Financial Scarring and the Failure of the Freedman's Savings Bank

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Can Traumatic Economic Events Durably Shift Financial Behavior?

- **Context:** The failure of the Freedman's Savings Bank, (FSB) one of the only Black-serving banking institutions in the early post-bellum South, was an economic catastrophe and one of the great episodes of racial exploitation in post-Emancipation history
- **Question:** Can events like these permanently alter financial preferences and behavior?
- **This paper:** Test for race-specific financial scarring by examining the impact of FSB collapse on insurance-holding, an alternative savings vehicle popular in the late 19th and early 20th centuries

What We Do

- **Empirical approach:** Use a differences-in-differences framework to compare the size of the insurance industry before and after the bank's 1874 failure in counties that ever had an FSB branch, relative to economically similar counties without a branch
  - Sample period: 1850-1940
  - Sample region: US South (excl. TX)
  - Data on outcomes drawn from full-count Census microdata
  - Data on FSB branch locations drawn from Celerier and Tak (2021) & Fu (2021)

What We Find

- **Key findings:** Sharp, statistically significant, and economically meaningful increase in the demand for insurance in counties exposed to the shock
  - Robust to a variety of specifications which address endogeneity concerns, confounding factors
  - Effects were persistent, lasting until at least where our data leave off
  - Evidence that changes driven by increases in Black demand
  - Using migrants to separate FSB-place from FSB-people effects, identify psychological/cultural scarring as a distinct mechanism underlying the shift
  - Document role of community and intergenerational transmission, helping to explain scope and persistence

↪ *Suggests that racially traumatic economic events can alter financial preferences and behavior, including intergenerationally*

Contributions

1. **Show that traumatic episodes of racialized economic exploitation can durably alter financial behavior**
   - Disentangle effects on economic structure of FSB localities from those due to residents' changing beliefs and preferences
   - Document persistence through intergenerational transmission of both lived experience and cultural memory

Contributions

1. **Show that traumatic episodes of racialized economic exploitation can durably alter financial behavior**

2. **Contribute to several literatures**
   - *Historical racial exploitation and scarring:* Show long-reaching impacts beyond just health realm (Alsan & Wanamaker, 2018; Archibong & Annan, 2021; Lowes & Montero, 2021) Lit: Health
   - *Large economic shocks and scarring:* In contrast to macro studies (Malmendier & Nagel, 2011; Graham & Narasimhan, 2004), show effects can extend beyond affected cohorts' lifetimes, perhaps because of racialized nature of shock/corresponding cultural transmission Lit: Macro/Finance
   - *Freedman's Savings Bank:* Extend largely short-run and operational focus (Fu, 2021; Celerier & Tak, 2021; Traweek & Wardlaw, 2021; Stein & Yannelis, 2020) by examining failure and documenting long-run economic consequences Lit: FSB

Contributions

1. **Show that traumatic episodes of racialized economic exploitation can durably alter financial behavior**

2. **Contribute to several literatures**

3. **Speak to broader debates on portfolio choice and the persistence of racial wealth gaps**
   - Cleanly identify one factor contributing to persistent racial differences in life insurance holdings (Gale et al., 2022; Harris & Yelowitz, 2018; Hayashi et al., 2018; Stevenson & Plath, 2002;)
   - To the extent FSB collapse shaped persistent racial differences in portfolio composition, it could also have implications for racial disparities in long-run wealth accumulation (Derenoncourt et al., 2022)

Background

The Freedman's Savings Bank

- The Freedman's Savings Bank was established by Congressional charter in 1865 to promote financial literacy and savings among recently-freed slaves
- The bank spanned 37 cities across 17 states, mostly in the South, and attracted deposits from 70,000 freedmen (approx. $80 Million)
- Nepotistic bank trustees lent depositor funds at low rates to Northern elites, increasing the Bank's exposure to risk
- The bank failed following the financial panic of 1873, destroying half of Black wealth in its wake

The Freedman's Savings Bank: The Fallout

- Participation in the Freedman's Savings Bank was largely driven by misleading advertising suggesting the Bank was insured by the government (Celerier and Tak, 2021)
- White depositors (approx. 10%) were twice as likely to close accounts after the financial panic of 1873 and before the Bank's failure (Traweek and Wardlaw, 2021)
- W.E.B. Du Bois: "Not even ten additional years of slavery could have done so much to throttle the thrift of freedmen..."
- In 1913, a Black bank president remarked that **elders**, still scarred by the bank's collapse, have **instilled distrust of banks in their children**
- Economic effects understudied: Some recent work such as Fu (2021) and Stein & Yannelis (2020) on these issues, and on the history of Black banking more generally (see, e.g., Clarke (2019))

Life Insurance

- Life insurance is a low-risk & low-return savings vehicle that was widely used in the late 19^{th} and first half of the 20^{th} centuries
  HH Balance Sheets: 1920s vs 2020s | Savings by SES
- Ordinary life insurance was most popular, and was used for long-term savings
  Types of Life Insurance | Age at Issue by Policy Type
- Disproportionately popular with Black HHs - particularly "industrial" life insurance
  Percent Insured by Race | Black HH Budget Survey, Houston
- Large historical literature discussing importance of life insurance industry for Black Households, but few quantitative studies
- Crucial features of insurance sales in this period:
  - Sold primarily door-to-door $\rightarrow$ *# Agents good proxy for demand*
  - White agents could sell to all races, but Black agents could only sell to Black customers $\rightarrow$ *Black share of insurance workforce reflects lower bound on Black demand*

Advantages of Insurance as an Outcome

1. Life insurance, an alternative to banking, was a popular and readily available financial product over the period of our study
   - Represented large fraction of total HH wealth and vast majority of HH held it (Bullock, 1957; Goldsmith, 1955; Goldsmith & Lipsey, 1963; Temporary National Economic Committee, 1940)

2. Measures are available both at spatially fine level and over a long period

3. One of the few financial choices in this period that can be examined on a race-specific basis in existing data

4. Speaks to a large literature documenting disproportionate historical demand for insurance among Black households (Williams & Jones, 1941; Yancy, 1933; Bullock, 1957)
   - Crucially, not just a historical phenomenon: Present-day Black HH continue to place a significant fraction of savings in life insurance, are less likely to hold equities or bank accounts (Stevenson & Plath, 2002; Hayashi et al., 2018); even controlling for income/demographics, Black Americans are likelier to hold life insurance than white counterparts (Gale et al., 2022; Harris & Yelowitz, 2018)

Empirical Strategy

Empirical Approach

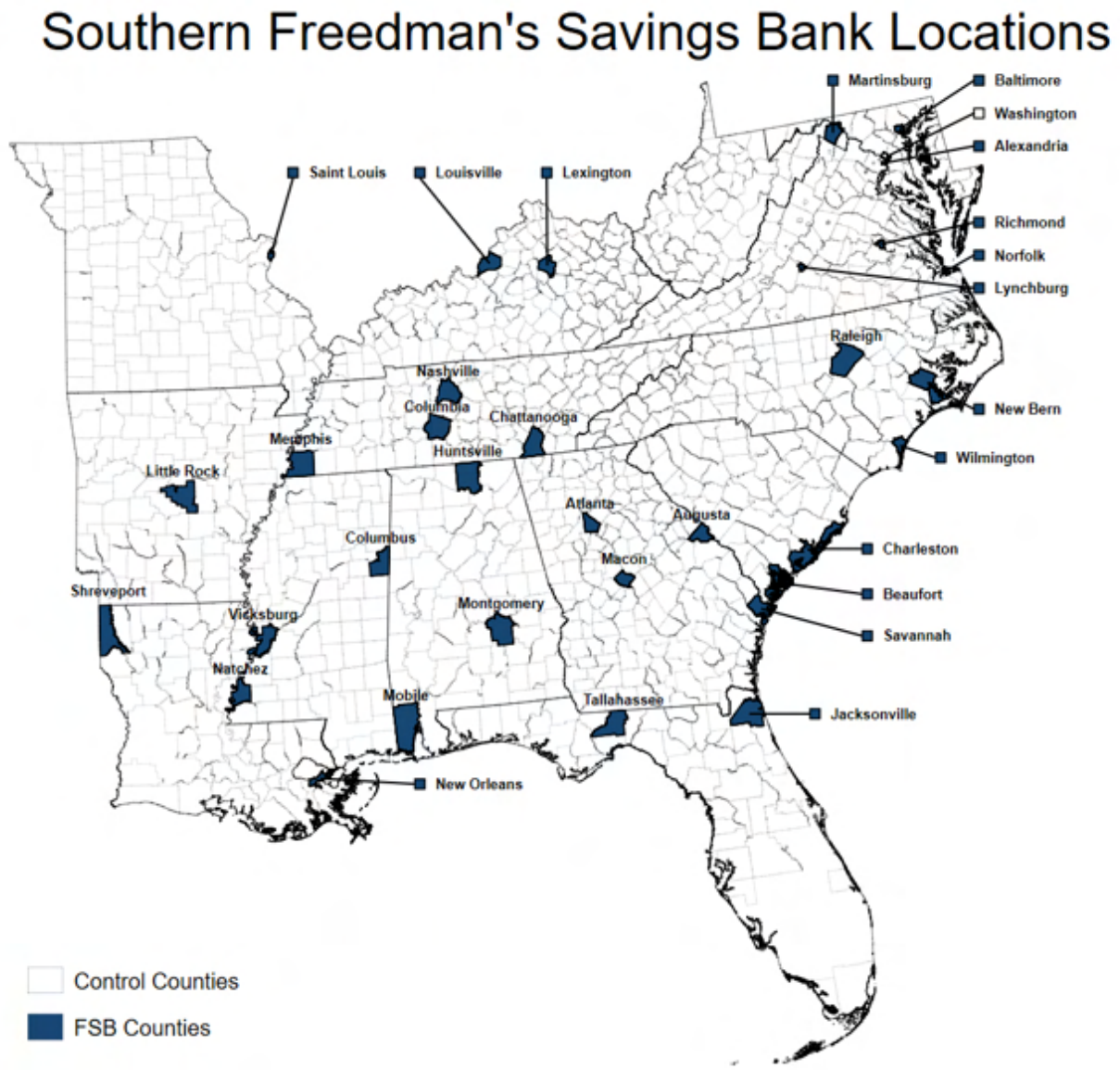
Identification Strategy: We adopt a difference-in-differences strategy to compare per capita insurance agents between counties that contained a Freedman's Savings Bank and other Southern counties from 1850-1940.

Three Approaches:

1. Two-Way Fixed Effects
2. Doubly-Robust Methods (Doubly-Robust DiD & Synthetic DiD)
3. Instrumental Variables (Historical IV based on Black troop distribution, accessibility)

Combination of approaches helps address threats to identification related to parallel trends and endogenous branch location

Freedman's Savings Bank Counties



Early vs Late Branches

Data

U.S. Full Count Census, 1850-1940:

- *Insurance Agents per Thousand Households*: The number of insurance agents in a county (standardized borders) by the total number of households (in 1,000s).
- Measures of other professions in the finance industry, including real estate agents, bankers, and asset brokers.
- *Controls*: County averages of literacy rates, wealth, socio-economic status (occscore), employment status, urban status, and family size.

FSB Branch Locations:

- Indicator for branch presence (Fu, 2021; Celerier and Tak, 2021).

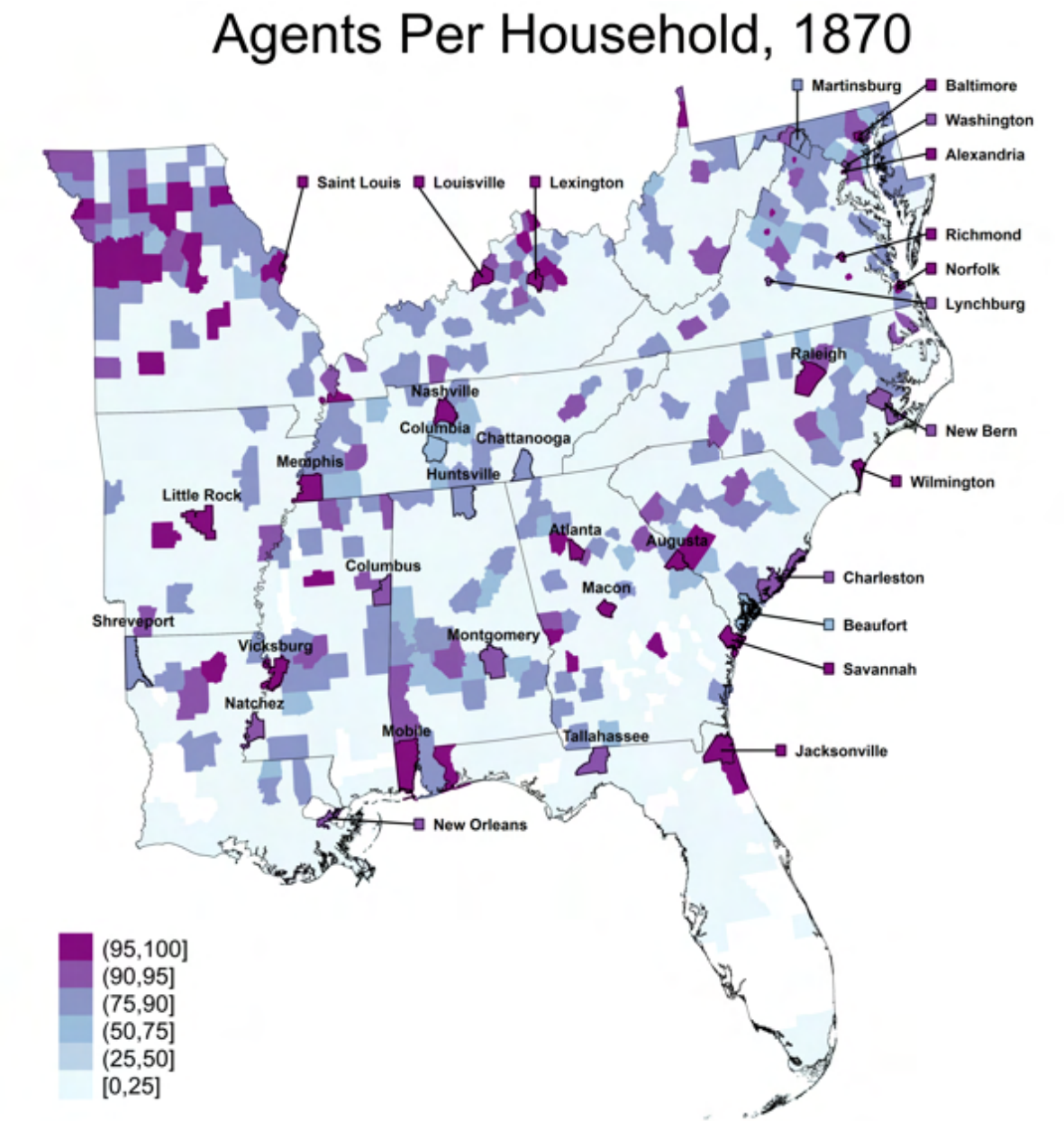
Contraband Camps:

- Number of contraband camps in a county (Cooper, 2014).

Black & Total Union Army Troops:

- The maximum number of Black and total Union troops that occupied a county (Downs and Nesbit, 2015).

Insurance Agents Per 1,000 Households, 1870

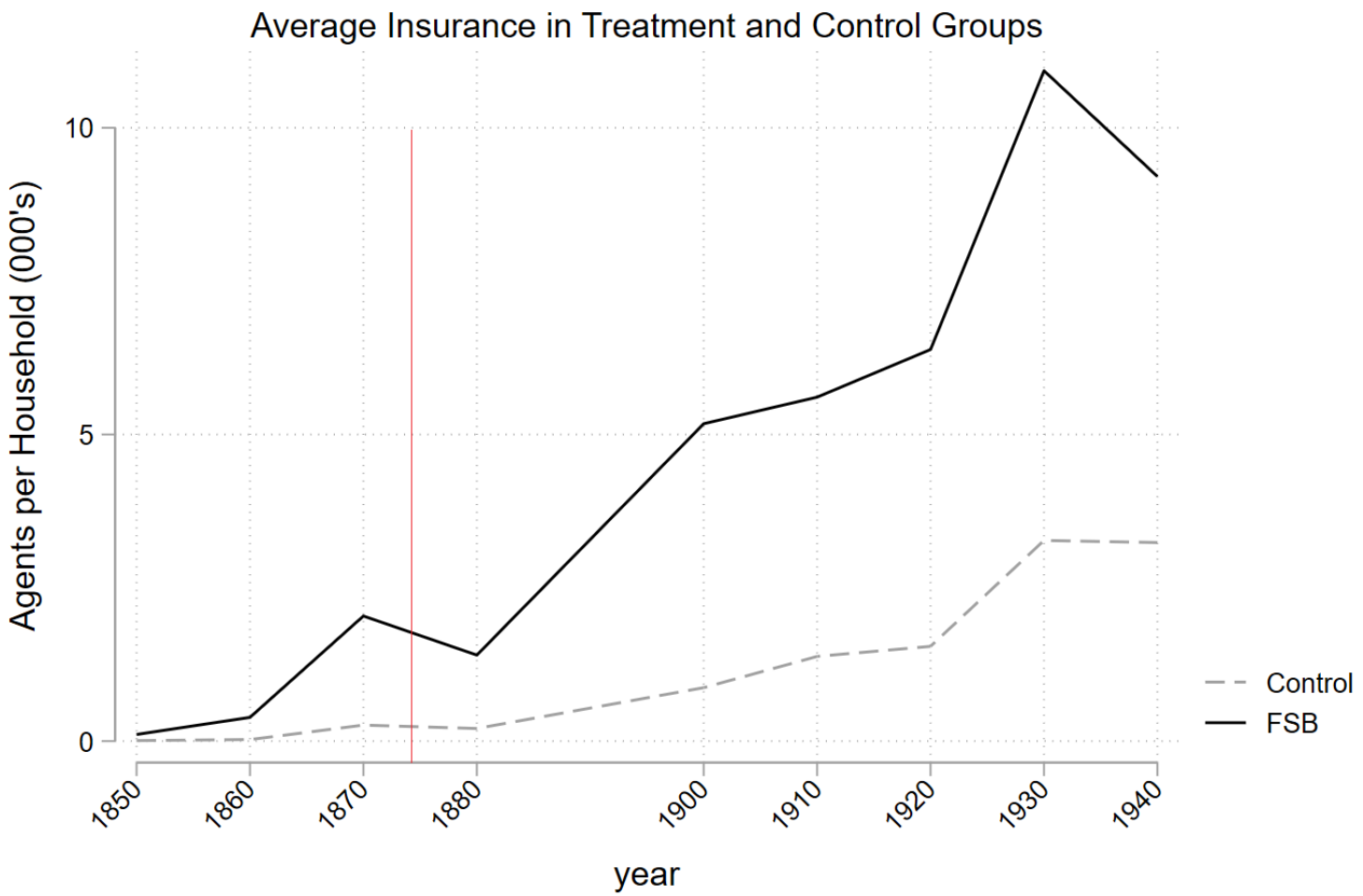


Baseline Specification: Two-Way Fixed Effects

$$AgentsPerHH_{ct} = \alpha + \beta FSB_c * Post_t + \gamma_c + \lambda_t + \epsilon \quad (1)$$

- **AgentsPerHH:** The number of insurance agents per 1,000 households in county c during year t.
- **FSB:** Indicator variable equal to 1 if the county contained a Freedman's Savings Bank
- **Post:** Indicator variable equal to 1 after the bank's 1874 collapse
- County (γ_c) and Year (λ_t) Fixed Effects

Insurance Agents Per 1,000 Households, 1850-1940



Black Agents | Share Black

Threats to Identification

Identifying Assumptions:

- Parallel trends
- Exogenous treatment group
- No anticipation

Endogenous Branch Selection: Cities were carefully selected. Branch location may be correlated with a city's economic conditions, biasing results upward.

