

# **Old South, New Deal: How the Legacy of Slavery Undermined the New Deal**

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How and to what degree slavery shape the reach of the American state? Building on existing literatures, I develop and test the hypothesis that slavery shaped the development of the American welfare state by creating highly labor coercive societies. To test the argument, I focus on the New Deal period of the United States—one of the largest expansions of the American state in American history—as a window into understanding the link between labor coercion and redistribution. I assemble a dataset using historical census data combined with detailed, program-by-county level New Deal spending data across the U.S. South and use an instrumental variables identification strategy to establish causality. Results show strong evidence for the argument and hypothesized mechanism. These results indicate the importance of interaction between history, local politics, and national state expansion.

We know that slavery still matters. This institution involved the alliance between the state and Southern planters to enforce the mass subjugation of millions of African Americans up until the Civil War. Historians, political scientists, economists, and sociologists have all spent much ink explicating how slavery fueled the American economy (Fogel and Engerman 1995; Johnson 2013; Beckert 2014; Baptist 2016), influenced the founding of the early American Republic (Morgan 1975) led to the U.S. Civil War (McPherson 1988), increased racial stratification (O’Connell 2012), and shaped whites’ racial attitudes even until today (Acharya, Blackwell, and Sen 2016b). Despite this considerable work across a wide array of disciplines, we know less about how exactly slavery still continues to matter; in particular, it remains unclear how the legacy of slavery shaped the ways in which citizens experienced the reach of the state.

In this article, I build on existing literature to explicitly link America’s long experience with slavery to the development of the redistributive state (Alston and Ferrie 1985, 1993; Katznelson 2013).<sup>1</sup> I argue that the existence of slavery generated incentives among the planter elite to maintain highly coercive labor market institutions. To maintain such institutions, elites needed to ensure that the outside options of their primarily African American labor pool remained relatively low (Acemoglu and Wolitzky 2011). Because the expansion of a redistributive welfare state risks the potential of raising the value of these outside options of employment in other industries relative to cotton, elites should rationally have an incentive to limit the ability of such state expansion to interfere with the local political economy. These dynamics, then, help to explain how the local intensity of slavery in the South generated incentives for Southern politicians to limit the amount of assistance that African Americans received so as to preserve the “white supremacist” racial order (Key 1949; King and Smith 2005).

To better understand the ways in which slavery shaped the way in which citizens experienced the state, I focus on an important critical juncture in American history: the New Deal era. Conventional wisdom hails the New Deal as a hallmark achievement of the Progressive movement in the United States. In a time where the working class expressed widespread dissatisfaction with the status quo,

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<sup>1</sup>My conceptualization of statebuilding, which I further elaborate on when developing the theory, contrasts redistributive statebuilding with coercive statebuilding.

President Roosevelt's New Deal ushered in a markedly left-leaning phase in American politics. While many point to the New Deal as a defining moment for economic liberalism in the United States, other scholars note how Southern intransigence underpinned by the Jim Crow political order created a situation where many African Americans were left out of the New Deal recovery (Katznelson 2013). What motivated this profound tension between economic liberalism on one hand and racial conservatism on the other? The argument developed in this article can help to resolve puzzles such as this.

To test the theory, I bring together historical census data combined with detailed county-level data on New Deal spending that has yet to be systematically explored in political science. I demonstrate empirically that areas in the South that had a relatively high prevalence of slavery in 1860 received less Works Progress Administration (WPA) spending—the program that arguably benefited African Americans the most (Sitkoff 2008; Katznelson 2013; Wright 2013). Furthermore, programs that devolved control to local authorities saw a much smaller negative effect indicating support for the notion that Southerners were particularly attuned to the threat of the federal government in interfering with Jim Crow. Using an instrumental variables strategy motivated by plausibly exogenous variation in cotton suitability, I provide evidence that these results can be interpreted as causal effects. Results from a placebo test also indicate support for the exclusion restriction. Additional results also show strong empirical support for the link between labor coercion and New Deal spending. Finally, the results also hold against a battery of geographic, economic, and political control variables, state fixed effects, and estimation strategies.

This article provides key contributions to several overarching literatures. First, the theory and findings add to a growing literature regarding the legacy of slavery on a nation's political and economic structures (Nunn 2008; Nunn and Wantchekon 2011; Acharya, Blackwell, and Sen 2016b). While Acharya, Blackwell, and Sen (2016b) demonstrate that the institution of slavery still has an effect on political attitudes in the United States despite the formal abolition of slavery more than a 100 years ago, this article shows that slavery also has a persistent impact on the ways in which Whites and Blacks differentially experience the state. That is, the political legacies of slavery were both ideological and tangible. This article also contributes to a rich literature in history, which recounts the prodigious

impacts that slavery had on individuals, communities, and the nation, by providing an analytical structure to understanding the legacies of slavery as well as the origins of the New Deal (Stampp 1989; Johnson 2001; Lowndes 2008; Johnson 2013; Katznelson 2013; Du Bois 2014; Beckert 2014; Baptist 2016). While many of these studies tend to focus on the economic impacts of slavery and racialized coercion—much of which has been recently the subject of much scholarly debate (Fogel and Engerman 1995; Johnson 2013; Beckert 2014; Baptist 2016; Olmstead and Rhode 2018), I build on work by Du Bois (2014) and Einhorn (2006) in highlighting the way in which slavery shaped the very nature of the American state.

Second, this paper further refines and expands existing work at the intersection of race, Southern history, and the American state by highlighting the fundamental role that slavery has played in shaping the uneven distribution of the American state (Valley 2004; King and Smith 2005; Frymer 2007, 2010; Katznelson 2013; Mickey 2015; Shickler 2016). In particular, this article provides a historically rooted empirical test of the Alston and Ferrie (1993) thesis that the South's reliance on cotton helps to partially explain why a robust welfare state never took hold in the United States. Additionally not only did slavery shape the behavior of elites (Mickey 2015), but it also shaped what issues would make it on the national agenda (Katznelson 2013; Shickler 2016). Moreover, this article contributes to sociological work on the role of the New Deal in the development in the American state (Amenta et al. 1998; Amenta and Halfmann 2000, 2001; Katznelson 2013). This article extends this literature by showing how the historical legacy of slavery shaped patterns of New Deal spending. In short the political and cultural legacies of slavery were not only local, but they were also national. More broadly, this article also contributes to broader theories of coercion and democratization, which tend to solely focus on class dynamics (Lipset 1959; Moore 1966; Przeworski 1986; Stephens 1989; Przeworski 2000; Boix 2003; Acemoglu and Robinson 2005; Usmani 2018), by highlighting how economic structures and race intersect to structure political development.<sup>2</sup>

Finally, this article contributes to the broader historical sociological work on race in the United States. To date, much of this work focuses on the role of violence and incarceration in shaping the

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<sup>2</sup>In this respect, this article is much in the spirit of the Black Marxist tradition (James 1989; Robinson 2000; Du Bois 2014).

status of African Americans in the Jim Crow South (Beck and Tolnay 1990; Tolnay, Deane, and Beck 1996; Bailey and Snedker 2011; Muller 2012; Beck, Tolnay, and Bailey 2016; Muller 2018). Another strand of literature focuses on the role of laws and in shaping the dynamics of white-black relations in the South (Naidu 2010; Ruef and Grigoryeva 2018). This article extends this literature by highlighting the role of the national government and its interaction between local culture and preferences in shaping the way in which the national government impacted the lives of African Americans in the region.

### **THEORETICAL EXPECTATIONS: LABOR COERCION AND REDISTRIBUTION**

In this section, I build on a wide array of literatures to develop a hypothesis as to why slavery might undermine the expansion of the American state even after its abolition. I focus on the way in which labor coercive societies generate incentives to push back against a more redistributive state. There are two fundamental steps in the logic of my argument. First, slavery must have a direct legacy on the creation of coercive political and economic institutions. Second, the expansion of the federal government must have been at least perceived as a threat to the existing political-economic equilibrium in the former slave holding areas precisely because federal intrusion could undermine a coerced labor pool. Together, these two building blocks lead me to the hypothesis that slavery should negatively impact the expansion of the national state in order to maintain a cheap pool of labor.

Before tracing the relationship between slavery and state-citizen interactions, I offer a brief conceptualization of the nature of state-citizen interactions in the American context. Of course, much has been said about the nature of the state both in the American and comparative contexts.<sup>3</sup> In this study, I highlight one of the fundamental functions of the state: redistribution. Engaging in effective redistribution clearly relies on some sufficient level of state administrative capacity. While the early American state had comparatively low capacity, the Progressive Era saw a rapid increase in administrative capacity (Skowronek 1982).<sup>4</sup> Thus for this paper, I take it as given that the U.S. state has

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<sup>3</sup>For perspectives on statebuilding in the American context, see Skowronek (1982), and Bensel (1990)

<sup>4</sup>For recent work challenging the idea that the early American state had low capacity, see Frymer (2017).

sufficient capacity to engage in redistribution.

### *How Slavery Facilitates Labor Coercive Structures*

Slavery was undoubtedly a violent institution predicated on the supremacy of Whites over African Americans. Many across the social sciences have meticulously documented how the South's history with slavery generated incentives to reproduce coercive institutions (Du Bois 1901; Blackmon 2008; Du Bois 2014). Existing work suggests two broad and likely intertwined reasons for this.

First, the South's reliance on a massive pool of slave labor in the antebellum period created immense rents for planter elites (Beckert 2014; Baptist 2016; Gonzalez, Marshall, and Naidu 2016). These profits and stakes were high enough that recent evidence shows that this can help to explain why Southerners decided to fight in the Civil War (Hall, Huff, and Kuriwaki 2018). After abolition and the end of Reconstruction, however, the South quickly began to rely on cotton production as its main industry much like the antebellum period. Being a labor-intensive industry, cotton picking needed a large pool of labor. With the South's previous experience slavery, labor coercion through violence and intimidation was a natural strategy to help shore up a massive labor pool into unfair tenancy and sharecropping contracts (Du Bois 1901; Beck and Tolnay 1990; Du Bois 2014).

