substitution	Trade	Directed technical change	Summary (share)	SSIV results (level)
Labor:	agriculture	↓	↓	↓	↓↓	↓↓
	non-agri.	↑	↑	↑	↑↑	↑↑
Capital:	agriculture	↑	↓	-	?	↑↑
	non-agri.	↓	↑	-	?	↑↑
Output:	agriculture	-	↓	-	↓↓	-
	non-agri.	-	↑	-	↑↑	↑↑

- ▶ Empirical analysis tests the common and non-competing predictions and evaluates the competing predictions.
- ▶ Quantitative analysis assesses the contribution of each model element (factor substitution > directed technical change  $\approx$  trade adjustment).

Note on the second period, endogenous migration

# Empirical Evidence

## Data

- ▶ **Full-count Population Census** ([Ruggles et al., 2024a,b](#)).
  - Migration status and county-level characteristics.
  - Matched using the Census Tree approach ([Buckles et al., 2023](#))
- ▶ **Census of Agriculture** ([Haines et al., 2018](#)).
  - Agricultural revenue; farm acre harvested; and more
  - Measures on capital: tractors and combines
- ▶ **Historical, Demographic, Economic, and Social Data: The United States, 1790-2002** ([Haines et al., 2010](#)).
  - Manufacturing value-added, employment, wages; and more
  - Measure on capital: manufacturing capital spending
- ▶ **Additional Datasets.**
  - County business pattern ([Eckert et al., 2022](#); [Census Bureau, 2023](#))
  - Net migration rates ([ICPSR 4171, 8493, 26761, and 34638](#))
- ▶ **Sample:** 1,096 counties in 16 Southern states<sup>1</sup> between 1940-2010

<sup>1</sup> Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

# Empirical Strategy: A Primer

The equation estimates year-specific differences between counties with different levels of net out-migration rates (= -net migration rates):

$$Y_{c,t} = \beta_t(out\_mig\_rate^{1940-1970})_c + \alpha_{s,t} + \alpha_c + \gamma X_{c,t} + \gamma_t X_c + \varepsilon_{c,t} \quad (2)$$

- ▶ Fixed effects ( $\alpha_{s,t}$  and  $\alpha_c$ ) and controls ( $X_{c,t}$  and  $X_c$ ).
- ✓ **Identification challenges:** Reverse causality and omitted variable

# Empirical Strategy: A Primer

The equation estimates year-specific differences between counties with different levels of **Northern migration exposure (instrument)**:

$$Y_{c,t} = \beta_t(\widehat{Northern\_Exposure}^{1940-1970})_c + \alpha_{s,t} + \alpha_c + \gamma X_{c,t} + \gamma_t X_c + \varepsilon_{c,t} \quad (2')$$

- ▶ Fixed effects ( $\alpha_{s,t}$  and  $\alpha_c$ ) and controls ( $X_{c,t}$  and  $X_c$ ).
- ✓ **The excluded instrument measures the differential exposure to migration pull factors from the North.**
  - Shift-Share Instrumental Variable (SSIV) strategy: Combines predetermined share and predicted shift.
  - Follow the GM literature in the opposite direction in a reduced form. (e.g., [Boustan 2010](#), [Derenoncourt 2022](#), and [Bazzi, Ferrara, Fiszbein, Pearson and Testa 2023](#))

# Idea: Migration Push vs. Pull

The South	$\Rightarrow$	The North
Origin	$\Rightarrow$	Destination
(migration push)		(migration pull)

## ► Goal:

- Use variations in out-migration explained by the 'Northern pull'  
( $\Rightarrow$  Excluded instrument)
- ... and take into account the 'Southern push'.  
( $\Rightarrow$  Fixed effects and controls)

# SSIV: Conceptual Framework

Pre-period migration share (1910-1940).

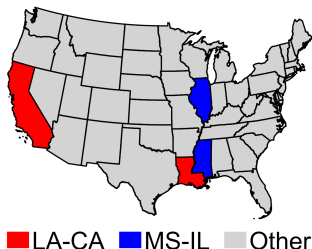


Figure: State-level migration pairs.

Sunset Limited Train

Illinois Central Railroad

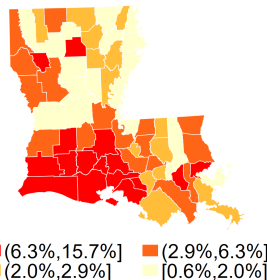


Figure: Louisiana to L.A. county  
(within-state variation in mig. share).

- ▶ Around 28% of out-of-South Louisianan migrants went to CA (17% to IL), while only 11% of Mississippian migrants went to CA (30% to IL).
- ▶ Capitalize on the empirical regularity known as “chain migration.” (e.g., [Stuart and Taylor 2021](#) for the GM)





# SSIV: Bolts and Nuts

- ▶ **Share:** Matched Census between 1910-1940 using the Census Tree approach ([Buckles, Haws, Price and Wilbert, 2023](#)).
  - Robustness: 1935-1940 migration matrix using 1940 Census
- ▶ **Shift:** OLS Prediction (1940-1970) with variables representing demographic,<sup>2</sup> economic,<sup>3</sup> and political environments.<sup>4</sup>
  - Robustness: Actual net migration rates (as in [Card 2001](#)) or machine learning prediction (random forest algorithm).
- ▶ Interpretation and statistical tests mainly follow the “share” view of SSIV ([Goldsmith-Pinkham, Sorkin and Swift, 2020](#)).

Formal terms

Zero stage table

Share v. Shift

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<sup>2</sup>Log values of the total, Black, and White population, 1940 values of the share of foreigners, Black and White

<sup>3</sup>Urbanization, median income, median rents, total housing units, 1940 values of employment share and median occupational score

<sup>4</sup>Republican vote share of presidential elections



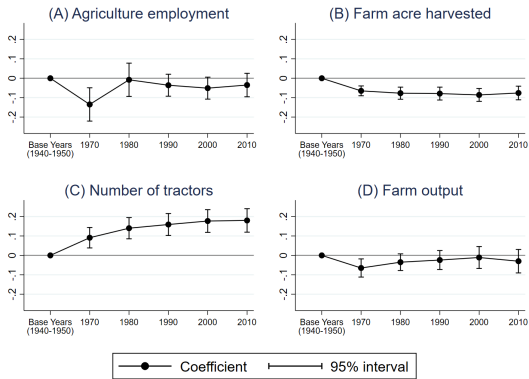
# Result: Migration (First stage)

Panel A. First-stage regression					
	Net out-of-county out-migration rate (1940-1970)				
	(1)	(2)	(3)	(4)	(5)
Migration exposure (SSIV, 1std)	4.579***	7.098***	<b>3.726***</b>	3.642***	4.841***
Clustered s.e. (county)	(1.270)	(1.538)	<b>(0.777)</b>	(0.842)	(1.036)
State fixed effect		Yes	<b>Yes</b>	Yes	Yes
Baseline controls			<b>Yes</b>	Yes	Yes
Adjacent counties' exposure control				Yes	
Squared and cubic terms control					Yes
First-stage F (Kleibergen-Paap robust F)	13.00	25.15	26.59	18.51	25.26
Panel B. Alternative first stage (migration linkage-corrected)					
	Net out-of-county out-migration rate (1940-1970)				
	(1)	(2)	(3)	(4)	(5)
Linkage-corrected migration exposure (SSIV, 1std)	5.053	7.625**	3.777***	3.663***	4.582***
Clustered s.e. (county)	(3.704)	(3.289)	(0.663)	(0.636)	(0.874)

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Unit of observation: county. Sample: 1,096 counties.

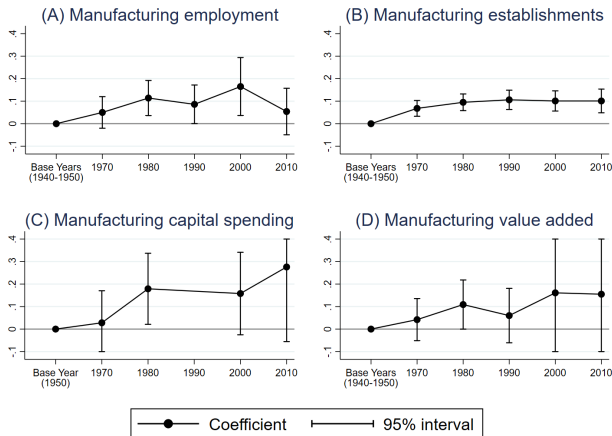
- ▶ One S.D. greater exposure to Northern pull factors induce 3.6%~4.8% more out-of-county out-migration (Baseline = Panel A, Column 3).
- ▶ Robustness (Panel B): Correction for within-South migration linkages ([Borusyak, Dix-Carneiro and Kovak, 2023](#)).

# Result: Agriculture, SSIV reduced form.



- ▶ Agriculture substituted labor flexibly (released labor). Land harvested also decreased. Tractor usage continued to be increased (mechanization).
- ▶ Similar responses to shrinking labor supply from a natural disaster ([Hornbeck and Naidu, 2014](#)) or from changes in migration policy ([Clemens, Lewis and Postel, 2018](#); [Abramitzky, Ager, et al. 2023](#)).

