

# How Much Does Political Uncertainty Matter? The Case of Louisiana under Huey Long\*

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## Abstract

We study the role of political uncertainty on economic outcomes using the case of Huey Long’s tenure as governor of Louisiana during the Great Depression. We construct two well-established measures of uncertainty specifically for Louisiana using primary sources for Louisiana: stock price volatility and newspaper mentions of uncertainty. Combining these uncertainty measures with employment data from the Census of Manufactures, we attempt to identify the effects of political uncertainty using the state of Mississippi as a control group. We find limited evidence for the significance of political uncertainty in a standard differences-in-differences framework, even when restricting our attention to border counties. Finally, we conduct an event study on the unexpected assassination of Long in September 1935, and again we find no effect on employment. We conclude that whatever political uncertainty was attributable to Huey Long mattered very little for economic outcomes.

## 1 Introduction

Just as uncertainty engendered by the political process has been proposed as a cause of the current weak recovery, political uncertainty was put forward as a reason for the weak recovery from the trough of the Great Depression in 1933. For example, Schumpeter (1942), writing just after the Depression had ended, pointed to the New Deal as a main driver of this political uncertainty. Higgs (1997) focused on the second New Deal and attempted to document a widespread fear that property rights were potentially under threat. More recently, in a public lecture, Lucas (2011) emphasized the deleterious effects of political uncertainty drawing on quotes from Franklin Delano Roosevelt calling businessmen “malefactors of great wealth.”

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While suggestive, Lucas himself admits that well-identified quantitative evidence is lacking on the role of political uncertainty in determining economic outcomes. The Depression provides not only a potentially informative aggregate time series but useful cross-sectional variation as well. In particular, the Depression saw the rise of a number of politicians, pundits, and policy makers at a local level who, in many cases, went well beyond the “radical” proposals and rhetoric of the Roosevelt administration. Many of the people advocating the most extreme reforms such as Father Charles Coughlin<sup>1</sup> never actually attained political office and, hence, had no real chance to implement the populist policies they supported. One of those people who actually gained office was Huey P. Long, who rose to governor of Louisiana in 1928 and continued to run the state essentially unchecked, even after being elected U.S. Senator in 1930, until his assassination in 1935. While the case of FDR’s presidency is often cited as a clear example of radical policies engendering uncertainty and retarding recovery (Higgs, 1997), we would argue that Long is potentially an even more extreme example. Roosevelt himself certainly thought so. He viewed Long as one of the two most dangerous men in America.<sup>2</sup> The president’s 1935 “left turn,” which included a sharp increase in income and wealth taxes to broaden the distribution of wealth, drew clear inspiration from Long’s “Share Our Wealth” platform (Williams, 1981, p. 836).<sup>3</sup> What made Long unique was not his radical program but the way he wielded unchecked control over the state.

This paper attempts to identify increases in political uncertainty caused by particular actions of Long and the effect of these changes. There are two key questions in addressing the role of uncertainty. First of all, how do we measure uncertainty, which, by definition, involves unobservable expectations of second moments of future outcomes? Second given a valid measure, how do we estimate the effects? There have been basically two approaches taken to the first question. The first method uses *realized* second moments of various economic variables to infer what uncertainty was *ex ante*. For example, a number of authors such as Romer (1990), Mathy (2014), and Bloom (2009) use the *ex post* volatility of stock prices as a proxy for uncertainty.<sup>4</sup> The second approach,

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<sup>1</sup>Coughlin was a Catholic priest with a popular radio program at the time who pushed for a major redistribution of wealth. At his peak, his show was heard by millions of listeners all across the country, and he was an ally of other radicals like Huey Long.

<sup>2</sup>The other was General Douglas MacArthur, the threat from the right that mirrored the threat from Huey on the left

<sup>3</sup>Huey openly gloated that the president had appropriated his program, exclaiming in response to FDR’s speech to the Senate: “I just wish to say ‘Amen’.”

<sup>4</sup>Bloom et al. (2012) uses dispersion in productivity growth across plants to much the same effect. Some more recent studies like Leduc and Liu (2012) and Basu and Bundick (2012) are able to use implied volatility measures

which one might call a narrative approach, has attempted to quantify the amount of discussion of uncertainty in the popular press. For example, Alexopoulos and Cohen (2009) counted the number of articles in the *New York Times* that mention economic uncertainty as an uncertainty measure. In a closely related paper, Baker et al. (2011) constructed a similar measure of political uncertainty restricting attention to articles with both terms involving the economy, uncertainty and policy-related terms like “taxes” and “deficits” in the article itself.<sup>5</sup>

We will apply these two measures of political uncertainty to the specific case of Huey Long by constructing a stock price volatility measure using Louisiana-based-stocks listed on the New Orleans Stock Exchange and on the New York Stock Exchange, as well as a newspaper index based on uncertainty-related articles in *The Times-Picayune*. This period of history in Louisiana did not in any way lack for the possibility for unexpected and uncertain developments, ranging from the special tax Long attempted to have imposed on Standard Oil in 1929 to the takeover of a courthouse in Baton Rouge by a paramilitary organization opposed to Long in 1935. Our first finding is that while there are spikes in the uncertainty measures relative to a national aggregate, very rarely can we identify particular political events that correspond to these spikes. This result suggests either these well established measures are not effectively measuring underlying uncertainty or that Long did not engender much uncertainty.

The second question, putting aside measurement of uncertainty, is how to identify the causal effects of these measured changes in uncertainty. Recessions themselves may generate increases in political uncertainty (Baker and Bloom, 2013), reversing the direction of causality from increases in uncertainty to declines in investment and output. Pastor and Veronesi (2012) provide a model for precisely this direction of causality with slow growth leading to political uncertainty in the form of experimentation. The New Deal was itself a response to the collapse in the aggregate economy before FDR’s election. Many of the policies implemented by FDR were already being debated before his election and may have more to do with the economic crisis than Roosevelt in particular.<sup>6</sup>

Because of this endogeneity concern, we use a difference-in-differences strategy to identify the effects of political uncertainty with the bordering state of Mississippi as a control group. To

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from option such as the VIX or the VOX index, but these are only available back to the 1980s.

<sup>5</sup>Baker et al. also included forecast disagreement between professional forecasters as well as number of expiring tax provisions among other things.

<sup>6</sup>Counterfactuals are always difficult, but we would surmise that if Hoover had been reelected in 1932, he too would have experimented with some of the policies implemented in the New Deal.

the best of our knowledge, the only other paper that attempts to address this endogeneity issue is that of Baker and Bloom (2013) who use natural disasters which cause uncertainty increases exogenously. We collect establishment-level data from the Census of Manufactures, which provide monthly employment counts. This allows us to examine the effect of uncertainty at a much higher frequency than if we had used the annual state-level data in Wallis (1989). Furthermore, these data allow us to examine the heterogeneity in the effect across different plant sizes and industries. They also permit the use of within state geographic variation to identify the effects by focusing on counties along the state border as in Holmes (1998).

We find little evidence that uncertainty mattered for employment in Louisiana manufacturing establishments. Estimated effects are small and insignificant. This is true whether we use the full sample or restrict our attention to border counties. This contrasts with many of the other results in this literature that find significant effects such as Baker and Bloom (2013). Shoag and Veuger (2013) use variation in state-level policy uncertainty to explain cross-sectional variation in the employment outcome of states during the Great Recession, finding that states with higher policy uncertainty had lower employment levels than states with lower policy uncertainty. Our results are particularly striking because the treatment-control framework we use, if anything, would tend to overstate the aggregate effects. This is due to the fact that part of the measured “effect” may simply be a reallocation of economic activity from Louisiana across the border in Mississippi, which cancels out at the national level.

One interpretation of our null result is simply that given our failure to identify particular events that line up with the increases, the observed spikes in our uncertainty measures are simply white noise. To address this, we conduct an event study of Long’s assassination in September 1935. This approach is similar to that in Jones and Olken (2005, 2009), who examined the effect of leaders on longer term outcomes, and a large literature from financial economics surveyed in Binder (1998). We first provide narrative evidence and some direct evidence from financial markets that Huey’s death was marked with relief by businesses in the state. For example, the prices of Louisiana state government bonds rose after his death with market participants relating it to that singular event. With this evidence for an exogenous decline in uncertainty, we examine the effects on employment again using Mississippi as the control group. In almost all specifications, we find a null effect of this particular event.

Part of the uncertainty literature has focused on purely economic uncertainty relating to uncertain outcomes of economic fundamentals like productivity or demand. One prominent paper focusing on economic uncertainty is Romer (1990). She argued that uncertainty caused by the 1929 crash stock market can explain the decline in consumer durables consumption in late 1929 and 1930. Mathy (2011) used a VAR approach and found empirical support for this channel during the American economy of the Great Depression. Federer and Zalewski (1994) attempted to identify interest-rate uncertainty as a channel through which banking crises and the collapse of the international gold standard had negative impacts on the real economy. For modern business cycles, Bloom et al. (2012) and Fernandez-Villaverde et al. (2012) find large negative effects of economic uncertainty with contrasting studies such as Born and Pfeifer (2011) finding little effect.

## 2 Historical Background on Long's Political Career

Huey Long's ambition was evident early in his life, as during high school he openly boasted that he would ascend to the American presidency after passing through the offices of Governor and Senator of Louisiana (Williams, 1981, p. 39). Like Napoleon, whose biography was a favorite of Huey's (Williams, 1981, p. 21,34), Huey would crown himself with the royal nickname "Kingfish," a telling choice reflecting Long's monarchical ambitions (Williams, 1981, p. 313). After working as a traveling salesman and lawyer, in 1918, Huey Long began his political career by winning election to the Louisiana Railroad Commission<sup>7</sup>. From the beginning of his political career, Huey campaigned on a populist platform, telling crowds in his first campaign for public office that his opponent was a tool of big business (Hair, 1991). The Railroad Commission was responsible for the regulation of oil and gas pipelines in addition to that of all public transportation in the state. Previous commissioners tended to intervene little and to acquiesce to the wishes of the businesses they regulated (Hair, 1991). Long, however, used his post to launch public, populist attacks on Standard Oil, Louisiana's largest oil company and a lifelong enemy of Long. He called the company an "octopus" and "highway bandit" (qtd. in Hair 1991, p. 92), and demanded that the incumbent governor work with the legislature to declare oil pipeline companies public utilities so they would be subject to more extensive regulation. When the governor refused, Long called him "the criminal

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<sup>7</sup>The Commission was renamed to the Louisiana Public Service Commission while Huey was a commissioner (Williams, 1981, 145).

who disgraces the gubernatorial chair” (qtd. in Hair (1991), p. 92)

Until the last quarter of the 20th century, the only election that mattered in Louisiana was the Democratic Party primary as the state voted overwhelmingly for the Democratic ticket. In 1924, Long ran for the Democratic nomination for governor and lost. As a astute observer of Louisiana politics, he himself likely knew that he had little chance of election. The poll tax in place at the time effectively disenfranchised a key portion of Long’s base, poor whites.<sup>8</sup> In addition, Long had little press support and few Louisiana power brokers backed him, which all added up to a sound defeat by the incumbent governor (Hair, 1991). However, Huey scored a surprising third place finish, which was an indicator of his future political successes.