Second and related, labor coercion seemed to have been unequally applied to and perhaps even easier to engage in against African Americans precisely because they were enslaved during the antebellum period. Work by Acharya, Blackwell, and Sen (2016b) shows that the historical presence of slavery is related to modern day attitudes toward race: whites from counties with a high concentration of slaves in 1860 are now more likely to oppose affirmative action, to harbor racial resentment toward African Americans, and to identify as Republicans (conservative) today. To explain this finding, Acharya, Blackwell, and Sen (2016b) offer a theory whereby a history of racialized violence by whites against blacks led whites to develop anti-black affect, which persisted across generations (Stampp 1989). More broadly, this evidence is consistent with theory and evidence that suggests how a legacy of violence by an in-group against an out-group can persistently shape attitudes toward the out-group by in-group members (Fearon and Laitin 2000; Sambanis and Shayo 2013; Acharya, Blackwell, and

Sen 2018). By reducing the cognitive cost of labor coercion especially against African Americans, slavery could have also created conditions for new coercive institutions to arise even after the de jure abolition of slavery.<sup>5</sup>

### *How Labor Coercive Societies Undermine the Redistributive State*

Having established a prima facie case as to why slavery helped to provide conditions suitable for the creation of labor coercive societies, the next step of the argument demonstrates how labor coercive societies have incentives to push back against the expansion of the redistributive state with much of this building on Alston and Ferrie (1993).

Since the Southern planter elite relied on African American labor, these elites had a great incentive to ensure that they maintained control over this labor pool especially with respect to cotton production (Alston and Ferrie 1993). Alston and Ferrie (1993) recount how prior to the mechanization of cotton production in the U.S. South, which reduced the incentive to engage in labor coercion, Southern legislators were opposed to expanding the welfare state for fear that such actions would lead African Americans to move into different occupations or move away altogether. This suggests that simply having a greater pool of Black labor to draw from can also shape the incentives of local elites to control the ways in which the state interacts with local communities.

At a much broader level, this argument is consistent with theoretical and empirical models of labor coercion, which place importance on an individual's set of outside options (Acemoglu and Wolitzky 2011). These models all predict that increasing/decreasing the value of one's outside options decreases/increases the amount of coercion in an economy. In this case, one can view the expansion of the welfare state by the federal government as an increase in the value of an individual's outside options, which would thereby threaten to increase the wages that planters would have to give to African Americans. Anticipating these dynamics, elites in these labor coercive localities should have an incentive to push for less expansion of the redistributive state so as to maintain a pool of cheap labor.

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<sup>5</sup>The racialized nature of labor coercion in the U.S. South can also be seen as consistent with theories of racial threat and realistic group threat. See Key (1949), Bobo (1983).

In short, the theory suggests that slavery created incentives for whites (the in-group) to maintain a system a racial apartheid against African Americans (the out-group). Given that public policy can empower some interest groups—sometimes at the expense of other groups, whites from areas with higher historical exposure to slavery should mobilize to minimize state intervention in these areas anticipating these feedback effects.<sup>6</sup> Thus, areas with a legacy of slavery should see less state intervention in programs that can undermine the Jim Crow racial order.

To test the hypothesis, I rely on the New Deal period as the core case. The New Deal is an attractive setting to test the implications of the argument for several reasons. First, the New Deal represented a massive expansion of the state into the lives of ordinary Americans. Second, this particular type of state expansion can be measured systematically by tracking the geographic distribution of New Deal spending. Third, the New Deal presents a clear case where the local Southern politics came into stark contrast with President Roosevelt’s national progressive agenda (Katznelson 2013; Shickler 2016).

## NEW DEAL, OLD SOUTH

The New Deal era (1933-1943) was one of the defining moments of state-building in 20th century American history. During this time period, many of the programs that we now associate with the reach of the American state—Social Security, the National Labor Relations Board, and banking regulations for example—came to fruition (Skocpol and Finegold 1982). Aside from some these major programs, the New Deal brought with it a potpourri of “Alphabet agencies” such as the Civilian Conservation Corps (CCC), Federal Housing Administration (FHA), the Home Owners Loan Corporation (HOLC), the Agricultural Adjustment Administration (AAA), and the Works Progress Administration (WPA). As Skocpol and Finegold (1982, pg. 255) note, “...the New Deal—along with the national mobilizations for World Wars I and II—was a major watershed in the establishment of an economically interventionist national state.”

One of the most visible manifestations of this marked increase in state presence was the WPA.

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<sup>6</sup>See Schattschneider (1935) Pierson (1993), Mettler (2002), Campbell (2003), Lerman and Weaver (2010) for more on policy feedback effects.

Federally administered and operating in nearly every community across the United States, the WPA employed over eight million people over the course of its ten-year lifespan (Federal Works Agency 1946).<sup>7</sup> Unlike many of the New Deal social insurance programs and banking regulations, the public works component of the New Deal was remarkably visible in the lives of ordinary Americans. WPA employees erected new schools, government buildings, airports, roads, bridges, hospitals, community centers, parks, museums, and libraries—all, of course, stamped with the WPA seal-of-approval. In the wake of the Great Depression, the sheer ability of the federal government under President Roosevelt's stewardship was indeed a spectacular feat. One important feature of WPA projects were that they had to be locally proposed thus allowing a considerable amount of discretion by local elites (Amenta et al. 1998).

But as Katznelson (2013, pg. 17) notes, the New Deal era also had a dark underbelly: “The New Deal permitted, or at least turned a blind eye toward, an organized system of racial cruelty.” In this time where the state ostensibly worked for millions of Americans, there were also millions more—namely, African Americans—who were left out of this critical juncture. Why was this the case? Farhang and Katznelson (2005) and Katznelson (2013) point out how the Southern bloc in Congress was staunchly opposed to allowing the federal government to do anything that would undermine the Jim Crow racial order, which left African Americans effectively disenfranchised and unable to participate in mainstream political and economic life in the South. Southern legislators had a variety of tools at their disposal to ensure that the New Deal would not disturb Southern apartheid. For example, Southerners chaired 29 committees ( $\approx 62\%$ ) including the major committees in the House of Representatives such as the Appropriations and Ways and Means committees. Similarly, Southerners also chaired ( $\approx 40\%$ ) of the committees in the Senate including Appropriations and Agriculture committees (Katznelson 2013, pp. 149-150). Essentially, the South was the major veto player in any legislation that President Roosevelt wanted to pass and as Katznelson (2013) cogently shows, Southern legislators deftly used their power to keep any program that threatened Jim Crow off the agenda. By forging an alliance with Northern conservatives during the New Deal, they also laid the groundwork for the political transition

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<sup>7</sup>Details on the extent of the WPA can be found in the *Final Report of the WPA Program, 1935-1943*, which can be accessed at <https://lccn.loc.gov/47032199>.

of the South into a stronghold for the Republican Party (Lowndes 2008). To better understand the source of Southern intransigence over the New Deal, it is important to reflect on the legacy of slavery in the United States.

After the federal government abolished slavery following the civil war, the sudden and dramatic loss of this institution that was the bedrock of the Southern economy motivated Southern resistance to Reconstruction (Foner 2011). Reconstruction debates largely centered around what it meant to move from a slave society to a free society (Brandwein 1999; Foner 2011). Though the election of black politicians during Reconstruction temporarily increased the status of ordinary African Americans, this rapid progress slowed down after the end of Reconstruction (Vallely 2004; Logan 2018). After Reconstruction, the South experienced a democratic backsliding as Jim Crow began to take hold over the course of the late 19th century. These institutions undergirding Jim Crow included formal ones such as the rise of a penal system and convict leasing and laws enforcing the segregation of whites and blacks to occupy different spaces (Lichtenstein 1996; Mancini 1996; Blackmon 2008; Muller 2018). Moreover, previous patterns of black subjugation recreated themselves in more subtle forms through the sharecropping system that put blacks in unequal contractual relations with white planter elites (Du Bois 2014; Hornbeck and Naidu 2014). Cotton production and the coercive, racialized labor systems that came with it subjected African Americans to brutal patterns of repression (Beck and Tolnay 1990).

The recreation of exploitative labor arrangements between whites and blacks rested on the existence of “authoritarian enclaves” in the South that were effectively one-party states (Mickey 2015). Key (1949) argues that the potential for competition over economic resources between whites and blacks reified this political economy equilibrium through Jim Crow. In their near obsession with maintaining the Jim Crow racial order, Southerners insisted that any policy created by the federal government must not disturb the underlying political economic structures in the South (Katznelson 2013). As this brief history of the US South demonstrates, the region is unique precisely because of the lingering imprint of slavery.

### *Coercion and the Politics of New Deal Spending*

The New Deal period is perhaps one of the most iconic moments of state-building in recent US history. In addition to the importance of this critical juncture in US history, the New Deal period is also an empirically attractive setting to test this theory since a large component of the New Deal involved federal spending—something which can be easily measured. Moreover, the New Deal was perhaps one of the most radical experiments in state-building. Not only did the federal government hand out cash relief, but it also employed millions of citizens across the territorial United States through public works programs such as the WPA.

Southerners recognized that many parts of the New Deal represented a threat to the Jim Crow racial order. The theory suggests that this motivation is likely driven by the historical prevalence of slavery within the South. That is, the foundation of the Southern commitment to “white supremacy” was fundamentally a product of the ways in which slavery continued to influence the politics of the South. But simply having incentives to enforce the “white supremacist” racial order are not sufficient for state intervention to reflect these social realities. Southerners also needed to have the power to be able to imprint local practices onto the national level. Particularly, Southern congressmen seemed to be well positioned to control the levers of national policy during the New Deal whereby they controlled nearly every major committee in the House and the Senate (Katznelson 2013). Though President Roosevelt himself was wary of the systematic exclusion of African Americans from the major New Deal programs, he eventually capitulated to Southern demands precisely because Southerners could eliminate the entire New Deal agenda altogether—a path certainly undesirable for President Roosevelt. Thus not only did Southerners from these formerly slave-holding areas have an incentive to propagate local attitudes and practices onto the national stage, but they also had the capacity to do so through Congress.

What exactly about these New Deal programs activated such deep resistance to some of the major pillars of the New Deal? Southerners worried that programs such as the WPA and legislation related to the National Labor Relations Act (NLRA) would disturb the supply of black labor that they could draw upon in addition to setting blacks and whites on equal foot in the workplace. One of the most

notable examples of the discriminatory design of the state is the case of Social Security. Katznelson (2005) points out how Southern legislators effectively excluded all African Americans in the South by exempting those in agricultural and domestic occupations from receiving benefits. Southerners feared that receiving federal benefits would help assist African Americans to transition out of sharecropping and domestic work.