# Result: Manufacturing, SSIV reduced form.



- ▶ Inflexible sector (manufacturing) absorbed labor, and capital also increased, leading to increases in mfg VA & wages.
- ▶ Overall results are maintained and even grew at least until 2000 or 2010.

# Result: Manufacturing, 1940-1950 vs. 1970-2010.

	(1) Manufacturing employment	(2) Manufacturing establishment	(3) Manufacturing capital spending	(4) Manufacturing value added	(5) Manufacturing annual payroll
(A) Out-migration rate (OLS, 1%)	-0.009***	-0.011***	-0.016***	-0.005***	-0.004**
Clustered s.e. (county)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
(B) Migration exposure (SSIV, 1std)	0.274***	0.192***	0.368***	0.402***	0.387***
Clustered s.e. (county)	(0.048)	(0.034)	(0.084)	(0.081)	(0.072)
(C) Migration exposure (SSIV, 1std)	0.086**	0.067***	0.214**	0.165**	0.189***
Clustered s.e. (county)	(0.039)	(0.022)	(0.087)	(0.073)	(0.060)
Fixed effects	Yes	Yes	Yes	Yes	Yes
(D) Migration exposure (SSIV, 1std)	0.082**	0.091***	0.136	0.086	0.154***
Clustered s.e. (county)	(0.038)	(0.018)	(0.088)	(0.072)	(0.057)
Conley s.e. (250km)	[0.026]	[0.013]	[0.069]	[0.048]	[0.049]
Fixed effects	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes
R-squared	0.157	0.417	0.160	0.144	0.174
First-stage F	23.03	24.33	15.54	21.07	22.23
Counties	1,096	1,096	1,065	1,096	1,096

Unit of observation: county-year. All dependent variables are logged. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

- ▶ Opposite signs for OLS and SSIV (potential bias in OLS estimates)
- ▶ **Out-migration  $\Rightarrow$  positive manufacturing development.**
  - Factor substitution and quasi-Rybczynski effect

# Result: Wholesale and Retail, SSIV reduced form.



- ▶ The local non-tradable sector also grew in sales and employment.
- ▶ **Interpretation:** Labor-capital reallocation and local demand spillover





# Quantitative Evidence

# Quantitative Framework

## Road to the quantitative model: Complications.

The model elements are generalized to multiple industries, multiple regions (U.S. states), and multiple periods (1940-2010, decadal interval).

- ▶ Add structural change on the demand side (non-homothetic preferences).
  - Income level  $\uparrow \Rightarrow$  Total outputs share on non-agriculture  $\uparrow$
- ▶ Separate non-agriculture into ...
  - Tradable (manufacturing + producer services)
  - Non-tradable sectors (local services)
- ▶ Two types of agents supply each factor:
  - Workers for labor
  - Capitalists for capital

# Quantitative Framework

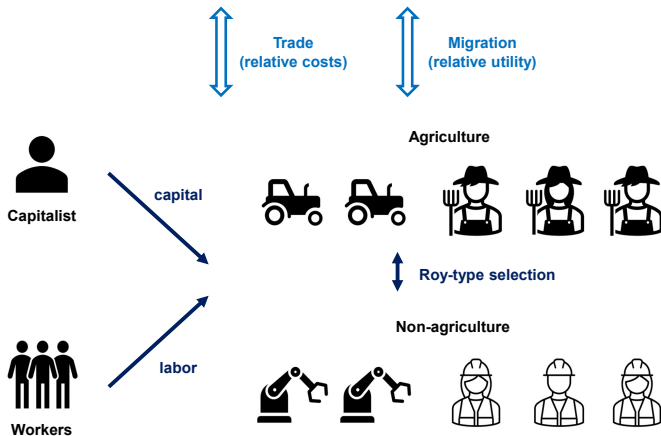
## Road to the quantitative model: Simplifications.

- ▶ Extreme value distributions for trade and migration.
  - ⇒ Analytical gravity structure ( $\sim$  [McFadden 1974](#) logit model)
- ▶ Separate dynamics:
  - Migration decision by workers (but they live hand to mouth)
  - Investment by capitalists (but they are immobile as in [Kleinman, Liu and Redding 2023](#))
- ▶ Dynamic exact hat-algebra ([Caliendo, Dvorkin and Parro, 2019](#))
  - Focus on the portions that are (assumed to be) affected by the Great Migration.

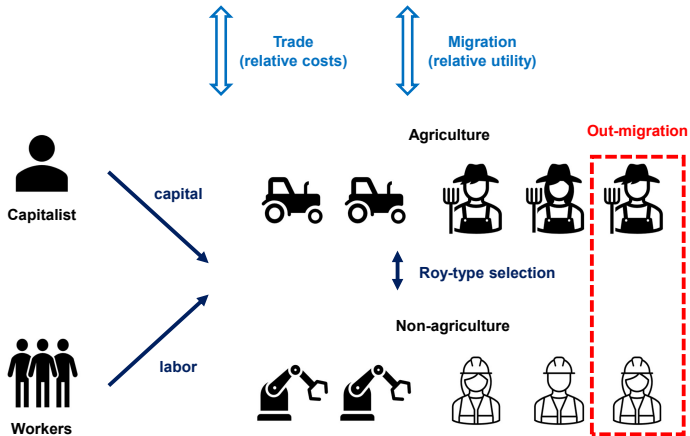
Model features

Model parameters

# Quantitative Framework: Overview



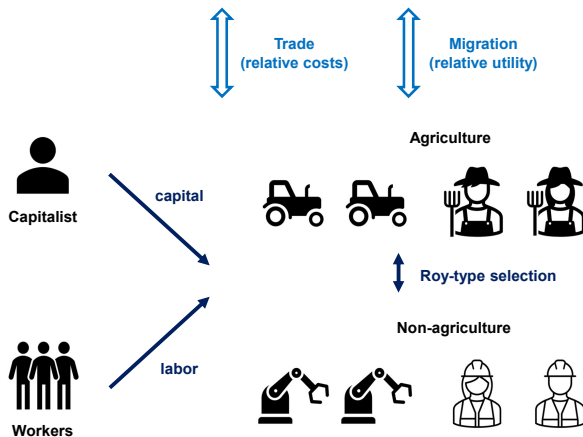
# Quantitative Framework: Mechanism



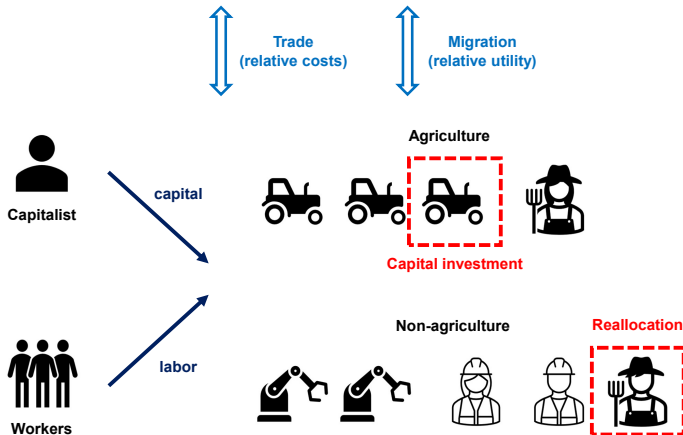
Migrant selection (1910-1930)

Migrant selection (1940-1950)

# Quantitative Framework: Mechanism



# Quantitative Framework: Mechanism

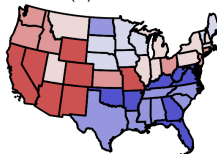


# Result: Shock and Outcomes

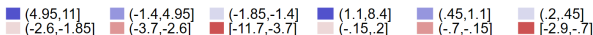
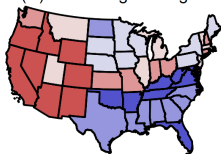
(A) Restricted out-migration to the North



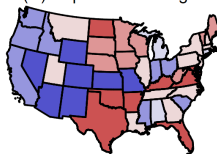
(B) K/L ratio



(C) Labor wage changes



(D) Capital rent changes



- ▶ **Shock:** No migration from the South to the North (1940-1970)
- ▶ Model outcomes in 1970: Panels B to D.
  - The Southern states increased capital relative to labor.



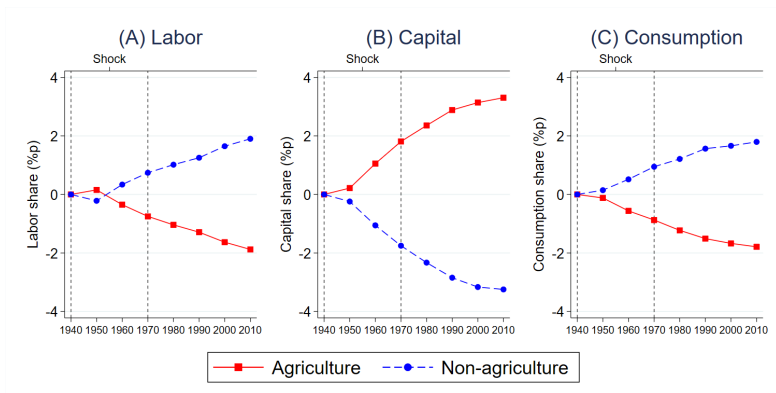
## Result: Consumption Welfare

	(1) Baseline results	(2) No factor substitution	(3) No trade adjustment	(4) No directed technical change	(5) Without all adjustments
A. Consumption welfare effect	+0.66%	-1.86%	0.18%	-0.09%	-2.94%
B. Contribution of each channel	-	[69.8%]	[12.8%]	[20.4%]	[100%]

Table: Welfare effect and the contribution of each model element.