Parallel Trends Violation: Consequently, treatment and control counties may be growing at different rates in the pre-treatment period.

Solution: Doubly-Robust Methods

Doubly-Robust Difference-in-Differences: (Sant'Anna and Zhao, 2020; Callaway and Sant'ana (2021)).

- Combines inverse propensity score weighting methods with outcome regression methods to develop counterfactual control group
- Particularly useful when parallel trends only holds conditional on covariates
- Pre-treatment (1870) county level Black and white averages for occscore, urban population, literacy, wealth, employment, and family size

Synthetic Difference-in-Differences: (Arkhangelsky et al. 2021)

- Constructs a counterfactual control group using weights calculated from both pre-treatment values of *AgentsPerHH* and time effects of untreated counties.
- Unit weights and time weights independently remove bias and produce consistent ATT estimates

Solution: Instrumental Variables

Instrument for bank location choice using historical record

- As the Union Army advanced in the South, it recruited freedmen to service with the promise of future pay. Bank management initially prioritized cities with recently-paid Black troops.
- As word of the Bank's success spread, management considered additional branches at petitioning cities and selected cities where the branch was likely to succeed.

Proposed Instruments:

1. Black Population
   - Maximum number of Black Troops Map
   - Number of Contraband Camps Map
2. Accessibility
   - Maximum number of Union Army Troops Map

Results

Results

1. Two-Way Fixed Effects
2. Doubly-Robust Methods
3. Instrumental Variables
4. Mechanisms & Additional Robustness Checks

Two-Way Fixed Effects

Two-Way Fixed Effects

	DV: Insurance Agents Per 1,000 Households							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FSB × Post	3.952***	4.011***	3.921***	1.215***	1.128***	1.598***	3.548***	4.921***
	(0.356)	(0.353)	(0.357)	(0.411)	(0.402)	(0.375)	(0.385)	(0.682)
Observations	8,352	8,352	8,352	8,352	8,352	8,352	8,262	8,136
R-squared	0.713	0.737	0.725	0.763	0.771	0.754	0.701	0.695
Fixed Effects	County, Year	County, Year, State × Year	County, Year	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	No	State	1860 Covariates	1870 Covariates	1870 Black Covariates	No	No
Cluster	County	County	County	County	County	County	County	County
Sample	South	South	South	South	South	South	Early South	Late South

Notes: Each column is a separate regression of *AgentsPerHH* on *FSB*, an indicator for Freedman's Savings Bank exposure, interacted with *Post*, an indicator for years subsequent to the Bank's 1874 failure, along with the noted fixed effects and time trends. Column 4 (5) includes time trends of 1860 (1870) white and Black county averages of employment, literacy, wealth, urban status, socio-economic status, and family size. Column 6 includes time trends of the same controls, but only 1870 Black county averages. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Treated counties in Column 7 are restricted to branches that opened prior to 1869. Treated counties in Column 8 are restricted to branches that opened after 1868. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Robustness: Urban | Robustness: Pent-Up Demand | Event Studies

Doubly-Robust Methods

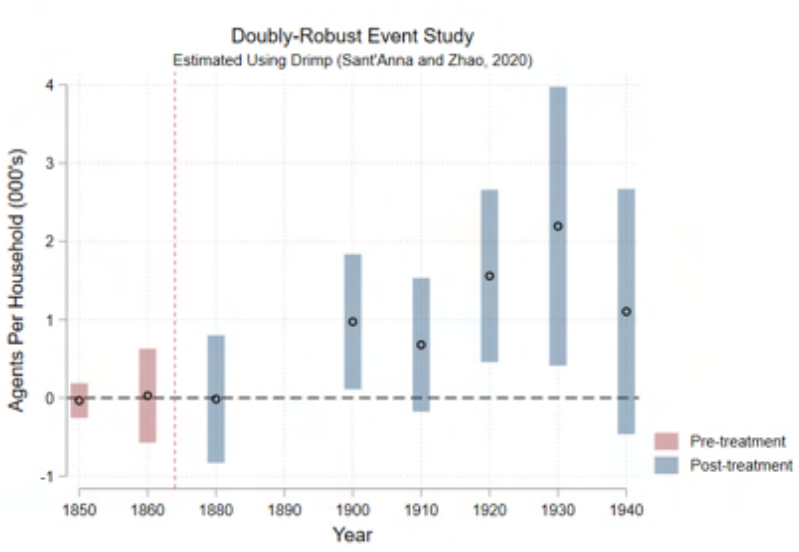
Doubly-Robust Methods

	DV: Insurance Agents Per 1,000 Households				
	Doubly Robust				Synthetic Control
	(1)	(2)	(3)	(4)	(5)
ATT	1.259***	1.370***	1.082**	1.796***	2.604***
	(0.475)	(0.445)	(0.474)	(0.370)	(0.383)
Observations	8,352	8,352	8,352	8,352	8,352
Method	IPW	CS DRIPW	CS DRIMP (70)	CS DRIMP (70B)	SDID
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Cluster	County	County	County	County	County

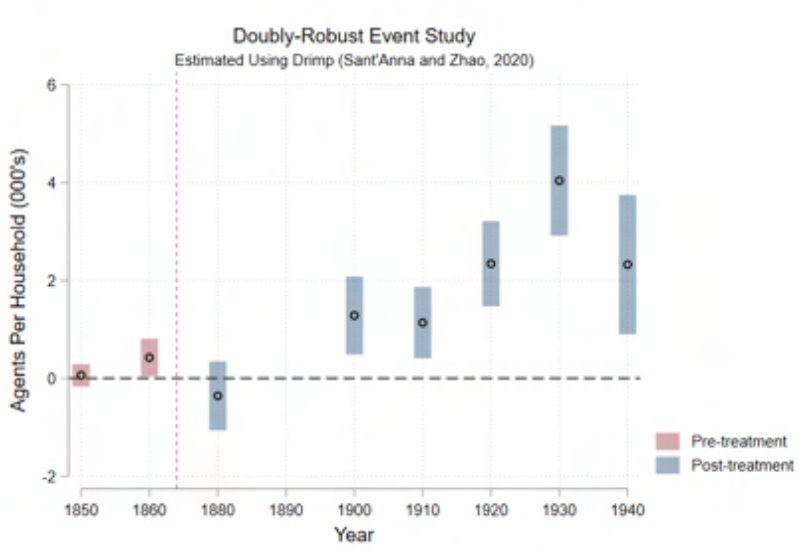
Notes: Each column presents an average treatment on the treated (ATT) estimate of the effect of exposure on *AgentsPerHH*. Columns 1-3 are estimated using pre-treatment assignment time-invariant covariates, including 1870 white and Black county averages of employment, literacy, wealth, urban status, socio-economic status, and family size. Column 5 replicates Column 4, but uses only Black-specific 1870 covariates. Column 5 is estimated using synthetic difference-in-differences. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

For context: an additional agent would result in new insurance sales of approximately \$600 per HH in 2023 dollars, based on 1930s insurance industry statistics (Stalson, 1942)

Doubly-Robust DRIMP

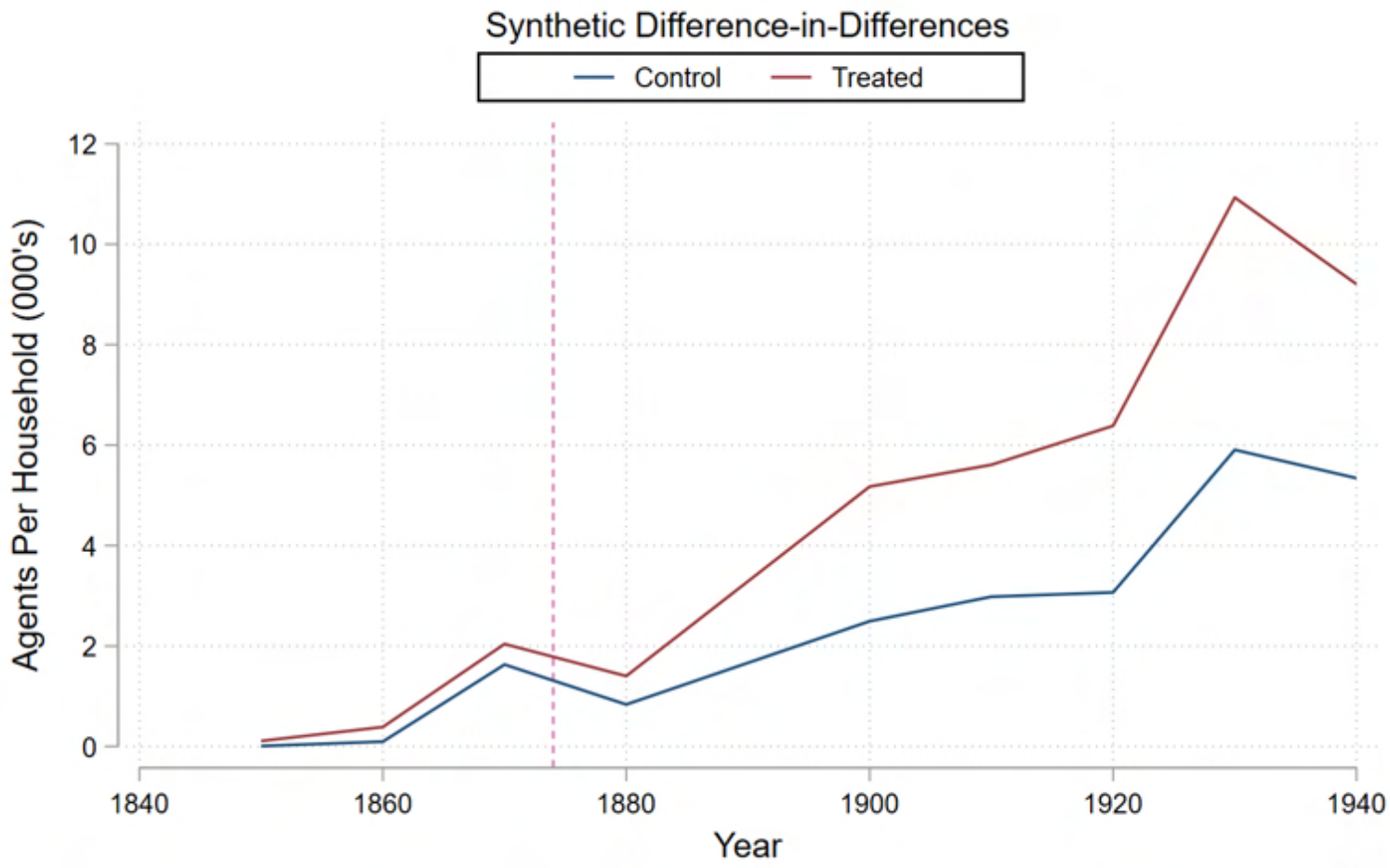


1870 White & Black Covariates



1870 Black Covariates

Synthetic Diff-in-Diff



Instrumental Variables

Instrumental Variables

	DV: Insurance Agents Per 1,000 Households			
INSTRUMENTS	Black Troops (interacted with)		Contraband Camps (interacted with)	
		Union Troops		Union Troops
	(1)	(2)	(3)	(4)
FSB × Post	5.225***	6.360***	3.939***	5.540***
	(0.874)	(0.772)	(0.753)	(0.690)
Observations	8,352	8,352	8,352	8,352
R-squared	0.711	0.703	0.713	0.709
Fixed Effects	County, Year	County, Year	County, Year	County, Year
Cluster	County	County	County	County
Effective F-Stat	11.564	19.588	11.002	43.137
UnderID P-Value	0.000	0.000	0.001	0.000
OverID P-Value		0.377		0.068
Weak IV Robust CS	[3.928 - 8.080]	[5.341 - 8.790]	[2.373 - 5.802]	[5.098 - 7.246]

Notes: Each column is a separate instrumental variable regression of *AgentsPerHH* on *FSB*, an indicator for Freedman's Savings Bank exposure, interacted with *Post*, an indicator for years subsequent to the Bank's 1874 failure, along with the noted fixed effects and time trends. All specifications instrument for endogenous selection into treatment, indicated by *FSB*. The primary instrumental variable in Columns 1-2 is *BlackTroops*, the maximum number of Black troops that occupied a county during reconstruction. The primary instrumental variable in Columns 3-4 is *ContrabandCamps*, the total number of contraband camps within a county. Columns 2 and 4 fully interact the primary instrumental variable with a second instrument, *UnionTroops*, the maximum number of Union troops occupying the county during reconstruction. The presented p-values result from Kleibergen-Paap LM underidentification tests. Rejection of the null hypothesis suggests that the excluded instruments are relevant. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Main Results Summary

Main Results: Summary

	DV: Insurance Agents Per 1,000 Households				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
FSB × Post	3.952***	1.598***			5.225***
	(0.356)	(0.375)			(0.874)
ATT			1.796***	2.604***	
			(0.370)	(0.346)	
Observations	8,352	8,352	8,352	8,352	8,352
R-squared	0.713	0.754			0.711
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South

Notes: This table reproduces the main results using each of the core methods shown. DRIMP methods use 1870 Black covariates. *** p<0.01, ** p<0.05, * p<0.1

Robustness: Pre Period 1870

Mechanisms & Additional Checks

Is This a General Phenomenon?

Are white households driving the demand for insurance in treated counties?

- Historical record notes that Black households purchased insurance primarily from white insurance agents
- Black insurance agents only sold insurance to Black households
- **An absolute increase in Black insurance agents indicates increased Black demand; an increase in the share of insurance agents Black suggests disproportionate effect among Black customers**

Effects on Race-Specific Insurance Demand

	DV: Black Insurance Agents Per 1,000 Black Households				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
FSB × Post	1.270***	0.492***			1.811***
	(0.168)	(0.187)			(0.383)
ATT			0.533***	1.281***	
			(0.182)	(0.179)	
Observations	8,352	8,352	8,352	8,352	8,352
R-squared	0.314	0.336			0.312
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South

Notes: The dependent variable is *BlackAgentsPerBlackHousehold*. Column 1 presents results from our standard two-way fixed-effects specification, and Column 2 adds 1870 Black county-level covariate trends. Column 3 presents results from our standard DRIMP specification based on 1870 Black covariates. Column 4 presents results from our standard synthetic diff-in-diff specification. Column 5 presents results from our main IV specification, wherein the number of Black troops instruments for FSB locations. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Black Agents per 1,000 HH | Share Black

Are We Just Picking Up the 1873 Panic?

Banks fail all the time, and there are no shortage of historical crises—is the FSB collapse really different?

- If FSB failure is "just another" bank failure, FSB effects should disappear once controlling for 1873 Panic effects; more severely-hit areas in 1873 Panic should also see an increase in insurance demand, whether in general or on a race-specific basis
- **Placebo test using 1873 Panic allays these concerns** Map

Impact of 1873 Panic on Insurance Holdings

DV:	Agents Per 1,000 HH	Agents Per 1,000 HH	Black Agents 1,000 Black HH	Black Agents 1,000 Black HH
	(1)	(2)	(3)	(4)
Severe Panic × Post	0.897***	0.761***	0.117	0.0199
	(0.215)	(0.217)	(0.116)	(0.108)
FSB × Post		1.491***		0.389*
		(0.510)		(0.216)
Severe Panic × FSB × Post		-0.116		0.269
		(0.652)		(0.341)
Observations	8,352	8,352	8,352	8,352
R-squared	0.752	0.755	0.335	0.336
Fixed Effects	County, Year	County, Year	County, Year	County, Year
Trend	1870 Black Covariates	1870 Black Covariates	1870 Black Covariates	1870 Black Covariates
Cluster	County	County	County	County
Sample	South	South	South	South

Columns 1 and 3 are full-sample regressions of the outcome listed in the column header on *SeverePanic*, an indicator for an above-median value of 1873 Panic severity interacted with *Post*, an indicator for years subsequent to both the 1873 Panic and the FSB's 1874 failure, along with the noted fixed effects and time trends. Columns 2 and 4 add to this specification the interaction of on *FSB*, an indicator for Freedman's Savings Bank exposure, with *Post*, as well as a triple interaction between *SeverePanic*, *FSB*, and *Post*. The triple-interaction term captures the effect of FSB exposure above and beyond that of 1873 Panic exposure. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Counties with Banks Only

Do Results Merely Reflect Broader Development and/or Selection into Treatment?

Can a growing finance industry explain insurance holdings growth?

- If other financial services, including banking, real estate, and securities, are growing faster than insurance, results may reflect a growing finance industry rather than increased insurance holdings
- **An increase in individuals employed in the insurance industry relative to the entire finance industry reduces this concern**

Is the placement of FSB branches in (potentially growing) cities responsible for our results?

- Can measure engagement with FSB without respect to underlying fundamentals that make the location attractive for FSB branching by looking at nearby locations without FSB branches
- **Spillovers likely reflect FSB engagement (e.g., because exposure to information on FSB failure, or because some depositors lived outside the county); should dissipate over space**

Effects on Insurance's Share of Financial Employment

	DV: Share of Financial-Sector Workers in Insurance				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
FSB × Post	5.404***	3.760**			5.765
	(1.388)	(1.549)			(6.069)
ATT			-2.011	7.582***	
			(3.344)	(1.526)	
Observations	8,352	8,352	8,352	8,352	8,352
R-squared	0.369	0.371			0.369
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South

Notes: The dependent variable is *PercentInsuranceIndustry*. Column 1 presents results from our standard two-way fixed-effects specification, and Column 2 adds 1870 Black county-level covariate trends. Column 3 presents results from our standard DRIMP specification. Column 4 presents results from our standard synthetic diff-in-diff specification. Column 5 presents results from our main IV specification, wherein the number of Black troops instruments for FSB locations. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Effects by Distance to Treated Counties

	DV: Insurance Agents Per 1,000 Households			
	Full Sample	0-25 mi	0-50 mi	0-100 mi
	(1)	(2)	(3)	(4)
FSB × Post	1.172***			
	(0.390)			
0-15 mi × Post	1.225**			
	(0.526)			
15-30 mi × Post	0.0519			
	(0.111)			
Distance to FSB × Post		-0.122***	-0.0205***	-0.00187
		(0.0369)	(0.00739)	(0.00234)
Observations	8,579	702	2,862	6,183
R-squared	0.736	0.749	0.710	0.703
Fixed Effects	County, Year	County, Year	County, Year	County, Year
Trend	1870 Black Covariates	1870 Black Covariates	1870 Black Covariates	1870 Black Covariates
Cluster	County	County	County	County
Sample	South	South Excl FSB	South Excl FSB	South Excl FSB

Notes: Column 1 is a full-sample regression of *AgentsPerHH* on *FSB*, an indicator for Freedman's Savings Bank exposure, interacted with *Post*, an indicator for years subsequent to the Bank's 1874 failure, along with the noted fixed effects and time trends. Column 1 also contains interactions between *Post* and indicators for non-FSB counties within 0-15 and 15-30 miles of an FSB county. Columns 2-4 present regressions interacting *Post*, an indicator for years subsequent to the Bank's 1874 failure, with the distance in miles from an FSB county, along with the noted fixed effects and time trends. These columns are restricted to non-FSB counties within 25, 50, and 100 miles of an FSB county, respectively. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Did the FSB Collapse Shape Beliefs and Preferences?

Does FSB-induced demand for insurance travel with migrants?