Anticipating these consequences, Southerners lobbied to decentralize control of most of these New Deal programs as much as possible so that bureaucrats who did not express such a marked commitment to “white supremacy” would not interfere with the racial ordering of the South. Though Southerners were able to decentralize control for most of these “alphabet agencies”, President Roosevelt refused to delegate control of the WPA to state and local officials. Instead, the WPA’s administrator, Harry Hopkins, actively worked to employ a disproportionate share of African Americans relative to Whites (Sitkoff 2008; Wright 2013). At the same time, the WPA relied on projects to be proposed by local areas thus inducing the potential for elite manipulation in the project proposal process (Amenta et al. 1998). As a result, Southerners had an incentive to ensure that the WPA received as little funding as possible in the places with the greatest incentive to enforce the slave order.

It should be noted, however, that the literature on distributive politics provides an alternate set of explanations rooted in the structure of Congress and co-partisanship with the President. For instance, the literature on log-rolling in Congress suggests that those members who hold influential positions on committees should receive more New Deal funds (Weingast and Marshall 1988). As Katznelson (2013) notes, however, it was actually the Southern legislators who controlled important committees that kept many components of the New Deal off of the agenda. Another explanation which would explain why Southern legislators should receive more and not less spending is the logic of majority party control. Since Democrats controlled both the House and Senate during the time and all Southern legislators were Democrats, we might expect these legislators to actually receive more New Deal spending. Similarly, Berry, Burden, and Howell (2010) and Rogowski (2016) argue that Presidential co-partisans should also receive more funds. While these explanations might explain differences between Southern legislators and all other legislators, they cannot explain the geographic variation in

spending *within* the South since majority and Presidential co-partisanship were held constant. While I do not discount the importance of these various theories of distributive politics, they do not seem to be sufficient explanations as to why places that needed funds the most and had legislators that seemed to have the institutional sources of power in place to get more federal assistance ended up rejecting the state; instead, the hypothesis advanced in this article provides an important answer to this puzzle by theorizing about the origins of preferences over federal spending.<sup>8</sup>

## RESEARCH DESIGN

### *Data*

**Historical Data on Slavery** Thus far, I have argued that the local intensity of slavery in the South generated an incentive for Southern elites to prevent the New Deal from undermining the Jim Crow racial order. Empirically, I limit the analysis to the U.S. South since that was the only region that legally allowed slavery prior to Emancipation and because holds constant many features such as common cultures that might make U.S.-wide comparisons difficult. To test this argument, I combine historical census data from 1860—the last Census prior to emancipation—with data on New Deal spending across a variety of programs including the WPA.<sup>9</sup> The main unit of analysis is the county. This is the most appropriate unit of analysis since the historical data are only available at the county-level and since county governments were key decision-makers in the South.<sup>10</sup>

The main independent variable comes from the county-level prevalence of slavery in 1860 taken from the 1860 US Census (Haines, Fishback, and Rhode 2015). To measure the intensity of slavery, I use the proportion of the population in each county that was enslaved in 1860.<sup>11</sup> Figure 1 plots

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<sup>8</sup>I also directly test the committee explanation in Table 7 in the Online Appendix and find that counties with legislators on the Appropriations and Ways and Means committees do not have significantly more spending and that these effects cannot explain the slavery effect.

<sup>9</sup>I focus on spending instead of roll-call voting on New Deal programs since spending better measures local preferences rather than roll-call voting on the New Deal. This is because the New Deal linked together a wide array of social programs leaving the final roll call votes with little *within*-South variation. Instead, spending better captures both the tangible manifestation of the state in addition to local preferences.

<sup>10</sup>Moreover, nearly all congressional districts at the time were constructed by combining county units.

<sup>11</sup>The results are identical using just the log of the slave population in 1860 and when using a dichotomous indicator

the geographic distribution of slavery in South. I categorize the former Confederate States—Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia—and Kentucky, West Virginia, and Missouri as the South. The results are also robust to just focusing on the former Confederacy. On average, about 29% of the population in South was enslaved on the eve of the Civil War in 1860.<sup>12</sup>

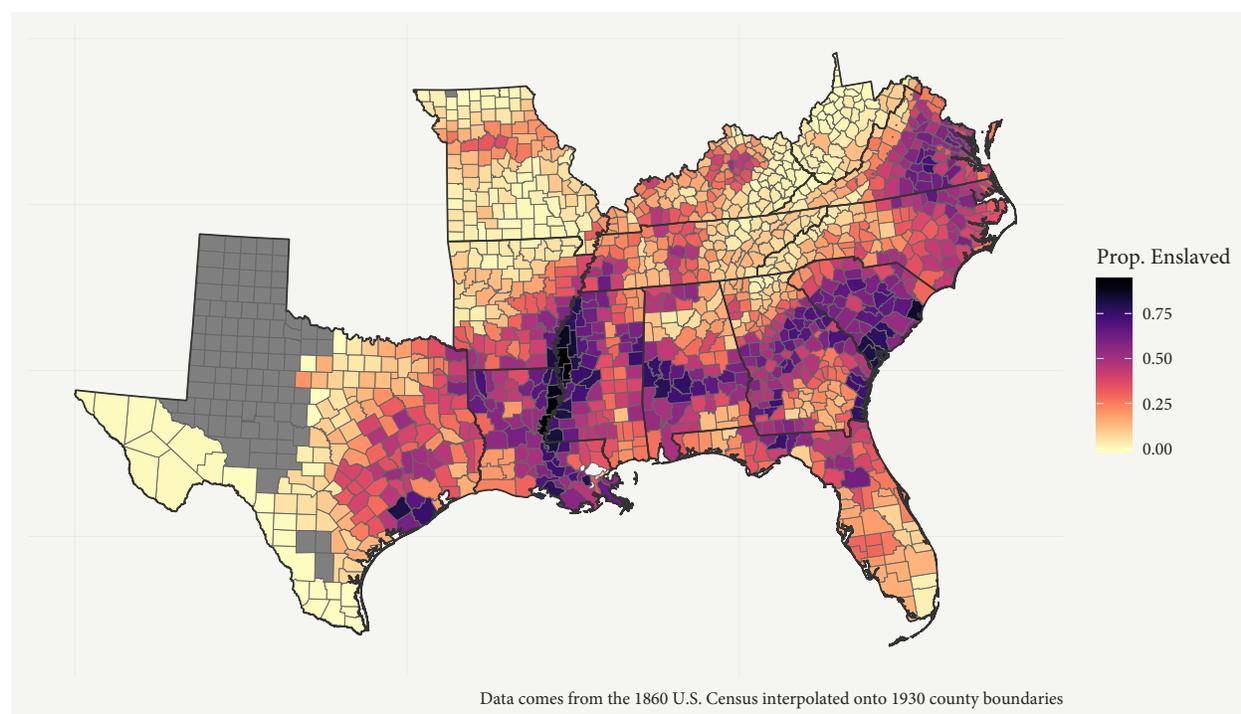


Figure 1: Distribution of Percent of Population Enslaved in 1860 in the South

**New Deal Spending** The main outcome variables of interest are the spending per capita that a county receives from the WPA program.<sup>13</sup> The data on WPA and New Deal spending more generally come from Fishback, Kantor, and Wallis 2003 who collected data on the major New Deal programs at the county-level. As argued above, the WPA program is perhaps most emblematic of the quite visible hand of the state during the New Deal period; thus, the core empirical analyses focus on this New Deal for counties that had a slave proportion above the median.

<sup>12</sup>To deal with county border changes between 1860 and 1930, I use an areal interpolation algorithm to project the 1860 census data onto 1930 county boundaries. Given the imprecise nature of this procedure, areal interpolation is likely to induce attenuation bias into the estimates.

<sup>13</sup>The results are qualitatively similar when using total spending instead of per capita spending.

Deal program though the results indicate a similar pattern across other relief programs as well. On average, counties in the South received about 24 dollars per person in WPA spending with substantial variation both across and within states. Table 3 in the Online Appendix presents more detailed summary statistics for all of the variables used in the analysis. Figure 2 plots the bivariate correlation between the historical prevalence of slavery and WPA spending in the South. While there seems to be a negative correlation between slavery and WPA spending in the South, it is hard to make any causal statements about this correlation without an identification strategy. The next section details an empirical strategy to ascertain whether this correlation can be interpreted as a causal relationship between slavery and state intervention.

### *Empirical Strategy*

The main inferential challenge in isolating the causal effect of the historical prevalence of slavery on WPA spending in the 1930s and 40s is that there might be unobserved factors that are associated with both slavery and New Deal spending. For example, areas with high amounts of slavery could have fundamentally different economic and political organizations that predict both the prevalence of slavery as well as that county's underlying demand for New Deal spending. Thus, to identify the causal effect of slavery on WPA spending, we need a “natural experiment” that produces exogenous shifts in the local prevalence of slavery.

Following Acharya, Blackwell, and Sen (2016b), I instrument for the intensity of slavery using cotton suitability.<sup>14</sup> The logic for using this as a source of exogenous variation in slavery is as follows. First, *conditional on underlying geographic fundamentals*, an area's suitability for cotton growing is “as-if” random and causally prior to the prevalence of slavery. Second, cotton suitability should encourage localities to develop slavery—an assumption directly testable in the data. Results from the first-stage relationship between cotton suitability and slavery intensity indicate strong support for this assumption with all resulting F-test values well above the suggested values from (Stock and Yogo

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<sup>14</sup>To construct the measure of cotton suitability, I rely on data from the FAO. I take the average level of suitability within each county across both medium and high rain-level cotton suitabilities. Further details on constructing the suitability measures can be found in the replication materials.