- ▶ The GM increased the United States consumption welfare by 0.66% per capita by 1970 (South: +3.2%, North: -0.4%).
- ▶ **Contribution analysis:** Columns 2-5
  - Compare the difference between the welfare effects of the full model and a constrained version by turning off each model component.
  - Labor-capital substitution played a leading role.
  - Capital-biased technical change and the trade adjustment played important supplementary roles.

# Result: Economic Allocation in the South



- ▶ The economic adjustments to the GM decreased agricultural employment share by around 2 p.p. in the South.
- ▶ ... which could have contributed to around 7% of the total decrease during the study period.

# Conclusion

- ▶ The Great Migration (out-migration) induced structural change and economic advancement in the American South.
  - Factor substitution most important

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- ✓ **The American South's experience holds lessons even today.**
  1. Still high share of employment in labor-intensive agriculture in rural areas in developing countries.
    - ▶ Out-migration may reduce spatial misallocation of factors.

# Conclusion

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  - Factor substitution most important
- ✓ **The American South's experience holds lessons even today.**
  1. Still high share of employment in labor-intensive agriculture in rural areas in developing countries.
    - ▶ Out-migration may reduce spatial misallocation of factors.
  2. Potential applications to other settings.
    - ▶ Low birth rates  $\Rightarrow$  structural change within non-agriculture (more substitutable sector to complementary sector).
    - ▶ Sudden decreases in low-skilled labor  $\Rightarrow$  responses depending on the substitutability across skill groups and capital (e.g., manufacturing will contract if low-skilled workers are more complementary to high-skilled and capital).

*Thank You!*

## References I

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## Related Literature: Migration and Development

- ▶ The influences of out-migration on origin through ...
  - Labor market upgrading (Akram, Chowdhury and Mobarak, 2018),
  - Output mix adjustments (Lafortune, Tessada and González-Velosa, 2015),
  - Directed technological change (Andersson et al., 2022; San, 2023),
  - Labor/capital substitution (Hornbeck and Naidu, 2014; Clemens, Lewis and Postel, 2018; Abramitzky, Ager, Boustan, Cohen and Hansen, 2023),
  - Human capital investment (Theoharides, 2018; Caballero, Cadena and Kovak, 2023), and
  - Trade integration (Egger, Faber, Li and Lin, 2024).
- ▶ Promoting rural out-migration may help correct spatial misallocation of labor and capital.
  - Banerjee and Duflo (2005); Hsieh and Klenow (2009); Adamopoulos and Restuccia (2014); Gollin, Lagakos and Waugh (2014)

## Related Literature: Empirical Macroeconomics

- ▶ Theoretical results that focus on the role of physical capital:
    - Acemoglu and Guerrieri (2008); Alvarez-Cuadrado, Van Long and Poschke (2017); Alonso-Carrera and Raurich (2018); Caunedo and Keller (2024)
  - ▶ Empirical evidence on the structural change mechanism:
    - Michaels, Rauch and Redding (2012); Fajgelbaum and Redding (2018); Bustos, Garber and Ponticelli (2020); Dinkelman, Kumchulesi and Mariotti (Forthcoming)
  - ▶ e.g., Bustos et al. (2020) show that capital accumulation from agricultural productivity improvement led to structural change in Brazil (capital supply channel).
- ⇒ This paper emphasizes the role of capital demand from the factor substitution channel.





# History: International Immigration

- ▶ Between the 1920s border closure and the 1965 Immigration and Nationality Act (Hart-Celler), international immigration to the U.S. was largely restricted by the national quota system.
- ▶ Still, labor demand in Northern and Western states remained high (Abramitzky, Ager, Boustan, Cohen and Hansen, 2023).

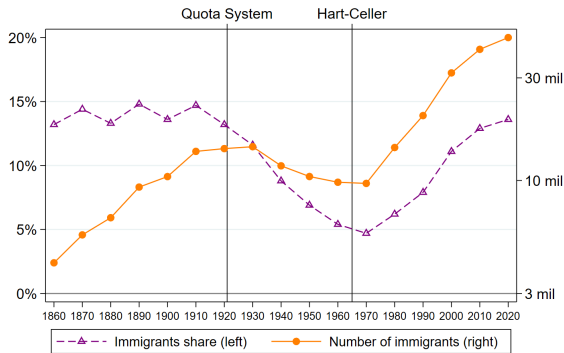
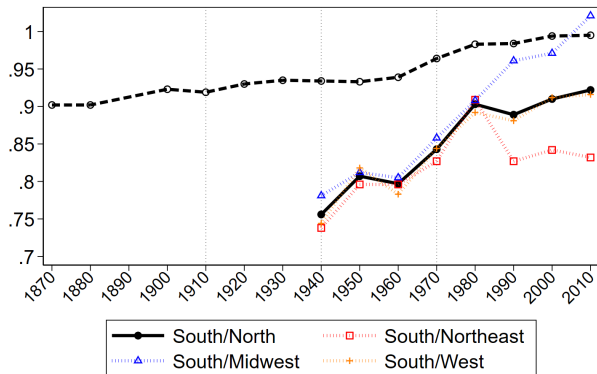


Figure A1: U.S. Immigrant Population and Share, 1860-Present.

# History: Wage Convergence

- ▶ At the same time, the South caught up with the North in non-agricultural wages (labor price), especially until 1980.



\* Straight line: recorded wage. Dashed line: occupational score (1950 median).

Figure A2: Non-agricultural wage ratio by region, 1940-2010.



# Theory: Factor Substitution

- ▶ **Question:** How an economy adjust when the economy-wide capital-to-labor ratio,  $k = K/L$ , changes?
- ▶ **Main focus:** Factor allocation across sectors
  - Share of capital allocated to agriculture,  $\kappa^A = K^A/(K^A + K^M)$
  - Labor share of agriculture,  $\lambda^A = L^A/(L^A + L^M)$
  - For tractability, think of a case where  $\sigma^s = 1$  for non-agriculture.
  - Both factors are fully employed and perfectly mobile across sectors.

## Theory: Factor Substitution

### Prediction 1 (Factor substitution)

*As the economy-wide capital-labor ratio,  $k$ , increases, the fraction of capital allocated to the more flexible sector (agriculture) increases, while the fraction of labor decreases. In particular,*

$$\begin{aligned}\frac{\partial \kappa^A}{\partial k} &= \frac{(1-\sigma)}{\sigma G(\kappa^A)k} > 0 \\ \frac{\partial \lambda^A}{\partial k} &= \left(\frac{\alpha}{1-\alpha}\right) \left(\frac{\lambda(\kappa^A)}{\kappa^A}\right)^2 \frac{\sigma-1}{\sigma G(\kappa^A)k} < 0.\end{aligned}$$

$$\text{where } G(\kappa^A) \equiv \left[ \frac{1}{\sigma(1-\lambda(\kappa^A))} + \frac{1}{\lambda(\kappa^A)} \right] \left( \frac{\lambda(\kappa^A)}{\kappa^A} \right) \left( \frac{\alpha}{1-\alpha} \right) + \left[ \frac{1}{\kappa^A} + \frac{1}{\sigma(1-\kappa^A)} \right].$$

- ▶ Out-migration and resulting relative labor scarcity would lead to an increase in capital allocated to agriculture,
- ▶ ... while also inducing structural change out of agriculture.

# Theory: Directed Technical Change

## Remark 1

**Direction of the technical change** ([Hicks, 1932](#); [Acemoglu, 2002, 2007](#))

*Assuming that the South can optimize its levels of technology, the direction of technical change would exhibit weak equilibrium bias as follows:*

$$\frac{d(Z_K^s/Z_L^s)^{\frac{\sigma^s-1}{\sigma^s}}}{d(K^s/L^s)} > 0, \quad (\text{A1})$$

where  $a \equiv Z_K/Z_L$  represents the relative level of capital- to labor-augmenting technology.

