The Dynamics and Spillovers of Management Interventions: Evidence from the Training Within Industry Program

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PRELIMINARY AND INCOMPLETE.

Abstract: This paper examines the effects of different managerial practices on firm performance, using evidence from the Training Within Industry (TWI) program. The TWI plan was a business training program implemented by the U.S. government between 1940 and 1945 to provide management training to firms involved in war production. Using newly collected panel data on all 11,575 U.S. firms that applied to the program, we estimate its causal effects by exploiting quasi-random variation in the allocation of instructors to firms. We find that receiving any TWI training had a positive and long-lasting effect on firm performance. Moreover, performance and managerial practices of firms in treated company supply chain also increase after the program. (*JEL:* L2, M2, N34, N64, O32, O33)

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1 Introduction

Economists have long speculated on the reasons behind the large and persistent variations in productivity between firms and plants in both developed and developing countries (Syverson, 2004; Foster, Haltiwanger, and Syverson, 2008; Hsieh and Klenow, 2009). A possible explanation could be ascribed to differences in managerial practices adoption (Ichniowski, Shaw, and Prennushi, 1997; Bloom and Van Reenen, 2007) and recent research has shown that management has causal effects on firm performance (Bloom et al., 2013; Bruhn, Dean, and Schoar, 2018; Cai and Szeidl, 2017; Giorcelli, 2019). Is the impact of management intervention persistent over time? While Bloom et al. (2018) and Giorcelli (2019) has documented that management intervention lasts, little is known about its dynamic long-term impact on business outcomes. On the one hand, the Toyota way predicts a continuous improvement upon managerial practices adoption, partly because these practices are thought be complementary to one another (Womack, Jones, and Roos, 1990). On the other hand, maintaining good management is difficult, so one can expect the impact of management intervention to decrease over time. Moreover, whether management intervention can generate vertical or horizontal spillovers when implemented at scale remains an open question.

This paper studies the dynamic long-term and spillover effects of massive managerial practices adoption, using evidence from a unique historical episode, the Training Within Industry (TWI) program. The TWI program was a business training program implemented by the U.S. government between 1940 and 1945 with the purpose of providing management consulting to firms involved in war production. It reached 11,575 large U.S. firms across different economic sectors and geographical areas, which were employing around 20 percent of the U.S. labor force back then. The program offered in-plant consulting in three main areas of business management, called J modules: factory operations (J-I), human resources management (J-R), and inventory, order, and sales management (J-M).[1]

We use newly collected panel data on the population of 11,575 U.S. firms that applied to the TWI program. For each firm, we collected balance sheets and statements of profits and losses from 1935 to 1955. We matched this financial information to data on the TWI program that we digitized from the TWI program's historical records.

The identification strategy of this paper relies on idiosyncrasies in the implementation of the TWI program. First, for organizational reasons, applicant firms were divided into smaller

[1] Specifically, the J- module involved establishing standard procedures for industrial operations. J-R involved establishing performance-based incentive systems for workers and managers. J-M involved optimizing the inventory and establishing a marketing research unit. A more complete description of the content of each module can be found in Section 2.

geographical groups, called subdistricts, based on their geographical location. Second, each TWI instructor used by the TWI administration to provide the in-plant management consulting received training in only one of the three managerial areas covered by the program. Moreover, due to the budget constraints faced by the program, some of the instructors were hired part-time, while others were hired full-time. Third, instructors were allocated to subdistricts without taking into account their skills and their employment status. This assignment policy created large variation in the number of firms that the program was able to train in each subdistrict and over years, because some locations received a disproportionate number of part-time instructors. In addition, this policy generated cross-subdistrict variation in the type of training that subdistricts could offer to applicant firms, because some locations did not receive enough instructors with diversified training. However, this did not affect the number of hours of training each firm received or the "quality" of consulting firms received in each of the three practices. As a result, firms in the same county, operating in the same sector, which had applied to the program on the same day, but which were assigned to different subdistricts for organizational reasons, might have been treated years apart, while some of them might not have been treated at all. Moreover, they might have received a different combination of managerial trainings.

We find three main results. First, firms that received consulting in one of the three J-modules experienced a positive and long-lasting effect on their performance, compared to war contractors that ended up not being trained. For instance, sales increased by 6.1 percent within one year since the TWI program and reached a cumulative impact of 17.3 percent after ten years. Similarly, TFPR rose by 5.1 percent in the year after the TWI intervention for a total effect of 35 percent ten years after. The magnitude of the results was large and persistent for all three J-modules, but we document heterogenous effects. The largest increase in firm performance was related to the human resource training (J-R module), followed by the inventory, order and sales training (J-M), and the factory operation training (J-I). We show that treated firms started implementing the practices taught by the specific J-module they received the consulting service in, and they don't dismiss them once adopted. For instance, firms trained in J-I module started registering causes for machine breakdown, and experienced fewer intervention to repair machines and worker's injuries. Firms trained in J-R started rewarding their workers with bonuses, increased the probability of training the employees within the firm, and started job-division for both managers and the rest of the workers. Finally, firms trained in J-M sizably reduced their inventory, and started advertising and marketing practices.

Second, we test if managerial practices are complementary to each others. We test the complementarity hypothesis by examining the effects of the TWI program on firms that simultaneously received two J-modules with the same of the effects on firms that received the

same two modules in isolation. The simultaneous adoption of managerial practices increased the overall TFPR more than receiving these practices in isolation, even though sales and ROA do not necessarily increase more than the same of the two effects.

Third, we test whether treated firms generated spillover effects. We start by looking at the effects on firm in treated firms supply chain. Firms already in the supply chain became more productive as trained firms received the TWI consulting, and we find some evidence of the adoption of the same management practices as the treated companies. Treated companies selected better firms to enter the supply chain after being part on the program: new upstream and downstream firms had higher sales, were more productive, and larger in size. Their performance further improved upon entering trained firms supply chain, with some evidence of managerial practices adoption.

By contrast, we find no evidence of horizontal spillovers. Firms eligible to participate in the TWI program that did not apply but were geographically close to treated firms did not experience change in performance or managerial practices adoption. While this result seems to exclude positive spillover effects, it does not rule out potentially negative spillovers, for instance in terms of new market share taken by treated firms at the expenses of nonapplicant ones.

The contribution of this paper is threefold. First, the idea that management is correlated with the productivity of inputs dates back to Walker (1887). More recent studies have shown a positive association between management practices, or managers, and firm performance (Bertrand and Schoar, 2003; Bloom and Van Reenen, 2007; Cornwell, Schmutte, and Scur, 2019). RCTs have provided causal evidence that management consulting leads to better firm outcomes (Bloom et al., 2013; Bruhn, Dean, and Schoar, 2018). This paper contributes to these findings by analyzing a large-scale natural experiment that targeted more than 11,000 firms. It examines the separate effects of training in different managerial areas on firm performance and evaluates their complementarities.

Second, this paper contributes to the literature examining the effects of individual managers on firm outcomes. It has been shown that management style is correlated with manager fixed effects in performance (Bertrand and Schoar, 2003), that firms with leader CEOs are on average more productive (Bandiera et al., 2018), that firms with family CEOs are less productive than average (Lemos and Scur, 2019), and that individual managers might have exceptional characteristics that are hard to replace (Huber, Lindenthal, and Waldinger, 2019). This paper contributes to these results by isolating the causal effects of training top versus middle managers in different areas.

Finally, this paper contributes to the literature on the economic history of WWII. On the micro side, existing works have documented the effects of WWII on female labor force

participation (Goldin, 1991, Acemoglu, Autor, and Lyle, 2004; Goldin and Olivetti, 2013), the wage gaps between white and African-American workers (Margo, 1995; Collins, 2001), and the housing market (Fetter, 2016). On the macro side, research has focused on the impact of WWII on the postwar industrialization process (Fishback and Cullen, 2013; Jaworski, 2014; Koustas and Li, 2019; Bianchi and Giorcelli, 2019), the fiscal multiplier (Brunet, 2018), and the political economy of war production and government spending (Rhode, Snyder, Jr., and Strumpf, 2018). Our paper contributes to this literature by looking at the impact of WWII on the development of managerial practices that were later exported to western Europe (Giorcelli, 2019) and Japan (Boel, 2003).[2]

The rest of the paper is structured as follows. Section 2 describes the origin and development of the TWI program. Section 3 describes the data. Section 4 presents the empirical framework and discusses the identification strategy. Section 5 examines the long-run effects of the TWI program on firm performance and complementarities effects. Section 6 analyzes the effects of TWI program on other firms in the economy. Section 7 concludes.

2 Historical Background

2.1 Set-up of the TWI Program

The Training Within Industry plan was a program with the purpose of providing management training to U.S. war contractors.[3] It was established in August 1940 by the National Defense Advisory Commission after the fall of France (June 22, 1940) and was later moved to be under the jurisdiction of the newly-established War Manpower Commission (WMC) on April 18, 1942. It remained under the control of the WMC until it ceased all operations in September 1945 after Japan's surrender. Overall, the TWI maintained the same organization and functioned under the same leadership throughout its existence, in spite of the shift in jurisdiction in 1942 (Dooley, 1945; p. 106).

From the onset of WWII in September 1939, the Allied forces needed a large amount of war supplies. Many U.S. companies started receiving an increasing number of war-related orders, especially from France and Britain, that were well in excess of their productive capacity (TWI Administration, 1940). As the war escalated, it became apparent that if and when United States would join the Allies by declaring war, that event would make the situation even more

[2] In Japan, the teachings of the TWI program created the basis for the development of Toyota's lean production model (Womack, Jones, and Roos, 1990).

[3] There are three main direct sources about the TWI program: the final report in December, 1945 (Dooley, 1945), the TWI bulletins (Section 1, https://play.google.com/books/reader?id=4uTNAAAAMAAJ&pg=GBS.PP7), and the progress reports (for example, https://play.google.com/books/reader?id=okxE_xNzuNgC&pg=GBS.PP1).

critical. A great fraction of men of working age would then be called up to serve, depriving the workforce of many productive employees. The TWI program was the government's response to these concerns. It had the goal of increasing firm production and productivity to meet the increased demand. It also intended to teach U.S. firms how to train new workers and make them productive in the shortest possible amount of time.

The TWI program was set up to operate as a decentralized service. In September 1940, the TWI administration divided the U.S. into 22 geographical districts (Figure 1 and Table A.1). These districts were centered around established industrial areas, which often crossed state boundaries. Each of them had its own headquarters and was headed by a District Director.[4] To better reach peripheral areas, the TWI administrators decided to decentralize the program even further and divided each district in smaller geographical units, which we call subdistricts, headed by resident representatives. In total, they created 364 subdistricts, an average of 23 per district (Dooley, 1945; p. 7).

While the TWI program had the ambitious goal of offering management training to all U.S. war contractors, a limited budget and a lack of manpower made this initial plan not viable. More importantly, the TWI administration soon realized that the success of the program hinged on the full support of trained firms' top management. Aa a result, the policy of the program became to train only firms that wanted to be part of it (TWI Administration, 1944). Accordingly, the TWI program established different application windows.[5] The only condition for applying was that firms had to be U.S. war contractors at the time of the call. In total, there were 10 application windows: one each in the years 1940, 1941, and 1945, two each in 1943 and 1944, and three in 1942. Within each subdistrict and application window, eligible firms that applied received the TWI training in the order in which they had applied.

2.2 Content of the TWI Management Training

In designing their intervention, the leaders of the TWI service adapted to the 1940s context a popular training program used during WWI.[6] The TWI training was divided into three so-called J-modules, as follows (TWI Administration, 1944):

[4] Most District Directors were business executives who volunteered their expertise to the program. They were called "dollar-a-year" men, since they worked for free for the TWI.

[5] Each window was closed when a target number of firms to be trained in each district was reached. However, as outlined in Section 3, even these targets were often overly optimistic and many applicant firms ended up without training.

[6] In 1917, the Emergency Fleet Corporation of the United States Shipping Board initiated a training program to increase the number of shipyard workers tenfold. To do so, they hired Charles R. Allen, a vocational instructor from Massachusetts. Allen's four-step system for training new workers—Show, Tell, Do, Check—was documented in his 1919 book *The Instructor, The Man and The Job*. This four-step methodology formed the basis for the TWI program developed over twenty years later.

- Job-Instructions (J-I): this module gave supervisors "practice in how to break in men on new jobs." As a result, trained firms started establishing standard procedures for operations, improving lighting, enhancing job safety measures, keeping the factory floor tidy to reduce accidents and facilitate the movement of materials, performing regular maintenance of machines, and recording the reasons for breakdowns. This module improved the factory operation practices described in Bloom et al. (2013).[7]

- Job-Relations (J-R): this module gave supervisors "practice in how to promote teamwork." Firms trained in J-R started relying more heavily on performance-based incentive systems for workers and managers, investing more in on-the-job training, experiencing a decrease in worker complaints and strikes, and defining more precisely job descriptions and responsibilities for both workers and managers. Overall, this module acted upon the practices related to human resources described in Bloom et al. (2013).

- Job-Methods (J-M): this module helped supervisors "simplify and improve methods of doing a job." Firms trained in J-M learned to constantly innovate and improve their business processes. For example, they started managing more efficiently their inventory, improving production planning, and tracking production to prioritize customer orders by delivery deadline. After the end of WWII, they became more likely to develop a marketing research unit and to introduce new product lines. This module mainly operated on the inventory control and sales and order practices described in Bloom et al. (2013).

The TWI program was initially thought as a combination of management consulting and training. However, almost immediately after its implementation in 1940, the TWI administration realized that it lacked the expertise and the resources to provide effective consulting tailored to the individual needs of each war contractor. As a result, for the whole duration of the program, the TWI service focused only on writing the teaching materials associated with the three J-modules and preparing the instructors for in-plant training (Dooley, 1945; p. 16).

The content of the J-modules was constant across all trained firms and formalized in training manuals that the instructors had to follow closely. This standardization was considered a necessary step to ensure the quality of the TWI training and to allow a short-staffed organization to serve a vast group of war contractors. In spite of their rigid format, the J-modules were designed to incorporate the specific challenges faced by the employees of each trained firm. The first lecture of each J-module was a supervisor-led demonstration that had the goal to

[7] When this program was exported to Japan after the end of WWII, this module was split into two components: one was related to standard procedures for operations and maintenance of machines; the other one, called Job-Safety (J-S), focused on workers' safety.

share how bad habits could improve by following the core concepts of TWI training. All the following meetings were a combination of formal lectures and "student presentations," in which the workers under training were asked to show how they could apply the TWI teachings to their job (Dooley, 1945; p. 32).

To conclude, each J-module had been designed to share at least three key characteristics. First, the content was basic, but easily digested. Instead of introducing novel concepts, the J-modules were based on accepted principles taught in an effective way.[8] As an example, upon completion of the program, trained workers were receiving an instruction card to keep in their pockets with the main takeaways of the modules they had attended (Figure A.1). Second, the program limited the time dedicated to instructors' lectures in favor of practical demonstrations in which the workers could learn by doing. This design was chosen to bring firm-specific problems into otherwise standard courses. Third, the J-modules intended to ignite a virtuous cycle of improvements within trained firms by stressing the importance of disseminating the TWI trainings to all workers of the firm and by teaching the scientific method to approach current and future challenges.[9]

2.3 Implementation of the Training

In addition to designing the content of the J-modules, the main responsibility of the TWI administration was the training of the instructors who would have then implemented the TWI program in the plants of applicant firms.

Most instructors were men and women with extensive business experience who were sent by their employers to volunteer for the TWI program either part-time or full-time (Dooley, 1945; p. 4). Others were paid staff already working for the Department of War or for another government agency. In spite of their different background, prospective instructors were selected based on their prior expertise in business or teaching.

Upon recruitment, candidates had to attend a "TWI institute," a formal course to become an instructor taught by a TWI staff member, either in their district of residence or in Washington, DC. Although its overall structure stayed constant, the length of a TWI institute changed from 18 hours in 1940 to 50 hours in 1944. During the first part, candidates had to attend a full

[8] As stated by the Director of the TWI program, "There is nothing new about TWI programs—they are built on accepted principles. The only new thing is that something was done about getting them used." (Dooley, 1945; p. ix)

[9] To overcome a challenge, the workers were taught how to define a problem or objective, gather the facts, implement an action, and evaluate its results (Dooley, 1945; p. 41).

J-module. The second part was divided between lectures on the fundamental concepts of a J-module and practice in teaching the course (Dooley, 1945; p. 202).[10]

Although the original plan was to prepare well-rounded instructors able to teach all three J-modules, the urgency to reach war contractors quickly induced the TWI administration to form specialists. As a result, each instructor was trained to teach only one J-module (Dooley, 1945; p. 58). After being certified, TWI instructors usually returned to their subdistrict of residence where they visited participating firms, often including their employer, in order of application to carry out their J-module of competence,

In each firm, the TWI training targeted managers, line executives, supervisors, and any other employee with "functional responsibility for planning of training" (Dooley, 1945; p. 17). In each plant of participating firms, the instructors delivered their J-modules to groups of at most 10 workers. Training one group in one module required five meetings of two hours.

Once the last group of targeted employees had attended the training, firms had to pick at least one representative who acted as a point of contact between the firm's top management and the TWI program. The TWI administration used firms' representatives to check on the continuing adoption of TWI criteria and to collect post-training data on firm performance (Dooley, 1945; p. 166).

3 Data

We collected and digitized several types of data on the firms that applied to the TWI training. We matched separate datasets using firm name, municipality, and state. What follows is a description of these data sources and key summary statistics. More details on the data collection and on individual variables are available in Appendix C.

3.1 Firm-Level Government Records During WWII

We started our data collection by identifying all firms that were eligible to participate in the TWI program. Considering that the only application requirement was that firms had to be war contractors located in the United States, we retrieved the list of eligible companies from the tabulation of war supply contracts published by the Civilian Production Administration in 1946.[11] This dataset includes information on all contracts for war supplies worth at least $50,000 and awarded between June, 1940 and September, 1945. By restricting the sample to

[10] In Section xx, we show that the effectiveness of the TWI training did not change over time, in spite of this change to the TWI institutes.