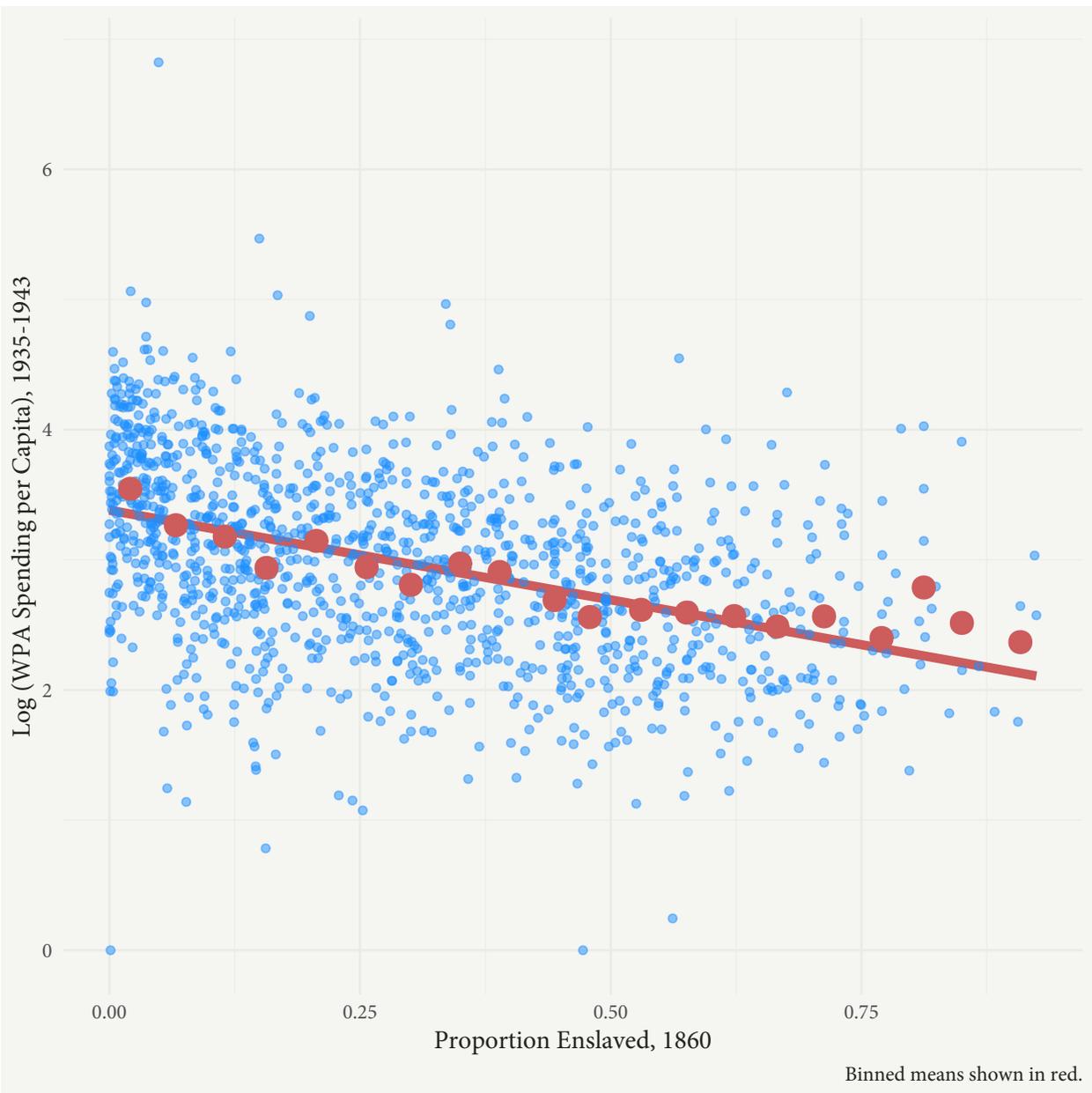


Figure 2: Bivariate Correlations between Historical Prevalence of Slavery and WPA Spending per Capita

2005). Third, cotton suitability satisfies a monotonicity requirement in which suitability should not lead some units to decrease the amount of slavery that they have. Fourth, both cotton suitability and slave intensity should satisfy a Stable Unit Treatment Value Assumption (SUTVA). While it is plausible that cotton suitability in one county  $i$  does not shape the potential outcomes of WPA spending

in another county  $j \neq i$ , this might be less supported for the prevalence of slavery (and Jim Crow).<sup>15</sup> Fifth and finally, cotton suitability is arguably excludable from the second-stage regression in that the effect of cotton suitability should only affect WPA spending through its effect on the slave economy in the South conditional on a given set of pre-treatment covariates. As a plausibility check, I run a similar placebo exercise as Acharya, Blackwell, and Sen (2016b) and demonstrate that there is little evidence of a direct effect of cotton suitability on WPA spending.<sup>16</sup>

Given that cotton suitability reasonably satisfies the requirements for an instrumental variables design, I proceed to estimate equations of the following form:

$$\text{Prop. Slaves}_i = \alpha + \lambda \text{Cotton Suitability}_i + \gamma X_i + \zeta S_i + \eta_i \quad (1)$$

$$\text{Log(WPA per Capita)}_i = \alpha + \beta \widehat{\text{Prop. Slaves}}_i + \gamma X_i + \zeta S_i + \epsilon_i \quad (2)$$

Equation 1 estimates the first-stage relationship between cotton suitability and percentage slave population in 1860.  $X_i$  represents a vector of pre-treatment geographic and 1860 demographic covariates. For the geographic covariates, I adjust for the presence of waterways in a given county  $i$  and flexible cubic functions of latitude and longitude. The 1860 demographic covariates are taken from the 1860 Census and include the total population, free colored population, urban population, improved acres on farmland, and the value of farmland. The coefficient on  $S_i$  represents a vector of state-fixed effects, which is especially important since state legislatures had a large role in implementing Jim Crow. The coefficient  $\beta$  in Equation 2 represents the Local Average Treatment Effect (LATE) of slave intensity on the log amount of New Deal spending per capita that a given county  $i$  receives among those units who comply with the instrument. Next,  $\eta_i$  and  $\epsilon_i$  represent uncorrelated Gaussian error terms. Finally, to handle county boundary changes over time, I use simple areal interpolation and average the outcome and explanatory variables in proportion to the amount of area that each

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<sup>15</sup>SUTVA also requires that both the instrument (cotton suitability) and treatment (slavery) are comparable across counties.

<sup>16</sup>The results from this exercise suggest either no direct effect of cotton suitability or a positive effect, which would lead me to *underestimate* the true effect.

county contributes to two overlapping counties.

The empirical analysis focuses on the South for several reasons. First since slavery was outlawed outside of the South, including units from outside of the South in the analysis would violate the common support assumption needed to identify causal effects because the “treatment” was not available to units outside of the South. Second, limiting the analysis to just the South holds constant many of the cultural and institutional features that make the U.S. South so distinctive from the rest of the United States. Despite this focus on the South, it is certainly not the case that racism and “white supremacy” were limited only to the South; rather, the argument and results presented in this paper suggest that the historical prevalence of slavery played a unique role in the trajectory of state-building in the U.S. South.

## Results

Table 1: Effect of Historical Prevalence of Slavery on WPA Spending

	Prop. Slave, 1860	Log(WPA Spending per Capita)			
	(1)	(2)	(3)	(4)	(5)
Cotton Suitability	0.0003** (0.00003)				
Prop. Slave, 1860		-1.105** (0.104)		-0.960** (0.120)	
Prop. Slave, 1860 (Instrumented)			-2.388** (0.289)		-2.877** (0.441)
State Fixed Effects	✓	✓	✓	✓	✓
Geographic Controls	✓	✓	✓	✓	✓
1860 Controls				✓	✓
First Stage F-Stat			263.723		140.653
N	1,271	1,281	1,271	1,281	1,271

† p < .1; \* p < .05; \*\* p < .01

Did the intensity of the slavery shape spending patterns during the New Deal in the South? Consistent with the theory, the results from both a basic OLS model and the instrumental variable design presented in Table 1 suggest that greater levels of slave intensity caused counties to receive *less* WPA

spending in the South. Models 2 and 4 from Table 1 indicate that the effect of slavery on WPA spending is negative and robust to adjusting for either geographic or demographic confounders. Models 3 and 5 from Table 1 suggest that the LATE of historical slavery is nearly three times larger.<sup>17</sup> Moreover, the magnitude of these effects are quite large. Using the estimates from Model 5 of Table 1, moving from the 25th percentile to the 75th percentile causes nearly a one and a half standard deviation decrease in WPA spending per capita in the South. Concretely, this is substantively equivalent to being a county that gets no WPA spending to about the average county ( $\approx$  \$31 per capita). These effects are statistically significant at the  $p < 0.01$  level. Thus, the results from this empirical test supports my argument that the incentive to preserve the Jim Crow racial order as proxied by slave intensity in 1860 led to meaningful changes in the spatial distribution of spending.<sup>18</sup>

A valid criticism that one might levy against the empirical strategy is that cotton suitability might have a direct effect on WPA spending through channels unrelated to slavery. While there is no direct test for the exclusion restriction, I follow a similar exercise to Nunn and Wantchekon (2011) and Acharya, Blackwell, and Sen (2016b) and estimate the effect of cotton suitability a set of units that do not have access to the “treatment”—slavery—at all. The logic of this exercise is as follows. Suppose there were units for which treatment was not available. Then for those units, any estimated effect from the instrument could be reasonably attributed to the *direct* effect of the instrument on the outcome of interest through channels unrelated to the treatment. Given that slavery was outlawed for a significant period of time throughout much of the United States excluding the South, these counties outside of the South can serve as a “placebo” set of units to analyze any potential direct effects of the instrument assuming the primary difference between Southern and non-Southern counties is the legality of slavery before the Civil War. The results presented in Figure 3 demonstrate the plausibility of the exclusion restriction; if anything, the direct effect of cotton suitability seems to be *positive* outside of the South.

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<sup>17</sup>This could be either from improper adjustment for confounding, certain characteristics of the complier population, or from exclusion violations. Results from a set of falsification tests suggest that exclusion restriction violations are likely unable to explain these results.

<sup>18</sup>These results are consistent whether I use the total amount of WPA spending in a given county and whether I use a dichotomous indicator for high and low slave intensity.