**Example:** Learning-by-doing ([Arrow, 1962](#); [Atkinson and Stiglitz, 1969](#)),  
Directed research and development ([Kennedy, 1964](#); [Acemoglu, 2002](#)),  
Capital-embodied technical change ([Mokyr, 1990](#); [Jones and Liu, 2024](#))

Go back

# Endogenous Migration (Second Period)

- ▶ In the view of the standard migration settings (e.g. Rosen-Roback), the wage increases raise the value of living in the South.
    - holding migration costs and amenities constant
  - ▶ Hence, the out-migration in the first period itself would ...
    - decrease gross migration flow from the South to the North, and
    - increase the flow in the opposite direction.
  - ▶ Still, the net effect is ambiguous and depends on the exact value of living in each region.
- ⇒ **The first-period out-migration incentivizes the second-period in-migration.**

Theoretical predictions (summary)





# Empirical Strategy: Zero Stage

	(1)	(2)	(3)	(4)	(5)	(6)
	1940-1950		1950-1960		1960-1970	
	Black	White	Black	White	Black	White
Latitude	-5.550 (3.605)	-0.154 (0.227)	-7.302* (3.937)	-0.377 (0.487)	-3.029* (1.828)	-1.355*** (0.226)
Longitude	-4.769*** (1.702)	0.035 (0.107)	-2.099 (1.907)	-0.412* (0.236)	-1.936** (0.914)	-0.248** (0.113)
Log population	67.285 (73.652)	3.636 (4.636)	-117.904 (106.951)	21.049 (13.216)	12.575 (49.977)	13.916** (6.172)
Log black population	-15.663*** (3.423)	0.101 (0.215)	-63.246*** (4.044)	1.234** (0.500)	-4.314** (2.076)	0.490* (0.256)
Log white population	-71.899 (74.179)	-3.410 (4.669)	162.889 (108.079)	-29.611** (13.356)	-11.011 (50.658)	-13.347** (6.256)
Urbanization	-0.987*** (0.279)	0.057*** (0.018)	-0.813*** (0.301)	0.251*** (0.037)	-0.307** (0.137)	-0.029* (0.017)
Median income	-3.979 (4.364)	0.016 (0.275)	26.244*** (8.928)	15.626*** (1.103)	14.718*** (4.577)	9.442*** (0.565)
Log housing units	12.854** (5.283)	-0.294 (0.333)	14.702** (5.736)	0.819 (0.709)	2.392 (2.646)	-1.024*** (0.327)
Median rent	-3.305 (5.549)	-0.064 (0.349)	-7.525 (7.098)	5.714*** (0.877)	-11.123*** (3.430)	5.218*** (0.424)
1940 Share naturalized	3.413 (3.138)	-0.559*** (0.198)	6.187* (3.422)	-0.407 (0.423)	5.571*** (1.573)	0.467** (0.194)
1940 Share foreigner	-1.768 (3.633)	-0.365 (0.229)	3.385 (3.977)	0.259 (0.491)	-1.126 (1.840)	-0.185 (0.227)
1940 Employment rate	3.579** (1.622)	0.874*** (0.102)	1.025 (1.802)	-0.163 (0.223)	1.328 (0.840)	0.469*** (0.104)
1940 Occupational score	0.036 (0.117)	0.018** (0.007)	0.227* (0.130)	0.015 (0.016)	-0.061 (0.060)	-0.020*** (0.007)
Republican vote share (1944)	-0.055 (0.438)	-0.072*** (0.028)	0.332 (0.484)	0.174*** (0.060)	-0.246 (0.224)	-0.041 (0.028)
Republican vote share (1948)	-1.028** (0.449)	0.032 (0.028)	-0.827* (0.492)	0.012 (0.061)	-0.252 (0.227)	0.087*** (0.028)
Republican vote share (1952)	0.478 (0.632)	-0.155*** (0.040)	0.052 (0.695)	0.004 (0.086)	0.600* (0.320)	-0.007 (0.039)
Republican vote share (1956)	0.101 (0.577)	0.234*** (0.036)	-0.664 (0.633)	-0.135* (0.078)	-0.233 (0.291)	0.083** (0.036)
Republican vote share (1960)	-0.312 (0.480)	0.002 (0.030)	0.494 (0.525)	0.133** (0.065)	0.090 (0.242)	0.044 (0.030)
Republican vote share (1964)	0.169 (0.412)	-0.011 (0.026)	-0.533 (0.453)	-0.153*** (0.056)	-0.035 (0.211)	-0.133*** (0.026)
Republican vote share (1968)	1.429** (0.600)	0.028 (0.038)	1.636** (0.660)	0.100 (0.082)	0.631** (0.305)	0.129*** (0.038)
Republican vote share (1972)	-0.090 (0.134)	-0.017** (0.008)	0.071 (0.147)	0.005 (0.018)	-0.048 (0.068)	-0.016* (0.008)
State FE	Yes	Yes	Yes	Yes	Yes	Yes
Observation	3,102	3,102	3,092	3,092	3,080	3,080
R <sup>2</sup>	0.152	0.234	0.333	0.261	0.114	0.525

Figure A3: Zero-stage in-migration prediction.

SSIV framework

# Empirical Strategy: Controls

## Time interacted control variables.

- ▶ Time-invariant county characteristics: log land area, longitude, latitude, and 1940 values of log population and total farm acres.
- ▶ 1940 agriculture conditions: the share of sharecroppers and acres harvested in cotton, tobacco, corn, and hay, as well as shares of farms in five different farm-size bins.
- ▶ Pre-period out-migration (1910-1920, 1920-1930, and 1930-1940 flows)
- ▶ Predicted rates during the treatment period (for 1940-1950, 1950-1960, and 1960-1970 flows)
  - Predicted Black out-migration from [Derenoncourt \(2022\)](#)
  - Predicted White out-migration from the zero stage
- ▶ Trade exposure: Japanese import penetration ([Batistich and Bond, 2023](#)).

Estimating equation



# Empirical Strategy: Fixed Effects

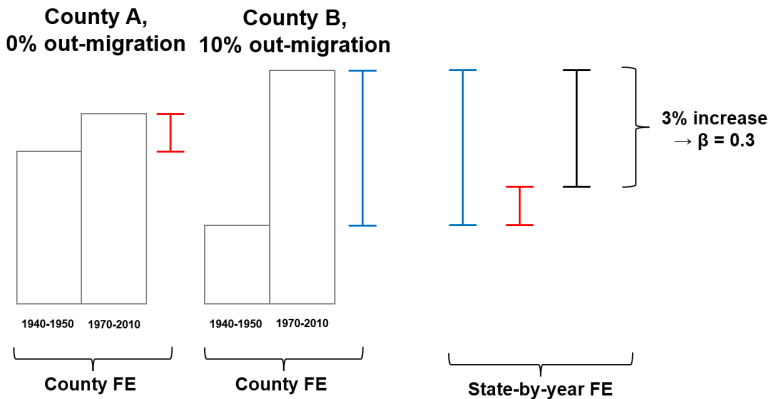


Figure A4: Conceptual role of the fixed effects. Estimating equation

More concretely, county and state-by-year fixed effects operate through removing county-level mean and state-by-year mean.

# Empirical Strategy: Time-interacted Instruments

- The main empirical specification uses time-interacted instruments:

Let  $\mathbf{x}$  be a  $N \times 1$  vector of net out-migration rates between 1940 and 1970 and  $\mathbf{z}$  be a  $N \times 1$  vector of predicted net out-migration rates. The regression uses

$$\mathbf{X} = \begin{pmatrix} \mathbf{x} \cdot 1_{\text{year}=1930} & 0 & 0 & \cdots & 0 \\ 0 & \mathbf{x} \cdot 1_{\text{year}=1940} & 0 & \cdots & 0 \\ & & \vdots & & \\ 0 & 0 & 0 & \cdots & \mathbf{x} \cdot 1_{\text{year}=2020} \end{pmatrix}$$

and

$$\mathbf{Z} = \begin{pmatrix} \mathbf{z} \cdot 1_{\text{year}=1930} & 0 & 0 & \cdots & 0 \\ 0 & \mathbf{z} \cdot 1_{\text{year}=1940} & 0 & \cdots & 0 \\ & & \vdots & & \\ 0 & 0 & 0 & \cdots & \mathbf{z} \cdot 1_{\text{year}=2020} \end{pmatrix},$$

where they are tridiagonal matrices ( $NT \times T$ ) of time-interacted endogenous and instrument variables.

# Empirical Strategy: Time-interacted Instruments

Given  $\hat{\gamma} = (\mathbf{z}'\mathbf{z})^{-1}\mathbf{z}'\mathbf{x}$ ,

$$\begin{aligned}\hat{\Gamma} &= (\mathbf{Z}'\mathbf{Z})^{-1}\mathbf{Z}'\mathbf{X} \\ &= \mathbf{I}_T \otimes (\mathbf{z}'\mathbf{z})^{-1}\mathbf{z}'\mathbf{x} \\ &= \mathbf{I}_T \otimes \hat{\gamma} \\ &= \begin{pmatrix} \hat{\gamma} & \mathbf{0} & \mathbf{0} & \dots & \mathbf{0} \\ \mathbf{0} & \hat{\gamma} & \mathbf{0} & \dots & \mathbf{0} \\ & & \vdots & & \\ \mathbf{0} & \mathbf{0} & \mathbf{0} & \dots & \hat{\gamma} \end{pmatrix}. \end{aligned} \tag{A5}$$

- The first stage estimates  $\hat{\Gamma}$  is a diagonal matrix with its diagonal elements equal to the canonical first stage estimates  $\hat{\gamma}$ .

