

THE EXPORT BOOM AND THE BACKLASH

Reactions to Positive Economic Change in First World War America

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Motivation

Enormous literature links negative economic change to support for the far right, opposition to globalization, and anti-immigrant attitudes

- Trade shocks cause polarization in the US (Autor et al 2020), populism in Europe (Colantone and Stanig 2018a, Dippel et al 2022, Milner 2021), and Brexit (Colantone and Stanig 2018b)
- Automation increases support for populism (Anelli, Colantone and Stanig 2021)
- Austerity policies increased support for Brexit (Fetzer 2019) and the Nazis (Galofré-Vilà et al 2021)

Suggests that globalization can undermine democracy and the liberal international order *through its negative economic effects*

But far right movements are not only successful in periods of economic decline

The US after the First World War: The Boom...



...and the backlash

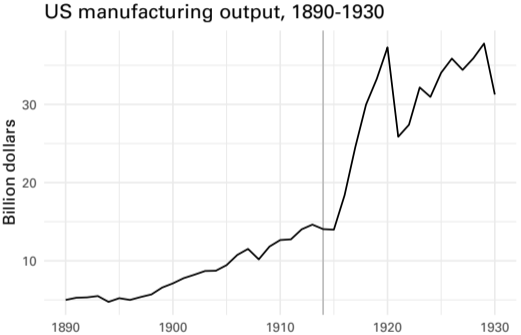
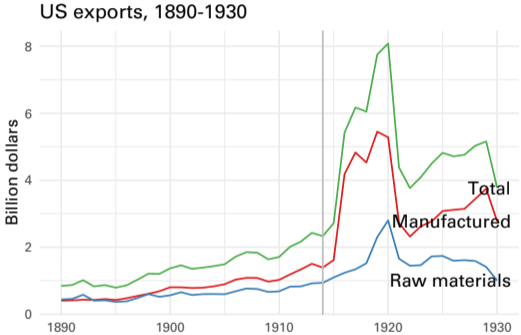


The export boom was a cause of the backlash

- This paper studies the effects of the First World War export boom in the US, using change in exports per worker at county level
- Large, positive, and persistent effects on population and manufacturing wages
- Racist and xenophobic backlash, including the emergence of the second Ku Klux Klan
- The boom increased the share of immigrants and Black Americans at the local level—links to literatures on economic change and immigration (e.g. Cadena and Kovak 2016), and on reactions to in-migration (Hopkins 2010, Tabellini 2020) and diversity (Alesina and LaFerrara 2005)

Positive economic shocks → in-migration and increased diversity → backlash

The First World War export boom



Empirical Strategy

Effects on Economic Variables

Effects on Political Variables

Mechanisms

Measuring the incidence of the export boom

$$\Delta EPW_i = \sum_j \frac{\Delta X_j}{L_j} \frac{L_{ij}}{L_i}$$

- ΔX_j : change in exports to UK, France, and Germany for industry j , 1910–1916
- L_j : total employment in industry j
- $\frac{L_{ij}}{L_i}$: share of workers in county i employed in industry j

Product-level trade data from *Foreign Commerce of the United States* linked to 3-digit industries recorded in 1910 census microdata

France, Germany and UK accounted for 50% of US exports in 1910

Estimating equation

$$\Delta Y_{is} = \beta \Delta EPW_{is} + \mathbf{X}_{is} \gamma + \delta_s + \varepsilon_{is}$$

- ΔY_{is} : change in outcome variable for county i in state s before and after the shock
- ΔEPW_{is} : change in exports per worker, 1910–1916, standardized
- \mathbf{X}_{is} : vector of controls—share employed in agriculture and sum of exporting industry shares in 1910
- δ_s : state fixed effect, allowing states to follow different trends

Observations weighted by population, standard errors clustered by state

Identification

- For most variables I have data pre- and post-WWI, so identification is within the difference in differences framework
- Need to believe that places with different employment in more exposed industries were otherwise trending in the same direction
- More plausible with controls for sum of exporting industry shares
- And can check for pre-trends and dynamic effects in an event-study specification:

$$Y_{ist} = \alpha_{is} + \beta_t \Delta EPW_{is} \mathbf{1}\{t \neq 1910\} + \mathbf{X}_{is} \gamma_t + \delta_{st} + \varepsilon_{ist}$$

- For some variables, the data is only post-WWI, e.g. KKK was refounded in 1915, so identification relies on stronger selection-on-observables assumption
- But can show that analogous pre-WWI variables are uncorrelated with the export boom