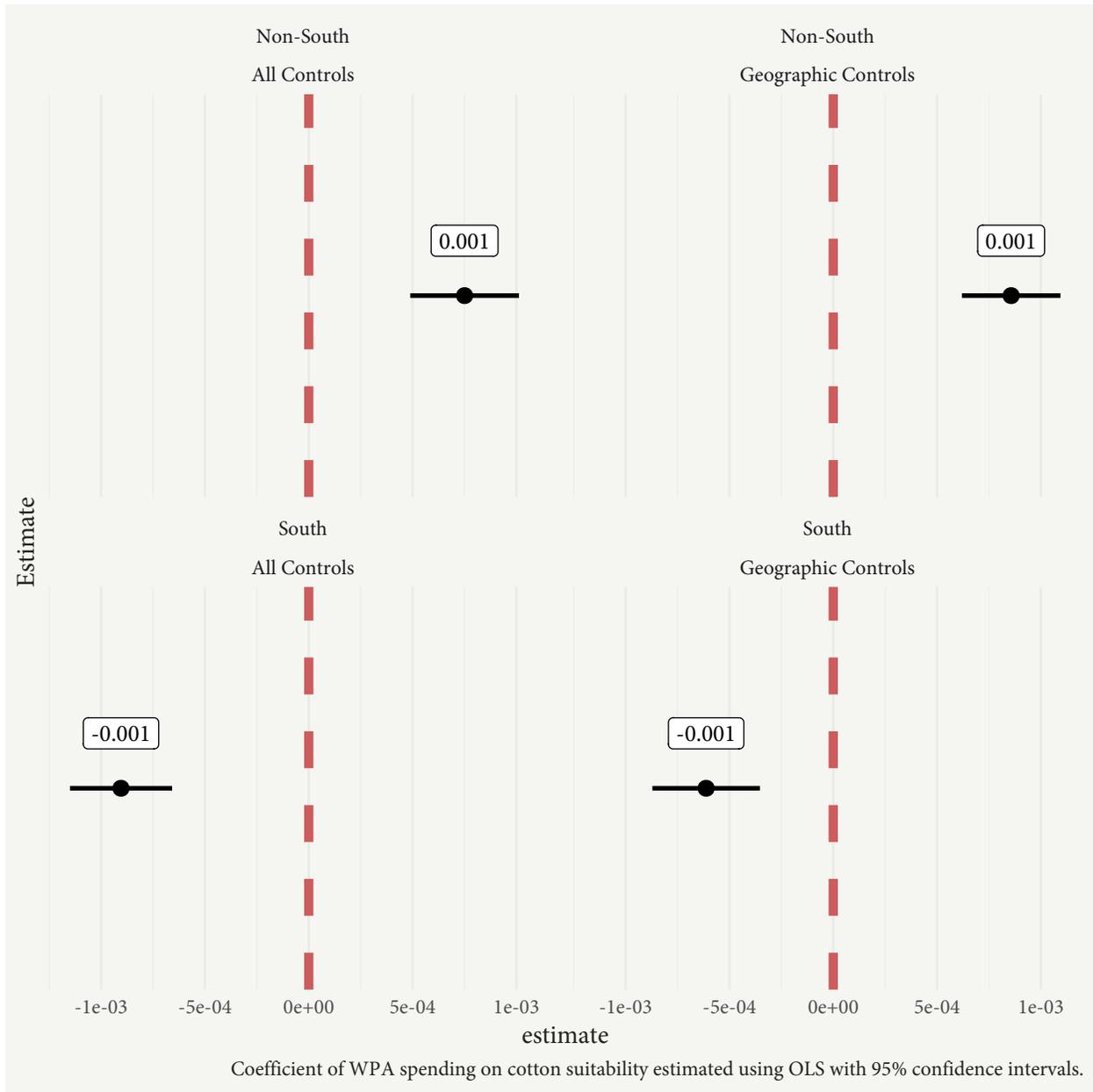


Figure 3: Falsification Test of Exclusion Restriction

Though the use of an instrumental variable design should address the potential for the results to be driven by general characteristics of agricultural counties rather than slavery per se, I also verify that slavery plays a unique role in further OLS analyses comparing the slavery coefficient against other potential predictors of WPA spending in Table 9 in the Online Appendix. I find that other variables related to the agricultural character of Southern counties (eg, manufacturing output, farm values, and acres of land for farming) do not reliably predict WPA spending in the south; instead, the concentra-

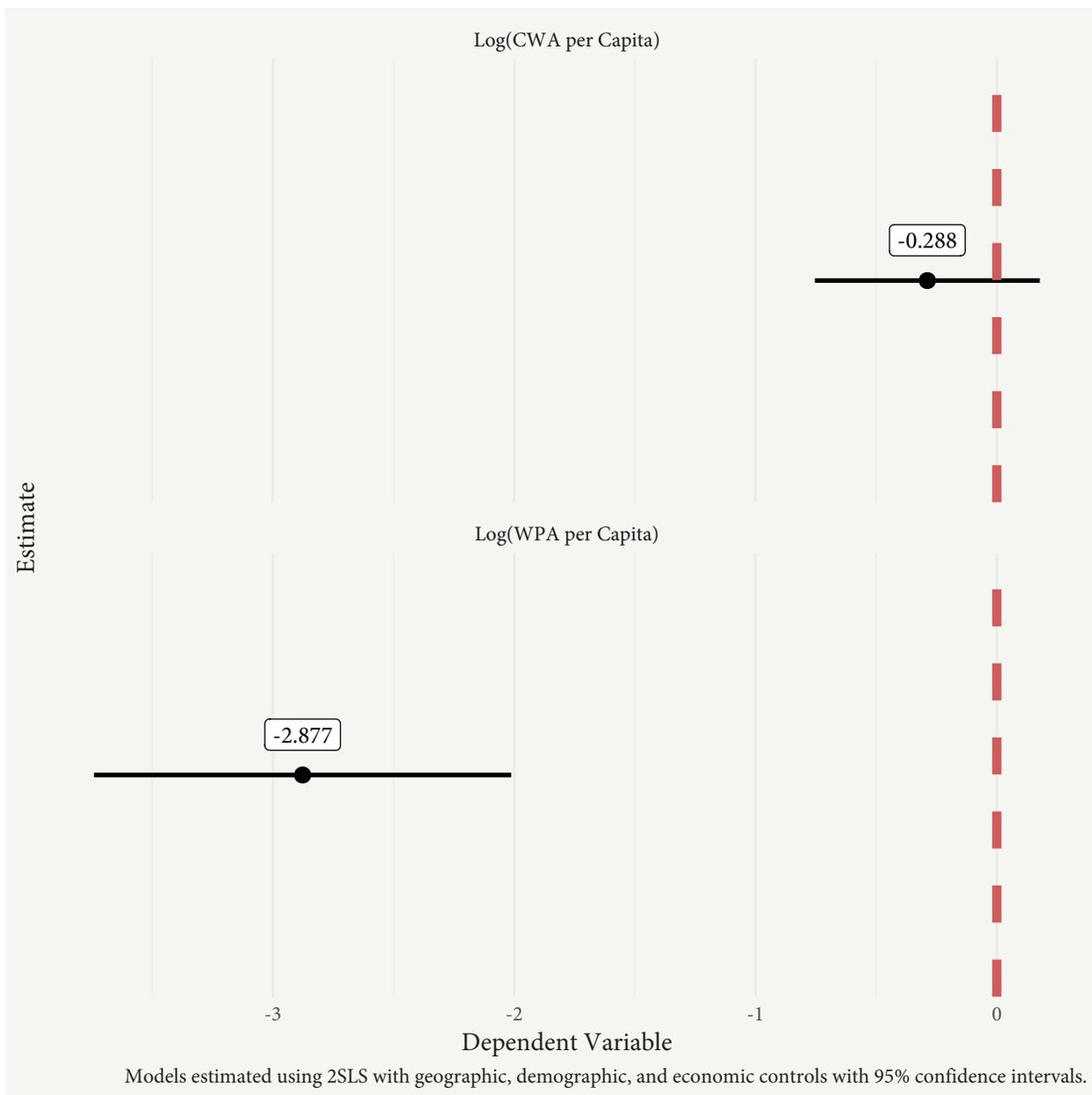


Figure 4: Effect of Historical Prevalence of Slavery on Federally Administered versus Locally Administered Spending, 2SLS

tion of slavery in a county strongly predicts WPA spending. This further bolsters the argument that the history of slavery plays a unique role in shaping the distribution of New Deal spending.

Having established empirical support for the core hypothesis that the local intensity of slavery should be negatively related to the reach of the state as measured by WPA spending per capita, I now move onto examine the heterogeneity of this effect across types of programs. Particularly, the

theory implies that the effect on the WPA should be of the highest magnitude since this program devolved the least amount of authority to local elites. To test this intuition, I re-run the 2SLS model with geographic and demographic controls on the Civil Works Administration (CWA)—a program that involved less federal control than the WPA. The point estimates with heteroskedastic consistent standard errors presented in Figure 4 paint the same general picture. Areas with greater levels of slavery received less New Deal spending with the effects being strongest for the WPA. That the effects are strongest for the WPA suggest further evidence in support of the hypothesized theory. Since the more centralized control of the WPA compared to other New Deal programs led to a relatively high level black employment by the program, Southerners especially from former slave-holding areas had the most to lose from WPA. As a result, the incentives to reduce the presence of the WPA is strongest in areas with high exposure to slavery. These much larger point estimates on the model using WPA spending as the outcome, then, provide some evidence consistent with the historical literature that the national nature of WPA created greater incentives for Southern resistance.

These results might just be picking up a general decline in New Deal spending even in programs that clearly benefited the Southern planter elite. This phenomenon would be at odds with the theory advanced in this article. To assuage this concern, I re-estimate the models and use Agricultural Adjustment Assistance (AAA) spending as the outcome. The logic for this exercise is that cash assistance from AAA spending directly benefited the Southern planter elite who controlled much of the cotton economy in the U.S. South rather than African Americans. Thus, we should expect slavery to be positively correlated with AAA spending. Table 6 in the Online Appendix tests this observable implication. Results from the OLS and IV estimates indicate support for this intuition—areas that had a high prevalence of slavery in 1860 received more AAA spending even after accounting for factors such as population, urbanization, and farm value. While it is likely that the IV estimates suffer from exclusion restriction bias, these results are at least suggestive that the Southern planter elite's preferences vis-à-vis the historical legacy of slavery shaped state intervention during this time period in ways that maintained a coercive society.

*Mechanism Test: Labor Coercion Helps to Explain Slavery's Effect*

The theory highlights the important role of labor coercion in explaining why slavery would undermine the expansion of the state. To test this, I gather data from the 1930 U.S. Census on two variables that tap into the degree to which a county relies on coercive economic structures: farm tenancy and sharecropping. While these variables are certainly not perfect in capturing labor coercion, they are indicative within this context of the existence of coercion.

Table 2: Effect of Historical Prevalence of Slavery on Tenancy and Sharecropping

	Prop. Tenancy (1)	Prop. Sharecrop (2)	Prop. Tenancy (3)	Prop. Sharecrop (4)
Prop. Slave, 1860	0.435** (0.029)	0.297** (0.024)		
Prop. Slave, 1860 (Instrumented)			1.109** (0.117)	0.823** (0.091)
State Fixed Effects	✓	✓	✓	✓
Geographic Controls	✓	✓	✓	✓
1860 Controls	✓	✓	✓	✓
First Stage F-Stat			140.653	134.096
N	1,281	1,169	1,271	1,159

†p < .1; \*p < .05; \*\*p < .01

As an initial test, I first estimate the impact of slavery on tenancy and sharecropping in 1930. The results, presented in Table 2, show strong support for the hypothesized mechanism. Models 1 and 2 present the OLS results controlling for geographic, economic, and demographic characteristics show that proportion enslaved in 1860 is positively correlated with tenancy and sharecropping in 1930. Models 3 and 4, which instrument for slavery using cotton suitability, corroborate these results.