[11] Dmitri Koustas kindly shared the digitized version of this dataset with us (Koustas and Li, 2019).

war contractors based in the United States, we obtain a list of 25,393 companies eligible to participate in the TWI program.

We then use the monthly records of the TWI Service—compiled between August 22, 1940 and September 19, 1945 and stored at the NARA Archives—to identify firms that applied to the TWI program. Out of 25,393 eligible firms, we found applications from 11,575 companies. For each application, the monthly records indicate the application date, the district and subdistrict in which the applicant firm was located, whether it eventually received the TWI training, in which of the J-modules it was trained, and the year in which each module was delivered.

Out of 11,575 applicants, 6,056 (52 percent) were eventually trained in at least one J-module. Among them, 62 percent got two J-module trainings, 24 percent got one J-module training, while the remaining firms received all three J-module interventions (Figure 2, Panel A). The bulk of the TWI training was carried out between 1943 and 1945, when the U.S. involvement in the war peaked. Only 8 percent of trained firms received a J-module intervention between 1940 and 1942, while the other firms were trained from 1943 (Figure 2, Panel B). In total, 1,750,650 workers were trained in at least one J-module (Dooley, 1945; p. 126).

From the NARA Archives, we also collected data from the plant-level surveys that the TWI administration conducted in treated firms before and after the training. Specifically, the surveys indicate whether a plant was performing each of eleven managerial practices linked to the teachings of the TWI program before the start of each J-module training, three months after the TWI training, and then each year thereafter until 1945.

Finally, we collected information on the workforce composition of applicant firms by digitizing the Selective Service's so-called replacement schedules, accessible at the NARA Archives. After the Executive Order 9279 of December 5, 1942, firms in which at least one worker was drafted had to submit a replacement schedule to their regional Bureau of Manpower Utilization. In these documents, firms described the composition of their labor force, specifically indicating the share of African-American workers and of women, as well as the average years of education and age of all their employees. Moreover, they had to propose a replacement for each drafted worker and indicate how long it would take for the new workers to become fully productive.[12] We used this information to construct the labor force composition, as well as the share of drafted employees, of each firm between 1941 and 1945.[13] Finally, firms had to indicate the name of the companies with which they had an existing contract, as well as the list of products bought

[12]Through the replacement schedules, they could also ask for draft exemptions for some categories of their workers. Managers were usually deferred "in support of national health, safety, or interest" (category II-A).

[13]While the replacement schedules started being submitted in 1942, the first schedule contained data on both 1941 and 1942.

from and sold to them. We used this information to identify the TWI applicants' upstream and downstream firms, as described in greater detail in Section xx.

3.2 Data on Firm Performance

We constructed a panel dataset of firm performance between 1935 and 1955 using information from the company annual reports collected by the Mergent Archives. [14]

Using establishment name, municipality and state, we searched the US war contractors, collecting any statement in the year range 1935-1955. We were able to find a match for all the 11,575 applicants firms and for 11,536 out of 13,857 (83 percent) of nonapplicants. While we cannot for sure assess why the matching rate of nonapplicant firms is lower than the perfect matching of applicant firms, we believe it is likely due to the smaller size of nonapplicant firms. Even though there is not a formal threshold on firm size to be included in the Mergent Archives, in practice, publicly traded firms, firms issuing bonds, and larger firms were more likely to be included because it is relatively easier to find their balance sheets. These data are a particularly rich source of information: they not only provide statements of profits and losses and balance sheets, but they also contain information on firm history, managers, and number of employees and plants.

3.3 Characteristics of Applicant Firms

In 1939, the year before the TWI program started, applicant firms had, on average, 6 plants, $191.78 million in sales (in 2020 USD), and had been in operation for eight years (Table 1, column 1). They were fairly heterogeneous in terms of employment: while the average number of employees per firm was 1,038, it ranged from a low of 543 to a high of 11,283 workers. Out of all applicant firms, 86 percent were operating in the manufacturing sector, 9 percent in transportation, 3 percent in agriculture, and 2 percent in service. Between 1940 and 1945, they were awarded 0.68 war contracts per year with an average value of $25 million. Moreover, all characteristics were perfectly balanced between trained and nontrained applicants at baseline, a fact that we will explore more in Section 4 (Table 1, column 7).

At least for the manufacturing sector, it is possible to compare the applicant firms to the average U.S. firm using data from the 1939 Manufacturing Census.[15] The applicant firms

[14] https://www.mergent.com/solutions/print-digital-archives/mergent-archives. We accessed a scanned version of this data from the UC-Irvine Library during the summer of 2016. Details on access to this data, its digitization, and the definition of the variables can be found in Appendix C.

[15] We used data from the 1939 Manufacturing Census that James Lee has digitized and kindly shared with us (Lee, 2015).

included 60,521 manufacturing establishments, equal to 9.8 percent of all U.S. manufacturing establishments reported in the 1939 Manufacturing Census. Moreover, they employed 12,018,503 workers, which is equal to 40 percent of the total U.S. manufacturing labor force in 1939. In short, in spite of a relatively low share of establishments, the applicant firms made up a much higher percentage of the U.S. manufacturing workforce, denoting that they were larger than average.

In spite of their large size, applicant firms did not appear to be very productive nor profitable. Their average total factor productivity revenue (TFPR) was equal to 1.75, which is much lower than the average productivity of firms included in other studies on management interventions. For example, Bloom et al. (2013) study a sample of large Indian firms whose baseline total factor productivity (TFP) was 2.9, while Giorcelli (2019) focuses on small Italian firms with an average TFPR of 2.45. Moreover, in our sample, the , the average return on assets (ROA) was only 3 percent. In comparison, Bruhn, Dean, and Schoar (2018) analyze a sample of small Mexican firms in which the baseline ROA in the control group is 12 percent.

Of course, comparisons of TFPR and ROA across time and geography can be difficult to interpret. However, in our sample, there are more statistics that point to the fact that the applicant firms had substantial inefficiencies at baseline. For example, inventory accounted for more than 80 percent of current assets, indicating that these firms were not proficient is production planning. Interestingly, the poor management of inventory was one of the main bad practices highlighted by Bloom et al. (2013). Moreover, expenses for workers' injuries and machine repairs were both higher than spending for performance-based bonuses, suggesting that these firms were more likely to react to problems instead of setting up systems to reward positive behavior.

Finally, it should be noted that all these firms suffered major disruptions from WWII. All of them had to start producing war supplies that were in different 3-digit 1939 SIC codes.[16] Moreover, on average, 23 percent of their workers were drafted and ended up leaving their jobs.

To summarize, in spite of their large size and high sales, several pieces of evidence indicate that the TWI applicants could have greatly benefitted from management training.

[16]Moreover, 57 percent of them had to start producing in a different 2-digit SIC code, while 37 percent had to switch to a different 1-digit SIC code.

4 Identification Strategy

4.1 Baseline Specification

We estimate the effect on firm performance of receiving TWI training with the following difference-in-differences event-study equation:

$$y_{i\tau} = \sum_{\tau=-5}^{10} \beta_\tau(\text{TWI}_i \cdot \text{Years after TWI}{=}\tau_{i\tau}) + \gamma \cdot \text{TWI}_i + \eta \cdot \text{App}_i + \delta_{cs\tau} + \epsilon_{i\tau}, \quad (1)$$

where the dependent variable, y_{it}, is one of several key performance metrics, such as logged sales, TFPR, and ROA of firm i in period τ.[17] TWI_i is an indicator that equals 1 if firm i received the TWI training. Years after TWI$=\tau_{i\tau}$ is a dummy equal to 1 when a calendar year is τyears before or after the year in which firm i received its first TWI training. The regression controls for the application date to the program (App_i), because it can be correlated with unobservable characteristics affecting firm performance.[18] Specifically, we include fixed effects for the application window in which firm i submitted its application to the TWI program and for the number of days between the opening of the application window and the application date. County c, sector s, and period τ fixed effects $\delta_{cs\tau}$ control for nonlinear variation in outcomes over time and within sectors and counties. Standard errors are clustered at the subdistrict and application-window level.

Unless otherwise specified, the sample contains a balanced group of firms that were always active between period -5 and period 10. Finally, because equation (1) is an event study, we need to impute values of Years after TWI$=\tau_{i\tau}$ to applicant firms that never received any training. To this end, we assume that they would have been treated contemporaneously with the first trained firm in their subdistrict and application window.[19]

[17] TFPR is calculated using the methodology proposed by Ackerberg, Caves, and Frazer (2015). In addition, we show that the results are robust to alternative definitions of TFPR (Table xx). ROA is computed as the ratio between profits and fixed gross assets. Appendix xx includes a longer discussion on the construction of all variables.

[18] Early applicants might have been quicker in recognizing the value of the TWI program and, therefore, might have been better managed even before the intervention.

[19] In Section 5.1, we show that estimating equation (1) on all available firms, therefore including those that entered the sample after the first period or exited before the last, leads to qualitatively similar findings. Moreover, we show that alternative choices for the timing assigned to nontrained applicants generate similar findings.

4.2 Tests of the Identification Strategy

In our main specification, each coefficient β_τ captures the effect of the TWI program between period τ and -1, compared to firms operating in the same sector that applied to the program on the same date and from the same county, but which eventually did not get any training. The identifying assumption is that, conditional on nonlinear trends correlated with county-sector pairs and the application date, the performance of firms with and without TWI training would have been on parallel trends in the absence of the TWI program. While the identification assumption cannot be tested directly, here we discuss four pieces of evidence that corroborate our identification strategy.

First, as it is standard for difference-in-differences regressions, we test whether firms with and without TWI training were on parallel trends *before* the beginning of the intervention. We estimate equation (1) using only data from the five periods before the start of the TWI training. The estimated coefficients are all precisely estimated zeros. Therefore, they clearly reject the hypothesis that firms with and without TWI training experienced different pre-TWI trends in either the level or the growth rate of sales, TFPR, and ROA (Figure 3, Panels A-F). The results remain unchanged if we compute the pre-TWI trends separately for any combination of J-modules, instead of pooling all trained firms in one group (Figure A.2, Panels A-F).

Second, in addition to establishing that trained and nontrained firms followed parallel pre-TWI trends, we show that firm characteristics in period -1, the year before the start of the program, do not predict the probability of receiving the training. Specifically, we regress the dummy variable TWI_i on fifteen different variables, as well as fixed effects for application date and county-sector pairs.[20] We then test the joint significance of these firm variables. The p-value associated with this test is 0.36 and, therefore fails to reject the hypothesis of no correlation between the training and firm characteristics (Table 2, Panel A, column 1). Similarly, we can replace the dependent variable with several indicators for different combinations of J-modules received by trained firms (for example, only J-R vs. J-R and J-M). Also in this case, the test of joint significance fails to find a strong correlation between different types of training and baseline firm characteristics (Table 2, Panel A, columns 2 to 8). These results are important because they indicate that the TWI administration did not choose to offer their free training to the war contractors that were deemed more likely to succeed or to the ones that could produce more war supplies, due, for example, to their larger size. Finally, we can show the same lack of

[20] The regressors, all measured in period -1, are: the logs of sales, value added, number of employees, number of plants, foundation year, the value of inventory, capital, current assets, investments, number of workers' strikes, monetary compensation for workers' injuries, performance-based bonus payments, number of subsidiaries, as well as distance to the nearest railroad station and distance to the nearest port. The individual coefficients are not shown, but are available upon request.

correlation between the TWI training and firm-level variables, even when we split the sample by year of training (Table A.2, Panel A). These findings indicate that the TWI administration did not favor applicant firms with better characteristics even in the last stages of WWII, when the need to increase production reached its peak.

Third, we show that the baseline characteristics of the counties in which applicant firms were located do not predict the probability of receiving the training. We regress the variable TWI_i on fourteen county-level variables from the 1940 Census, imputed to each applicant firm based on its location, as well as fixed effects for application date and subdistrict-sector pairs. A p-value of 0.48 indicates that the null hypothesis of zero correlation cannot be rejected (Table 2, Panel B, column 1). Performing a similar exercise using county characteristics from the 1920 Census or the 1930 Census confirms this finding (Table 2, Panels C-D, column 1).[21] Moreover, we obtain the same result if we replace TWI_i with indicators for different combination of J-modules (Table 2, Panels B-D, columns 2-8). Finally, as shown for firm-level characteristics, we do not find any correlation between county variables and training even when we break down applicant firms by training year (Table A.2, Panels B-D). These results show that the TWI administration did not favor firms that were located in the most industrialized or economically developed areas of the United States before the start of the program. Had not this been the case, the effect of the TWI training might have conflated differential post-WWII economic trends between richer and poorer U.S. counties.

Fourth, we show that there is no autocorrelation within subdistricts between the share of firms trained in adjacent application windows (Table A.3). This finding rules out the possibility that the TWI administration favored over time applicant firms located in certain subdistricts (even though these areas were not necessarily more developed at baseline, as shown in the previous paragraph).

In short, firms with and without training (or with different types of training) were on parallel pre-TWI trends, had similar baseline characteristics, and were located in areas with similar baseline characteristics. At this point, it would be natural to wonder why, after controlling for application date and county-sector pairs, the delivery of the training was essentially as good as random. Appendix B contains several results that point to an as-good-as-random assignment of different types of TWI instructors to subdistricts and application windows.

[21] The regressors are: log number of manufacturing establishments, log number of manufacturing employees, log average manufacturing wage, log total expenses in manufacturing, log of the manufacturing value added, log value of manufacturing production, farms per capita, unemployment share (available only in 1930 and 1940), log population, population per square mile, share of male residents, share of black population, share of urban population, share of illiterate population (available only in 1920 and 1930). The individual coefficients are not shown, but are available upon request.

5 Dynamic Effects of the TWI Program

In this section, we measure the dynamic effects of the TWI program over ten years after the training. In order to show more clearly that each J-module induced changes in different managerial practices, Section 5.1 limits the sample to firms that either received one J-module or no training at all. In Section 5.2, we expand the sample to all applicants, including firms that received two or three J-modules, in order to study complementarity effects among different types of management training.

5.1 Effects on Firm Performance and Managerial Practices

The estimates of equation (1) indicate that the TWI training had a long-lasting impact on firm performance. Annual sales of trained firms increased by 5.3 percent within one year of the TWI training, compared with nontrained applicants (Figure 4, Panel A). This differential effect increased to 21.7 percent in period eight and then decreased to 16 percent in period ten. The treatment effects on productivity and profitability show monotonic increases in the post-TWI years. Specifically, the TFPR of trained firms increased by between 4.8 percent in period 1 and 36 percent in period ten, compared with nontrained firms (Figure 4, Panel B). Similarly, their ROA increased by up to 11 percent more by the tenth year after training (Figure 4, Panel C).

The results are robust to a variety of modifications to the baseline specification and sample (Figure A.3). Specifically, we replaced county-sector-period fixed effects with either firm and period or with district-sector-period fixed effects. Moreover, we clustered the standard errors at different levels of aggregation. We also imputed values of Years after TWI=$\tau_{i\tau}$ to nontrained firms using the last, instead of the first, trained firm in their subdistrict and application window. In another set of tests, we allowed for firm entry and exit, instead of using a balanced sample. Finally, we estimated TFPR using different methodologies.

There are at least two things worth noting about these results. First, since most of the training was carried out between 1942 and 1945 (Figure 2, Panel B), the war ended within three years after the program for most trained firms. However, the effects kept increasing after period three, suggesting that they were not driven by the war itself or other war-related factors, such as a higher provision of war contracts to trained firms. We will further explore this issue in Section xx. Second, the estimation of single-difference event studies indicates that firms with and without training followed the *same*, and not just parallel, trends before the TWI program (Figure 4, Panels D-F). This finding reinforces the notion that the delivery of TWI training was not correlated with preexisting conditions.

To dig deeper into the transformations that trained firms experienced after the TWI training, we can analyze the effects of the program on additional firm outcomes. The results show that trained firms sustained their growth in productivity and profitability by increasing their size. Compared with nontrained firms, the number of plants of trained firms increased by 6.4 percent by period ten, their number of employees by 13.5 percent, their number of managers by 11.4 percent, and their number of controlled subsidiaries by 5 percent (Table A.4). These findings are consistent with prior work that highlighted the positive relationship between productivity and firm size (Syverson, 2004).

While the effects of the TWI program are fairly large, their magnitude is either in line or slightly smaller than the effect sizes found in similar studies (Figure A.4). For instance, our treatment effects on sales are 4 percentage points smaller than the effects on output found by Bloom et al. (2013) and at most 6 percentage smaller than the effects on sales found by Giorcelli (2019).

In the last portion of this section, we open the black box of the TWI program by estimating the effect of different types of training. Specifically, we replace the indicator TWI_i in equation (1) with a dummy variable for each of the three J-modules. As a reminder, supervisors learned how to break-in new employees through the J-I module, how to manage human resources through the J-R module, and how to introduce improvements to business processes through the J-M module. The results indicate that all three trainings had positive and permanent effects on sales and TFPR, while only J-R and J-M increased the ROA (Figure A.5). Moreover, the J-R module had the largest effects on every outcome and in every post-TWI period.

Next, we investigate how the J-modules led to improvements in firm performance. We start by analyzing data from the plant-level surveys the TWI administration conducted in each trained firm before the program, three months after the program, and then each year after training until 1945.[22] In general, the survey data show a clear relationship between the content of the J-modules and changes in managerial practices (Table A.5). The J-I program highlighted the importance of having the workplace properly arranged and ensuring worker safety (Dooley, 1945; p. 33). In the TWI surveys, firms that received the J-I training reported a drop in machine repairs within five years from the program and an increase in the probability of keeping a reliable record of breakdowns. Differently, firms that received the J-R module became more likely to offer on-the-job training, performance-based bonus schemes, and a process for workers to submit suggestions to higher management. Moreover, they were more likely to formalize the tasks and responsibilities attached to different positions. Finally, firms that were trained in the

[22]The survey data were collected only for firms that eventually got treated. As a result, this analysis cannot include nontrained firms.

J-M module found new ways to cut inefficiencies or increase revenues. They reported a drop in unused inputs, as well as an increased reliance on production planning and marketing activities.