Empirical Strategy

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Mechanisms

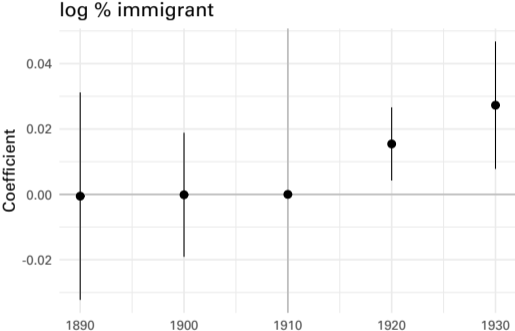
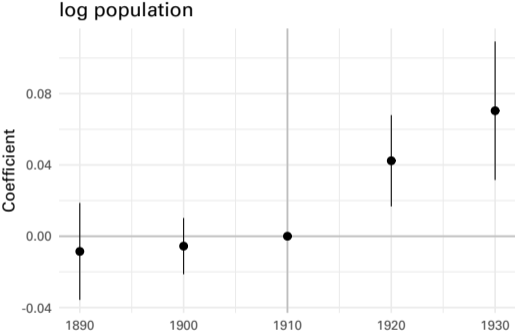
The export boom increased population, manufacturing activity, wages, and the share of outgroups in the population

	pop	Mf output	Mf wages	% immigrant	% nonwhite
	(1)	(2)	(3)	(4)	(5)
ΔEPW	0.042*** (0.013)	0.088** (0.039)	0.029*** (0.008)	0.015*** (0.006)	0.088*** (0.026)
DV mean	0.077	1.372	1.013	-0.288	-0.103
R^2	0.276	0.225	0.417	0.204	0.206
N	2948	2711	2711	2948	2948

Table: Effects of the export boom on population, manufacturing, and out-groups

Effects using linked census data

Event study for log population and log share of immigrants



Empirical Strategy

Effects on Economic Variables

Effects on Political Variables

Mechanisms

Counties more exposed to the export boom had more branches of the KKK and American Protective League, adopted City Managers, and experienced more political violence

	KKK	APL	CM cities	violence
	(1)	(2)	(3)	(4)
ΔEPW	0.099** (0.048)	0.030** (0.015)	0.048*** (0.013)	0.077*** (0.025)
ln pop 1910	x	x		
DV mean	0.344	0.2	0.042	0.002
R^2	0.716	0.448	0.275	0.246
N	2948	2948	2949	2949

Table: Effects of the export boom on nativism

Effects on pre-WWI nativism

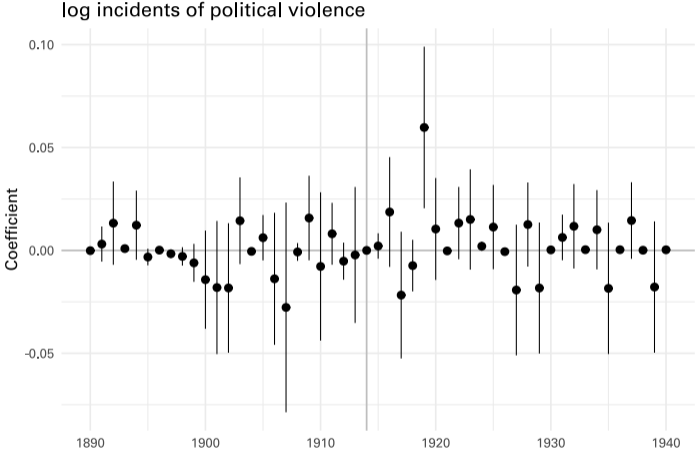
Effects on nativist groups

Effects on City Manager adoption

Effects on political violence

Effects on education, policing, and incarceration

The effect on political violence was driven by the Red Summer of 1919



Empirical Strategy

Effects on Economic Variables

Effects on Political Variables

Mechanisms

The backlash was a non-economic reaction to the in-migration of outgroups

- Effect of the boom on the backlash was stronger in counties with stronger pre-existing immigrant and Black migration networks Evidence
- Also stronger in counties which experienced higher WWI casualty rates Evidence
- The boom increased residential segregation Evidence and decreased labor market segregation Evidence



Conclusions

- The export boom motivated migration, especially by immigrants and African Americans, which in turn precipitated the backlash
- Relates to literatures on trade motivating migration, immigrant mobility, and reactions to immigration and diversity
- The path from globalization to populism does not just run through the losers
- Preferences with respect to trade policy should be influenced by attitudes to social change as well as economic concerns

