Online Appendix to "Habit Formation and Misallocation of Labor"

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A Data details

Census data The starting point of our data is the 1950 population census. The original census forms were sorted by municipality, within municipalities in alphabetical order and then filed in folders. In 1995, Statistics Finland drew a sample from the full 1950 census by picking every tenth folder, see Statistics Finland (1998) for details. Almost all of the information on the census forms was manually inserted into a database. The resulting sample contains information on 411,629 persons from 392 of municipalities (out of a total of 547 municipalities) corresponding to 10.3% of the full population.

The 1950 census data is linked to other individual-level data sources using social security numbers. The social security numbers were introduced in September 1964 and thus had to be collected from the Population Register using names, dates of birth, gender and place of birth. The match rate is very high. Social security numbers were found for 82.5% of the individuals included in the 1950 census sample. Furthermore, information from the 1970 census could be found for 73.1% of the original sample. In comparison, taking into account mortality and emigration, at most 74.5% of the population present in the 1950 census was also present in the 1970 census (Statistics Finland, 1998).

Income data Our information on individual-level income comes from the 1971 tax register. A key concern in using tax data in an analysis like ours is that taxable income might not be a comparable measure of true income for individuals working in and outside of agriculture. However, by 1971, agricultural profits were treated as taxable earned income and taxed according to the same rates as wage earnings. While production for own consumption was not taxed, agriculture had become increasingly specialized and, for example, Pihkala (1982) estimates that 90% of agricultural products were sold on the market and hence taxed. Much of the remaining 10% consisted of feeder crops used on the farm as intermediate inputs.

Figure A1 provides another check for the comparability of our income measure by plotting consumption expenditure against gross-income for farming and non-farming households using data from the 1971 Household Budget Survey (Statistics Finland, 1976). These data contain information on 1,186 households, of which we categorize 372 as farmers and 814 non-farmers based on the household reference person's main occupation. The consumption information was collected by the households during four weeks and includes the purchase value of items

produced by the households (e.g. vegetables grown in their own garden). However, gifts and transfers to other households are not included as consumption. Gross income consists of all earnings and capital incomes as well as all public income transfers. The income information stems from the tax records of each household member and thus corresponds closely to the income measure used in our analysis. The expenditures have been annualized by Statistics Finland.

Panel A of Figure A1 represents the full data, while panel B focuses only on the inner 98% of each marginal distribution.[1] We find no indication of the tax records underestimating the consumption possibilities of farmers. In fact, the only statistically significant difference—at very high levels of income—suggest the opposite. However, these differences are driven by outliers. Once we drop the outliers, the confidence regions of the two groups overlap throughout (Panel B, Figure A1). Table A1 confirms this result by reporting regression coefficients using up to a fourth-order polynomial in income interacted with an indicator for the household's reference person working in farming.

Urban status We defined municipalities based on Statistics Finland's definitions of cities used in the 1950 census (*kuntatyyppi*). We augment this definition to include three municipalities—Espoo, Vantaa and Kauniainen—that are part of the Helsinki metropolitan area.

Second-generation Statistics Finland has also collected provided us information on the children of persons included in the 1950 census sample. For each child, we observe education taken from the register of degrees, income from tax registers and basic demographic variables from the census and administrative registers.

A limitation of these data is that we observe only one parent for 42% of the children. This feature of the data is likely driven by the fact that for both parents to be observed, they have to be included in the 1950 census sample. Given the sampling scheme described above, we observe both (known) parents if they lived in the same household. Furthermore, we are more likely to observe them if they were living in the same municipality in 1950. Moreover, this likelihood is affected by the size of the municipality. Specifically, if all census forms of a municipality would fit into one folder, we would observe everyone living in the municipality. As the size of the municipality grows, i.e., the census forms fill more folders, the expected share of individuals ending into our sample approaches 10%.

As a consequence, children for whom we observe both parents are likely to differ from children for whom we observe only one parent. This selection process is hard to characterize and may have been influenced by the resettlement. For these reasons, we have opted for an analysis sample in which the first generation is defined using information on only one parent. While this approach facilitates the interpretation of the estimates, it also means that some children categorized into the control group have a (unobserved) displaced parent.

[1] That is, panel B uses "shaved" data, where we have excluded 42 observations with income or expenditure that is lower than the 1st or higher then the 99th percentile of each distribution.

B Additional empirical results

Descriptive statistics Tables A2–A6 show a detailed examination of the pre-war differences between displaced and non-displaced rural population. For comparison, columns 1–2 report the same numbers we reported in Table 1, i.e., sample averages of the background variables by future displacement status. The remaining columns show estimates and standard errors from regressions of the form

$$x_{0i} = \alpha + \beta D_i + \mathbf{Z_{0i}}\gamma + \varepsilon_{it} \tag{A1}$$

where x_{0i} is a pre-war characteristic of individual i, D_i is an indicator for future displacement status (i.e. living in the ceded area before the war) and $\mathbf{Z_{0i}}$ is a vector of other pre-war characteristics we include in some specifications. Columns 3–4 report the baseline differences, columns 5–6 control for the distance of the 1939 residence municipality to the post-war border (together with its interaction with future displacement status) and latitude, and columns 7–8 condition on resettlement area fixed-effects.

"Donut hole" estimates Figure A6 reports spatial RD estimates for 1971 income using specifications, where we omit non-displaced persons living close to the post-war border in 1939 from the control group. Specifically, the leftmost estimates correspond to columns (5) and (6) of Table 2. Moving right, we omit non-displaced persons living within 10km, 20km, 30km, 40km and 50km from the post-war border.

Farm size Table A10 presents farm size distributions for the ceded, partly ceded and other municipalities as reported in the 1930 and 1940 Agricultural Censuses. In 1930, there were 30,415 farms in the ceded area of which 10,530 were smaller than three hectares and 19,885 larger three hectares. The majority of the small farms were likely owned or leased by people whose primary job was not in agriculture, but who complemented their income with part-time farming.

Part-time agriculture was taken into account in the resettlement policy, which distributed 13,362 "Part-time holdings" (2–6 hectares) and 19,622 "Agricultural holdings" (6–15 hectares) to the displaced population (Pihkala, 1952, Table V). We categorize farms smaller than three hectares in 1930 as likely part-time farms (to be replaced by "part-time holdings") and those larger than likely full-time farms (to be replaced by "agricultural holdings"), because this provides the best match between the number of farms distributed in the 1940s and the number of farms present in the ceded area in 1930. We recognize that a limitation of this approximation is that the share of large farms in the ceded area may have changed between 1930 and 1939. The next Agricultural Census was conducted in the fall of 1941, when the first part of the resettlement policy had been completed and the first return migrants had moved back to their old farms in the area Finland had taken back in the summer of 1941 (see Sections 2.1 and 5.4 for details). Nevertheless, we note that the farm size distribution remained roughly constant at the national level between 1930 and 1941.

Table A11 examines whether farmers who lost more land due to the resettlement were more likely to leave agriculture. Ideally, we would have examined effect heterogeneity by the size of origin farm at farmer level, but this information is not included in the 1950 census.

Thus, we measure the role of reduction in farm size using municipality-level information on the share of farms larger than 15 hectares in 1930 in the municipality where each person lived in 1939. We calculate these shares using data only on farms that were larger than three hectares in order focus on full-time farms.

The estimates for the main effects show that rural men coming from municipalities that had more large farms tended to earn more in 1971 and to work more outside of agriculture in 1970 than those coming from places where farms were smaller. The point estimate for interaction between pre-war farm size and displacement status suggests that male farmers coming from 90th percentile of the pre-war farm size distribution (15% of farms larger than 15 hectares in 1930) had 320 euros higher income in 1971 and were 1.4 percentage points more likely to work outside of agriculture in 1970 than those coming from the 10th percentile of the pre-war farm size distribution (2% large farms). However, the estimates are imprecise and statistically insignificant and far from statistical significance. Thus, we are not able to provide strong evidence in favor, or against, the reduction of farm size pushing farmers towards the modern sector. Importantly, however, the main effect of being displaced—corresponding to all farms of the source area being below 15 hectares before the war—remain large. In fact, some of the estimates are larger than our main estimates reported in Tables 2 and 3 due to the strong association between the outcome variables and pre-war farm size (which is not controlled for in our main specification).