- If (persistently) higher insurance demand is largely a function of the way FSB failure shaped the local economy (e.g., by wiping out wealth or reducing opportunities to bank), effects ought to stay local
- **Higher demand for insurance in locations receiving out-migrating FSB cohorts indicates role for tastes and preferences; durability in patterns further explained by transmission of preferences to descendants**

Migration: Transmission Across Space and Time

Approach: Focus on insurance demand in counties receiving individuals migrating from FSB counties (and their families/descendants). Restrict sample to states which did not have a branch.

Data: Use IPUMS MLP linked census records to track FSB migrants and descendants of FSB migrants across censuses

- *FSB Migrants:* Black individuals ever resident in an FSB county before index year, now residing outside South
- *Exposure:* FSB migrants/Black pop in destination or FSB migrants/Black Southern migrants in destination; alternative definitions distinguish first-hand experience from exposure to local cultural memory + other place effects
- In certain specifications, *Exposure* passes through generations by household. This variable captures the transmission of preferences from parents to children
- In others exploring horizontal transmission, *Exposure* measures role of platform/authority of local FSB community members

FSB Migrant Destinations (Count) FSB Migrant Destinations (Share)

Migration as a Transmission Mechanism: Own Exposure

	DV: Insurance Agents Per 1,000 Households							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FSB Exposure (per Black Pop)	4.798***	4.617***			6.224**	5.906**		
	(1.407)	(1.348)			(2.965)	(2.902)		
FSB Exposure (per Southern Black Pop)			2.146***	2.101***			1.703***	1.668***
			(0.305)	(0.297)			(0.303)	(0.296)
Observations	8,655	8,655	8,655	8,655	4,475	4,475	4,475	4,475
R-squared	0.393	0.400	0.406	0.412	0.454	0.460	0.465	0.470
Fixed Effects	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year
Pop Growth Controls	No	Yes	No	Yes	No	Yes	No	Yes
Cluster	County	County	County	County	County	County	County	County
Sample	Non-South	Non-South	Non-South	Non-South	Urban N-S	Urban N-S	Urban N-S	Urban N-S

Notes: Each column is a separate regression with the dependent variable *AgentsPerHH*. The variable *FSBExposure*(*perBlackPop*) measures the share of the destination-county Black population who were post-1870 Black migrants from the FSB counties in our main analytic sample. *FSBExposure*(*perSouthernBlackPop*) is a similar measure, but the denominator is the destination-county Black population who are non-FSB post-1870 Black migrants from the South. Columns 2, 4, 6, and 8 control for Black, white, and Southern-origin population growth. All specifications are restricted to states without an FSB branch and to post-treatment years. Columns 5-8 are further restricted to urban counties. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

FSB Exposure (per Black Pop) Mean: 0.003; FSB Exposure (per Southern Black Pop) Mean: 0.0339

Race-Specific Demand | First-hand vs Place-based Exposure | First-hand Exposure Controls

Migration as a Transmission Mechanism: Family Exposure

	DV: Insurance Agents Per 1,000 Households			
	(1)	(2)	(3)	(4)
Family Exposure (per Black Pop)	0.572	0.488		
	(1.178)	(1.137)		
FSB Exposure (per Black Pop)	4.690***	4.525***		
	(1.386)	(1.328)		
Family Exposure (per Family of Southern Black Pop)			1.250***	1.207***
			(0.451)	(0.441)
FSB Exposure (per Southern Black Pop)			1.609***	1.586***
			(0.299)	(0.292)
Observations	8,655	8,655	8,655	8,655
R-squared	0.393	0.400	0.411	0.417
Fixed Effects	State, Year	State, Year	State, Year	State, Year
Pop Growth Controls	No	Yes	No	Yes
Cluster	County	County	County	County
Sample	Non-South	Non-South	Non-South	Non-South

Notes: Each column is a separate regression with the dependent variable *AgentsPerHH*. The variable *FSBExposure*(*perBlackPop*) measures the share of the destination-county Black population who were post-1870 Black migrants from the FSB counties in our main analytic sample. *FSBExposure*(*perSouthernBlackPop*) is a similar measure, but the denominator is the destination-county Black population who are non-FSB post-1870 Black migrants from the South. Family exposure refers to those who were not themselves FSB migrants, but who were co-resident with or descended from FSB migrants (or non-FSB Southern migrants in the case of the denominator in *FamilyExposure*(*perFamilyofSouthernBlackPop*). Columns 2 and 4 control for Black, white, and Southern-origin population growth. All specifications are restricted to states without an FSB branch and to post-treatment years. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Family Exposure (per Black Pop) Mean: 0.002; Family Exposure (per Southern Black Pop) Mean: 0.0285
FSB Exposure (per Black Pop) Mean: 0.003; FSB Exposure (per Southern Black Pop) Mean: 0.0339

Migration as a Transmission Mechanism: Exposure to Community Influencers

	DV: Insurance Agents Per 1,000 Households					
	(1)	(2)	(3)	(4)	(5)	(6)
FSB's Share of Social Occs	3.207**	3.055**				
	(1.250)	(1.239)				
FSB's Share of Leader Occs	5.165***	4.996***				
	(0.945)	(0.932)				
Social Occs' Share of FSB			6.031***	5.926***		
			(1.471)	(1.472)		
Leader Occs' Share of FSB			4.074***	3.984***		
			(0.991)	(0.981)		
FSB Social Occs per Black Pop					205.4***	202.8***
					(54.11)	(54.41)
FSB Leader Occs per Black Pop					253.6**	248.3**
					(100.1)	(96.01)
Observations	8,655	8,655	8,655	8,655	8,655	8,655
R-squared	0.400	0.406	0.399	0.405	0.397	0.403
Fixed Effects	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year
Pop Growth Controls	No	Yes	No	Yes	No	Yes
Cluster	County	County	County	County	County	County
Sample	Non-South	Non-South	Non-South	Non-South	Non-South	Non-South

Notes: Each column is a separate regression with the dependent variable *AgentsPerHH*. The right-hand-side variables are all given in rates, where the numerator is the number of Black people in either 'social occupations" or "leader occupations," respectively, who migrated from FSB counties after 1870. Social occupations include social workers, boot blacks, bartenders, barbers, and non-clergy religious workers. Leader occupations include clergy, authors, journalists, lawyers, public administrators, and teachers. In the first two rows, the denominator is the total Black population in those occupations in the destination county. In the next two rows, the denominator is the total Black post-1870 FSB migrant population in the destination county. In the final two rows, the denominator is the total Black population in the destination county. Columns 2, 4, and 6 control for Black, white, and Southern-origin population growth. All specifications are restricted to states without an FSB branch and to post-treatment years. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

FSB's Share of Social Occs Mean: 0.0021; FSB's Share of Leader Occs Mean: 0.0039
Social Occs' Share of FSB Mean: 0.0014; Leader Occs' Share of FSB Mean: 0.0034
FSB Social Occs per Black Pop Mean: 0.0000; FSB Leader Occs per Black Pop Mean: 0.0000

Conclusion

Conclusion

- The failure of the Freedman's Savings Bank was a traumatic, racialized, and economically consequential event
- FSB collapse durably altered financial behavior among Black households
  - Persistent increases in the local demand for life insurance, a popular banking alternative, in localities exposed to FSB collapse
  - Increases are driven by changes in Black demand, consistent with the race-specific nature of the shock
- Changing beliefs and preferences were a key mechanism
  - Document a role for both intergenerational and community transmission of beliefs; these effects help explain persistence
  - Suggest lived experience, cultural memory, and structural effects on place may all play a role in effects
- Shift in preferences and behavior may explain why Black HHs are more likely to buy life insurance, hold low-return/low-risk assets, and be unbanked
- To the extent that the FSB failure contributes to systematic racial differences in portfolio choice, suggests this shock may also have significance for understanding long-run racial wealth gaps

APPENDIX

Related literature: Scarring in Health

Growing literature in health documents changes in attitudes/behavior related to episodes of medical exploitation, especially where due to racial discrimination

- Effects often operate through institutional distrust (Archibong and Annan, 2022; Martinez-Bravo and Stegmann, 2021)
- Effects can span generations (Lowes and Montero, 2020)
- Result in avoidance of healthcare interactions and medical treatment, adverse health outcomes (Fairley et al., 2021)
- One of the most notable examples is the "Tuskegee Study," disclosure of which led to declines in life expectancy among Black men (Alsan and Wanamaker, 2018)

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Related literature: Scarring in Macro/Finance

Related literature in macro/finance suggests large economic shocks can affect financial preferences

- Personal experience of macroeconomic shocks can shape preferences for risk (Malmendier and Nagel, 2011; Graham and Narasimhan, 2004), erode public trust in institutions Funke et al., 2019)
- Experiences of fraud, exploitation, and discrimination also shown to sow distrust in and lower utilization of financial services (Gurun et al., 2018; Dupas et al., 2014; Rhine et al., 2006)

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Related literature: Freedman's Savings Bank

Historical literature on FSB highlights racially exploitative nature and large scale of shock

- FSB targeted newly-Emancipated and economically vulnerable Black population with fraudulent advertising (Celerier and Tak, 2021; Traweek and Wardlaw, 2021)
- Corrupt and speculative practices by white bank managers precipitated the bank's failure, resulting in a transfer of Black wealth to white elites (Fu, 2021; Celerier and Tak, 2021)
- Roughly half of Black wealth destroyed in the wake of FSB collapse (Baradaran, 2017)
- While some potential benefits of FSB participation (Stein and Yannelis, 2020; Fu, 2021), adverse impacts on present-day trust in banks (Fu, 2021)

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Insurance Was a Key Component of the Household Balance Sheet

- Insurance and deposits represented a large portion of the household balance sheet in the past
- Most equities and bonds held by top 10% of households in wealth distribution; higher barriers to entry

	Household Wealth	
	1920s	2020s
Insurance	15%	1%
Real Estate	15%	35%
Equities & Bonds	37%	12%
Deposits	25%	8%
Pension & Retirement	4%	36%

Sources: Goldsmith, Raymond. *A Study of Savings, Volume 1*, 1955; Census Bureau. *Wealth of Households*, 2020

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Life Insurance = Principal Method of Saving

	Insurance and Savings for Working-Class HHs in MA, 1939			
	Insurance & Savings	Insurance Only	Savings Only	Neither
Higher Income	57.5%	31.9%	6.4%	4.0%
Lower Income	20.7%	55.8%	2.3%	21.2%

Source: Temporary National Economic Committee, 1940, "Families and Life Insurance", Table 40, p. 154; Income cutoff: $600 per HH member

- 90% (76%) of higher (lower) income households had life insurance policies that accumulated cash values
- 64% (23%) of higher (lower) income households had accounts in commercial banks, savings banks, postal savings, brokerages, or other depository or investment institutions

NBER Report on the national balance sheet suggests life insurance accounted for roughly 1/4 of personal savings over the 1920s-1950s

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Black Households Purchase More Life Insurance

	Percent Insured By Race		
	Households	Persons	Income per HH
Black	85.2%	78.4%	$1,052
White	78.0%	66.5%	$1,423

Source: Temporary National Economic Committee, 1940, "Families and Life Insurance", Table 40, p. 154; Note: All Black HHs fall into "low-income" range

- Low income Black families hold about the same amount of insurance as higher income white families
- White households had on average substantially higher incomes than Black households

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Black Insurance Holdings

ANNUAL AMOUNT EXPENDED FOR VARIOUS
BUDGETARY ITEMS BY 44,225
HOUSTON NEGRO HOUSEHOLDERS

Budgetary Items	Annual Expenditure
Food	$ 46,004,868
Housing	30,669,912
Household Operations	18,705,276
Furnishings	5,392,512
Clothing	11,964,636
Automobile	9,773,928
Other Transportation	505,548
Medical Care	6,066,576
Education	1,179,612
Reading	1,174,322
Savings*	15,166,440
Other	21,912,370
Total	$168,516,000

* Includes all monies invested in Life Insurance.

Savings	
Bank	31.3
Bldg. and Loan	14.5
Insurance	51.4
Others	2.8
Total	100.0

Source: Henry Allen Bullock, 1957. "Pathways to the Houston Negro Market"

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Types of Life Insurance

- Most common forms of insurance before 1950, particularly for Black adults
  - **Ordinary Life:** Payout (annuity or lump sum) after reaching specified age, otherwise pays benefit to survivors. Accumulates cash value. Borrowing against policy possible.
  - **Industrial Life:** Survivors receive payout. Payout amounts smaller ($5k or $10k) but multiple policies possible. Agent typically collects payment door-to-door, often weekly.
  - **Group Life:** Single policy covers group (often employees in firm).

  ↪ *For context: Per the Bryson study of insurance held by African American households, Black households' holdings of insurance by value in force were: Ordinary 60%, Industrial 32%, Group 8%*

- Common modern forms of life insurance
  - **Term Life:** Survivors receive payout if insured perishes during term.
  - **Whole Life:** Survivors receive payout, in force until death. Modern version of ordinary life policy.

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Insurance Used for Long-Term Savings

	Age at Issue for Ordinary and Industrial Insurance						
Age at Issue	0-9	10-19	20-29	30-39	40-49	50-59	60+
Ordinary	1.1%	19.7%	39.2%	24.0%	13.0%	2.9%	0.1%
Industrial	33.6%	19.2%	16.5%	11.9%	11.1%	6.0%	1.7%

- Ordinary life policies
  - Typically purchased by individuals early in careers (age 15 to 35) and held throughout working life.
  - Most common policy purchased by head of household, typically male with job, wife, and kids
- Industrial policies
  - Nearly half of all policies purchased for minors
  - 54% of all policies written for girls and women
  - Majority of policies mature (i.e. reach full value) in 20 years
  - Most policies payout at maturity to the insured individual rather than at death to beneficiaries

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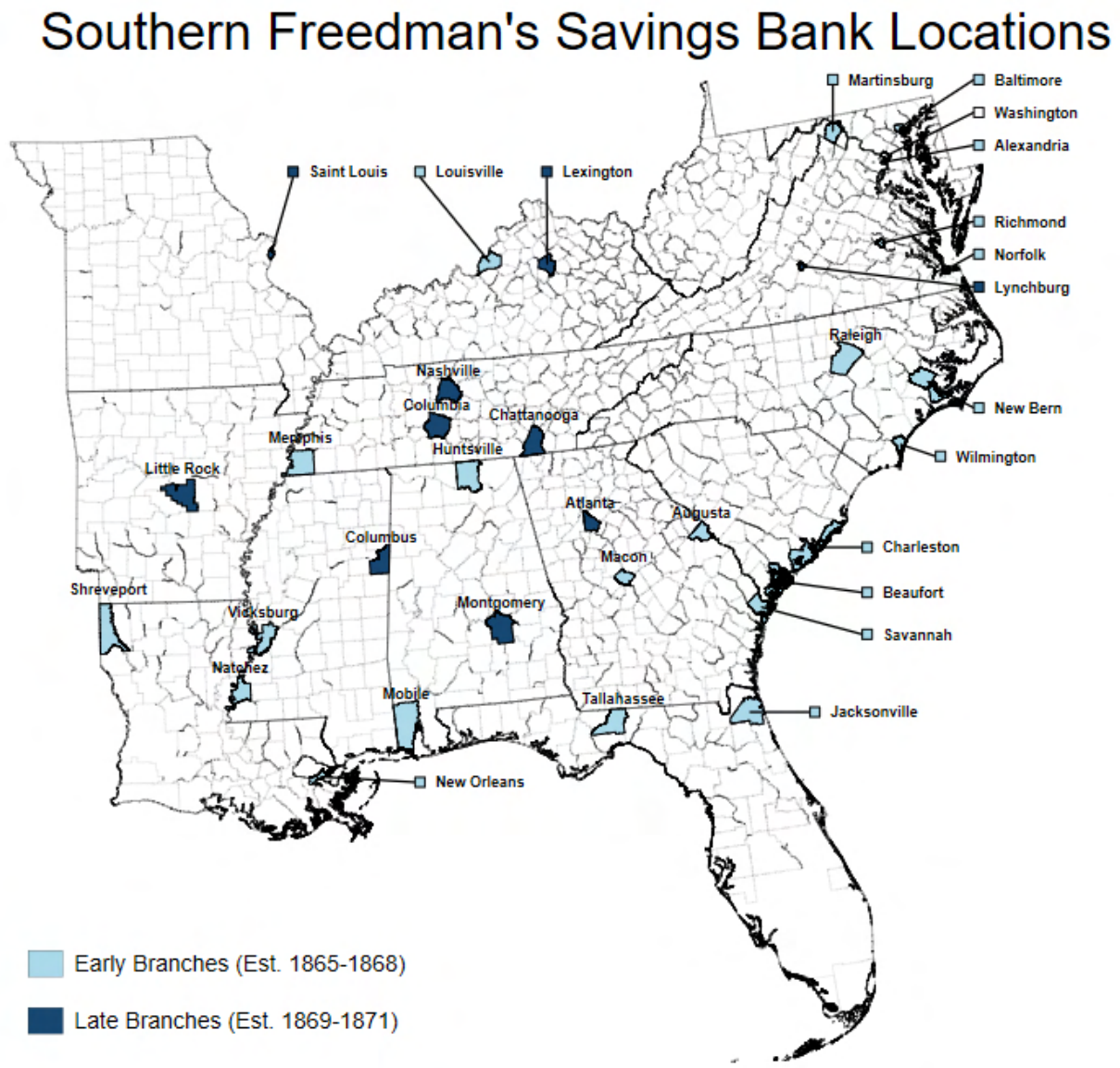
Early and Late FSB Counties



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Two-Way Fixed Effects (Unbalanced Panel)

	DV: Insurance Agents Per 1,000 Households							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FSB × Post	3.920***	3.961***	3.873***	0.995**	0.810*	1.339***	3.516***	4.890***
	(0.355)	(0.346)	(0.350)	(0.434)	(0.421)	(0.392)	(0.385)	(0.681)
Observations	10,304	10,304	10,304	10,304	10,304	10,304	10,214	10,088
R-squared	0.705	0.730	0.719	0.751	0.764	0.746	0.696	0.692
Fixed Effects	County, Year	County, Year, State × Year	County, Year	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	No	State	1860 Covariates	1870 Covariates	1870 Black Covariates	No	No
Cluster	County	County	County	County	County	County	County	County
Sample	South	South	South	South	South	South	Early South	Late South

Notes: Each column is a separate regression of *AgentsPerHH* on *FSB*, an indicator for Freedman's Savings Bank exposure, interacted with *Post*, an indicator for years subsequent to the Bank's 1874 failure, along with the noted fixed effects and time trends. Column 4 (5) includes time trends of 1860 (1870) white and Black county averages of employment, literacy, wealth, urban status, socio-economic status, and family size. Column 6 includes time trends of the same controls, but only 1870 Black county averages. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Treated counties in Column 7 are restricted to branches that opened prior to 1869. Treated counties in Column 8 are restricted to branches that opened after 1868. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Determinants of FSB Status

VARIABLES	(1) AgentsPerHH	(2) employed_white_1870	(3) Literate_white_1870	(4) realprop_white_1870	(5) persprop_white_1870	(6) employed_black_1870	(7) Literate_black_1870	(8) realprop_black_1870	(9) persprop_black_1870	(10) UrbanPop_white_1870	(11) famsize_white_1870	(12) famsize_black_1870	(13) occscore_white_1870	(14) occscore_black_1870	(15) PercentBlack1870
FSB	1.861***	-0.0649***	0.116***	1,148***	541.1***	-0.0150	0.0358	32.59	-5.777	0.475***	-0.684***	-0.629***	5.230***	2.640***	0.163***
	(0.106)	(0.0126)	(0.0315)	(154.3)	(58.00)	(0.0233)	(0.0349)	(31.80)	(14.30)	(0.0199)	(0.0759)	(0.153)	(0.388)	(0.460)	(0.0311)
Observations	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136
R-squared	0.247	0.120	0.068	0.238	0.209	0.056	0.080	0.175	0.275	0.351	0.261	0.067	0.221	0.081	0.471
Fixed Effects	State	State	State	State	State	State	State	State	State	State	State	State	State	State	State