Long ran again in 1928 with more political experience, a better developed political organization, and more favorable circumstances. Most importantly, Long increased his support in southern Louisiana by campaigning for the reelection of the Cajun and Catholic U.S. Senator Edwin Broussard (Hair, 1991). Louisiana has had a significant cultural split between the northern half of the state, which is more similar to the rest of the Deep South and dominated by Protestants, and the southern half with its extensive Catholic and French influences. Huey was masterful at building broad coalitions, and despite being a Northern Protestant, Huey drew extensive support in the Catholic South. Campaigning under the slogan, “Every man a king but no one wears a crown,”<sup>9</sup> Long’s campaign promises included a program to provide free textbooks for school children, and a large bond-financed road and free bridge building program. At the height of Long’s public works program, more construction workers were employed in Louisiana than in any other state, and about one-tenth of all construction workers in the country were employed in Louisiana. (Williams, 1981, p. 547). The free schoolbooks, which were provided to children at both public and private schools, were funded by a tax on natural resource production. (Williams, 1981, p. 308)

Almost immediately after becoming governor, he began consolidating political power by firing political opponents and forcing state employees to make monthly contribution to his political machine (White, 2006). Furthermore, while Long did not invent the idea of patronage to amass power, he did perfect its use into an art form. His system of patronage began with his first legislative ses-

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<sup>8</sup>African-Americans were disenfranchised by this poll tax as well. While Huey himself thought he had substantial black support as many of his policies helped poor blacks (“Lincoln didn’t free the slaves in Louisiana, I did” (Schlesinger, 2003, 60)), blacks at the time voted overwhelmingly for the party of Lincoln where they could vote.

<sup>9</sup>Long popularized the phrase, though it originated with another populist Democrat: William Jennings Bryant (Williams, 1981, p. 262)

sion as governor. To assemble enough votes to pass his free textbook and road building bills at least 16 legislators were given “deadhead” jobs on the state payroll. Those legislators already on the payroll were told to “get right” or risk losing their job (Hair, 1991). Like Oscar Allen, appointees were required to sign undated letters of resignation to be brought out in case they deviated from Huey’s wishes. A system of “deducts” required state employees to contribute part of their salary to his political machine. The Long machine had his own “octopus” which extended its reach by demanding kickbacks from state contractors. One Long opponent said to Huey, “Maybe you’ve heard of this book. It’s the Constitution of the State of Louisiana.” Long replied, “I’m the Constitution around here now.” (Schlesinger, 2003, p. 47)

Some of Long’s earliest actions as government would have had the potential to foment uncertainty. For example, he forced through the legislature a tax on Standard Oil that nearly led him to be impeached in 1929. In response, businessmen sought assurances from Long that they would not be effectively expropriated. A sizable chemical company was seeking to construct a chemical plant in Louisiana but was fearful that it would be subject to an occupational tax. On July 18th, a group of prominent industrial and business leaders addressed a public letter to Huey requesting his support in ending the “political disturbances” in the state. To this end, they requested that Long pledge to not enact an occupational tax during his tenure among other demands. At least in this case, Long was willing to compromise and agreed to their demands in exchange for support of Long’s legislative program and an end to impeachment proceedings against him (Williams, 1981, p. 424).

After only two years in office as governor, Long won a seat in the U.S. senate. However, rather than move to Washington and vacate the governor’s seat in Louisiana, Long decided to postpone becoming senator until a loyal successor could be installed. In the 1932 gubernatorial primary, Long backed his hand-picked replacement Oscar Allen rather than Paul Cyr, the incumbent lieutenant governor and a bitter Long foe.<sup>10</sup> Allen won a landslide victory, aided by significant vote fraud in some parishes.<sup>11</sup> For example, St. Bernard parish delivered 3,152 votes to Allen and zero votes to the two other candidates, despite having only 2,194 registered voters (Hair, 1991). With Oscar

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<sup>10</sup>Cyr began as a Long ally but they became bitter enemies after Long executed Ada Leboeuf for hiring a handyman to murder her husband. While Cyr did not doubt the guilt of Leboeuf, he opposed putting a woman to death. Indeed, this was the first time a white woman was executed in Louisiana. Williams (1981)

<sup>11</sup>Parishes are the Louisiana equivalent of counties elsewhere in the United States.

Allen as governor of Louisiana, Long was able to maintain and even increase his power in the state even after taking up his position in the U.S. Senate. Allen essentially took orders from Long (White, 2006; Williams, 1981), and Long probably forced Allen to give him a signed, undated letter of resignation in case his loyalty ever wavered (Hair, 1991). Earl Long, Huey's brother and future governor, described Allen's obedience thusly: "A leaf once blew in to Allen's office and fell on his desk. Allen signed it." (Schlesinger, 2003, p. 58) Huey continued to occupy the governor's office when in Baton Rouge and sometimes made appearances on the floor of the legislature. On one occasion the legislature passed forty-four of Huey's bills in twenty-two minutes (Schlesinger, 2003, p. 58).

Long's policies in Louisiana remained relatively moderate in this period as Long continued to consolidate unprecedented power in Louisiana. Williams, in his seminal Long biography, goes so far as to compare Long to a *caudillo*, a term reserved for leaders of South and Central American banana republics (Williams, 1981, p. 185). In 1934, Long reduced the power of local governments, particularly that of New Orleans (White, 2006).<sup>12</sup> He passed a tax on newspapers, which he called a "tax on lying." In 1934, Long strengthened the Bureau of Criminal Identification, an agency empowered to make warrantless arrests throughout Louisiana (Hair, 1991).

In early 1935, in reaction to Long's consolidation of power, a coalition including a former Louisiana governor and the mayor of New Orleans organized a paramilitary organization, the Square Deal Association, to oppose the Kingfish (Hair, 1991). They took over a courthouse in Baton Rouge in January 1935, leading Long to call out the National Guard and impose martial law, under which Baton Rouge newspapers were prohibited from criticizing the state government (White, 2006). This was not the first time the National Guard had to be called in to restore order. In 1931, the incumbent lieutenant governor declared himself governor, arguing that Long had given up his seat when he was elected U.S. Senator. In response, Long mobilized the National Guard to defend the capitol and Governor's mansion from being seized. When martial law was declared, the Long government infringed on the right to bear arms, muzzled press criticism of the state government, and limited the right to assemble (Williams, 1981, p. 787). Even after the spasm of violence in 1935, Long continued his assault on the press with a state printing board that could withhold

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<sup>12</sup>Not coincidentally, New Orleans was dominated by the Old Regulars, a ring of sheriffs and other New Orleans leaders who were the most stubborn and persistent Long opponents. Williams (1981).

“official printer” status from newspapers. He also created a new board of election supervisors to watch polls, essentially guaranteeing the election of Long’s chosen candidates regardless of their actual popular support (Hair, 1991).

Long, at the time of his assassination in 1935, controlled the legislative, judicial, and executive branches of the state of Louisiana in an unprecedented dominance of one state’s government in the history of America (Williams, 1981, p. 6).<sup>13</sup> Huey had long respected and admired the political skill of Henry Clay Warmoth, the carpetbagger governor of Reconstruction Louisiana who wielded absolute power to pass progressive legislation over the objection of the Louisiana elites.(Williams, 1981, p. 184-185) The parallels with Long’s political career are unambiguous. Leading contemporary fascist thinkers like Lawrence Dennis saw Long as an ideal candidate to lead an authoritarian America (Schlesinger, 2003, p. 77). Huey’s own brother, Julius Long, put it best: “The people that were supposed the laws in this State [Louisiana] have become a howling, lawless mob. ... A human life is not safe, and neither is his property.” (Schlesinger, 2003, p. 48)

His rhetoric and nearly dictatorial control over the state seemed at times almost intended to frighten business and generate uncertainty about future policy. He dubbed the wealthy “parasites,” and as a U.S. senator the first bill he proposed was a national “Share the Wealth” program that would impose a confiscatory tax that would cap incomes at \$1 million and wealth at \$5 million (Hair, 1991).<sup>14</sup> Interestingly, newspapers emphasized that it was his complete and unchecked political control rather than his actual implemented policies *per se* that caused uncertainty for business. For example, from the *Wall Street Journal* of 12/16/1935, p. 15:

Although Louisiana’s fiscal policies in the past decade or so have not caused the state any financial embarrassment and have actually been more conservative than those of some other states, the uncertainty which Senator Long’s political control engendered has cost the state considerable money in additional interest charges on its debt.

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<sup>13</sup>Even the Old Regulars who controlled New Orleans, stubborn and durable opponents of Long’s, had been brought under Huey’s thumb just before he was assassinated (Williams, 1981, p.853).

<sup>14</sup>Surprisingly, Long still had many wealthy supporters, despite his rhetoric: “ All over the state Huey had supporters like the Fishers[owners of several major companies involved in furs, fishing, shrimping, and canning] or Savoie [a family which dominated Assumption parish both economically and politically]. In Madison parish there was J.B. (“Jeff”) Snyder, judge, feudal overlord, patron of authors, “king of the river”: in Ouachita, Print M. Atkins, wealthy and respected banker; in Iberville, Calvin K. Schwing, state senator and owner of rich lumber and oil lands; in East Baton Rouge, Justin C. Daspit and Elmo Badley, scions of oil and aristocratic families.” (Williams, 1981, p. 261)

### 3 Measuring Uncertainty

We now discuss the uncertainty measures we construct. A major issue with measuring uncertainty is that these expectations over possible future outcomes cannot be directly observed and must be inferred. For this reason, several measures have been developed as proxies for the true underlying level of uncertainty. Bloom (2009) outlines several such measures including the cross-sectional standard deviation of firm profit growth, firm-level stock returns, industry-level productivity growth, and disagreement in GDP forecasts by professional forecasters. In this work, we will focus on stock price volatility and newspaper mentions of the word “uncertainty.”

#### 3.1 Realized Stock Volatility

The idea of using stock price volatility to measure uncertainty traces back to Schwert (1989). Leahy and Whited (1996) argue that stock return volatility captures the various uncertainties over prices, costs, productivity, and so on, that firms face, and that uncertainty correlates with declines in investment. We construct a stock price index for the New Orleans Stock Exchange (NOSE) using stock quotes compiled from New Orleans’ *The Times-Picayune* newspaper from 1922 through 1937. Quotes are available on trading days during the workweek and excluding holidays with prices quoted for both the morning and the afternoon (twice a day). The NOSE is a major Southern stock exchange which, while it listed mainly Louisiana stocks, did cross-list some stock with major operations elsewhere in the South. We have attempted to separate these two groups as presumably the Louisiana-based corporations would be more sensitive to Long’s policies and rhetoric.<sup>15</sup> If both morning and afternoon bid or ask quotes were present, we used the average bid or ask spread. If only one of the sessions was present, we used that quote only. The bid and ask spreads were then averaged to get the price for that stock.<sup>16</sup> Stock returns were then calculated as the log difference between stock prices *ex dividend*, and the overall index is a equal-weighted average of individual stock’s returns. Stock volatility is then calculated as the monthly standard deviation of daily returns.