# Empirical Strategy: Identification Assumption

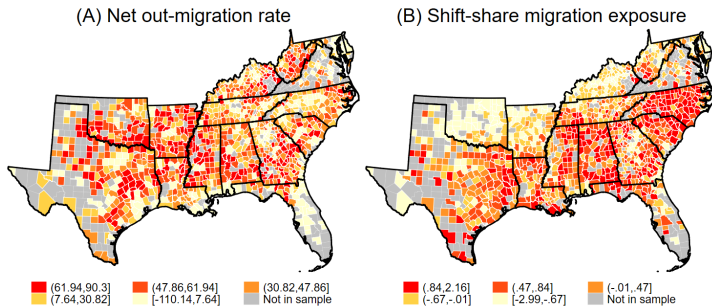


Figure A5: Map of the out-migration rate and the instrument (1940-1970)

- **Assumption:** Southern counties would have changed the same in the absence of the differential exposure to Northern pull factors (between 1940 and 1970), when compared to other counties ...
  - in the same state
  - with similar levels of Southern push factors, and
  - with similar pre-migration characteristics.

# Empirical Strategy: First stage

## Scatter plots:

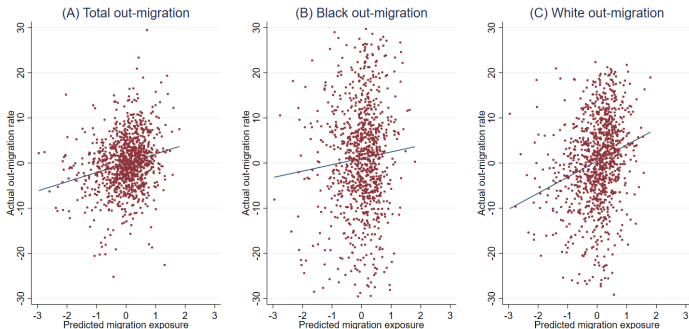


Figure A6: First-stage result.

- Results using Panel A are the baseline (combining Black and White migration).

First-stage table

# Result: Agriculture, 1940-1950 vs. 1970-2010.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Agriculture employment	Number of farms	Acres in farmland	Number of tractors	Number of combines	Farm output	Farm value per acre
(A) Out-migration rate (OLS, 1%)	-0.020***	-0.009***	-0.001	0.007***	0.000	0.008***	0.012***
Clustered s.e. (county)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Fixed effects	No	No	No	No	No	No	No
Controls	No	No	No	No	No	No	No
(B) Migration exposure (SSIV, 1std)	-0.003	-0.039	-0.146***	-0.013	-0.056	0.042	0.127***
Clustered s.e. (county)	(0.036)	(0.027)	(0.030)	(0.029)	(0.050)	(0.044)	(0.032)
Fixed effects	No	No	No	No	No	No	No
Controls	No	No	No	No	No	No	No
(C) Migration exposure (SSIV, 1std)	-0.180***	-0.088***	-0.074***	0.192***	0.247***	-0.046	0.010
Clustered s.e. (county)	(0.030)	(0.021)	(0.018)	(0.029)	(0.065)	(0.031)	(0.016)
Fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	No	No	No	No	No	No	No
(D) Migration exposure (SSIV, 1std)	-0.042*	-0.023*	-0.082***	0.150***	0.043	-0.033	0.020
Clustered s.e. (county)	(0.024)	(0.012)	(0.015)	(0.028)	(0.062)	(0.024)	(0.013)
Conley s.e. (250km)	[0.021]	[0.012]	[0.011]	[0.023]	[0.038]	[0.021]	[0.010]
Fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.457	0.626	0.353	0.447	0.087	0.968	0.640
First-stage F	26.59	24.62	24.36	25.40	18.48	14.64	26.76
Counties	1,096	1,096	1,096	1,090	1,058	1,090	1,090

Unit of observation: county-year. All dependent variables are logged. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A1:** Reduced-form results for agricultural outcomes.

- Agriculture became more mechanized, while farm output tended to be maintained.

Result: Employment share, 1940-1950 vs. 1970-2010.

	(1)	(2)	(3)	(4)	(5)
	Agriculture	Manufacturing	Services	Consumer services	Producer services
Migration exposure (SSIV, 1std)	-0.081***	0.064*	0.005	0.030*	-0.033
Clustered s.e. (county)	(0.025)	(0.033)	(0.016)	(0.017)	(0.032)
Conley s.e. (250km)	[0.019]	[0.021]	[0.011]	[0.013]	[0.027]
Fixed effects	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes
R-squared	0.345	0.127	0.085	0.258	0.133
First-stage F	25.49	21.60	23.57	21.85	24.27
counties	1,096	1,096	1,096	1,096	1,078

Unit of observation: county-year. All dependent variables are logged. Consumer services are defined to be NAICS classification in 42-45 and 61-72. Producer services include 51-56. \*  $p < 0.10$ . \*\*  $p < 0.05$ . \*\*\*  $p < 0.01$ .

- ▶ Counties more exposed to Northern pull factors experienced more structural change out of agriculture, but not much increases for producer services.
- ▶ **Potential reason:** A less capital-intensive sector is less affected by the factor reallocation (induced by the out-migration).

Result: Education, 1940-1950 vs. 1970-2010.

	(1)	(2)	(3)	(4)	(5)
	Median school year	Share high school	Share college	Education spending	Employment in education
Migration exposure (SSIV, 1std)	-0.009***	0.008	-0.023	-0.013	-0.015**
Clustered s.e. (county)	(0.003)	(0.007)	(0.029)	(0.011)	(0.007)
Conley s.e. (250km)	[0.002]	[0.006]	[0.028]	[0.007]	[0.006]
Fixed effects	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes
R-squared	0.160	0.391	0.087	0.311	0.448
First-stage F	20.61	30.63	40.96	15.48	23.22
counties	1,096	1,096	1,096	1,094	1,096

Unit of observation: county-year. All dependent variables are logged. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Table A2: Reduced-form results for educational outcomes.

- ▶ Overall results show that counties with higher out-migration rates did not experience meaningful improvements in education (human capital).
- ▶ The relative capital deepening might have reduced the incentive for human capital accumulation.
  - ⇒ Out-migration could have complemented the North-South convergence in education (Caselli and Coleman II, 2001).



# Results: Second-stage Results

## Panel A. Agriculture

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Employment	Number of farms	Acres in farmland	Number of tractors	Number of combines	Farm output	Farm value per acre
Out-migration rate (2SLS, 1%)	-0.011*	-0.006*	-0.023***	0.042***	0.014	-0.004	0.005
Clustered s.e. (County)	(0.007)	(0.004)	(0.006)	(0.010)	(0.020)	(0.004)	(0.003)
First-stage F	26.59	24.62	24.36	25.40	18.48	14.64	26.76
Counties	1,096	1,096	1,096	1,090	1,058	1,090	1,090

## Panel B. Manufacturing

	(1)	(2)	(3)	(4)	(5)
	Employment	Number of establishment	Capital spending	Value added	Annual payroll
Out-migration rate (2SLS, 1%)	0.022**	0.026***	0.040	0.024	0.043**
Clustered s.e. (County)	(0.011)	(0.007)	(0.028)	(0.021)	(0.017)
First-stage F	23.03	24.33	15.54	21.07	22.23
Counties	1,096	1,096	1,065	1,096	1,096

## Panel C. Wholesale and retail

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Wholesale emp.	Wholesale est.	Wholesale sales	Wholesale payroll	Retail emp.	Retail est.	Retail sales	Retail payroll
Out-migration rate (2SLS, 1%)	0.047***	0.040***	0.026*	0.035**	0.021***	0.010***	0.015***	0.022***
Clustered s.e. (County)	(0.011)	(0.010)	(0.014)	(0.015)	(0.006)	(0.003)	(0.005)	(0.007)
First-stage F	27.46	24.93	27.57	22.70	25.07	25.06	25.07	25.04
Counties	1,083	1,096	1,086	1,086	1,096	1,096	1,096	1,096

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A3: Second-stage estimates (two-stage least squares).**

Result: 2SLS and Robustness

# Results: Pretrend tests

## Panel A. Agriculture

	(1) Employment	(2) Number of farms	(3) Acres in farmland	(4) Number of tractors	(5) Farm output	(6) Farm value per acre
Migration exposure (SSIV, 1std)	0.051***	0.009	0.014	0.029	0.038***	-0.004
Clustered s.e. (county)	(0.013)	(0.011)	(0.018)	(0.021)	(0.012)	(0.013)
First-stage F	12.97	12.97	15.99	16.71	12.97	12.97
Counties	1,096	1,096	1,095	1,090	1,096	1,096

## Panel B. Manufacturing

	(1) Employment	(2) Number of establishments	(3) Value added	(4) Annual payroll	(5) Intermediate goods	(6) Revenue
Migration exposure (SSIV, 1std)	-0.058	0.022	-0.041	-0.066	-0.007	-0.021
Clustered s.e. (county)	(0.041)	(0.019)	(0.033)	(0.042)	(0.042)	(0.036)
First-stage F	14.36	13.05	12.69	12.69	12.69	12.69
Counties	1,035	1,058	994	994	994	994