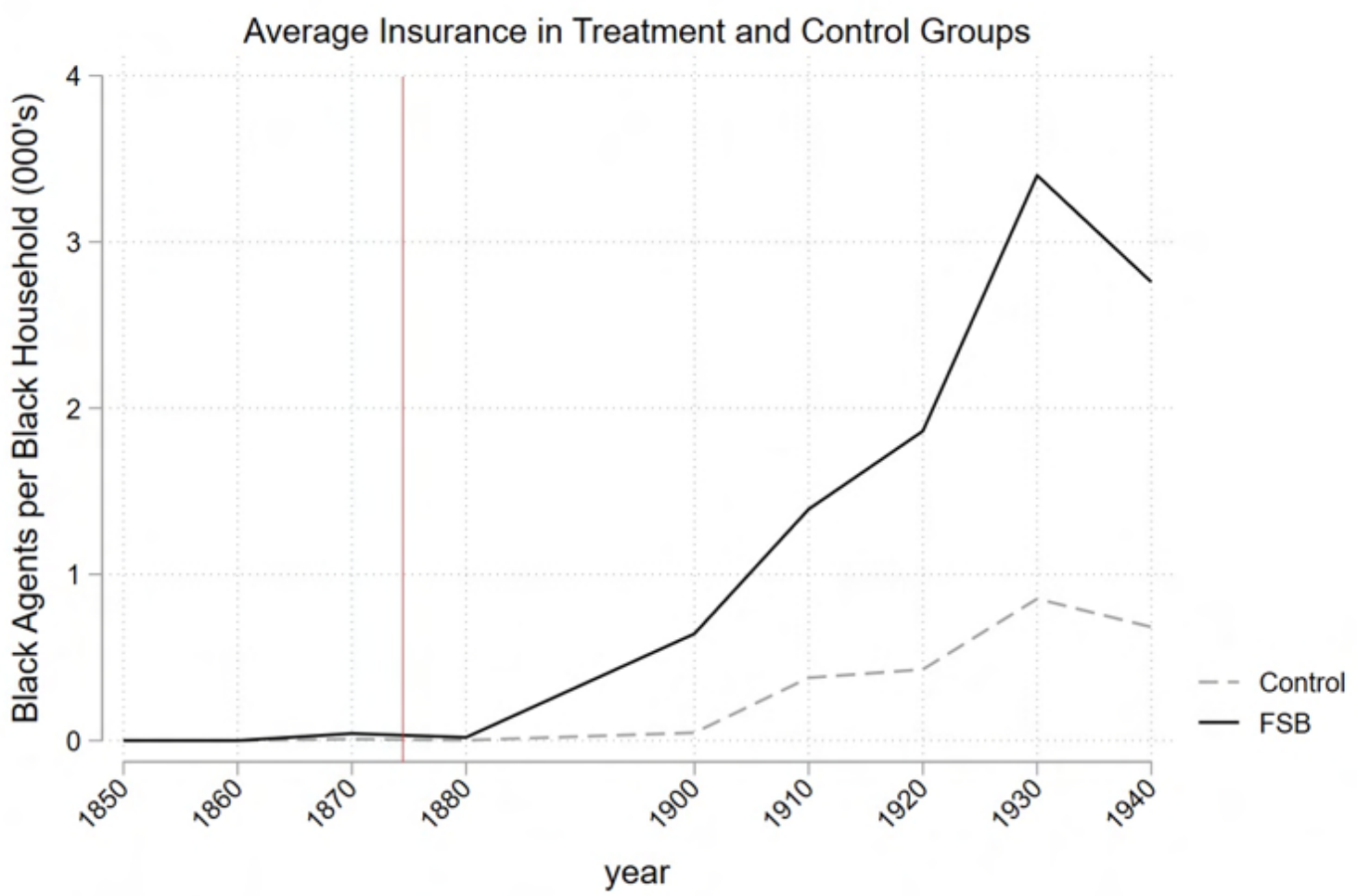
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Determinants of Local Insurance Demand

VARIABLES	(1) AgentsPerHH	(2) ShareBlack	(3) AgentsPerHH	(4) ShareBlack	(5) AgentsPerHH	(6) ShareBlack	(7) AgentsPerHH	(8) ShareBlack	(9) AgentsPerHH	(10) ShareBlack
Blackpct	0.705***	15.37***	-0.0204	9.773***	1.024**	7.970***	0.710***	19.02***	1.216	-0.934
	(0.0754)	(1.181)	(3.067)	(1.456)	(0.437)	(1.685)	(0.0890)	(1.419)	(1.899)	(3.064)
Ruralpct	-3.615***	-1.079**	-1.499***	-0.252***	-3.527***	-0.0879	-4.836***	-3.278***	-2.823***	0.270
	(0.132)	(0.469)	(0.256)	(0.0692)	(0.161)	(0.113)	(0.295)	(1.140)	(0.225)	(0.634)
EMPrate	0.887***	-4.375**	1.958**	0.862***	0.253	0.427	0.497***	-12.59***	0.234	0.784
	(0.130)	(1.982)	(0.783)	(0.307)	(0.203)	(0.401)	(0.178)	(4.159)	(0.291)	(0.777)
whitecollarpct	10.69***	-10.05***	20.36***	0.655	12.03***	0.451	9.841***	-15.07***	9.559***	1.368
	(0.467)	(2.036)	(1.908)	(0.404)	(0.753)	(0.388)	(0.837)	(4.649)	(0.955)	(2.199)
skilledbluepct	-0.357	-5.411**	-1.281	0.658	0.100	0.230	-1.055**	-12.90**	-0.0622	1.433
	(0.258)	(2.705)	(1.115)	(0.711)	(0.354)	(0.491)	(0.481)	(5.525)	(0.403)	(1.671)
unskilledbluepct	1.722***	1.189	3.824***	0.266	1.078***	0.720*	2.616***	-1.075	-0.132	1.558
	(0.175)	(1.873)	(0.663)	(0.223)	(0.296)	(0.380)	(0.327)	(3.890)	(0.256)	(1.364)
farmerpct	0.764***	-4.067**	3.520***	0.537**	1.015***	0.400**	1.095***	-9.387***	0.0966	1.417
	(0.102)	(1.760)	(0.528)	(0.227)	(0.176)	(0.176)	(0.147)	(3.399)	(0.199)	(0.973)
Constant	1.295***	7.889***	-3.598***	-1.166***	1.935***	-0.822*	2.689***	18.64***	0.849*	-0.202
	(0.242)	(2.716)	(0.976)	(0.429)	(0.350)	(0.448)	(0.433)	(4.753)	(0.509)	(2.457)
Observations	24,478	15,753	1,944	1,725	8,319	6,079	11,466	6,370	2,749	1,579
R-squared	0.710	0.211	0.837	0.203	0.746	0.057	0.694	0.168	0.619	0.014
Region	US	US	NE	NE	MW	MW	S	S	W	W
Fixed Effects	State Year	State Year	State Year	State Year	State Year	State Year	State Year	State Year	State Year	State Year
Cluster	County	County	County	County	County	County	County	County	County	County

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Black Insurance Agents Per 1,000 Black Households, 1850-1940



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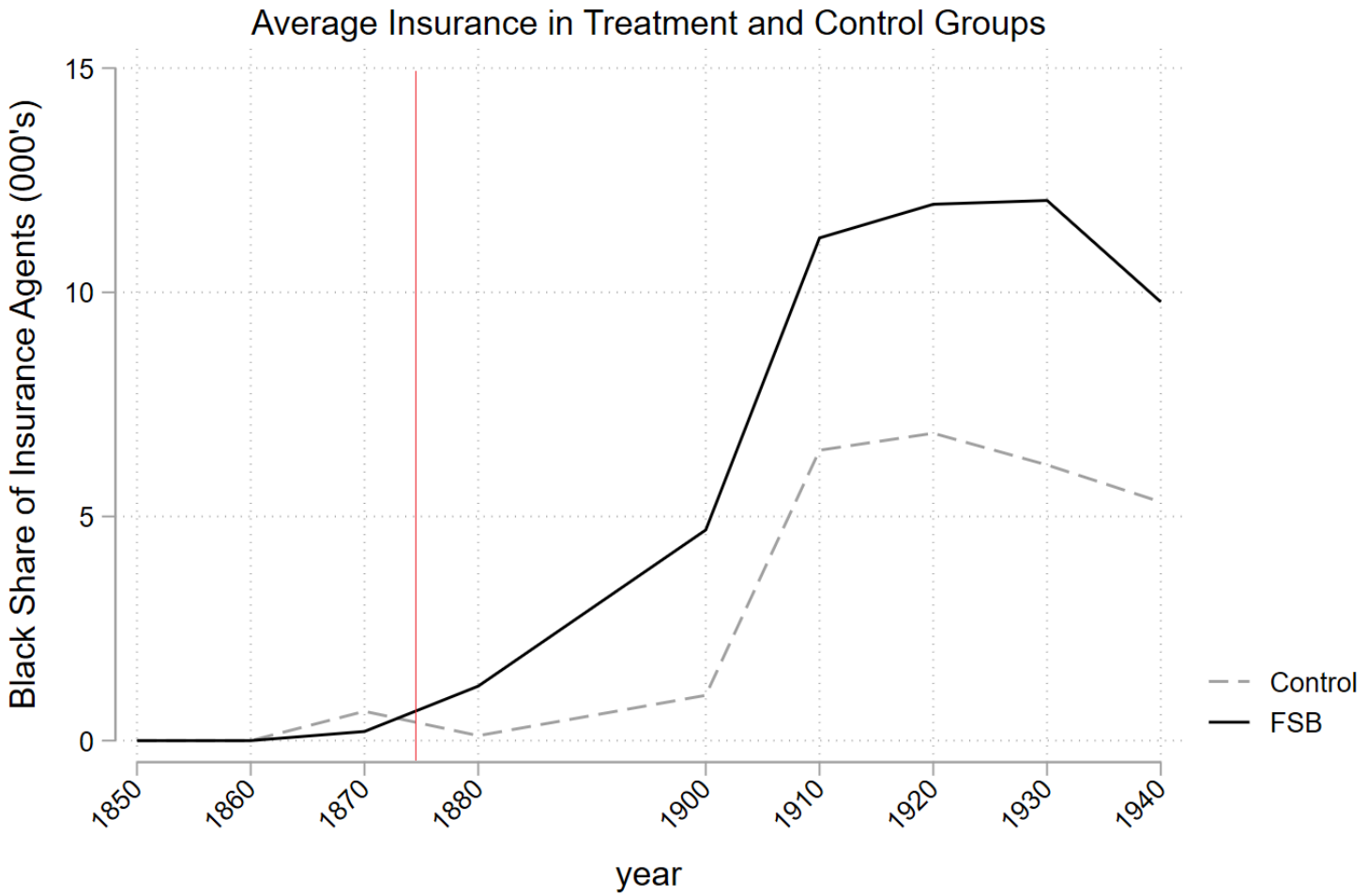
Share of Insurance Agents Black, 1850-1940



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Robustness: Urban Status

	DV: Insurance Agents Per 1,000 Households		
	Baseline	Urban Control	Above Med Urban
	(1)	(2)	(3)
FSB × Post	3.952***	3.232***	2.401***
	(0.356)	(0.368)	(0.367)
Urban		7.084***	
		(0.295)	
Observations	8,352	8,352	2,286
R-squared	0.713	0.788	0.821
Fixed Effects	County, Year	County, Year	County, Year
Trend	No	No	No
Cluster	County	County	County
Sample	South	South	Urban South

Notes: The dependent variable is *AgentsPerHH*, and is regressed on *FSB*, an indicator for Freedman's Savings Bank exposure, interacted with *Post*, an indicator for years subsequent to the Banks 1874 failure, along with the noted controls and fixed effects. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. Column 3 is restricted to urban counties in these states. *** p<0.01, ** p<0.05, * p<0.1

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Robustness: Pent-Up Demand

	DV: Insurance Agents Per 1,000 Households							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Percent Enslaved × Post-CW	-0.0208				-0.624**			
	(0.0808)				(0.257)			
Percent (Free) Black		-0.476				-0.646		
		(0.323)				(0.831)		
FSB × Post			2.260***	0.780**			2.075***	1.031**
			(0.478)	(0.383)			(0.479)	(0.454)
Observations	3,135	3,422	1,160	1,160	872	1,618	1,025	1,025
R-squared	0.455	0.607	0.841	0.881	0.536	0.609	0.861	0.889
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	No	No	1870 B	No	No	No	1870 B
Cluster	County	County	County	County	County	County	County	County
Sample	South	US	NY & PA	NY & PA	Urban South	Urban US	Urban NY & PA	Urban NY & PA
Years	1850-1870	1850-1860	1850-1940	1850-1940	1850-1870	1850-1860	1850-1940	1850-1940

Notes: Each column is a separate regression with dependent variable *AgentsPerHH*. Explanatory variables, samples, and year ranges vary across specifications. *** p<0.01, ** p<0.05, * p<0.1

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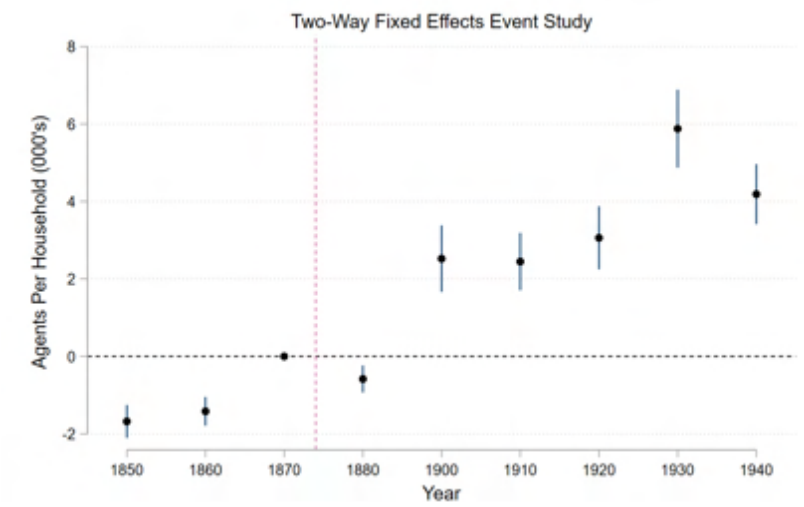
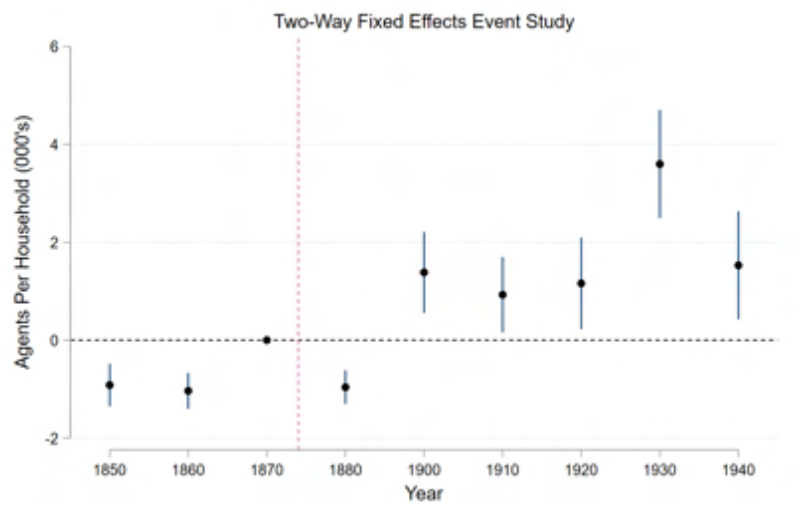
Two-Way Fixed Effects



No Trend



1870 Black Covariate Trends

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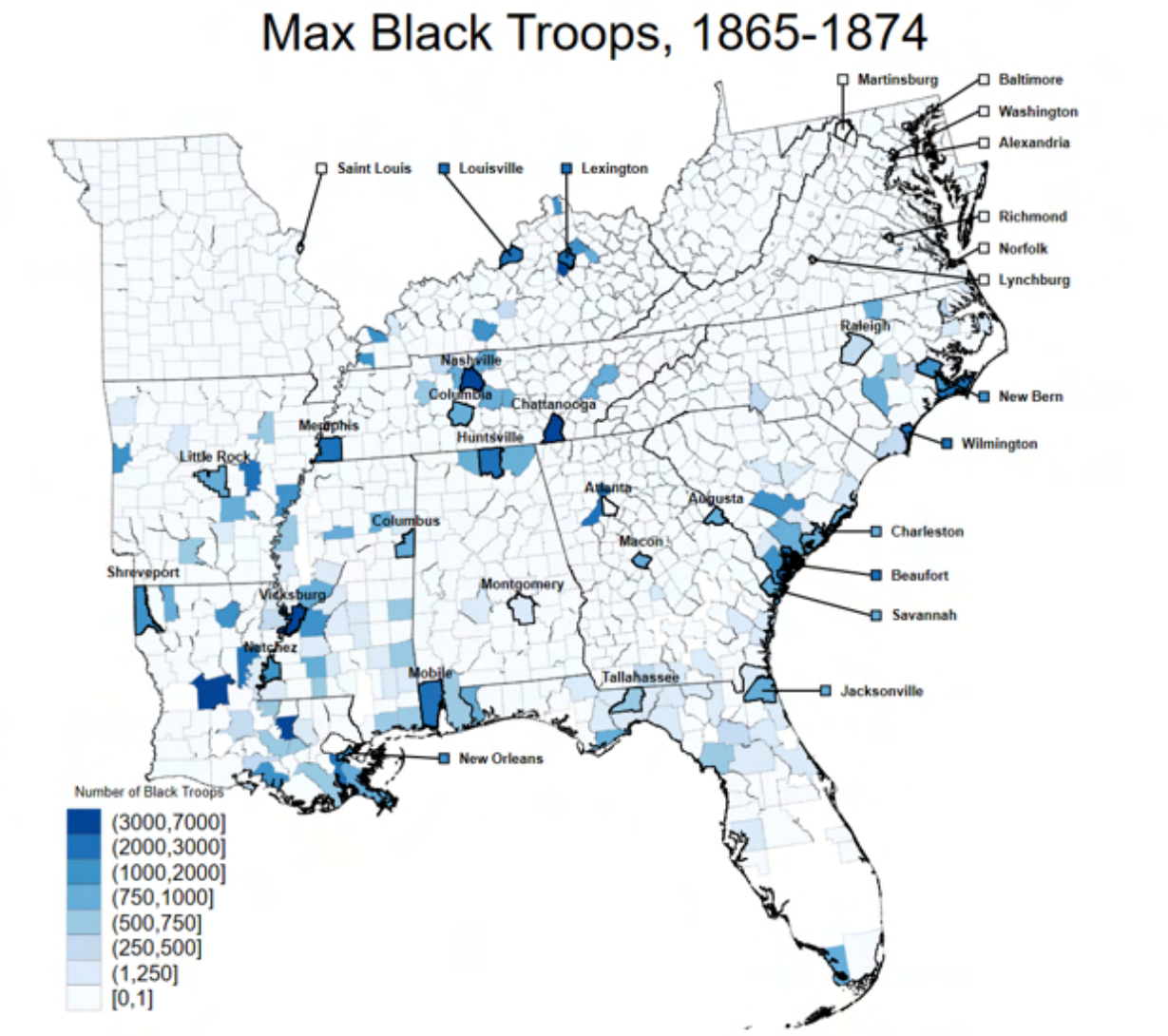
Maximum Black Troops, 1865-1874