Regional yields Table A12 reports average yields using regional-level information of various crops as reported in the 1930 Agricultural Census. The average yields for the most popular crop (oats) were about 8% higher in the Viipuri region (which included most of the ceded area) in comparison to the average yield in all of Finland. On the other hand, the yields for the second most popular crop (rye) were 5% lower than the national average. In order to summarize the yield information, we first calculate a weighted average for each region using the agricultural land shares for each crop in the Viipuri area as weights. According to this index, yields in the Viipuri region were 3% higher than the national average. However, part of the national average reflects the conditions in northern Finland, where few displaced persons were resettled. For benchmark, we thus calculate a weighted average of the regional yields using the number of farms distributed to the displaced farmers in each region as weights. The results suggest that yields in the resettlement area were 1% higher than the national average. According to this proxy, the ceded areas would thus have had around 2% higher yields than the resettlement areas.

C Direct and selection effects on average sectoral earnings in the Roy model

This section presents the details for our discussion in Section 5.2 on how changes in farm quality affects average incomes in the Roy model *conditional* on sector of employment. In Section 5.1, we sketched a model where individuals maximize utility by choosing whether to work in agriculture (a) or non-agriculture (n). Each individual is endowned with industry-

specific skills (efficiency units) z_a and z_n. If they work in agriculture, their income is

$$w_a = Az_a, \tag{A2}$$

where A_i summarizes farm quality and z_a agricultural skills. We normalize skill price in the modern sector to one and therefore earnings of non-agricultural workers equal to their skills in non-agriculture:

$$w_n = z_n. \tag{A3}$$

As noted in section 5.1, a person moves out of agriculture if $w_n - w_a \geq C$, where C is the cost of switching the sectors. Here, we follow Borjas (1987) and define migration costs in "time equivalent units" $c = C/w_a$. Defining migration costs in this manner simplifies the analysis because it allows us to write the choice equation in logs and to use the approximation $\log(w_a + C) \approx \log(w_A) + c$. Thus, a farmer switches to non-agricultural if:

$$\log(z_N) > \log A + \log(z_A) + c \tag{A4}$$

We closely follow Heckman and Honore (1990) who examine the effect of skill prices on average observed earnings after people have selected into sectors according to their comparative advantages.[2] The general results on their work are directly applicable in our setting because farm quality, A, plays a similar role as skill price in the analysis by Heckman and Honore (1990).

As in Heckman and Honore (1990), we define $D = z_a - z_n$ and note that within a broad class of log-concave functions $0 < \frac{E[D|D>d]}{\delta d} < 1$.[3] Furthermore, σ_a^2 is the variance of z_a, σ_n^2 is the variance of z_n, and σ_{an} is the covariance of z_a and z_n. Given these notation and assumptions, a change in farm quality changes average income in agriculture and non-agriculture as following:[4]

$$\frac{\partial \mathbb{E}(\log w_a | \log w_a + c > \log w_n)}{\partial \log A} = \underbrace{1}_{\text{Direct effect}} \underbrace{- \left(\frac{\sigma_a^2 - \sigma_{an}}{\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}} \right) \times \frac{\partial \mathbb{E}[D|D>d]}{\partial d}}_{\text{Selection effect}} \tag{A5}$$

$$\frac{\partial \mathbb{E}(\log w_n | \log w_a + c < \log w_n)}{\partial \log A} = \underbrace{\left(\frac{\sigma_n^2 - \sigma_{an}}{\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}} \right) \times \frac{\partial \mathbb{E}[D|D>d]}{\partial d}}_{\text{Selection effect}} \tag{A6}$$

The key insight of equations (A5) and (A6) is that a change in farm quality affects average earnings through a direct effect and a selection effect. The first term on the right-hand-side of equation (A5) is the direct effect: holding everything else constant, a decrease in farm quality directly decreases farmers income. The second term of equation (A5) accounts for

[2] Unlike Heckman and Honore (1990), we include switching costs in order to match to the model we sketched in Section 5.1. However, switching costs do not affect the analysis as long as they are defined in a way that makes the choice equation additive in logs as in Borjas (1987). We discuss an alternative modelling of switching costs in Section 5.4 and Appendix D below.

[3] See Appendix B of Heckman and Honore (1990) for a proof. Note also that log concavity is a relatively mild distributional assumption as the class of log concave densities include, e.g., normal densities, uniform densities, Beta densities, and extreme value densities.

[4] See Heckman and Honore (1990), equation 18.

selection, i.e., changes in the distribution of skills among those staying in agriculture. Its sign depends on $(\sigma_a^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an})$. In addition, as people switch from agriculture to non-agriculture, the distribution of skills among those working in agriculture will also change. The sign of this selection effect depends on $(\sigma_n^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an})$ in equation (A6).

As noted by Heckman and Honore (1990) there are three possible cases. In the first case, both sectors are "standard" in the sense that $\sigma_a^2 > \sigma_{an}$ and $\sigma_n^2 > \sigma_{an}$.[5] In this case, $0 < (\sigma_a^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}) < 1$. In words, a decline in farm quality will induce relatively bad farmers to leave agriculture and the average quality of remaining farmers improves. However, this positive selection effect is smaller than the negative direct effect and hence average agricultural incomes decline.[6] Furthermore, if both sectors are standard, $0 < (\sigma_n^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}) < 1$ and a decline in farm quality also reduces average income in non-agriculture (see equation (A6)).

In the second possible case, $\sigma_n^2 > \sigma_{an} > \sigma_a^2$, i.e., agriculture is non-standard and non-agriculture is standard. Again, detoriation of farm quality would decrease average earnings in both sector. However, now $(\sigma_a^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}) < 0$, so that the selection effect enforces the direct effect in agriculture and thus average earnings in agriculture decrease more than in the case where both sectors are standard.

The final possible case is $\sigma_a^2 > \sigma_{an} > \sigma_n^2$, i.e., agriculture is standard and non-agriculture is non-standard. Now, $(\sigma_a^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}) \geq 1$ and it is possible that selection effect is sufficiently strong to dominate the direct effect. Thus, a decline in farm quality could increase average agricultural income. Furthermore, in this case, $(\sigma_n^2 - \sigma_{an}) / (\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}) < 0$ and thus detoriation of farm quality also increases average earnings in non-agriculture.

To summarize, detoriation of farm quality would increase average earnings conditional on post-war sectors in the Roy model only if the covariance between agricultural and non-agricultural skills would be larger than the variance of non-agricultural skills ($\sigma_a^2 > \sigma_{an} > \sigma_n^2$). In all other cases a decline in farm quality will reduce average incomes in both sectors.

Finally, it is instructive to contrast these predictions of the Roy model to those one would obtain if we assume that forced migration affects migration costs instead of farm quality. As noted already in Borjas (1987), the differences in mobility costs and differences in earnings prospects have similar effects on mobility and selectivity. The crucial difference is that a decline in the mobility cost has no direct effect on earnings.

D An illustrative Roy model with habit formation

In this section, we present a version of the Roy model with endogeneous switching costs. Specifically, we now assume that agents' contemporaneous utility is an additive function of location capital and consumption:

$$u_{jt}(c_t, l_{jt}) = c_t + l_{jt}^{\alpha} \tag{A7}$$

[5] Sectors are defined to be "standard" in this manner because this definition leads to the intuitive result that the best farmers work in agriculture and the best non-agricultural workers work in non-agriculture.

[6] To see this, note that $0 < \left(\sigma_a^2 - \sigma_{an}\right) / \left(\sigma_a^2 + \sigma_n^2 - 2\sigma_{an}\right) < 1$ (because both sectors are standard) and $0 < \frac{E[D|D>d]}{\delta d} < 1$ (because the distribution of D is assumed to be log concave).

where t and j index time and location, c is consumption, l is the time the person has lived in the location ("location capital"), and $\alpha \geq 0$ is a parameter governing the strength of habit formation. Each location has only one sector, so that everyone living in rural locations work in agriculture while everyone living in urban locations work in non-agriculture.

Individuals live in one location during childhood and then work for T periods. During their working life, they choose a sequence of locations (and thus sectors), I_{jt}, to maximize lifetime utility

$$\max_{\{I_{jt}\}} U = \sum_{t=1}^{T} u_j \left(c_t, l_{jt}\right) \tag{A8}$$

subject to a budget constraint and accumulation of location capital.