The charts of both the level and the volatility of all stocks and Louisiana-based stocks on the

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<sup>15</sup>The list of stocks traded on the NOSE are listed in Table 1 as well as whether we classified them as a Louisiana company. A company was classified as primarily Louisiana-based by using Moody’s reports which discuss the primary business of these companies and their locations.

<sup>16</sup>If any bids or asks were missing, the values were interpolated from values that were available.

New Orleans Stock Exchange are shown in Figures 1 and 2. Major uncertainty-related events related to Huey P. Long are highlighted as well. If Long's policies affected the expected level of profits, then equity prices should fall at times of anti-business policies, while equity prices should rise after Long's assassination as new information about the end of his political dominance is incorporated into stock prices. If there is more uncertainty about future policies, than this political uncertainty should be reflected in higher stock volatility, as shown in Bloom (2009) and Baker et al. (2011). So volatility should be higher under Huey's reign. We find no clear evidence that on average, stock returns were lower and volatility higher for Louisiana during Long's tenure. If anything, volatility appears to drift lower during his time in office. This is unaffected if we restrict attention to the index of stocks with a major presence in Louisiana. It must be said however that this limited correlation between particular events and spikes in uncertainty is consistent with either a non-effect of Long or that this measure is not capturing underlying uncertainty adequately.

Longer run changes in the level or volatility of returns may not be particularly informative of changes in uncertainty and instead large increases or "spikes" in returns may provide the best way to identify political uncertainty. So to examine this, we have labeled the volatility graph with some key events. These include January 1924 when Long finished a surprisingly strong third place but did lose the gubernatorial election; January 1928 when Long won the Democratic primary for governor; April 1929 when Long was impeached; October 1931 when Vice Governor Cyr declared himself governor sparking a political crisis; February 1934 when Long announced his "Every Man a King" program; January 1935 when "Square Dealer" groups armed themselves and threaten to unseat Long; and September 1935 when Long is assassinated. It is possible to identify spikes (negative and positive) for the first two events, but after that, none of the other events line up with anything at all. Again this is unaffected if we look at the volatility measure based on the set of stocks with major presences in Louisiana.

Several Louisiana companies were listed on the New York Stock Exchange during this period. Using data from the Center for Research in Security Prices (CRSP), whose data reaches back to 1926, daily listings are available for these stocks. As the volume on stocks listed on the New Orleans Stock Exchange is much lower than those listed in New York, this We focus on the Louisiana Oil Refining Corporation (LORC). By virtue of being both an oil company (and thus a prime target for the Kingfish) as well as being located in Louisiana (and thus within Long's grasp), any effect

from political uncertainty resulting from Huey’s policies should be observable in LORC’s stock behavior. Standard Oil of New Jersey (SONJ), which was the branch of Standard Oil active in Louisiana, was also listed on the NYSE. While this made them a target of Long’s, the effect of Long’s policies may not be as noticeable due to SONJ’s extensive operations outside of Louisiana. Most of the movements in these equity prices is clearly from a common factor and not from being located in Louisiana and subject to Long’s political uncertainty. Chart 3 shows the volatility of these three Louisiana-sensitive stocks divided by the stock volatility of the overall S& P 500 index, a broad-based equity index for the NYSE with the same major events as above shown.<sup>17</sup> Volatility for these stocks is generally the same or lower than for the aggregate stock market, while if Huey’s policies really generated uncertainty for these corporations, their stock prices should have been more volatile. Also, the events do not seem to drive up volatility for these Louisiana-sensitive stocks relative to the overall stock market, so again we do not find an uncertainty effect using Louisiana-based stocks on the New York Stock Exchange.

### 3.2 Newspaper Index

Our second measure is an index of uncertainty mentions in newspapers which was proposed by Alexopoulos and Cohen (2009) and extended by Baker and Bloom (2013) to focus on political uncertainty. This index uses the number of mentions of either the words “economic” or “economy” and “uncertain” or “uncertainty” to quantify sentiment regarding economic uncertainty. This measure was modified to measure political uncertainty by Baker et al. (2011) through the addition of other terms such as “Congress,” “legislation,” “White House,” “regulation,” “Federal Reserve,” or “deficit.” We construct a similar measure using the New Orleans *Times Picayune*, the newspaper of record for the state of Louisiana. We performed a Boolean search for “economic” or “economy” and “uncertain” or “uncertainty,” which then yields article counts per month. The number of articles are then divided by the total days in that month to obtain an average number of newspaper hits per month. Due to the large amount of high-frequency movements in the data, a Baxter-King filter (Baxter and King, 1999) is applied to smooth the data and to ensure the data is stationary.<sup>18</sup> Because of possibly different terminology used to describe the economy of the time,

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<sup>17</sup>Volatility here is the monthly standard deviation of daily stock returns. The S & P 500 did not exist at the time, but CRSP constructs a similar index using the S & P 500 methodology.

<sup>18</sup>Following the recommendations of Baxter and King (1999), the band is between 18 and 96 months.

we also constructed a newspaper uncertainty index using “commerce” or “commercial” rather than “economic” or “economy” is used for comparison.

Figure 4 plots these two series using “economic” or “commercial” in conjunction with “uncertainty” as the key word. The period when Huey is in power between the black lines do see somewhat elevated uncertainty, but uncertainty does not fall significantly after Huey’s unexpected demise in 1935. Furthermore, it would be difficult to relate the spikes in newspaper mentions to any of the events we highlighted in discussing the stock price measure. We should note as well that the newspaper uncertainty measures seem to be measuring something similar to the stock volatility measures as they have a correlation of 0.43.

Given that *The Times Picayune* reports on national issues as well as local issues, uncertainty at the national level may be driving the increase in uncertainty mentions in the newspaper. To address this concern, we performed a similar search using the *New York Times* to derive a baseline level of uncertainty for the aggregate US economy. Figure ?? plots both of these series and shows most convincingly the relative effect of Huey Long in generating political uncertainty in Louisiana. While the Louisiana uncertainty index does rise during the early 1930s, the national index also rises at the same time, reflecting general national uncertainty in the early 1930s (Mathy, 2011). The Louisiana paper of record was reporting on uncertainty, but it was not uncertainty stemming from Huey Long’s policies.

Finally, we constructed another index based on additional terms related to either Long or his policies. As reported in Figure 5, the first measure, adds in the requirement that either the terms “tax” or “oil” or “impeachment” or “Share our Wealth” or “Square Deal” are present alongside the baseline terms. The second specification again uses the economic uncertainty terms but now adds in either “Huey” or “Long” or “Kingfish” to see if Huey Long is mentioned in conjunction with uncertainty. The third specification uses the terms from the first specification with the commercial terms replacing the economic terms in the boolean search to see if commercial terms rather than economic terms generate different results. Again, black lines denote the period of Huey’s tenure. While the number of hits is small, the increase in mentions takes some time to appear. The number of mentions does seem to decline after the Huey’s assassination, though this may be due to fewer mentions of Huey as he is no longer in power. We conclude that the results for the newspaper index are in basic agreement with the stock volatility measure.

## 4 Estimating the Effects of Political Uncertainty

### 4.1 Empirical Specification

We use establishment-level data from the Census of Manufactures (CoM) for 1929, 1931, and 1935.<sup>19</sup> Our particular dependent variable, which allows us to measure any effects at a fairly high frequency, is monthly employment of wage earners. Every establishment was asked to report the “Number of wage earners who worked during any part of a week of normal activity in each month, preferably the week ended nearest the 15th day of the month.”

We estimate a diff-in-diff specification that uses Mississippi as a control group.<sup>20</sup> Both states share a long border and are fairly similar, so Mississippi is an appropriate control group.<sup>21</sup> We estimate pooled cross-sections and write employment for plant  $i$  in industry  $k$  at time  $t$  in state  $s$  as

$$\log E_{ist} = \beta_0 + \beta_1 Uncertainty_{st} + \sum_{s,t} \gamma_{st} LA_s * Month_t + \sum_t \delta_t Year_t + \sum_k \omega_k Industry_{i,k} + \epsilon_{ikst} \quad (1)$$

where  $Uncertainty_{st}$  is a Louisiana specific uncertainty measure and  $\sum_k \omega_k Industry_{i,k}$  is a full set of industry controls. We experiment with normalizing these uncertainty measures by some national measure with comparison to the untransformed series. Note that implicitly we are setting the uncertainty measure for Mississippi establishments to 0. In other words, if there were aggregate changes in uncertainty (or other aggregate shocks for that matter), they will be captured by the full set of common year dummies  $\sum_t \delta_t Year_t$ . Here  $\sum_{s,t} \gamma_{st} LA_s * Month_t$  represents a state specific seasonal trend with  $LA_s$  an indicator for being in Louisiana. We also report results using  $\Delta \log E_{ist}$  as the dependent variable. We have also run this specification aggregating to the quarterly level to

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<sup>19</sup>Ziebarth (2013a) provides an extended discussion of the source. The most pressing issue addressed by that paper is the coverage of the universe of firms by the data source. For Mississippi and Louisiana, we have cross-checked our totals with the published Census volumes with very good correspondence. In other work for Mississippi (Hansen and Ziebarth, 2014), the lists of businesses have been compared to records of the credit rating agency Dun & Bradstreet with excellent coverage.

<sup>20</sup>Ziebarth (2013b) collected all the establishment data for Mississippi for a separate project on the effects of bank failures.

<sup>21</sup>Both Mississippi and Louisiana were predominantly rural states with underdeveloped manufacturing sectors, some fishing related industry, and a long common border. Mississippi was slightly more rural and slightly lower income, but the differences do not seem important. For example, Mississippi had an income per person in 1929 of \$286, while Louisiana had an income per capita of \$414, both far below the American average of \$700 U.S. Department of the Census (2003). These states had similar weather patterns as well particularly in terms of average temperature though Louisiana has a rainy period from May to July.

smooth out some of high frequency fluctuations potentially due to measurement error with little effect on the estimated effects, so we do not report these results here. We report robust standard errors with clustered errors at the year-month-state level being basically unchanged.

We note that there is a slight ambiguity in the use of the term “political uncertainty” and the channel by which it is supposed to affect economic outcomes. An increase in “political uncertainty” in the form of a mean preserving spread in the distribution of, say, possible tax rates tomorrow can depress investment and employment today through the option value of waiting. While this is how much of the modern literature on the topic has used this term, others writing about the Depression such as Lucas or Higgs seem to go further. Not only did Roosevelt increase the spread of possible tax rates, the increase in political uncertainty from Roosevelt was also an increase in the probability of the very worst outcomes. Indeed, Bernanke (1983) outlined the “bad news principle,” where only uncertainty about how bad things can get is relevant, while uncertainty about how “good” the news could be does not generate a wait-and-see effect. While it is convenient to limit our convenient of uncertainty to second-moments, it is clear that political uncertainty, which it matters negatively for economic outcomes, should have both a negative level effect as well as a dispersion effect as the probability of bad outcomes increases.