A possible caveat is that the self-reported nature of the TWI surveys may have pushed firms to overstate the adoption of good managerial practices. However, we can at least interpret these findings as evidence that trained firms were aware of the changes that each J-module was compelling them to implement. To provide additional evidence on actual changes in spending, we can validate the survey data using information from the firms' financial reports (Table 3).[23] Compared with nontrained firms, firms that received the J-I training started spending more for regular maintenance and less for machine repairs and worker injuries. Differently, firms trained in the J-R module became more likely to invest in performance-based bonus payments and on-the-job training programs. Moreover, they became less likely to experience worker strikes. Finally, firms that received the J-M training experienced a decrease in the value of their inventory, while they became more likely to increase the number of product lines and to invest in marketing activities. Remarkably, these firms did not report changes in the implementation of managerial practices not related to the specific training they had received, reinforcing the link between the content of the J-modules and the firms' spending decisions.

To conclude, these findings are important for at least two reasons. First, they establish a clear connection between the TWI training and the actions implemented by trained firms. Therefore, they allow us to rule out the hypothesis that firm performance improved for factors contemporaneous to the program, but unrelated to the training itself. Second, they indicate that the adoption of good managerial practices lasted throughout the period under consideration. This fact is important to explain why we observed long-lasting effects on firm performance. As pointed out by Bloom et al. (2018), one of the main reasons why management interventions do not last is that beneficial practices are implemented in the short term, but abandoned over time. In our case, the TWI program was able to achieve a more permanent change in firm behavior, which in turn sustained a long-lasting improvement in performance. In this sense, the evidence from the TWI training is consistent with the "Toyota Way" hypothesis that better management is able to start a virtuous cycle of improvements.

5.2 Complementarity among Managerial Practices

In this section, we begin investigating why the TWI training was able to generate a long-lasting increase in firm performance and adoption of good managerial practices. At the core of the "Toyota Way" hypothesis, there is the idea that managerial practices are complementary.

[23] Another advantage of using data from the financial reports is that we can include nontrained applicants in the analysis.

According to this view, by developing their managerial capital in a certain field, firms decrease the cost of improving in other areas, making it easier to become better over time. This form of complementarity is therefore able to transform a single management intervention into a stream of improvements, the so-called *kaizen* approach.

So far, testing this hypothesis has been proven to be quite challenging. In most papers that study management interventions, firms received a service—either consulting or training—that improved a "bundle" of managerial practices at the same time. These settings prevent the analysis of complementarities, because all participating firms experienced contemporaneous improvements in multiple areas. However, due to its implementation, the TWI program offers a unique opportunity to overcome these common challenges. In fact, some firms received training in only one J-module, while others received training in multiple J-modules. Therefore, we can test whether receiving training in areas x and y leads to a higher adoption of beneficial practices associated with area x, compared with receiving training in area x exclusively.

Specifically, we replace the indicator TWI_i in equation (1) with a dummy variable for each of the three J-modules. Moreover, for each J-module, we add an indicator that equals one for firms that received that module with another type of training and we interact it with a Post-$\text{TWI}_{i\tau}$ dummy. The coefficients of these new interactions measure the additional effect that stems from receiving each module together with another training, compared with receiving each module by itself. If there are no complementarities, the coefficients of these interactions will be small and not statistically significant.

The data indicate that there were moderate complementarities in the J-R and J-M modules, but none in the J-I module (Table A.6). Firms that received the J-M training with another module introduced 6.8 percent more product lines and were 2.7 percent more likely to report spending for marketing activities, compared with firms that received the J-M module alone. In a similar fashion, firms that received the J-R training with another module experienced 10.6 percent fewer strikes and were 2.6 percent more likely to report spending for on-the-job training, compared with firms that received the J-R module by itself.

Remarkably, after the TWI program was exported to Japan in the post-WWII period, the J-M training became the main inspiration for Toyota's *kaizen* approach (Dinero, 2005; p. 48). It is therefore interesting to learn that the J-M module benefitted from complementarities, one of the main features that can generate *kaizen* or, in other words, continuous improvement.

6 Effects on Other Firms

One of the peculiar features of the TWI program is the fact that it targeted a great number of large-size firms. This is at odds with most prior work on management interventions. The large scale of the program implies that we can study whether management training generated spillover effects on other nonparticipating firms.

6.1 Spillover and Selection Effects on Supply Chain

We start our analysis by examining whether the TWI training generated vertical spillovers on firms in the supply chain of trained applicants. To do so, we first identify upstream and downstream firms by combining information on their products in the replacement schedules with information on applicants' products in the war contract data.[24] Overall, we find data on 1,816 upstream and downstream firms linked to 1,572 firms that applied to the TWI program. Next, we estimate equation (1) using as dependent variable financial data from these upstream and downstream firms. Moreover, we replace the indicator TWI_i with a dummy variable for each of the three J-modules. This specification allows us to study whether the specific type of training received by an applicant had effects on the practices adopted by nontrained firms in its supply chain.

The results indicate that firms in the supply chain became more productive once trained firms receiving the TWI training, even though their sales did not increase (Table 4). Remarkably, we find evidence that each J-module induced upstream and downstream firms to improve different managerial practices, following the same pattern that we described in Section 5.1. For example, firms in the supply chain of applicants that received the J-R training became less likely to experience worker strikes and more likely to report spending for on-the-job training. Differently, firms in the supply chain of applicants that received the J-M training decreased the size of their inventory, increased the number of product lines, and became more likely to report spending for marketing activities.

There are three additional things to note about these findings. First, these results apply to both firms that were already in the supply chain of applicants at the time of the TWI training and to firms that entered only after the TWI program. Second, with the exception of the decrease in inventory, the effect sizes tend to be smaller than the main treatment effects on applicants firms. This is to be expected because spillovers are often smaller than direct effects. Third, the J-I module does not show any evidence of vertical spillovers on the supply chain. This result could be due to its content or its smaller effects on applicant firms.

[24] More details are available in Appendix xx.

Finally, we study whether trained applicants became more likely to have better upstream and downstream firms. To do so, we focus exclusively on firms that entered the supply chain of applicants after the TWI program. Then, we regress their characteristics observed in the year before their entry in the supply chain of an applicant on the TWI_i indicator, which is one if the applicant received a form of TWI training.[25] The coefficients of TWI_i indicates that, after the TWI program, trained applicants were more likely to enter into a business relationship with more productive and larger upstream and downstream firms (Table A.7).

Overall, these findings are important because they suggest another channel through which the TWI training might have had long-lasting effects on trained firms. After fixing their own internal processes, trained applicants could sustain additional improvements by transmitting the key concepts of the TWI program to firms in their supply chain. Interestingly, the TWI program itself often emphasized the importance of spreading the J-modules within and outside the firm in order to maximize the so-called "multiplier principle" of training (Dooley, 1945; p. 6).

6.2 Spillover Effects on Nonapplicant Firms

The TWI program was open to all U.S. war contractors, but only 46 percent of them applied. Compared with applicants, nonapplicant firms were on average less productive, had fewer plants and employees, and reported lower sales in 1939, the year before the beginning of the TWI program (Table A.8). In spite of these differences, applicants and nonapplicants were operating in the same sectors, had a workforce with similar gender and racial composition, and were equally affected by the war. For example, comparable shares of their employees (23 percent for applicants vs. 20 percent for nonapplicants) were drafted during WWII.

In this section, we use data on nonapplicant firms to answer two related questions. First, we investigate whether the TWI training had spillover effects on the nonapplicants located near trained firms. To do so, we divide the 364 subdistricts into 52 groups of adjacent subdistricts. For each nonapplicant firm, we compute the number of applicant firms located in the same cluster of subdistricts and their average distance. Then, we regress nonapplicants' economic outcomes on one of these two measures of indirect exposure to the TWI program interacted with period dummies, in which period 0 identifies the modal treatment year within each of the 52 groups of subdistricts.[26]

[25] These regressions also include fixed effects for district-sector combinations, the application window, and the number of days between the opening of the window and the firm application.

[26] The regressions also include firm and period fixed effects.

The results of these regressions indicate the lack of horizontal spillovers (Figure A.6). Specifically, having a greater number of trained firms nearby does not have any correlation with worse economic outcomes. It is important to note that these findings are not necessarily ruling out the possibility that trained firms stole business from nonapplicants. Given that the U.S. economy was growing after WWII, trained firms might have gained market shares at the expense of nonapplicants even without poaching their existing customers.

Second, we investigate what the effects of the TWI program would have been, had it been implemented on a group of firms with characteristics more similar to those of nonapplicants. To do so, we replicate the estimation of equation (1) on a smaller sample of applicant firms that are matched to nonapplicants based on their features in 1939. Specifically, the matching process is based on propensity scores and uses a nearest-neighbor algorithm without replacement. The matching variables are the number of plants and employees in 1939, sales and TFPR in 1939, distance from the nearest port and railroad station, and sector. The result is a small group of 101 applicant firms with features that more closely mirror those of nonapplicants (Table A.8, column 6). Estimating the main specification on this sample leads to smaller effects of the TWI program (Figure A.7). For example, the average effect size on TFPR is 11 percent, instead of the baseline 19-percent increase.

In short, the baseline treatment effect that we estimated in Section 5.1 measures the consequences of training on the average firm that was willing to participate in the TWI program. This result, which is unbiased for willful participants, is the one that is relevant for policy and standard in the literature on management interventions. In fact, in most cases, it is not possible to force firms to receive either consulting or training. However, this last extension on nonapplicants is interesting because it might explain why these firms declined to participate. They might have expected to receive smaller benefits from the TWI training.

In addition to turning down free training during WWII, there is no evidence that the nonapplicants attempted to implement the TWI concepts during the post-WWII years, even if the program was proving effective among trained firms. This fact might be even more surprising if we consider that, after the end of the war, the TWI foundation (now a private entity) successfully exported the J-modules to 27 countries, including Japan where they inspired the implementation of lean production (Dinero, 2005; p. 42).

There are two main reasons that can explain a decreased interest for the TWI program in the United States (Dinero, 2005; p. 15). First, in the post-WWII period, U.S. firms might have perceived external trainers as an interference to their processes and a limit to their agency, instead of a source of help (Breen, 2002; p. 264). They were facing a large increase in domestic demand. Moreover, they were expanding their market share in foreign countries, due to the

fact that many foreign factories had been damaged or destroyed during WWII. In this period of economic bonanza, low-productivity firms might have been shortsighted enough to consider training a luxury. This explanation is consistent with the fact that we did not find negative horizontal spillovers and with the fact that U.S. firms refocused on training only when their worldwide dominance was threatened by Japanese products in the late 1970s (Cusumano, 1985).

Second, although the TWI printed materials were available for purchase after the war, U.S. firms that wanted to receive the J-modules could not rely on the TWI administration to ensure the correct implementation of the program. The lack of carefully vetted and highly prepared TWI instructors, as well as the absence of any follow up, were possibly important enough for the success of the original program to make a self-learned TWI training much less effective.

7 Conclusions

This paper studies the effects of different managerial practices on firm performance, as well as their complementarities, using evidence from the Training Within Industry Program. We linked information on the participation of 11,575 firms to the TWI program to data from twenty years of balance sheets. Our identification strategy uses idiosyncrasies in the policy implementation that determined quasi-random variation in the type of managerial training that firms eventually received.

We find that receiving any type of TWI training had a positive impact on firm performance, but HR training generated the largest effects. We also document complementarities between HR management and the other two management practices. In fact, HR training enhanced the effects of other types of training, while other TWI trainings did not generate the same result. Finally, who was trained within a firm mattered, but whether training top or middle managers was more beneficial depended on the area of training.

We argue that these findings are important for both firms and policy makers. Firms routinely use internal training to improve the productivity of their workforce (Acemoglu and Pischke, 1998; Konigs and Vanormelingen, 2015). However, the effectiveness of these policies is usually evaluated over a limited time period, on relatively small samples, and usually without randomizing the content of the lectures or the type of workers trained. Our research shows that both the content and the target level of management training can change the effect of these programs on firm performance. Therefore, these factors should be taken into account to ensure the success of training plans.

Are these findings applicable to today's firms? Although production processes have evolved tremendously since WWII, we think that there are several factors supporting the external

validity of our results. First, the findings are relevant for far more than just one industry, or for a few industries that might have disappeared or shrunk in today's economy—because our sample included over eleven thousand firms, and encompassed enterprises of different sizes with operations spanning a wide range of different industries. Second, the content of the J-modules is, perhaps surprisingly, still close to modern best practices. In fact, the managerial areas covered by the TWI training are very similar to the business principles taught in recent RCTs (see, for instance, Bloom et al., 2013). For these reasons, we believe that the findings in this paper are relevant to improving firm production in today's economy.

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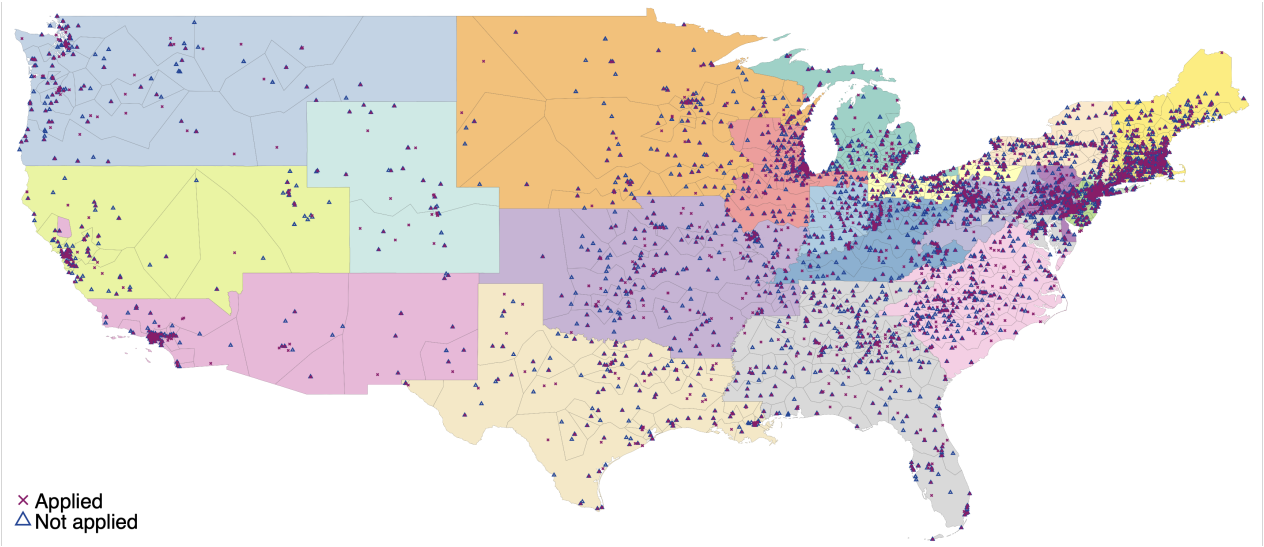
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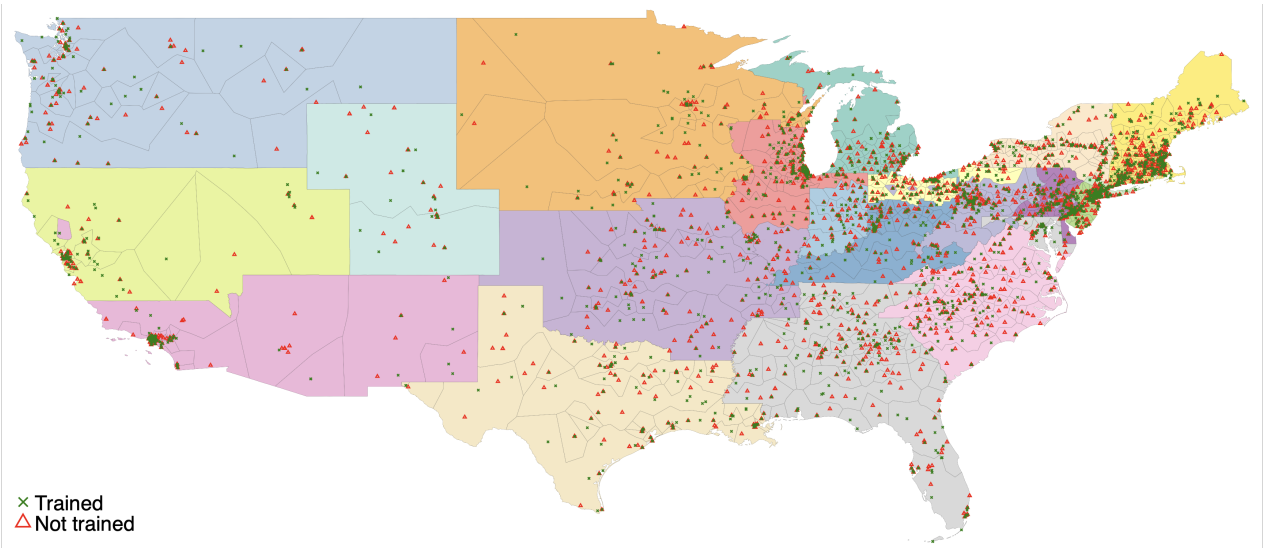
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Figures and Tables

Figure 1: TWI Districts



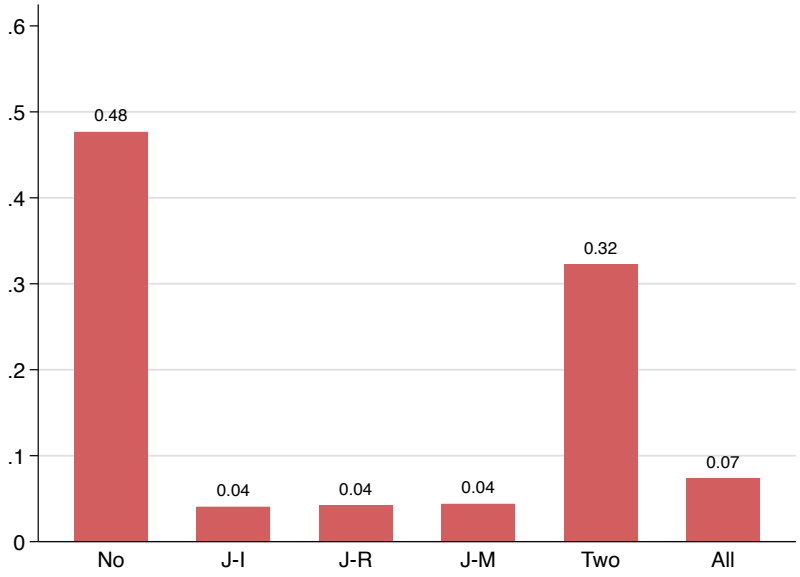
Panel A: Applicant and nonapplicant eligible firms



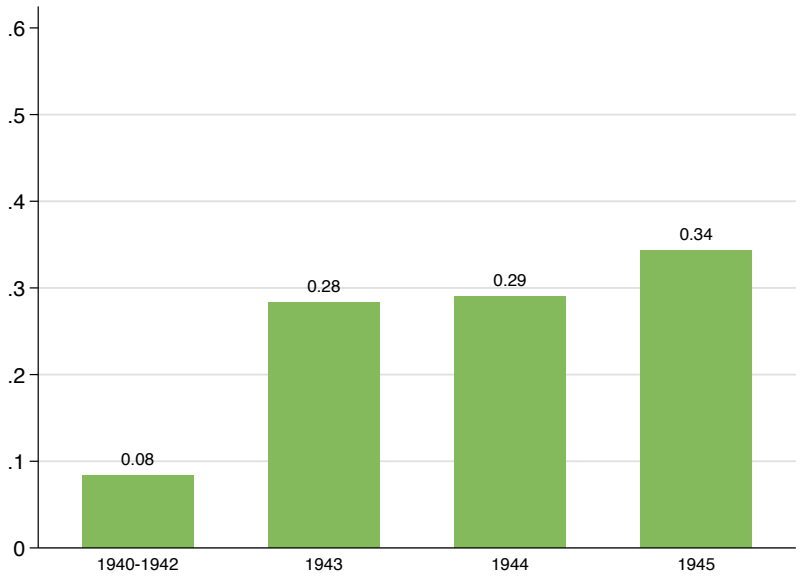
Panel B: Trained and nontrained applicant firms

Notes. Map of the 22 TWI districts. The borders within the 22 districts identify the 364 subdistricts, the level of aggregation at which the program was delivered. Panel A divides 25,393 war contractors between 11,575 firms that applied to the TWI program (purple crosses) and 13,818 firms that did not apply to the TWI program (blue triangles). Panel B divides applicant firms between 6,056 firms that received the TWI training (green crosses) and 5,519 firms that did not receive the TWI training (red triangles).