The budget constraint is

$$\sum_{t=1}^{T} c_t \leq \sum_{t=1}^{T} w_j \tag{A9}$$

where w_j is the agent's income in location j. Similar to model sketched in Section 5.1, agents draw sector-specific efficiency units for agriculture, z_a, and non-agriculture, z_n, at birth from a joint distribution of sectoral efficiency units $G\left(z_s\right)$. We normalize non-agricultural wages to one per efficiency unit and thus $w_j = z_n$ if location j is urban. If the agent lives in rural areas, her income is Az_a, where A is the quality of her farm. For simplicity, we assume that z_a, z_n and A are constant over time.

Locational capital is accumulated as

$$l_{jt} = l_{j,t-1} + I_{jt}, \tag{A10}$$

where I_{jt} is an indicator function taking the value one if the agent lives in location j in period t and zero otherwise.

We define period one as the stage when the person starts to make her own decisions and assume that she enters this stage with initial location capital, l_{j0}, accumulated during her childhood and thus reflecting the decisions of her parents. In order to keep the model as simple as possible, we abstract away from discounting, depreciation of location capital, price and wage dynamics, local amenities, differences in regional prices, intergenerational altruism, and switching costs other than the loss of location capital.

Given these assumptions, utility is maximized by spreading consumption evenly over the life-cycle. Furthermore, if the agent migrates, she does so immediately at $t = 1$ in order to start accumulating location capital in the new location as soon as possible. For the same reason, it is never optimal to migrate twice. Thus the maximum utility the agent can derive from choosing location j for the remaining of her life is

$$V\left(z_j, l_{j0}, \alpha, T\right) = \begin{cases} TAz_a + \sum_{t=1}^{T} \left(l_{j0} + t\right)^{\alpha} & \text{if } j \text{ is rural} \\ Tz_n + \sum_{t=1}^{T} \left(l_{j0} + t\right)^{\alpha} & \text{if } j \text{ is urban} \end{cases} \tag{A11}$$

Consider now a person who has grown up in a rural location h. At the start of her adult life, she decides whether to stay in her home location (and hence work in agriculture)

or whether to switch to the modern sector (and hence move to a city). She will leave agriculture if $V(z_n, 0, \alpha, T) > V(z_a, l_{h0}, \alpha, T)$ or

$$z_n - Az_a \geq \frac{\sum_{t=1}^{T}(l_{h0}+t)^{\alpha} - \sum_{t=1}^{T} t^{\alpha}}{T} \tag{A12}$$

Condition (A12) is identical with condition (2) in Section 5.1, except that the right-hand-side now defines switching costs as the difference in utility derived from location capital at home in comparison to location j over individual's remaining lifetime. It shows that even in this highly stylized model, individuals may choose between migrating or staying for many reasons. Some stay because their comparative advantage is in agriculture, i.e., $z_n - Az_a < 0$. Others could increase their income by switching sector, but would lose too much utility by giving up their initial location capital. This trade-off gives rise to the income difference required for switching that is larger for individuals who have lived longer in the same place (and thus have higher l_{h0}) and for those who have stronger location preferences (higher α). Furthermore, the minimum income difference required for switching decreases with the length of the remaining lifetime, T.

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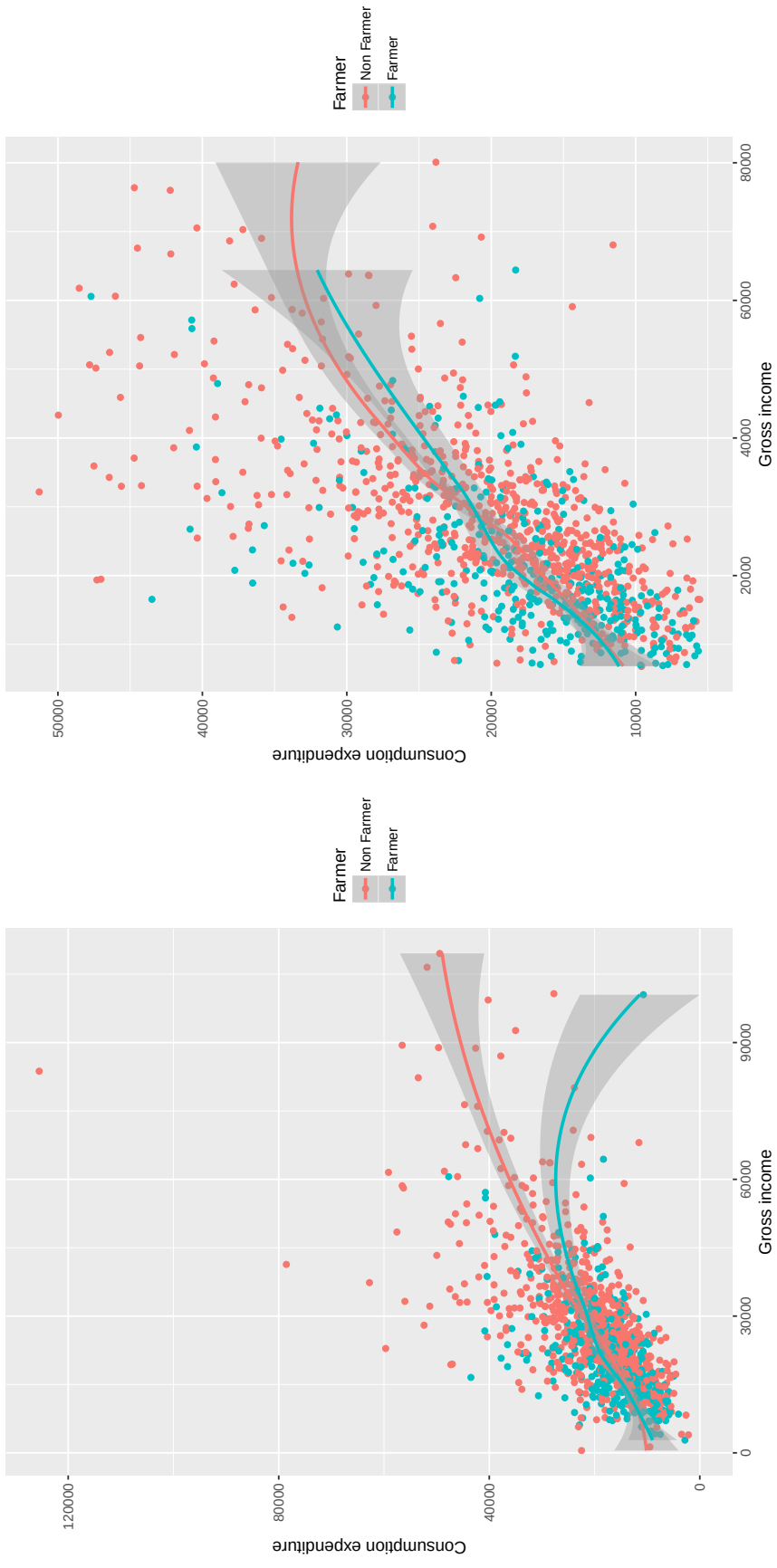
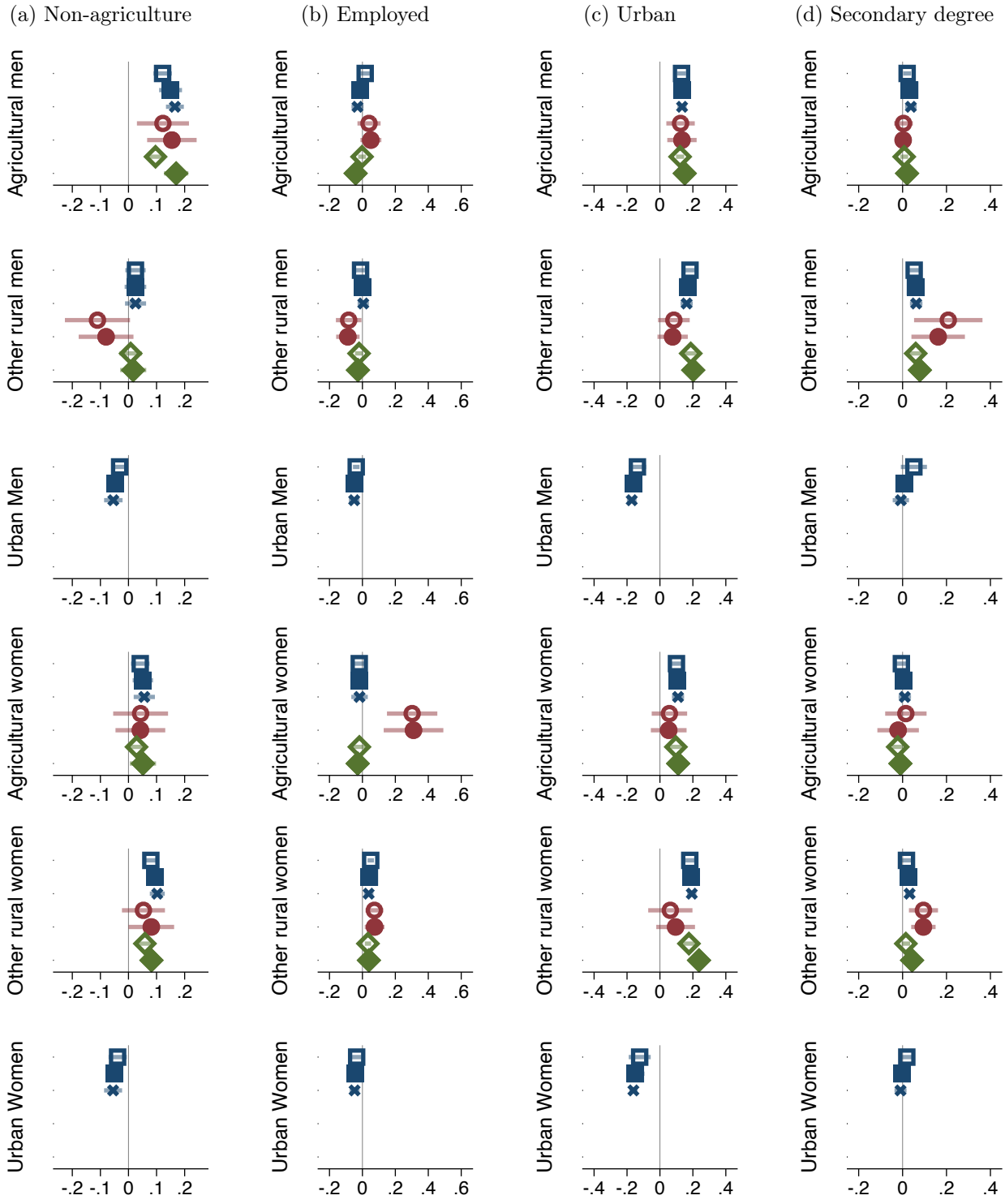
Figure A1: Consumption expenditure and gross income among farm and non-farm households in 1971



