# Scale-Biased Technical Change and Inequality*

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**Abstract**

Scale bias is the extent to which technical change increases the productivity of large relative to small firms. I show that this dimension of technical change is important for inequality. To illustrate the mechanism, I develop a tractable framework where people choose to work for wages or earn profits as entrepreneurs and where entrepreneurs choose from a set of available production technologies that differ in their fixed and marginal cost. Large-scale-biased technical change lowers entrepreneurship rates and increases top income inequality, primarily by concentrating business income. Small-scale-biased technical change does the opposite. I show the empirical relevance of scale bias by identifying the causal effects of adoption of two general purpose technologies that vary in scale bias, but are otherwise similar: steam engines (large-scale-biased) and electric motors (small-scale-biased). Using newly collected data from the United States and the Netherlands and a range of identification strategies, I show that these two technologies had opposite effects on firm sizes and inequality. Steam engines increased firm sizes and inequality, while electric motors decreased both. Consistent with scale bias (rather than skill bias), I find that adopting entrepreneurs were the main drivers of inequality increases after steam engine adoption.

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# 1 Introduction

Income and wealth inequality have significantly increased in many countries in recent decades. Between 1980 and 2014, top-decile incomes in the United States rose more than twice as fast as below-median incomes (Piketty et al., 2018).

Skill-biased technical change is a frequently cited explanation for increases in wage inequality: if new technologies more strongly complement high-skilled labor—or tend to automate low-skilled jobs—, this can increase wage inequality (Katz and Murphy, 1992; Krusell et al., 2000; Violante, 2008; Acemoglu and Autor, 2011; Acemoglu and Restrepo, 2018, 2022). But wages are not the only source of income. For those at the top of the distribution, business income is the dominant source of income and most of it accrues to entrepreneurs that own large shares of their own business (e.g. Smith et al., 2019; Kopczuk and Zwick, 2020).[1]

Can technical change affect the concentration of business income too and, if so, how and when? The answer I provide is: yes, with the direction of the effect depending on the *scale bias* in technical change. I define scale bias as the extent to which technical change differentially affects the productivity of large versus small firms. Large-scale-biased technical change skews productive resources and profits towards larger firms. Given that firm ownership tends to be concentrated, this shift in profits across firms implies a redistribution of income across households. In other words, I argue that the firm size distribution constitutes a channel through which technical change can affect income inequality.

First, to formalize the theory of scale-biased technical change and inequality, I develop a simple and tractable model where households that are heterogeneous in entrepreneurial productivity can choose to either work for wages or be an entrepreneur. Entrepreneurs have access to a set of available technologies—defined by a marginal and a fixed cost—and adopt the one that maximizes profits. I show that technical change is large-scale-biased if it increases fixed costs relative to previously adopted technologies. If technical change is large-scale-biased, it lowers entrepreneurship rates and leads to larger firms on average. With fewer and larger firms, top entrepreneurs are capturing a larger share of the profits which increases top income inequality. If technical change is small-scale-biased, it has the opposite effects.

Second, to empirically test the theory, I estimate and compare the causal effects of the adoption of steam engines and electric motors. Steam engines became the dominant power source in manufacturing in the second half of the 19$^{th}$ century. Electric motors began to be widely used around 1900, and in the first half of the 20$^{th}$ century purchased

[1] See also Atkeson and Irie (2022) that argue for the importance of undiversified business ownership in accounting for wealth mobility and changes in wealth inequality.

electricity and steam engines were each other's substitute in providing power to the factory. These two general purpose technologies provide an appropriate and useful comparison because i) their adoption was sufficiently widespread and transformative to have a meaningful impact on the overall economy ii) they were similar in their capability and purpose—converting energy into rotary motion in manufacturing—, iii) their cost structure induced technical change with strongly different scale bias.

Steam engines entailed much higher fixed costs of purchase and operation than electric motors. The annualized cost, exclusive of fuel, of a 50 horsepower (hp) steam engine was equal to the *yearly* wage of around 3 to 4 unskilled workers.[2] For an electric motor run by purchased electricity with the same capacity, these costs were only around 2 percent of a yearly wage, two hundred times lower than for steam engines.[3] Also, for reasons of technological efficiency, steam engines came in much larger sizes than electric motors.[4] As a result, the adoption rates of the two technologies across the firm size distribution were different. Large establishments were more likely to adopt steam engines than small establishments (see also Atack et al., 2008). I show that, in contrast, electric motors driven by purchased electricity were adopted uniformly across the firm size distribution. Some electric motors in manufacturing were not driven by purchased electricity, but by electricity generated in the plant using steam engines. As this required incurring the high fixed cost of steam engine operation, such systems were skewed to large firms too.

To measure the effect of scale-biased technical change, I construct a rich data set on steam engine and electric motor adoption, firm sizes, and inequality through digitization of various archival sources from the Netherlands and the United States. For the United States, I draw on the Census of Manufactures that provides information such as the number of establishments, employment, value added, and power adoption by state and industry. I digitize and compile these data for each decade year between 1850 and 1940 and 1947. The industry classification in the Census of Manufactures was highly granular, yielding over 50 thousand state-industry observations. Using these data, I investigate the role of steam engines and electric motors in shaping the firm size distribution in manufacturing in the United States.

The first theoretical prediction is on establishment sizes: large-scale-biased technical change increases the average number of workers per establishments and small-scale bias decreases it. In line with these predictions, I find that steam engines increased establish-

[2]Computations based on the United States in 1874. The total annualized cost was $1404 (see Table E.3 in Appendix E) and the *yearly* wage of an unskilled worker was around $400 Abbott (1905).

[3]Computations based on the United Kingdom, around 1925. Total annualized cost of an electric motor of 50 hp in 1925 was £2.46 (see Table E.3 in Appendix E) and the weekly wage was around £2.00 (Bank of England, 2017).

[4]In the United States in 1910, the average steam engine had a capacity of 93.4 horsepower, more than 10 times that of the average electric motor (8.5 hp).

ment sizes while electric motors decreased them. To identify these effects, I use variation in natural resources across the United States that affected the costs of using the technologies. Specifically, I use access to historical coal resources and hydropower potential as instruments for steam engine and electric motor adoption, respectively.[5] I estimate how this natural variation affected within-industry firm size differences over time across states. I find that high-coal access states experienced a growth in establishment sizes relative to 1850, when steam engines started to be adopted. In contrast, after the introduction of electric motors around 1900, high-hydropower states experienced a decrease in establishment sizes. Using this variation, I estimate the effect of a 1% increase in steam engine capacity in horsepower to be a 1.1% increase in firm size. For electric motors, I estimate this elasticity to be -0.4.

The second prediction is that large-scale-biased technical change increases the ratio between average profits and average wages, while technical change has the opposite effect if it is small-scale-biased. The profit-wage ratio is a measure of inequality between workers and entrepreneurs in the model, where each entrepreneurs owns exactly one firm. I compute profits in the Census of Manufactures using data on output, cost of raw materials, cost of labor, the capital stock, and other expenses. I test this second prediction of the theory using the same geographic instruments and econometric specification with which I test the first prediction. I show that steam engines and electric motors indeed had opposite effects on profit-wage ratios in the direction predicted by the theory.

Is the profit-wage ratio a good measure of inequality between workers and entrepreneurs in practice? And, more generally, does the profit distribution across firms affect the distribution of income across people? The answers to these question depend on the degree of firm ownership concentration. The stronger firm ownership concentration is, the more the distribution of profits are reflected in the personal income distribution. Empirically, firm ownership is highly concentrated, both in the past and the present, even for large publicly traded firms. For example, Goldsmith et al. (1940) reports that in 1940 only 13 families held over 8 percent of the equity in the largest 200 corporations and that each family "has shown a strong tendency to keep its holding concentrated in the enterprise in which the family fortune originated". Similarly, Anderson and Reeb (2003) finds that in the 1990s founding families accounted for 18 percent of outstanding equity in Fortune 500 firms, the largest US firms by revenue. Unsurprisingly, firm ownership concentration is even stronger—and almost perfect—in non-publicly traded firms (e.g. Smith et al., 2019). I show using US census data on wealth from 1860 and 1870, that, as a consequence of ownership concentration, profit-wage ratios are strongly correlated with inequality across people by state and industry ($\rho = 0.67$).

[5]Various other authors have used hydropower potential as an instrument for electricity adoption (e.g. Leknes and Modalsli, 2020; Gaggl et al., 2021). Data to construct the instruments are from the Coal Resources Data System (coal resources) and Young (1964) (hydropower potential).

The verification of the theoretical predictions on the effects of scale-biased technical change on profit-wage ratio, coupled with the strong correlation between profit-wage ratios and wealth inequality, already offers suggestive evidence that scale-biased technical change affects income and wealth inequality across people, too. However, granular data on income or wealth in the United States during steam engine and electric motor adoption is not available after 1870. To study the two technologies' effects on inequality, I therefore turn to the Netherlands, for which I collect unique data on income and wealth inequality over the course of industrialization. The dataset I build includes micro-level information on names, demographics, occupation, and, importantly, wealth of each decedent between 1878 and 1927 in five major provinces in the Netherlands, covering over a million decedents and more than half of the national population. It is, to the best of my knowledge, the largest dataset on inequality in any country during the period of steam engine and electric motor adoption.

Using the Dutch dataset, I verify the third prediction of the theory: that the effect of technical change on inequality depends on its scale bias. Using municipality-by-industry level data from the Dutch Census of Companies in 1930, I compute the share of employees that work in establishments with steam engines, with electric motors, and without power for each municipality. I then show how wealth inequality evolved in municipalities that saw strong steam-engine adoption, controlling for municipality fixed effects. I find that municipalities that adopted engines became significantly more unequal over time, especially from around 1910 onward. In contrast, municipalities with high electric motor adoption saw a slight decrease in inequality after 1900. Furthermore, I use an industrial census from 1816—long before industrialization—to create an industry-based measure of "exposure" to steam engines and electric motors. Municipalities whose industrial composition in 1816 exposed them to steam engines showed a strong increase in inequality between 1880 and 1930, while those exposed to electric motors experienced a slight decrease in wealth inequality. The effects on inequality are primarily driven by the very top of the distribution, while the rest of the distribution was not much affected.

Lastly, I show that the effects of scale-biased technical change on top wealth inequality manifests themselves through entrepreneurs that adopt the technology. To test this prediction, I zoom into the major industrializing city of Enschede, in the east of the Netherlands. The pre-existing textile industry made this city particularly exposed to the introduction of the steam engine. Even though wealth inequality decreased in most areas, it increased sharply in Enschede. I find that the rise in top inequality was driven by the textile entrepreneurs that adopted the technology. I do not find any meaningful increase in inequality after excluding the textile entrepreneurs and their spouses from the sample. This finding shows that the rise in inequality was driven by entrepreneurial income—not wages—so that it can not be explained by skill-biased technical change. The pro-

posed theory of *scale*-biased technical change does offer an explanation: the large-scale-biased technical change in textile manufacturing meant that firm concentration increased strongly, which concentrated business income in the hands of a few entrepreneurs.

**Related literature.** First and foremost, this paper contributes to our understanding of the effect of technical change on income and wealth inequality. Scale-biased technical change offers a view on the distributional effects of technology that complements existing theories on skill bias (e.g., Katz and Murphy, 1992; Acemoglu and Autor, 2011). The case of electricity illustrates the differences.

First, the two theories highlight different features of electric motors as relevant for inequality. Goldin and Katz (1998) argue that electric motor adoption increased the relative demand for skilled workers by facilitating a shift to continuous process and batch methods. Electric motors enabled this shift mostly because they improved the efficiency of "unit drive" systems.[6] I argue that electric motor adoption constituted small-scale-biased technical change because it allowed to "separate the place of generation from the place of use" (Helpman, 1998), reducing the fixed costs of power usage. This shows that technical change can be skill- and scale-biased simultaneously. To nonetheless distinguish scale from skill, I study the role of the primary source of power—generated or purchased—not the system that delivers the power. Importantly, the technological advantages of electric motors in batch and continuous processes (the source of skill bias) exist regardless of whether the electricity is purchased or generated in the plant.

Second, skill and scale bias may imply opposing distributional effects. Because the adoption of electric motors was biased to skilled workers, it exerted upward pressure on wage inequality Goldin and Katz (1998).[7] I claim that its adoption was biased to small firms and therefore pushed inequality between entrepreneurs and workers *down*. Of course, these statements do not contradict each other. Since the top of the distribution tends to be dominated by entrepreneurs, top income inequality may be particularly strongly affected by scale-biased technical change. During the first half of the twentieth century, the time of electric motor adoption, almost every industrialized country witnessed a large decline in the income shares of the top 1 percent (Lindert and Williamson, 2016, p. 194). The findings in this paper suggest that electrification contributed to that trend.

Another large literature relates increased firm concentration to technical change, especially a move toward high fixed cost technologies (e.g. Poschke, 2018; Hsieh and Rossi-Hansberg, 2023; Kwon et al., 2023). Intangible inputs such as software have been posited as an example of this (Brynjolfsson et al., 2008; Lashkari et al., 2023; De Ridder, 2023). So

[6] Unit drive refers to a power distribution method where each machine is run by its own electric motors.

[7] Goldin and Katz (1998) argue, however, that an increase in the supply of high-school graduates kept the skill premium in check.

far, it has been hard to establish credible causal evidence of the effect of technical change on the firm size distribution. Furthermore, because most modern technologies vary on many dimensions other than their cost structure, it is difficult to isolate the role of specific characteristics in driving their concentrating effect. A contribution of this paper is that it studies two technologies that were similar except for their cost structure, allowing to single out the role of fixed costs in shaping the firm size distribution. The theory of scale-biased technical change also provides an additional motive to study business patterns: their implications for economic inequality.[8]

This paper also relates to studies highlighting the role of entrepreneurship in shaping income and wealth inequality (Quadrini, 2000; Cagetti and De Nardi, 2006; Buera and Shin, 2013; Atkeson and Irie, 2022; Albuquerque and Ifergane, 2023). Accounting for entrepreneurship in models of wealth accumulation allows to match the high concentration of wealth observed in the data. In contrast to previous work, I focus on the role of the production technology in shaping inequality and the entrepreneurship decision. For this purpose, I provide a simple and tractable framework in which entrepreneurs face a technology adoption decision. The tractability of the model allows to characterize in closed form how entrepreneurship and the income distribution depend on the set of technologies available in the economy.

Lastly, this paper speaks to the patterns of inequality during industrialization. Kuznets (1955) hypothesized that inequality rises in the early stage of industrialization and later decreases, because of a shift away from the agricultural sector to the more productive, but potentially more unequal, manufacturing sector. Interestingly, he explicitly related inequality to scale: "inequalities [in manufacturing] might be assumed to be far wider than those for the agricultural population which was organized in relatively small individual enterprises." This paper provides a theoretical foundation and empirical evidence for that argument.

The remainder of the paper is organized as follows. Section 2 lays out the theory of scale-biased technical change and inequality formally. Section 3 describes the historical background of, and differing scale bias between, steam engines and electric motors. In Section 4, I discuss how the data is constructed. The methodology and results on the effect of technology on scale and inequality are shown in Sections 5 and 6, respectively. Section 7 shows evidence that inequality between workers and entrepreneurs was the main channel through which steam engines increased inequality. Section 8 concludes.

[8] See De Loecker et al. (2022) for other reasons to study the firm size distribution.

# 2 Model

There is a continuum of households with unit measure that differ in their entrepreneurial productivity $\psi$. I assume that $\psi$ has a probability density function $f(\cdot)$ with semi-infinite support on $\mathbb{R}^+$, i.e., $\{\psi \mid f(\psi) > 0\} = [\psi_m, \infty)$ for some $\psi_m \geq 0$.[9] In a first stage, before observing their entrepreneurial productivity $\psi$, each household decides whether to be a worker or to be an entrepreneur (Lucas, 1978). A household knows that by choosing entrepreneurship, it is foregoing the wage $w$.

Once this opportunity cost is sunk, in the second stage, entrepreneurs observe their productivity $\psi$ and choose whether to enter business or not.

An entrant chooses, in a third stage, chooses from an exogenous set of available production technologies $T \equiv \{t_1, .., t_J\}$. Each technology $t_j \in T$ is a tuple $\{\alpha_j, \kappa_j\}$ where $\alpha_j$ is a parameter that affects marginal labor cost and $\kappa_j > 0$ is its fixed cost in terms of the final good.[10] I assume that $T$ does not contain trivially dominated technologies. That is, if $t_j, t_k \in T$ and $\alpha_j < \alpha_k$, then $\kappa_j > \kappa_k$.[11] Technologies are arranged in order of increasing fixed costs ($\kappa_1 < .. < \kappa_J$).

Finally, in stage four, after adopting technology $j$, entrepreneurs maximize profits given their productivity $\psi$, yielding $\pi_j(\psi)$. Figure 1 visualizes the decision process and pay-offs. I characterize optimal behavior and derive equilibrium conditions by backward induction.

### *Stage 4:* Profit maximization

Each entrepreneur produces a differentiated good. Given technology $t_j$ and entrepreneurial productivity $\psi$, their production function is

$$y_j(\psi) = \frac{\psi l}{\alpha_j} \tag{1}$$

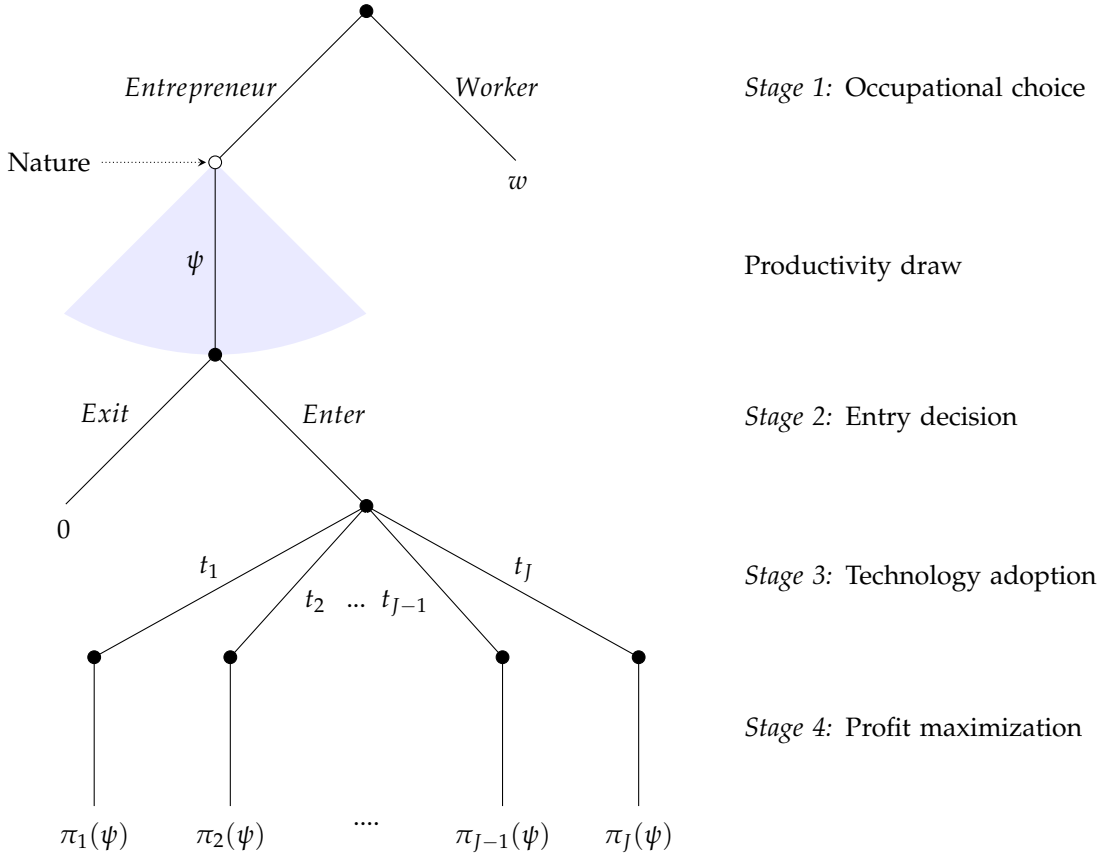
where $l$ is labor and $\alpha_j$ is the marginal labor cost for technology $t_j$. The total cost to produce $y$ given $t_j$ and $\psi$ is $C_j(y \mid \psi) = \frac{\alpha_j w}{\psi} y + \kappa_j$ where $\kappa_j$ is the fixed cost in terms of the final good. Each household's utility is characterized by a constant elasticity of substitution $\sigma$ over a continuum of these differentiated goods indexed by $\omega$ (Dixit and

[9] To derive a closed-form solution of the equilibrium, I will later assume that $\psi \sim \text{Pareto}(\psi_m, \xi)$.