## Panel C. Wholesale

	(1) Wholesale employment	(2) Wholesale establishment	(3) Wholesale sales	(4) Wholesale annual payroll
Migration exposure (SSIV, 1std)	-0.035	-0.001	-0.036	0.003
Clustered s.e. (county)	(0.038)	(0.030)	(0.033)	(0.036)
First-stage F	14.52	14.83	14.77	13.13
Counties	947	1,060	953	943

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A4: Preperiod outcomes (1920-1930 vs. 1940).**

# Results: Overidentification Tests

## Panel A. Agriculture

	(1) Employment	(2) Number of farms	(3) Acres in farmland	(4) Number of tractors	(5) Number of combines	(6) Farm output	(7) Farm value per acre
Out-migration rate (2SLS, 1%)	-0.012* (0.006)	-0.010** (0.004)	-0.024*** (0.006)	0.039*** (0.011)	0.019 (0.020)	-0.016** (0.008)	0.005 (0.003)
First-stage F	13.69	13.16	13.16	13.22	10.93	13.16	13.16
Sargan-Hansen J	0.43	0.15	1.74	0.17	1.78	0.03	0.00
Sargan-Hansen p-value	0.51	0.70	0.19	0.68	0.18	0.87	1.00

## Panel B. Manufacturing

	(1) Employment	(2) Number of establishment	(3) Capital spending	(4) Value added	(5) Annual payroll
Out-migration rate (2SLS, 1%)	0.020* (0.011)	0.026*** (0.007)	0.044 (0.027)	0.019 (0.019)	0.039** (0.016)
First-stage F	12.38	12.82	8.00	11.04	11.67
Sargan-Hansen J	1.79	0.03	1.90	4.59	4.20
Sargan-Hansen p-value	0.18	0.87	0.17	0.03**	0.04**

## Panel C. Wholesale and retail

	(1) Wholesale emp.	(2) Wholesale est.	(3) Wholesale sales	(4) Wholesale payroll	(5) Retail emp.	(6) Retail est.	(7) Retail sales	(8) Retail payroll
Out-migration rate (2SLS, 1%)	0.052*** (0.012)	0.042*** (0.010)	0.029** (0.014)	0.037*** (0.014)	0.019*** (0.005)	0.009*** (0.003)	0.013*** (0.004)	0.020*** (0.006)
First-stage F	14.40	13.25	14.39	12.46	13.16	13.16	13.16	13.15
Sargan-Hansen J	5.89	0.74	1.32	0.60	12.05	2.35	13.59	15.43
Sargan-Hansen p-value	0.02**	0.39	0.25	0.44	0.00***	0.13	0.00***	0.00***

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A5: Overidentification tests using shares (second-stage estimates).**

## Robustness: Falsification Tests

	(1)	(2)	(3)
	Local government employment	Local government annual payroll	Federal government employment
Migration exposure (SSIV, 1std)	-0.015	-0.018*	0.019
Clustered s.e. (county)	(0.009)	(0.010)	(0.021)
Conley s.e. (250km)	[0.009]	[0.008]	[0.021]
R-squared	0.404	0.187	0.219
First-stage F	17.11	23.81	16.85
County	1,096	1,096	1,096

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A6: SSIV estimation results from the public sector.**

### Result: 2SLS and Robustness

# Robustness: Placebo Tests

## Panel A. Agriculture

	(1) Employment	(2) Number of farms	(3) Acres in farmland	(4) Number of tractors	(5) Number of combines	(6) Farm output	(7) Farm value per acre
Migration exposure	0.001 (0.009)	0.000 (0.003)	-0.001 (0.003)	0.004 (0.006)	0.003 (0.018)	0.004 (0.006)	-0.001 (0.003)
R-squared	0.457	0.625	0.338	0.438	0.088	0.968	0.639
First-stage F	0.72	0.39	0.39	0.40	0.25	0.39	0.39

## Panel B. Manufacturing

	(1) Employment	(2) Number of establishment	(3) Capital spending	(4) Value added	(5) Annual payroll
Migration exposure	-0.004 (0.012)	-0.001 (0.005)	0.079* (0.042)	0.013 (0.028)	0.003 (0.021)
R-squared	0.156	0.411	0.161	0.144	0.173
First-stage F	0.52	0.77	0.96	1.28	1.30

## Panel C. Wholesale and retail

	(1) Wholesale emp.	(2) Wholesale est.	(3) Wholesale sales	(4) Wholesale payroll	(5) Retail emp.	(6) Retail est.	(7) Retail sales	(8) Retail payroll
Migration exposure	-0.005 (0.010)	0.001 (0.006)	0.001 (0.027)	0.008 (0.027)	-0.001 (0.004)	-0.001 (0.003)	-0.002 (0.004)	0.001 (0.005)
R-squared	0.269	0.435	0.141	0.129	0.659	0.727	0.679	0.623
First-stage F	0.35	0.37	0.36	0.16	0.38	0.39	0.39	0.38

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A7: Placebo test - Shuffled migration exposure.**

Result: 2SLS and Robustness

# Robustness: Placebo Tests

## Panel A. Agriculture

	(1) Employment	(2) Number of farms	(3) Acres in farmland	(4) Number of tractors	(5) Number of combines	(6) Farm output	(7) Farm value per acre
Migration exposure	-0.000 (0.015)	-0.007 (0.006)	-0.011* (0.006)	0.000 (0.020)	0.039 (0.035)	-0.015 (0.013)	0.005 (0.007)
R-squared	0.457	0.625	0.339	0.438	0.087	0.968	0.640
First-stage F	0.02	0.02	0.05	0.00	0.04	2.49	0.02

## Panel B. Manufacturing

	(1) Employment	(2) Number of establishment	(3) Capital spending	(4) Value added	(5) Annual payroll
Migration exposure	-0.015 (0.024)	-0.006 (0.010)	-0.108 (0.111)	-0.070 (0.049)	-0.023 (0.041)
R-squared	0.156	0.411	0.160	0.144	0.173
First-stage F	0.00	0.06	0.28	0.14	0.15

## Panel C. Wholesale and retail

	(1) Wholesale emp.	(2) Wholesale est.	(3) Wholesale sales	(4) Wholesale payroll	(5) Retail emp.	(6) Retail est.	(7) Retail sales	(8) Retail payroll
Migration exposure	0.013 (0.016)	0.013 (0.011)	0.048 (0.044)	0.031 (0.037)	0.009 (0.008)	-0.002 (0.006)	0.013* (0.007)	0.013 (0.010)
R-squared	0.269	0.435	0.141	0.130	0.659	0.727	0.679	0.623
First-stage F	0.17	0.12	0.16	0.04	0.04	0.04	0.04	0.05

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A8: Placebo test - Random share.**

Result: 2SLS and Robustness

# Robustness: Placebo Tests

## Panel A. Agriculture

	(1) Employment	(2) Number of farms	(3) Acres in farmland	(4) Number of tractors	(5) Number of combines	(6) Farm output	(7) Farm value per acre
Migration exposure	-0.021 (0.017)	-0.003 (0.015)	0.003 (0.014)	0.004 (0.014)	0.003 (0.053)	-0.030* (0.016)	-0.029 (0.020)
R-squared	0.457	0.625	0.338	0.438	0.087	0.968	0.641
First-stage F	5.07	7.76	5.75	5.15	4.76	0.03	3.38

## Panel B. Manufacturing

	(1) Employment	(2) Number of establishment	(3) Capital spending	(4) Value added	(5) Annual payroll
Migration exposure	0.060** (0.029)	0.039*** (0.013)	-0.005 (0.030)	0.035 (0.035)	0.045 (0.030)
R-squared	0.157	0.413	0.160	0.144	0.173
First-stage F	2.95	3.66	2.58	2.63	2.62

## Panel C. Wholesale and retail

	(1) Wholesale emp.	(2) Wholesale est.	(3) Wholesale sales	(4) Wholesale payroll	(5) Retail emp.	(6) Retail est.	(7) Retail sales	(8) Retail payroll
Migration exposure	0.035 (0.030)	0.037** (0.018)	-0.002 (0.030)	0.015 (0.030)	0.030* (0.016)	0.009 (0.008)	0.017 (0.012)	0.030* (0.018)
R-squared	0.270	0.436	0.141	0.130	0.660	0.727	0.679	0.624
First-stage F	2.23	2.61	2.29	1.58	4.31	4.31	4.31	4.30

All results include the set of fixed effects and control variables. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table A9: Placebo test - Random shift.**

Result: 2SLS and Robustness

# Robustness: Alternative Specifications

1. Using the 1935-1940 migration matrix
2. Separate estimates by race
3. Alternative approaches for in-migration prediction
  - actual number of in-migrants random forest algorithm
4. Former Confederate sample
5. Balanced counties sample (for all the main variables)
6. 1940 population-weighted regression
7. Dropping the time-varying controls
  - Contemporaneous population and net migration rate
8. Dropping the predicted migration rates between 1940-1970
9. Alternative base years
  - Only 1940 vs. All years (1940, 1950, and 1960)
10. Adding a weighted average of other Southern counties' exposures
  - Adjacent counties vs. Within-South migration linkages

Result: 2SLS and Robustness



## Appendix: NAICS Classification

Sector	Definition
42-45	Wholesale and Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative Support, Waste Management and Remediation
61	Educational Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

Table A11: NAICS industry classification.