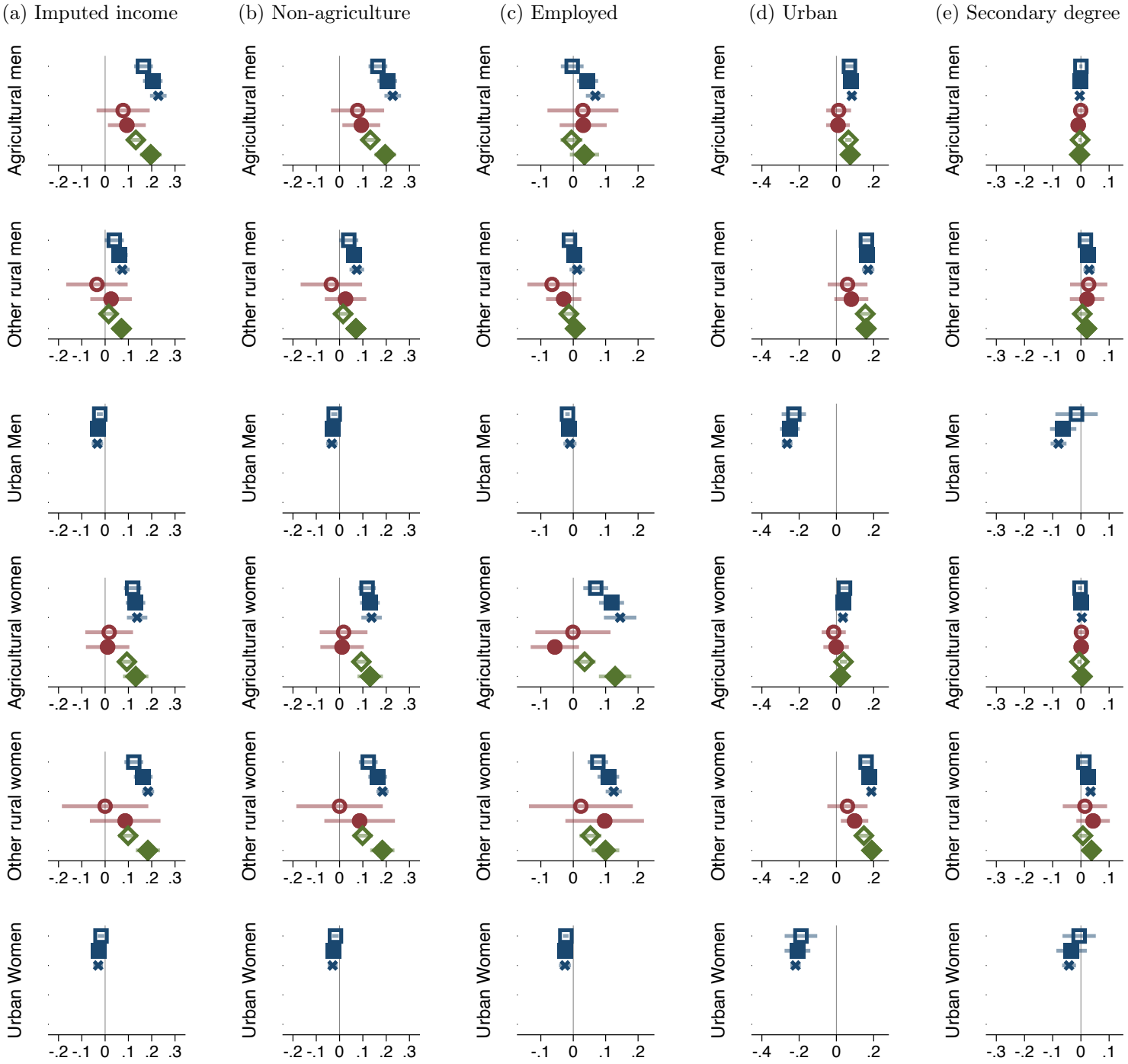
Note: Each point corresponds to a household. The lines represent loess-lines within the group (farmer, non-farmer). The shaded areas show the corresponding 95% confidence regions.

Figure A2: Impact of forced migration on sector, employment, urbanization and education in 1970



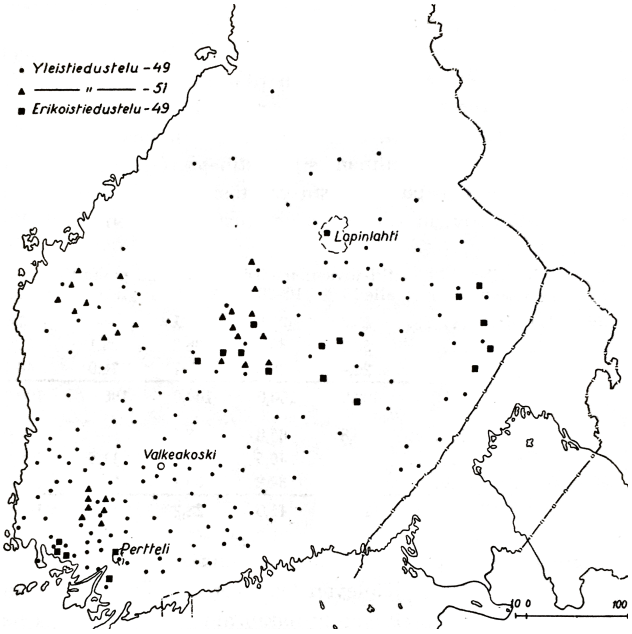
Note: Point estimates and 95% confidence intervals for the impact of forced migration on 1970 outcomes using specifications corresponding to those in Table 2. Solid markers refer to estimates controlling for pre-war observable characteristics. Squares show estimates from the baseline specification, crosses are the Oster Bounds, circles are the spatial RD specification and diamonds for specifications controlling for resettlement area fixed-effects.