A key assumption for this approach is that the control group is not affected by the treatment. While impossible to completely rule out, the available evidence suggests that Long had little influence in Mississippi and certainly no power comparable to that which he wielded in Louisiana. A secret poll conducted in 1935 by the Roosevelt administration to assess popular support for Long found that only 10.5 percent of respondents in Mississippi said they would vote for Long rather than President Roosevelt or a Republican candidate for president. This was only slightly higher than the national average of 7.4 percent and far below Long’s 36.1 percent support in Louisiana (Amenta et al., 1994). At the same time, Long did intervene in the business of other states as well. Announcing that he was going to “invade Arkansas,” Huey campaigned for the successful campaign of Hattie Caraway, the first female governor of Arkansas (Williams, 1981, p. 583-593). He also proposed some programs intended to cover the whole south. The one example is Long’s “drop-a-crop” program that would have suspended cotton planting for a whole year. The idea, whose inspiration came from Leviticus Chapter 25 according to Long, was to aid farmers by inducing a reduction in supply that would increase prices so much that revenue would actually increase. Though South

Carolina passed such a bill, it ended up falling flat when Texas, a major producer of cotton, refused to join the scheme which required coordination among major producers. If these policy proposals actually had effects, then this would tend to bias the estimated effects of uncertainty towards at zero.

At the same time by focusing on the bordering state, there is the potential for overstating the effect as potentially some of the employment losses for Louisiana translate into employment gains for Mississippi. This would exaggerate the estimated diff-in-diff effect though the overall effect would be rather small. Compare this to papers which estimate fiscal multipliers using local variation in government spending as in Fishback and Kachanovskaya (2011) or Nakamura and Steinsson (2012). In these cases the worry is that the estimated effect would be biased downward as some of the spending would “leak out” into other areas.

We also consider an even more stringent test by focusing only on the border counties of Louisiana and Mississippi. While the main specification controls for potential seasonal differences across the states due to differences in temperature or planting cycles between the state, one may still worry about different seasonal patterns at the sub-state level. By focusing on border counties, this would eliminate any unobserved locational fixed effects or trends assuming that the underlying physical environment is smooth at the border(Holmes, 1998).<sup>22</sup> At the same time by focusing on border counties, this may tend to exacerbate the issue of the control group being affected by the treatment as it would be relatively simple for establishments in Louisiana to migrate just across the border.

An additional worry in using the border states and counties is the fact that many manufacturing plants produce tradeable goods. Many Mississippi plants may have its main customers in Louisiana and vica versa. If the effects of uncertainty are in the form of depressed investment and hiring because of, for example, worries about higher taxes, then the question of the location of a plant’s customers will not be the primary concern. If, however, the effect of uncertainty works through dampening consumer demand as in Romer (1990), then this concern is justified. We note that it is similar to the difficulty of estimating the effects of bank failures using local variation. If the main channel through which bank failures mattered is consumer demand, though, then there is no reason to expect the effects to be concentrated locally. It is difficult to develop a general measure

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<sup>22</sup>This approach could be formalized by using a matching estimator such as in Abadie and Imbens (2006). This would allow us to match treatment and control establishments on more than just geographic proximity.

of how tradeable the various manufactured products are without information on shipments, so we will exploit one particular industry, manufactured ice, for which demand is quite localized. If the effects of uncertainty are small even for this industry, this rules out these spillover effects from demand as a justification for small estimated uncertainty effects.

## 5 Results

### 5.1 Baseline Results

The baseline results are reported in Table 2. In the top panel, we use stock price volatility as our measure of uncertainty. We include a control for the average return to isolate the effects higher moment shocks. In the first three columns, we use the level of employment as the dependent variable and second three take the dependent variable as the first difference of log employment. The various specifications experiment with different numbers of lags of the mean return and volatility. Note that for the specification in first differences, we will be dropping any plants who close and have their employment fall to zero. The bottom panels of Table 2 are the results for two of newspaper indexes that we created based on different key words: (1) “economic uncertainty” and (2) “commercial uncertainty.”<sup>23</sup> For ease of interpretation, we center and scale each uncertainty measure so that they have a mean of 0 and a standard deviation of 1.

We find very little evidence for the effects of political uncertainty on employment outcomes. Using the stock measure, not only are the point estimates close to 0, the standard errors are also relatively small suggesting a one unit change has at most a few percentage point effects in either direction. This is true in the levels specification as well as in the first differences specification. When we turn to the newspaper measures in the bottom two panels, we again find fairly limited effects. There are some negative effects of the commerce measure, but this is at odds with the *positive* measured effect of the economic newspaper index. Furthermore, if we turn to the effects on changes in log employment, there are very small effects that are precisely estimated. Somewhat oddly, the positive effects of the economic index are persistent over time with both the first and second lags entering positively.

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<sup>23</sup>These were the series reported in Figure 4.) We have also tried the other measure reported in Figure 5 that had terms more closely related to Huey Long with very little difference in the results.

These results are entirely consistent with the overall pattern of state-level income for Louisiana relative to Mississippi or other bordering states. Figure 8 plots estimates of per capita income where we normalize income levels in 1929 to 100. If anything, Louisiana appears to do slightly better during the downturn when Long held political control and the (minor) gap is only closed after Long’s assassination. This pattern is basically the same if we had examined the state-level employment estimates by Wallis (1989).

## 5.2 Border Counties

We now restrict attention to the set of counties that make up the border of Louisiana and Mississippi.<sup>24</sup> Results are reported in Table 3. We report the same set of specifications as the baseline results. The panels follow the baseline specifications with the different measures of uncertainty. Even after restricting attention to the border counties, effects are still statistically indistinguishable from zero with larger standard errors due to the smaller sample size. The commerce measure does enter negatively but this does not seem very robust to the number of lags. Furthermore, the change in employment is increased by the commerce measure, which casts doubt on the negative effects of uncertainty in the first place. The worry in using the border is that we exacerbate the possible confounding demand spillover effects if this is the channel through which uncertainty matters.

## 5.3 The Case of a Local Industry: Manufactured Ice

Table 4 reports the regressions for establishments in the ice industry. As noted above, manufactured ice is a product with very local demand. This means possible confounding spillover effects from consumers in Louisiana on producers in Mississippi should be mitigated. We see here results entirely consistent with those of the full sample. Most of the estimate effects for the various measures at different lags are negative except again for the economic newspaper measure. Still none of these are statistically significant and, in the case of the changes in log wage earners as the dependent variable, this does not appear to be a case of underpowered tests. We conclude from these results that the overall null effect is not due to spillovers in demand leading to declines in employment in

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<sup>24</sup>These include the following counties for Mississippi: Issaquena, Warren, Claiborne, Jefferson, Adams, Wilkinson, Amite, Pike, Walthall, Marion, Pearl River, and Hancock. For Louisiana, these are the parishes of East Carroll, Madison, Tensas, Concordia, West Feliciana, East Feliciana, St. Helena, Tangipahoa, Washington, and St. Tammany.

both states.

## 5.4 Effects Across Establishment Size

We now consider whether the effects of uncertainty differed by plant sizes. Theory does not provide a clear prediction of any heterogeneity in this uncertainty effect between plant of differing sizes. That said, the narrative evidence suggests that if anything, Long’s policies and rhetoric were aimed at the largest plants. So on this basis, we would expect the largest effects, if any, to be for this group, though Long did have backers who owning significant manufacturing concerns as discussed in Section 2. We sort plants into size quartiles based on their January employment levels industry by industry. These quartiles are calculated year by year so the set of large plants may differ from year to year as well.

Results with our preferred specification are reported in Table 5. Each column corresponds to a quartile of the employment distribution going from smallest to largest and the panels to the different measures of uncertainty. For now, we only report the results with the contemporaneous measures of uncertainty and ignore possible lagged effects. Somewhat surprisingly, the null effect reported earlier is not in some sense “hiding” variation in the effect across the size quartiles. All quartiles appear to be unaffected by these changes in uncertainty. As discussed earlier, there are various *ex post* rationalizations for why particular quantities would be affected and others not. So the fact that none are affected we take as particularly powerful evidence against the view that uncertainty matters. It is important to emphasize again that the effects are not only small but precisely estimated across the three separate measures of uncertainty.<sup>25</sup>

## 6 Event Study: Long’s Assassination

So far we have found limited evidence for political uncertainty with the caveat that the results are only as strong as our proxies for uncertainty. To help address this concern, we conduct an event study of Long’s assassination. We do this for two reasons. First, even in our treatment-control setup, there is still a question if whether the *relative* increases in political uncertainty during Huey’s

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<sup>25</sup>We would have liked to also conduct the analysis for particular industries such as oil refining, which was a main target of Long. However, much of the oil in Mississippi oil refineries would be shipped from Louisiana and so would not serve as an effective control.

tenure are due to economic events particular to Louisiana. This concern over reverse causality is obviated to a certain extent by focusing on the border counties. Still Long's assassination is useful as an arguably exogenous and unforeseen event that put an end to his political dominance of Louisiana. The second reason for studying this event is that based on narrative evidence, it actually appears to have affected people's beliefs about the direction of policy.

Carl Weiss, enraged that his father-in-law would lose his judgeship due to the Long's gerrymandering, shot and Huey Long on September 10, 1935 as he walked through the Louisiana state capitol. Without a strong figure to fill his shoes, the public quickly realized that Louisiana politics would return to the status quo ex-ante. The *Chicago Tribune*<sup>26</sup> (9/11/35, p. 1) reported:

[T]onight there were indications that the one-man empire carved out of a supposedly Democratic commonwealth is crumbling; crumbling because there was only one Huey Long; only one dictator. And now there appears to be no lieutenant strong enough to lift the scepter the dead hand let fall. . . . Various boards and commissions composed of elected members, are expected to revert to the established democratic practice of individual expression, now that they are free again.

The *New York Times* (9/11/35, p. 16) quoting from *The Sun (Ind. Rep.)* summarized the situation:

The death of Huey Long should have important political consequences. In Louisiana, where the Senator has dominated the State in as bold a manner as ever was observed in American politics, his passing from the scene means a struggle among his followers to hold his power, but none of his adherents possesses the ability or the nerve of the dictator who has just succumbed to the bullet of an assassin. Possibly with Long out of the way the forces which have vainly struggled to restore Louisiana to a genuine republican form of government will be able to push forward to victory.

The situation was even more simply summarized by the *New York Times* (9/29/35, p. E7) with an article titled "Louisiana Sees Wane of the Dictatorship."

There is evidence from the market for Louisiana state and municipal bonds showing that Long's death increased investor confidence in the state. The yield on New Orleans 30-year bonds, for ex-

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<sup>26</sup>It is important to keep these quotes in perspective given the well-known Republican slant of the *Tribune*.

ample, fell from 4.40 percent to 3.85 percent, and the price of Louisiana highway bonds maturing in 1955 rose from 102 to 113.5 between mid-September and mid-December 1935 (*Wall Street Journal*, 12/16/1935, p. 15). The *Wall Street Journal* explained these changes (12/16/1935, p. 15):

Senator Long's death apparently has restored confidence of the more timid investors in the state's credit and that confidence is reflected in the prices paid for the state's obligations.