[10] This can be seen as a generalization of the binary technology choice in (Yeaple, 2005; Bustos, 2011), who are concerned with the connection between trade and technology adoption.

[11] This assumption does not affect any equilibrium outcome as such trivially dominated technologies would not be adopted.

FIGURE 1: Pay-off tree




Stiglitz, 1977; Melitz, 2003):

$$U \equiv Y = \left[\int_{\omega\in\Omega} y(\omega)^{\frac{\sigma-1}{\sigma}} d\omega\right]^{\frac{\sigma}{\sigma-1}}. \tag{2}$$

The demand for good $\omega$ is thus $y(\omega) = Y\left(\frac{p(\omega)}{P}\right)^{-\sigma}$ where $p(\omega)$ is the price of good $\omega$ and $P \equiv \left[\int_{\omega\in\Omega} p(\omega)^{1-\sigma} d\omega\right]^{\frac{1}{1-\sigma}}$. Hereafter, I use the normalization that $P = 1$. Profit maximization conditional on technology and productivity then yields the pricing rule

$$p_j(\psi) = \frac{\alpha_j w}{\rho\psi} \tag{3}$$

where $\rho \equiv \frac{\sigma-1}{\sigma}$. This pricing rule is standard (e.g., Melitz, 2003, eq. (3)), except that the production technology may vary across producers. In equilibrium, this yields (conditional) profits $\pi_j(\psi)$ equal to

$$\pi_j(\psi) = \frac{Y}{\sigma}\left(\frac{\rho\psi}{\alpha_j w}\right)^{\sigma-1} - \kappa_j. \tag{4}$$

## *Stage 3:* Technology adoption

An entrepreneur that chooses to produce can use any of the $J$ available technologies in the set $T$. She therefore adopts the technology $j$ that yields largest profits, so the profits of an entrepreneur with productivity $\psi$ are:

$$\pi(\psi) = \max_{j \in \{1,2,..,J\}} \{\pi_j(\psi)\}. \tag{5}$$

An important implication of this profit function is that more productive entrepreneurs choose higher fixed costs technologies. To see this, note that for an entrepreneur with productivity $\psi$, the difference in profits between technologies $t_j$ and $t_k$ are:

$$\Delta\pi_{jk}(\psi) \equiv \pi_j(\psi) - \pi_k(\psi) = \frac{Y}{\sigma}\left(\frac{\rho\psi}{w}\right)^{\sigma-1}\left(\alpha_j^{1-\sigma} - \alpha_k^{1-\sigma}\right) - (\kappa_j - \kappa_k). \tag{6}$$

Recall that since $j > k$, $\kappa_j > \kappa_k$ and $\alpha_j < \alpha_k$. It then follows from the expression that $\Delta\pi_{jk}(\psi)$ is strictly increasing in $\psi$. That is, the more productive an entrepreneur is, the larger their profits under technology $j$ (higher fixed, lower marginal cost) relative to technology $k$ (lower fixed, higher marginal cost). A corollary of this result is that prices are strictly decreasing in $\psi$ (see equation (3)), such that entrepreneurs with higher productivity face more demand and, hence, produce more.

## *Stage 2:* Entry decision

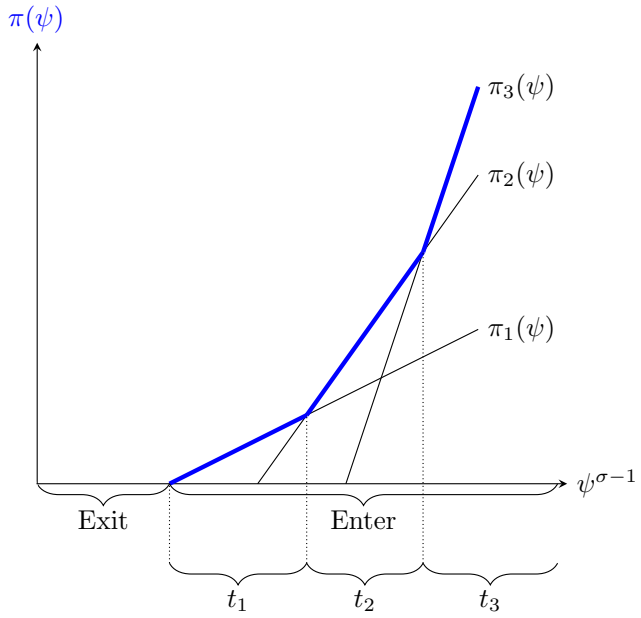
After observing their entrepreneurial productivity $\psi$, each entrepreneur decides whether or not to exit or enter. Since the opportunity cost is zero (as the opportunity cost of not working is already sunk), they decide to enter if and only if $\pi(\psi) \geq 0$.

There is a unique $\bar{\psi} > 0$ such that an entrepreneur enters if and only if $\psi \geq \bar{\psi}$. To see this, note that equation (4) implies that $\pi_j(\psi)$ is strictly increasing in $\psi$ for each $j \in \{1, 2, .., J\}$. Therefore, $\pi(\psi)$ is the maximum of $J$ strictly increasing functions and is thus also strictly increasing. Finally, $\pi(0) = -\kappa_1 < 0$ and $\pi(\psi) \to \infty$ as $\psi \to \infty$. It thus follows that there is a unique $\bar{\psi}$ implicitly defined by

$$\pi(\bar{\psi}) = 0. \tag{7}$$

To solve for this threshold, note that profits under each technology are strictly increasing in $\pi_j(\psi)$. Therefore, each technology $j$ has itself a zero profit cut-off $\bar{\psi}_j$ above which

FIGURE 2: Profit $\pi(\psi)$ and productivity $\psi$ in case of three adopted technologies




*Notes:* The braces indicate the optimal action in Stage 2 and 3 given productivity $\psi$. The elasticity of substitution $\sigma$ is larger than one so that $\psi^{\sigma-1}$ is increasing in $\psi$.

profits are positive. From equation (4), this threshold is defined by

$$\bar{\psi}_j = \alpha_j \kappa_j^{\frac{1}{\sigma-1}} \left(\frac{\sigma}{Y}\right)^{\frac{1}{\sigma-1}} \frac{w}{\rho}.$$

Since an entrepreneur enters if and only if at least one technology yields positive profits, the entry decision is governed by the technology for which the entry threshold $\bar{\psi}_j$ is lowest. Combining equations (4), (5), (7) gives a solution for $\bar{\psi} > 0$:

$$\bar{\psi} = \min_{j \in 1,2,..,J} \bar{\psi}_j = \min_{j \in 1,2,..,J} \left\{ \alpha_j \kappa_j^{\frac{1}{\sigma-1}} \right\} \left(\frac{\sigma}{Y}\right)^{\frac{1}{\sigma-1}} \frac{w}{\rho}. \tag{8}$$

Figure 2 shows the profit function $\pi(\psi)$ and the optimal decision in Stage 2 and 3. It illustrates that the entry cut-off $\bar{\psi}$ is the productivity level for which the technology with the lowest entry threshold gives positive profits.

## *Stage 1:* Occupational choice

Free entry into entrepreneurship (and risk-neutrality) implies that in equilibrium the expected profits of entering must be equal to the wage. That is,

$$\int_{\bar{\psi}}^{\infty} \pi(\psi) dF(\psi) = w. \tag{9}$$

Defining average profits of producing entrepreneurs as $\bar{\pi} \equiv \frac{1}{1-F(\bar{\psi})} \int_{\bar{\psi}}^{\infty} \pi(\psi) dF(\psi)$, equation (9) can be written as

$$(1 - F(\bar{\psi}))\, \bar{\pi} = w.$$

The probability of entry times the average profits after entry should equate the wage. Were the wage lower (higher) than the expected profits, no one would decide to work (be an entrepreneur).

## 2.1 Which technologies are adopted?

Answering this question requires defining some notation. First, it follows from optimal behaviour in Stages 2 and 3 that a technology is adopted in equilibrium if there is a set of entrepreneurs that both i) decides to enter and ii) finds it profit-maximizing to produce with that technology. I define the *adopting set* for technology $j$ as the set of productivity levels for which both conditions are satisfied:

$$\Psi_j \equiv \{\psi \mid \pi(\psi) \geq 0\} \cap \left\{\psi \mid \pi_j(\psi) = \max_{k \in \{1,2,..,J\}} \pi_k(\psi) \equiv \pi(\psi)\right\}. \tag{10}$$

A technology $j$ is adopted if the probability measure of the adopting set $\Psi_j$ is strictly positive. Let $T^* \subseteq T$ be *the set of adopted technologies*, so that

$$t_j \in T^* \iff \Pr\left(\psi \in \Psi_j\right) > 0 \text{ for any } j = 1, 2, ..J.$$

Proposition 1 shows which technologies are adopted in equilibrium.

**Proposition 1** (Adopted technologies)**.** *Let $t_j^* = \{\alpha_j^*, \kappa_j^*\}$ be the technology in $T^*$ with the $j$th-lowest fixed cost $\kappa_j^*$ and let $J^* \equiv |T^*|$. Then, the set of technologies adopted in equilibrium, $T^* = \left\{t_1^*, .., t_{J^*}^*\right\}$, is such that*

*(a) the adopted technology with the highest marginal (lowest fixed) cost $t_1^* = (\alpha_1^*, \kappa_1^*)$ is such that*

$$\alpha_1^* (\kappa_1^*)^{\frac{1}{\sigma-1}} = \min_{j \in 1,2,..,J} \left\{\alpha_j \kappa_j^{\frac{1}{\sigma-1}}\right\} \text{ and;}$$
$$\alpha_1^* = \min_{j \in 1,2,..,J} \left\{\alpha_j \mid \alpha_j \kappa_j^{\frac{1}{\sigma-1}} = \min_{l \in 1,2,..,J} \left\{\alpha_l \kappa_l^{\frac{1}{\sigma-1}}\right\}\right\}$$

*(b) the adopted technology with the lowest marginal (highest fixed) cost $t_{J^*}^* = (\alpha_{J^*}^*, \kappa_{J^*}^*)$ is such*

*that*

$$\alpha^*_{J^*} = \min_{j \in 1,2,..,J} \{\alpha_j\} \text{ and;}$$
$$\kappa^*_{J^*} = \min_{j \in 1,2,..,J} \left\{ \kappa_j \mid \alpha_j = \min_{l \in 1,2,..,J} \{\alpha_l\} \right\}$$

(c) *any technology with fixed cost* $\kappa^*_1 < \kappa_j < \kappa^*_{J^*}$ *is adopted if and only if for any* $k \in \{1, .., j-1\}$ *and* $l \in \{j+1, .., J\}$

$$\frac{\alpha_l^{1-\sigma} - \alpha_j^{1-\sigma}}{\alpha_j^{1-\sigma} - \alpha_k^{1-\sigma}} < \frac{\kappa_l - \kappa_j}{\kappa_j - \kappa_k}.$$

*Proof of Proposition 1.* See Appendix C. □

Proposition 1(a) indicates which technology is the adopted technology with highest marginal cost (and thus lowest fixed cost). Since the profit gain of a marginal cost reduction is increasing in productivity $\psi$, this is the technology that is adopted by the marginal entrepreneur ($\psi = \bar{\psi}$). Also, the marginal entrepreneur must use the technology $j$ with the lowest *entry threshold* $\bar{\psi}_j$ (in Figure 2, the technology with the leftmost intersection with the zero-profit axis). The first condition in Proposition 1(a) then follows from equation (8). The second condition in Proposition 1(a) states that—in knife-edge cases where there is more than one technology that minimizes the entry threshold—only the technology with the lowest marginal cost among those that minimize the entry threshold are adopted because all but the marginal entrepreneur would strictly prefer that technology.

Proposition 1(b) shows that the technology with the lowest marginal cost is always adopted, regardless of its fixed cost. The result follows from the unbounded support of the productivity distribution. Since the gains from lowering marginal cost are strictly increasing in productivity, the gains from lowering marginal cost are unbounded. Therefore, no matter how high the fixed cost, there is always a strictly positive measure of entrepreneurs willing to incur it to reduce marginal cost. Of course, if there are multiple technologies that minimize marginal cost, only the technology with lowest fixed cost among them is adopted. It follows from combining Propositions 1(a) and 1(b) that only one technology is adopted in equilibrium if and only if the technology in $T$ with the lowest marginal cost also comes with the lowest entry threshold. Th

Lastly, Proposition 1(c) covers all remaining adopted technologies, if any. Intuitively, for a technology to be adopted by an entrepreneur, their productivity must be *high enough* to make the technology more profitable than any other technology with higher marginal cost (and lower fixed cost), but also *low enough* to make the technology more profitable than adopting any other technology with lower marginal cost (and higher fixed cost).

Proposition 1(c) sets out the conditions under which the set of productivities that satisfy these conditions has a strictly positive probability measure. To illustrate the condition, consider Figure 2: there is an intermediate set of productivity levels, for which technology $t_2$ yields higher profits than both $t_1$ and $t_3$. For such a set of productivity levels to exist, the lower bound above which $t_2$ higher profits than $t_1$ must be smaller than the upper bound below which it yields higher profits than $t_3$.

## 2.2 Equilibrium

**Definition** (Competitive equilibrium)**.** Given an exogenous technology set $T = \{t_1, .., t_J\}$, a *competitive equilibrium* consists of a price $w$, profits $\{\pi(\psi)\}$, output $Y$, productivity threshold $\bar{\psi}$, adopting sets $\{\Psi_j\}_{j=1}^J$, and a share of entrants $L$ such that

- profits $\pi(\psi)$ are as defined in (4) and (5);
- the adopting set of technology $j$, $\Psi_j$, is as defined in (10);
- the free entry condition in (9) holds;
- the labor and goods markets clear, so that

$$L = (1-L)Y\left(\frac{\rho}{w}\right)^{\sigma}\sum_{j=1}^{J}\alpha_j^{1-\sigma}\int_{\psi\in\Psi_j}\psi^{\sigma-1}dF(\psi), \tag{11}$$

$$Y = Lw + (1-L)\left(\sum_{j=1}^{J}\kappa_j\int_{\psi\in\Psi_j}dF(\psi) + \sum_{j=1}^{J}\int_{\psi\in\Psi_j}\pi(\psi)dF(\psi)\right); \tag{12}$$

- the pricing by entrepreneurs is consistent with a price index equal to 1, so that

$$1 = (1-L)\left(\frac{w}{\rho}\right)^{1-\sigma}\sum_{j=1}^{J}\alpha_j^{1-\sigma}\int_{\psi\in\Psi_j}\psi^{\sigma-1}dF(\psi). \tag{13}$$

Having defined the equilibrium in general, in order to get more concrete results, form now on I assume that the distribution of productivity $\psi$ is Pareto. With this assumption, the model has closed-form analytical solutions reported in Appendix C.

**Proposition 2** (Closed-form equilibrium)**.** *Suppose that the distribution of productivity $\psi$ is Pareto with shape parameter $\xi$ and a minimum productivity level of $\psi_m > 0$ such that $\xi > 1$ and $\xi > \sigma - 1$. Then, the closed-form solutions to the competitive equilibrium for $L$, $\bar{\psi}$, $Y$, $w$, and $\bar{\pi}$ are given by equations* (30), (31), (32), (33), *and* (34) *in Appendix C.*

*Proof of Proposition 2.* See Appendix C. □

Proposition 1 and 2 together fully characterize the equilibrium in closed form. In the next subsection, I use these results to study the effect of scale-biased technical change on entrepreneurship, firm concentration, wages, output, profits, and inequality.

## 2.3 Scale bias and testable implications

To formalize scale-biased technical change, I first define the *total factor productivity* of a firm as the idiosyncratic productivity of the entrepreneur $\psi$ divided by the marginal cost parameter of the technology in $T$ that it adopts:

$$TFP\left(\psi \mid T\right) = \begin{cases} \frac{\psi}{\alpha(\psi|T)} & \text{if } \psi \geq \bar{\psi}\left(T\right) \\ 0 & \text{otherwise} \end{cases}$$

where $\bar{\psi}\left(T\right)$ and $\alpha(\psi \mid T)$ are the entry threshold (derived in closed-form in Proposition 2) and the marginal cost parameter of the optimally adopted technology given technology set $T$. I set total factor productivity to zero for entrepreneurs that do not produce to ensure that changes on the extensive margin (in and out of production) are reflected in TFP changes.

Technical change is an addition of a new technology, say $t_{new}$, to the technology set $T_{old}$ such that $T_{new} = T_{old} \cup \{t_{new}\}$. From there, I define scale-biased technical change formally.

**Definition** (Scale-biased technical change)**.** Technical change is *large-scale-biased* if and only if there exists some $k > \min\{\bar{\psi}(T_{new}), \bar{\psi}(T_{old})\}$ such that it increases $TFP$ for $\psi > k$ and does not increase it for $\psi < k$:

$$\begin{aligned} &TFP\left(\psi \mid T_{new}\right) > TFP\left(\psi \mid T_{old}\right) \quad \forall \psi > k \text{ and;} \\ &TFP\left(\psi \mid T_{new}\right) \leq TFP\left(\psi \mid T_{old}\right) \quad \forall \psi \in \left(\min\left\{\bar{\psi}(T_{new}), \bar{\psi}(T_{old})\right\}, k\right). \end{aligned} \tag{14}$$

It is *small-scale-biased* if and only if

$$\begin{aligned} &TFP\left(\psi \mid T_{new}\right) \leq TFP\left(\psi \mid T_{old}\right) \quad \forall \psi > k \text{ and;} \\ &TFP\left(\psi \mid T_{new}\right) > TFP\left(\psi \mid T_{old}\right) \quad \forall \psi \in \left(\min\left\{\bar{\psi}(T_{new}), \bar{\psi}(T_{old})\right\}, k\right). \end{aligned} \tag{15}$$

In other words, technical change is large-scale-biased if it increases the productivity of firms above some level of entrepreneurial productivity, while it does not increase the productivity of other firms. I do not consider cut-off levels $k$ below $\min\{\bar{\psi}(T_{new}), \bar{\psi}(T_{old})\}$ because for those levels of productivity people do not choose to be entrepreneurs under either technology set.

The definition is similar to that of *skill*-biased technical change as increasing skilled

workers' productivity relative to unskilled labor (Katz and Murphy, 1992; Violante, 2008). Krusell et al. (2000) provide a micro-foundation for skill-biased technical change by considering that the relative productivity changes could be caused by capital-skill complementary. In the same vein, I provide an explicit mechanism for relative productivity increases of large firms in terms of the available technologies. That is, I derive the conditions on the technological parameters under which technical change is large-scale-biased in equilibrium. Proposition 3 lays out these conditions.