Simply having a positive correlation with measures of labor coercion does not imply that this is the mechanism through which slavery shapes WPA spending. Instead, it must also be the case that percent labor coercion itself is also correlated with WPA spending. To investigate this, I estimate the Average Controlled Direct Effect (ACDE) of slavery holding each proxy for labor coercion fixed to a certain value (Acharya, Blackwell, and Sen 2016a). If the labor coercion mechanism is at work

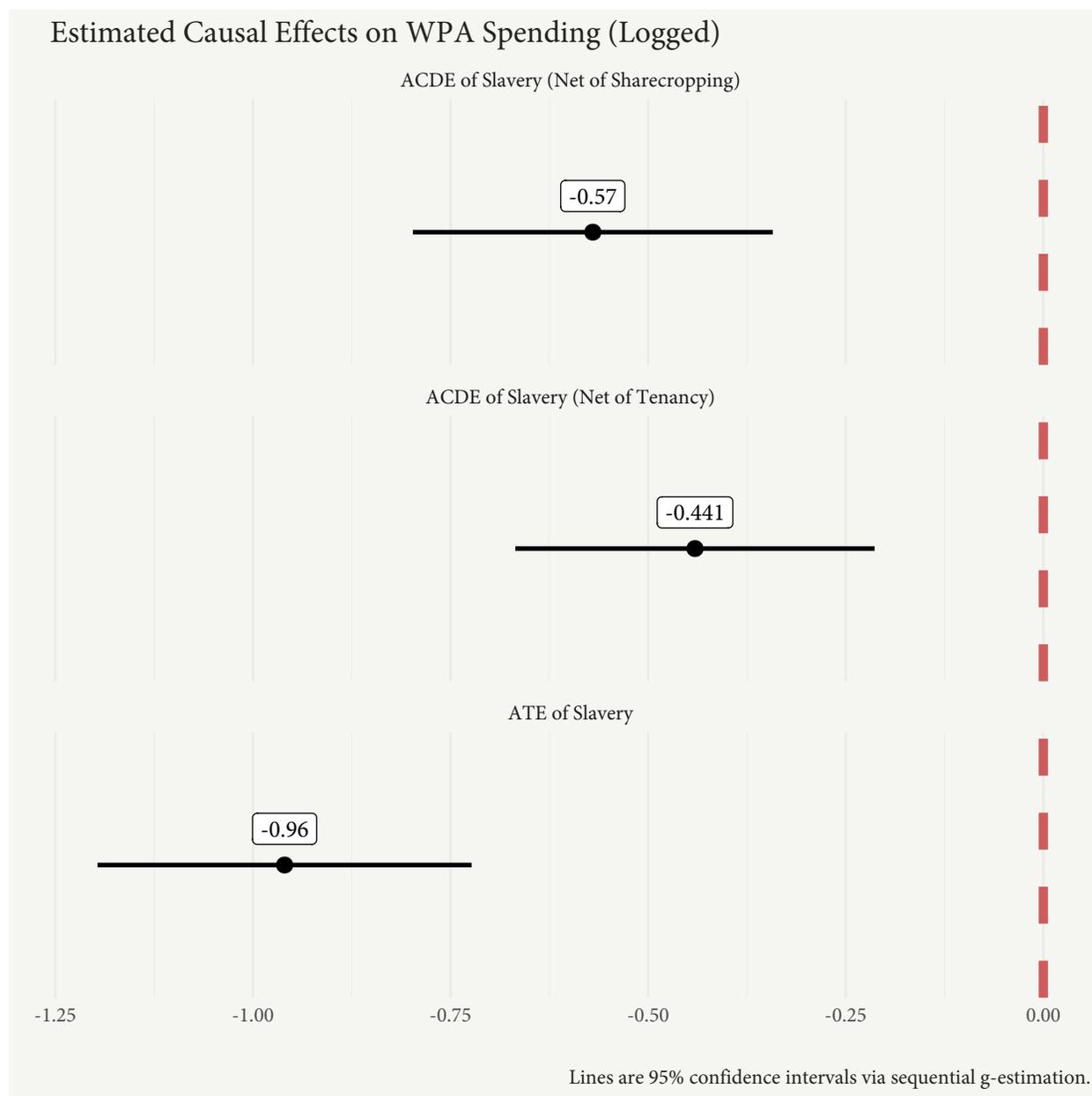


Figure 5: Average Controlled Direct Effect (ACDE) of Slavery Net of Labor Coercion

then it should be the case that the  $ACDE < ATE$ .<sup>19</sup> In other words, the ACDE measures the residual effect of slavery net of a mediator. The core assumption needed to treat the ACDE as a causal quantity is sequential exogeneity—that is, the treatment is conditionally exogenous and the mediator conditionally exogenous given the treatment. While this is certainly a strong assumption to make, the results nevertheless are informative of whether labor coercion is a mechanism so long as the degree

<sup>19</sup>This exercise assumes that the mediator-treatment interaction is sufficiently small.

to which this assumption is violated is not too high.

Figure 5 shows the results of this exercise. The ACDE—the effect of slavery net of each measure of labor coercion—is about half the size of the ATE. While this suggests that labor coercion is an important mechanism through which slavery operates, it may not be the only one since the  $ACDE \neq 0$ . Nevertheless, the substantial difference between the ACDE and the ATE indicates suggestive evidence consistent with the labor coercion mechanism developed in this article. In the Online Appendix, I also estimate the Average Indirect Effects as described in Imai et al. (2011) and show that the results are also consistent with the ACDE results. Moreover, sensitivity analysis of the sequential exogeneity assumption shown in the Online Appendix also provides evidence showing that these results do not heavily rely on this key identification assumption. Overall, these results all point to the same conclusion: slavery’s legacy plays a key role in shaping the geographic distribution of the New Deal through its effect on labor coercion.

## CONCLUSION

What are the historical forces that have shaped the trajectory of the American state? In this paper, I develop and test a theory of political development that is rooted in the long-term impacts of the institution of chattel slavery in the United States. The hypothesis developed in this article suggests that the United States’ experience with slavery generated incentives to enervate the redistributive state in order to maintain locally coercive structures. Using the WPA—the largest public works program in American history—during the New Deal period as a case study, I demonstrate that areas in the South with greater prevalence of slavery in the antebellum period received less funding for the WPA. An instrumental variables design exploiting exogenous variation in the conditions suitable for slavery indicate that the relationship is causal. Moreover, evidence from mediation analyses indicates support for the hypothesized causal channels. In sum, the core contribution of this paper is to show the deep legacies of slavery on the ways in which different racial groups experienced the American state.

There are important limitations and caveats to note. Though focusing on the New Deal period provides some analytical and empirical advantages, this is only one particular time period in Amer-

ican history. The theory developed in this paper cannot account for the entirety of how Americans experience the state. For example, it may be the case that state-citizen interactions followed a completely different logic in the North where slavery did not take hold. On the other hand, work by King and Smith (2005), King (2007), and Katznelson (2005, 2013) shows that the locally coercive structures that governed the Jim Crow bled into broader federal and national structures. This theory also cannot explain other aspects of how Americans experienced the state in the West. Given that westward expansion brought mainly the poor and immigrants into contact with the U.S. state through programs such as Homesteading, it is unclear to what degree the framework developed here can provide analytical power in understanding this crucial expansion of the American state (Frymer 2017). While the theory and results developed here largely pertain to the U.S. South, understanding how citizens experienced the reach of the U.S. state across other areas and periods of history suggests an exciting area for future work.

Though the accumulation of evidence demonstrating the deleterious impact of historical, extractive institutions on a nation's political economy suggests a grim picture for the state of contemporary intergroup relations, recent research shows that a vibrant civil society can help to reverse some of these pathologies. Francis (2014) shows how the National Association for the Advancement of Colored People, through its prolonged litigation strategy, set the stage for major institutional developments at the national level regarding civil rights. Social movements themselves seemed to have been a key factor in the transition of the U.S. South out of Jim Crow (Andrews 2001; Biggs and Andrews 2015). Relatedly, Wasow (2020) and Mazumder (2018) shows that the Civil Rights Movement seemed to have shifted public opinion over the short and the long-run. In sum, these studies should push scholars to pay closer attention to the kinds of interventions that push societies away from oppressive and toward a more just equilibrium.

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# A Online Appendix

Table 3: Summary Statistics

Statistic	N	Mean	St. Dev.	Min	Max
Log(WPA Spending per Capita)	1,375	2.964	0.750	0.000	6.823
Log(AAA Spending per Capita)	1,375	2.909	1.124	0.000	6.749
Log(Relief Spending per Capita)	1,375	3.664	0.576	0.589	6.857
Log(CWA Spending per Capita)	1,375	1.690	0.421	0.000	3.174
Log(Public Assistance per Capita)	1,375	1.198	0.549	0.112	3.062
Prop. Slave, 1860	1,283	0.288	0.221	0.000	0.924
Cotton Suitability	1,363	659.038	249.231	0.000	1,101.900
Log(Total Population), 1860	1,306	8.490	1.574	0.000	12.070
Log(Free Population), 1860	1,306	2.621	2.010	0.000	9.300
Log(Improved Acres), 1860	1,306	9.951	2.397	0.000	12.611
Log(Urban Population), 1860	1,306	0.519	1.998	0.000	12.070
Log(Farm Value), 1860	1,306	13.255	2.942	0.000	16.534
Water Access	1,375	0.452	0.498	0	1
Appropriations Committee	1,375	0.286	0.452	0	1
Ways and Means Committee	1,375	0.194	0.396	0	1