Appendix

Effects on pre-WWI nativism

Effects using linked census data

Effects using linked census data, subset by 1910 economic status

Effects on nativist groups

Effects on City Manager adoption

Effects on political violence

Effects on education, policing, and incarceration

Effects on voting

Effects subset by migration networks

Effects subset by WWI casualties

Effects subset by migrant voting restrictions

Effects on residential segregation

Effects on occupational segregation

Effects on immigrant and nonwhite managers

Effects on First World War enlistment and casualties

US exports to UK, France, and Germany

Map without controls

Map with controls

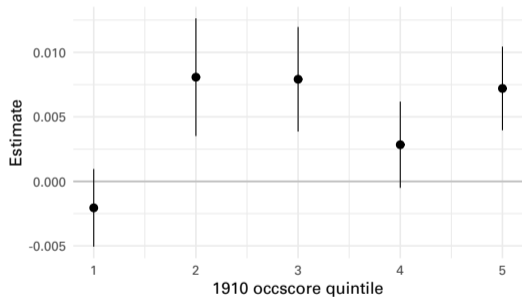
Effects of the export boom on economic outcomes for native-born adult white men

	<u>ln occscore</u>	<u>county rank</u>	<u>homeowner</u>	<u>LFP</u>	<u>change state</u>	<u>change county</u>
	(1)	(2)	(3)	(4)	(5)	(6)
Δ EPW	-0.000 (0.001)	0.000 (0.001)	0.004* (0.002)	-0.000 (0.001)	-0.002 (0.002)	-0.013** (0.005)
Individuals	4725804	4725804	5603670	5881381	5884323	5884323
DV mean	0.119	0.01	-0.037	0.005	0.24	0.482
R^2	0.815	0.401	0.592	0.202	0.700	0.557
N	2949	2949	2949	2949	2949	2949

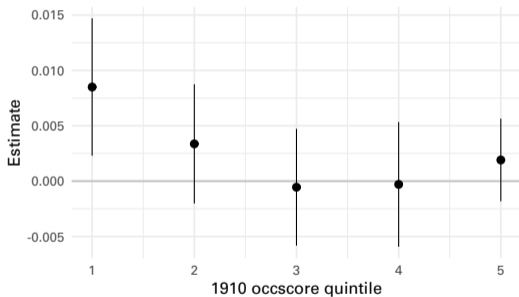
Table: Effects of the export boom on native-born white adult men, using linked 1910–1920 census microdata

Effects of the export boom on occupational status and home ownership for native-born adult white men, stratified by 1910 occupational status

Effects of the export boom on changes in occupational status, by 1910 status



Effects of the export boom on changes in home ownership, by 1910 status



Appendix

Effects of the export boom on nativist groups

	KKK chapters			APL present		
	(1)	(2)	(3)	(4)	(5)	(6)
Δ EPW	0.150*** (0.027)	0.099** (0.048)	0.079** (0.033)	0.047*** (0.009)	0.030** (0.015)	0.030* (0.016)
ln pop 1910		x	x		x	x
ln APA newspapers 1890s			x			x
DV mean	0.344	0.344	0.344	0.2	0.2	0.2
R^2	0.637	0.716	0.738	0.419	0.448	0.448
N	2949	2948	2948	2949	2948	2948

Table: Effects of the export boom on nativist groups

Effects of the export boom on adoption of City Managers

	CM cities			CM city pop		
	(1)	(2)	(3)	(4)	(5)	(6)
ΔEPW	0.048*** (0.013)	0.041*** (0.013)	0.041*** (0.013)	0.368*** (0.125)	0.374*** (0.118)	0.373*** (0.118)
ln pop 1910		x	x		x	x
ln % urban 1910			x			x
ln % immigrant 1910			x			x
DV mean	0.042	0.042	0.042	0.496	0.496	0.496
R^2	0.275	0.295	0.295	0.191	0.191	0.194
N	2949	2948	2948	2949	2948	2948

Table: Effects of the export boom on City Manager adoption

Effects of the export boom on political violence

	Incidents	Riots	Racial	Deaths
	(1)	(2)	(3)	(4)
ΔEPW	0.077*** (0.025)	0.087*** (0.027)	0.046*** (0.017)	0.098* (0.052)
DV mean	0.002	-0.004	0.005	-0.006
R^2	0.246	0.302	0.275	0.138
N	2949	2949	2949	2949