**Proposition 3** (Scale-biased technical change)**.** *Suppose that the assumptions in Proposition 2 (Pareto distribution) hold, that* $\sigma > 2$*, and that* $T^*_{new} = T^*_{old} \cup \{t_{new}\}$ *(the new technology is adopted alongside the previously adopted technologies). Then,*

*(a) the technical change is large-scale-biased if and only if*

$$\kappa_{new} > \max_{\{\alpha_j, \kappa_j\} \in T^*_{old}} \kappa_j;$$

*(b) and the technical change is small-scale-biased if and only if*

$$\kappa_{new} < \min_{\{\alpha_j, \kappa_j\} \in T^*_{old}} \kappa_j.$$

*Proof.* See Appendix C. □

Proposition 3 shows that the addition of a technology constitutes large-scale-biased technical change if and only if the new technology comes with highest fixed cost. Conversely, it is small-scale-biased if the new technology has lowest fixed cost. Since no technology can strictly dominate another adopted technology, the result implies that technical change is large-scale-biased if and only if the new technology has lowest *marginal* cost.

The intuition behind the "if" is that a technology on the extreme end of the technology set would be adopted by the most productive or least productive entrepreneurs. Also, under the assumptions in Proposition 3, if a new technology is adopted, it *reduces* profits when using the other technologies. Therefore, entrepreneurs that do not adopt the new technology do not reduce marginal cost through a change to a third technology. If anything, some may find it optimal to use a technology with higher marginal and lower fixed costs than before in response to other entrepreneurs using the new technology. Thus, if a new technology has largest fixed cost, it increases the productivity of the top entrepreneurs, but not the rest. Vice versa, if it comes with lowest fixed cost, it increases the relative productivity of small entrepreneurs.

If a technology is adopted that has neither the highest nor the lowest fixed cost, it will be used by a set of intermediate entrepreneurs. This means that both the largest and the

smallest firms do not adopt this technology. Hence, by the same reasoning as above, this type of technical change does not increase the productivity of either small or large firms and is thus neither large- nor small-scale-biased.

The condition that $\sigma > 2$ is the empirically relevant case for at least three reasons. First, it is consistent with estimates of $\sigma$ around 6 for US manufacturing data (Bernard et al., 2003) and with the calibration of $\sigma = 4$ by Melitz and Redding (2015). Second, $\sigma \leq 2$ implies a labor share of a half or lower, while the labor share has been consistently larger than a half in the US and other countries. Third, if $\sigma \leq 2$, the implied mark-up (i.e., the ratio of price to marginal cost) is larger than 2.

Proposition 3 covers all cases where the new technology is adopted, but does not make any existing technologies "obsolete". It is however possible that a (subset of) previously adopted technologies are no longer adopted after a new technology is introduced. In Proposition 3A (in Appendix C), I derive the technological conditions for large- and small-scale-biased technical change in such cases.

Using Propositions 2 and 3, I generate three main predictions of the theory. First, large-scale biased technical change increases average firm sizes, while small-scale-biased technical change decreases them. Second, large-scale biased technical change increases income inequality between workers and entrepreneurs. Third, large-scale biased technical change increases top income inequality.

**Proposition 4** (Theoretical implications of scale-biased technical change)**.** *Suppose the assumptions in Proposition 3 hold. Then, large-scale-biased technical change*

*(a) increases the average firm size as measured by employment;*

*(b) increases income inequality between active entrepreneurs and workers;*

*(c) increases the income share of the top k% income earners for any k below some* $\bar{k} \in (0, 100)$.

*Small-scale-biased technical change has the opposite effects.*

*Proof of Proposition 4.* See Appendix C. □

The remainder of the paper is devoted to testing the theoretical predictions above. I will use the case of steam engines and electric motors. In the next section, I show that steam engine adoption is large-scale-biased and electric motor adoption small-scale-biased technical change.

# 3 Scale bias in steam engines and electric motors

To test the theory of scale-biased technical change, I compare the effects of steam engine and electric motor adoption. I argue that the comparison of these two technologies is uniquely appropriate to test the theory for three main reasons. First, the steam engine and the electric motor are two of the most important general purpose technologies in human history (Bresnahan and Trajtenberg, 1995). Second, they served a similar purpose: the conversion of energy into rotary motion in manufacturing. Third, as I will argue in this section, they varied crucially on scale bias: steam engine adoption constituted large-scale-biased technical change, while electric motor adoption constituted small-scale-biased technical change.

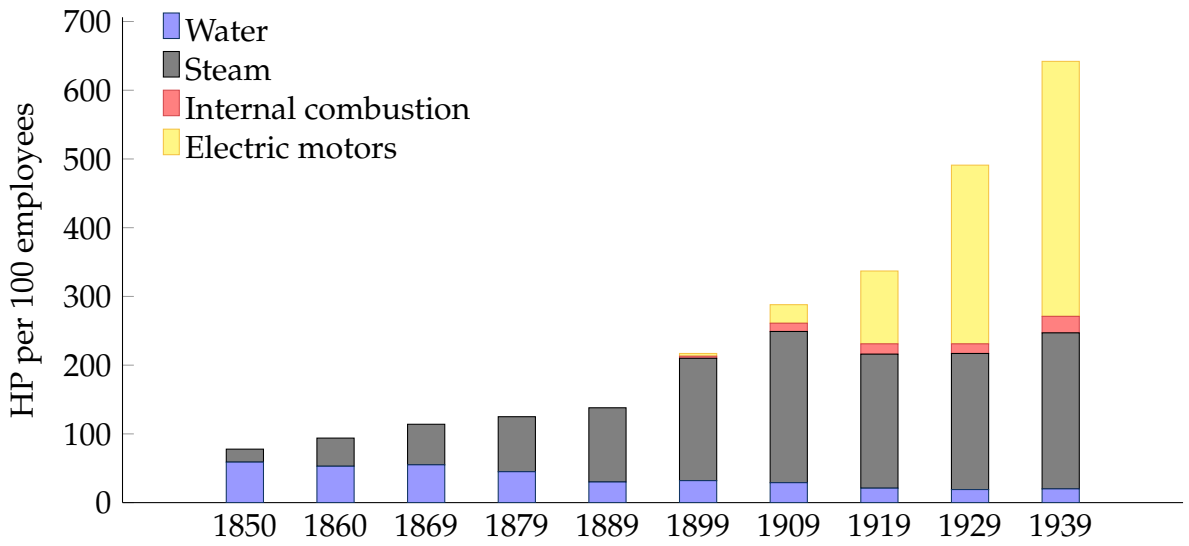
I first briefly describe the history of steam engine and electric motor adoption. Figure 3 illustrates the timing and degree of adoption of each type of primary power. Three main patterns jump out. First, the waterwheel was slowly replaced by the steam engine in the second half of the 19$^{th}$ century. Second, steam engines, and later the electric motor, were the dominant power source from around 1870 onward. Third, electric motors were adopted from around 1900 and their superiority meant that internal combustion engines were never adopted on a large scale (Du Boff, 1967). Fourth, electric motors driven by purchased electricity started to become dominant around the 1930s, but steam engines remained an important source of primary power until at least 1939. Figure A.1 shows the same patterns for the Netherlands.[12] Below, I lay out the features of the technologies that make steam engine adoption large-scale-biased and electric motor adoption small-scale-biased.

First, steam engines come with much higher fixed costs of purchase, renewal, and operation than electric motors. The price of a steam engine (including boiler) of average capacity was around $5331 in 1874, more than 13 times the yearly wage of an unskilled manufacturing worker (Emery, 1883; Abbott, 1905).[13] On top of that, it required an engineer and a firemen, supplies, oil, and repairs. In total, I estimate the annualized cost of purchase, renewal, maintenance, and operation of a 50 horsepower steam engine to be around $1378, about 3 to 4 times the yearly unskilled wage. In other words, for the cost

[12] A distinction can be made between the primary source of power (from the perspective of the plant) and the system to deliver that power. Many electric motors in manufacturing were not driven by purchased electricity, but by electricity generated in the plant. Such "secondary movers" are excluded from Figure 3 to avoid double counting of capacity. The share of non-electric primary power, such as steam engines, that served to generate electricity for intra-plant use grew strongly over time: from 14.8% percent in 1909 to 65.8% in 1939 (Du Boff, 1979, Table 15). Hence, electricity as a system of power delivery was more dominant than suggested by considering only the primary source of power. In this paper I focus on the primary source of power as the key distinction between "steam engines" and "electric motors".

[13] The average steam engine in the United States in 1889 had a capacity of 50.1 horsepower (Du Boff, 1979). The daily wage of an unskilled worker was $1.29 Abbott (1905), which I multiplied by 309 days as in (Emery, 1883).

FIGURE 3: Capacity of primary power by type in horsepower per 100 employees in manufacturing in the United States




*Notes:* Electric motors refer to primary electric motors, i.e., electric motors driven by purchased electricity, only. Electric motors driven by energy generated in the plant are covered under steam engines. *Sources*: (Atack, 1979, Table 1) for the number of steam engines and waterwheels in 1850 and 1860; (Atack et al., 1980, p. 285) for their average size (21 and 15 hp, respectively); Census of Manufactures 1860 for the total number of employees in 1850 and 1860; Census of Manufactures 1939, Power equipment and energy consumption, Table 3 for all years after 1860.

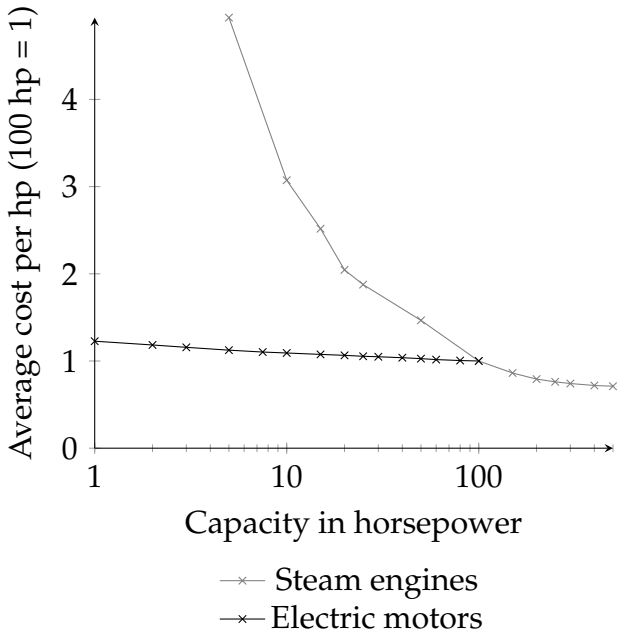
of operating an average-sized steam engine excluding fuel, one could hire around 3 to 4 unskilled workers. In comparison, the equivalent annualized fixed costs of an electric motor of that size were negligible: the fixed cost amounted to only 2 percent of the yearly wage of an unskilled worker (Bolton, 1926). In Appendix E, I provide more details on computations and sources.

Second, larger steam engines were considerably more efficient in converting energy into motion than small ones (Atack, 1979; Devine, 1983). In contrast, electric motors' efficiency does not vary nearly as much with size. In the words of the contemporaneous engineer Bell (1891): "With the electric motor the case is very, very different [from steam engines]; an eight horse-power motor may be as completely worked out in detail as one of a hundred times its power, and may be only slightly less efficient." Figure A.2 illustrates the efficiency of steam engines and electric motors for different sizes (horse-power capacity) relative to a 100 hp equivalent based on estimates by Emery (1883) and Bolton (1926). A steam engine of 10 hp required more than twice as much coal per horse-power of energy output than a 100 hp steam engine. Coal-efficiency was an important consideration given that coal accounted for between a half and two-thirds of the total operating costs for the larger engines.

The marginal and fixed costs of steam engines and electric motors can be combined to estimate an average cost curve by rated capacity for the electric motor and the steam en-

gine. Figure 4 shows the results.[14] Clearly, steam engines were much more cost-efficient on a large scale. For electric motors, scale was close to irrelevant as almost all costs were marginal, coming from the purchase of electricity, and the efficiency loss of small motors was minor.

FIGURE 4: Average cost per horsepower per year of steam engines and electric motors of different capacities relative to its 100-horse power equivalent




*Notes:* Author's computation based on contemporaneous price and efficiency data. *Sources*: (Emery, 1883) for steam engines and coal; (Bolton, 1926; Hannah, 1979) for electric motors and electricity. See Appendix E for further details.

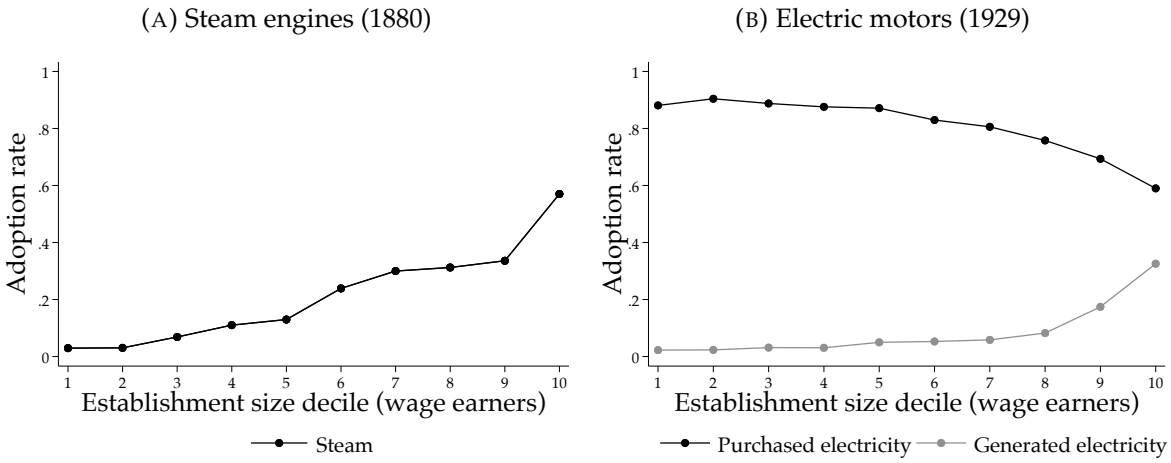
Lastly, there were reasons for steam engine adoption to be skewed to large establishments that are less easily quantified. A steam engine occupied a large amount of space and fuel storage, water supply, and mitigation of fire hazard further increased the fixed costs of operating steam engines (Hunter and Bryant, 1991, p. 56). Also, the "notoriously wasteful" steam engine had to be run at full capacity even if only small doses of power were required, a feature likely to be specifically uneconomical for small establishments (Du Boff, 1967).

The adoption rates by plant size reflect the considerations above. Figure 5(A) shows that large plants are much more likely to adopt steam engines, as documented before by Atack et al. (2008). In contrast, Figure 5(B) indicates that electric motors were almost uniformly adopted across the establishment size distribution. However, small firms tended

[14] I have assumed an interest rate of 5 percent, depreciation rates as estimated by Emery (1883); Bolton (1926) and a price of electricity as reported by Hannah (1979) and of coal as Emery (1883). In Appendix E, I explain the assumptions and computations underlying Figure 4 in further detail. Consistent with my estimates based on Emery (1883), (Kapp, 1894, p. 234) reports that the cost per horsepower hour of a "small" steam engine was about four times the cost of that of a "large" engine.

to rely solely on purchased electricity while large firms were more likely to use self-generated electricity. This further confirms that, for the purpose of studying scale bias, the relevant distinction is the primary source of power, not the system of delivery.

FIGURE 5: Adoption rates by establishment size




*Notes*: This figure indicates the share of establishments using steam engines in 1880 (panel A) and electric motors driven only by purchased electricity vs. generated electricity in 1929 (panel B) by establishment size as computed from micro-samples of the Census of Manufactures. *Sources*: for 1880, the national random sample of the Census of Manufactures (Atack and Bateman, 1999); for 1929, the Census of Manufactures for selected industries (Vickers and Ziebarth, 2018). I left out the concrete industry as data on electric motors driven by generated electricity is not available for that industry.

# 4 Data construction

This paper uses newly collected and digitized data from the United States as well as the Netherlands. In this section, I discuss the sources and construction of the data for both countries.

## 4.1 United States

For the United States, I most heavily rely on the tabulations of the decennial Census of Manufactures by state and industry. I digitized and compiled these data for each decade year between 1850 and 1940 and 1947. The information in the Census of Manufactures varied somewhat from year to year, but key variables such as the number of establishments, employment, and value added are always available. Furthermore, from 1870 onward, the tabulations reported the adoption of power technologies such as water wheels, steam engines, and, later, electric motors. The industry classification is detailed; in the average year, there are around three to four hundred different manufacturing industries. In total, the data comprise of 51,263 state-industry-year observations.

Since industry classifications changed over time, I created two crosswalks that allow to compare industries over time. The first covers all industries between 1860 and 1900, the period of most rapid steam engine adoption, and consists of 182 industries. This crosswalk is an extension of the 1860 to 1880 crosswalk published by Hornbeck and Rotemberg (2021). The second crosswalks consists of 206 harmonized industries across the six censuses between 1890 and 1940. To create this second crosswalk, I used tabulations by industries over time published in the Census of Manufactures.[15] The final crosswalks can be found in Appendix D.2. I also coded each Census of Manufactures industry to the 1950 Census Bureau industrial classification system to allow matching with the IPUMS USA population censuses between 1850 and 1940.

To construct instrumental variables for technology adoption, I use data on coal resources and hydropower potential by state. Data on historical coal resources by county are taken from the National Coal Resources Data System from the United States Geological Survey (USGS).[16] The dataset contains information on the "rank" (i.e., type) of coal, the estimated tonnage available, the thickness of the field, and the "overburden" (i.e. the depth of the material that lies above the coalfield). Using this information, I compute the total coal resources in British thermal units (Btu) for each county.[17] Recognizing that coal was traded across counties, I compute a measure of "coal access" by county similar to the measure of market access used by Donaldson and Hornbeck (2016). That is, for destination county $c$ in state $s$, coal access is given by

$$\text{COAL}_c^s = \sum_o \tau_{oc}^{-\theta} \text{BTU}_o \tag{16}$$

where $\tau_{oc} \geq 1$ is the "iceberg cost" of transporting coal between counties $o$ and $c$ in 1830, $\theta$ is the trade elasticity, and $\text{BTU}_o$ is the total amount of coal resources in county $o$ measured in Btu.[18] Intuitively, the coal resources in county $o$ more strongly count towards county $c$'s coal access if the transportation costs between these counties is low. Importantly, I use transportation costs before the introduction of the railroads to avoid capturing infrastructure investments. I similarly use estimates of coal resources prior to mining to

[15] In particular, I mostly used "comparative summaries" and descriptions of industry classifications in the appendices in the Census of Manufactures.

[16] The source file can be downloaded from `https://www.usgs.gov/media/files/uscoal`.

[17] Following Averitt (1975), I convert the tonnage of coal of different ranks to Btu using the following ratios: Anthracite, 12,700 Btu per pound; bituminous coal, 13,100 Btu per pound; subbituminous coal, 9,500 Btu per pound; lignite, 6,700 Btu per pound. I include the coal resource only if the overburden is less than 3,000 feet and the thickness is more than 14 inches for anthracite and (sub)bituminous coal or more than 28 inches for lignite (Averitt, 1975).

[18] Specifically, as in (Donaldson and Hornbeck, 2016; Hornbeck and Rotemberg, 2021), $\tau_{oc} = 1 + t_{oc}/\bar{P}_{coal}$. I set $\bar{P}_{coal} = 6.08$ to the average dollar per ton anthracite coal price in 1830, Philadelphia (Chandler, 1972, Table 2). $t_{oc}$ is the transportation cost per ton-mile between counties $o$ and $c$ in 1830 as estimated by Donaldson and Hornbeck (2016). The trade elasticity $\theta$ is set to 8.22 as estimated by (Donaldson and Hornbeck, 2016).

avoid contamination by selective mining. Figure A.3 shows the spatial distribution of coal access on the county-level.

Hydropower potential is defined as the total horsepower of energy that can be feasibly generated by waterpower given the topographic characteristics of the area. Importantly, it covers both developed and undeveloped sites. Estimates of hydropower potential of each state were published by USGS at various points in time. I use the estimates of hydropower potential published in (Young, 1964, Table 10).[19] Figure A.4 shows a map of hydropower potential across the United States.