Figure 2: Distribution of TWI Training Among Applicant Firms



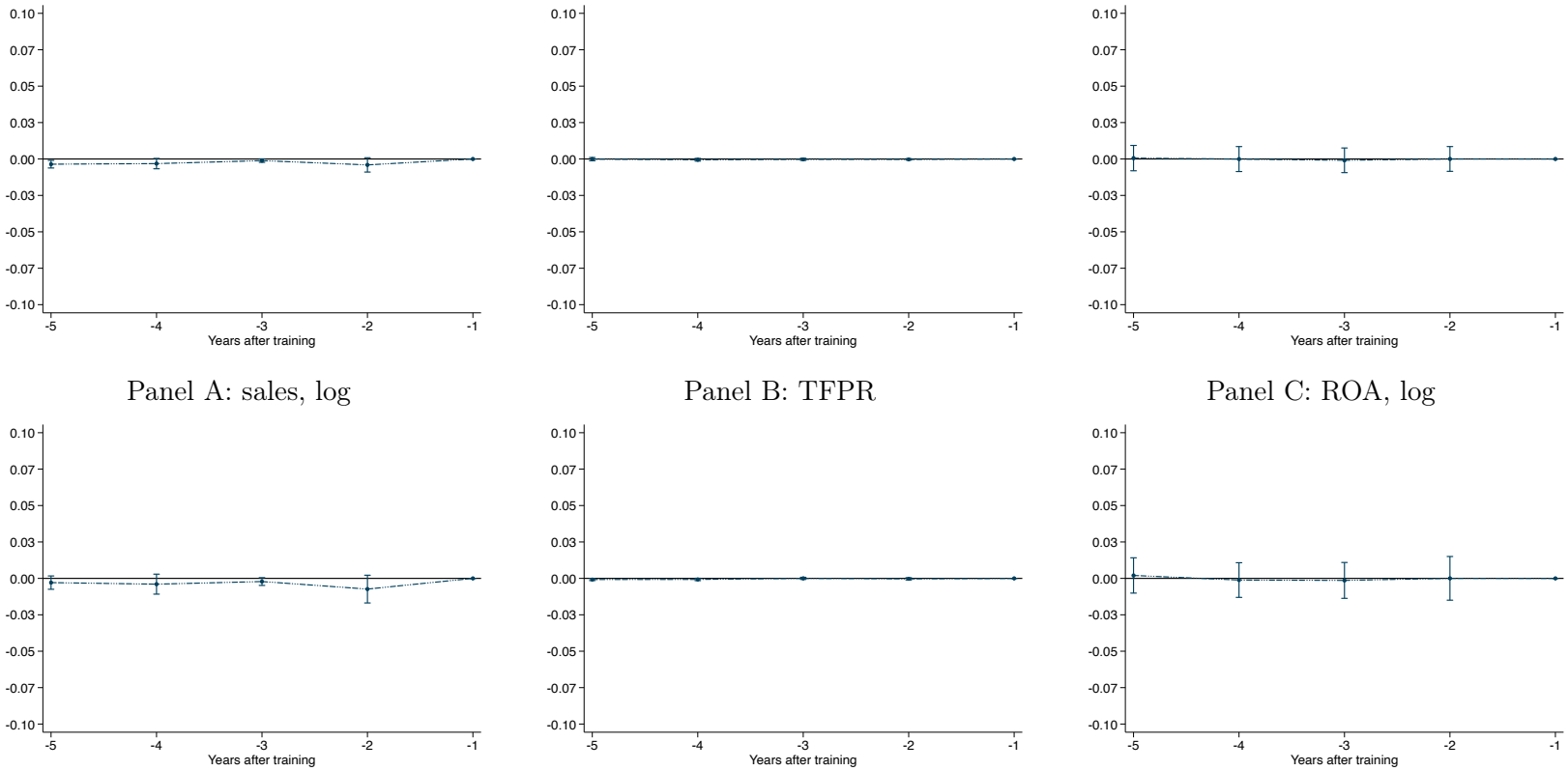
Panel A: Type of TWI training



Panel B: Year of training

Notes. This figure shows the distribution of the type of training received (Panel A) and year of training (Panel B) for the 11,575 firms that applied to the TWI program. In Panel A, *No=1* for firms that did not get any TWI intervention; J-I = 1 for firms that received the Job-Instructions training; J-R = 1 for firms that received the Job-Relations training; J-M = 1 for firms that received the Job-Methods training; Two = 1 for firms that received two trainings; All = 1 for firms that received all three trainings.

Figure 3: Pre-TWI Trends



Panel A: sales, log

Panel B: TFPR

Panel C: ROA, log

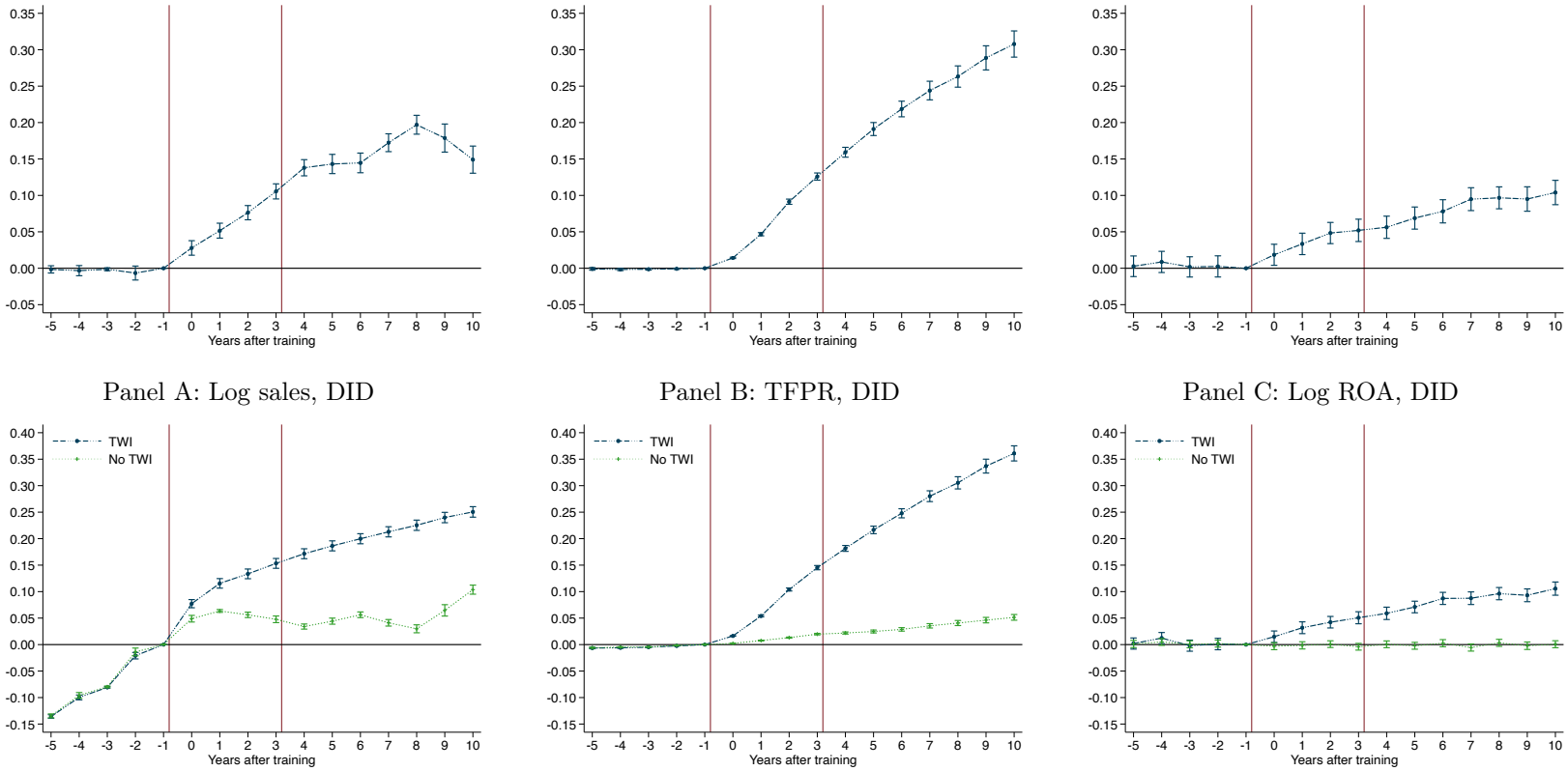
Panel D: sales, growth rate

Panel E: TFPR, growth rate

Panel F: ROA, growth rate

Notes. Coefficients of the interactions between the TWI dummy variable and pre-TWI period dummies. The omitted period is -1, one year before the TWI training. The distance from the TWI intervention for the nontrained firms is imputed using the distance from the TWI intervention of the first participating firm in the same subdistrict and application window. The dependent variables are: logged annual sales (Panel A), TFPR computed with the Ackerberg, Caves, and Frazer (2015) method (Panel B), logged return on assets (ROA), computed as the ratio between profits and fixed gross assets (Panel C), annual growth rate of sales (Panel D), annual growth rate of TFPR (Panel E), and annual growth rate of ROA (Panel F). The sample used for these graphs includes all 11,575 firms that applied to the TWI program. The vertical bars denote 95 percent confidence intervals. The standard errors are clustered at the level of subdistricts and application windows.

Figure 4: Effects of TWI Training on TFPR



Panel A: Log sales, DID

Panel B: TFPR, DID

Panel C: Log ROA, DID

Panel D: Log sales, Single Difference

Panel E: TFPR, Single Difference

Panel F: Log ROA, Single Difference

Notes. Panels A-C show difference-in-differences coefficients, while panels D-F show single-difference coefficients. These regressions also include fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. The distance from the TWI intervention for the nontreated firms is imputed using the distance from the TWI intervention of the first participating firm in the same subdistrict and application window. The dependent variables are log sales (Panels A and D), TFPR computed with the Ackerberg, Caves, and Frazer (2015) method (Panels B and D), log of return on assets (Panels C and F). The sample includes applicant firms that either received only one TWI training or no training at all. The vertical bars denote 95 percent confidence intervals. The first vertical red line identifies the beginning of the TWI program. The second vertical red line identifies the end of World War II for most applicant firms. The standard errors are clustered at the level of subdistricts and application windows.

Table 1: Summary Statistics for 11,575 Applicants to the TWI Program

	All Applicant Firms				Trained Firms	Nontrained Firms	Difference
	Mean	St. Dev.	Min	Max	Mean	Mean	*p*-value
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Data from annual financial statements in 1939							
Plants	6.08	1.90	3	14	6.09	6.07	0.588
Employees	1,038.32	378.53	543	11,283	1,036.99	1,039.77	0.686
Foundation year	1931	3.73	1912	1936	1930.96	1931.05	0.229
Agriculture	0.03	0.16	0	1	0.03	0.03	0.678
Manufacturing	0.86	0.34	0	1	0.86	0.86	0.746
Transportation	0.09	0.29	0	1	0.09	0.09	0.400
Services	0.02	0.14	0	1	0.02	0.02	0.624
Sales	191.78	77.12	75.74	2,506.72	191.27	192.34	0.444
Current assets	18.40	8.02	5.31	170.72	18.47	18.33	0.341
Total assets	64.45	25.79	23.03	900.89	64.40	64.51	0.808
TFPR	1.75	0.61	0.33	3.80	1.74	1.75	0.664
ROA	0.03	0.01	0.01	0.09	0.03	0.03	0.010
Inventory	15.37	6.24	5.21	181.02	15.36	15.38	0.854
Injuries	10.40	5.09	2.40	139.78	10.33	10.47	0.141
Repairs	15.37	7.26	4.04	226.42	15.28	15.48	0.134
Bonus payments	8.27	3.97	1.97	118.42	8.22	8.32	0.176
Panel B: Workforce data from replacement lists in 1941							
Share African-Americans	0.06	0.01	0.01	0.12	0.06	0.06	0.180
Share women	0.05	0.01	0.01	0.09	0.05	0.05	0.703
Years of education	8.51	1.36	5	12	8.50	8.52	0.457
Age of workforce	28.98	3.53	23	40	28.96	29.00	0.611
Panel C: WWII-related data from replacement lists and war contracts							
Share drafted employees (1942-1945)	0.23	0.03	0.13	0.33	0.23	0.23	0.180
Switched 3-digit SIC (1940-1945)	1	0	1	1	1	1	—
Switched 2-digit SIC (1940-1945)	0.57	0.50	0	1	0.57	0.57	0.556
Switched 1-digit SIC (1940-1945)	0.37	0.48	0	1	0.37	0.38	0.257
Number of contracts (1940-1945)	0.68	2.61	0	152	0.68	0.68	0.719
Value of contracts (1940-1945)	25.11	293.01	0	27,145.94	23.87	26.48	0.507

Notes. Summary statistics for 11,575 firms that applied to the TWI program. Column 7 shows the p-value of the difference between columns 5 and 6. Panel A includes variables from the firm's financial statements in 1939. *Plants* is the total number of plants per firm; *Employees* is the number of employees per firm; *Agriculture*, *Manufacturing*, *Transportation*, and *Services* are indicators that equal one if a firm operates in agriculture, manufacturing, transportation, or services, respectively; *Sales, Current assets, Total assets, Inventory, Injuries, Repairs, Bonus payments* are expressed in 2020 million USD; *TFPR* is the log of total factor productivity revenue, estimated using the method proposed by Ackerberg, Caves, and Frazer (2015); *ROA* is returns on assets, measured as profits over total assets. Panel B includes variables from the wartime replacement schedules in 1941. *Share African-Americans* is the share of African-American workers; *Share women* is the share of female workers; *Year of education* is the average years of formal education of the workforce; and *Age of workforce* is the average age of the workers. Panel C shows data on the firm exposure to WWII from either the replacement schedules and the war contracts. *Share drafted employees* is the share of employees drafted between 1942 and 1945; *Switched x-digit SIC* equals one if a firm's war products were in different x-digit 1939 SIC codes; *Number of contracts* is the yearly number of war contracts between 1940 and 1945; and *Value of contracts* is the yearly value of war contracts (in 2020 million USD).

Table 2: Correlation between Firm and County Characteristics and Training Received

	TWI	J-I	J-R	J-M	J-I and J-R	J-R and J-M	J-I and J-M	All
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Regressions of training variables on firm characteristics in period -1								
p-value of joint significance	0.36	0.85	0.70	0.54	0.92	0.50	0.77	0.66
Observations	11,571	11,571	11,571	11,571	11,571	11,571	11,571	11,571
Panel B: Regressions of training variables on county characteristics in year 1940								
p-value of joint significance	0.48	0.25	0.36	0.21	0.45	0.47	0.86	0.51
Observations	11,034	11,034	11,034	11,034	11,034	11,034	11,034	11,034
Panel C: Regressions of training variables on county characteristics in year 1930								
p-value of joint significance	0.08	0.44	0.26	0.34	0.07	0.14	0.69	0.66
Observations	11,148	11,148	11,148	11,148	11,148	11,148	11,148	11,148
Panel D: Regressions of training variables on county characteristics in year 1920								
p-value of joint significance	0.45	0.32	0.32	0.35	0.15	0.46	0.68	0.50
Observations	11,160	11,160	11,160	11,160	11,160	11,160	11,160	11,160

Notes. Panel A shows the p-value of the test of joint significance of the coefficients of fifteen firm characteristics observed in period -1. The variables are: the logs of sales, value added, number of employees, number of plants, foundation year, the value of inventory, capital, current assets, investments, number of workers' strikes, monetary compensation for workers' injuries, performance-based bonus payments, number of subsidiaries, as well as distance to the nearest railroad station and distance to the nearest port. The regressions also include fixed effects for county-sector pairs, the application window, and the number of days between the opening of the window and the firm application. Panels B, C, and D show the p-value of the test of joint significance of the coefficients of several county characteristics measured in 1940, 1930, and 1920, respectively. The county-level variables are imputed to firms based on their location. These regressions include: log population, log of the manufacturing value added, log number of manufacturing establishments, log number of manufacturing employees, log average manufacturing wage, log total expenses in manufacturing, log value of manufacturing production, farms per capita, unemployment share (available only in 1930 and 1940), population per square mile, share of male residents, share of black population, share of urban population, share of illiterate population (available only in 1920 and 1930). County data are from IPUMS NHGIS, www.nhgis.org. The regressions also include fixed effects for subdistrict-sector pairs, the application window, and the number of days between the opening of the window and the firm application. Standard errors are clustered at the subdistrict-application window level.