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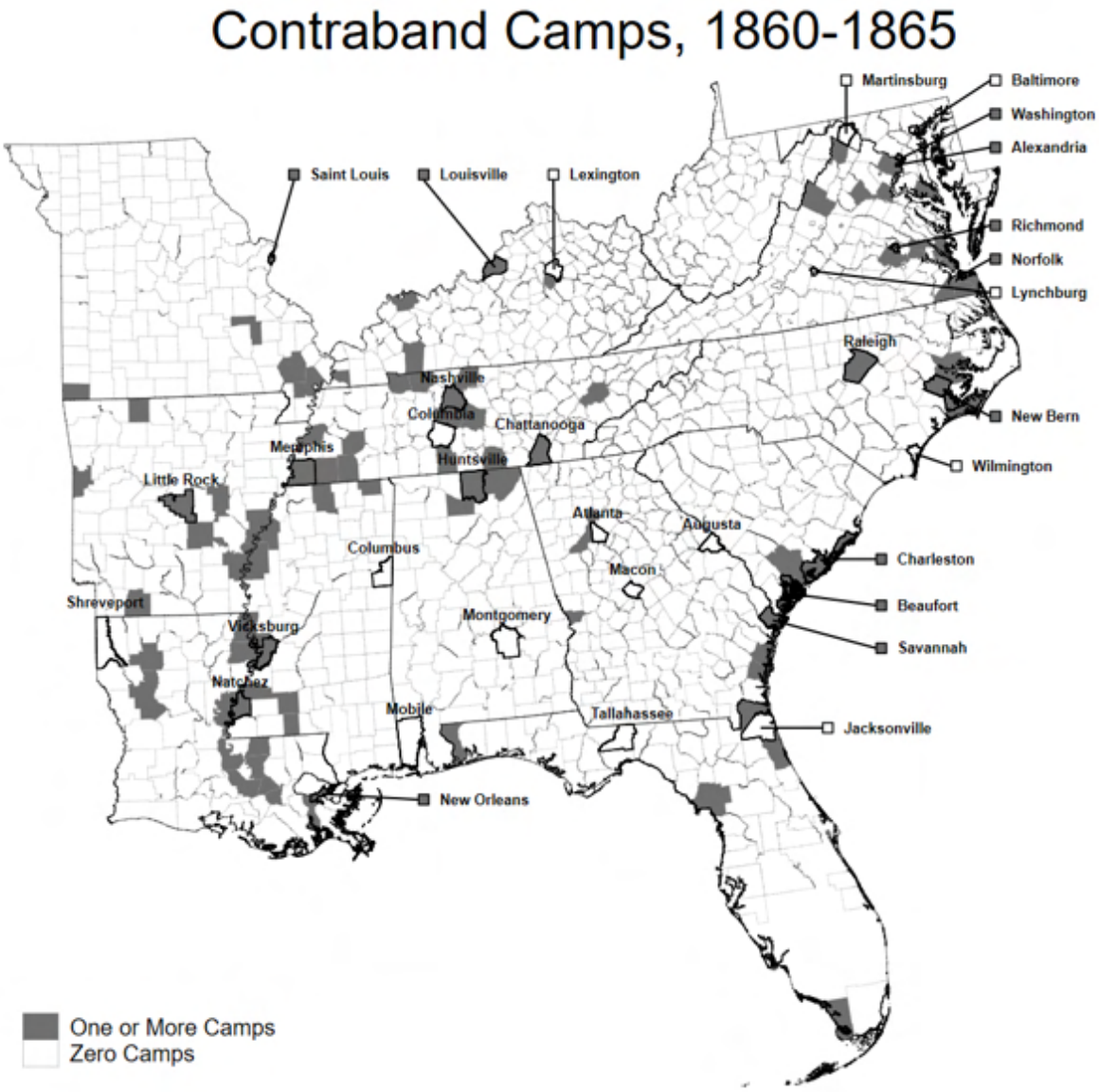
Contraband Camps, 1860-1865



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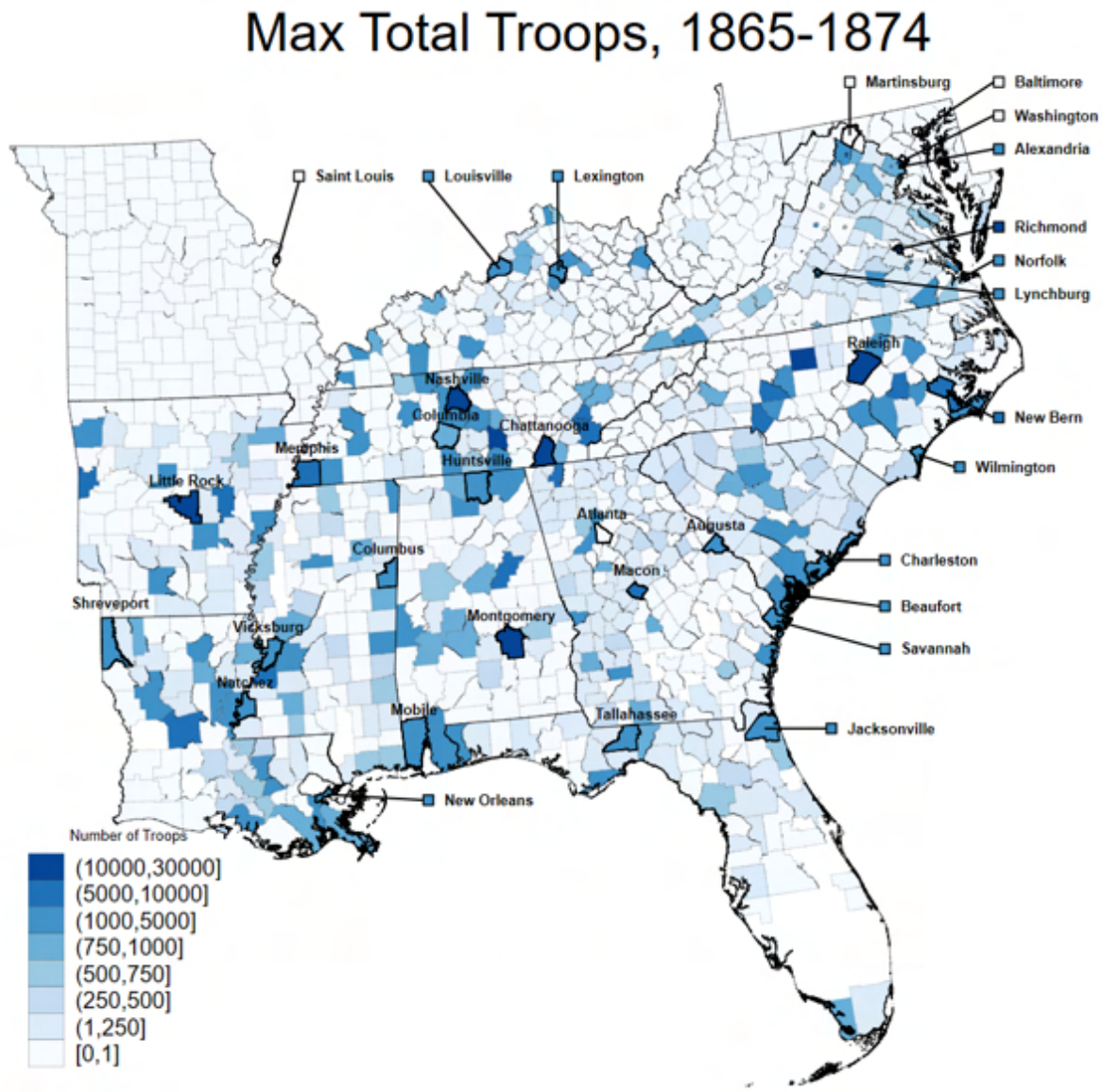
Maximum Total Troops



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Instrumental Variables: First Stage

	DV: FSB × Post			
	(1)	(2)	(3)	(4)
Union Troops × Post		3.88e-05***		3.11e-05***
		(6.98e-06)		(7.40e-06)
Black Troops × Post	0.000157***	0.000114**		
	(4.34e-05)	(5.33e-05)		
Black Troops × Union Troops × Post		-3.61e-09		
		(1.17e-08)		
Contraband Camps × Post			0.0729***	0.0313
			(0.0207)	(0.0197)
Contraband Camps × Union Troops × Post				1.11e-05***
				(3.84e-06)
Observations	8,352	8,352	8,352	8,3522
R-squared	0.730	0.770	0.718	0.783
Fixed Effects	County, Year	County, Year	County, Year	County, Year
Cluster	County	County	County	County
F-Statistic	13.010	22.038	12.378	48.532

Notes: Each column presents first-stage results underlying the results reported in the main instrumental variable regression table. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

Instrumental Variables (Unbalanced)

	DV: Insurance Agents Per 1,000 Households			
INSTRUMENTS	Black Troops (interacted with)		Contraband Camps (interacted with)	
		Union Troops		Union Troops
	(1)	(2)	(3)	(4)
FSB × Post	5.107***	6.581***	3.944***	5.746***
	(0.856)	(0.800)	(0.756)	(0.719)
Observations	10,058	10,058	10,307	10,058
R-squared	0.700	0.692	0.706	0.697
Fixed Effects	County, Year	County, Year	County, Year	County, Year
Cluster	County	County	County	County
Effective F-Stat	11.888	19.157	11.185	40.699
UnderID P-Value	0.000	0.000	0.001	0.000
OverID P-Value		0.146		0.058
Weak IV Robust CS	[3.667 - 7.734]	[5.645 - 9.558]	[2.372 - 5.816]	[5.409 - 7.701]

Notes: Each column is a separate instrumental variable regression of *AgentsPerHH* on *FSB*, an indicator for Freedman's Savings Bank exposure, interacted with *Post*, an indicator for years subsequent to the Bank's 1874 failure, along with the noted fixed effects and time trends. All specifications instrument for endogenous selection into treatment, indicated by *FSB*. The primary instrumental variable in Columns 1-2 is *BlackTroops*, the maximum number of Black troops that occupied a county during reconstruction. The primary instrumental variable in Columns 3-4 is *ContrabandCamps*, the total number of contraband camps within a county. Columns 2 and 4 fully interact the primary instrumental variable with a second instrument, *UnionTroops*, the maximum number of Union troops occupying the county during reconstruction. The presented p-values result from Kleibergen-Paap LM underidentification tests. Rejection of the null hypothesis suggests that the excluded instruments are relevant. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Main Results: Two-Panel Summary

	DV: Insurance Agents Per 1,000 Households				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
	Panel A: Balanced Panel				
FSB × Post	3.952***	1.598***			5.225***
	(0.356)	(0.375)			(0.874)
ATT			1.796***	2.604***	
			(0.370)	(0.346)	
Observations	8,352	8,352	8,352	8,352	8,352
R-squared	0.713	0.754			0.711
	Panel B: Unbalanced Panel				
FSB × Post	3.920***	1.339***			5.107***
	(0.355)	(0.392)			(0.856)
Observations	10,304	10,304			10,058
R-squared	0.705	0.746			0.700
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South

Notes: This table reproduces the main results using each of the core methods shown. In Panel A, a balanced panel is used for comparability across doubly-robust methods (which require a balanced panel) and all other methods used. Panel B uses the full (unbalanced) panel for comparison. DRIMP methods use 1870 Black covariates to balance treatment. *** p<0.01, ** p<0.05, * p<0.1

Estimates with Pre Period Restricted to 1870

	DV: Insurance Agents Per 1,000 Households				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
FSB × Post	2.914***	0.880**			3.964***
	(0.321)	(0.343)			(0.772)
ATT			1.791***	2.914***	
			(0.368)	(0.323)	
Observations	7,826	7,826	7,826	7,826	7,826
R-squared	0.738	0.764			0.737
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South
Years	1870-1940	1870-1940	1870-1940	1870-1940	1870-1940

Notes: This table reproduces the main results using each of the core methods shown, but with the pre-collapse period restricted to 1870.

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Black Agents per 1,000 HH

	DV: Black Insurance Agents Per 1,000 Households				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
FSB × Post	0.523***	0.276***			0.777***
	(0.0749)	(0.0769)			(0.164)
ATT			0.280***	0.523***	
			(0.0802)	(0.0828)	
Observations	8,352	8,352	8,352	8,352	8,352
R-squared	0.402	0.460			0.396
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South

Notes: The dependent variable is *BlackAgentsPerHousehold*. Column 1 presents results from our standard two-way fixed-effects specification, and Column 2 adds 1870 Black county-level covariate trends. Column 3 presents results from our standard DRIMP specification based on 1870 Black covariates. Column 4 presents results from our standard synthetic diff-in-diff specification. Column 5 presents results from our main IV specification, wherein the number of Black troops instruments for FSB locations. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

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Share of Insurance Agents Black

	DV: Share of Insurance Agents Black				
	TWFE	TWFE 70B	DRIMP	SDID	IV Black Troops
	(1)	(2)	(3)	(4)	(5)
FSB × Post	4.316***	0.481			10.00***
	(0.912)	(0.819)			(3.047)
ATT			-0.894	4.183***	
			(0.920)	(0.860)	
Observations	8,352	8,352	8,352	8,352	8,352
R-squared	0.267	0.315			0.264
Fixed Effects	County, Year	County, Year	County, Year	County, Year	County, Year
Trend	No	1870 Black Covariates	No	No	No
Cluster	County	County	County	County	County
Sample	South	South	South	South	South

Notes: The dependent variable is *PercentBlackAgents*. Column 1 presents results from our standard two-way fixed-effects specification, and Column 2 adds 1870 Black county-level covariate trends. Column 3 presents results from our standard DRIMP specification based on 1870 Black covariates. Column 4 presents results from our standard synthetic diff-in-diff specification. Column 5 presents results from our main IV specification, wherein the number of Black troops instruments for FSB locations. All models are restricted to primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

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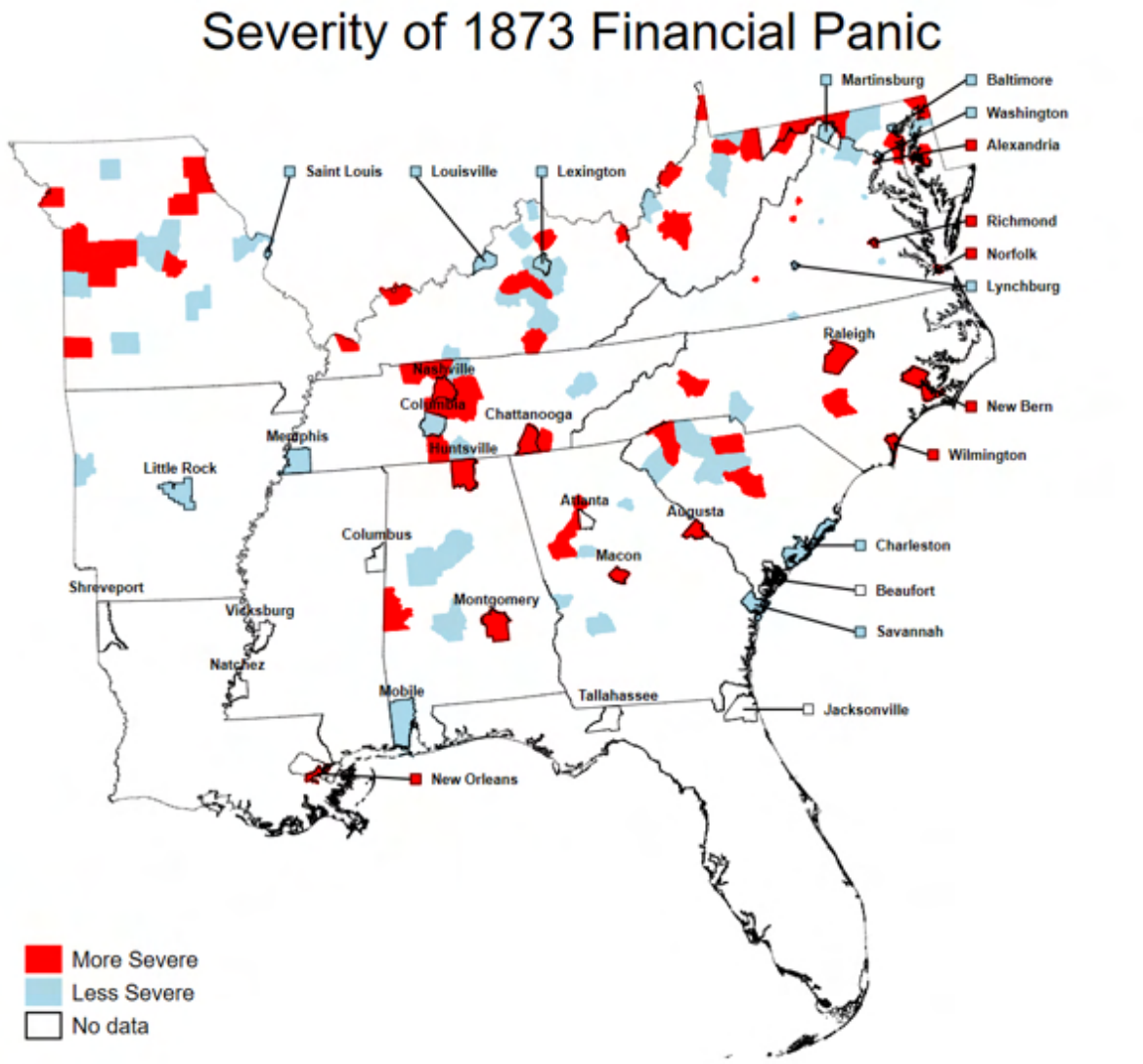
1873 Panic Severity



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Impact of 1873 Panic on Insurance Holdings (Counties with Banks Only)

DV:	**Agents Per 1,000 HH**	**Agents Per 1,000 HH**	**Black Agents 1,000 Black HH**	**Black Agents 1,000 Black HH**
	(1)	(2)	(3)	(4)
Severe Panic × Post	-0.159	-0.225	-0.256	-0.400*
	(0.273)	(0.314)	(0.192)	(0.224)
FSB × Post		0.332		-0.440
		(0.603)		(0.352)
Severe Panic × FSB × Post		0.317		0.653*
		(0.737)		(0.369)
Observations	1,093	1,093	1,093	1,093
R-squared	0.868	0.868	0.556	0.558
Fixed Effects	County, Year	County, Year	County, Year	County, Year
Trend	1870 Black Covariates	1870 Black Covariates	1870 Black Covariates	1870 Black Covariates
Cluster	County	County	County	County
Sample	South with NC Bank	South with NC Bank	South with NC Bank	South with NC Bank

Columns 1 and 3 are regressions of the outcome listed in the column header on *SeverePanic*, an indicator for an above-median value of 1873 Panic severity interacted with *Post*, an indicator for years subsequent to both the 1873 Panic and the FSB's 1874 failure, along with the noted fixed effects and time trends. Columns 2 and 4 add to this specification the interaction of on *FSB*, an indicator for Freedman's Savings Bank exposure, with *Post*, as well as a triple interaction between *SeverePanic*, *FSB*, and *Post*. The triple-interaction term captures the effect of FSB exposure above and beyond that of 1873 Panic exposure. All models are restricted counties with a nationally-chartered bank in primarily Southern states, including Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Washington D.C., and West Virginia. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