Another source of evidence is the relative price of bonds for utility companies in Mississippi and Louisiana. Figure 6 show the relative price of bonds in Louisiana and Mississippi computed as the average of the high and low price for that category of bonds for the week. As bond prices should rapidly incorporate information about the change in policies, we would expect a sharp rise in bond prices as news of Huey's assassination spread to market participants. While there is some improvement in the bond prices for the state, private bonds for utilities, a Long enemy, showed no major change after Huey's assassination. This could be due to either a non-effect from uncertainty, or from the offsetting increases and decreases in uncertainty. For example, a decline in uncertainty from the end of Huey's life and political career combining with a rise in uncertainty in the aftermath of the assassination of the major political force in the state and the ensuing power vacuum could result in little change in overall political uncertainty. Overall, other observers at the time seemed to agree with our analysis. For example, the *New York Times* (9/11/35, p. 31), quoting from an article in *The Sun (Ind. Rep.)*, wrote:

There were those in bond circles yesterday who watched carefully the market for State of Louisiana bonds in expectation that the death of Senator Huey Long might exert some influence on those issues marketwise. While the early morning announcement of the Senator's fate caused some unrest, it tended to restrict activity, if anything, in the market for the State's bonds. Those issues spent an unusually quiet day, prices holding steady. In bond circles the belief was expressed that while a possible political upheaval in that State might temporarily depress the market for its securities to a slight degree, the outlook in the long run was bullish as the State's finances were in good shape.

To identify the effects of this event from another angle, we estimate similar specifications as before, but now rather than the uncertainty measures as our key explanatory variables, we have

an indicator variable for after Long’s death,  $Huey_{it}$ . This will be equal to 1 if establishment  $i$  is in Louisiana and the month is *prior to September 1935*. There is a question about whether we should treat the month of September as pre- or post-treatment since Long’s assassination takes place in the middle of the month (on September 10). The Census asked plants to report employment counts for the week that included the 15th of the month, almost precisely the week that Long was assassinated. This leads us to consider two alternative possibilities: (1) treat September as part of the post-Long period i.e.  $Huey = 0$  in this month rather than  $Huey = 1$  as in the baseline and (2) exclude September observations. Note that like the earlier regressions, we will only be looking at short-term effects as we have only at most 3 month observations (October, November, December) post Long’s assassination.

## 6.1 Results

We first present the results of this even study in graphical form. In Figure 7, we plot the log difference between Louisiana and Mississippi for 5 different subsets of the data. These are (1) the whole sample, (2) only establishments in border counties, and then the three largest industries: (3) beverages, (4) timber, and (5) manufactured ice. The picture does not suggest an obvious, immediate impact of Huey’s death on employment. On balance for everything but ice, Huey’s death appears to negatively impact Louisiana employment. In the ice industry, however, Louisiana employment *rises* relative to Mississippi after Long’s assassination suggesting a positive effect of Long’s death.

Table 6 reports the regression results across various specifications for what is considered the post-Long period. However, these various choices appear to make little difference. Column 1 reports the baseline effect with an estimate close to zero, though imprecisely estimated. A 95 percent confidence interval includes a positive or negative 4 percent impact on Louisiana employment of Huey’s assassination. There is little difference based on how we control for possible plant-level heterogeneity. Given the narrative evidence and financial market response, it is perhaps surprising that we are unable to detect a positive effect of Huey’s death in this data, despite a large number of observations. Columns 2 and 3 use the other coding schemes for the Huey Long variable. These specifications display limited effects as well. We also estimate the same regression using only those establishments near the Mississippi / Louisiana border, an arguably more convincing identification

of the impact of Long's rule. The last 3 columns of Table 6 report these results for the three codings for the Long's assassination variable. The results are unchanged and stable across specifications. As before, 95 percent confidence intervals include very large positive or negative impacts of Huey's death.

We now examine the impact of Long's death on different sized establishments. The last 3 columns of Table 6 report the effect across quantiles of plant size based on a plant's January employment. There is statistically significant evidence that the largest plants actually *benefited* under Long's governorship while there is a some evidence, although results are not statistically significant, that the smallest plants were hurt. A possible explanation is that Long's rhetoric played little role in the hiring decisions of most plants. Instead, his brand of crony capitalism and patronage may have benefited the largest establishments in Louisiana. Moss of the Union Indemnity Company was an early Long donor, as he had a major bonding business with the Louisiana state government which would benefit from Huey's massive public works program. Long most loyal backer was Robert S. Maestri, a major New Orleans landowner and one of the wealthiest men in the city (Williams, 1981, p. 97, 252-253). More anecdotal evidence for this comes from the shrimp industry. In 1932, the Louisiana legislature considered a bill limiting working hours for women to 8 hours a day. This was the sort of legislation that Huey typically supported. In this case, however, Long had the bill killed, since one his supporters owned a large shrimp-packing establishment which would have suffered from the limitation on working hours (Hair, 1991; Sanson, 2006).

## 7 Conclusion

Political and economic uncertainty have been proposed as a cause of weak economic growth in both the aftermath of the Great Depression and the current weak recovery. The Great Depression is both the worst economic crisis in American history and a time of major policy experimentation. If policy uncertainty mattered somewhere or sometime, it should have mattered in the Depression. Many accounts of policy uncertainty in the Depression have focused on the case of FDR's New Deal which was truly ambitious and experimental, and thus to critics of the New Deal, uncertain. However, it is difficult to disentangle the multitude of factors that combined to create the Depression from the, perhaps inevitable, policy experimentation attempting to mitigate the Depression.

To provide some evidence on this question, we used the case of local policy uncertainty generated by the near absolute rule of Huey Long over the state of Louisiana in the 1930s. To measure uncertainty, we constructed uncertainty measures using the New Orleans *Times Picayune*, the New Orleans Stock Exchange, and Louisiana companies listed on the New York Stock Exchange. We tested for the effect of political uncertainty using monthly employment data from the Census of Manufactures for Louisiana using as a control, the state of Mississippi. Overall, we find little effect for a detrimental effect of Huey Long’s rule on Louisiana’s economic outcomes stemming from uncertainty or from some other channel. We think these are particularly striking results as Long’s tenure presents something of a worst case scenario when it comes to policy uncertainty. The results seem to cast some doubt on the effects of the relatively more ideologically moderate FDR who did not operate with anything close to the near absolute power that Long exercised over Louisiana.

While our results are suggestive, they cannot distinguish between two conclusions: that uncertainty measures do not accurately reflect underlying uncertainty and the conclusion that political uncertainty did not matter for economic outcomes in the Louisiana of the Depression. Future research should attempt to address this shortcoming by studying other examples from the Great Depression or other places in history of economic actors who generated a sense of uncertainty. It is clear that relying on national time-series evidence has clear downsides. Not only can there be some doubts about the reliability of any proxies for political uncertainty, but it can be difficult to disentangle other national political developments from the specific effects of political uncertainty as in the case of the Depression-era New Deal. While the combination of a local leader with a radical program and the same level of unchecked power may not be found in any historical figure outside of Huey Long, similar examples using a treatment-control framework are a useful method to constructively advance the literature on political uncertainty.

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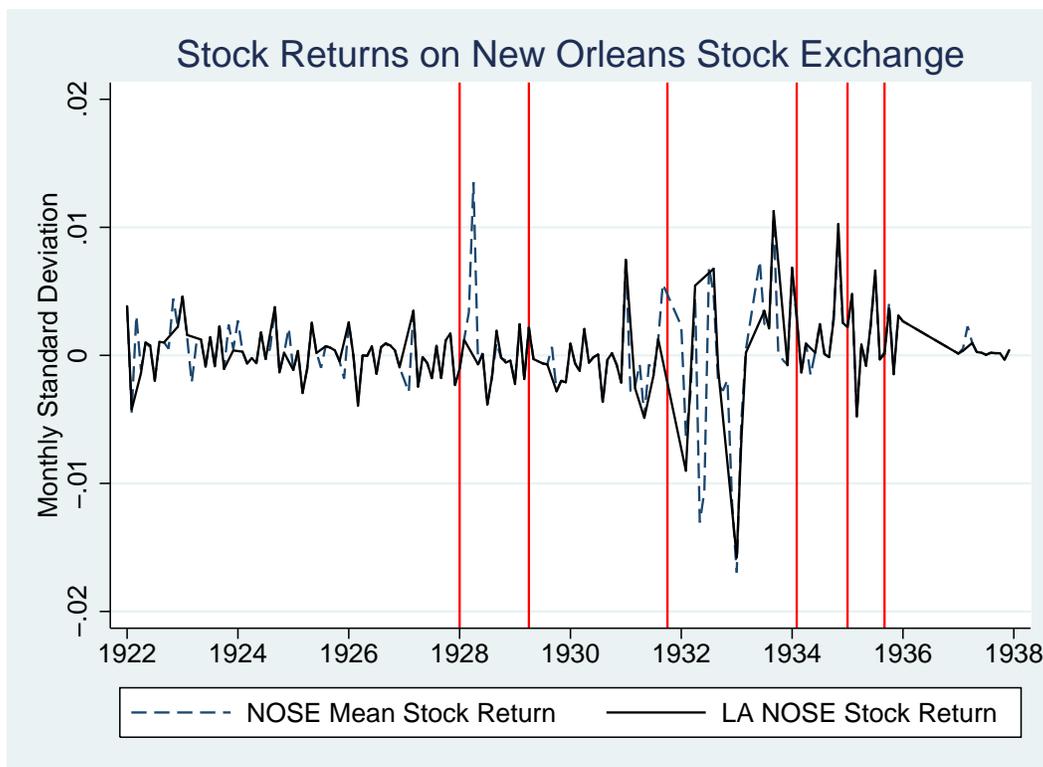


Figure 1: Monthly return on New Orleans Stock Exchange, calculated as the log difference between the NOSE stock index between one month and the previous month. Red lines denote major uncertainty events. These include Huey’s 1918 election to the public service corporation, Long’s surprisingly strong showing in the 1924 Louisiana gubernatorial election, Long’s successful election as governor in 1928, The Long impeachment of 1929, the political crisis of 1931 when the Lieutenant Governor Cyr declared himself governor, the 1934 announcement of Long’s radical “Share the Wealth” platform, the 1935 Square Deal crisis, and Huey’s 1935 assassination. Source: New Orleans Times Picayune, author’s calculations.