# Migrants Selection: 1910-1930 (1910 characteristics)

	White Males			Black Males		
	Average	Simple Difference	Adjusted Difference	Average	Simple Difference	Adjusted Difference
A. Literacy rate ( $N = 14,761$ white and $3,702$ black)						
Non-migrants	0.924	—	—	0.650	—	—
S-to-N Migrants	0.936	0.013**	-0.004	0.684	0.035*	0.008
B. School attendance rate (age 6 to 15) ( $N = 6,587/1,705$ )						
Non-migrants	0.828	—	—	0.613	—	—
S-to-N Migrants	0.838	0.010	-0.003	0.655	0.043	0.035
C. Occupation education score ( $N = 11,834/3,239$ )						
Non-migrants	10.77	—	—	7.90	—	—
S-to-N Migrants	10.92	0.148***	0.062	8.02	0.120***	0.025
D. Farm origin ( $N = 21,367/5,462$ )						
Non-migrants	0.610	—	—	0.592	—	—
S-to-N Migrants	0.500	-0.071***	-0.090***	0.502	-0.090***	-0.033*
E. Homeownership rate ( $N = 21,367/5,462$ )						
Non-migrants	0.543	—	—	0.222	—	—
S-to-N Migrants	0.505	-0.038**	-0.037**	0.251	0.030**	0.007

Controls: age and county-of-origin FE. SE clustered by county. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Reproduced from [Collins and Wanamaker \(2015\)](#).

- ▶ While there is some evidence of positive selection during the First Great Migration, the degree of selection was small, and participation in migration was widespread ([Collins and Wanamaker, 2015](#)). [Go back](#)

# Migrants Selection: 1940-1950 (1940 characteristics)

	Whites			Blacks		
	Average	Simple Difference	Adjusted Difference	Average	Simple Difference	Adjusted Difference
A. Farm origin ( $N = 7,844,522$ White and $1,378,810$ Black)						
Non-migrants	0.378	—	—	0.464	—	—
S-to-N Migrants	0.296	-0.082	-0.071	0.365	-0.099	-0.110
B. Employed in agriculture ( $N = 7,844,522/1,378,810$ )						
Non-migrants	0.170	—	—	0.283	—	—
S-to-N Migrants	0.130	-0.040	-0.029	0.216	-0.067	-0.064
C. Employed in manufacturing ( $N = 7,844,522/1,378,810$ )						
Non-migrants	0.110	—	—	0.081	—	—
S-to-N Migrants	0.097	0.013	0.004	0.097	0.015	0.021
D. Employment rate ( $N = 7,844,522/1,378,810$ )						
Non-migrants	0.541	—	—	0.599	—	—
S-to-N Migrants	0.530	0.011	0.006	0.585	-0.014	0.007
E. Home ownership rate ( $N = 7,779,682/1,370,488$ )						
Non-migrants	0.513	—	—	0.306	—	—
S-to-N Migrants	0.310	-0.204	-0.180	0.197	-0.109	-0.051
F. Real income (USD, $N = 3,090,106/586,339$ )						
Non-migrants	996.45	—	—	407.04	—	—
S-to-N Migrants	1037.45	41.00	117.04	407.58	0.53	33.354

Controls: age and county-of-origin FE. All differences are statistically significant at the 1% level (county cluster). Replicate [Collins and Wanamaker \(2015\)](#) using 1940-1950 MLP linkages (preliminary version).

- There was an overall positive migrant selection that worked against structural change in the Southern origin.







# General Equilibrium - Migration

## Migration.

Individuals make forward-looking decisions over which region  $n$  to live in the next period:

$$\mathbb{V}_{i,t} = U(C_{i,t}) + \max_{\{n\}} \left\{ \beta \mathbb{E}[\mathbb{V}_{n,t+1}] - \kappa_{ni,t} + \eta u_{n,t} \right\}, \quad (\text{A9})$$

with migration costs  $\kappa$  and idiosyncratic shock  $u$  from a mean zero EVT1.

The solution to the above problem yields the migration share proportional to the migration cost- and elasticity-adjusted utility, compared to that of all other possible destinations:

$$\mathbb{M}_{in,t} = \frac{\exp \left( \beta \mathbb{E}_t(v_{n,t+1} - \kappa_{ni}) / \eta \right)}{\sum_{j=1}^N \exp \left( \beta \mathbb{E}_t(v_{j,t+1} - \kappa_{nj,t}) / \eta \right)}, \quad (\text{A10})$$

where  $i$  indexes origin and  $n$  is destination.

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# Quantitative Model - Capitalists

## Consumption and investment.

In each region, geographically immobile capitalists choose their consumption and investment to maximize:

$$v_{i,t}^k = \mathbb{E}_t \sum_{t=0}^{\infty} \beta^t \frac{(C_{i,t}^k)^{1-1/\psi}}{1-1/\psi}, \quad (\text{A11})$$

- ▶ ... in intertemporal elasticity of substitution form with parameter  $\psi$ .
- ▶ ... subject to their budget constraints:

$$\bar{r}_{i,t} K_{i,t} = P_{i,t} (C_{i,t}^k + K_{i,t+1} - (1 - \delta) K_{i,t}). \quad (\text{A12})$$

- ▶ ... where  $\bar{r}_{i,t}$  is the average net return on capital. The gross real return on capital is  $\bar{R}_{i,t} \equiv 1 - \delta + \bar{r}_{i,t}/P_{i,t}$  with the depreciation rate  $\delta$ .

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# Quantitative Model - Capitalists

## Capital allocation (intertemporal).

In each period  $t$ , capitalists consume a fixed share  $\varsigma_{i,t}$  of their real gross investment income  $\bar{R}_{i,t}K_{i,t}$ , as in [Kleinman et al. \(2023\)](#):

$$\varsigma_{i,t}^{-1} = 1 + \mathbb{E}_t \beta^\psi \left( \left[ R_{i,t+1}^{\frac{\psi-1}{\psi}} - \frac{1}{\psi} \varsigma_{i,t+1} \right] \right)^\psi, \quad (\text{A13})$$

- ▶ Solved recursively with the expected sequences of future returns.
- ▶ A special case of log utility ( $\psi = 1$ ) yields a constant consumption rate  $\varsigma_{i,t} = 1 - \beta$ .

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# Quantitative Model - Capitalists

## Capital allocation (intratemporal).

The capital efficiency follows a sector-specific Frechet distribution,  
 $P(a_{i,t}^{k,s} \leq a) = \exp(-(a/A_i^{k,s})^{-\zeta^k})$ . The capital allocation across sectors is:

$$s_i^{k,s} = (A_i^{k,s} r_i^s / \bar{r}_i)^{\zeta^k}, \quad (\text{A14})$$

and the effective capital for each sector is:

$$K_i^s = \Gamma_{\zeta^k} A_i^{k,s} (r_i^s / \bar{r}_i)^{\zeta^k - 1} K_i \equiv A_i^{k,s} \tilde{K}_i^s. \quad (\text{A15})$$

The capital efficiency consists of exogenous fundamental  $\bar{A}$  and endogenous components  $F^s(\cdot)$  that depends on regional economic allocations:

$$A_i^{k,s} = \bar{A}_i^{k,s} \times F^s(\cdot), \quad (\text{A16})$$

where  $F^s(\cdot)$  incorporates the dynamic weak equilibrium bias in reduced form.

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# Quantitative Model - Production

## Production.

In each region  $i$ , a representative local firm in each sector  $s$  uses the following CES technology:

$$Y_{i,t}^s = z_{i,t}^s \left( \rho_i^s (A_{i,t}^{w,s} \tilde{L}_{i,t}^s)^{\frac{\sigma^s-1}{\sigma^s}} + (1 - \rho_i^s) (A_{i,t}^{k,s} \tilde{K}_{i,t}^s)^{\frac{\sigma^s-1}{\sigma^s}} \right)^{\frac{\sigma^s}{\sigma^s-1}}, \quad (\text{A17})$$

with Hicks-neutral technology  $z_i^s$  drawn from a Frechet distribution with local fundamental  $Z_i^s$  and the shape parameter  $\theta^s$ .

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# General Equilibrium - Trade

## Trade.

The price of a good in importer region  $n$  for industry  $s$  is determined as the minimum unit cost across all regions:

$$p_{n,t}^s = \min_{1 \leq i \leq N} \left\{ \frac{x_{i,t}^s \tau_{ni,t}^s}{z_{i,t}^s} \right\}. \quad (\text{A18})$$

The unit cost function follows from the CES production structure:

$$x_{i,t}^s = \min \left( w_{i,t}^s A_{i,t}^{w,s} \tilde{L}_{i,t}^s + r_{i,t}^s A_{i,t}^{k,s} \tilde{K}_{i,t}^s \right) = \left( (\rho_i^s)^{\sigma^s} (w_{i,t}^s)^{1-\sigma^s} + (1-\rho_i^s)^{\sigma^s} (r_{i,t}^s)^{1-\sigma^s} \right)^{\frac{1}{1-\sigma^s}}.$$

With the distributional assumption on the Hicks-neutral productivity term, the bilateral expenditure share is given by:

$$S_{ni,t}^s = \frac{Z_{i,t}^s (x_{i,t}^s \tau_{ni,t}^s)^{-\theta^s}}{\sum_{j=1}^N Z_{j,t}^s (x_{j,t}^s \tau_{nj,t}^s)^{-\theta^s}}, \quad (\text{A19})$$

where  $i$  indexes exporter and  $n$  is importer.