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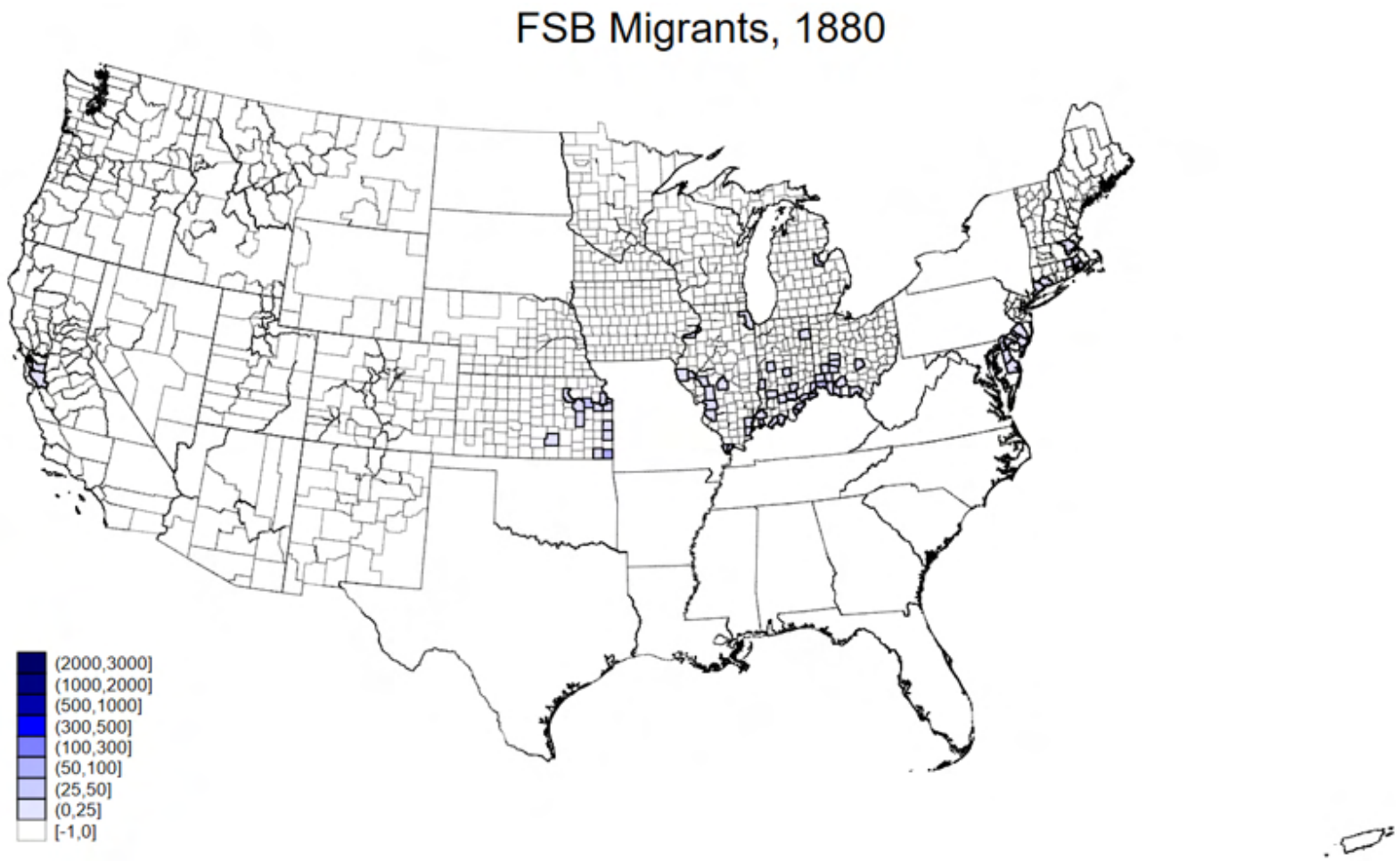
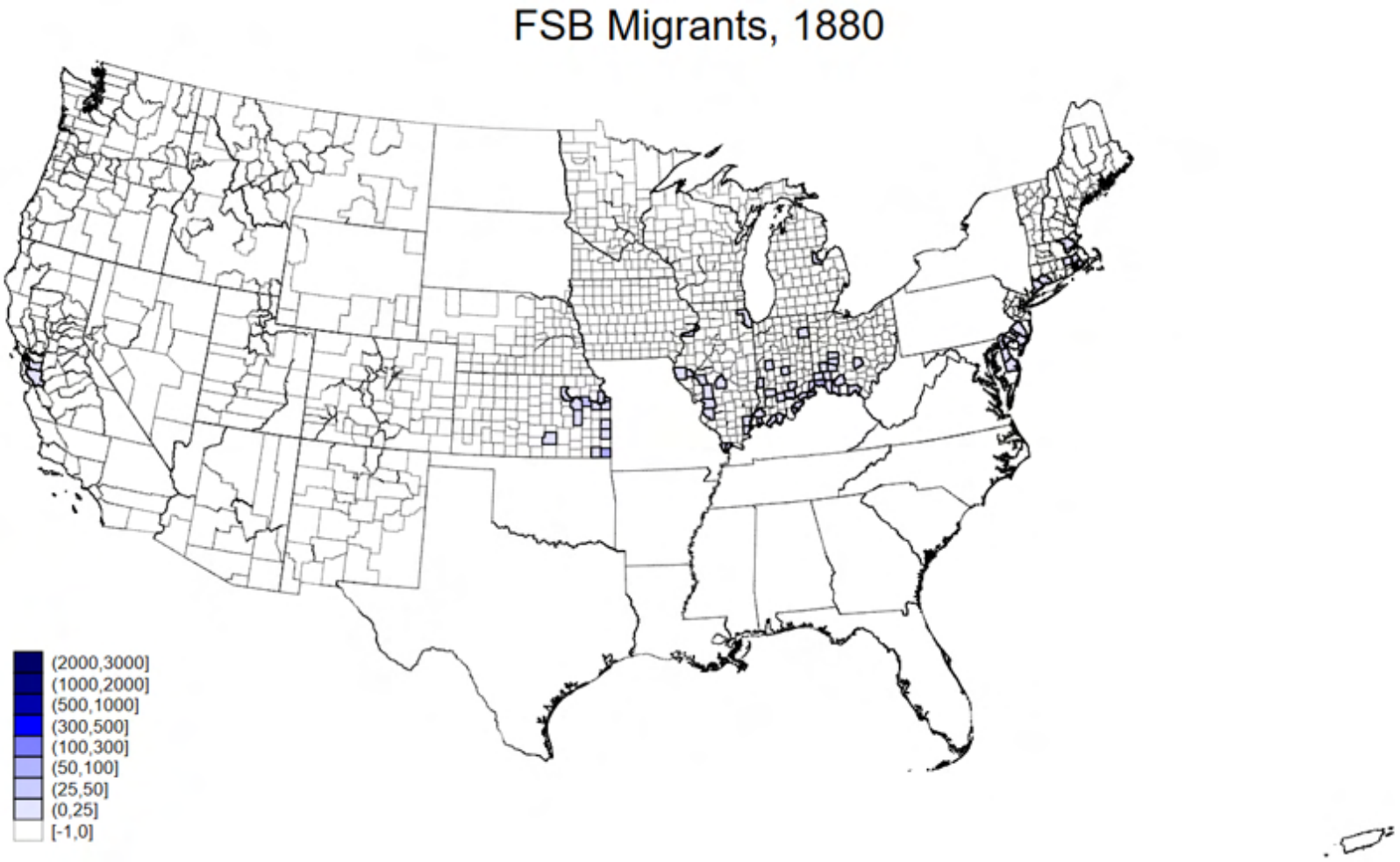
FSB Migrant Destinations (Count)



Back 1880 1900 1910 1920 1930 1940

FSB Migrant Destinations, 1880 (Count)



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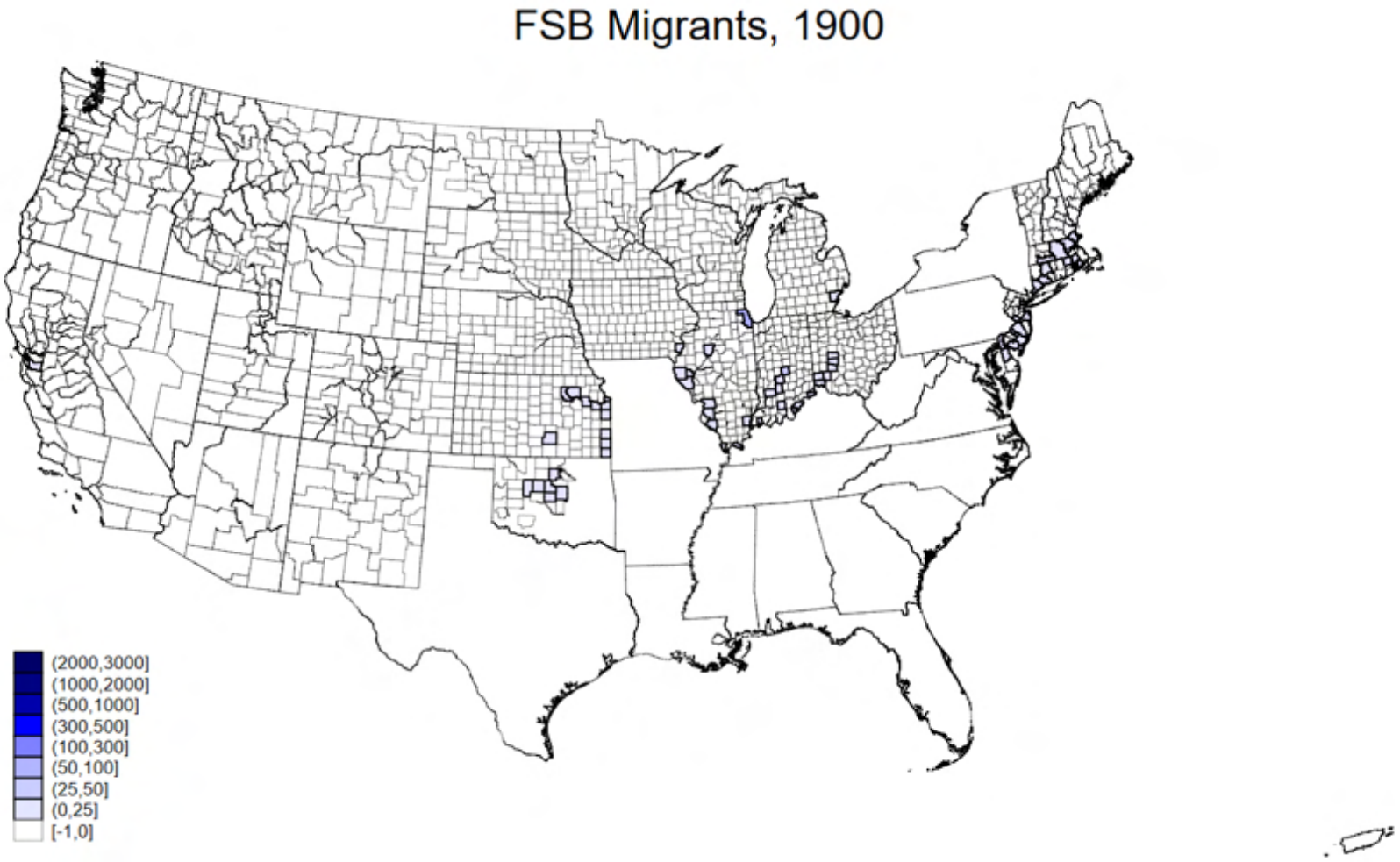
FSB Migrant Destinations, 1900 (Count)



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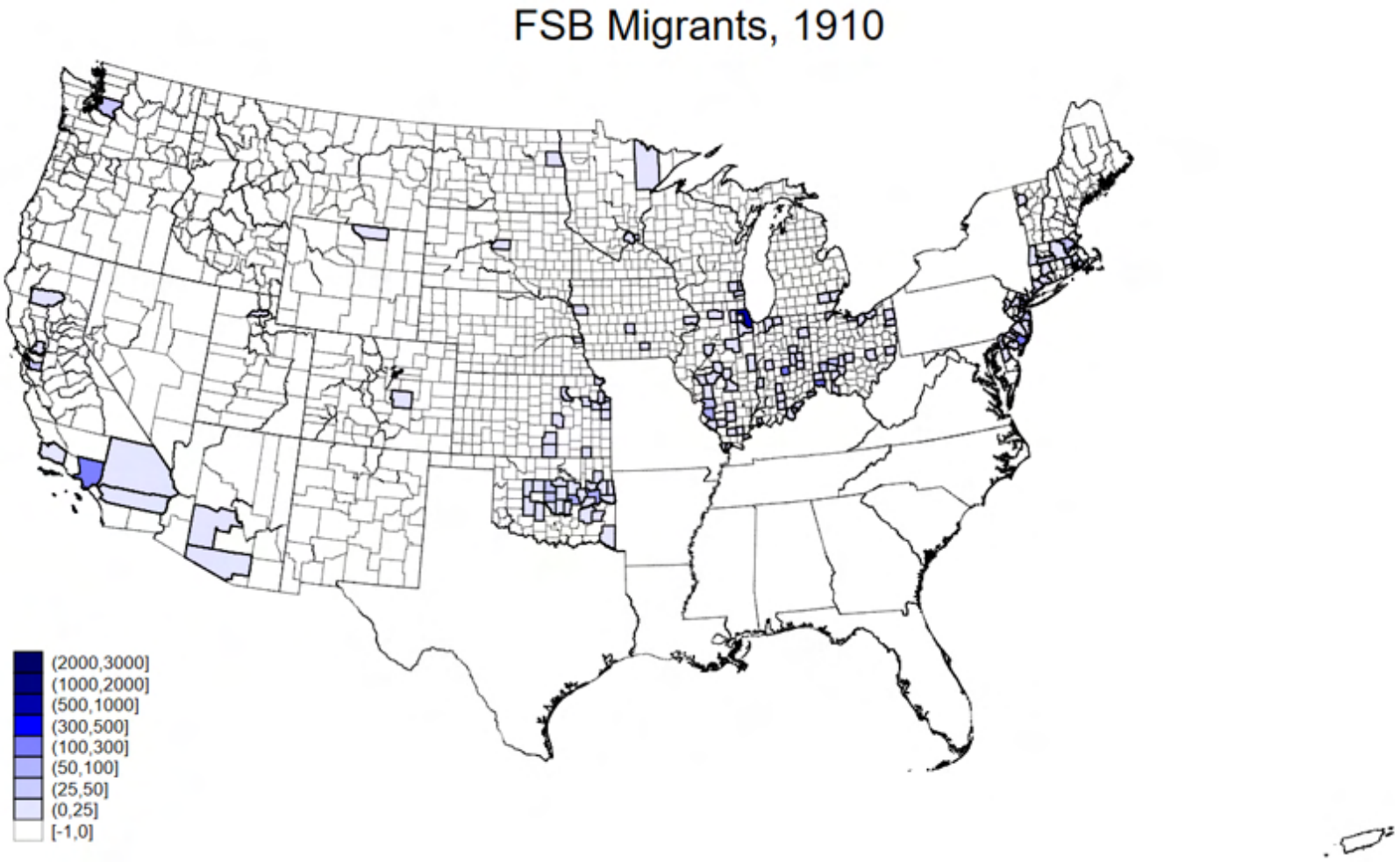
FSB Migrant Destinations, 1910 (Count)



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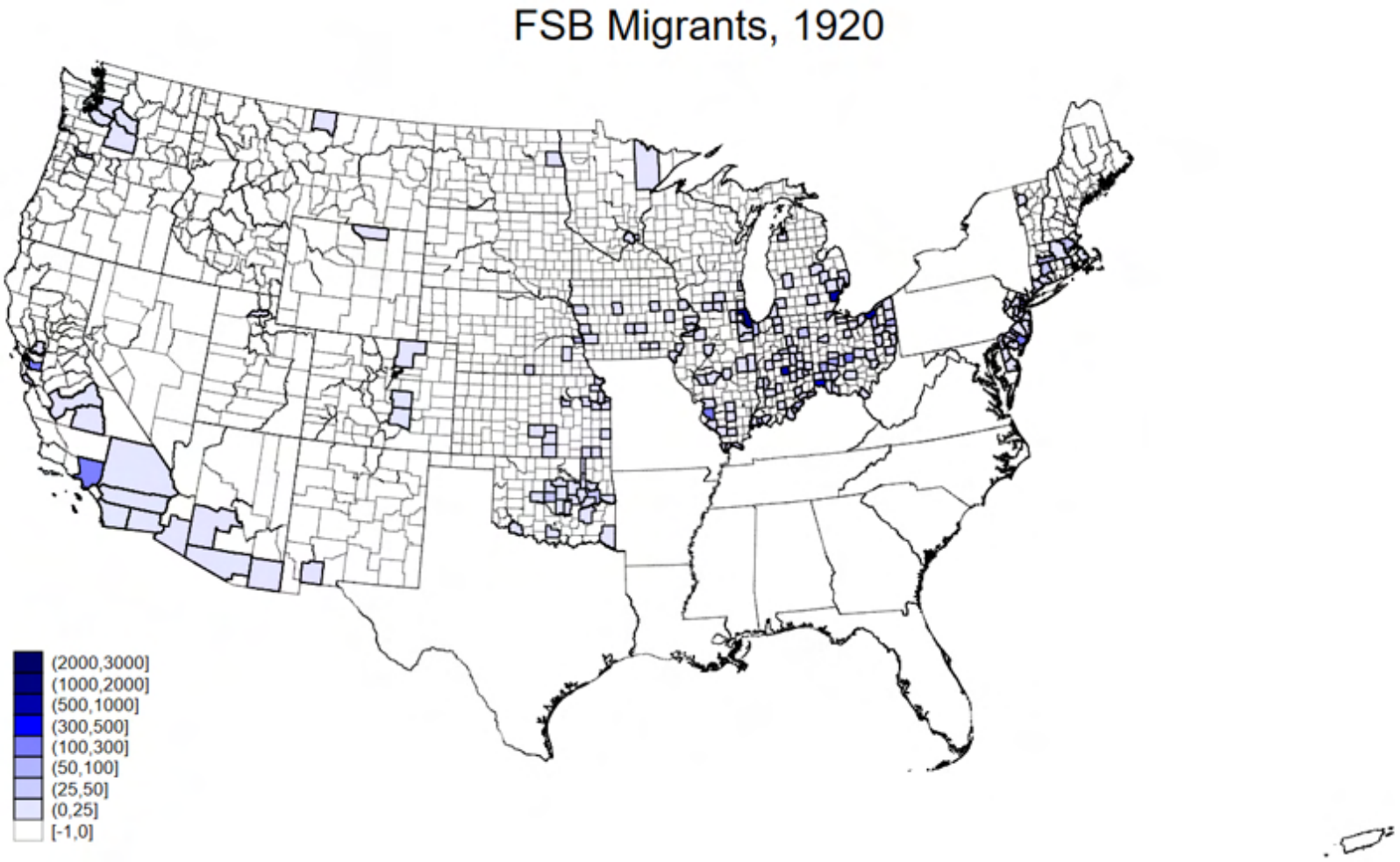
FSB Migrant Destinations, 1920 (Count)