Table 3: Adoption of Managerial Practices

	Log repairs (1)	Log maintenance (2)	Log injuries (3)	Log bonus (4)	Log strikes (5)	Prob training (6)	Log inventory (7)	Log product lines (8)	Prob marketing (9)
J-I x Period 1	-0.010***	0.005***	-0.020**	-0.000	0.000	-0.001	-0.010	0.002	-0.001
	(0.000)	(0.000)	(0.010)	(0.000)	(0.001)	(0.001)	(0.011)	(0.003)	(0.001)
J-I x Period 5	-0.033***	0.014***	-0.043***	-0.000	0.006***	-0.051***	0.007	-0.002	-0.028***
	(0.001)	(0.001)	(0.010)	(0.000)	(0.002)	(0.006)	(0.010)	(0.004)	(0.005)
J-I x Period 10	-0.057***	0.025***	-0.064***	0.000	0.030***	-0.062***	0.008	-0.004	-0.064***
	(0.001)	(0.001)	(0.011)	(0.000)	(0.004)	(0.006)	(0.012)	(0.005)	(0.007)
J-R x Period 1	-0.000	0.000	0.004	0.414***	-0.000	0.043***	-0.005	0.002	0.001*
	(0.000)	(0.000)	(0.010)	(0.000)	(0.000)	(0.010)	(0.011)	(0.002)	(0.001)
J-R x Period 5	-0.000	0.000	0.011	0.431***	-0.268***	0.628***	0.008	-0.001	-0.023***
	(0.000)	(0.000)	(0.010)	(0.000)	(0.006)	(0.025)	(0.010)	(0.004)	(0.004)
J-R x Period 10	-0.000	-0.000	-0.000	0.459***	-0.268***	0.927***	0.033***	-0.000	-0.061***
	(0.000)	(0.000)	(0.009)	(0.001)	(0.006)	(0.008)	(0.010)	(0.005)	(0.006)
J-M x Period 1	0.000	0.000	-0.001	0.000	0.000	0.001	-0.015***	0.015***	0.043***
	(0.000)	(0.000)	(0.010)	(0.000)	(0.000)	(0.001)	(0.005)	(0.004)	(0.010)
J-M x Period 5	-0.000	0.000	0.001	-0.000	0.007***	-0.038***	-0.071***	0.538***	0.661***
	(0.000)	(0.000)	(0.009)	(0.000)	(0.002)	(0.005)	(0.006)	(0.009)	(0.024)
J-M x Period 10	-0.000	0.000	0.006	-0.000	0.013***	-0.062***	-0.100***	0.606***	0.930***
	(0.000)	(0.000)	(0.009)	(0.000)	(0.002)	(0.006)	(0.007)	(0.009)	(0.008)
Observations	67,472	67,472	67,472	67,472	67,472	67,472	67,472	67,472	67,472
R^2	0.142	0.131	0.141	0.170	0.165	0.559	0.406	0.445	0.648

Notes: This table shows the coefficients of the interactions between the training variables and three selected period dummies (out of 15 period dummies included). The omitted period is the year before the TWI training (period -1). The distance from the TWI intervention for the nontreated firms is imputed using the distance from the TWI intervention of the first participating firm in the same subdistrict and application window. All the dependent variables are logged with the exception of two dummy variables that measure whether firms reported expenditures for on-the-job training (column 6; mean=0.06) or for marketing activities (column 9; mean=0.05). The regressions also include the treatment variables in isolation, as well as fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. The sample includes applicant firms that either received only one TWI training or no training at all. Standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

Table 4: Effects on Upstream and Downstream Firms

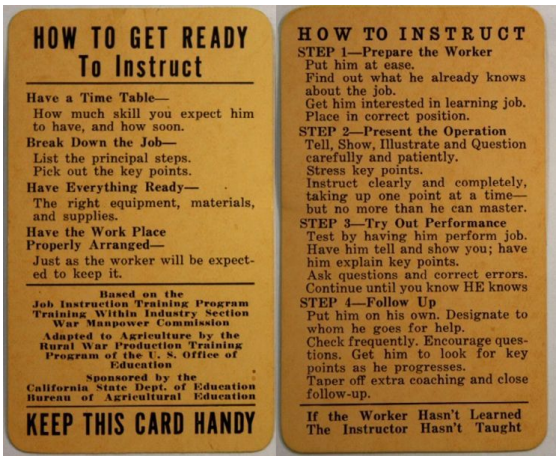
	Firms in supply chain before TWI			Firms entering supply chain after TWI		
	J-I x Post	J-R x Post	J-M x Post	J-I x Post	J-R x Post	J-M x Post
	(1)	(2)	(3)	(4)	(5)	(6)
Log sales	-0.001	0.009	0.005	-0.003	-0.001	-0.001
	(0.011)	(0.012)	(0.012)	(0.004)	(0.004)	(0.003)
TFPR	0.076***	0.055**	0.060***	0.032**	0.052***	0.058***
	(0.027)	(0.025)	(0.016)	(0.014)	(0.015)	(0.012)
Log repairs	0.048	0.033	0.026	-0.014	-0.006	0.003
	(0.065)	(0.056)	(0.046)	(0.042)	(0.038)	(0.039)
Log maintenance	-0.017	-0.134**	0.025	-0.021	-0.039	-0.038
	(0.074)	(0.053)	(0.058)	(0.108)	(0.083)	(0.110)
Log injuries	0.050	0.011	0.018	-0.031	-0.081	-0.025
	(0.066)	(0.053)	(0.052)	(0.072)	(0.066)	(0.052)
Log bonus	0.018	0.046	0.089	0.036	0.021	-0.002
	(0.035)	(0.039)	(0.054)	(0.060)	(0.057)	(0.053)
Log strikes	0.026	-0.143**	0.034	-0.006	-0.127**	-0.019
	(0.059)	(0.063)	(0.037)	(0.038)	(0.053)	(0.050)
Prob training	-0.052*	0.431***	-0.035*	-0.040	0.536***	-0.029
	(0.027)	(0.082)	(0.020)	(0.052)	(0.062)	(0.036)
Log inventory	-0.025	-0.022	-0.413***	-0.080**	-0.027	-0.523***
	(0.044)	(0.021)	(0.093)	(0.032)	(0.038)	(0.110)
Log product lines	-0.013	0.027	-0.004	-0.037	-0.010	0.069***
	(0.035)	(0.025)	(0.024)	(0.030)	(0.034)	(0.022)
Prob marketing	-0.023	-0.038*	0.346***	0.011	-0.008	0.464***
	(0.017)	(0.019)	(0.057)	(0.02)	(0.013)	(0.048)

Notes. The sample used for this table includes 1,816 upstream and downstream firms linked to 1,572 firms that applied to the TWI program. Each row shows the coefficients of the interactions between the training variables and period dummies from a different regression. In these difference-in-differences specifications, the treatment effects measure the difference between firms linked to applicants that received a certain form of management training and firms linked to applicants that did not receive any training, and between each year and the year just before the implementation of the TWI program (period -1). These regressions also include the training variables in isolation, as well as fixed effects for county-sector-period combinations, the application window of the applicant firm, and the number of days between the opening of the window and the firm application. The distance from the TWI intervention is imputed using the distance from the TWI program of the applicant firm with which the upstream/downstream firm has a contractual relationship. If an upstream/downstream firm joins the supply chain of an applicant firm after the latter received the TWI program, period 0 identifies the year of entry in the supply chain. The training variables are: J-I = 1 for firms linked to applicants that received the Job-Instructions training; J-R = 1 for firms linked to applicants that received the Job-Relations training; J-M = 1 for firms linked to applicants that received the Job-Methods training. Standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

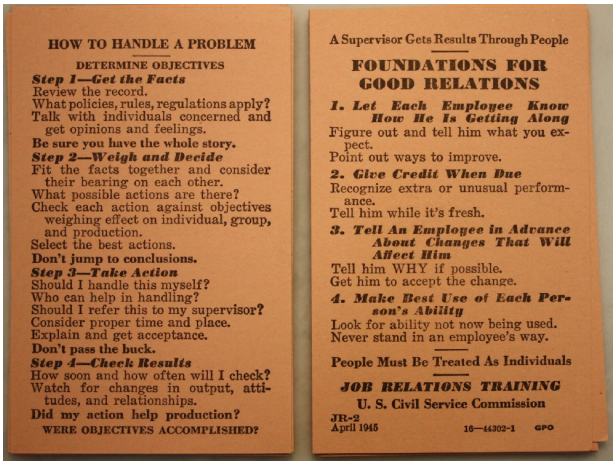
Online Appendix

A Additional Figures and Tables

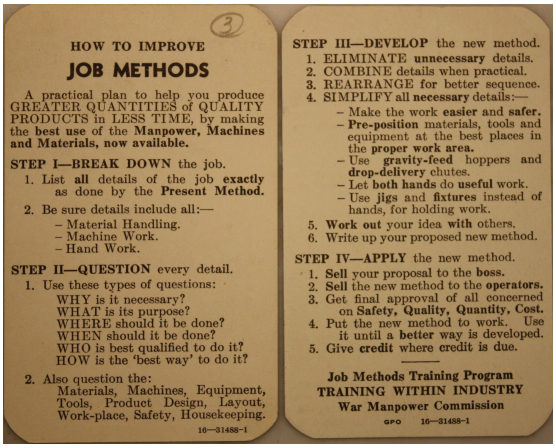
Figure A.1: Instruction Cards for Each J-Module



Panel A: Job Instruction



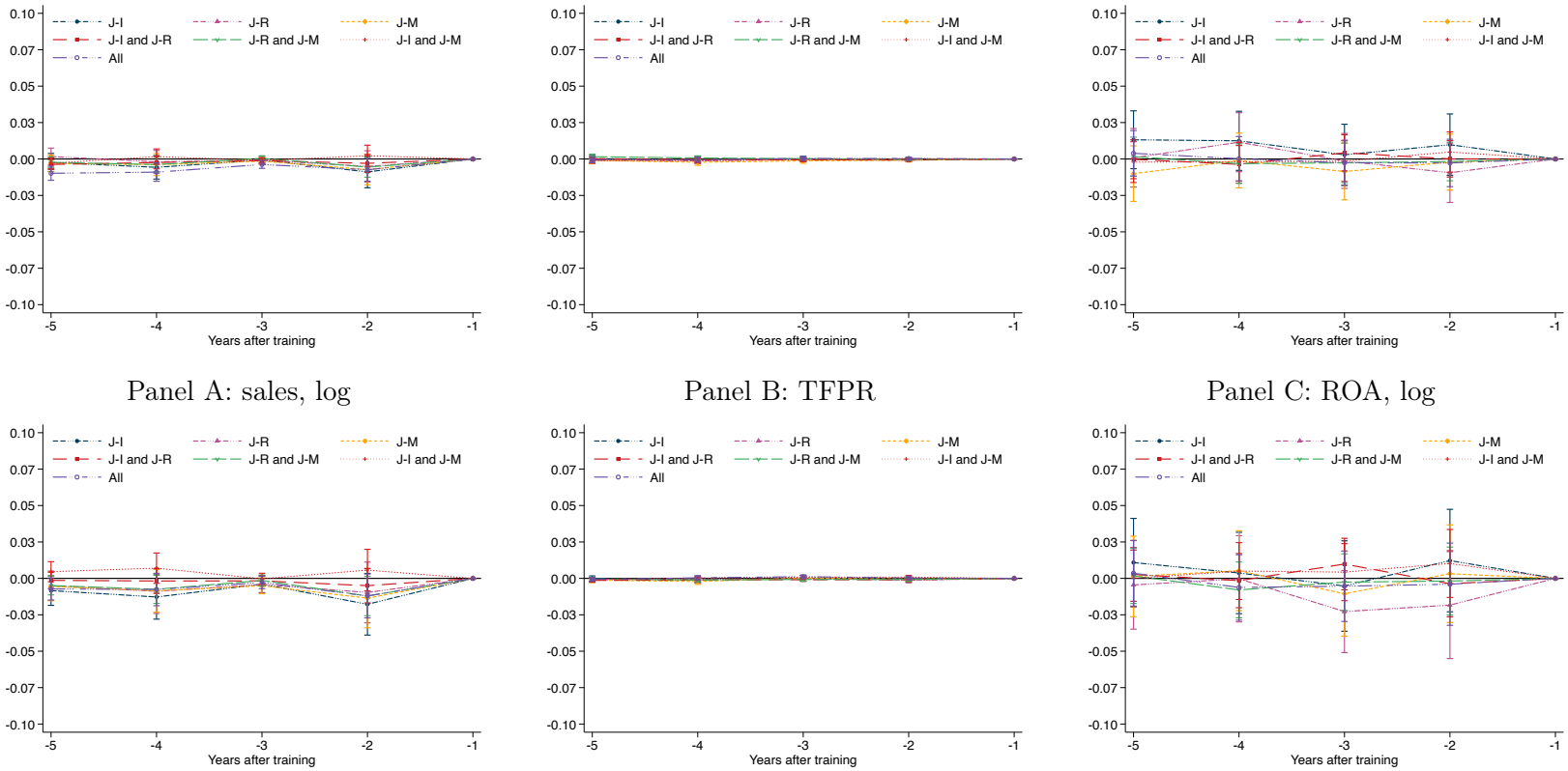
Panel B: Job Relations



Panel C: Job Methods

Notes. The TWI training was designed to be simple and immediately usable. To emphasize these features, the TWI administration prepared instruction cards for each J-Module that trained supervisors could keep in their pockets while they were working. These instruction cards reported the main 4 steps (and their sub-steps) that characterized each module. It is important to note that these 4 "theoretical" steps did not constitute the entirety of the TWI trainings. A large portion of the class time was dedicated to in-class student presentations on how to apply TWI concepts in their firms.

Figure A.2: Pre-TWI Trends For Different Types of TWI Training



Panel A: sales, log

Panel B: TFPR

Panel C: ROA, log

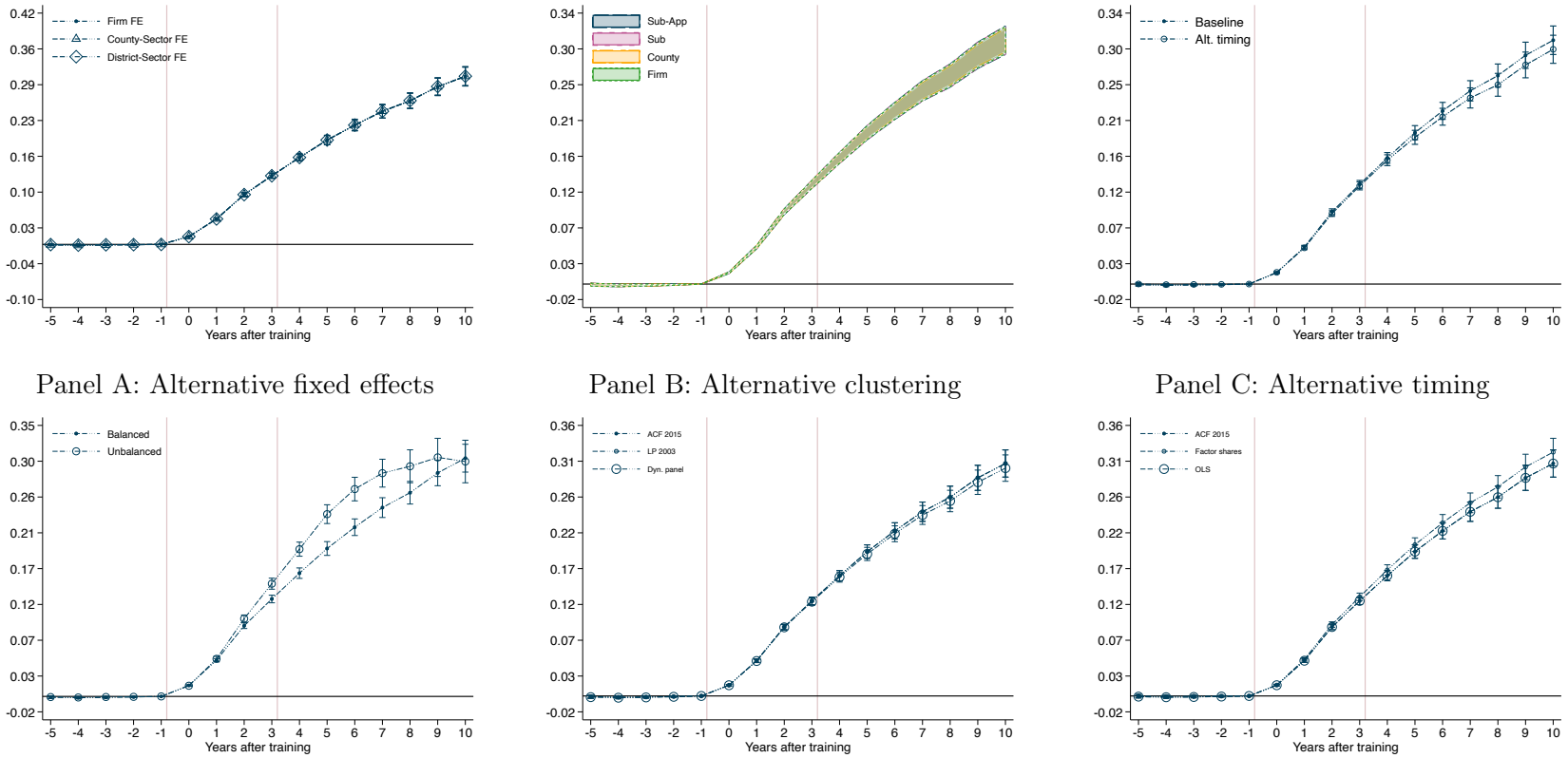
Panel D: sales, growth rate

Panel E: TFPR, growth rate

Panel F: ROA, growth rate

Notes. Coefficients of the interactions between all the different training variables and pre-TWI period dummies. The omitted period is -1, one year before the TWI training. The distance from the TWI intervention for the nontrained firms is imputed using the distance from the TWI intervention of the first participating firm in the same subdistrict and application window. The dependent variables are: logged annual sales (Panel A), TFPR computed with the Ackerberg, Caves, and Frazer (2015) method (Panel B), logged return on assets (ROA), computed as the ratio between profits and fixed gross assets (Panel C), annual growth rate of sales (Panel D), annual growth rate of TFPR (Panel E), and annual growth rate of ROA (Panel F). The sample used for these graphs includes all 11,575 firms that applied to the TWI program. The vertical bars denote 95 percent confidence intervals. The standard errors are clustered at the level of subdistricts and application windows.