# Dynamic Exact Hat Algebra: Notation

- ▶ Time-varying/time-constant fundamentals and economic outcomes.
  - Geographic fundamentals:  $\{\bar{Z}_{i,t}^s, \bar{A}_{i,t}^{w,s}, \bar{A}_{i,t}^{k,s}, B_{i,t}, \tau_{ni,t}^s, \kappa_{ni,t}\}$ .
  - Prices and allocation:  $\{w_{i,t}^s, r_{i,t}^s, L_{i,t}, K_{i,t}, \mathbb{V}_{i,t}\}$ .
- ▶ Hat Algebra notations.
  - A “dot” represents changes over time:  $\dot{Y}_{t+1} \equiv Y_{t+1}/Y_t$ .
  - A “hat” represents counterfactual time changes relative to the baseline time changes,  $\hat{Y}_t \equiv \dot{Y}'_t/\dot{Y}_t$ .
- ▶ **Stationary Equilibrium.** A sequential competitive equilibrium in which no aggregate variables change over time. It requires fundamentals to be constant.

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# Dynamic Exact Hat Algebra: Temporary Equilibrium

Given the economic allocation at  $t$ , the solution to the **Temporary Equilibrium** at  $t + 1$  for a given change in  $\{\dot{L}_{t+1}, \dot{K}_{t+1}, \dot{\Theta}_{t+1}\}$  are calculated as the solution to the following system of non-linear equations:

$$\dot{x}_{i,t+1}^s = \left( (\xi_{i,t}^s)(\dot{w}_{i,t+1}^s)^{1-\sigma^s} + (1 - \xi_{i,t}^s)(\dot{r}_{i,t+1}^s)^{1-\sigma^s} \right)^{\frac{1}{1-\sigma^s}}, \quad (\text{T1})$$

$$\dot{p}_{n,t+1}^s = \left[ \sum_{i=1}^N \mathbb{S}_{ni,t}^s \left( \dot{\tau}_{ni,t+1}^s \dot{x}_{i,t+1}^s \right)^{-\theta^s} \right]^{-1/\theta^s}, \quad (\text{T2})$$

$$\mathbb{S}_{ni,t+1}^s = \mathbb{S}_{ni,t}^s \left( \frac{\dot{\tau}_{ni,t+1}^s \dot{x}_{i,t+1}^s}{\dot{p}_{n,t+1}^s} \right)^{-\theta^s}, \quad (\text{T3})$$

$$s_{i,t+1}^{w,s} = s_{i,t}^{w,s} \left( \frac{\dot{A}_{i,t+1}^{w,s} \dot{w}_{i,t+1}^s}{\dot{w}_{i,t+1}^s} \right) \quad \text{and} \quad s_{i,t+1}^{k,s} = s_{i,t}^{k,s} \left( \frac{\dot{A}_{i,t+1}^{k,s} \dot{r}_{i,t+1}^s}{\dot{r}_{i,t+1}^s} \right), \quad (\text{T4})$$

$$\dot{L}_{i,t+1}^s = \dot{A}_{i,t+1}^{w,s} \dot{s}_{i,t+1}^{w,s} \dot{L}_{i,t+1} \quad \text{and} \quad \dot{K}_{i,t+1}^s = \dot{A}_{i,t+1}^{k,s} \dot{s}_{i,t+1}^{k,s} \dot{K}_{i,t+1}, \quad (\text{T5})$$

# Dynamic Exact Hat Algebra: Temporary Equilibrium

$$\begin{aligned} E_{n,t+1}^s &= \dot{w}_{n,t+1}^s \dot{L}_{n,t+1}^s w_{n,t}^s L_{n,t}^s \quad \text{and} \\ E_{n,t+1}^k &= (1 - \beta) \sum_{s \in \{a,m,l\}} \dot{R}_{n,t+1}^s \dot{K}_{n,t+1}^s R_{n,t}^s K_{n,t}^s \end{aligned} \quad (\text{T6})$$

$$\varphi_{is,t+1}^k = \phi^k + (\varphi_{is,t}^k - \phi^k) \left( \frac{\dot{w}_{i,t+1}^s}{\dot{P}_{i,t+1}} \right)^{-\varepsilon}, \quad (\text{T7})$$

$$\dot{Y}_{i,t+1}^s Y_{i,t}^s = \sum_{n=1}^N \mathbb{S}_{ni,t+1}^s \left( \sum_{s=1}^S \varphi_{ns,t+1}^s E_{n,t+1}^s + \varphi_{ns,t+1}^k E_{n,t+1}^k \right), \quad (\text{T8})$$

$$\begin{aligned} \dot{w}_{n,t+1}^s \dot{L}_{n,t+1}^s w_{n,t}^s L_{n,t}^s &= \xi_{i,t+1}^s \dot{Y}_{i,t+1}^s Y_{i,t}^s \quad \text{and} \\ \dot{r}_{n,t+1}^s \dot{K}_{n,t+1}^s r_{n,t}^s K_{n,t}^s &= (1 - \xi_{i,t+1}^s) \dot{Y}_{i,t+1}^s Y_{i,t}^s, \end{aligned} \quad (\text{T9})$$

$$K_{i,t+1} = \beta \bar{R}_{i,t} K_{i,t}. \quad (\text{T10})$$

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# Dynamic Exact Hat Algebra: Sequential Equilibrium

Given an initial allocation of the economy and an anticipated convergent sequence of time changes in fundamentals, the solutions to the **Sequential Equilibrium** are obtained as the solution to the following system of equations:

$$\mathbb{M}_{in,t+1} = \frac{\mathbb{M}_{in,t} (\dot{V}_{i,t+2})^{\beta/\eta}}{\sum_{l=1}^N \mathbb{M}_{il,t} (\dot{V}_{l,t+2})^{\beta/\eta}}, \quad (\text{S1})$$

$$\dot{V}_{n,t+1}^k = \dot{B}_{n,t+1} \dot{C}_n \left( \dot{L}_{t+1}, \dot{\Theta}_{t+1} \right) \left( \sum_{i=1}^N \sum_{s=1}^k \mathbb{M}_{ni,t} (\dot{V}_{i,t+2})^{\beta/\eta} \right)^\eta, \quad (\text{S2})$$

$$L_{n,t+1} = \sum_{i=1}^N \mathbb{M}_{in,t} L_{i,t}. \quad (\text{S3})$$

The changes consumption indirect utility,  $C_n(\dot{L}_{t+1}, \dot{\Theta}_{t+1})$ , is constructed from the solution of the temporary equilibrium given  $\{\dot{L}_t, \dot{\Theta}_t\}_{t=1}^\infty$ :

$$C_{n,t+1} = \frac{1}{\varepsilon} \left( \frac{\dot{W}_{n,t+1}}{\dot{P}_{n,t+1}} \frac{\bar{W}_{n,t}}{P_{n,t}} \right)^\varepsilon - \sum_{s=1}^k \nu^s \ln \dot{P}_{n,t+1}^s P_{n,t}^s.$$



## Structural Parameters

Definition	Parameter	Comment
<b>Panel (A) Utility parameters</b>		
Asymptotic consumption share	$\phi = (0.01, 0.33, 0.66)$	Moment condition (Yang, 2024)
Preference elasticity	$\nu = (1.27, -0.27, -1.0)$	Moment condition (Yang, 2024)
Engel elasticity	$\eta = 0.39$	Estimation (Yang, 2024)
Migration elasticity	$\chi = 0.84$	Estimation (Yang, 2024)
Discount rate	$\beta = 0.67$	Set to $(0.96)^{10}$
<b>Panel (B) Productivity parameters</b>		
EIS between labor and capital	$\sigma = (1.58, 0.80, 0.75)$	Herrendorf et al. (2015)
Average labor weights in production	$\bar{\rho} = (0.49, 0.71, 0.66)$	Herrendorf et al. (2015)
Factor efficiency distribution	$(\zeta^L, \zeta^K) = (6.9, 6.9)$	Eckert and Peters (2023)
Hicks-neutral productivity distribution	$\theta = (12, 6.5, \infty)$	Nigai (2016)
Capital depreciation rate	$\delta = 0.34$	Hulten and Wyckoff (1981)
Changes in Southern capital efficiency	$\dot{\mathbf{F}}^s(\cdot) = (1.168, 1.040, 1.027)$	Internally calibrated

Table A12: Parameters for Quantitative Analysis.

- ▶ The model parameters are either externally calibrated (CES production function), estimated (demand parameters), or internally calibrated (growth rate of capital-augmenting technologies).