Figure A3: Impact of forced migration on sector, employment, urbanization and education in 1950



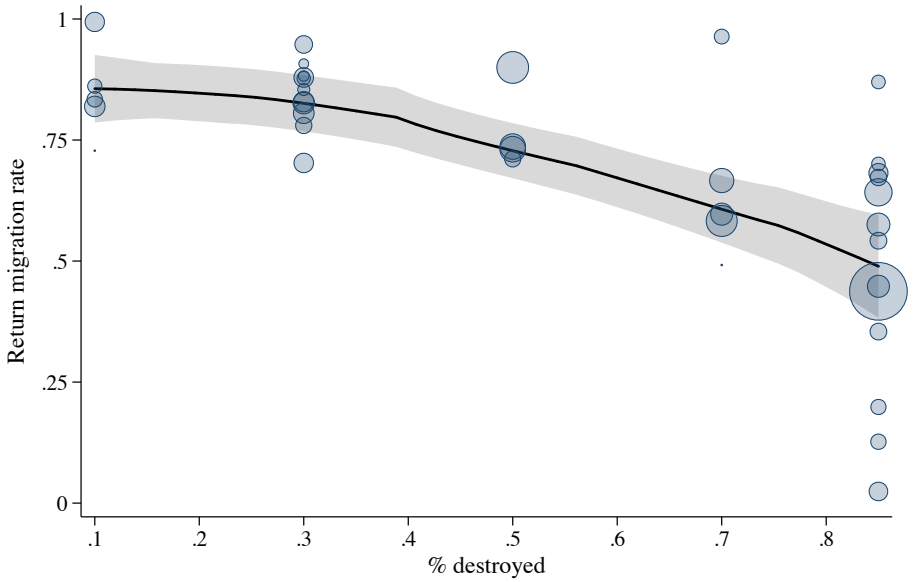
Note: Point estimates and 95% confidence intervals for the impact of forced migration on 1970 outcomes using specifications corresponding to those in Table 2. Solid markers refer to estimates controlling for pre-war observable characteristics. Squares show estimates from the baseline specification, crosses are the Oster Bounds, circles are the spatial RD specification and diamonds for specifications controlling for resettlement area fixed-effects.

Figure A4: Survey Locations of Waris et al. (1952)



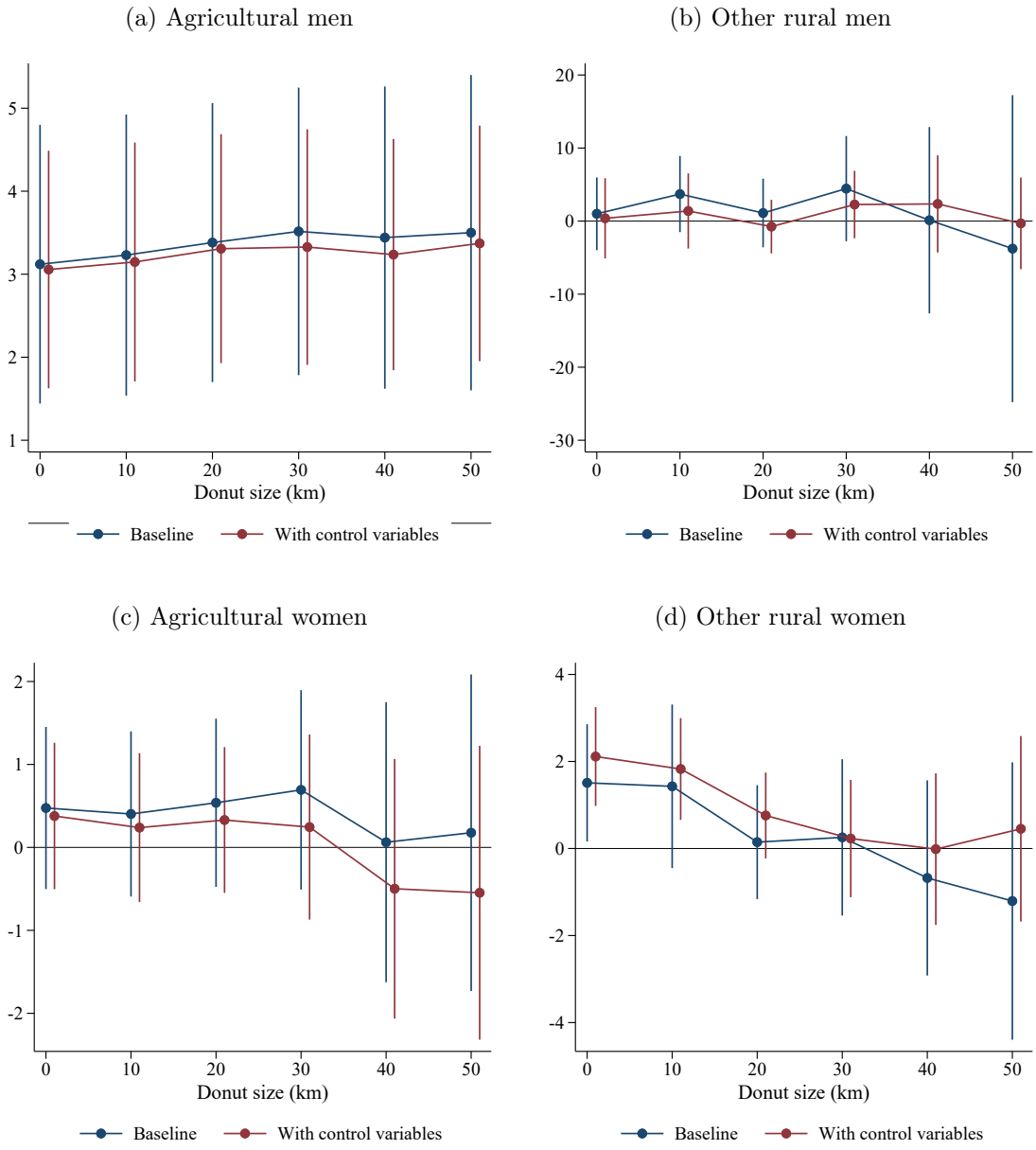
Source: Waris et al. (1952), Figure 17.

Figure A5: Return Migration and the Destruction of the Housing Stock



Y-axis: Share of the pre-war population who had returned by January 1st, 1944. Drafted men are included in the denominator, but not in the numerator. X-axis: The share of existing housing stock destroyed by December 31st, 1941. Source: Waris et al. (1952, Appendix Tables 7 and 9)

Figure A6: "Donut hole" spatial RD estimates for 1971 income



Note: This figure reports spatial RD point estimates and 95% confidence intervals using the "donut hole" specification, where we omit non-displaced persons who lived close to the post-war border in 1939. The leftmost estimates of each panel correspond to those reported in columns (5) and (6) of Table 2. The other estimates come from specification where we extend the size of the "donut hole" gradually from 10km to 50km.

Table A1: Consumption expenditure and gross income

	(1)	(2)	(3)	(4)
Constant	8.0518	4.3229	8.5764	11.6125
	(0.5795)	(1.1665)	(2.2106)	(3.9673)
Farmer	0.8223	2.4083	−2.3713	−10.1319
	(0.9718)	(1.9341)	(3.6753)	(6.9078)
Farmer×gross income	−0.0291	−0.0922	0.4298	1.7449
	(0.0382)	(0.1421)	(0.4134)	(1.0932)
Farmer×gross income^2/10		0.0020	−0.1610	−0.8899
		(0.0234)	(0.1403)	(0.5929)
Farmer×gross income^3/100			0.0147	0.1736
			(0.0143)	(0.1300)
Farmer×gross income^4/1000				−0.0117
				(0.0098)
Gross income	0.4385	0.6917	0.2398	−0.2068
	(0.0189)	(0.0714)	(0.2120)	(0.5290)
Gross income^2/10		−0.0361	0.1007	0.3138
		(0.0098)	(0.0612)	(0.2392)
Gross income^3/100			−0.0119	−0.0518
			(0.0053)	(0.0436)
Gross income^4/1000				0.0025
				(0.0027)
Observations	1,144	1,144	1,144	1,144
Adjusted R^2	0.3913	0.3987	0.4004	0.4003

Note: Coefficients and standard errors (in parantheses) from regressing consumption expenditure on gross income (both measured in 1000s of *markka*) using data from the 1971 Household Budget Survey.