Figure A.3: Robustness Checks on the Effects on TFPR



Panel A: Alternative fixed effects

Panel B: Alternative clustering

Panel C: Alternative timing

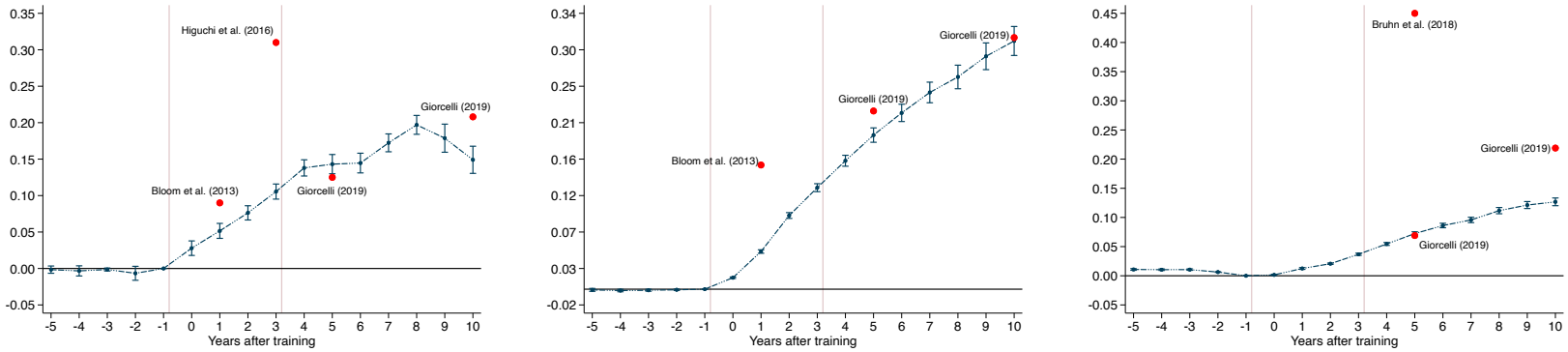
Panel D: Unbalanced sample

Panel E: Alternative TFPR Estimation (1)

Panel F: Alternative TFPR Estimation (1)

Notes. In all panels, the dependent variable is the TFPR, estimated using the Ackerberg, Caves, and Frazer (2015) method. Panel A shows treatment effects including firm fixed effects or district-sector-time fixed effects, instead of county-sector-time fixed effects. Panel B shows the effect of clustering the standard errors at the subdistrict, county, or firm level, instead of at the level of subdistricts and application windows. In panel C, the distance from the TWI intervention for the nontrained firms is imputed using the distance from the TWI intervention of the last, instead of the first, trained firm in the same subdistrict and application window. Panel D shows the the effect of using an unbalanced sample, allowing for firm exit and entry. Panels E and D use alternative methodologies to compute TFPR.

Figure A.4: Comparison with Effect Sizes in the Literature



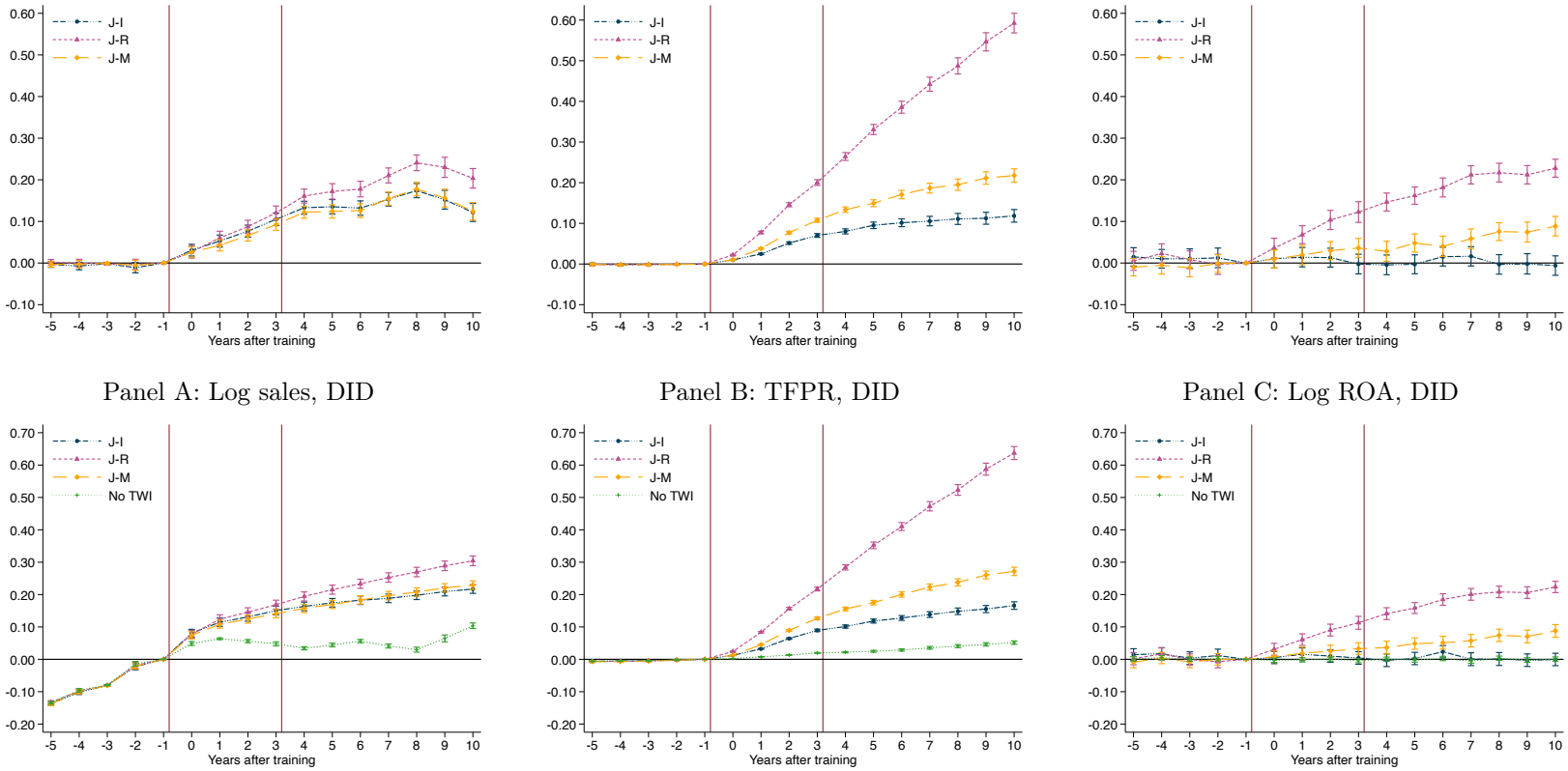
Panel A: Log sales

Panel B: TFPR

Panel C: Employees

Notes. Bloom et al. (2013) show results on output, instead of sales, and TFP, instead of TFPR.

Figure A.5: Effects of Different J-Modules on Firm Performance



Panel A: Log sales, DID

Panel B: TFPR, DID

Panel C: Log ROA, DID

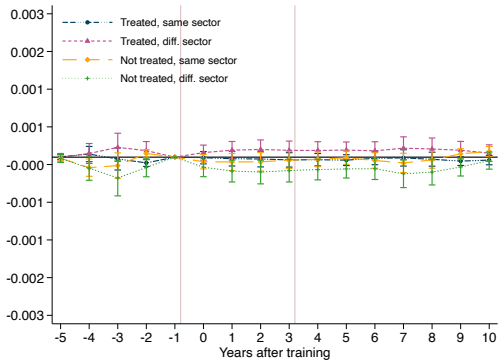
Panel D: Log sales, Single Difference

Panel E: TFPR, Single Difference

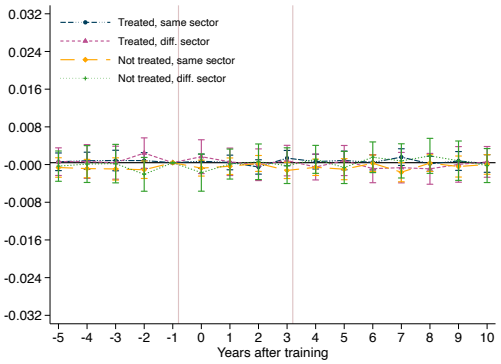
Panel F: Log ROA, Single Difference

Notes. Panels A-C show difference-in-differences coefficients, while panels D-F show single-difference coefficients. These regressions also include fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. The distance from the TWI intervention for the nontreated firms is imputed using the distance from the TWI intervention of the first participating firm in the same subdistrict and application window. The dependent variables are log sales (Panels A and D), TFPR computed with the Ackerberg, Caves, and Frazer (2015) method (Panels B and D), log of return on assets (Panels C and F). The sample includes applicant firms that either received only one TWI training or no training at all. The vertical bars denote 95 percent confidence intervals. The first vertical red line identifies the beginning of the TWI program. The second vertical red line identifies the end of World War II for most applicant firms. The standard errors are clustered at the level of subdistricts and application windows.

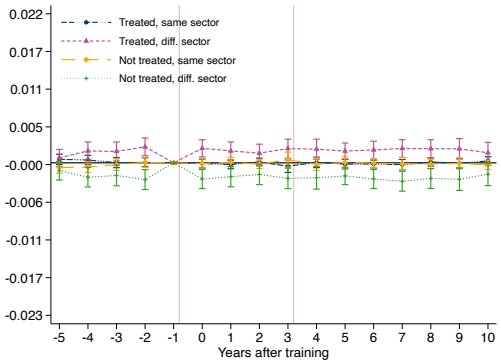
Figure A.6: Horizontal Spillovers



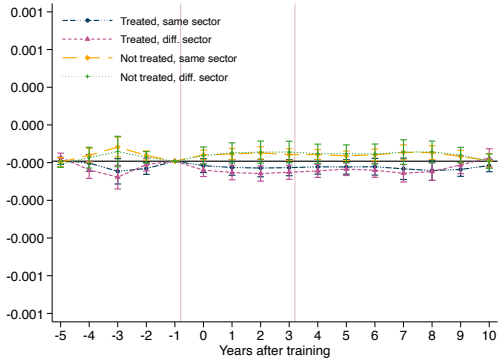
Panel A: Sales, # nearby applicants



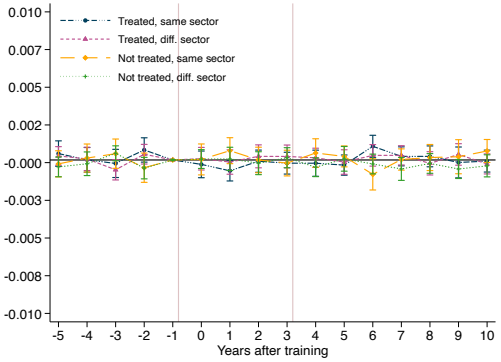
Panel B: TFPR, # nearby applicants



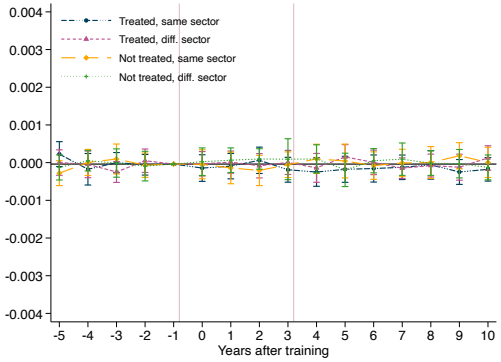
Panel C: ROA, # nearby applicants



Panel D: Sales, distance to applicants



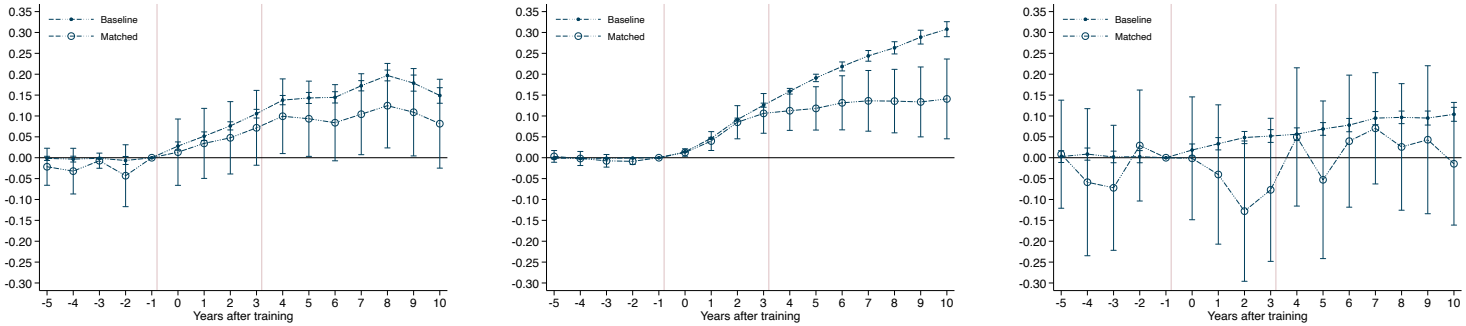
Panel E: TFPR, distance to applicants



Panel F: ROA, distance to applicants

Notes. The sample used for these graphs includes 11,536 war contractors that did not apply to the TWI program and for which we found financial statements (out of 13,818 total nonapplicants). In panels A-C, the coefficients shown are the interactions between the log number of applicants in the area and period dummies. The number of applicants is divided between trained and nontrained firms and between firms in the same or different sector (agriculture, manufacturing, transportation, or services). Panels D-F use the log of the average distance from applicant firms, instead of the log number of firms. In order to compute the number of nearby applicant firms and their average distance to nonapplicant firms, we divided the 364 subdistricts into 52 groups of 7 adjacent subdistricts. Period 0 coincides with the modal treatment year within each of the 52 groups of subdistricts. All regressions also include firm fixed effects. The standard errors are clustered at the subdistrict level.

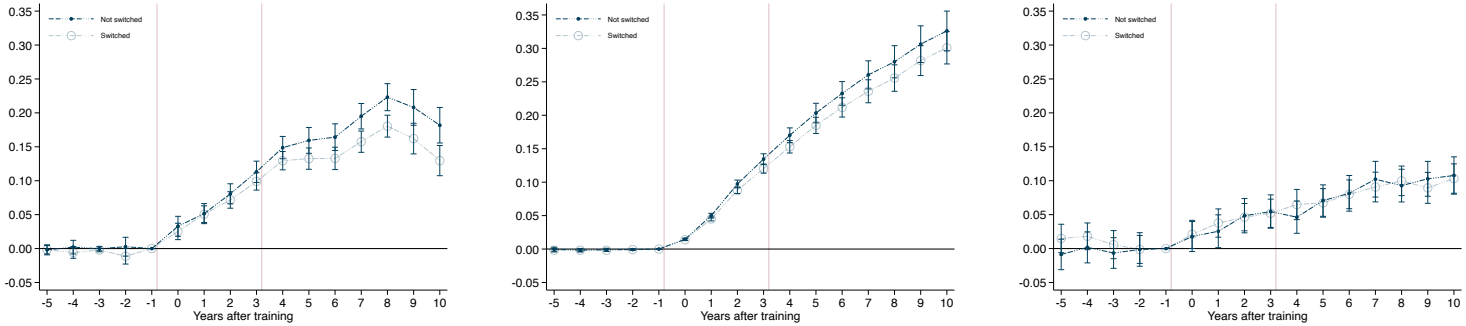
Figure A.7: Effects of TWI Training on Matched Sample



Panel A: Log sales Panel B: TFPR Panel C: Log ROA

Notes. These graphs replicate the estimation shown in Figure 4 on a smaller sample of applicant firms matched to nonapplicants based on their characteristics in 1939. The matching was based on propensity scores, using a nearest-neighbor algorithm without replacement. The variables used for the matching were the number of plants and employees in 1939, sales and TFPR in 1939, distance from the nearest port and railroad station, and sector. The standard errors are clustered at the level of subdistricts and application windows.