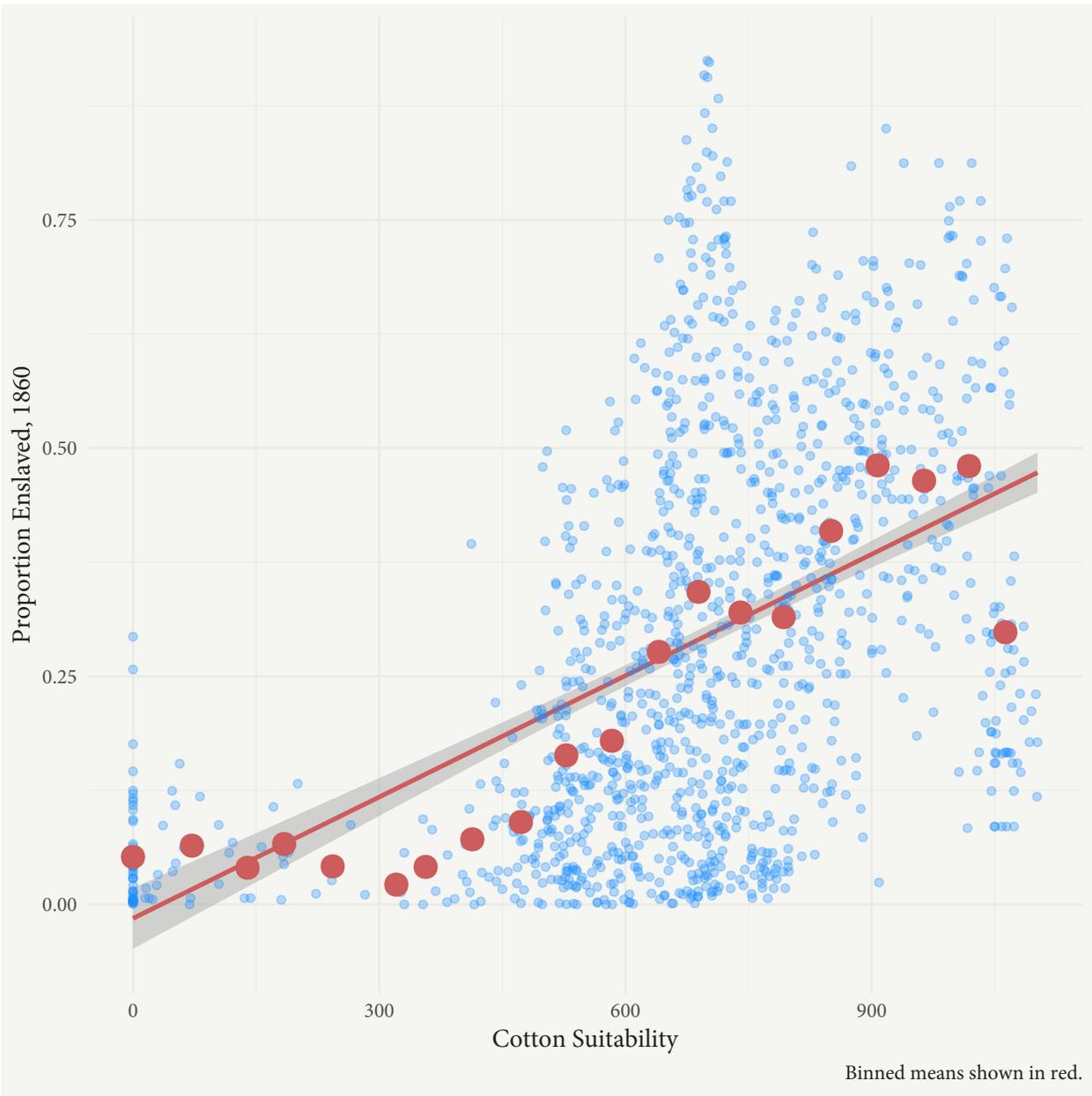


Figure 6: Bivariate First-Stage Relationship between Cotton Suitability and Historical Prevalence of Slavery

Table 4: Effect of Historical Prevalence of Slavery on Total WPA Spending

	Prop. Slave, 1860	Log(WPA Spending per Capita)			
	(1)	(2)	(3)	(4)	(5)
Cotton Suitability	0.0003** (0.00003)				
Prop. Slave, 1860		-0.903** (0.196)		-1.801** (0.265)	
Prop. Slave, 1860 (Instrumented)			-1.518** (0.530)		-3.053** (0.783)
State Fixed Effects	✓	✓	✓	✓	✓
Geographic Controls	✓	✓	✓	✓	✓
1860 Controls				✓	✓
First Stage F-Stat			263.723		140.653
N	1,271	1,281	1,271	1,281	1,271

†p < .1; \*p < .05; \*\*p < .01

Table 5: Effect of Historical Prevalence of Slavery on New Deal Relief Spending

	WPA	CWA
	(1)	(2)
Prop. Slave, 1860 (Instrumented)	-2.877** (0.441)	-0.288 (0.238)
State Fixed Effects	✓	✓
Geographic Controls	✓	✓
1860 Controls	✓	✓
First Stage F-Stat	140.653	140.653
N	1,271	1,271

†p < .1; \*p < .05; \*\*p < .01

Table 6: Effect of Historical Prevalence of Slavery on AAA Spending

	Log(AAA Spending per Capita)			
	(1)	(2)	(3)	(4)
Cotton Suitability	1.695** (0.146)		1.660** (0.167)	
Prop. Slave, 1860		4.709** (0.442)		6.203** (0.700)
State Fixed Effects	✓	✓	✓	✓
Geographic Controls	✓	✓	✓	✓
1860 Controls				✓
First Stage F-Stat			263.723	
N	1,281	1,271	1,281	1,271

†p < .1; \*p < .05; \*\*p < .01

Table 7: Effect of Committee Status on WPA Spending

	Log(WPA Spending per Capita)			
	(1)	(2)	(3)	(4)
Prop. Slave, 1860	-1.120** (0.105)		-0.970** (0.122)	
Appropriations	0.096 (0.087)	0.205* (0.089)	0.070 (0.086)	0.192* (0.092)
Ways and Means	0.034 (0.075)	0.040 (0.068)	0.049 (0.072)	0.028 (0.070)
Prop. Slave, 1860 (Instrumented)		-2.418** (0.292)		-2.899** (0.443)
State Fixed Effects	✓	✓	✓	✓
Geographic Controls	✓	✓	✓	✓
1860 Controls			✓	✓
First Stage F-Stat		256.318		140.174
N	1,281	1,271	1,281	1,271

†p < .1; \*p < .05; \*\*p < .01

Table 8: Effect of Cotton Suitability on New Deal Spending outside the South

	WPA (South)			
	(1)	(2)	(3)	(4)
Cotton Suitability	-0.001** (0.0001)	-0.001** (0.0001)	0.001** (0.0001)	0.001** (0.0001)
State Fixed Effects	✓	✓	✓	✓
Geographic Controls	✓	✓	✓	✓
1860 Controls		✓		✓
N	1,363	1,294	1,663	1,107

†p < .1; \*p < .05; \*\*p < .01

Table 9: 1860 Predictors of WPA Spending

	Log(WPA Spending per Capita): South
Prop. Slave, 1860	-0.958** (0.120)
Latitude	0.175* (0.072)
Longitude	-0.380* (0.187)
Water Area, 1860	0.028 (0.036)
Log (Population), 1860	-0.023 (0.039)
Log (Free Population), 1860	0.007 (0.015)
Log (Acres Improved), 1860	0.020 (0.054)
Log (Urban Population), 1860	0.046** (0.011)
Log (Farm Value), 1860	-0.044 (0.038)
Latitude*Longitude	0.004 (0.005)
lat:lon	-0.005* (0.002)
State Fixed Effects	✓
N	1,281