Table A2: Pre-War Characteristics of the Rural Population: Agricultural men

	Means		Differences					
			Baseline		Spatial RD		Within Resettlement Area	
	Non-disp. (1)	Disp. (2)	Diff. (3)	t-stat. (4)	Diff (5)	t-stat. (6)	Diff (7)	t-stat. (8)
A: Demographics								
Age	22.8	22.8	-0.01	(-0.04)	0.26	(0.50)	0.00	(-0.03)
Swedish-speaker	0.07	0.00	-0.07	(-5.03)	0.01	(1.01)	-0.01	(-1.22)
Migrated prior to 1939	0.17	0.15	-0.02	(-0.72)	0.01	(0.10)	-0.05	(-1.93)
Orthodox	0.00	0.12	0.12	(2.09)	-0.12	(-1.97)	0.13	(2.43)
B: Socioeconomic status								
Entrepeneur	0.30	0.42	0.12	(5.88)	0.14	(2.14)	0.15	(8.18)
White-collar	0.02	0.02	-0.01	(-1.33)	-0.01	(-0.35)	-0.01	(-2.38)
Blue-collar	0.36	0.16	-0.20	(-11.37)	-0.05	(-0.93)	-0.25	(-14.99)
Out of labor force	0.32	0.41	0.09	(5.48)	-0.03	(-0.46)	0.10	(7.24)
C: Characteristics of the municipality of residence								
Average taxable income	1.41	1.38	-0.02	(-0.20)	-0.88	(-0.79)	-0.29	(-2.65)
Agricultural LFS	0.83	0.81	-0.02	(-0.87)	-0.01	(-0.04)	0.00	(-0.17)
Latitude	69.4	67.7	-1.63	(-10.59)	0.00	.	-0.80	(-9.83)

Note: Pre-war differences between displaced and non-displaced rural population. Columns 1–2 report averages, columns 3–4 baseline differences, columns 5–6 control for the distance of the 1939 residence municipality to the post-war border (and its interaction with future displacement status), and columns 7–8 condition on resettlement area fixed-effects.

Table A3: Pre-War Characteristics of the Rural Population: Other rural men

	Means		Differences					
			Baseline		Spatial RD		Within Resettlement Area	
	Non-disp. (1)	Disp. (2)	Diff. (3)	t-stat. (4)	Diff (5)	t-stat. (6)	Diff (7)	t-stat. (8)
A: Demographics								
Age	22.9	22.8	-0.15	(-0.95)	-0.98	(-1.90)	-0.11	(-0.71)
Swedish-speaker	0.08	0.00	-0.08	(-5.08)	0.01	(1.93)	-0.04	(-1.67)
Migrated prior to 1939	0.38	0.36	-0.02	(-0.61)	-0.28	(-1.88)	-0.03	(-1.13)
Orthodox	0.00	0.11	0.10	(2.94)	-0.06	(-1.01)	0.11	(3.50)
C: Socioeconomic status								
Entrepeneur	0.08	0.06	-0.01	(-1.41)	0.02	(0.85)	-0.01	(-1.02)
White-collar	0.10	0.13	0.03	(2.09)	0.08	(2.04)	0.03	(3.05)
Blue-collar	0.56	0.53	-0.04	(-1.68)	-0.29	(-3.09)	-0.07	(-3.38)
Out of labor force	0.26	0.28	0.02	(1.08)	0.10	(1.52)	0.05	(2.45)
D: Sector of employment								
Manufacturing	0.28	0.20	-0.08	(-3.65)	-0.30	(-3.45)	-0.09	(-3.90)
Construction	0.14	0.14	-0.01	(-0.77)	0.01	(0.23)	-0.02	(-2.08)
Services	0.24	0.32	0.08	(3.59)	0.22	(3.35)	0.08	(4.04)
E: Characteristics of the municipality of residence								
Average taxable income	1.95	1.65	-0.30	(-1.61)	-1.32	(-2.37)	-0.58	(-3.92)
Agricultural LFS	0.74	0.76	0.03	(0.85)	0.06	(0.51)	0.05	(1.84)
Latitude	68.9	67.7	-1.18	(-6.96)	0.00	.	-0.67	(-8.06)

Note: Pre-war differences between displaced and non-displaced rural population. Columns 1–2 report averages, columns 3–4 baseline differences, columns 5–6 control for the distance of the 1939 residence municipality to the post-war border (and its interaction with future displacement status), and columns 7–8 condition on resettlement area fixed-effects.

Table A4: Pre-War Characteristics of the Rural Population: Agricultural women

	Means		Differences					
			Baseline		Spatial RD		Within Resettlement Area	
	Non-disp. (1)	Disp. (2)	Diff. (3)	t-stat. (4)	Diff (5)	t-stat. (6)	Diff (7)	t-stat. (8)
A: Demographics								
Age	24.2	24.7	0.53	(2.83)	-0.47	(-0.92)	0.50	(2.52)
Swedish-speaker	0.07	0.00	-0.07	(-4.57)	0.01	(1.17)	-0.01	(-1.18)
Migrated prior to 1939	0.28	0.24	-0.04	(-1.62)	-0.03	(-0.25)	-0.08	(-2.87)
Orthodox	0.00	0.13	0.12	(2.11)	-0.05	(-1.77)	0.13	(2.47)
B: Socioeconomic status								
Entrepeneur	0.04	0.03	-0.01	(-1.15)	0.00	(0.21)	0.00	(-0.19)
White-collar	0.00	0.00	0.00	(0.45)	0.00	(0.52)	0.00	(0.15)
Blue-collar	0.23	0.13	-0.10	(-6.22)	0.09	(1.75)	-0.17	(-8.62)
Out of labor force	0.73	0.84	0.11	(5.87)	-0.10	(-1.56)	0.17	(8.56)
C: Characteristics of the municipality of residence								
Average taxable income	1.45	1.38	-0.07	(-0.60)	-0.95	(-1.09)	-0.32	(-2.82)
Agricultural LFS	0.83	0.80	-0.02	(-0.92)	-0.05	(-0.37)	0.00	(-0.05)
Latitude	69.3	67.7	-1.51	(-10.03)	0.00	.	-0.77	(-9.29)

Note: Pre-war differences between displaced and non-displaced rural population. Columns 1–2 report averages, columns 3–4 baseline differences, columns 5–6 control for the distance of the 1939 residence municipality to the post-war border (and its interaction with future displacement status), and columns 7–8 condition on resettlement area fixed-effects.

Table A5: Pre-War Characteristics of the Rural Population: Other rural women

	Means		Differences					
			Baseline		Spatial RD		Within Resettlement Area	
	Non-disp. (1)	Disp. (2)	Diff. (3)	t-stat. (4)	Diff (5)	t-stat. (6)	Diff (7)	t-stat. (8)
A: Demographics								
Age	22.7	22.5	-0.21	(-1.31)	-0.50	(-0.55)	-0.25	(-1.63)
Swedish-speaker	0.07	0.00	-0.06	(-5.22)	0.00	(-0.05)	-0.03	(-1.68)
Migrated prior to 1939	0.39	0.35	-0.05	(-1.63)	-0.17	(-1.17)	-0.08	(-2.80)
Orthodox	0.00	0.12	0.12	(2.82)	-0.09	(-1.64)	0.12	(3.27)
C: Socioeconomic status								
Entrepeneur	0.02	0.02	0.00	(0.57)	-0.01	(-1.63)	0.00	(0.27)
White-collar	0.10	0.10	0.00	(0.27)	-0.02	(-0.69)	0.00	(0.13)
Blue-collar	0.16	0.13	-0.03	(-3.26)	0.00	(-0.09)	-0.06	(-4.32)
Out of labor force	0.72	0.75	0.03	(1.83)	0.04	(0.95)	0.06	(3.00)
D: Sector of employment								
Manufacturing	0.08	0.06	-0.02	(-2.02)	-0.06	(-2.00)	-0.03	(-2.49)
Construction	0.00	0.00	0.00	(-4.80)	0.00	(-1.21)	0.00	(-2.66)
Services	0.18	0.18	-0.01	(-0.62)	0.04	(1.20)	-0.02	(-1.84)
E: Characteristics of the municipality of residence								
Average taxable income	1.81	1.58	-0.23	(-1.43)	-1.78	(-2.05)	-0.52	(-3.77)
Agricultural LFS	0.76	0.78	0.02	(0.59)	0.03	(0.33)	0.05	(1.60)
Latitude	69.0	67.8	-1.24	(-7.61)	0.00	.	-0.71	(-8.93)

Note: Pre-war differences between displaced and non-displaced rural population. Columns 1–2 report averages, columns 3–4 baseline differences, columns 5–6 control for the distance of the 1939 residence municipality to the post-war border (and its interaction with future displacement status), and columns 7–8 condition on resettlement area fixed-effects.