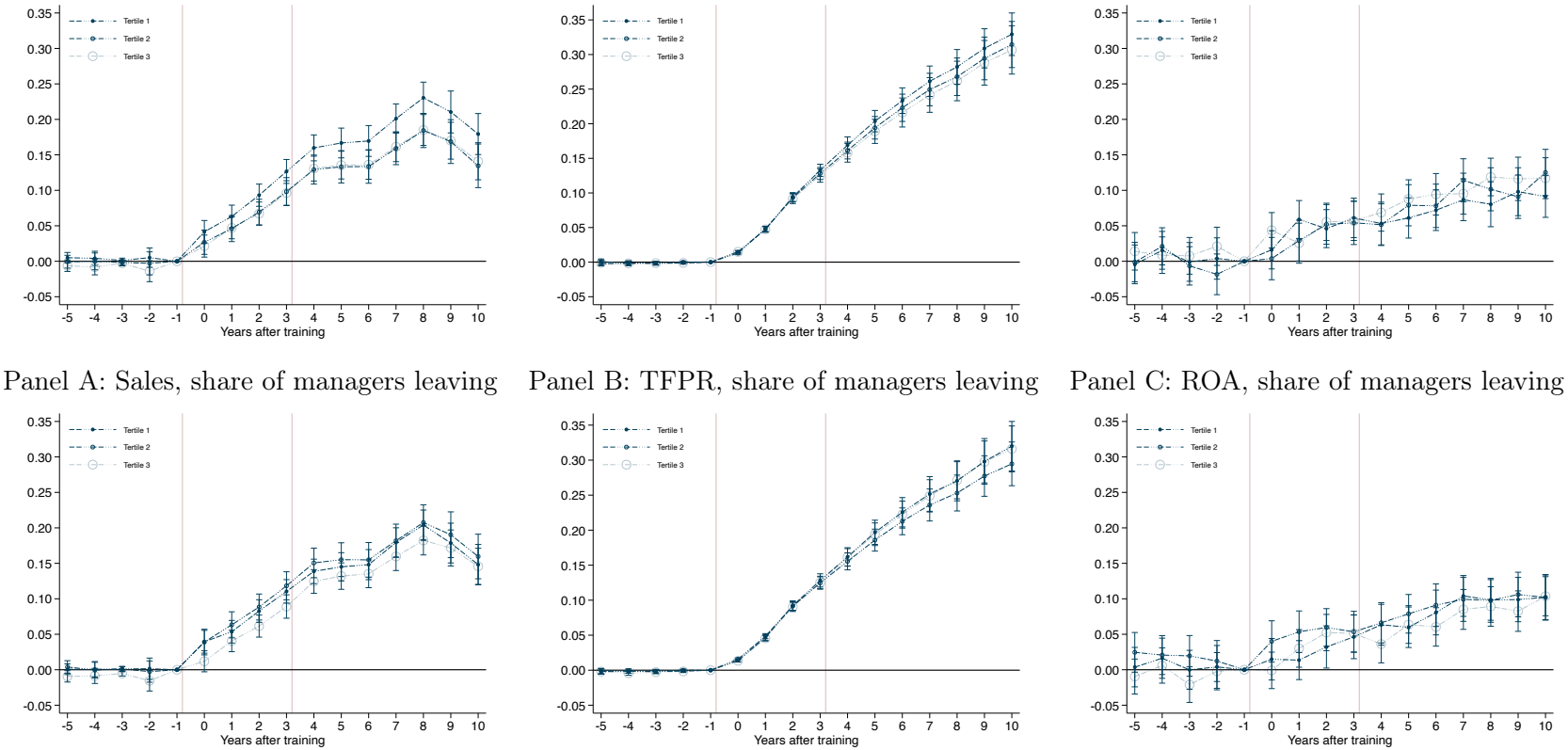
Figure A.8: Change in Status Quo, Switching to War Production



Panel A: Log sales Panel B: TFPR Panel C: Log ROA

Notes. These graphs show the interactions between the training variables and the period dummies distinguishing between firms that did or did not switch production during World War II. Specifically, *Switched 2-digit SIC* equals one if a firm's war products were in different 2-digit 1939 SIC codes. The standard errors are clustered at the level of subdistricts and application windows.

Figure A.9: Loss of Human Capital



Panel A: Sales, share of managers leaving

Panel B: TFPR, share of managers leaving

Panel C: ROA, share of managers leaving

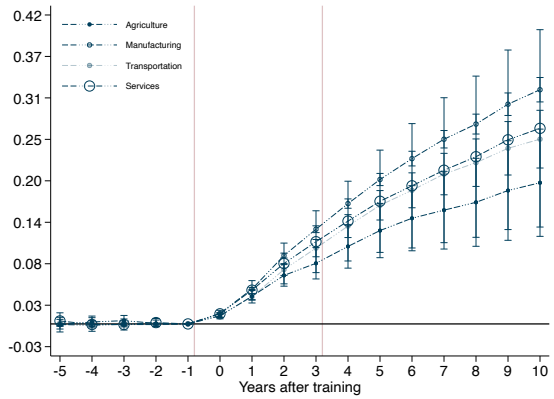
Panel D: Sales, share of drafted workers

Panel E: TFPR, share of drafted workers

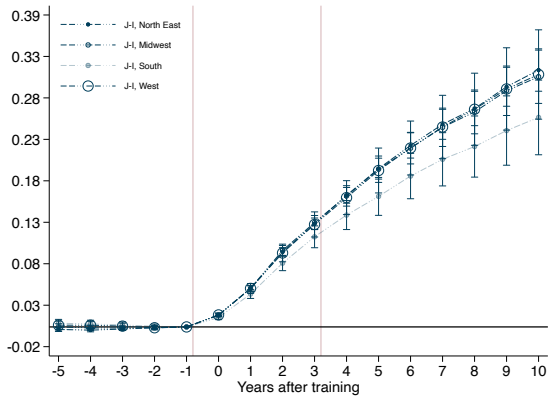
Panel F: ROA, share of drafted workers

Notes. Panels A to C show the treatment effects estimated separately by tertiles of the share of top managers leaving the firm by 1955. To compute this variable, we compare the list of top executives in 1955 (or last year in which a firm is observed) to the list of top executives in period 0, the year of the TWI training. Panels D to F show the treatment effects estimated separately by tertiles of the share of employees drafted during World War II. All regressions include the training variable in isolation, as well as fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. The standard errors are clustered at the level of subdistricts and application windows.

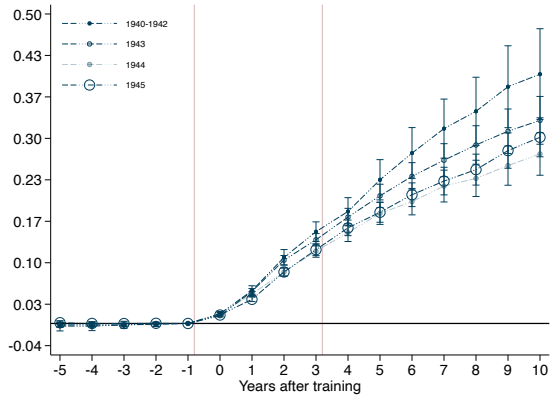
Figure A.10: Heterogeneous Effects by Sector, Region, Treatment Year, and Firm Size



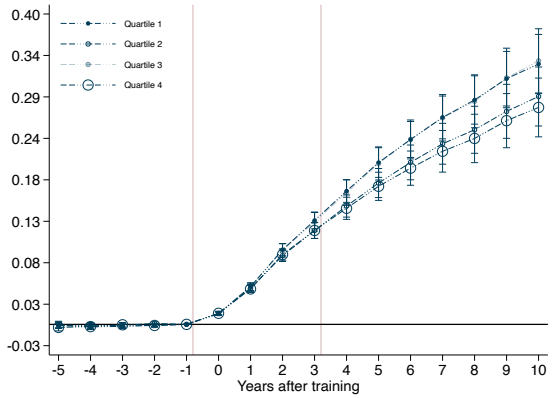
Panel A: Sectors



Panel B: Regions



Panel C: Treatment years



Panel D: Firm size

Notes. In all panels, the dependent variable is the log of TFPR, estimated using the Ackerberg, Caves, and Frazer (2015) method. Panel A shows the treatment effects estimated separately by sector. Panel B shows the treatment effects estimated separately by US Census Bureau regions. Panel C shows the treatment effects estimated separately by training year. Panel D shows the treatment effects estimated separately by quartile of workforce size in period -1. All regressions also include fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. The standard errors are clustered at the level of subdistricts and application windows.

Table A.1: List of 22 TWI Districts

District Name	States	Main Office Location
1) Upper New England	Maine; Massachusetts; Vermont; New Hampshire	Boston
2) Lower New England	Connecticut; Rhode Island	New Haven
3) Upstate New York	New York state (excluding Metropolitan New York)	New York
4) Metropolitan New York	Metropolitan New York	New York
5) New Jersey	New Jersey	Newark
6) Eastern Pennsylvania; Delaware	Eastern Pennsylvania; Delaware	Philadelphia
7) Maryland	Maryland	Baltimore
8) Atlantic Central	Virginia; North Carolina; South Carolina	Raleigh
9) South-Eastern States	Georgia; Florida; Alabama; Mississippi; Central and Eastern Tennessee	Atlanta
10) Ohio Valley	Southern Ohio; Southern West Virginia, Kentucky	Cincinnati
11) Western Pennsylvania	Western Pennsylvania (except Erie County); Norther West Virginia	Pittsburgh
12) Northern Ohio	Northern Ohio (expect Lucas County); Erie County (PA)	Cleveland
13) Michigan	Michigan; Lucas County (OH)	Detroit
14) Indiana	Indiana (except Lake and Porter Counties)	Indianapolis
15) Illinois	Illinois (except three counties adjacent to St. Louis, MO); South Wisconsin; Lake and Porter Counties (IN)	Chicago
16) North-Central States	North Wisconsin; Minnesota; North Dakota; South Dakota; Iowa; Nebraska	Minneapolis
17) South-Central States	Missouri; Kansas; Oklahoma; Arkansas; Western Tennessee; Madison, St. Clair, Monroe Counties (IL)	St. Louis
18) Gulf District	Texas; Louisiana	Houston
19) Mountain District	Colorado; Wyoming	Denver
20) Pacific Southwest	Southern California; Arizona; New Mexico	Los Angeles
21) Pacific Central	Northern California; Nevada; Utah	San Francisco
22) Pacific Northwest	Washington; Oregon; Idaho; Montana	Seattle

Notes. List of the 22 TWI districts with their headquarters location.

Table A.2: Balancing Tests for Applicant Firms By Treatment Year

	TWI	J-I	J-R	J-M	J-I and J-R	J-R and J-M	J-I and J-M	All
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: p-value of joint significance from regressions of training variables on firm characteristics in period -1								
Training in 1940-1942	0.36	0.97	0.41	0.60	0.41	0.77	0.40	0.85
Training in 1943	0.69	0.88	0.57	0.61	0.66	0.73	0.68	0.74
Training in 1944	0.08	0.56	0.46	0.39	0.95	0.35	0.81	0.48
Training in 1945	0.25	0.88	0.92	0.89	0.80	0.50	0.81	0.46
Panel B: p-value of joint significance from regressions of training variables on county characteristics in year 1940								
Training in 1940-1942	0.97	0.62	0.05	0.61	0.79	0.09	0.13	0.82
Training in 1943	0.02	0.51	0.38	0.07	0.55	0.67	0.17	0.12
Training in 1944	0.50	0.34	0.55	0.13	0.80	0.44	0.63	0.84
Training in 1945	0.15	0.95	0.84	0.52	0.84	0.22	0.14	0.18
Panel C: p-value of joint significance from regressions of training variables on county characteristics in year 1930								
Training in 1940-1942	0.82	0.70	0.04	0.79	0.87	0.27	0.05	0.67
Training in 1943	0.01	0.64	0.18	0.09	0.39	0.38	0.55	0.06
Training in 1944	0.68	0.32	0.42	0.06	0.45	0.73	0.86	0.84
Training in 1945	0.32	0.64	0.64	0.91	0.41	0.07	0.06	0.79
Panel D: p-value of joint significance from regressions of training variables on county characteristics in year 1920								
Training in 1940-1942	0.94	0.67	0.04	0.74	0.39	0.21	0.46	0.71
Training in 1943	0.14	0.50	0.21	0.02	0.49	0.39	0.39	0.14
Training in 1944	0.78	0.03	0.77	0.35	0.80	0.95	0.39	0.82
Training in 1945	0.19	0.70	0.60	0.70	0.36	0.34	0.14	0.27

Notes. Panel A shows the p-value of the test of joint significance of the coefficients of fifteen firm characteristics observed in period -1, distinguishing by training year. The variables are: the logs of sales, value added, number of employees, number of plants, foundation year, the value of inventory, capital, current assets, investments, number of workers' strikes, monetary compensation for workers' injuries, performance-based bonus payments, number of subsidiaries, as well as distance to the nearest railroad station and distance to the nearest port. The regressions also include fixed effects for county-sector pairs, the application window, and the number of days between the opening of the window and the firm application. Panels B, C, and D show the p-value of the test of joint significance of the coefficients of several county characteristics measured in 1940, 1930, and 1920, distinguishing by training year. The county-level variables are imputed to firms based on their location. These regressions include: log population, log of the manufacturing value added, log number of manufacturing establishments, log number of manufacturing employees, log average manufacturing wage, log total expenses in manufacturing, log value of manufacturing production, farms per capita, unemployment share (available only in 1930 and 1940), population per square mile, share of male residents, share of black population, share of urban population, share of illiterate population (available only in 1920 and 1930). County data are from IPUMS NHGIS, www.nhgis.org. The regressions also include fixed effects for subdistrict-sector pairs, the application window, and the number of days between the opening of the window and the firm application. Standard errors are clustered at the subdistrict-application window level.

Table A.3: Autocorrelation of the TWI Trainings

	TWI_t	J-I_t	J-R_t	J-M_t	J-I and J-R_t	J-I and J-M_t	J-R and J-M_t	All_t
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TWI_{t-1}	0.028							
	(0.022)							
J-I_{t-1}		0.039						
		(0.028)						
J-R_{t-1}			-0.020**					
			(0.010)					
J-M_{t-1}				0.007				
				(0.028)				
J-I and J-R_{t-1}					0.002			
					(0.023)			
J-I and J-M_{t-1}						0.001		
						(0.022)		
J-R and J-M_{t-1}							0.007	
							(0.019)	
All_{t-1}								0.017
								(0.024)
Observations	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873
R^2	0.001	0.002	0.001	0.001	0.001	0.001	0.001	0.001

Notes. This table shows the autocorrelation between the current and past share of firms that received different types of TWI trainings. The unit of observation is one of 364 subdistricts and one of 10 application windows. The standard errors are clustered at the subdistrict level. *** p<0.01, ** p<0.05, * p<0.1.

Table A.4: Changes in Firm Structure

	Log plants	Log employees	Log managers	Log subsidiaries	Log investment
	(1)	(2)	(3)	(4)	(5)
TWI x Period 1	0.0012***	0.0125***	0.0121	-0.0093	0.0620**
	(0.0003)	(0.0008)	(0.0080)	(0.0087)	(0.0263)
TWI x Period 5	0.0257***	0.0723***	0.0503***	0.0161*	0.1551***
	(0.0018)	(0.0016)	(0.0078)	(0.0089)	(0.0254)
TWI x Period 10	0.0622***	0.1268***	0.1084***	0.0496***	0.1678***
	(0.0030)	(0.0034)	(0.0083)	(0.0096)	(0.0278)
Observations	67,472	67,472	67,472	67,472	67,472
R^2	0.1443	0.1504	0.1416	0.1358	0.1493

Notes. This table shows the coefficients of the interactions between the training variable and three selected period dummies (out of 15 period dummies included). The omitted period is the year before the TWI training (period -1).The distance from the TWI intervention for the nontreated firms is imputed using the distance from the TWI intervention of the first participating firm in the same subdistrict and application window. The sample includes applicant firms that either received only one TWI training or no training at all. The standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

Table A.5: Effects of TWI Training on Responses to TWI Surveys

	J-I		J-R		J-M	
	Period 0	Period 3	Period 0	Period 3	Period 0	Period 3
	(1)	(2)	(3)	(4)	(5)	(6)
(1) Log machine repairs	-0.089***	-0.357***	0.053***	0.216***	0.053***	0.219***
	(0.001)	(0.006)	(0.001)	(0.004)	(0.001)	(0.004)
(2) Log workers' injuries	0.029***	0.118***	0.125***	0.029***	0.030***	0.121***
	(0.001)	(0.004)	(0.004)	(0.001)	(0.000)	(0.005)
(3) Register causes of breakdown	0.877***	0.877***	-0.019***	-0.018***	-0.020***	-0.016***
	(0.009)	(0.020)	(0.006)	(0.007)	(0.007)	(0.006)
(4) Job description for managers	0.001	0.001	0.876***	0.875***	-0.002	-0.002
	(0.001)	(0.002)	(0.006)	(0.019)	(0.002)	(0.003)
(5) Job description for workers	-0.019***	-0.020**	0.838***	0.826***	-0.015***	-0.014**
	(0.007)	(0.008)	(0.008)	(0.021)	(0.005)	(0.006)
(6) Training for workers	-0.025***	-0.030***	0.875***	0.875***	-0.015***	-0.013**
	(0.007)	(0.009)	(0.008)	(0.017)	(0.005)	(0.006)
(7) Bonus payment scheme	-0.008*	-0.009	0.897***	0.902***	-0.007*	-0.006
	(0.004)	(0.006)	(0.006)	(0.015)	(0.004)	(0.004)
(8) Suggestions from workers	0.001	-0.002	0.563***	0.552***	-0.002	-0.003
	(0.001)	(0.003)	(0.010)	(0.026)	(0.002)	(0.004)
(9) Log unused input	0.039***	0.157***	0.039***	0.158***	-0.089***	-0.348***
	(0.001)	(0.004)	(0.001)	(0.004)	(0.000)	(0.004)
(10) Production planning	-0.027***	-0.032***	-0.018**	-0.019**	0.823***	0.827***
	(0.008)	(0.009)	(0.007)	(0.008)	(0.009)	(0.023)
(11) Marketing	-0.008*	-0.007	-0.002	-0.001	0.840***	0.828***
	(0.004)	(0.006)	(0.002)	(0.003)	(0.008)	(0.020)
Observations	28,947	28,947	28,947	28,947	28,947	28,947

Notes. The data used in this table come from the surveys administered by the TWI administration only to firms that received at least one training. The responses were collected before the training, three months after the training, and then each year until 1945. Each row represents a separate regression whose dependent variable is one of the 11 management practices listed in the first column. The estimates are coefficients that measure the difference between each period and the period just before the implementation of the TWI program (period -1), separately for each TWI training. The regressions also include the coefficients for period 1 and 2, the treatment variables in isolation, as well as fixed effects for county-sector pairs, the application window, and the number of days between the opening of the window and the firm application. Three dependent variables are continuous and transformed in logs: the number of machine repairs (1); the number of workers' injuries (2); and the value of unused input in the inventory (9). The other eight variables are dummies equal to 1 if the firm was implementing a given management practice: keeping records of machine breakdowns (3); providing clear list of tasks and expectations to managers (4) and workers (5); offering on-the-job training (6); implementing bonus payment schemes (7); allowing workers to provide suggestions (8); using formal production planning (10); having a formal marketing unit (11). Standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