## 4.2 Netherlands

For the Netherlands, I assemble a large micro-database that contains the names, occupation, residence, birth place, and wealth at death for all individuals who died in selected provinces between 1879 and 1927. The provinces cover around a half to two-thirds of the national population. Furthermore, I collected data on manufacturing on the local level for selected years. In all data, each municipality is coded to their "Amsterdamse code", an identifier for each historical Dutch municipality.[20]

### 4.2.1 Wealth and income

The data on wealth derive from the inheritance tax administration. The tax was levied nationally since 1818. All source data up to 1927 is publicly available in regional archives in the Netherlands. Before 1878, the inheritances were only subject to tax if not all recipients were descendants in the direct line. After 1878, all inheritances above $f1000$ (a thousand Dutch guilders) were taxed. However, the value of many estates worth less than $f1000$ were assessed and recorded. The source files are printed tables that were filled in by hand indicating decedent's name, occupation, place of residence, marital status, date of death, and importantly, the value of their estate. The tables were referred to contemporaneously as "Tafels V-bis". Figure D.1 is an example of a source image. It also contains decedents whose inheritance were not subject to taxation. De Vicq and Peeters (2020) have digitized the Tafels V-bis for decedents who were subject to taxation in 1921. For more information on the source, I refer to their paper.

I cover the entire period between 1879 and 1927. I included all areas for which the source files were available online as scanned images, namely the provinces Noord-Holland, Zuid-Holland, Noord-Brabant, Gelderland, and Overijssel.[21] In 1900, these five provinces

[19] Since water flow can vary seasonally, hydropower potential may not be constant within a year. I use estimates of hydropower potential available 50 percent or more of the time.

[20] See Huijsmans (2020) for a database of all historical municipalities.

[21] The archival sources are: Noord Hollands Archief, record group 178 (for Noord-Holland); Nationaal

contained 70 percent of the population.[22] For Zuid-Holland, scanned images were only available up to around 1900. The source files are printed tables that were filled in by hand indicating decedent's name, occupation, place of residence, marital status, date of death, and importantly, the value of their estate. Figure D.1 is an example of a source image. The tables were digitized using Transkribus, an AI-powered platform specialized in digitization of historical records.[23] In total, I digitized more than 130 thousand images.

I mitigate noise coming from automatic digitization of the data in two ways. First, the wealth of all observations with wealth recognized to be larger than $f$100,000 (19,178 observations) were checked by hand. Second, I link the digitized dataset to existing high-quality hand-collected information from the civil death registry by (fuzzy) matching based on name, place and date of death, and age.[24] Around 80 percent of the observations can be linked to a record in the civil death registry.

Using the data, I create a panel data on the local wealth distribution. I use the smallest geographical unit, the municipality, as the unit of analysis. To ensure a sufficient amount of observations per time period, I compute the distributional statistics by decade.[25] As reported above, all estates worth more than the taxable threshold of $f$1000 were assessed and taxed, but many estates were assessed to be below the threshold. Which estates were assessed may have varied somewhat across tax offices and over time: the exact criteria under which an estate was assessed are to my knowledge unknown. The need to avoid that variations in assessments affect the measures of inequality, would suggest to only include decedents with an assessed wealth above $f$1000 (as they should always have been assessed). However, including as many people as possible reduces variance in the measures of inequality. I balance these interests by including every decedent with an assessed wealth above $f$300 in the sample on which measures of the wealth distribution are computed.

The resulting dataset on wealth over the period of industrialization is unique in its size and geographic scope. The existing literature has focused on documenting national trends in the wealth distribution. For instance, Lindert (1986) (UK) samples 12,581 estates across four regions and five dates between 1670 and 1875, Piketty et al. (2006) (France) cover a random sample of Parisian estates in selected years in the 19$^{th}$ century, and Bengtsson et al. (2018) (Sweden) collect information on samples of around 5000 probate inventories between 1750 and 1900. This dataset is an illustration of the value of using

Archief, record group (i.e. "inventarisnummer") 3.06.05 (for Zuid-Holland); Brabants Historisch Informatie Centrum, record group 82 (for Noord-Brabant); Gelders Archief, various record groups (for Gelderland); Collectie Overijssel, record group 136.4 (for Overijssel).

[22] See http://www.volkstelling.nl for data on population by province. The four provinces for which the entire period is covered contained 47 percent of the population in 1900.

[23] For more information, see https://readcoop.eu/transkribus/.

[24] The civil registry data can be downloaded in bulk at https://www.openarch.nl/exports/csv/.

[25] Since the dataset starts in 1879, I assign that year to the 1880s too.

TABLE 1: Correlations between top decile shares based on inheritance data and alternative data sources

| | Wealth, inheritance data | | | | |
|---|---|---|---|---|---|
| | 1880 | 1890 | 1900 | 1910 | 1920 |
| Income, 1883 | **0.86** | 0.77 | 0.73 | 0.62 | 0.54 |
| Income, 1926 | 0.38 | 0.33 | 0.54 | 0.60 | **0.71** |
| Wealth, 1926 | 0.48 | 0.56 | 0.66 | 0.72 | **0.76** |

*Notes*: This table shows the correlations between the measures of municipality-level top wealth inequality for each decade derived from the inheritance data and measures of income and wealth inequality from other sources. Observations are weighted by the number of individuals on which the inheritance wealth inequality measure is based. *Sources*: local income tax data for income inequality in 1883; national income (wealth) tax data for income (wealth) inequality in 1926.

newly available technologies for scalable digitization of handwritten historical records. With more than 1.5 million decedents—of which 550,966 had their wealth assessed and recorded—and coverage across the country, it allows for a detailed look on the wealth distribution. Furthermore, and importantly for the purpose of this paper, it provides complete coverage between 1879 and 1927, the period where first steam engines and then electric motors were adopted in the Netherlands.

I assess the reliability of the data by comparing the measures of inequality with data from two other sources that I have digitized. First, I uncovered a parliamentary document that recorded in large detail the distribution of income by municipality in 1883 for 79 municipalities.[26] These data were derived from local income tax administrations. I also collected data on income distributions of 8 additional cities with a local income tax whose distribution was not included in the parliamentary study.[27] The second source of the data are income and wealth distributions derived from national taxation for the largest 45 municipalities for 1926 in (Centraal Bureau voor de Statistiek, 1928). Table 1 shows that the correlations are strong, and importantly, they are strongest for the relevant time period. For instance, the top decile share of income in 1883 correlates strongly with the top decile wealth share in 1880, but much less strongly with that in 1920. These correlations provide evidence that the data is accurate both in the cross-section and over time. Furthermore, Table 1 shows that wealth inequality among decedents (as measured by the inheritance data) correlates strongly with wealth (and income) inequality among the living population.

Lastly, I use newly digitized data on the income distribution in every municipality in

[26] Tweede Kamer (*House of Representatives*) 1883-1884 kamerstuknummer (*document number*) 172.13. The source file can be found on https://zoek.officielebekendmakingen.nl/0000397139.

[27] The cities are: Breda (1880), Vlissingen (1883), Enschede (1880), Utrecht (1888), Delft (1893), Eindhoven (1885), Hilversum (1880), Nijmegen (1880). The sources for these extra cities are documented in Appendix D.3.

1946, the first year for which this is available (Statistics Netherlands, 1952).[28] Since over 85 percent of households were subject to income tax, I treat the taxed units as the target population for which I estimate the distribution of income. To estimate the distribution of income from the tabulations, I use the generalized Pareto interpolation method (Blanchet et al., 2022).[29]

### 4.2.2 Manufacturing

I use newly digitized data on manufacturing by municipality for the years 1816-1819 and 1930. The first official Census of Companies ("Bedrijfstelling") in the Netherlands was performed in 1930. It offers a high-quality snapshot of manufacturing by industry by municipality.[30] This source provides information on the number of establishments and workers by size class by industry by municipality and the adoption of motive power (in horsepower).[31] Importantly, it breaks down motive power by electric motors driven by purchased energy and other motive power (i.e., steam engines or electric motors driven by steam engines in the plant). Figure D.3 provides an example of a source page. In total, the data consists of 33,134 municipality-by-industry observations.

The data for the years 1816-1819 derive from two government surveys from which the results are compiled and published in print by (Brugmans, 1956; Damsma et al., 1979).[32] I digitized the data from that source and coded the establishment types to a 2-digit ISIC industry code.[33] Where data is available for both 1816 and 1819, I use the data for 1819. Furthermore, I added the results for the municipality of Rotterdam and neighbouring municipalities—which were excluded by (Brugmans, 1956; Damsma et al., 1979)—from (Korteweg, 1926). The inquiry contains, by municipality, information on the number of establishments for each type of establishment (e.g. tannery or cotton factory) and the number of workers. Brugmans (1956); Damsma et al. (1979) were not able to retrieve the survey results of all municipalities in three out of eleven provinces (Zuid-Holland, Overijssel, and Groningen). The final data contain 3,658 municipality-by-industry observations in 539 distinct municipalities.[34] The data includes nearly all large cities and other

[28] See Figure D.2 for an image of the original source file.

[29] The `R`-package `gpinter` implements the method.

[30] While it also provides information on non-manufacturing firms, I have digitized the data only for manufacturing firms. Source images can be downloaded from `https://doi.org/10.17026/dans-xqs-5q6e`.

[31] The establishments are broken down by those employing none or one person, 2 to 5 persons, 6 to 10 persons, or 11 or more persons.

[32] The source images can be downloaded from `https://resources.huygens.knaw.nl/nijverheid`.

[33] Specifically, I coded the establishment types to the International Standard Industrial Classification of All Economic Activities, Rev. 4.

[34] Around 1200 municipalities existed at the time. For eight out of eleven provinces, (Brugmans, 1956; Damsma et al., 1979) retrieved the complete returns of the surveys so that any "missing" municipalities are likely to not have had any significant manufacturing presence. For the remaining three provinces, some municipalities may be missing despite some manufacturing industry.

places with a strong manufacturing presence.

For comparability across years, I coded each industry or establishment type to its relevant 2-digit ISIC industry code.

# 5 The effect of scale-biased technical change on firm size

This section documents the impact of the adoption of steam engines—large-scale-biased technical change—and the adoption of electric motors—small-scale-biased technical change—on establishment sizes. The first prediction of the theory is that steam engine adoption causes an increase in the average establishment size, while electric motor adoption decreases it. I verify the prediction using exogenous geographical variation within the United States in the costs of the two technologies. Specifically, I use differences in access to natural coal reserves and hydropower potential across the United States as instrumental variables to identify the causal effects of adoption.

**First stage.** Figure A.5 shows that "coal access" strongly affected coal prices ($\rho = -0.58$ on the state-level). I test the hypothesis that, as a result, coal access affected the adoption of steam engines. In 1890, the Census of Manufactures reported steam engine and other power use for each state-industry combination. For that year, I estimate

$$\text{STEAM}_{ist} = \delta_i + \theta \ln(\text{COAL}_s) + \epsilon_{ist} \tag{17}$$

where the subscripts $i$, $s$, and $t$ refer to industry, state, and year, respectively. $\text{STEAM}_{ist}$ refers to measures of steam engine adoption, i.e., steam engines' horsepower per employee and the share of steam engines in total horsepower. $\text{COAL}_s$ is the measure of state $s$'s coal access, computed as the average coal access of the counties in state $s$ as given by equation (16). Standard errors are clustered at the state-level and the regression is weighted by the total number of establishments in industry $i$, state $s$, and year $t$. Table 2 shows that coal resources strongly predicted steam engine adoption, both relative to employment and relative to other power sources (mostly water wheels), even within narrow industries. This relationship is robust to—and if anything strengthened by—controlling for hydropower potential and market access in state $s$.

TABLE 2: The effect of coal access on steam engine adoption (1890)

| | Steam hp per worker (asinh) | | | Steam as share of total hp | | |
|---|---|---|---|---|---|---|
| Coal access (logs) | 0.022*** | 0.022*** | 0.023*** | 0.031*** | 0.031*** | 0.035*** |
| | (0.004) | (0.004) | (0.004) | (0.007) | (0.007) | (0.007) |
| Hydro-potential (logs) | | -0.006** | -0.006* | | -0.007 | -0.006 |
| | | (0.003) | (0.003) | | (0.007) | (0.005) |
| Market access (logs) | | | X | | | X |
| Observations | 4237 | 4237 | 4237 | 3395 | 3395 | 3395 |

*Notes*: This table shows the estimated effect of coal access (in logs) on horsepower of adopted steam engines per employee and as fraction of total horsepower. Standard errors in parentheses are clustered at the state-level. Industry fixed-effects included. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

The price of electricity depended strongly on the "hydropower potential" that a state had to offer. Figure A.6 shows the correlation between hydropower potential and electricity prices in 1929 on the state-level ($\rho = -0.56$). Coal access and hydropower potential are not correlated (Figure A.7, $\rho = 0.03$). I estimate the effect of the instrument (hydropower potential) on the use of purchased electric energy, first reported in 1939. That is, I estimate for the year 1939:

$$\text{ELECTRICITY}_{ist} = \delta_i + \theta \ln(\text{HYDRO}_s) + \boldsymbol{\lambda}' \boldsymbol{X}_{ist} + \epsilon_{ist}.^{35} \tag{18}$$

$\text{ELECTRICITY}_{ist}$ refers to two measures of electric motor adoption: the total megawatt hour of purchased electric energy per employee and the cost of purchased electric energy as a share of total fuel costs.[36] $\ln(\text{HYDRO}_s)$ refers to the logarithm of the hydropower potential of state $s$. Table 3 shows the results. Hydropower potential caused firms to use more electric energy, relative to employment and relative to other fuels.

[35] For simplicity, I chose notation identical to (17). Of course, the parameters in (17) and (18) are different.

[36] The megawatt hour of purchased electric energy per employee is obtained by dividing the cost of purchased electricity by the average price of electricity per MWh for manufacturers in the state in 1939. The average price was, in turn, computed by dividing the total cost of purchased electric energy in the state (Census of Manufactures 1939, Volume 1, Ch. VII, Table 3) by the quantity purchased in MWh. (Census of Manufactures 1939, Volume 1, Ch. VI, Table 6).

TABLE 3: The effect of hydropower potential on purchased electric energy use (1939)

| | MWh per worker (asinh) | | | Electricity as share of fuel | | |
|---|---|---|---|---|---|---|
| Hydro-potential | 0.110*** | 0.116*** | 0.120*** | 0.020*** | 0.018*** | 0.017*** |
| | (0.029) | (0.024) | (0.021) | (0.004) | (0.003) | (0.003) |
| Coal access | | 0.022 | 0.015 | | -0.007** | -0.005* |
| | | (0.017) | (0.017) | | (0.003) | (0.002) |
| Market access (logs) | | | X | | | X |
| Observations | 5031 | 5031 | 5031 | 5010 | 5010 | 5010 |

*Notes*: This table shows the estimated effect of hydropower potential (in logs) on megawatt hour of purchased electricty per employee of adopted steam engines per employee and as fraction of total horsepower. Standard errors in parentheses are clustered at the state-level. Industry fixed-effects included. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

**Results.** I estimate the reduced form effects of coal access and hydropower potential on the firm size using the following regression equation:

$$\ln(y_{ist}) = \alpha_s + \eta_{it} + \sum_{k \in T} [\beta_k \ln(\text{COAL}_s) D_{tk} + \gamma_k \ln(\text{HYDRO}_s) D_{tk}] + \boldsymbol{\lambda}' \boldsymbol{X}_{st} + \varepsilon_{ist} \quad (19)$$

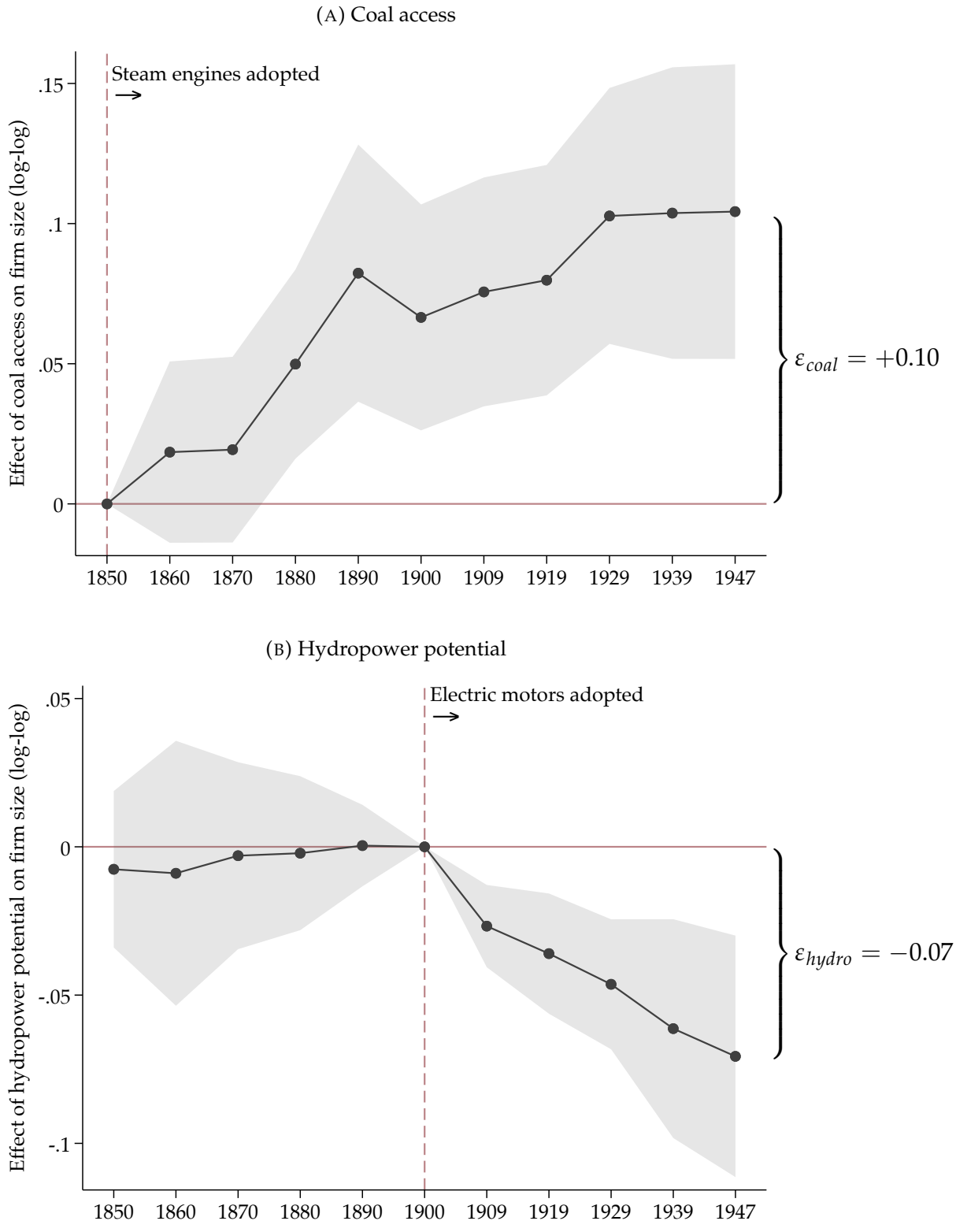
where the subscripts $i$, $s$, and $t$ refer to industry, state, and year, respectively. $D_{tk}$ is a dummy that is 1 if $t = k$ and 0 otherwise and $T$ contains all but one reference census year. $y_{ist}$ is the average firm size (in terms of employment). Standard errors are clustered at the state-level and the regression is weighted by the total number of establishments in industry $i$, state $s$, and year $t$. $\boldsymbol{X}_{st}$ is a vector of controls on the state-year level: it contains the density of the population in state $s$ at time $t$ and interactions between time and "market access" in state $s$.[37] Controlling for market access ensures that the estimated effect of access to coal does not reflect low-cost access to consumer markets.