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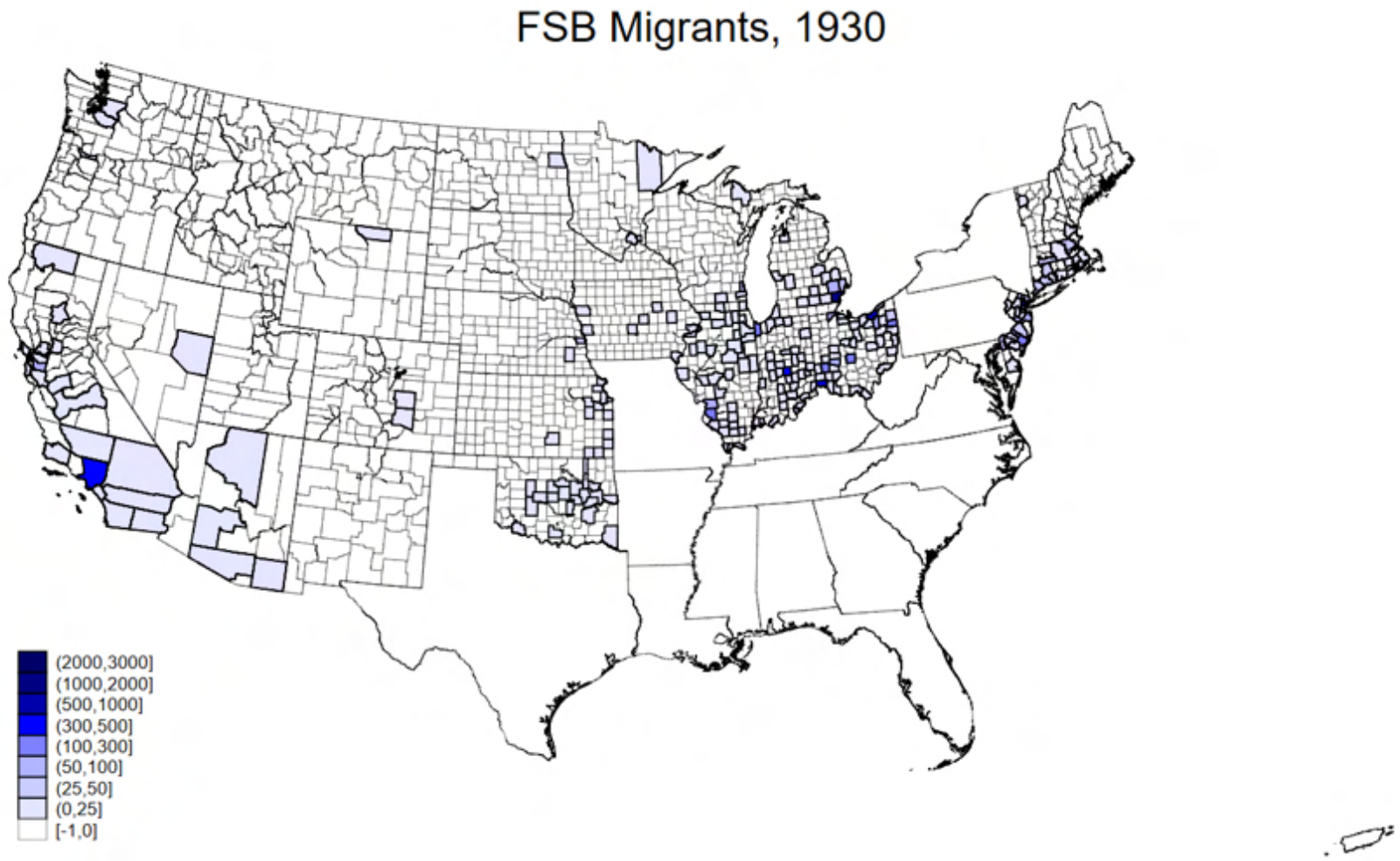
FSB Migrant Destinations, 1930 (Count)



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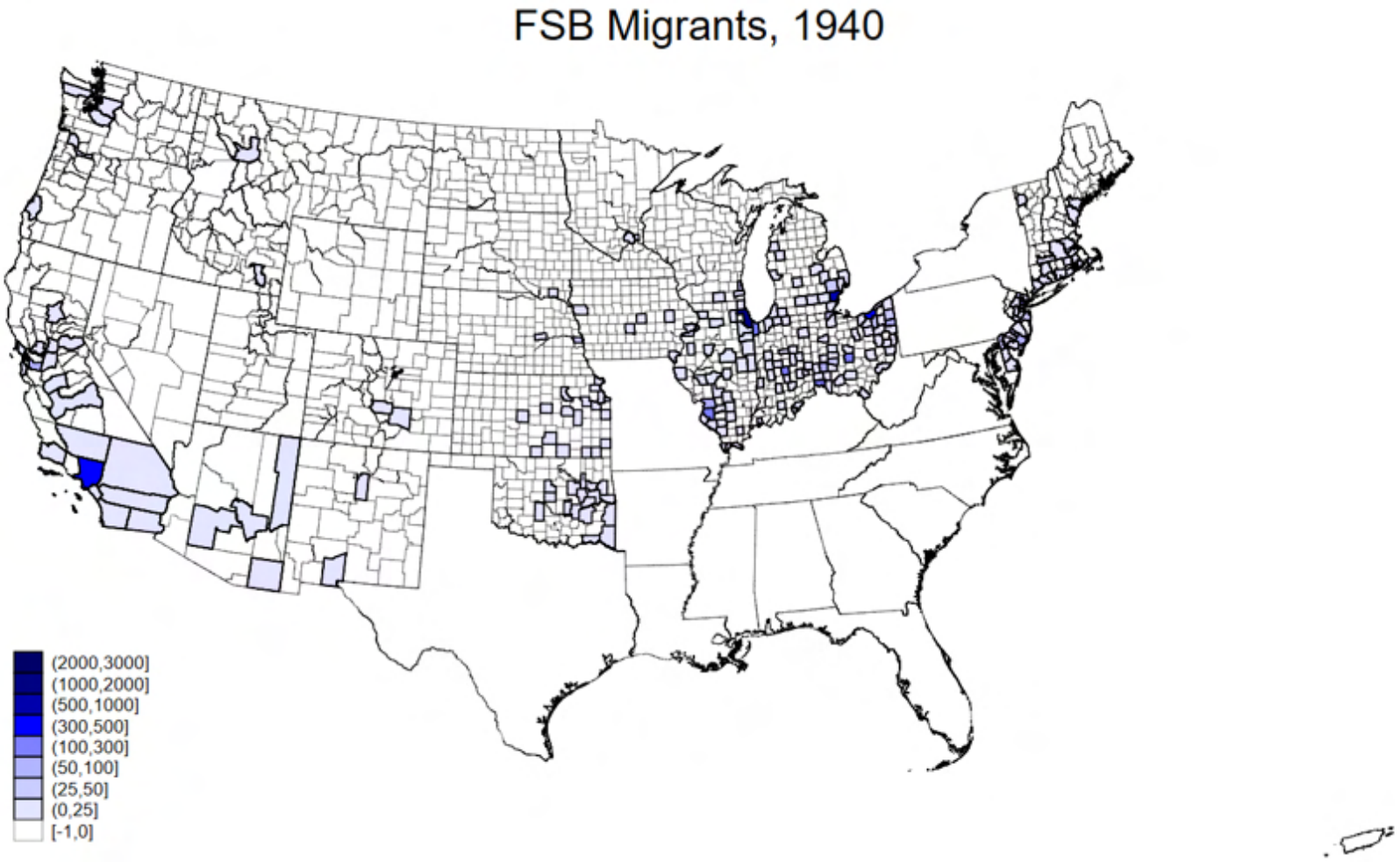
FSB Migrant Destinations, 1940 (Count)



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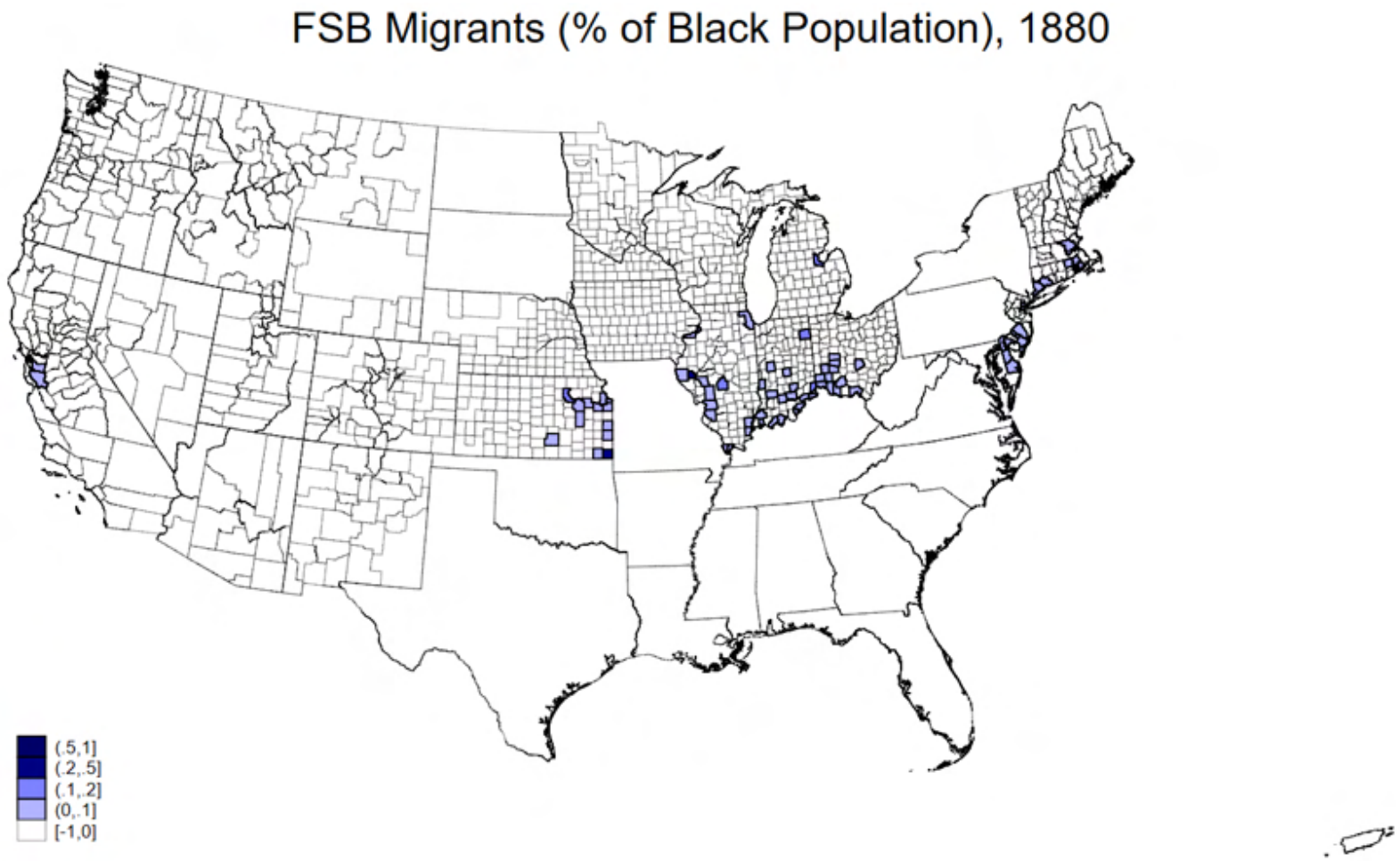
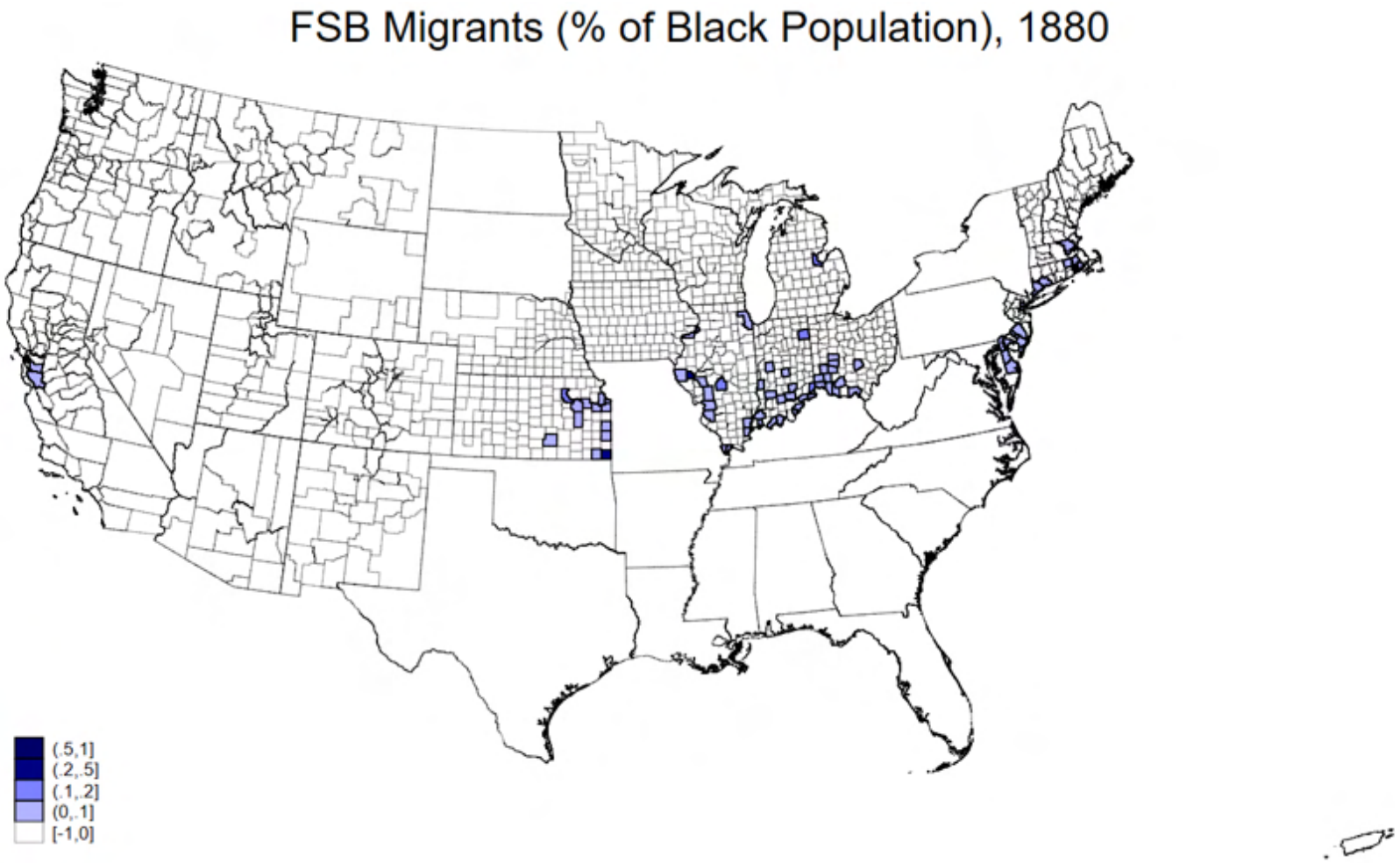
FSB Migrant Destinations (Share)



Back 1880 1900 1910 1920 1930 1940

FSB Migrant Destinations, 1880 (Share)



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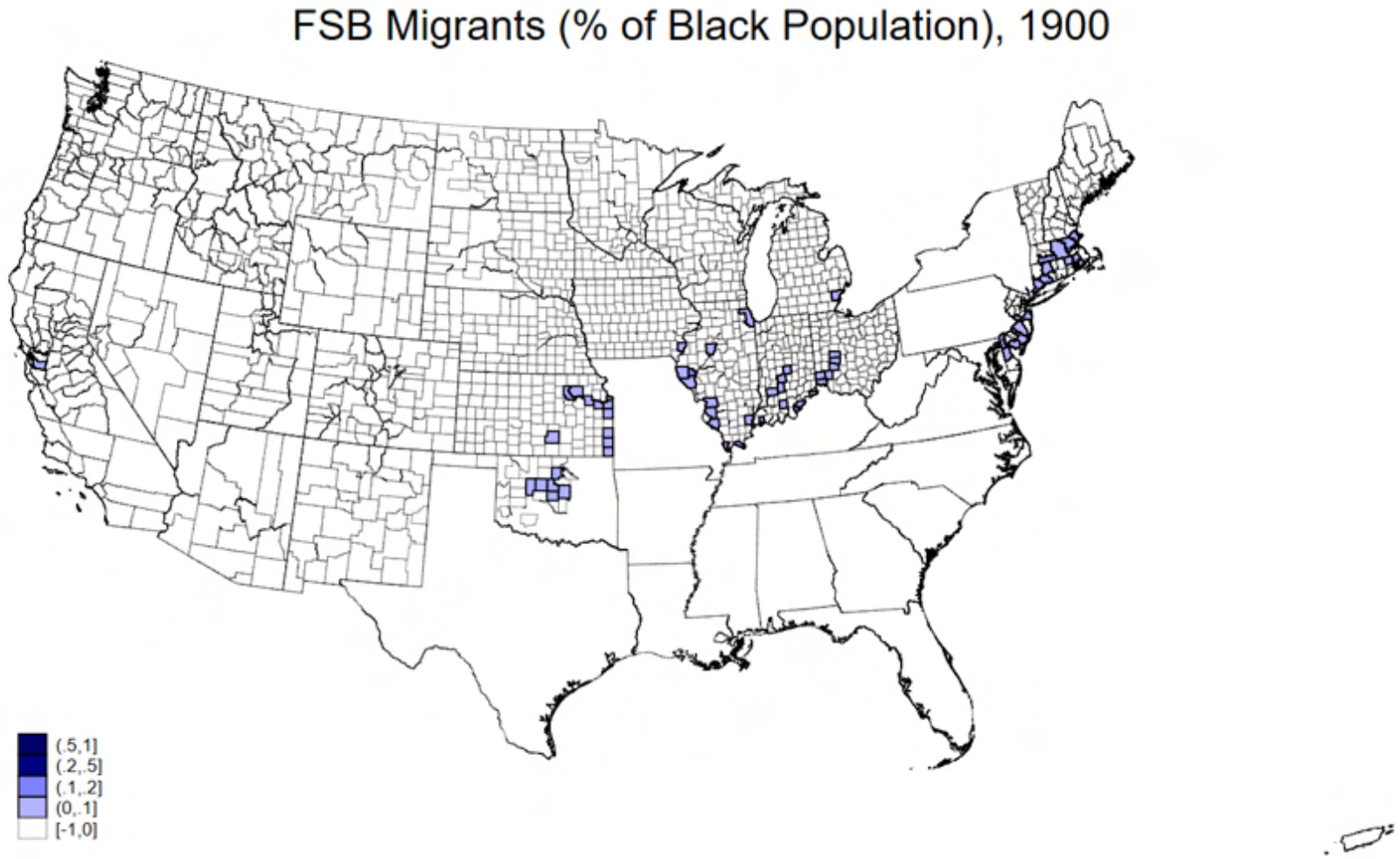
FSB Migrant Destinations, 1900 (Share)