Table A.6: Complementarity Effects on Managerial Practices

	Log repairs	Log maintenance	Log injuries	Log bonus	Log strikes	Prob training	Log inventory	Log product lines	Prob marketing
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
J-I x Post	-0.038***	0.014***	-0.037***	-0.002	0.009***	-0.035***	0.009**	0.001	-0.026***
	(0.003)	(0.002)	(0.005)	(0.003)	(0.002)	(0.003)	(0.004)	(0.004)	(0.003)
J-R x Post	-0.001	-0.001	-0.004	0.390***	-0.194***	0.543***	0.011***	0.004	-0.027***
	(0.003)	(0.002)	(0.005)	(0.003)	(0.005)	(0.008)	(0.004)	(0.004)	(0.003)
J-M x Post	-0.004	-0.002	0.000	0.001	0.009***	-0.034***	-0.055***	0.334***	0.549***
	(0.003)	(0.002)	(0.005)	(0.003)	(0.002)	(0.003)	(0.006)	(0.006)	(0.008)
J-I not alone x Post	0.006*	-0.013***	0.007	0.002	0.107***	0.015***	-0.011**	0.005	0.014***
	(0.003)	(0.002)	(0.005)	(0.004)	(0.003)	(0.004)	(0.005)	(0.005)	(0.004)
J-R not alone x Post	0.000	-0.007***	0.004	-0.012***	-0.101***	0.026***	-0.006	-0.006	0.011***
	(0.004)	(0.002)	(0.005)	(0.004)	(0.005)	(0.009)	(0.005)	(0.005)	(0.004)
J-M not alone x Post	0.004	0.006***	-0.004	-0.005*	0.107***	0.029***	-0.007	0.066***	0.027***
	(0.003)	(0.002)	(0.005)	(0.003)	(0.003)	(0.004)	(0.006)	(0.006)	(0.009)
Observations	134,288	134,288	134,288	134,288	134,288	134,288	134,288	134,288	134,288
R^2	0.101	0.098	0.101	0.210	0.177	0.615	0.395	0.552	0.627

Notes: This table shows the coefficients of the interactions between the training variables and a post-TWI dummy. All the dependent variables are logged with the exception of two dummy variables that measure whether firms reported expenditures for on-the-job training (column 6; mean=0.18) or for marketing activities (column 9; mean=0.17). J-x is one for all firms that received the J-x training, while J-x not alone is equal to one for firms that received the J-x module with another type of TWI training. The regressions also include the training variables in isolation, as well as fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. The sample includes all applicant firms. Standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

Table A.7: Selection of Firms Entering the Applicants' Supply Chain

	Log sales	TFPR	Log ROA	Log plants	Log employees	Log managers	Log subsidiaries
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
TWI	0.017***	0.313***	-0.018	0.099***	0.099***	0.111***	0.107***
	(0.001)	(0.022)	(0.033)	(0.012)	(0.009)	(0.027)	(0.011)
Observations	686	686	686	686	686	686	686
R-squared	0.533	0.407	0.120	0.266	0.337	0.148	0.287

Notes. This table shows cross-sectional correlations between the characteristics of upstream and downstream firms joining the supply chain of TWI applicants after the TWI program and the training variable. The only period considered is -1, the year before the entry in the supply chain of applicant firms. The sample includes 715 upstream and downstream firms that entered the supply chain of 660 TWI applicants only after the TWI program. The regressions also include fixed effects for district-sector combinations, the application window, and the number of days between the opening of the window and the firm application. Standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

Table A.8: Summary Statistics for 11,536 Nonapplicant War Contractors

	Nonapplicant firms				Difference with	Difference with
	Mean	St. Dev.	Min	Max	applicants	matched applicants
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Data from annual financial statements in 1939						
Plants	2.61	0.73	1	4	-3.47	-1.14
Employees	618.26	98.90	265	970	-420.06	10.19
Foundation year	1923	2.03	1916	1930	-8.01	-8.19
Agriculture	0.03	0.17	0	1	0.01	0.02
Manufacturing	0.86	0.35	0	1	-0.01	0.02
Transportation	0.09	0.29	0	1	0.01	-0.03
Services	0.02	0.15	0	1	0.01	-0.01
Sales	90.00	0.01	89.95	90.05	-101.78	2.02
Current assets	1.18	0.29	0.66	1.74	-17.22	-10.11
Total assets	3.64	0.35	2.95	4.39	-60.81	-34.45
TFPR	1.60	0.30	0.38	2.62	-0.15	-0.06
ROA	0.07	0.01	0.05	0.09	0.04	0.04
Inventory	0.54	0.07	0.28	0.84	-14.83	-8.56
Injuries	0.88	0.24	0.44	1.62	-9.52	-3.96
Repairs	1.35	0.26	0.90	1.80	-14.02	-5.74
Bonus payments	2.25	0.78	0.90	3.60	-6.02	-1.46
Panel B: Workforce data from replacement lists in 1941						
Share African-Americans	0.05	0.01	0.04	0.07	-0.01	-0.01
Share women	0.04	0.01	0.03	0.05	-0.01	-0.01
Years of education	7	1.05	3	11	-1.51	-1.52
Age of workforce	23.02	5.02	4	42	-5.96	-5.94
Panel C: WWII-related data from replacement lists and war contracts						
Share drafted employees (1942-1945)	0.20	0.09	0	0.35	-0.03	-0.03
Switched 3-digit SIC (1940-1945)	1	0	1	1	0	0
Switched 2-digit SIC (1940-1945)	0.54	0.50	0	1	-0.02	-0.01
Switched 1-digit SIC (1940-1945)	0.35	0.48	0	1	-0.02	-0.02
Number of contracts (1940-1945)	1.90	7.30	0	123	1.22	1.39
Value of contracts (1940-1945)	18.26	250.76	0	38,771	-6.85	-2.81

Notes. Summary statistics for 11,536 firms that applied to the TWI program and for which we found financial data (out of 13,818 total nonapplicants). Column 5 shows the average difference with respect to all applicants. Column 6 shows the average difference with respect to 101 applicants that were matched to nonapplicants. The matching was based on propensity scores, using a nearest-neighbor algorithm without replacement. The variables used for the matching were the number of plants and employees in 1939, sales and TFPR in 1939, distance from the nearest port and railroad station, and sector. A description of the variables is available under Table 1 and in Appendix xx.

Table A.9: Relationship with the Government

	Value contracts	Number contracts	Govt. TFPR	Non-govt. sales	Non-govt. TFPR	Postwar refunds
	(1)	(2)	(3)	(4)	(5)	(6)
TWI x Post	-0.1278	-0.0074	0.0284	0.0613***	0.0502***	
	(0.0906)	(0.0258)	(0.0301)	(0.0102)	(0.0095)	
TWI						-0.0000
						(0.0000)
Observations	7,207	7,207	6,861	16,636	16,636	20,388
R-squared	0.1882	0.2002	0.1808	0.1631	0.1453	0.1310

Notes. This table shows the effects of TWI training on variables that describe the relationship between applicant firms and the federal government. *Number contracts* and *Value contracts* are the log of the number and value of war contracts granted to each firm. *Govt. TFPR* is the TFPR that considers only sales to the government; *Non-govt. sales* is the log of sales to private firms; and *Non-govt. TFPR* is the TFPR that considers only private sales. These variables come from war contracts data and are therefore available only between 1940 and 1945. We can estimate only five periods (from -2 to 2) with a large number of firms. *Postwar Refunds* is the log of subsidies given by the government to war contractors to switch from military to civilian production after World War II. They are available only from 1946 to 1951, only after the end of the TWI program. Therefore, we need to estimate a single-difference specification, instead of the usual difference-in-differences event study. All regressions also include fixed effects for county-sector-period combinations, the application window, and the number of days between the opening of the window and the firm application. Standard errors are clustered at the level of subdistricts and application windows. *** p<0.01, ** p<0.05, * p<0.1.

B Results on TWI Instructors' Assignments

In this section of the appendix, we show some results that point to the fact that the assignment of TWI instructors to subdistricts and application windows influenced the type of training that firms received. Moreover, this assignment was not driven by the applicants' characteristics.

The TWI administration would have certainly preferred to send enough instructors to train all war contractors in all three J-modules, but several bottlenecks made this goal unreachable. First, the TWI staff was not large enough to prepare enough TWI instructors for in-plant training. At its peak in July 1944, the TWI administration had 415 staff members to serve 100,000 plants employing 19 million workers (Dooley, 1945, p. 14). During most of WWII, the size of the TWI staff was much smaller and the majority of staff members was working only part-time for the program. Second, the lack of manpower was compounded by the fact that both the TWI Institutes (the courses to certify instructors) and the TWI training itself had to be carried out in small classes of at most ten students, severely limiting scalability. Third, as discussed in Section 2.3, TWI instructors were specialists in the sense that they could teach only one J-module. This decision sped up the delivery of the training, but meant that some applicant firms could not receive one or more J-modules because there were not enough instructors that could teach them in their subdistrict and application window. To conclude, a small staff, as well as instructors with inflexible teaching skills, created variation across subdistricts and application windows in the number of firms eventually trained and the type of trainings they received.

The tables in this section shows the following results. First, within a subdistrict and application window, the share of instructors who could teach a given J-module is positively and strongly correlated with the probability that firms were trained in the same J-module (Table B.1). Second, the share of instructors who could teach a

given J-module is not correlated with the baseline characteristics of firms that applied in the same subdistrict and application window (Table B.2, Panel A). Similarly, there is no correlation between the share of instructors and the characteristics of counties in 1940, 1930, or 1920 (Table B.2, , Panels B-D). Fourth, within a given subdistrict, there is no autocorrelation between the share of instructors who could teach a given J-module between two adjacent application windows (Table B.3).

In short, the assignment of TWI instructors to subdistricts and application windows did not depend on the characteristics of applicants firms, the characteristics of the counties, nor prior assignments. These results are consistent with the idea that the TWI administration did not act strategically in assigning their resources to applicant firms.

Based on these findings, we can modify the baseline equation (1). Specifically, we can instrument the training variables with the share of instructors who could teach different J-modules assigned to the subdistrict and application window in which firm i applied to the program. Table B.1 showed that the instruments are not weak. Tables B.2 and B.3 suggested that the instruments are unlikely to violate the exclusion restriction. As expected, the IV and OLS estimates are close (Table B.4).

Table B.1: Correlation Between TWI Training and Instructors' Composition

	J-I first	J-R first	J-M first	J-I + J-R	J-R + J-I	J-R + J-M	J-M + J-R	J-I + J-M	J-M + J-I
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Max J-I	0.215***								
	(0.009)								
Max J-R		0.197***							
		(0.010)							
Max J-M			0.192***						
			(0.008)						
Max J-I + J-R				0.136***					
				(0.013)					
Max J-R + J-I					0.128***				
					(0.011)				
Max J-R + J-M						0.166***			
						(0.016)			
Max J-M + J-R							0.080***		
							(0.013)		
Max J-I + J-M								0.152***	
								(0.014)	
Max J-M + J-I									0.179***
									(0.009)
Observations	10,735	10,735	10,735	10,735	10,735	10,735	10,735	10,735	10,735
R^2	0.189	0.192	0.188	0.146	0.147	0.146	0.121	0.135	0.150

Notes. This table shows the correlations between the firm-level TWI training and the share of TWI instructors assigned to a firm's subdistrict and application window. The dependent variables are the following dummies: J-I first = 1 for firms that first received the Job-Instructions training; J-R first = 1 for firms that first received the Job-Relations training; J-M first = 1 for firms that first received the Job-Methods training; J-I + J-R = 1 for firms that received first the J-I training and then the J-R training; J-R + J-I = 1 for firms that received first the J-R training and then the J-I training; J-R + J-M = 1 for firms that received first the J-R training and then the J-M training; J-M + J-R = 1 for firms that received first the J-M training and then the J-R training; J-I + J-M = 1 for firms that received first the J-I training and then the J-M training; J-M + J-I = 1 for firms that received first the J-M training and then the J-I training. The independent variables measure the following: Max J-x = 1 for firms that applied in subdistricts and application windows in which the share of instructors for training J-x (I, R, or M) was the highest; Max J-x + J-y = 1 for firms that applied in subdistricts and application windows in which the share of instructors for training J-x (I, R, or M) was the highest and the share of instructors for training J-y ($y \neq x$) was the second highest. The regressions also include fixed effects for county-sector pairs, the application window, and the number of days between the opening of the window and the firm application. The standard errors are clustered at the subdistrict-application window level. *** p<0.01, ** p<0.05, * p<0.1.

Table B.2: Correlation Between Firm and County Variables and TWI Instructors

	Max J-I (1)	Max J-R (2)	Max J-M (3)	Max J-I + J-R (4)	Max J-R + J-I (5)	Max J-R + J-M (6)	Max J-M + J-R (7)	Max J-I + J-M (8)	Max J-M + J-I (9)
Panel A: Regressions of training variables on firm characteristics in period -1									
p-value of joint significance	0.98	0.98	0.37	0.76	0.90	0.96	0.51	0.97	0.64
Observations	10,735	10,735	10,735	10,735	10,735	10,735	10,735	10,735	10,735
Panel B: Regressions of training variables on county characteristics in year 1940									
p-value of joint significance	0.01	0.14	0.01	0.01	0.71	0.07	0.86	0.23	0.12
Observations	10,745	10,745	10,745	10,745	10,745	10,745	10,745	10,745	10,745
Panel C: Regressions of training variables on county characteristics in year 1930									
p-value of joint significance	0.05	0.19	0.14	0.05	0.83	0.36	0.66	0.07	0.71
Observations	10,859	10,859	10,859	10,859	10,859	10,859	10,859	10,859	10,859
Panel D: Regressions of training variables on county characteristics in year 1920									
p-value of joint significance	0.04	0.18	0.12	0.01	0.57	0.09	0.72	0.40	0.85
Observations	10,873	10,873	10,873	10,873	10,873	10,873	10,873	10,873	10,873

Notes. Panel A shows the p-value of the test of joint significance of the coefficients of fifteen firm characteristics observed in period -1. The variables are: the logs of sales, value added, number of employees, number of plants, foundation year, the value of inventory, capital, current assets, investments, number of workers' strikes, monetary compensation for workers' injuries, performance-based bonus payments, number of subsidiaries, as well as distance to the nearest railroad station and distance to the nearest port. The regressions also include fixed effects for county-sector pairs, the application window, and the number of days between the opening of the window and the firm application. Panels B, C, and D show the p-value of the test of joint significance of the coefficients of several county characteristics measured in 1940, 1930, and 1920, respectively. The county-level variables are imputed to firms based on their location. These regressions include: log population, log of the manufacturing value added, log number of manufacturing establishments, log number of manufacturing employees, log average manufacturing wage, log total expenses in manufacturing, log value of manufacturing production, farms per capita, unemployment share (available only in 1930 and 1940), population per square mile, share of male residents, share of black population, share of urban population, share of illiterate population (available only in 1920 and 1930). County data are from IPUMS NHGIS, www.nhgis.org. The regressions also include fixed effects for subdistrict-sector pairs, the application window, and the number of days between the opening of the window and the firm application. The description of the dependent variables is in the notes of Table B.1. Standard errors are clustered at the subdistrict-application window level.

Table B.3: Autocorrelation between Current and Past TWI Instructors

	Max J-I$_t$ (1)	Max J-R$_t$ (2)	Max J-M$_t$ (3)	Max J-I + J-R$_t$ (4)	Max J-R + J-I$_t$ (5)	Max J-R + J-M$_t$ (6)	Max J-M + J-R$_t$ (7)	Max J-I + J-M$_t$ (8)	Max J-M + J-I$_t$ (9)
Max J-I$_{t-1}$	0.002								
	(0.022)								
Max J-R$_{t-1}$		0.019							
		(0.025)							
Max J-M$_{t-1}$			-0.002						
			(0.022)						
Max J-I + J-R$_{t-1}$				-0.020					
				(0.023)					
Max J-R + J-I$_{t-1}$					0.016				
					(0.026)				
Max J-R + J-M$_{t-1}$						0.046*			
						(0.026)			
Max J-M + J-R$_{t-1}$							-0.037*		
							(0.020)		
Max J-I + J-M$_{t-1}$								0.012	
								(0.023)	
Max J-M + J-I$_{t-1}$									-0.006
									(0.023)
Observations	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873
R^2	< 0.001	< 0.001	< 0.001	< 0.001	< 0.001	0.002	0.001	< 0.001	< 0.001

Notes. The table shows the autocorrelation between the current and past share of instructors for different types of TWI trainings. The unit of observation is one of 364 subdistricts and one of 10 application windows. The description of the dependent variables is in the notes of Table B.1. The standard errors are clustered at the subdistrict level. *** p<0.01, ** p<0.05, * p<0.1.

Table B.4: IV and OLS Event Studies

	TFPR		Sales		ROA	
	(1)	(2)	(3)	(4)	(5)	(6)
J-I x Post TWI	0.0810***	0.0706	0.1197***	0.1854**	-0.0053	-0.0252
	(0.0040)	(0.0621)	(0.0073)	(0.0857)	(0.0044)	(0.0558)
J-R x Post TWI	0.3187***	0.3142***	0.1545***	0.2625***	0.1469***	0.1352**
	(0.0062)	(0.0606)	(0.0083)	(0.0831)	(0.0046)	(0.0544)
J-M x Post TWI	0.1372***	0.1093***	0.1126***	0.1781***	0.0517***	0.0236
	(0.0043)	(0.0396)	(0.0069)	(0.0542)	(0.0055)	(0.0355)
Specification	OLS	IV	OLS	IV	OLS	IV
Observations	67,472	67,472	67,472	67,472	67,472	67,472

Notes. This table shows the coefficients of the interactions between the training variables and a post-TWI dummy variable. In the IV specifications, we instrument for the TWI training variables using three dummy variables that measure the allocation of TWI instructors to each subdistrict and application window: Max J-x = 1 for firms that applied in subdistricts and application windows in which the share of instructors for training J-x (I, R, or M) was the highest. The sample includes applicant firms that either received only one TWI training or no training at all. The standard errors are clustered at the subdistrict-application window level. *** p<0.01, ** p<0.05, * p<0.1.