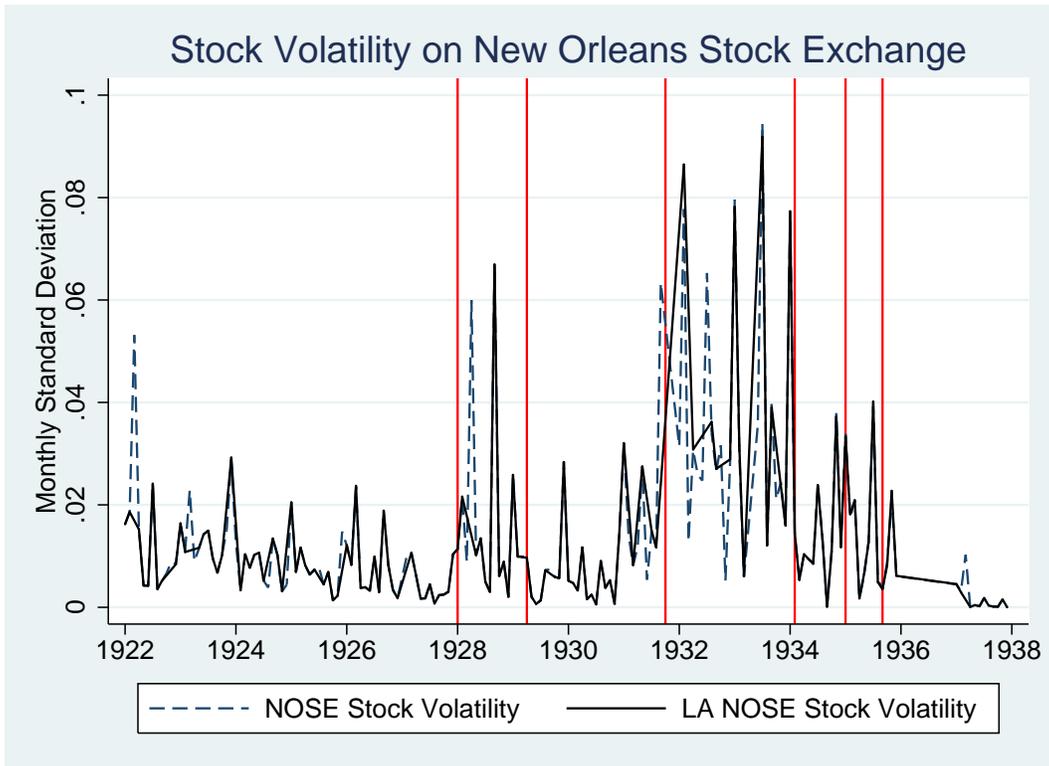


Figure 2: Monthly stock index volatility is calculated as the monthly standard deviation of daily log returns for NOSE index. Louisiana stocks refer to the stock index which is only composed of Louisiana companies. Red lines denote major uncertainty events. Source: New Orleans Times Picayune, author’s calculations.

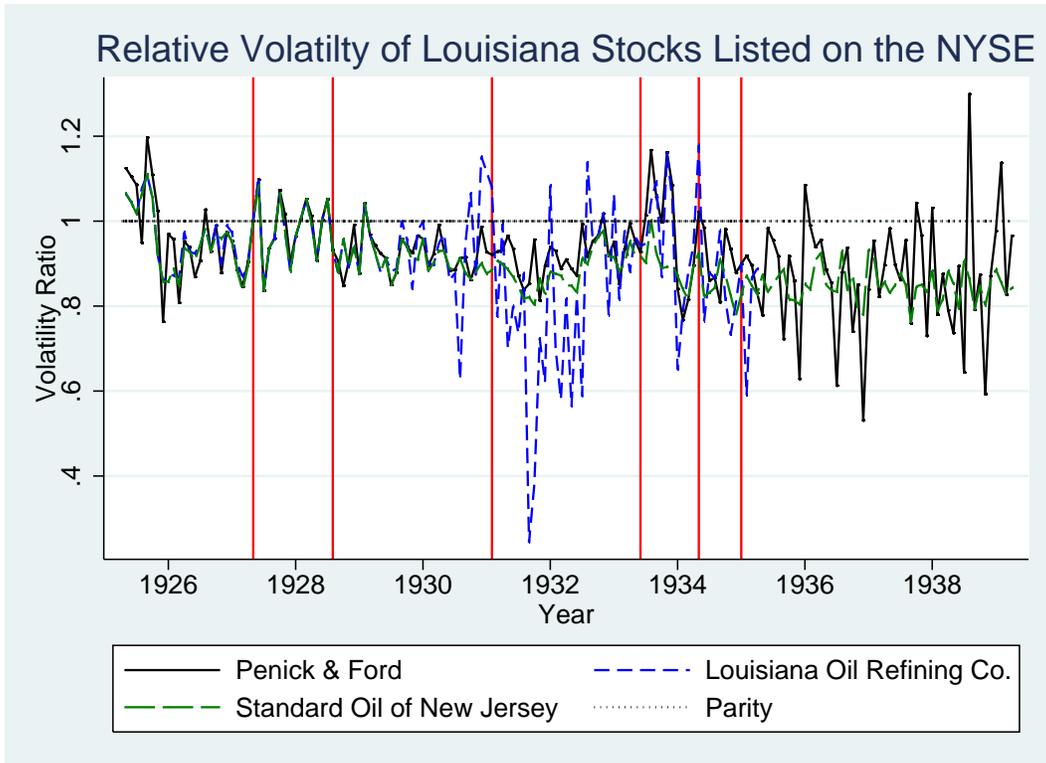


Figure 3: Louisiana Oil Refining Company and Penick & Ford are major Louisiana-based companies, and SONJ is the Standard Oil company that operates in Louisiana. Stock volatility is calculated as the monthly standard deviation of the daily log return. The graph shows the ratio of the stock volatility of these corporations with the overall volatility of the Standard and Poor's 500 index, with parity marked with a dashed line. Red lines denote major uncertainty events. Source: CRSP, Author's calculations

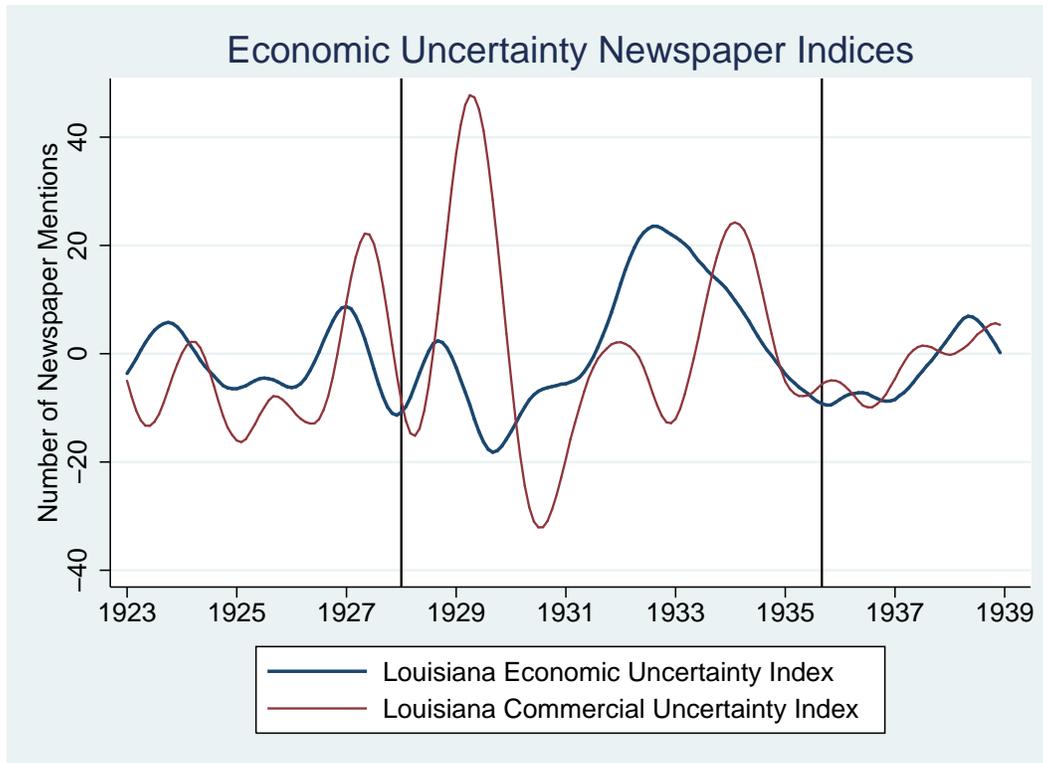


Figure 4: The Louisiana Economic Uncertainty Index is formed using the number of monthly article mentions of either the words “economic” or “economy” and “uncertain” or “uncertainty” in the NOTP. The Louisiana Commercial Uncertainty Index replaces the economic terms with the commercial terms “commerce” or “commercial”. The series are smoothed using a Baxter-King band-pass filter. Black lines indicate Huey’s tenure as governor or senator. Source: New Orleans Times Picayune.

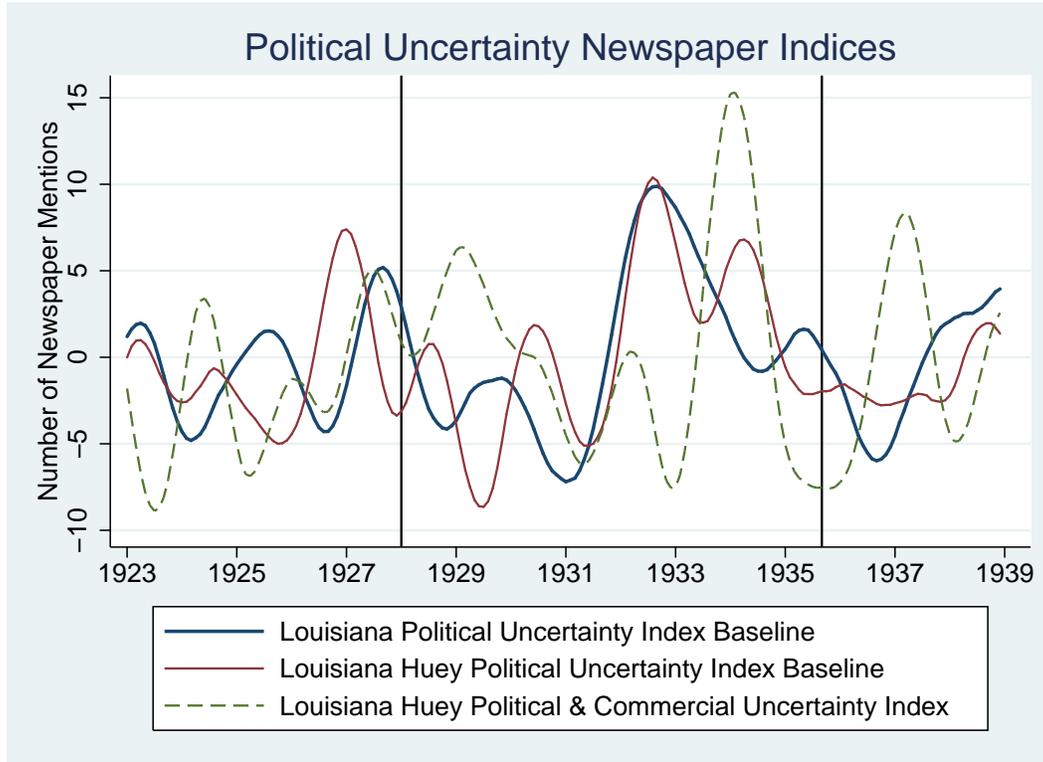


Figure 5: The Louisiana Political Uncertainty Index is formed using the number of monthly article mentions of either the words “economic” or “economy” and “uncertain” or “uncertainty” as well as the terms “tax” or “oil” or “impeachment” or “Share our Wealth” or “Square Deal” in the NOTP. The Louisiana Huey Political Uncertainty Index is formed using the number of monthly article mentions of either the words “economic” or “economy” and “uncertain” or “uncertainty” as well as the terms “Huey” or “Long” or “Kingfish” in the NOTP. The Louisiana Huey Political & Commercial Uncertainty Index is formed using the number of monthly article mentions of either the words “commerce” or “commercial” and “uncertain” or “uncertainty” as well as the terms “Huey” or “Long” or “Kingfish” in the NOTP. Black lines denote Huey’s tenure as governor. Source: New Orleans Times Picayune.