Table A6: Pre-War Characteristics of the Rural Population: Urban population

	Men				Women			
	Means		Difference		Means		Difference	
	Non-disp. (1)	Disp. (2)	Diff. (3)	t-stat. (4)	Non-disp. (5)	Disp. (6)	Diff. (7)	t-stat. (8)
A: Demographics								
Age	24.0	23.4	-0.55	(-1.72)	24.0	24.1	0.05	(0.15)
Swedish-speaker	0.16	0.01	-0.15	(-4.24)	0.13	0.01	-0.12	(-4.33)
Migrated prior to 1939	0.61	0.55	-0.06	(-1.74)	0.70	0.62	-0.08	(-3.75)
Orthodox	0.01	0.04	0.03	(4.46)	0.01	0.04	0.03	(2.44)
C: Socioeconomic status								
Entrepeneur	0.05	0.05	0.00	(-0.10)	0.02	0.03	0.01	(3.50)
White-collar	0.20	0.25	0.04	(1.67)	0.23	0.23	0.00	(0.09)
Blue-collar	0.59	0.52	-0.07	(-2.51)	0.31	0.25	-0.06	(-2.59)
Assisting family member	0.16	0.19	0.03	(2.27)	0.45	0.50	0.05	(1.71)
D: Sector of employment								
Manufacturing	0.33	0.25	-0.08	(-2.38)	0.18	0.14	-0.05	(-1.85)
Construction	0.11	0.11	0.00	(-0.01)	0.00	0.00	0.00	(-0.27)
Services	0.33	0.38	0.05	(1.26)	0.33	0.33	0.00	(0.05)
E: Characteristics of the municipality of residence								
Average taxable income	6.75	5.61	-1.14	(-0.97)	6.80	5.62	-1.18	(-0.99)
Agricultural LFS	0.14	0.01	-0.12	(-2.88)	0.13	0.01	-0.12	(-2.83)
Latitude	67.9	67.5	-0.40	(-0.79)	67.9	67.5	-0.36	(-0.70)

Note: Pre-war differences between displaced and non-displaced rural population. Columns 1–2 report averages, columns 3–4 baseline differences, columns 5–6 control for the distance of the 1939 residence municipality to the post-war border (and its interaction with future displacement status), and columns 7–8 condition on resettlement area fixed-effects.

Table A7: Additional outcomes

	Real Annual Income 1971			Employed in Agriculture						Number of Children in 1950		
				1970			1950					
	Cont. Means	Estimates		Cont. Means	Estimates		Cont. Means	Estimates		Cont. Means	Estimates	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A: Men by 1939 status												
Agricultural	10.9	1.91 (0.38)	1.52 (0.49)	52.8	-16.9 (2.4)	-22.4 (2.5)	79.0	-21.6 (2.2)	-21.0 (2.4)	1.7	0.01 (0.07)	0.11 (0.07)
Other rural	16.5	1.58 (0.70)	1.91 (1.16)	14.6	-3.5 (1.3)	-5.2 (1.5)	20.5	-6.0 (1.8)	-6.0 (2.1)	1.6	-0.10 (0.05)	-0.09 (0.06)
Urban	23.3	-4.31 (1.20)	.	2.8	0.0 (0.3)	.	4.1	1.6 (0.4)	.	1.4	0.17 (0.04)	.
B: Women by 1939 status												
Agricultural	1.9	0.68 (0.19)	0.66 (0.26)	49.9	-13.5 (2.5)	-13.6 (2.9)	83.3	-13.8 (2.3)	-13.9 (2.9)	2.1	-0.01 (0.09)	0.02 (0.09)
Other rural	4.9	1.37 (0.22)	1.43 (0.29)	23.1	-9.9 (1.4)	-10.0 (1.9)	38.1	-16.0 (2.1)	-17.8 (2.6)	1.8	-0.15 (0.05)	-0.08 (0.06)
Urban	8.6	-1.13 (0.55)	.	2.7	0.6 (0.8)	.	5.0	1.2 (0.8)	.	1.3	0.12 (0.03)	.
Controlling for:												
Pre-war char.		yes	yes		yes	yes		yes	yes		yes	yes
Resettlement area		no	yes		no	yes		no	yes		no	yes

Note: This table reports estimates similar to those in Table 2 of the main paper, but using income in 1971 scaled by local price index (Statistics Finland, 1972) as the outcome variable.

Table A8: Impact of Forced Migration by Year of Birth

	Income in 1971			Non-agriculture, 1970			Secondary degree, 1970		
	Agri-cultural	Other rural	Urban	Agri-cultural	Other rural	Urban	Agri-cultural	Other rural	Urban
	(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)	(11)
				A: Men					
Displaced	1.40	0.92	-4.01	10.7	-1.4	-10.7	1.0	2.5	-2.3
(born 1907–12)	(0.42)	(0.77)	(1.15)	(2.2)	(3.4)	(1.4)	(1.5)	(1.8)	(1.6)
Displaced ×	0.39	1.40	0.38	7.6	4.7	11.3	3.3	3.2	6.6
born 1913–18	(0.68)	(0.87)	(0.72)	(3.0)	(3.3)	(2.0)	(2.4)	(2.2)	(1.9)
Displaced ×	1.34	1.22	-2.32	5.0	6.3	6.1	3.1	6.3	2.4
born 1919–24	(0.57)	(1.04)	(0.88)	(2.5)	(4.0)	(1.5)	(2.1)	(3.1)	(4.6)
				B: Women					
Displaced	0.15	0.81	-0.81	2.8	6.8	-3.3	-1.5	-1.1	1.8
(born 1907–12)	(0.19)	(0.33)	(0.70)	(1.8)	(1.7)	(2.0)	(1.9)	(1.2)	(2.3)
Displaced ×	0.70	1.27	-1.06	1.5	7.5	-3.5	-1.4	4.1	-5.5
born 1913–18	(0.33)	(0.39)	(0.43)	(3.0)	(2.1)	(1.4)	(2.1)	(1.9)	(1.4)
Displaced ×	1.11	0.69	-0.45	6.7	1.5	-1.9	8.7	6.1	-0.2
born 1919–24	(0.46)	(0.37)	(0.53)	(3.2)	(1.8)	(2.8)	(3.1)	(1.7)	(5.1)

Note: Point estimates and standard errors (in parentheses) from regressing annual income in 1971 in thousands of 2010€ (columns 1–3), an indicator for working outside of agriculture (columns 4–6) and an indicator for holding a secondary degree in 1970 (columns 7–9) on an indicator for displacement status, it's interaction with year of birth group and observable characteristics measured before the war (year of birth dummies, indicators for speaking Swedish as one's mother tongue, member of the Orthodox church, living outside of one's municipality of birth, sector of employment, socioeconomic status, quintile dummies for residence municipality's taxable income per capita, labor force share in agriculture and latitude).

Table A9: Industry Mix in Non-Agriculture, 1970

	Agricultural		Other rural		Urban	
	Displaced (1)	Non-disp. (2)	Displaced (3)	Non-disp. (4)	Displaced (5)	Non-disp. (6)
A: Men						
Manufacturing; Mining and quarrying	34.4	31.7	29.0	35.1	28.5	34.6
Construction; Electricity, gas and water	29.3	32.5	23.6	22.4	16.5	14.6
Trade, restaurants and hotels	6.7	8.2	9.8	9.4	16.5	13.4
Transport, storage and comm.; Finance, insurance, real estate and bus. services	14.4	14.1	19.7	16.4	16.3	16.7
Community, social and personal services	15.3	13.6	18.0	16.8	22.2	20.6
B: Women						
Manufacturing; Mining and quarrying	43.3	31.2	30.7	28.0	21.9	28.9
Construction; Electricity, gas and water	3.2	3.1	2.1	2.6	2.5	1.9
Trade, restaurants and hotels	19.7	20.1	24.3	25.5	28.2	28.9
Transport, storage and comm.; Finance, insurance, real estate and bus. services	3.2	8.2	7.6	9.3	9.4	10.2
Community, social and personal services	30.6	37.3	35.3	34.7	38.0	30.1

Note: 1-digit industry shares among those working outside of agriculture in 1970.