Figure 6 shows the estimates and 95% confidence intervals for the effects of coal access and hydropower potential across years. I find that firm sizes in states with high coal access—adopting more steam engines—grew from 1850 onward relative to other states. In contrast, states with high hydropower potential—adopting more electric motors—experienced relative reductions in average firm sizes. Importantly, as depicted in Figure 6(B), there were no differential trends in firm size based on hydropower potential prior to the electric motor's introduction between 1890 and 1900, providing evidence for the validity of the instrument.

Consistent with the exclusion restriction that coal access affects firm sizes only through

[37] I compute market access by county for the year 1830 (before railroads) as in (Donaldson and Hornbeck, 2016) and average it to the state-level.

FIGURE 6: Effects of coal access and hydropower potential on firm sizes




*Notes*: Panel (A) and (B) of this figure show estimates of the reduced form effects of coal access and hydropower potential on firm sizes relative to the base year, accounting for industry and state fixed effects. Estimates in Panel (A) and (B) are jointly estimated in one specification (see equation (19) for the econometric specification), the only difference being the base year relative to which the estimates are estimated. Shaded areas represent 95% confidence intervals. Standard errors are clustered at the state-level.

steam engine adoption, I show that firm sizes in industries that used little power nationally in 1890 were barely affected by coal (see Figure A.8). Specifically, I estimate equation (19) for the years between 1860 and 1900, now including state $\times$ industry fixed effects using the 1860 to 1900 industry crosswalk in Appendix D.2.1. I estimate this equation separately for a set of "placebo" industries—industries in the bottom quartile of power usage in 1890—and the remaining "treated" industries.[38] Similarly, hydropower potential only affected firm sizes in industries that used electric motors (see Figure A.9). To test this, I run the same procedure for the years between 1890 and 1939 using the crosswalks in Appendix D.2.2. For electric motors, I define placebo industries as those in the bottom quartile of the share of purchased electricity in overall fuel costs.

I estimate the effect of steam engine and electric motor adoption on the firm size using IV in two . Specifically, I regress state-by-industry firm size growth on adoption, instrumented by hydropower potential and coal access. That is, I estimate

$$\ln(y_{is,1890}) - \ln(y_{is,1860}) = \alpha_1 + \beta_1 \text{STEAM}_{is,1890} + \boldsymbol{\lambda}_1' \boldsymbol{X}_{is} + \varepsilon_{is} \tag{20}$$

$$\ln(y_{is,1939}) - \ln(y_{is,1900}) = \alpha_2 + \beta_2 \text{ELECTRICITY}_{is,1900} + \boldsymbol{\lambda}_2' \boldsymbol{X}_{is} + \eta_{is} \tag{21}$$

where $\text{STEAM}_{is,1890}$ and $\text{ELECTRICITY}_{is,1939}$ are steam engine horsepower per worker in 1890 and megawatt hour of purchased electricity per worker in 1939. Both are transformed using the inverse hyperbolic sine function.

Table 4 shows the results of the instrumental variable regressions in equations (20) and (21). The estimate in the first column suggest that a 1% percent increase in steam engine use led to an increase in average firm size of about 1.1%. The second and third columns explore the sensitivity of the estimates to changes in the set of controls. While steam engines increased firm size, column four to six show that electric motor adoption decreased it with an elasticity around -0.4.

[38] Power usage is defined as the share of establishments reporting any power use.

TABLE 4: The effect of steam engine and electric motor adoption on firm sizes

| | $\Delta \ln(\text{firm size}_{is})$ | | | | | |
|---|---|---|---|---|---|---|
| | 1860-1890 | | | 1900-1940 | | |
| $\text{STEAM}_{is,1890}$ | 1.058** | 1.152** | 1.089** | | | |
| | (0.450) | (0.465) | (0.483) | | | |
| $\text{ELECTRICITY}_{is,1939}$ | | | | -0.386*** | -0.383*** | -0.353*** |
| | | | | (0.094) | (0.104) | (0.113) |
| $\Delta \ln(\text{population density}_{s})$ | | X | X | | X | X |
| $\Delta \ln(\text{income/wealth p.c.}_{s})$ | | | X | | | X |
| Observations | 1900 | 1900 | 1900 | 2117 | 2117 | 2117 |
| Kleibergen-Paap F-stat. | 42.9 | 33.4 | 24.7 | 16.8 | 14.1 | 13.3 |

*Notes*: This table shows the estimated effects of steam engine and electric motor adoption on the change in log firm size in a given state and industry. The explanatory variables are the inverse hyperbolic sine of steam engine horse power in 1890 and megawatt-hour of purchased electricity per worker in 1939. The adoption variables are instrumented with coal access (first three columns) and hydropower potential (last three columns). Observations are weighted by the number of establishments in the base year. Standard errors in parentheses are clustered at the state-level.* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

# 6 The effect of scale-biased technical change on inequality

The previous section's results demonstrated that large-scale-biased technical change increases establishment sizes, while small-scale-biased technical change does the opposite. In this section, I study the second and third prediction of the theory.

The second prediction is that large-scale biased technical change increases the profit-wage ratio, a measure of income inequality between workers and entrepreneurs. I use data from the Census of Manufactures in the United States—and the same geographic variation as in the previous section—to show that steam engines increased the profit-wage ratio, while electric motors decreased it. Furthermore, I find that profit-wage ratios are, as suggested by the theory, a good proxy for economic inequality between households. Using data from the 1860 and 1870 US Census of Population, I find a remarkably strong correlation between profit-wage ratios and top wealth inequality ($\rho = 0.67$).

The third prediction of the theory is that steam engines and electric motors had opposite effects on income inequality. I use the Dutch panel data on local wealth inequality for this purpose. Local wealth inequality, besides being a measure of economic inequality in its own right, was strongly correlated with local income inequality (see Section 4). I show that wealth inequality rose in municipalities with high steam engine adoption,

while it did not in those with high electric motor adoption. For identification of causal effects, I exploit that some municipalities were more exposed to the use of these technologies given their industry composition within manufacturing in 1816, long before the widespread adoption of either technology.

## 6.1 Profit-wage ratio

In the model in Section 2—where each entrepreneur owns one firm—the ratio between the average profits and the wage is a perfect measure of income inequality between workers and entrepreneurs. The free entry condition in equation (9) suggests that this ratio is proportional to the average firm size. Specifically, it implies

$$\ln\left(\frac{\bar{\pi}_{is}}{w_{is}}\right) = \text{constant} + \ln\left(\text{firm size}_{is}\right). \tag{22}$$

That is, the larger is the average firm size, the larger is the average profit of an establishment relative to the wage.

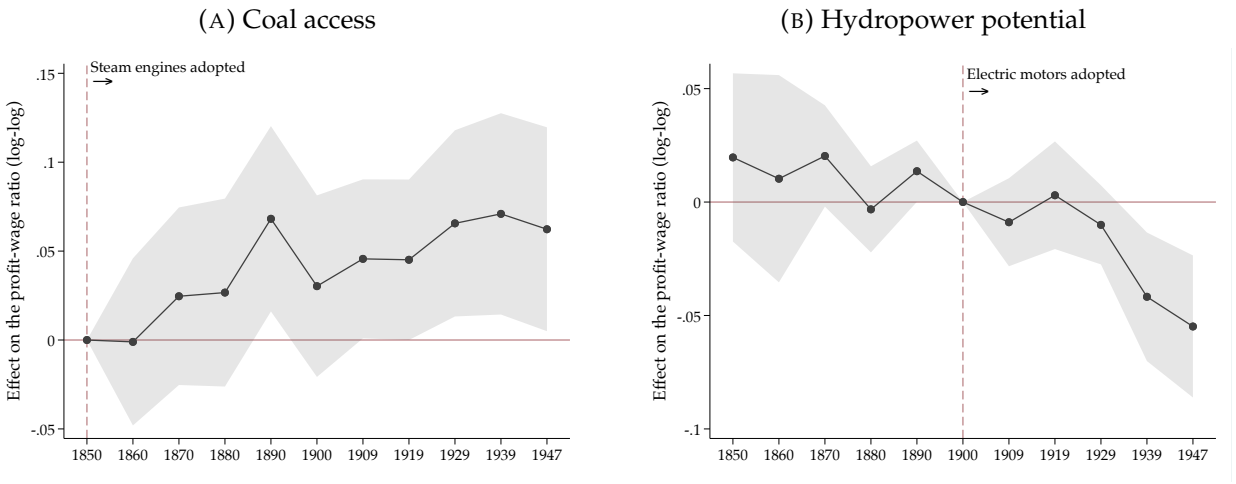
To test whether the free entry condition holds empirically, I estimate average profits and wages from the Census of Manufactures. Atack and Bateman (2008) estimate profits in the 1890 Census of Manufactures using information on output, wage costs, raw materials, the capital stock, and other expenses. Unfortunately, such detailed information is not available for all years. In particular, estimates of the capital stock were only reported up to 1919 and "miscellaneous expenses" only between 1890 and 1909. I therefore approximate average profits as output minus cost of raw materials and labor costs per establishment, which can be computed for all years. The correlation between this measure of average profits and the measure used by Atack and Bateman (2008) is high: 0.75 in levels and 0.96 in logs.[39] I estimate the wage as the total wage bill divided by the total number of workers. For 1940, this measure of wage income corresponds closely with the average reported wage income by state and industry in the population census, with a correlation of 0.93 in levels and 0.94 in logs.

Figure A.10 shows that the relation between firm sizes and profit-wage ratios in equation (22) holds strongly in the data ($\rho = 0.87$). Because the previous section showed that firm sizes were affected by steam engine and electric motor adoption, it is natural to test whether profit-wage ratios were too. I do this by re-estimating the reduced-form effect of coal access and hydropower potential on the profit-wage ratio. Specifically, I estimate equation (19) where the outcome variable $y_{ist}$ is now the profit-wage ratio in industry $i$,

[39] Specifically, for manufacturing censuses between 1890 and 1909, I compute profits as output minus cost of raw materials, labor costs, capital costs, and miscellaneous expenses per establishment. I compute capital costs as 4.33 percent of the capital stock. Atack and Bateman (2008) assumed a different capital cost rates for plants (2%) than for equipment (6.67%); I choose 4.33 percent as the average of these two rates.

state $s$, and year $t$.

FIGURE 7: Effects of coal access and hydropower potential on the profit-wage ratio




*Notes*: Panel (A) and (B) of this figure show estimates of the reduced form effects of coal access and hydropower potential on the ratio between average profits and average wages relative to the base year, accounting for industry and state fixed effects. Estimates in Panel (A) and (B) are jointly estimated in one specification (see equation (19) for the econometric specification), the only difference being the base year relative to which the estimates are estimated. Shaded areas represent 95% confidence intervals. Standard errors are clustered at the state-level.

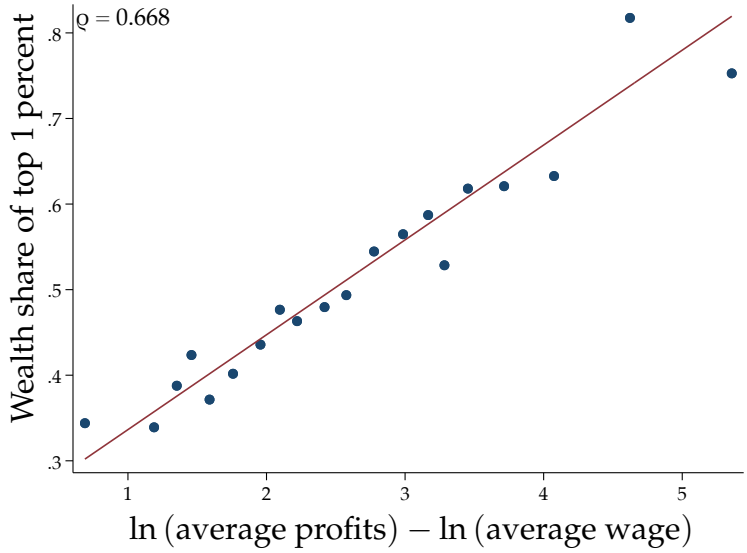
I find that the reduced form effects of coal access and hydropower potential on profit-wage ratio are qualitatively and quantitatively similar to the effects on firm size (Figure 7). Steam engines increased the profit-wage ratio, while electric motors decreased it. Table B.2 shows the IV estimates of the elasticity of the profit-wage ratio to steam and electric motor adoption. The point estimates are very similar to those found for the firm size in Section 5.

Under the model's assumptions, this finding is sufficient to conclude that large-scale-biased technical change—in the form of steam engine adoption—increases income inequality between workers and entrepreneurs. When technical change is large-scale-biased, fewer entrepreneurs operate in equilibrium, and the surviving entrepreneurs capture a larger share of profits than they did before. Of course, in practice, firm ownership is less concentrated than it is in the model. People may own shares in one or multiple firms, diluting the relation between the profit distribution across firms and inequality between households quantitatively.

Using data on wealth from the Census of Population in 1860 and 1870, I show that profit-wage ratios strongly correlate with measures of wealth inequality. That is, I compute top wealth inequality by year, state and 1950 industry in the Census of Population. I compute profit-wage ratios in the Census of Manufactures by the same industry classification using newly created crosswalks. Figure 8 illustrates the strong relationship between wealth inequality (as measured by the share of wealth held by the top 1 per-

cent) and the profit-wage ratio. This shows that the profit-wage ratio is a good proxy for inequality.

FIGURE 8: The profit-wage ratio correlates strongly with wealth inequality




*Notes*: This figure shows a bin scatter visualizing the correlation of wealth inequality and the profit-wage ratio by state and industry. Each dot is an industry-state-year combination in 1860 and 1870. Wealth inequality is computed from the Census of Population. Average profits are approximated by dividing total output minus cost of raw materials and labor costs by the number of establishments. The wage rate is approximated by dividing total wage costs by employment.

The finding that steam engines increased profit-wage ratios and electric motors decreased them, coupled with the strong correlation between profit-wage ratios and inequality, suggests that steam engines increased inequality, while electric motors decreased it. Direct evidence on income or wealth is, however, not available for the United States after 1870. Therefore, to test whether scale-biased technical change affects inequality in the personal income and wealth distribution, I use data from the Netherlands for which detailed information on wealth and income over a long horizon is available.

## 6.2 Wealth and income inequality

I use the digitized Dutch inheritance tax data to create various measures of local inequality for the period between 1879 and 1927. With this dataset, I first study how wealth inequality evolved across municipalities with varying rates of adoption of steam engines and electric motors. I use wealth inequality, rather than income inequality, primarily for reasons of data availability. Table 1 shows, however, that income and wealth inequality are strongly correlated. Furthermore, I also estimate the effects on income inequality for a subset of municipalities for which data is available.

As a measure of adoption, I use the share of local manufacturing employment that

works in establishments using the technologies. I measure this using the newly digitized 1930 Census of Dutch Companies. Particularly, I divide establishments in three groups: 1) those using prime movers run by energy generated in the plant (steam engines), 2) those only using prime movers run by purchased electricity (electric motors), and 3) those not using any prime movers at all. The measure of local steam engine adoption is the share of workers in the first type of establishments. Similarly, electric motor adoption is measured as the share of workers in the second group of establishments, so that:

$$\text{STEAM}_{1930,m} = \frac{\text{Employment in plants using prime movers run by generated energy in } m}{\text{Total employment in } m} \tag{23}$$

$$\text{ELECTR}_{1930,m} = \frac{\text{Employment in plants using prime movers run by purchased electricity in } m}{\text{Total employment in } m}. \tag{24}$$

The main specifications are as follows:

$$\text{INEQUALITY}_{mt} = \alpha_{1m} + \eta_{1t} + \sum_{k \in T \setminus \{1880\}} \beta_{1k} \left(\text{STEAM}_{1930,m} \times D_{tk}\right) + \varepsilon_{1,mt} \tag{25}$$

$$\text{INEQUALITY}_{mt} = \alpha_{2m} + \eta_{1t} + \sum_{k \in T \setminus \{1880\}} \beta_{2k} \left(\text{ELECTR}_{1930,m} \times D_{tk}\right) + \varepsilon_{2,mt} \tag{26}$$

where the subscript $t \in T = \{1880, 1890, 1900, 1910, 1920\}$ refers to the decade, $m$ to the municipality and $D_{tk}$ is a dummy that 1 if $t = k$ and 0 otherwise. $\text{INEQUALITY}_{mt}$ is the share of wealth held by the top 1% of decedents with wealth. The coefficients $\beta_{1k}$ and $\beta_{2k}$ capture the association between steam engine and electric motor adoption and the change in wealth inequality from 1880, the reference year, to year $k$.

Figure A.11(a) plots the coefficients of $\beta_t$ for each decade relative to 1880. The coefficient suggest that a 1 percentage point increase in the share of employment exposed to steam engines leads to an increase in the top 1% wealth share of about 0.2 percentage points. This effect is statistically and economically significant. Local steam engine adoption varied strongly: around 10 percent of municipalities adopted no steam engines at all, while in some municipalities more than 90 percent of manufacturing employment was in steam-powered establishments. A one standard deviation increase in steam engine adoption (0.19) increases the top 1% wealth share by around 4 percentage points in 1920. The average top 1% wealth share across municipalities was 21 percent.

The estimated effects of electric motor adoption on wealth inequality are shown in Figure A.11(b). The figure shows that electric motor adoption did not increase wealth inequality. If anything, it decreased it. However, the size of the estimated effect is smaller than for steam engines and not statistically significant on the 95% confidence level.

The coefficients in Figure A.11 reflect the different evolution of wealth inequality in municipalities along one dimension of power usage (steam engine adoption or electric

motor adoption). When electric motor adoption is low, this could be because mostly steam engines were used or because there was little use of power of any sort. To directly compare the effect of steam engine adoption and electric motor adoption, I also estimate equation (25) while controlling for the share of employment in establishments that do not use any power in 1930 (similarly interacted with time dummies).[40] Since $\text{STEAM}_{1930,m}$, $\text{ELEC}_{1930,m}$, and $\text{NOPOWER}_{1930,m}$ sum to one by construction, the coefficient of interest in this regression reflects the increase in wealth inequality associated with a 1 percentage point increase in steam engine adoption and a 1 percentage point *decrease* in electric motor adoption. The results are shown in Figure A.12. It shows that holding total power usage constant, when more steam engines were used—and thus less electric motors—wealth inequality increased relative to 1880.

**Instrumental variable analysis.** The municipality-fixed effects specifications in equations (25) and (26) control for any time-invariant unobserved heterogeneity across municipalities. Time-varying heterogeneity is a potential remaining threat to causal interpretation of the coefficients in Figure A.11. For instance, it is a priori conceivable that changes in local inequality between 1880 and 1920 also affected technology adoption, leading to reverse causality. To assess the quantitative importance of such threats to identification, I employ an instrumental variable strategy.

The identification strategy uses that the local industry composition in manufacturing in 1816 (see Section 4.2.2 for details on the data) is predictive of the local adoption rates of steam engines and electric motors. I assign 2-digit ISIC industry codes to each industry in the manufacturing data in 1930 and 1816. Then, using the 1930 data, I compute industry $i$'s adoption of steam engines and electric motor adoption. The adoption rates are computed analogously to $\text{STEAM}_{1930,m}$ and $\text{ELECTR}_{1930,m}$ in equations (23) and (24), only changing the unit of analysis from municipality $m$ to industry $i$.