Table: Effects of the export boom on political violence

Back

Appendix

Effects of the export boom on education, policing, and incarceration

	% teachers		% law enforcement		% incarcerated	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel 1: Difference to 1920</i>						
Δ EPW	-0.015*** (0.004)	-0.028*** (0.006)	0.032*** (0.010)	0.059*** (0.009)	0.210** (0.088)	0.232** (0.098)
ln % teachers 1910		x				
ln % law enforcement 1910				x		
ln % incarcerated 1900						x
DV mean	0.189	0.189	-0.003	-0.003	-0.238	-0.238
R^2	0.206	0.328	0.083	0.317	0.200	0.472
N	2949	2949	2949	2949	2858	2858
<i>Panel 2: Difference to 1930</i>						
Δ EPW	0.001 (0.006)	-0.018** (0.009)	-0.000 (0.011)	0.034** (0.014)	0.194* (0.114)	0.216*** (0.075)
DV mean	0.398	0.398	0.501	0.501	0.381	0.381
R^2	0.380	0.624	0.279	0.552	0.145	0.382
N	2949	2949	2949	2949	2858	2858

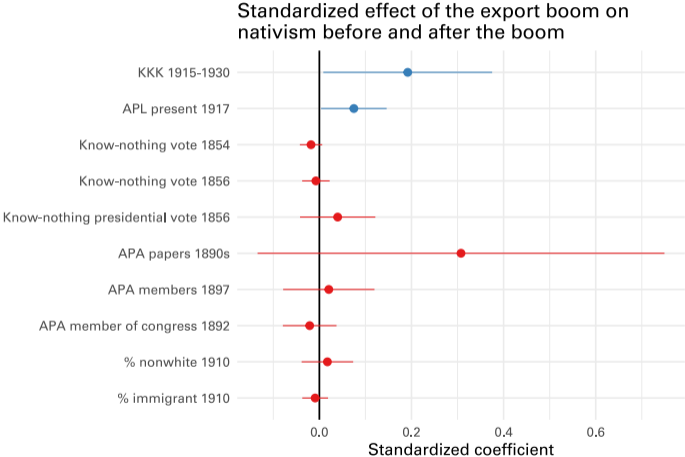
Table: Effects of the export boom on education, law enforcement, and incarceration

Effects of the export boom on voting in presidential elections

	(1)	(2)	(3)	(4)	(5)
Δ EPW	0.283 (0.340)	-0.244 (0.257)	-0.980** (0.441)	0.249 (0.628)	-0.174 (0.681)
Period	1908– 1916	1908– 1920	1908– 1924	1908– 1928	1908– 1932
DV mean	7.716	-6.563	-5.5	-7.985	15.317
R^2	0.507	0.532	0.714	0.467	0.415
N	2788	2788	2789	2788	2790

Table: Effects of the export boom on voting in presidential elections

The incidence of the export boom was not correlated with pre-shock nativist groups



Effects of the export boom, subset by migration networks

	% out group		KKK chapters		CM cities		violence	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Panel 1: Subset by 1900 share of immigrants</i>								
Δ EPW	-0.002 (0.011)	0.015*** (0.004)	0.043 (0.027)	0.106** (0.053)	-0.011 (0.018)	0.057*** (0.018)	-0.027** (0.012)	0.087*** (0.029)
1900 % immigrant ln pop 1910	1H	2H	1H x	2H x	1H	2H	1H	2H
DV mean	-0.292	-0.283	0.266	0.423	0.035	0.048	0.002	0.001
R ²	0.259	0.256	0.620	0.730	0.452	0.308	0.087	0.327
N	1486	1460	1486	1460	1486	1461	1486	1461
<i>Panel 2: Subset by 1900 Black share Southern-born</i>								
Δ EPW	0.032 (0.021)	0.090*** (0.027)	0.004 (0.034)	0.137** (0.063)	0.020* (0.011)	0.057*** (0.014)	0.032* (0.018)	0.086** (0.042)
1900 Black % Southern ln pop 1910	1H	2H	1H x	2H x	1H	2H	1H	2H
DV mean	-0.167	-0.045	0.324	0.492	0.039	0.061	0.001	-0.021
R ²	0.127	0.376	0.517	0.753	0.126	0.433	0.245	0.450
N	710	687	710	687	710	687	710	687

Table: Effects of the export boom on nativism, subset by immigrant and Black migration networks

Effects of the export boom, subset by First World War casualty rates

	KKK chapters		CM cities		violence	
	(1)	(2)	(3)	(4)	(5)	(6)
ΔEPW	0.033 (0.022)	0.071** (0.031)	0.007 (0.011)	0.059*** (0.017)	0.028 (0.024)	0.085** (0.034)
Casualties / pop ln pop 1910	1H x	2H x	1H	2H	1H	2H
DV mean	0.299	0.405	0.03	0.055	-0.008	0.012
R^2	0.600	0.778	0.291	0.320	0.140	0.350
N	1434	1434	1434	1434	1434	1434

Table: Effects of the export boom on nativism, subset by First World War casualties