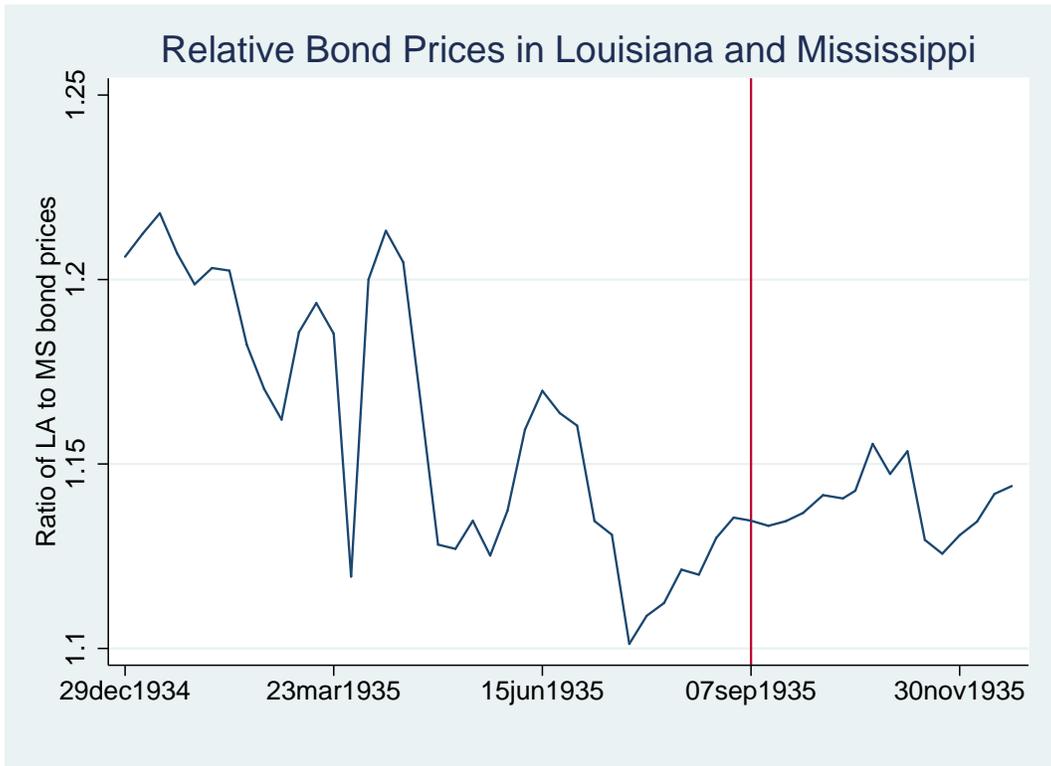


Figure 6: Ratio of bond prices of major regulated utility companies in Louisiana relative to Mississippi. Red line is Long assassination event. Source: Wall Street Journal.

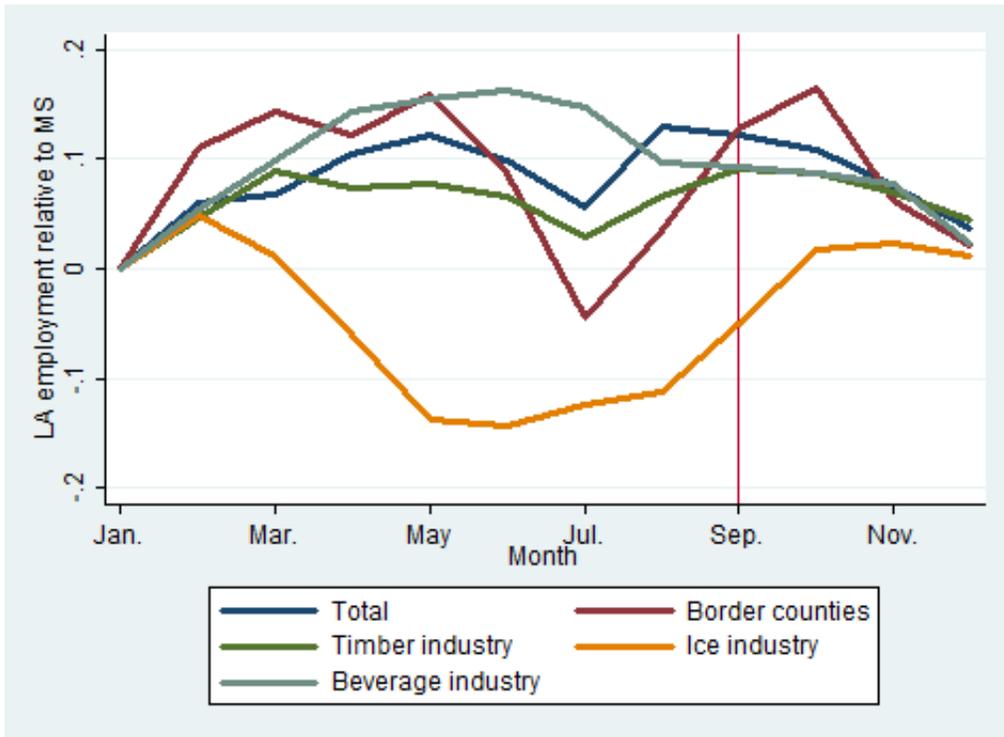


Figure 7: Relative change in log total employment of Louisiana compared to Mississippi in 1935. The industries chosen are the three largest by number of observations. Red line is Huey assassination month. Source: Census of Manufactures.

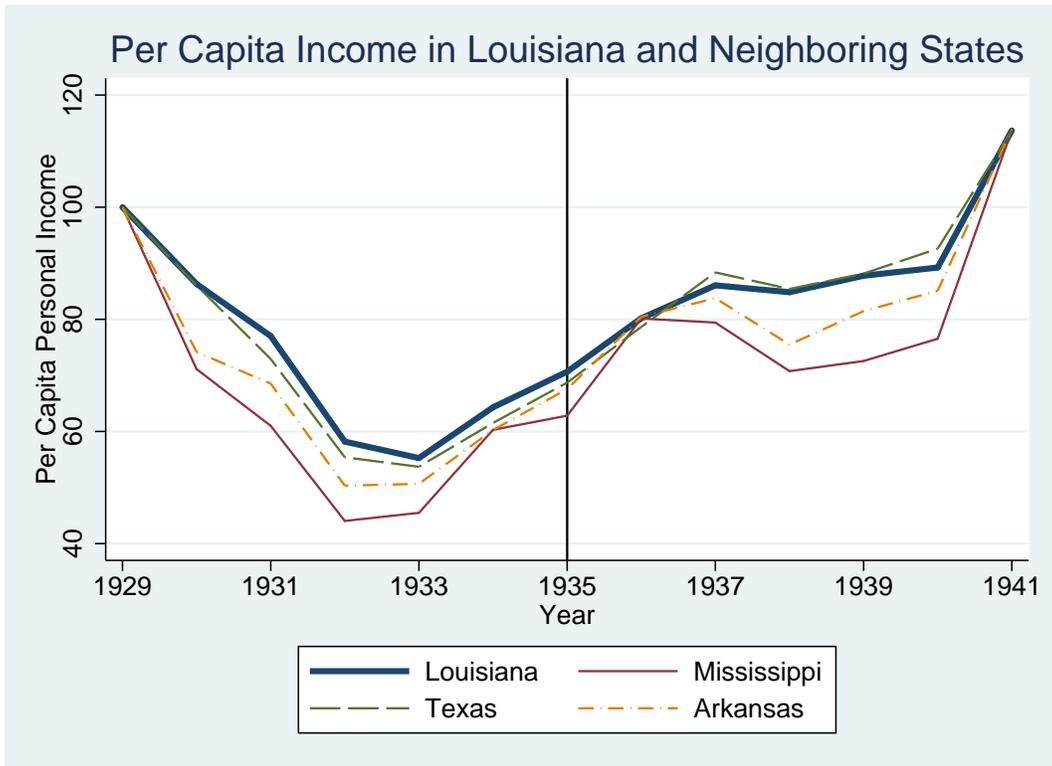


Figure 8: Personal Income per Capita in Louisiana and neighboring states to 1929 values as 100. Note: Black line refers to the Long assassination year. Source: BEA NIPA.

Table 1: Stock Listings on the New Orleans Stock Exchange and whether the listed company had operations primarily in Louisiana.

Louisiana companies	Non-Louisiana Companies
American Liberty Bank and Trust Company	American Bank and Trust Company
Brown's Velvet Ice Cream	American Cities
Canal Bank	Birmingham Railway Light and Power Co.
Canal Commercial Trust and Savings Bank	Coca-Cola Chicago Bottling
Charles A. Kaufman Company	Commercial Credit
Citizens Bank and Trust Company of Louisiana	International Railways of Central America
Cloverland Dairy	Kansas City Public Service
D. H. Holmes	Little Rock Railway & Electric
Elmer Candy	Memphis St. Railroad
Equitable Real Estate Company	Mortgage Realty
Friscoville Realty Company	National Building and Loan
Gillican-Chipley	National Power & Light
Hibernia Bank and Trust	National Realty
Hortman-Salmen	Pan American Life Insurance
Hunter Canal Company	Standard Fruit
Insurance Securities Company Inc.	Wesson Oil
Interstate Trust and Bank	
Jefferson Lake Oil	
Johnson Iron Works	
Lafayette	
Lane Cotton Mill	
Liberty Bank and Trust	
Louisiana Navigation Company	
Louisiana Sugar Exchange	
Maison Blanche	
Marine Bank and Trust	
Mortgage and Securities	
New Orleans Auction Exchange	
New Orleans Bank and Trust	
New Orleans Board of Trade	
New Orleans Brewing Company	
New Orleans Cold Storage	
New Orleans Cotton Exchange	
New Orleans Country Club	
New Orleans Land Company	
New Orleans Public Service	
New Orleans Railway & Light	
New Orleans Stock Exchange	
New Orleans Stock Yards	
Penick and Ford	
Securities Sales of Louisiana	
Suburban Realty	
Union Indemnity	
Whitney Bank	