Table B.3 shows the adoption rates for each manufacturing industry. The textile industry, together with the much smaller beverage industry, was the largest adopter of steam engines, with half of employment in establishments using steam. On the other hand, the leather, apparel, tobacco, and printing industries almost did not use any steam engines at all. Using these adoption rates in 1930, I then compute the exposure to steam engines

[40] That is, I estimate:

$$\text{INEQUALITY}_{mt} = \alpha_{3m} + \eta_{3t} + \sum_{k \in T \setminus \{1880\}} \left[\beta_{3k} \left(\text{STEAM}_{1930,m} \times D_{tk}\right) + \gamma_{3k} \left(\text{NOPOWER}_{1930,m} \times D_{tk}\right)\right] + \varepsilon_{3,mt}.$$

and electric motors in municipality $m$ in 1816 as:

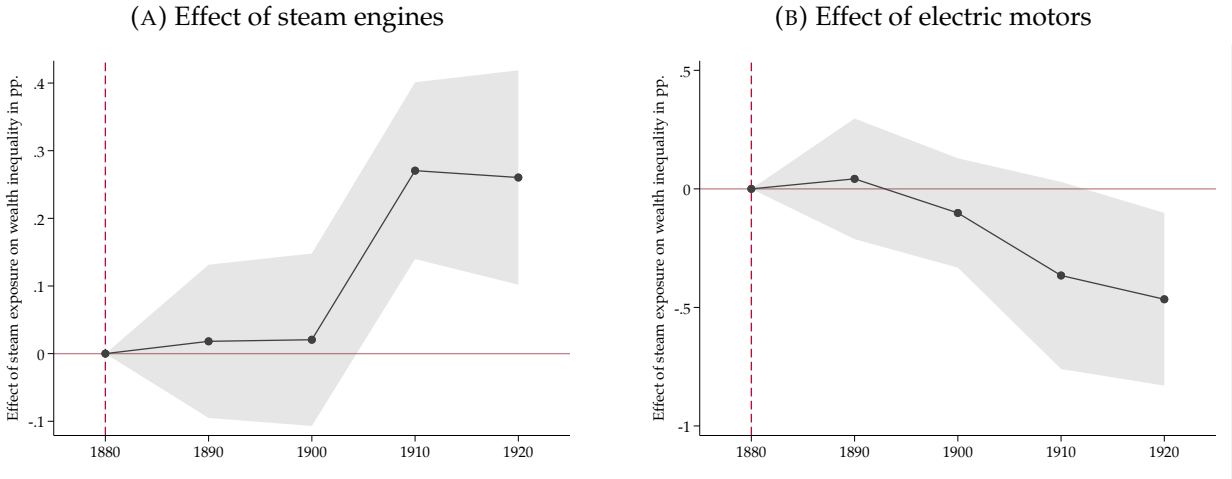
$$\text{STEAM_EXP}_{1816,m} = \sum_{i \in I} \frac{\text{Employment in industry } i \text{ in } m \text{ in 1816}}{\text{Total employment in } m \text{ in 1816}} \times \text{STEAM}_{1930,i} \quad (27)$$

$$\text{ELECTR_EXP}_{1816,m} = \sum_{i \in I} \frac{\text{Employment in industry } i \text{ in } m \text{ in 1816}}{\text{Total employment in } m \text{ in 1816}} \times \text{ELECTR}_{1930,i}. \quad (28)$$

The exposure measure is a strong predictor of actual adoption in 1930 (see Table B.4 for the correlation).

I estimate the "reduced form" of the instrumental variable analysis equivalently to equations (25) and (26) except that the actual adoption rates are changed for the predicted rates in equations (27) and (28). That is, I estimate how wealth inequality evolved between 1880 and 1927 across municipalities that were more or less exposed to the two technologies.

FIGURE 9: Steam engine adoption increased wealth inequality, electric motors did not




*Notes*: This figure shows the estimated effects in percentage points of pre-industrial exposure to steam engine (in panel A) and electric motor adoption (in panel B) on within-municipality top wealth inequality (top 1% share) for each decade relative to 1880. The instrumental variable is exposure to the respective technology which is computed on the basis of the local industry composition in 1816 and adoption rates by industry in 1930. Observations are weighted by the number of individuals on which the inequality measure is based. Shaded areas represent 95% confidence intervals.

Figure 9 shows that places more exposed to steam engines became more unequal, while places more exposed to electric motors became more equal, providing further evidence that steam engines and electric motors had a causal effect on inequality as predicted by the theory.

**Further evidence using income data.** The model of scale-biased technical change proposed in this paper relates technical change to income inequality. Since wealth inequality is strongly correlated with income inequality (see Table 1) and consistent time-series

data is available for local wealth inequality (but not for income inequality), I use wealth inequality as the dependent variable for the main analysis. I nonetheless assess the robustness of the results to using income inequality as the outcome variable.

As described in Section 4.2.1, I uncovered and digitized data on the income distribution in 1883 for 87 (mostly large) municipalities and for all municipalities in 1946. From there, I compute the percentage point change in income inequality (as measured by the income share of the top percentile) between 1946 and 1883. I regress the growth in income inequality on $\text{STEAM}_{1930,m}$ and $\text{ELECTR}_{1930,m}$ defined in equations (23) and (24), using ordinary least squares as well as using the respective instrumental variables. Table B.5 shows the results. It verifies the results obtained using wealth inequality as the dependent variable: steam engine adoption increased inequality, while electric motors had a marginal negative effect.

# 7 Who gains from large-scale-biased technical change?

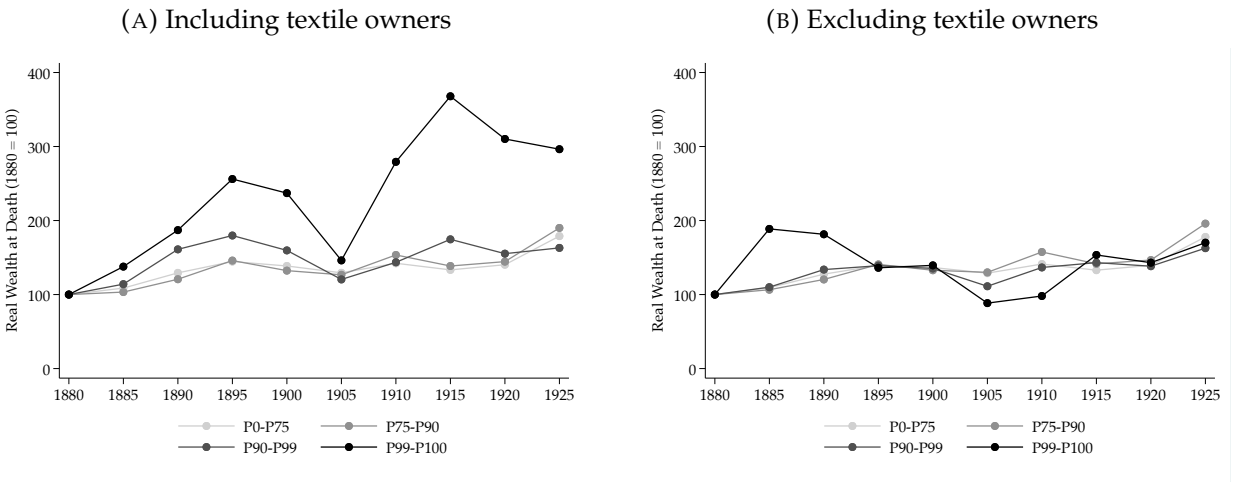
Section 6 showed that steam engine adoption led to increased inequality, while electric motor adoption did not. The last question is then: how did steam engines increase inequality? In this section, I zoom in to Enschede—the major Dutch textile city—to understand *who* was capturing the rents from large-scale-biased technical change. I find that the increased inequality was predominantly due to the textile factory owners amassing wealth at a much higher rate than other households. This finding confirms the prediction of the theory of scale-biased technical change that the concentration of business income, not of wages, was the key driver of increased inequality.

I selected Enschede for this case study because, being a major textile producer, it heavily depended on steam engines and witnessed a strong increase in wealth inequality. Figure A.13 charts the wealth share of the top 1% over time. Another advantage of studying Enschede is that the history of its textile industry is well documented and the identities of the factory owners are known.

The foundations of the textile industry in Twente, the region around Enschede, already had been laid in the 16$^{\text{th}}$ century. At the time, many Flemish entrepreneurs had their linen woven in Twente, due to its attractive position between Amsterdam and North Germany (Schot et al., 2003). In 1728, Enschede had acquired the right to produce *bombazijn*, a textile woven from a combination of linen and cotton threads, and it became the largest producer of this textile halfway into the 18$^{\text{th}}$ century (Stroink, 1962). By 1750, 40% of the labor force was occupied in the textile industry. Since textile manufacturing was the industry most exposed to steam engines (see Table B.3), Enschede's rate of steam engine adoption was among the highest in the country.

The theory predicts that large-scale-biased technical change impacts inequality through the profits accrued by entrepreneurs. Therefore, one should expect the see that wealth inequality is driven mostly by them. To test this prediction, I compute the evolution of average wealth in different parts of the wealth distribution on samples including and excluding textile owners. Specifically, I exclude people from the sample if they belong to one of 22 families that are considered the "core" and "inner circle" of textile owners by Willink (2015). I use the last name as a proxy for family membership.[41]

FIGURE 10: Wealth inequality is driven by entrepreneurs adopting steam engines




*Notes*: This figure shows the evolution of the top 1 percent wealth share in Enschede when this measure is estimated on the full population (in panel A) and when measured on the sample excluding textile owners (in panel B). For each year, wealth inequality is computed from the sample of decedents in a 10-year window around it.

Figure 10(A) shows the mean wealth at death for different percentile groups. It illustrates that wealth inequality increased through a divergence of the top 1 percent from the rest of the distribution. However, panel (B) indicates that wealth inequality among everyone except the textile families Figure 10(B) did not go up. These pattern indicate the importance of studying inequality in the overall population, not only among wage earners. Scale-biased technical change primarily affects the concentration of business income. Therefore, it most strongly affects the income of top business owners relative to the rest of the distribution.

[41] The last names are: Blijdenstein, Ten Cate, Van Heek, Jannink, Ter Kuile, Scholten, Stork, Van Delden, Elderink, Van Gelderen, Gelderman, Hofkes, Ter Horst, Jordaan, Ledeboer, Menko, De Monchy, Palthe, Salomonson, Spanjaard, Stroink, Willink Cromhoff, Jannink, Gelderman, Heek, Ledeboer, Kuile, and Scholten.

# 8 Conclusion

In this paper, I highlight a new channel through which technical change can affect inequality: scale bias, the degree to which technical changes increases the relative productivity of large firms. I show that technical change is large-scale-biased if it increases fixed costs. When fixed costs of a new technology are sufficiently high, only the largest firms opt to incur the fixed cost to reduce marginal cost, while smaller firms keep using the existing technology or even go out of business. As a result, profits concentrate into a smaller set of firms. With fewer and larger firms, top entrepreneurs are capturing a larger share of the profits, pushing top income inequality up.

I showed that the adoption of steam engines and electric motors offer a unique opportunity to test the theory: while the two technologies are otherwise similar, the fixed costs of steam engines were an order of magnitude larger. I then tested the theoretical predictions on the effects of steam engine adoption (large-scale-biased) and electric motor adoption (small-scale-biased). I found that the effects of these technologies were in line with the theory's prediction: steam engine adoption increased firm sizes and inequality while electric motor adoption reduced it.

While this research shows that entrepreneurs and their incomes are key for shaping and understanding inequality, existing work primarily focuses on the impact of technical change on wage inequality, not overall income inequality.[42] The effect of technical change on the distribution of business income and inequality between workers and entrepreneurs has, to the best of my knowledge, so far not been studied. This is an important omission, because business income is a large source of income, especially at the top of the distribution. In the US, more than half of total income for the top 0.1 percentile is business income (Smith et al., 2019). Similarly, 81 percent of individuals in the top 1 percent of the wealth distribution was a business owner or self-employed (Cagetti and De Nardi, 2006).

Even today, the concentration of firm ownership is high, so that the distribution of profits across firms matters for the distribution of income across people. In the US, "pass-through" businesses account for 51 percent of all business income in 2013 (Nelson, 2016).[43] The typical such business is owned by one to three people (Smith et al., 2019) and 69% of its income accrues to the top 1% (Cooper et al., 2016). The great bulk of the remaining income is earned by a small share of publicly traded firms (Clarke and

[42] As a notable exception, Moll et al. (2022) recently expanded the scope beyond wage inequality by studying automation's effect on income (and wealth) derived from both wages and capital: by raising the returns to capital, automation increases income and wealth inequality.

[43] Pass-through businesses are businesses that are not subject to corporate tax and whose income instead "pass through" to their owners to be taxed under individual income tax. Specifically, they comprise S-corporations, sole proprietorships, and partnerships.

Kopczuk, 2017). While ownership of publicly traded firms is less concentrated, it is not as diffuse as commonly thought.[44] Even for firms in the Fortune 500, the 500 largest US firms by revenue, founding families alone accounted for 18 percent of outstanding equity between 1992 and 1999 (Anderson and Reeb, 2003).[45]

Trends in the last three decades are consistent with the implications of large-scale-biased technical change. First, firm sizes and concentration are increasing and entrepreneurship is in decline (Autor et al., 2017, 2020; Salgado, 2020; Jiang and Sohail, 2023; Kwon et al., 2023). A large and growing theoretical literature relates these patterns to technical change, specifically the growing importance of scale advantages arising from intangible capital and information technology (Brynjolfsson et al., 2008; De Ridder, 2023; Hsieh and Rossi-Hansberg, 2023; Kwon et al., 2023; Lashkari et al., 2023). Unger (2022) shows that specifically customized software (large fixed adoption cost) is highly skewed to large firms, while pre-packaged software (low fixed adoption cost) is used by small and large firms alike. Second, top income and wealth inequality has increased sharply. For example, between 1980 and 2014, the United States experienced 21% growth in the incomes of the bottom half of the distribution, while the top 10 percent saw their incomes more than double during the same period (Piketty et al., 2018). Third, since the 1990s, business income—not wage income—accounts for the largest part of the rise of top incomes in the United States (Smith et al., 2019, Figure IX). This paper provides a unified framework to understand all these trends.

This paper leaves several important questions for future research. First, in the stylized model presented, technical change and its direction is exogenous. While this assumption is reasonable in the case of steam engine and electric motor adoption in the US and the Netherlands, modelling technical change as the outcome of a directed research effort could provide further useful insights. A concentrated firm size distribution may further incentivize large-scale-biased technical change, similar to how the skill distribution may induce innovation in technologies that complement the more abundant factor (Acemoglu, 2002). Another important simplification of the model is that while technology adoption matters for inequality, inequality does not matter for technology adoption . A useful, more quantitative, model could include risk aversion or liquidity constraints. In such models, entrepreneurship is skewed towards high wealth individuals because they are more equipped to take risk and can afford larger up-front investments (Quadrini, 2000; Cagetti and De Nardi, 2006; Buera and Shin, 2013). High fixed cost technologies may further reduce entry of low-wealth individuals and can thus worsen aggregate productivity (Buera et al., 2011). Lastly, the on-going development of artificial intelligence

[44] For instance, among a random sample of US publicly traded firms, 96 percent had shareholders that own at least 5% of the stock, and in 53 percent of firms, the largest shareholder is a family (Holderness, 2009).

[45] Peter (2021) shows evidence on concentrated ownership of European firms.

technologies raises important questions on its distributional effects. Research shows that large firms tended to be the early adopters of the technology (McElheran et al., 2023). More research into the cost structure of these technologies is necessary to understand whether this will remain the case as the technologies mature.

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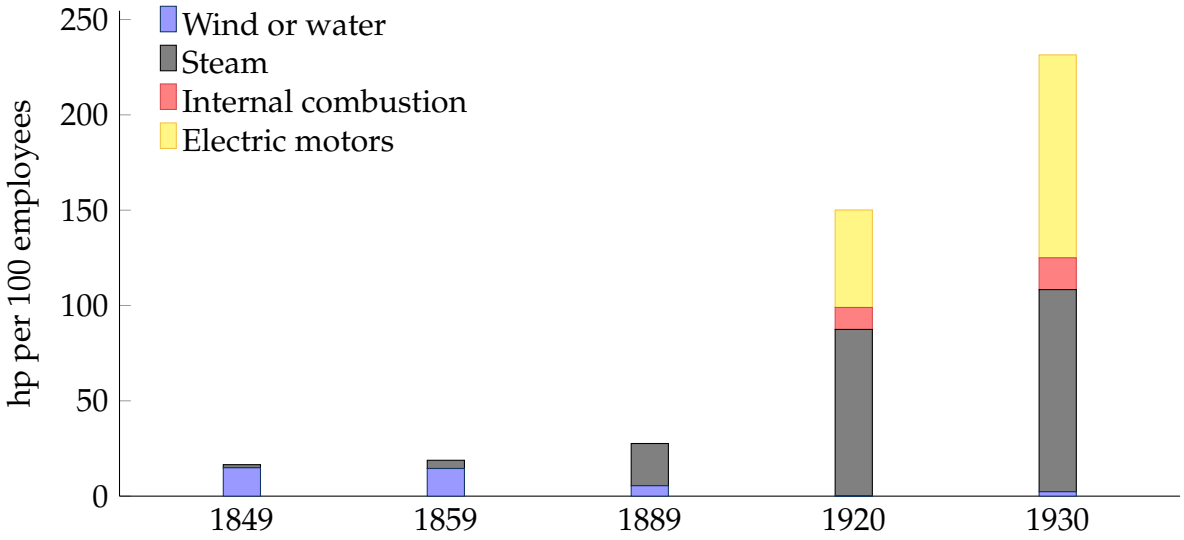
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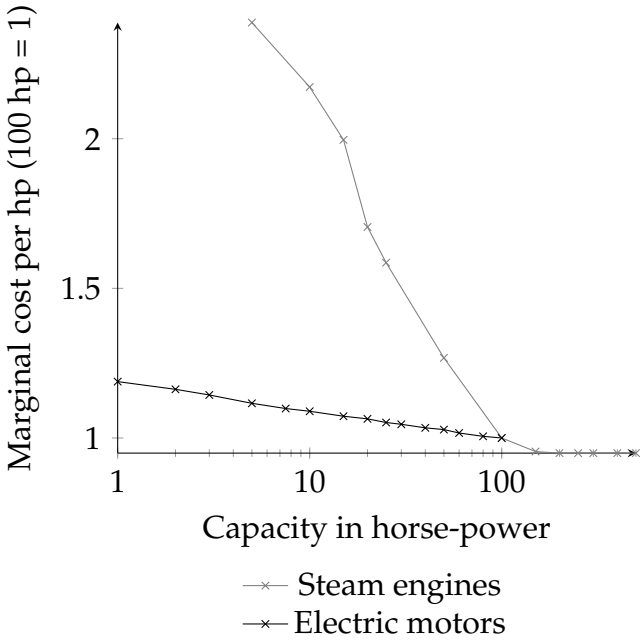
# A Figures

FIGURE A.1: Capacity of primary power by type in horsepower per 100 employees in manufacturing in the Netherlands



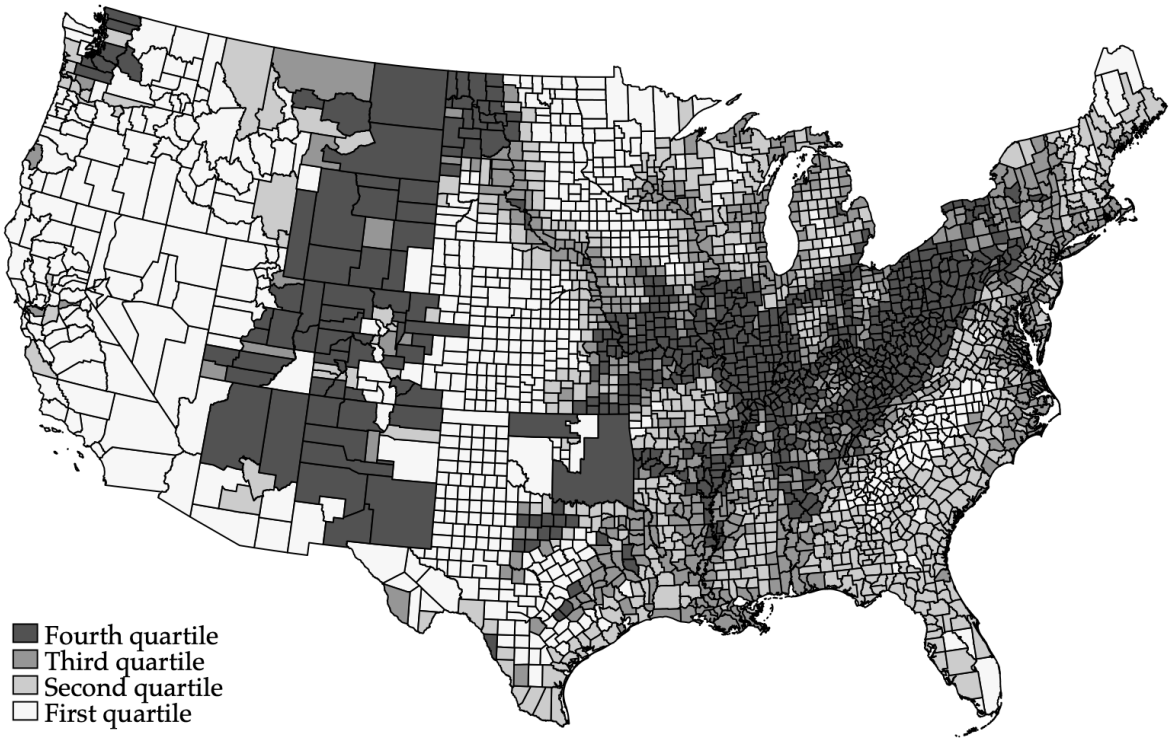

*Notes:* Electric motors refer to primary electric motors, i.e., electric motors driven by purchased electricity, only. *Sources*: (Blanken and Lintsen, 1981, Table 8) for primary power by type, (Statistics Netherlands, 2001) for employment in manufacturing.