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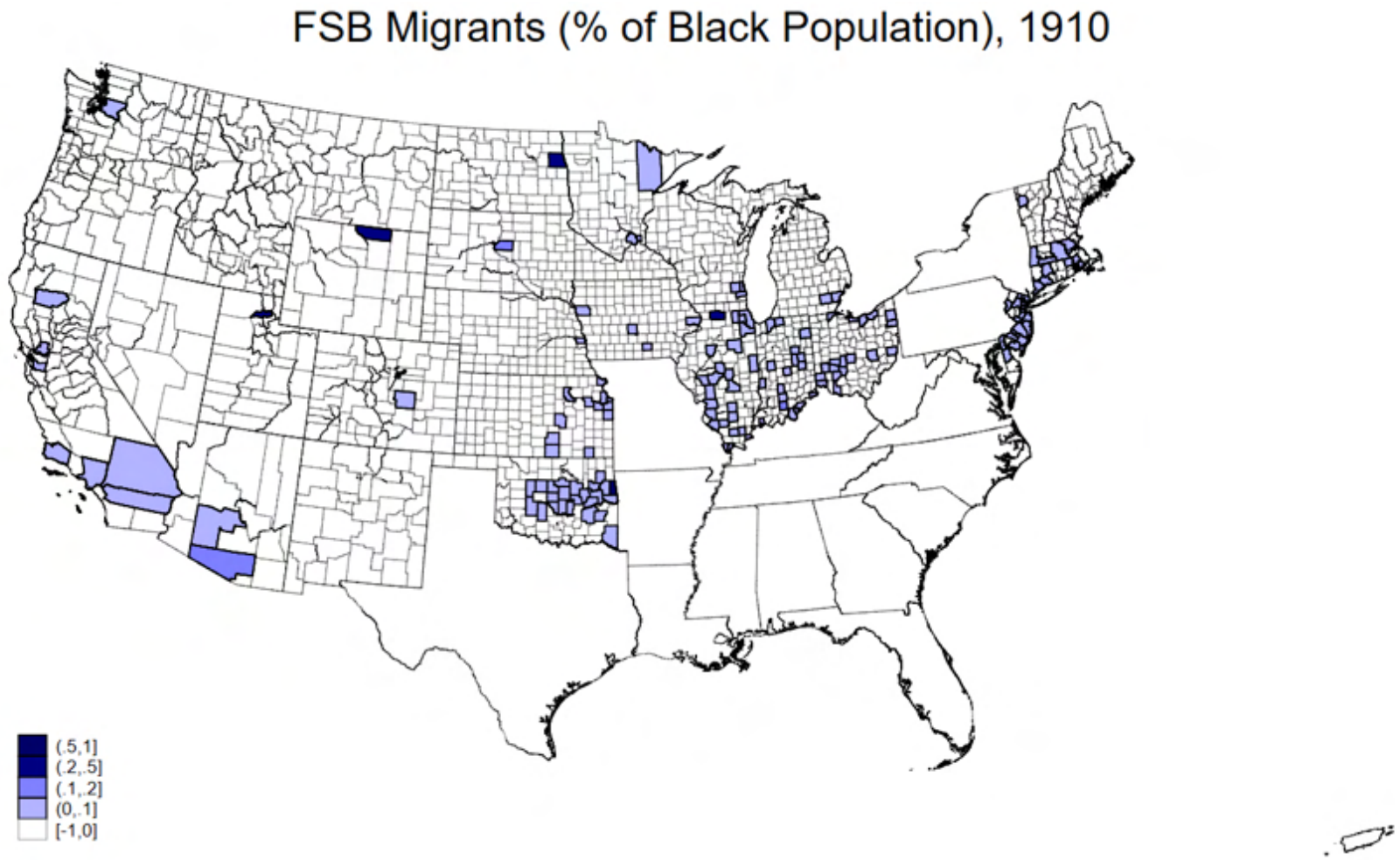
FSB Migrant Destinations, 1910 (Share)



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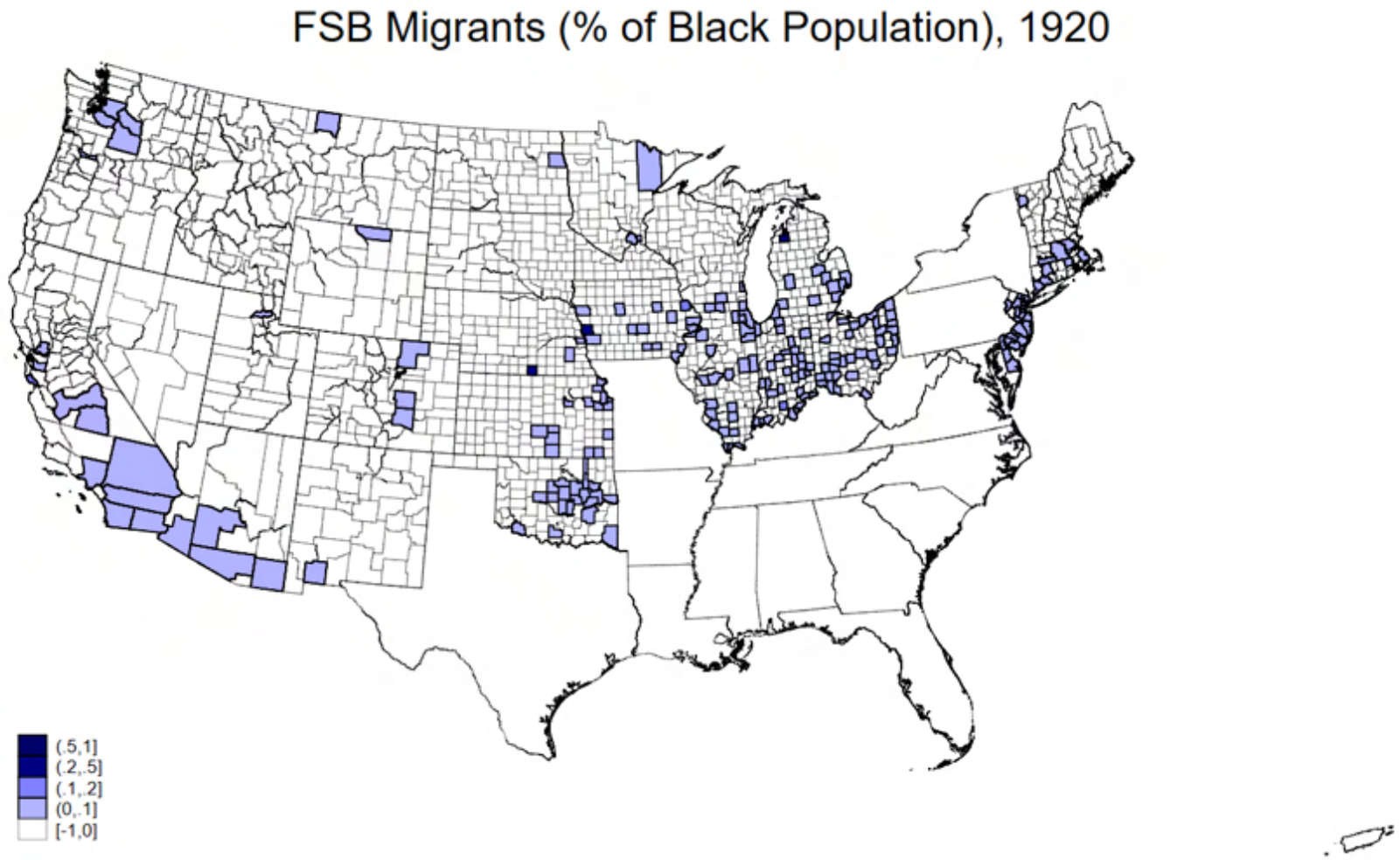
FSB Migrant Destinations, 1920 (Share)



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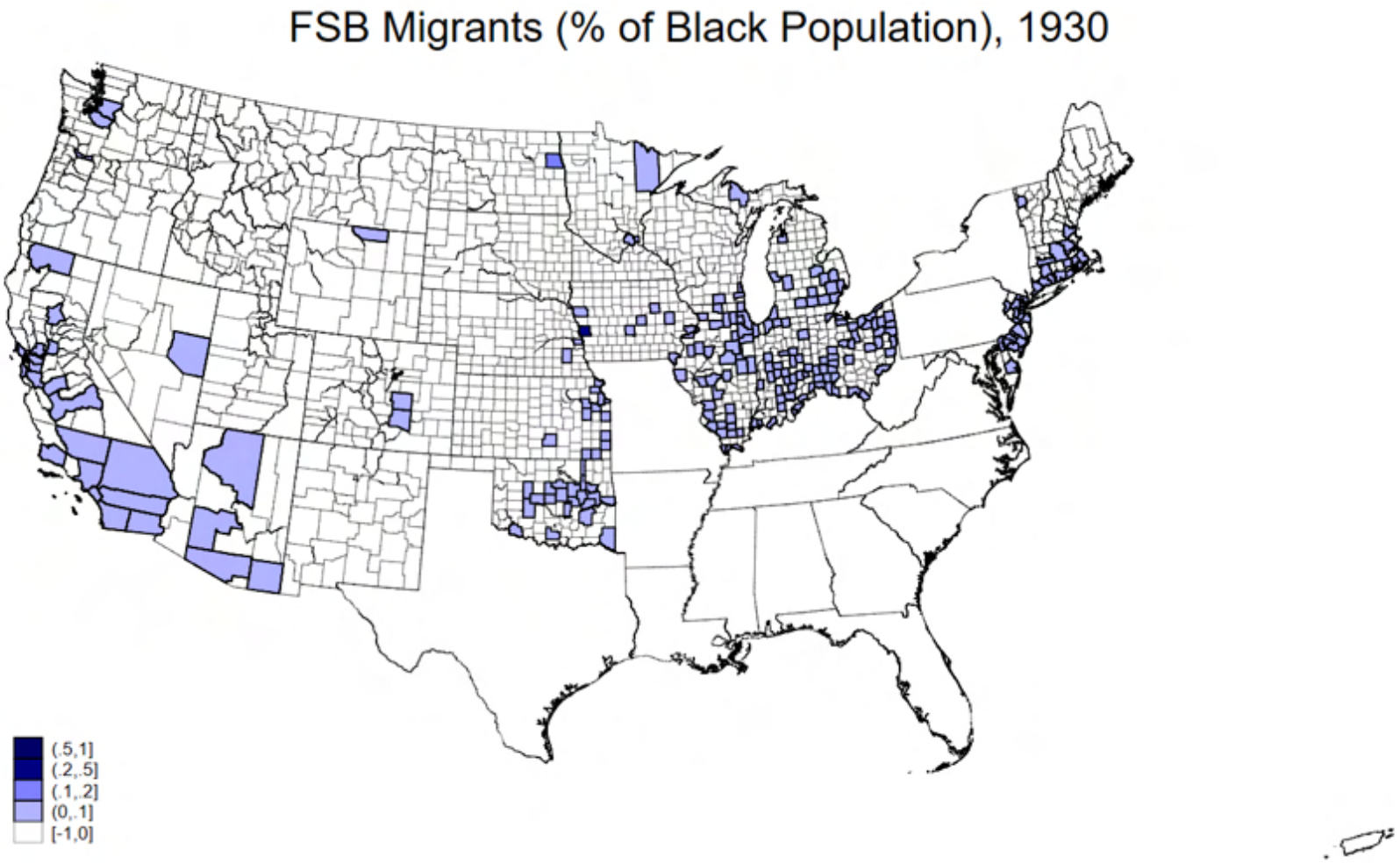
FSB Migrant Destinations, 1930 (Share)



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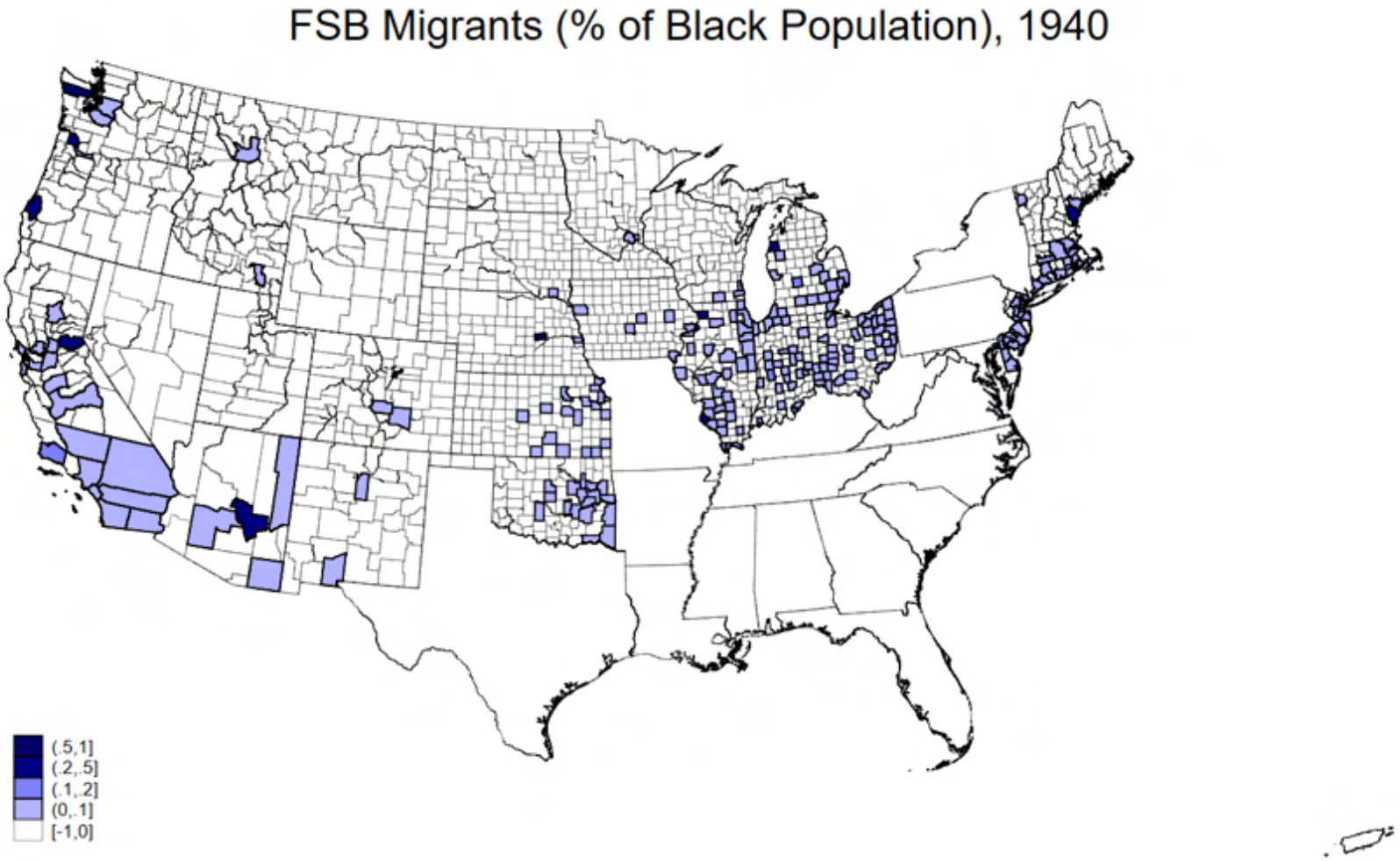
FSB Migrant Destinations, 1940 (Share)



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Migration: Own Exposure, Race-Specific Demand

DV:	Black Agents per 1,000 Black HH				Share of Insurance Agents Black			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FSB Exposure (per Black Pop)	0.954***		2.069**		0.244*		0.510*	
	(0.361)		(0.993)		(0.133)		(0.270)	
FSB Exposure (per Southern Black Pop)		0.214*		0.260**		0.0639*		0.0414
		(0.111)		(0.107)		(0.0357)		(0.0279)
Observations	8,655	8,655	4,475	4,475	8,655	8,655	4,475	4,475
R-squared	0.003	0.003	0.032	0.032	0.006	0.006	0.028	0.028
Fixed Effects	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year	State, Year
Pop Growth Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	County	County	County	County	County	County	County	County
Sample	Non-South	Urban N-S	Non-South	Urban N-S	Non-South	Urban N-S	Non-South	Urban N-S

Notes: Each column is a separate regression with the dependent variable listed in the column header. The variable *FSBExposure*(*perBlackPop*) measures the share of the destination-county Black population who were post-1870 Black migrants from the FSB counties in our main analytic sample. *FSBExposure*(*perSouthernBlackPop*) is a similar measure, but the denominator is the destination-county Black population who are non-FSB post-1870 Black migrants from the South. All specifications control for Black, white, and Southern-origin population growth, and are restricted to states without an FSB branch and to post-treatment years. Columns 2, 4, 6, and 8 are further restricted to urban counties. Standard errors are robust and clustered by county. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

FSB Exposure (per Black Pop) Mean: 0.003; FSB Exposure (per Southern Black Pop) Mean: 0.0339

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Migration as a Transmission Mechanism: First-hand vs Place-based Exposure

	DV: Insurance Agents Per 1,000 Households			
	(1)	(2)	(3)	(4)
FSB First-hand Exposure (per Black Pop)	4.832	4.780		
	(4.482)	(4.457)		
FSB Place-based Exposure (per Black Pop)	4.796***	4.606***		
	(1.583)	(1.520)		
FSB First-hand Exposure (per Southern Black Pop)			2.097***	1.997***
			(0.420)	(0.404)
FSB Place-based Exposure (per Southern Black Pop)			1.187***	1.200***
			(0.321)	(0.323)
Observations	8,655	8,655	8,655	8,655
R-squared	0.393	0.400	0.398	0.404
Fixed Effects	State, Year	State, Year	State, Year	State, Year
Pop Growth Controls	No	Yes	No	Yes
Cluster	County	County	County	County
Sample	Non-South	Non-South	Non-South	Non-South

Notes: Each column is a separate regression with the dependent variable *AgentsPerHH*. The variable *FSBFirst − handExposure*(*perBlackPop*) measures the share of the destination-county Black population who were Black migrants from the FSB counties in our main analytic sample and who were observed in FSB counties in either/both Census years bookending the FSB failure, i.e., 1870 and/or 1880. *FSBFirst − handExposure*(*perSouthernBlackPop*) is a similar measure, but the denominator is the destination-county Black population who are non-FSB post-1870 Black migrants from the South, observed in a non-FSB Southern county in 1870 and/or 1880. *FSBPlace − basedExposure* refers to Black migrants from FSB counties who were observed in an FSB county no earlier than 1900, and the denominator for *FSBPlace − basedExposure*(*perSouthernBlackPop*) is defined correspondingly. Columns 2 and 4 control for Black, white, and Southern-origin population growth. All specifications are restricted to states without an FSB branch and to post-treatment years. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

FSB First-hand Exposure (per Black Pop) Mean: 0.0005; FSB Place-based Exposure (per Black Pop) Mean: 0.0026
FSB First-hand Exposure (per Southern Black Pop) Mean: 0.0132; FSB Place-based Exposure (per Southern Black Pop) Mean: 0.0072

Migration as a Transmission Mechanism: First-hand Exposure Controls

	DV: Insurance Agents Per 1,000 Households			
	(1)	(2)	(3)	(4)
Share of FSB Exposure First-hand	0.907***	0.879***	0.240	0.224
	(0.221)	(0.217)	(0.221)	(0.217)
FSB Exposure (per Black Pop)	4.242***	4.079***		
	(1.307)	(1.256)		
FSB Exposure (per Southern Black Pop)			2.075***	2.036***
			(0.308)	(0.300)
Observations	8,655	8,655	8,655	8,655
R-squared	0.395	0.402	0.406	0.412
Fixed Effects	State, Year	State, Year	State, Year	State, Year
Pop Growth Controls	No	Yes	No	Yes
Cluster	County	County	County	County
Sample	Non-South	Non-South	Non-South	Non-South

Notes: Each column is a separate regression with the dependent variable *AgentsPerHH*. *FSBExposure*(*perBlackPop*) measures the share of the destination-county Black population who were post-1870 Black migrants from the FSB counties in our main analytic sample. *FSBExposure*(*perSouthernBlackPop*) is a similar measure, but the denominator is the destination-county Black population who are non-FSB post-1870 Black migrants from the South. The variable *ShareofFSBExposureFirst − hand* measures the number of the destination-county Black population who were Black migrants from the FSB counties in our main analytic sample and who were observed in FSB counties in either/both Census years bookending the FSB failure, i.e., 1870 and/or 1880, divided by the total number of post-1870 Black FSB migrants. Columns 2 and 4 control for Black, white, and Southern-origin population growth. All specifications are restricted to states without an FSB branch and to post-treatment years. Standard errors are robust and clustered by county. *** p<0.01, ** p<0.05, * p<0.1

FSB First-hand Exposure (per Black Pop) Mean: 0.0005; FSB Place-based Exposure (per Black Pop) Mean: 0.0026
FSB First-hand Exposure (per Southern Black Pop) Mean: 0.0132; FSB Place-based Exposure (per Southern Black Pop) Mean: 0.0072

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