	Log Wage Earners			Log Change in Wage Earners		
	(1)	(2)	(3)	(4)	(6)	(6)
<i>A: Stock Return Volatility Measure</i>						
Mean	9.564*	11.41	34.66***	-0.896	-0.682	0.365
	(5.398)	(6.948)	(7.396)	(0.911)	(0.840)	(0.859)
Volatility	0.0110	0.0140	0.00705	-0.00137	-0.00124	-0.00556***
	(0.0139)	(0.0165)	(0.0176)	(0.00190)	(0.00173)	(0.00107)
Lag Mean		7.178	6.185			0.809*
		(4.628)	(6.954)			(0.457)
Lag Volatility		0.0172	0.0207			-0.00316**
		(0.0144)	(0.0181)			(0.00127)
2nd Lag Return			12.17*			-0.879
			(6.638)			(0.600)
2nd Lag Volatility			0.0563***			-0.00191
			(0.0176)			(0.00178)
Observations	72187	66023	59843	65306	65306	59177
Adjusted $R^2$	0.437	0.436	0.435	0.011	0.011	0.016
<i>B: "Economic" Newspaper Measure</i>						
Economic Measure	0.0321***	0.0240**	0.0214*	-0.00370**	-0.00292*	-0.00406***
	(0.0116)	(0.0112)	(0.0117)	(0.00149)	(0.00146)	(0.00115)
Lag Economic Measure		0.0298**	0.0217		-0.00289*	-0.00231
		(0.0145)	(0.0141)		(0.00148)	(0.00165)
2nd Lag Economic Measure			0.0277**			0.000327
			(0.0134)			(0.00127)
Observations	75443	69279	63099	68522	68522	62393
Adjusted $R^2$	0.439	0.438	0.437	0.014	0.014	0.019
<i>C: "Commerce" Newspaper Measure</i>						
Commerce Measure	-0.0373***	-0.0213	-0.0207	0.00296	0.00359*	0.00359
	(0.0117)	(0.0134)	(0.0149)	(0.00181)	(0.00211)	(0.00230)
Lag Commerce Measure		-0.0307**	-0.0176		-0.00137	-0.000146
		(0.0140)	(0.0138)		(0.00185)	(0.00196)
2nd Lag Commerce Measure			-0.0238			-0.00218
			(0.0145)			(0.00167)
Observations	75443	69279	63099	68522	68522	62393
Adjusted $R^2$	0.439	0.438	0.437	0.014	0.014	0.019

Standard errors in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 2: Effects of uncertainty using the full sample of plants in Louisiana and Mississippi. Panel A uses the stock volatility measure controlling for mean returns. Panel B uses our newspaper index searching for the key word "economic." Panel C uses the newspaper index searching for the keyword "commerce." Standard errors are clustered at the year-month level. All of the uncertainty measures have been demeaned and scaled to result in a series with a standard deviation of 1. So the coefficients for the uncertainty effect are comparable across uncertainty measures. All regressions include industry and year fixed effects as well as state specific seasonal trends.

	Log Wage Earners			Log Change in Wage Earners		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>A: Stock Return Volatility Measure</i>						
Mean	23.22 (16.98)	28.50 (20.70)	81.72*** (17.05)	3.659 (3.059)	4.768 (3.517)	0.796 (4.198)
Volatility	0.0225 (0.0468)	0.0383 (0.0542)	0.0179 (0.0498)	-0.00466 (0.00887)	-0.00239 (0.00885)	0.00873 (0.00960)
Lag Mean		17.32 (15.49)	10.21 (20.56)		1.218 (2.636)	2.592 (2.188)
Lag Volatility		0.0474 (0.0464)	0.0705 (0.0547)		-0.0187* (0.00976)	-0.0115 (0.00771)
2nd Lag Mean			34.81* (18.45)			9.338*** (3.292)
2nd Lag Volatility			0.114** (0.0484)			-0.0183* (0.00956)
Observations	4530	4148	3766	4088	4088	3710
Adjusted $R^2$	0.587	0.585	0.584	0.008	0.009	0.011
<i>B: "Economic" Newspaper Measure</i>						
Economic Measure	0.113*** (0.0294)	0.0821*** (0.0300)	0.0670** (0.0315)	-0.0163** (0.00658)	-0.0134* (0.00745)	-0.0112 (0.00826)
Lag Economic Measure		0.0953** (0.0417)	0.0672 (0.0414)		-0.00874 (0.00845)	-0.0148 (0.00896)
2nd Lag Economic Measure			0.0891** (0.0391)			0.0127 (0.00803)
Observations	4671	4289	3907	4229	4229	3851
Adjusted $R^2$	0.597	0.596	0.595	0.010	0.010	0.010
<i>C: "Commerce" Newspaper Measure</i>						
Commerce Measure	-0.136*** (0.0294)	-0.0717* (0.0359)	-0.0597 (0.0388)	0.0134 (0.00932)	0.0193* (0.00979)	0.0224* (0.0125)
Lag Commerce Measure		-0.109*** (0.0385)	-0.0627 (0.0384)		-0.0118 (0.00867)	-0.00971 (0.00931)
2nd Lag Commerce Measure			-0.0869** (0.0409)			-0.00902 (0.0102)
Observations	4671	4289	3907	4229	4229	3851
Adjusted $R^2$	0.597	0.596	0.595	0.009	0.009	0.009

Standard errors in parentheses  
\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 3: Effects of uncertainty restricting attention to plants in counties on the border of Louisiana and Mississippi. Panel A uses the stock volatility measure controlling for mean returns. Panel B uses our newspaper index based on “economic” terms. Panel C uses the newspaper index based on “commercial” terms. Standard errors are clustered at the year-month level. All of the uncertainty measures have been demeaned and scaled to result in a series with a standard deviation of 1. So the coefficients for the uncertainty effect are comparable across uncertainty measures. All regressions include industry and year fixed effects as well as state specific seasonal trends.

	Log Wage Earners			Log Change in Wage Earners		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>A: Stock Return Volatility Measure</i>						
Mean	-13.13*	-8.846	2.490	2.723	3.224	3.542
	(7.284)	(8.485)	(8.498)	(3.214)	(3.394)	(3.501)
Volatility	0.00345	0.00705	-0.0339	-0.00660	-0.00421	-0.0146
	(0.0206)	(0.0221)	(0.0202)	(0.00904)	(0.00864)	(0.0114)
Lag Return		-11.20	-8.422			4.982*
		(7.151)	(8.927)			(2.454)
Lag Volatility		0.0121	0.0212			-0.0132
		(0.0218)	(0.0240)			(0.00976)
2nd lag Return			-13.05**			-1.313
			(6.246)			(3.814)
2nd Lag Volatility			-0.0150			-0.0125
			(0.0228)			(0.00983)
Observations	7003	6411	5819	6365	6365	5775
Adjusted $R^2$	0.102	0.099	0.095	0.213	0.213	0.222
<i>B: "Economic" Newspaper Measure</i>						
Economic Measure	0.0480***	0.0413***	0.0309***	-0.00568	-0.00315	-0.00417
	(0.0117)	(0.0122)	(0.00976)	(0.00607)	(0.00603)	(0.00639)
Lag Economic Measure		0.0324**	0.0311**		-0.00791	-0.00798
		(0.0151)	(0.0151)		(0.00725)	(0.00835)
2nd Lag Economic Measure			0.0245			-0.000614
			(0.0151)			(0.00662)
Observations	7348	6756	6164	6709	6709	6119
Adjusted $R^2$	0.098	0.097	0.093	0.219	0.219	0.226
<i>C: "Commerce" Newspaper Measure</i>						
Commerce Measure	-0.0403***	-0.0287	-0.0294	0.0117	0.0101	0.0157
	(0.0131)	(0.0175)	(0.0177)	(0.00787)	(0.00890)	(0.0100)
Lag Commerce Measure		-0.0186	-0.00620		0.00334	0.00966
		(0.0158)	(0.0170)		(0.00807)	(0.00833)
2nd Lag Commerce Measure			-0.0189			-0.0163**
			(0.0170)			(0.00730)
Observations	7348	6756	6164	6709	6709	6119
Adjusted $R^2$	0.098	0.096	0.092	0.219	0.219	0.227

Standard errors in parentheses  
\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 4: Effects of uncertainty restricting attention to plants in the manufactured ice industry, a non-tradeable product. Panel A uses the stock volatility measure controlling for mean returns. Panel B uses our newspaper index based on “economic” terms. Panel C uses the newspaper index based on “commercial” terms. Standard errors are clustered at the year-month level. All of the uncertainty measures have been demeaned and scaled to result in a series with a standard deviation of 1. So the coefficients for the uncertainty effect are comparable across uncertainty measures. All regressions include industry and year fixed effects as well as state specific seasonal trends.

	Log Wage Earners			Log Change in Wage Earners				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>A: Stock Return Volatility Measure</i>								
Mean	-1.369 (1.868)	-0.808 (1.566)	0.0692 (0.783)	-0.196 (1.040)	-0.505 (1.774)	-0.371 (0.830)	0.804 (0.656)	-0.0916 (0.515)
Volatility	-0.00522 (0.00757)	-0.0104* (0.00610)	-0.00338 (0.00323)	0.000863 (0.00539)	-0.000554 (0.00455)	0.000821 (0.00427)	-0.00628** (0.00255)	-0.00189 (0.00192)
Observations	19250	14596	13941	14378	17166	13200	12661	13191
Adjusted $R^2$	0.694	0.919	0.914	0.790	0.064	0.011	0.062	0.111
<i>B: "Economic" Newspaper Measure</i>								
Economic	-0.000481 (0.00706)	-0.00498 (0.00611)	-0.00485 (0.00380)	0.0000659 (0.00720)	0.00164 (0.00585)	-0.00295 (0.00309)	-0.00507 (0.00357)	-0.000197 (0.00346)
Observations	19294	14652	13974	14436	17210	13254	12694	13249
Adjusted $R^2$	0.695	0.919	0.914	0.790	0.064	0.011	0.063	0.110
<i>C: "Commerce" Newspaper Measure</i>								
Commerce	-0.00754 (0.00519)	-0.00900 (0.00558)	-0.00236 (0.00371)	0.0106* (0.00563)	0.000900 (0.00379)	0.00517 (0.00315)	0.00796*** (0.00289)	0.00549 (0.00470)
Observations	19294	14652	13974	14436	17210	13254	12694	13249
Adjusted $R^2$	0.695	0.919	0.914	0.790	0.064	0.011	0.063	0.110
Employment size quartile	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)

Standard errors in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 5: Effects of uncertainty across quantiles of plant size as measured by employment in January of given year. Panel A uses the stock volatility measure controlling for mean returns. Panel B uses our newspaper index based on “economic” terms. Panel C uses the newspaper index based on “commercial” terms. Standard errors are clustered at the year-month level. All of the uncertainty measures have been demeaned and scaled to result in a series with a standard deviation of 1. So the coefficients for the uncertainty effect are comparable across uncertainty measures. All regressions include industry and year fixed effects as well as state specific seasonal trends.

	Log Wage Earners					
	(1)	(2)	(3)	(4)	(5)	(6)
After Assassination	0.00255 (0.0231)	-0.00798 (0.0231)	-0.000553 (0.0248)	-0.00504 (0.0562)	0.00963 (0.0534)	-0.0450 (0.0650)
Huey definition	1	2	3	1	2	3
Sample?	All	All	All	Border	Border	Border

Table 6: Effect of assassination of Huey Long on employment. These regressions use only data for the year of 1935. See the text for the different definitions of the Huey variable. All regressions include industry and state fixed effects. Standard errors reported in parentheses are clustered at the month-level. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

	Log Wage Earners			
	(1)	(2)	(3)	(4)
After Assassination	-0.0805 (0.0551)	-0.0113 (0.0491)	-0.0170 (0.0324)	0.111*** (0.0380)
Observations	4466	3237	3222	3157
Adjusted $R^2$	0.081	0.026	0.013	0.011
Employment size quartile	(1)	(2)	(3)	(4)

Table 7: Effects of Long’s assassination across plant size quartiles as measured by employment count in January. Results use the first coding of the Long indicator and the full sample. All regressions include industry and state fixed effects. Standard errors reported in parentheses are clustered at the month-level. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$