FIGURE A.2: Marginal cost of steam engines and electric motors of different capacities relative to its 100-horse power equivalent



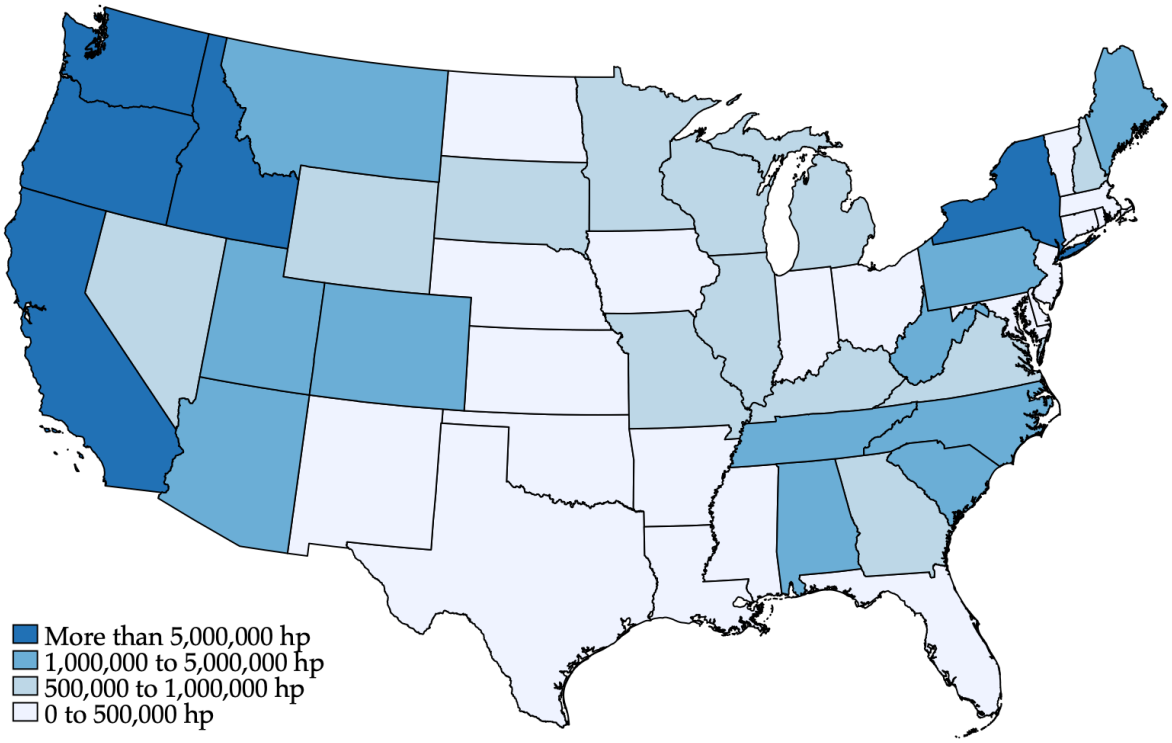

*Sources:* (Emery, 1883) for coal per horse-power in steam engines; (Bolton, 1926) for full load efficiency of squirrel-cage induction motor.

FIGURE A.3: Coal access by county



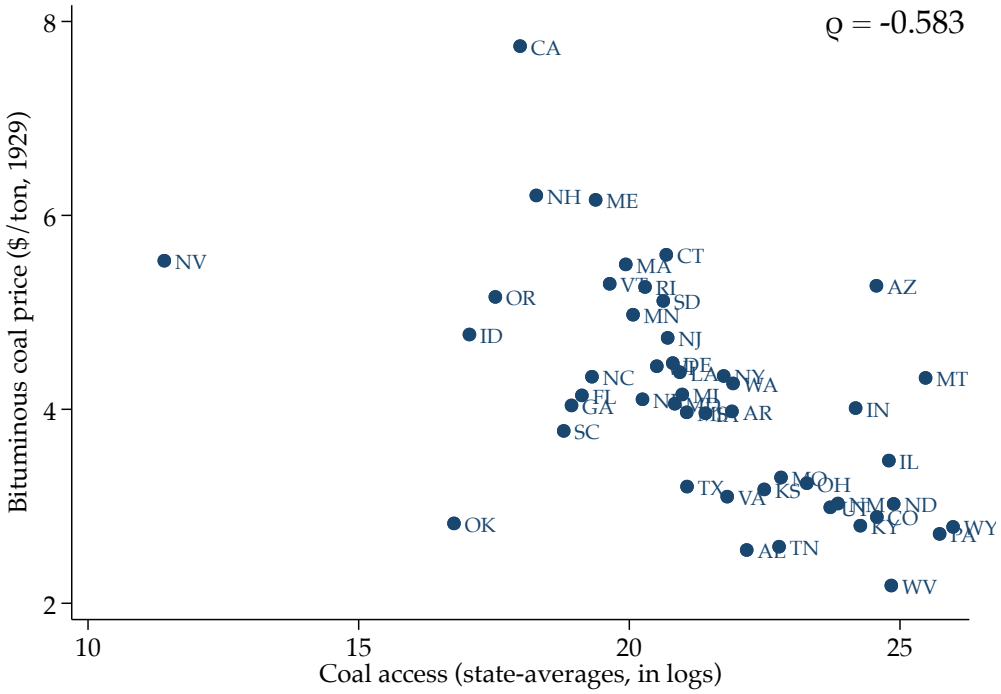

*Notes:* Coal access is defined in equation (16). *Sources:* US Geological Survey, Coal Resources Data System for the coal resources by county. Donaldson and Hornbeck (2016) for transportation costs by county-pair.

FIGURE A.4: Potential waterpower in horsepower available 50 percent of the time



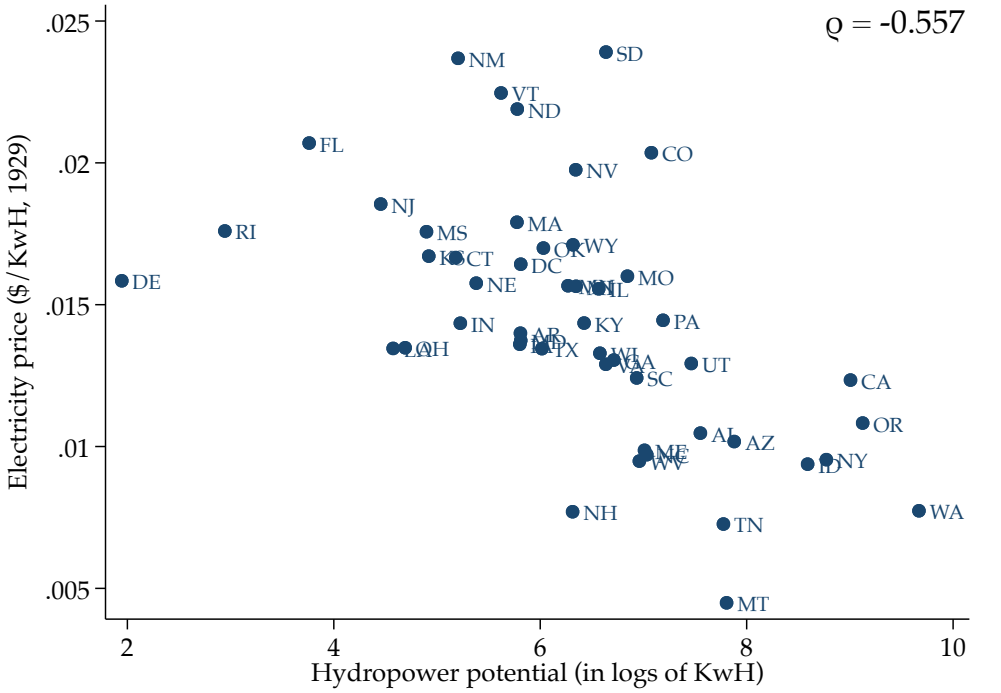

*Source:* US Geological Survey, (Young, 1964, Table 10).

FIGURE A.5: Correlation between coal access and coal prices



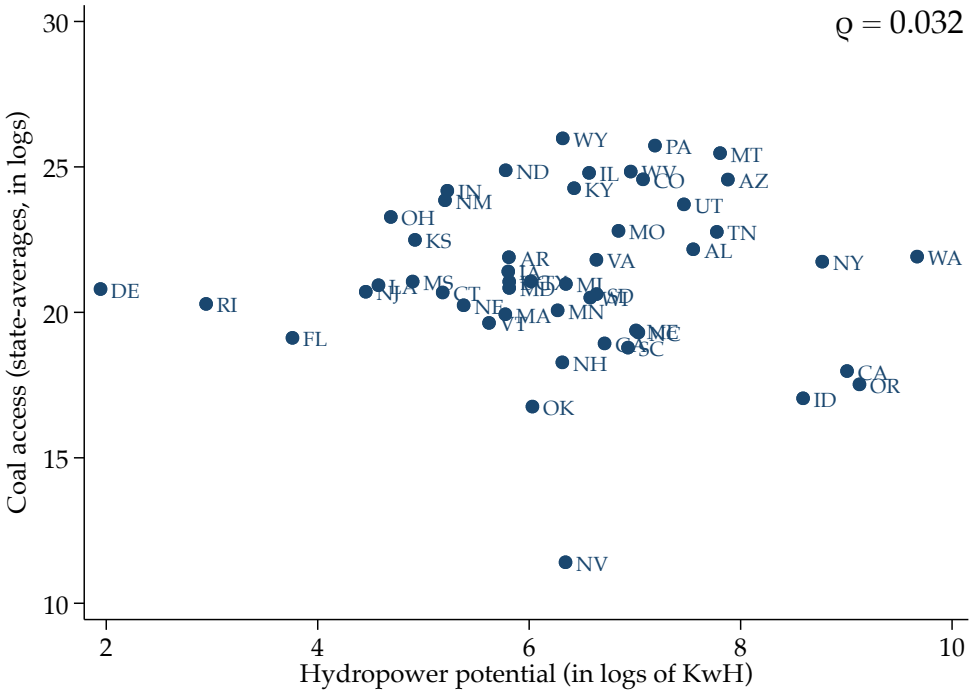

*Sources:* coal access: National Coal Resources Data System, US Geological Survey and Donaldson and Hornbeck (2016) for transportation costs by county-pair; coal prices: Census of Manufactures, 1929.

FIGURE A.6: Correlation between hydropower potential and electricity prices



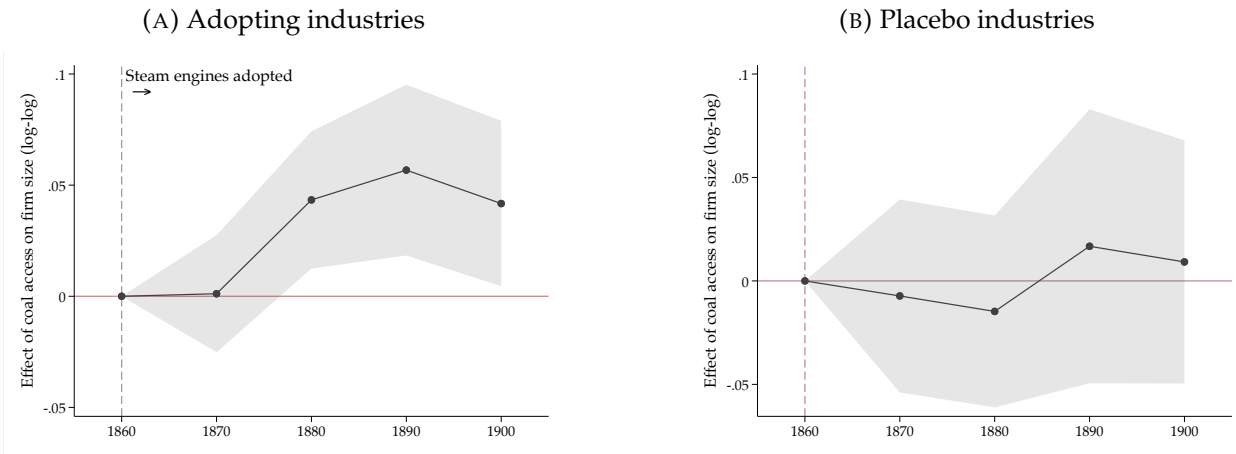

*Sources:* hydropower potential: US Geological Survey, (Young, 1964, Table 10); electricity prices; Census of Manufactures 1929.

FIGURE A.7: Correlation between coal access and hydropower potential



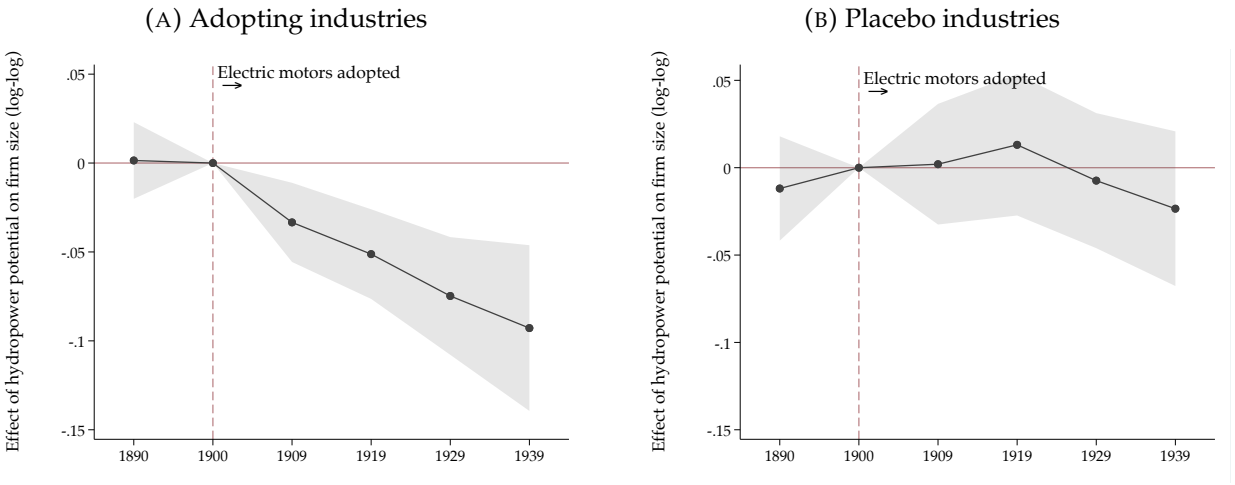

*Sources:* for hydropower potential: US Geological Survey, (Young, 1964, Table 10); for coal access: US Geological Survey, Coal Resources Data System.

FIGURE A.8: Heterogeneous effects of coal access across industries



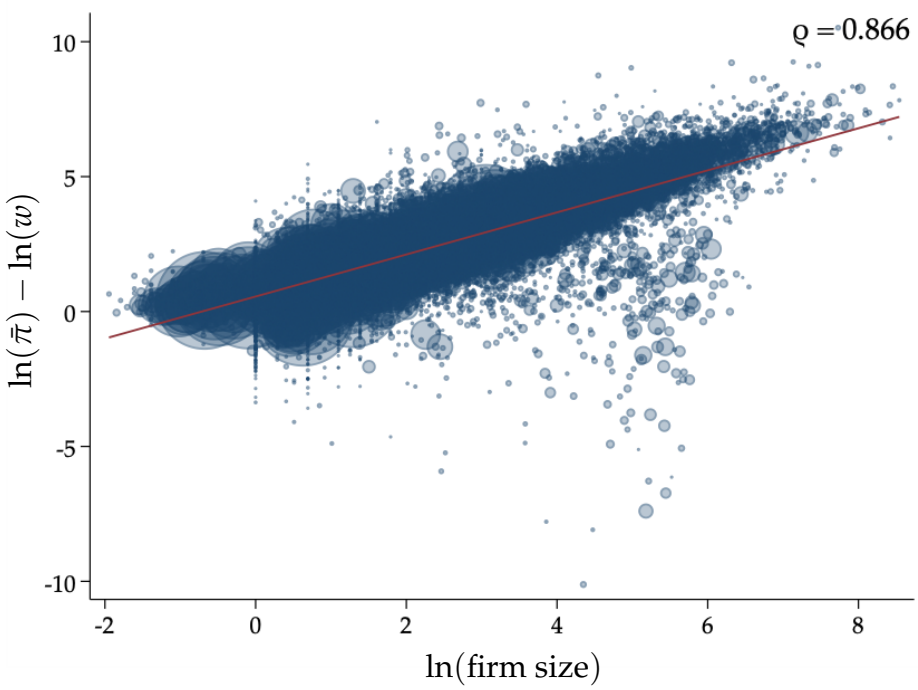

*Notes*: This figure shows estimated of the reduced form effects of coal access. Panel (A) shows the effect estimated on a subset of industries that adopt any power nationally in 1890 (measured as being above the 25$^{th}$ percentile in share of establishments reporting the use of power). Panel (B) shows the effect estimated on "placebo" industries, those below the 25$^{th}$ percentile in terms of power use. Shaded areas represent 95% confidence intervals. Standard errors are clustered at the state-level.