†p < .1; \*p < .05; \*\*p < .01

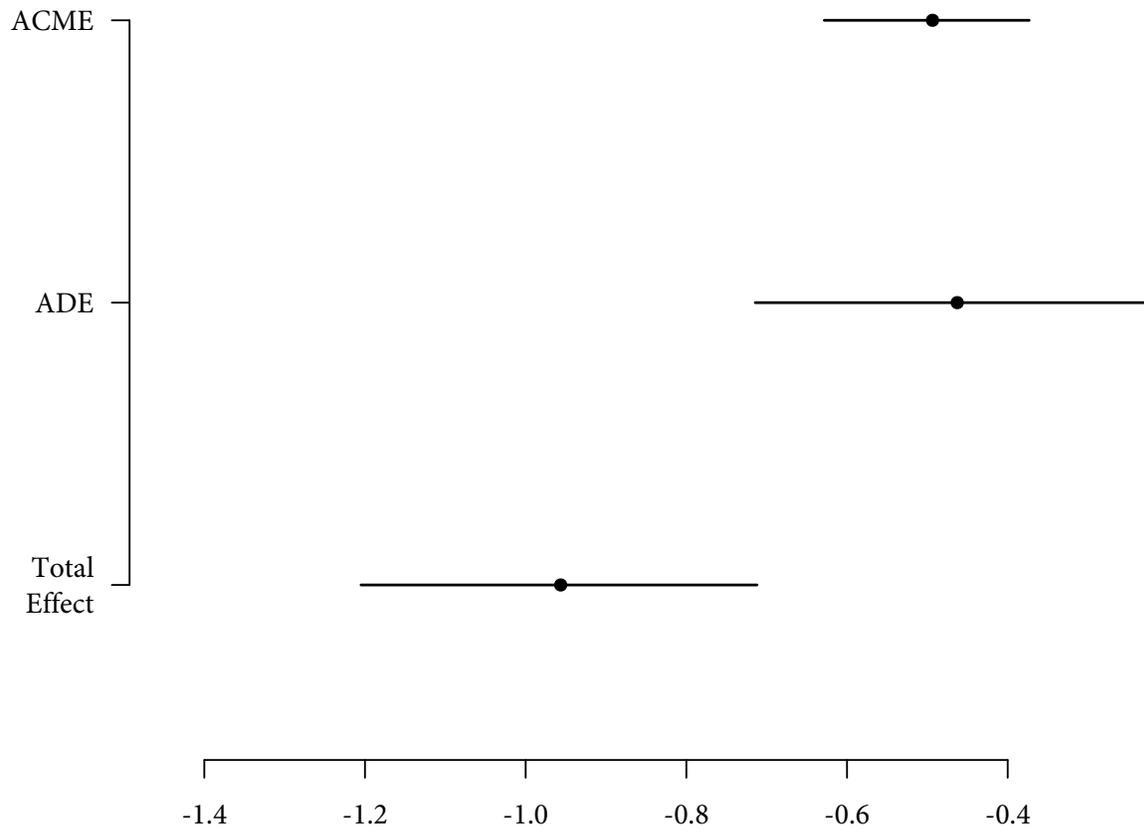


Figure 7: Mediation Results on Tenancy

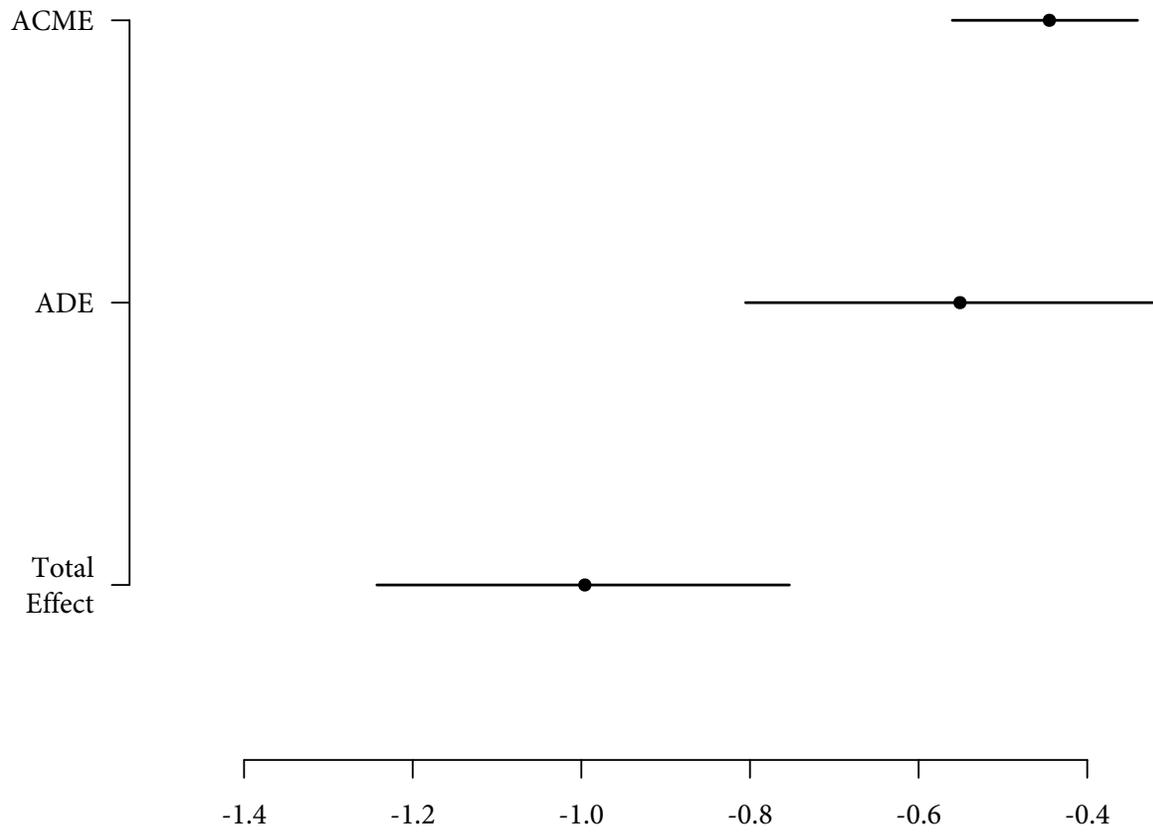


Figure 8: Mediation Results on Sharecropping

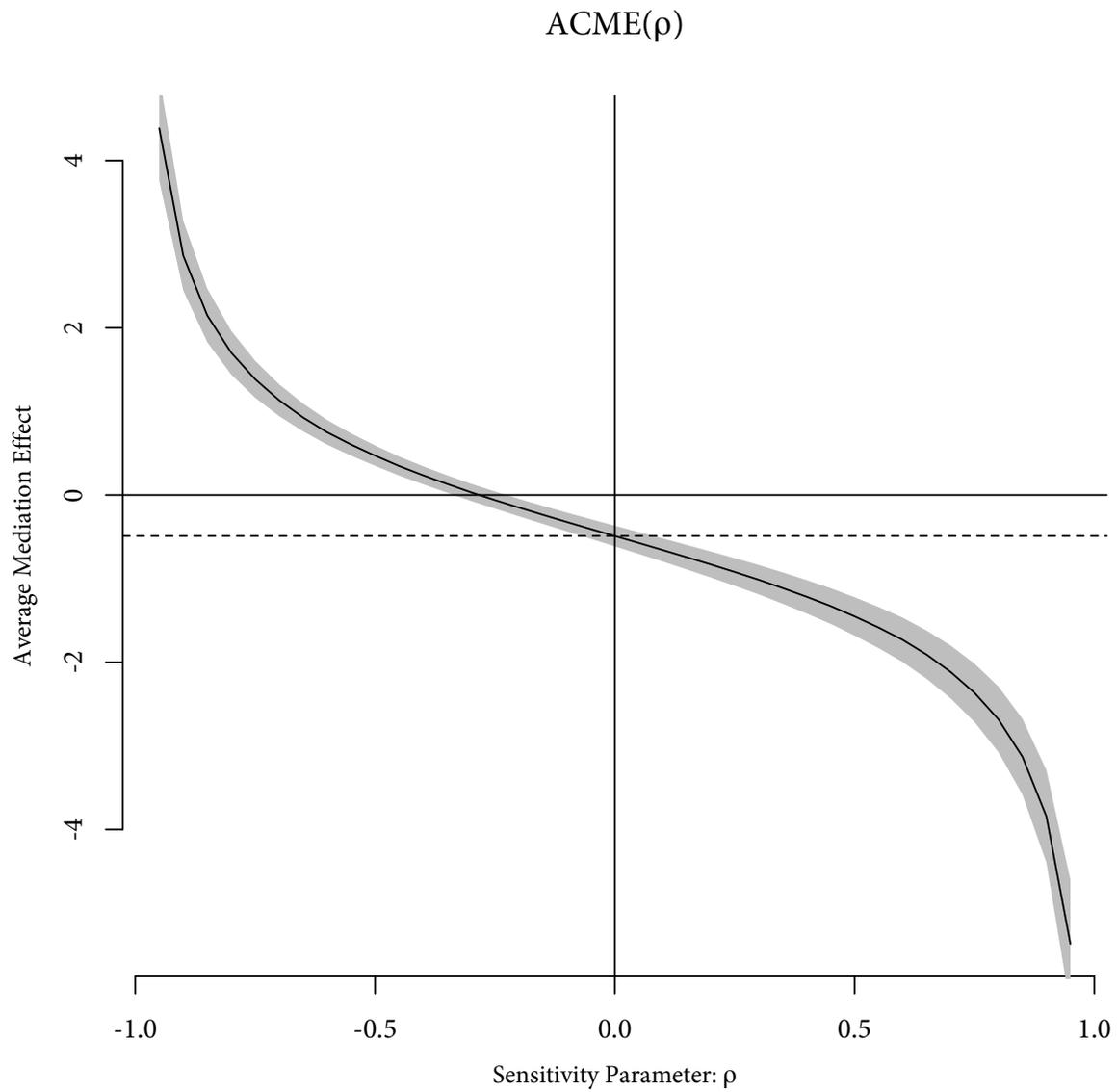


Figure 9: Sensitivity to Sequential Ignorability Assumption for Mediation Results on Tenancy

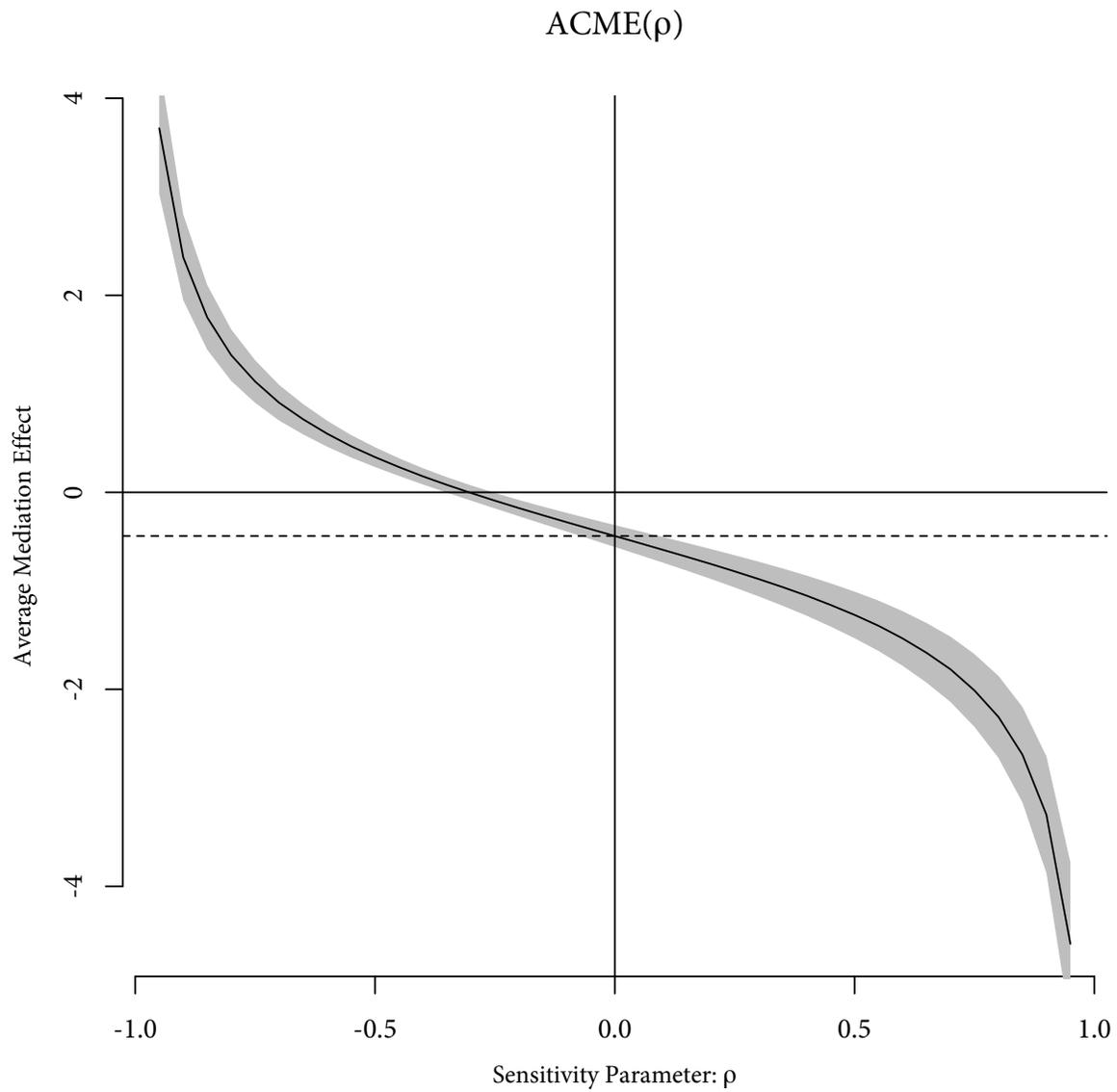


Figure 10: Sensitivity to Sequential Ignorability Assumption for Mediation Results on Sharecropping