Table A10: Farms size distributions in the 1930 and 1941 Agricultural Censuses

	Hectares of agricultural land											
	Likely part-time farms				Likely full-time farms							
	.25-.5	.25-1	1-2	2-3	3-5	5-10	10-15	15-25	25-50	50-100	>100	Total
A: Ceded area, 1930												
# farms	928	1,785	3,885	3,932	6,581	8,376	3,078	1,404	354	64	28	30,415
share (all)	0.03	0.06	0.13	0.13	0.22	0.28	0.10	0.05	0.01	0.00	0.00	1.00
share (likely full-time)					0.33	0.42	0.15	0.07	0.02	0.00	0.00	1.00
B: Non-ceded area, 1930												
# farms	11,740	20,044	32,364	25,573	36,223	49,300	23,978	20,417	11,599	2,741	790	234,769
share (all)	0.05	0.09	0.14	0.11	0.15	0.21	0.10	0.09	0.05	0.01	0.00	1.00
share (likely full-time)					0.25	0.34	0.17	0.14	0.08	0.02	0.01	1.00
C: Ceded area, 1941												
# farms	72	108	252	56	82	80	18	6	1	0	0	675
share (all)	0.11	0.16	0.37	0.08	0.12	0.12	0.03	0.01	0.00	0.00	0.00	1.00
share (likely full-time)					0.44	0.43	0.10	0.03	0.01	0.00	0.00	1.00
D: Non-ceded area, 1941												
# farms	14,360	22,400	33,259	26,140	40,318	60,155	30,269	23,722	12,108	2,480	724	265,935
share (all)	0.05	0.08	0.13	0.10	0.15	0.23	0.11	0.09	0.05	0.01	0.00	1.00
share (likely full-time)					0.24	0.35	0.18	0.14	0.07	0.01	0.00	1.00

Sources: Agricultural Censuses 1930 and 1941. See section "Additional empirical results" for discussion.

Table A11: Impact of Forced Migration by Pre-War Farm Size

	Income in 1971		Non-agri-culture, 1970		Secondary degree, 1970	
	Agri-cultural	Other rural	Agri-cultural	Other rural	Agri-cultural	Other rural
	(1)	(2)	(3)	(4)	(5)	(6)
			A: Men			
Displaced	2.47	3.29	0.15	0.08	0.04	0.06
	(0.60)	(1.02)	(0.04)	(0.03)	(0.02)	(0.02)
Share of large farms in the pre-war municipality	5.74	2.94	0.13	0.15	0.03	0.02
	(0.95)	(1.87)	(0.05)	(0.06)	(0.03)	(0.04)
Displaced × share large farms	2.53	-11.40	0.11	-0.39	-0.04	0.08
	(4.43)	(9.27)	(0.31)	(0.25)	(0.14)	(0.20)
			B: Women			
Displaced	0.71	1.09	0.08	0.08	-0.03	0.03
	(0.30)	(0.41)	(0.04)	(0.03)	(0.03)	(0.01)
Share of large farms in the pre-war municipality	0.79	-0.26	0.07	0.01	-0.04	0.05
	(0.50)	(0.59)	(0.04)	(0.04)	(0.04)	(0.03)
Displaced × share large farms	0.54	3.68	-0.20	0.22	0.28	0.10
	(2.24)	(2.93)	(0.25)	(0.23)	(0.25)	(0.12)

Note: Point estimates and standard errors (in parentheses) from regressing annual income in 1971 in thousands of 2010€ (columns 1–3), an indicator for working outside of agriculture (columns 4–6) or an indicator for holding a secondary degree in 1970 (columns 7–9) on an indicator for displacement status, share of farms larger than 15 hectares in 1930 in the person's 1939 residence municipality and their interaction. Controlling for observable characteristics measured before the war (year of birth dummies, indicators for speaking Swedish as one's mother tongue, member of the Orthodox church, living outside of one's municipality of birth, sector of employment, socioeconomic status, quintile dummies for residence municipality's taxable income per capita, labor force share in agriculture and latitude).

Table A12: Average Yields Relative to National Average by Region in 1930

	Region								
	Viipuri	Turku ja Pori	Häme	Uusimaa	Kuopio	Mikkeli	Vaasa	Oulu	Weight
Oats	1.08	1.02	0.98	1.10	1.04	1.01	0.84	0.83	0.49
Rye	0.95	0.99	1.07	1.04	1.11	1.08	0.93	0.85	0.26
Barkley	1.04	1.01	0.97	1.12	1.08	1.03	0.94	0.97	0.09
Potato	1.00	0.98	0.98	0.89	1.09	0.92	1.06	1.01	0.08
Root crops	0.95	1.13	1.05	1.02	1.00	0.96	0.93	0.69	0.02
Spring wheat	0.91	1.07	0.92	1.00	0.99	1.02	0.79	0.78	0.01
Green fodder	1.06	0.97	1.02	1.08	0.95	0.93	0.92	0.99	0.01
Hay seed	1.19	1.06	1.05	1.03	1.26	1.15	0.89	0.81	0.01
Mixed grain	1.09	0.99	0.89	1.10	1.03	1.01	0.95	0.87	0.01
Winter wheat	0.90	1.04	0.95	0.97	0.83	0.73	0.79	0.59	0.00
Peas	0.97	1.06	0.78	0.96	1.07	0.99	0.77	0.69	0.00
Flax and hemp	1.02	1.04	0.97	0.98	1.26	1.13	0.86	0.99	0.00
Yield index	1.03	1.01	1.00	1.06	1.07	1.02	0.89	0.86	
Share of new farms	0.07	0.26	0.23	0.14	0.12	0.07	0.09	0.04	

Sources: 1930 Agricultural Census (Yleinen maataloustiedustelu vv. 1929–30, Osa 1, pages 12 and 15) and Resettlement Statistics (Asutustilastoa, Asutustoiminta 1948–1950, Appendix Table 17). The weights refer to the share of agricultural land used for each crop (excluding hay) in Viipuri region in 1930. See section "Additional empirical results" for discussion.

Table A13: Impact of Forced Migration by Religion

	Income in 1971			Non-agriculture, 1970			Secondary degree, 1970		
	Agri-cultural	Other rural	Urban	Agri-cultural	Other rural	Urban	Agri-cultural	Other rural	Urban
	(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)	(11)
				A: Men					
Displaced	2.06	1.66	-4.66	0.15	0.02	-0.05	0.03	0.05	0.01
	(0.37)	(0.69)	(1.48)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)
Member of the	-1.84	-4.38	-5.26	-0.06	-0.21	-0.02	-0.04	-0.12	-0.09
Orthodox church	(1.06)	(1.54)	(2.30)	(0.06)	(0.06)	(0.03)	(0.02)	(0.04)	(0.03)
Displaced ×	-0.27	4.75	0.31	0.01	0.20	0.02	0.02	0.17	0.03
Orthodox	(1.14)	(2.30)	(2.72)	(0.06)	(0.08)	(0.04)	(0.03)	(0.05)	(0.04)
				B: Women					
Displaced	0.69	1.54	-1.28	0.06	0.10	-0.05	0.01	0.03	0.00
	(0.19)	(0.22)	(0.64)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)
Member of the	-0.08	1.51	0.19	0.13	0.06	0.07	0.13	-0.03	-0.01
Orthodox church	(0.96)	(1.45)	(0.49)	(0.08)	(0.05)	(0.02)	(0.09)	(0.03)	(0.03)
Displaced ×	-0.98	-2.08	-0.81	-0.22	-0.08	-0.07	-0.17	-0.01	0.02
Orthodox	(1.01)	(1.48)	(1.60)	(0.09)	(0.06)	(0.05)	(0.09)	(0.04)	(0.05)

Note: Point estimates and standard errors (in parentheses) from regressing annual income in 1971 in thousands of 2010€ (columns 1–3), an indicator for working outside of agriculture (columns 4–6) or an indicator for holding a secondary degree in 1970 (columns 7–9) on an indicator for displacement status, being a member of the Orthodox church and their interaction. Controlling for observable characteristics measured before the war (year of birth dummies, indicators for speaking Swedish as one's mother tongue, living outside of one's municipality of birth, sector of employment, socioeconomic status, quintile dummies for residence municipality's taxable income per capita, labor force share in agriculture and latitude).