Effects of the export boom, subset by immigrant voting restrictions

	KKK chapters		CM cities	
	(1)	(2)	(3)	(4)
ΔEPW	0.041* (0.021)	0.131*** (0.041)	0.050** (0.020)	0.023 (0.014)
Voting restrictions	1H	2H	1H	2H
1910 ln pop	x	x		
DV mean	0.33	0.355	0.047	0.037
R^2	0.849	0.560	0.343	0.096
N	1303	1644	1303	1645

Table: Effects of the export boom on KKK formation and City Manager adoption, subset by migrant voting restrictions

Effects of the export boom on residential segregation

	Immigrant		Black	
	(1)	(2)	(3)	(4)
Δ EPW	0.009*** (0.002)	0.009*** (0.002)	0.010 (0.011)	0.032*** (0.010)
Period	1910– 1920	1910– 1930	1910– 1920	1910– 1930
DV mean	-0.004	-0.032	-0.053	-0.013
R^2	0.141	0.165	0.158	0.276
N	2752	2719	2245	2197

Table: Effects of the export boom on immigrant and Black residential segregation

Effects of the export boom on occupational segregation

	Immigrant		Nonwhite	
	(1)	(2)	(3)	(4)
Δ EPW	-0.110*** (0.030)	-0.156*** (0.042)	-0.192*** (0.038)	-0.196*** (0.041)
Period	1910– 1920	1910– 1930	1910– 1920	1910– 1930
DV mean	0.09	0.332	0.169	0.256
R^2	0.099	0.187	0.251	0.344
N	2904	2899	2703	2681

Table: Effects of the export boom on immigrant and nonwhite occupational segregation

Effects of the export boom on immigrant and nonwhite managers

	Immigrant		Nonwhite	
	(1)	(2)	(3)	(4)
Δ EPW	0.019* (0.010)	0.022** (0.010)	0.053* (0.031)	0.054 (0.034)
Period	1910– 1920	1910– 1930	1910– 1920	1910– 1930
DV mean	-0.085	-0.17	-0.104	-0.076
R^2	0.130	0.223	0.079	0.137
N	2949	2949	2949	2949

Table: Effects of the export boom on immigrant and nonwhite managers

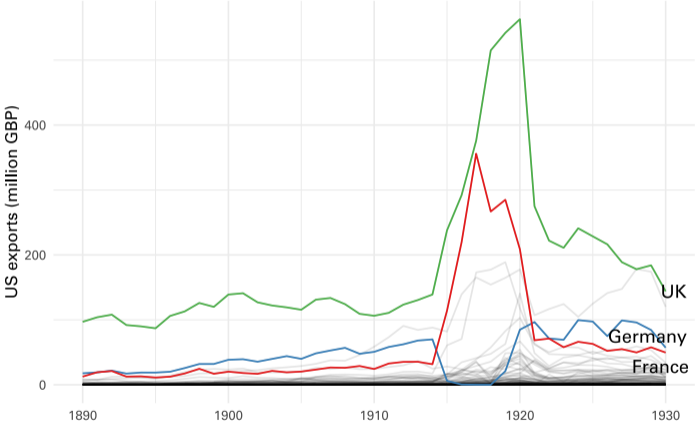
Effects of the export boom on First World War enlistment and casualties

	Enlistment rate				Casualty rate			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ΔEPW	0.048** (0.024)	0.035 (0.024)	0.015 (0.019)	0.004 (0.022)	0.097 (0.082)	0.131 (0.093)	0.058 (0.104)	0.106 (0.126)
Denominator	1910 pop	1910 pop	1917 pop	1917 pop	1910 pop	1910 pop	Enlist- ments	Enlist- ments
ln pop 1910		x		x		x		x
DV mean	-3.599	-3.599	-3.659	-3.659	-7.194	-7.194	-3.588	-3.588
R^2	0.263	0.295	0.203	0.234	0.165	0.212	0.276	0.361
N	2913	2913	2913	2913	2868	2868	2841	2841

Table: Effects of the export boom on First World War enlistment and casualties

Exports to UK, France, and Germany

US exports to the UK, Germany and France, 1890-1930



Hiram Evans, “The Klan’s Fight For Americanism,” *North American Review* 1926

“We found our great cities and the control of much of our industry and commerce taken over by strangers”

“So the Nordic American today is a stranger in large parts of the land his fathers gave him. Moreover, he is a most unwelcome stranger, one much spit upon, and one to whom even the right to have his own opinions and to work for his own interests is now denied with jeers and revilings”

“The war revealed that millions whom we had allowed to share our heritage and prosperity, and whom we had assumed had become part of us, were in fact not wholly so”