FIGURE A.9: Heterogeneous effects of hydropower potential across industries



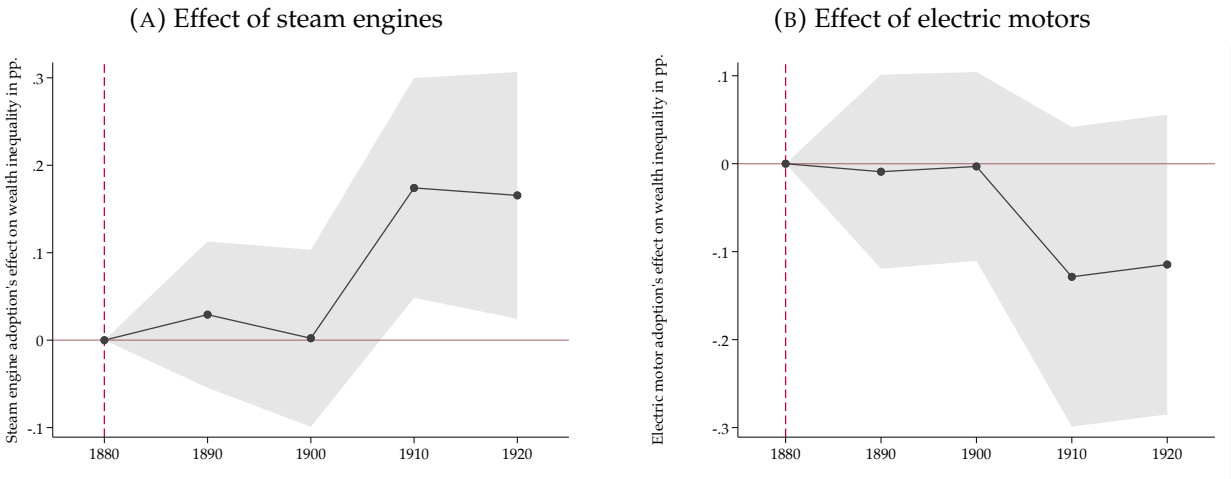

*Notes*: This figure shows estimated of the reduced form effects of hydropower potential. Panel (A) shows the effect estimated on a subset of industries that adopt electric motors nationally in 1939 (measured as being above the 25$^{th}$ percentile in share of fuel costs that is electric in 1939). Panel (B) shows the effect estimated on "placebo" industries, those below the 25$^{th}$ percentile in terms of electric motor adoption. Shaded areas represent 95% confidence intervals. Standard errors are clustered at the state-level.

FIGURE A.10: Free entry condition: correlation between profit-wage ratio and firm size



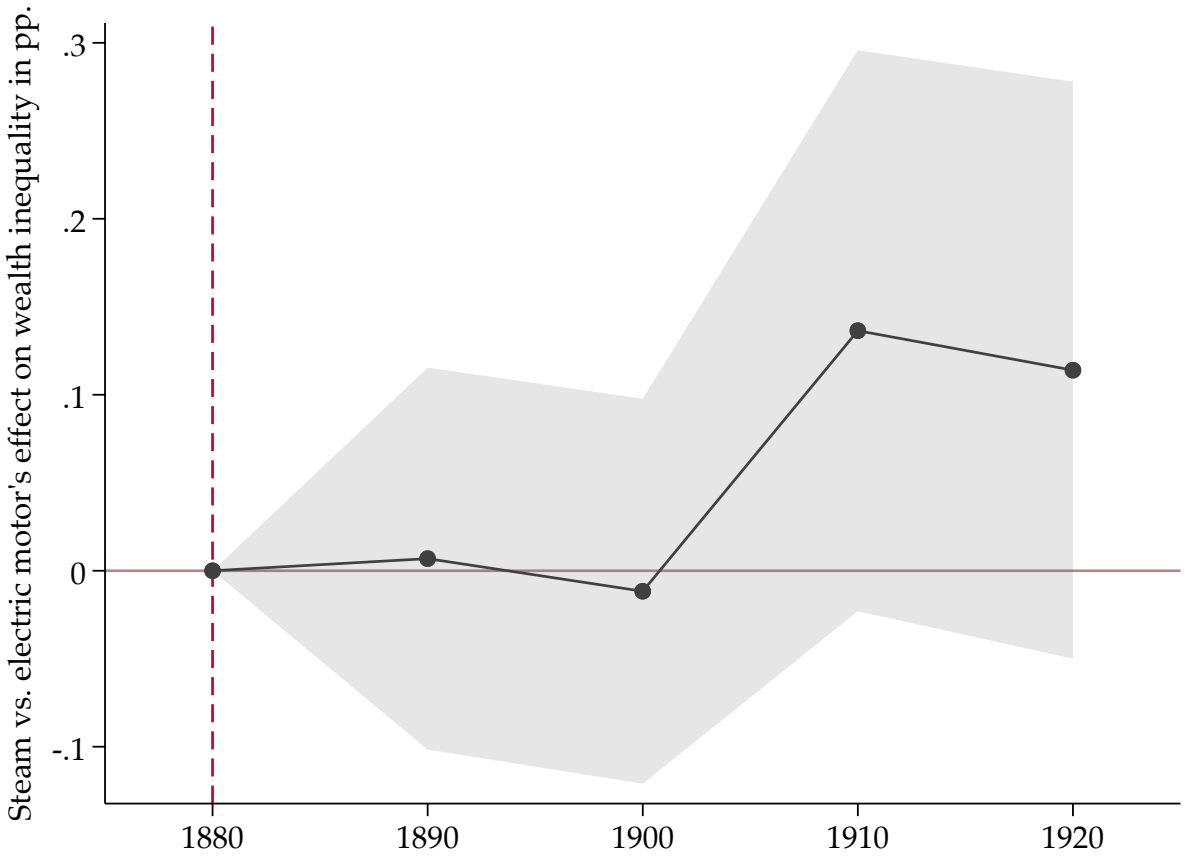

*Notes*: This figure shows the correlation of the firm size and the ratio between average profits and wages by industry (each in logs). Each dot is an industry-state-year combination. Average profits are approximated by dividing total output minus cost of raw materials and labor costs by the number of establishments. The wage rate is approximated by dividing total wage costs by employment.

FIGURE A.11: Steam engine adoption increased wealth inequality, electric motors did not



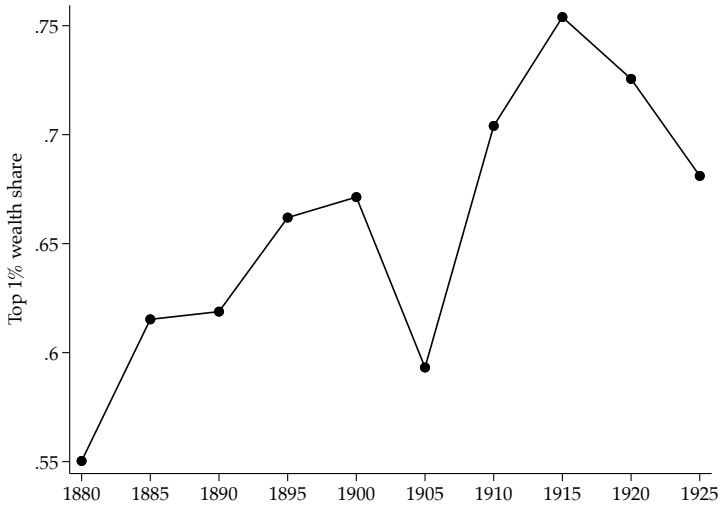

*Notes*: This figure shows the estimated effects in percentage points of steam engine (in panel A) and electric motor adoption (in panel B) on within-municipality top wealth inequality for each decade relative to 1880. The econometric specifications are detailed in equations (25) and (26). Observations are weighted by the number of individuals on which the inequality measure is based. Shaded areassent 95% confidence intervals.

FIGURE A.12: Steam engine adoption relative to electric motor adoption increased wealth inequality.




*Notes*: This figure shows the estimated effects in percentage points of steam engine adoption on within-municipality top wealth inequality for each decade relative to 1880 relative to electric motor adoption. Observations are weighted by the number of individuals on which the inequality measure is based. Shaded areassent 95% confidence intervals.

FIGURE A.13: Top 1% wealth share in Enschede, Netherlands




*Notes*: This figure shows the share of wealth held by the top 1% of decedents aged 20 and over in Enschede between 1879 and 1919. For each year, wealth inequality is computed from the sample of decedents in a 10-year window around it.

# B Tables

TABLE B.1: Little effect of coal access on overall power use (1890)

| | Water hp per worker (asinh) | | | Total hp per worker (asinh) | | |
|---|---|---|---|---|---|---|
| Coal access (logs) | -0.030** | -0.028** | -0.037*** | -0.001 | -0.001 | -0.005 |
| | (0.013) | (0.013) | (0.012) | (0.006) | (0.006) | (0.006) |
| Hydropower potential (logs) | | 0.017 | 0.016** | | 0.002 | 0.002 |
| | | (0.010) | (0.008) | | (0.006) | (0.004) |
| Market access (logs) | | | X | | | X |
| Observations | 4237 | 4237 | 4237 | 4237 | 4237 | 4237 |

*Notes*: This table shows the estimated effect of coal access (in logs) on horsepower of adopted water wheels and total horsepower per employee. Standard errors in parentheses are clustered at the state-level. Industry fixed-effects included. * p< 0.10, ** p< 0.05, *** p< 0.01.

TABLE B.2: The effect of steam engine and electric motor adoption on the profit-wage ratio

| | $\Delta \ln\left(\frac{\text{average profits}_{is}}{\text{wage}_{is}}\right)$ | | | | | |
|---|---|---|---|---|---|---|
| | 1860-1890 | | | 1900-1939 | | |
| $\text{STEAM}_{is,1890}$ | 1.134** | 1.297** | 1.020* | | | |
| | (0.529) | (0.533) | (0.512) | | | |
| $\text{ELECTRICITY}_{is,1939}$ | | | | -0.543** | -0.524** | -0.474* |
| | | | | (0.250) | (0.250) | (0.254) |
| $\Delta \ln(\text{population density}_s)$ | | X | X | | X | X |
| $\Delta \ln(\text{income/wealth p.c.}_s)$ | | | X | | | X |
| Observations | 1869 | 1869 | 1869 | 1935 | 1935 | 1935 |
| Kleibergen-Paap F-stat. | 42.8 | 33.4 | 24.8 | 6.6 | 6.4 | 5.8 |

*Notes*: This table shows the estimated effects of steam engine and electric motor adoption on the change in the log profit-wage ratio in a given state and industry. The explanatory variables are the inverse hyperbolic sine of steam engine horse power in 1890 and megawatt-hour of purchased electricity per worker in 1939. The adoption variables are instrumented with coal access (first three columns) and hydropower potential (last three columns). Observations are weighted by the number of establishments in the base year. Standard errors in parentheses are clustered at the state-level.* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

TABLE B.3: Adoption rates by 2-digit ISIC industry in 1930

| ISIC | Name | $STEAM_{1930,i}$ | $ELEC_{1930,i}$ | Employment |
|---|---|---|---|---|
| 11 | Beverages | 0.50 | 0.44 | 4374 |
| 13 | Textiles | 0.50 | 0.47 | 44750 |
| 19 | Coke and petroleum | 0.47 | 0.42 | 1129 |
| 17 | Paper and paper products | 0.40 | 0.57 | 11000 |
| 24 | Basic metals | 0.35 | 0.64 | 6305 |
| 23 | Other non-metallic mineral products | 0.33 | 0.56 | 22733 |
| 20 | Chemicals and chemical products | 0.32 | 0.64 | 11558 |
| 21 | Pharmaceuticals | 0.29 | 0.64 | 1126 |
| 22 | Rubber and plastics products | 0.27 | 0.71 | 2540 |
| 16 | Wood and wood products | 0.25 | 0.40 | 19081 |
| 10 | Food products | 0.24 | 0.62 | 103220 |
| 28 | Machinery and equipment n.e.c. | 0.16 | 0.82 | 5313 |
| 27 | Electrical equipment | 0.16 | 0.84 | 22380 |
| 33 | Repair and installation of machinery | 0.08 | 0.89 | 7030 |
| 30 | Other transport equipment | 0.07 | 0.87 | 18723 |
| 25 | Fabricated metal products | 0.07 | 0.80 | 34951 |
| 15 | Leather and related products | 0.04 | 0.40 | 26855 |
| 18 | Printing | 0.03 | 0.92 | 31740 |
| 31 | Furniture | 0.03 | 0.68 | 12820 |
| 32 | Other manufacturing | 0.01 | 0.63 | 7163 |
| 26 | Computer and electronic products | 0.01 | 0.32 | 3748 |
| 12 | Tobacco products | 0.01 | 0.65 | 21160 |
| 14 | Wearing apparel | 0.00 | 0.37 | 53939 |

*Source*: Dutch Census of Companies 1930.

TABLE B.4: First stage: pre-industrial exposure and technology adoption

| | $STEAM_{1930,m}$ | $ELECTR_{1930,m}$ |
|---|---|---|
| $STEAM_EXP_{1816,m}$ | $0.535^{***}$ | |
| | (0.061) | |
| $ELECTR_EXP_{1816,m}$ | | $0.497^{***}$ |
| | | (0.088) |
| Constant | $0.043^{*}$ | $0.254^{***}$ |
| | (0.023) | (0.046) |
| Observations | 835 | 835 |

Standard errors in parentheses. Observations are weighted by total manufacturing employment in 1930.

* p< 0.10, ** p< 0.05, *** p< 0.01.

TABLE B.5: The effect of steam engine and electric motor adoption on the change in income inequality (1946 - 1883)

| | $\Delta$INC_INEQUALITY$_{1946,1883}$ | | | |
|---|---|---|---|---|
| | OLS | | IV | |
| STEAM$_{1930,m}$ | 0.118** | | 0.353*** | |
| | (0.052) | | (0.120) | |
| ELECTRICITY$_{1930,m}$ | | -0.072 | | -0.876* |
| | | (0.062) | | (0.458) |
| Observations | 82 | 82 | 78 | 78 |
| C-D Wald F-stat | | | 24.549 | 4.895 |

*Notes*: Standard errors in parentheses. * p< 0.10, ** p< 0.05, *** p< 0.01. This table shows the estimated effects of steam engine and electric motor adoption on the change of within-municipality top income inequality between 1946 and 1883. Exposure is computed on the basis of the local industry composition in 1816 and adoption rates by industry in 1930. Observations are weighted by the number of individuals on which the inequality measure in 1946 is based.

# C Model appendix

*Proof of Proposition 1.* I prove Proposition 1 by proving its elements (a) to (c) sequentially. **Proposition 1(a):** Recall that optimal technology adoption implies that the profit gain of adopting a higher fixed, lower marginal, cost relative to a lower fixed, higher marginal cost technology is increasing in productivity $\psi$. Formally, $\Delta\pi_{jk}(\psi)$ (defined in equation (6)) is strictly increasing in $\psi$ if $\kappa_j > \kappa_k$ and $\alpha_j < \alpha_k$. This implies that the least productive entrepreneur uses technology with the highest marginal and lowest fixed cost of all adopted technologies. Also, the least productive entrepreneur has productivity $\psi$ equal to the lowest zero-profit cut-off of all available technologies, $\min_{j\in 1,2,..,J} \bar{\psi}_j$. From equation (8), technology $t_j$ is the lowest zero-profit cut-off technology if and only if

$$\alpha_j \kappa_j^{\frac{1}{\sigma-1}} = \min_{k\in\{1,2,..,J\}} \left\{ \alpha_k \kappa_k^{\frac{1}{\sigma-1}} \right\}.$$

The marginal entrepreneur is indifferent between any two technologies $t_j$ and $t_k$ such that $\bar{\psi}_j = \bar{\psi}_k = \bar{\psi}$ as they both give them zero-profit. But since $\Delta\pi_{jk}(\psi)$ in (6) is strictly increasing, any entrepreneur with $\psi > \bar{\psi}$ would strictly prefer the technology with higher fixed cost and lower marginal cost. Therefore, out of any technology $t_j$ that minimizes $\bar{\psi}_j$, only the technology with lowest marginal cost is adopted (in the sense of having a strictly positive probability measure of entrepreneurs adopting the technology).

**Proposition 1(b):** Note that $\Delta\pi_{jk}(\psi) \to \infty$ in (6) as $\psi \to \infty$ if and only if $\alpha_j < \alpha_k$. This means that if the marginal cost of a technology is lower than that of any another, there exists a productivity level high enough such that it is profitable to adopt this technology. The assumption that the productivity distribution has semi-infinite support implies that for any $C > 0$, $\Pr(\psi > C) > 0$. Therefore, there always exists a strictly positive share of households that adopt the technology with lowest marginal cost. Note that is true regardless of the fixed cost. Of course, in case there is more than one technology that minimizes marginal cost, the technology with lowest fixed costs amongst those will be adopted. Since no technology can be adopted that is trivially dominated, this must also be the adopted technology with highest fixed cost.

**Proposition 1(c):** A technology $t_j$ with fixed cost $\kappa_j$ such that $\kappa_1^* < \kappa_j < \kappa_{J^*}^*$ is adopted if and only if there exists a $\psi > \psi_m$ for which it 1) dominates all technologies with lower fixed costs, 2) dominates all technologies with higher fixed cost, and 3) yields positive profits. Note that condition is 3) is redundant given condition 1) since it can only dominate technology $t_1^*$ if $\psi > \bar{\psi}$ and $t_1^*$ yields positive profits for all $\psi > \bar{\psi}$. Also, recall that technologies in $T$ are arranged in order of increasing fixed costs ($\kappa_1 < .. < \kappa_J$) and thus decreasing marginal costs ($\alpha_1 > .. > \alpha_J$). Therefore, technology $t_j$ is adopted if there exists a $\psi > \psi_m$ such that $\Delta\pi_{jk}(\psi) > 0$ for all $k \in \{1, .., j-1\}$ and $\Delta\pi_{jl}(\psi) > 0$ for all

$l \in \{j+1, .., J\}$. Using equation (6), this yields the following two restrictions:

$$\frac{Y}{\sigma}(\rho\psi)^{\sigma-1} > \frac{\kappa_j - \kappa_k}{\alpha_j^{1-\sigma} - \alpha_k^{1-\sigma}} \text{ for all } k \in \{1, .., j-1\} \text{ and;} \tag{29a}$$

$$\frac{Y}{\sigma}(\rho\psi)^{\sigma-1} < \frac{\kappa_l - \kappa_j}{\alpha_l^{1-\sigma} - \alpha_j^{1-\sigma}} \text{ for all } l \in \{j+1, .., J\} \tag{29b}$$

Hence, for (29a) and (29b) to hold for some $\psi > \bar{\psi}$, it is necessary and sufficient that the lower bound in (29a) is strictly lower than the upper bound in (29b). Thus, technology $j$ is adopted if and only if for all $k \in \{1, .., j-1\}$ and $l \in \{j+1, .., J\}$

$$\frac{\alpha_l^{1-\sigma} - \alpha_j^{1-\sigma}}{\alpha_j^{1-\sigma} - \alpha_k^{1-\sigma}} < \frac{\kappa_l - \kappa_j}{\kappa_j - \kappa_k}.$$

□

**Proposition 2** (Closed-form equilibrium). Suppose that the distribution of productivity $\psi$ is Pareto with shape parameter $\xi$ and a minimum productivity level of $\psi_m > 0$ such that $\xi > 1$ and $\xi > \sigma - 1$. Then, the competitive equilibrium is given in closed-form by

$$L = \frac{\xi}{1+\xi} \tag{30}$$

$$\bar{\psi} = \bar{B}(\xi, \sigma, \psi_m) \left( \bar{\kappa}^{\frac{\sigma-2}{\sigma-1}} \alpha_1^* (\kappa_1^*)^{\frac{1}{\sigma-1}} \right)^{\frac{\sigma-1}{\bar{A}(\xi,\sigma)}} \tag{31}$$

$$Y = \bar{C}(\xi, \sigma, \psi_m) \left( \frac{\bar{\kappa}^{\frac{1}{\xi}}}{\alpha_1^* (\kappa_1^*)^{\frac{1}{\sigma-1}}} \right)^{\frac{\xi(\sigma-1)}{\bar{A}(\xi,\sigma)}} \tag{32}$$

$$w = \rho \frac{1+\xi}{\xi} Y \tag{33}$$

$$\bar{\pi} = \rho \frac{1+\xi}{\xi} \bar{C}(\xi, \sigma, \psi_m) \bar{B}(\xi, \sigma, \psi_m)^{\xi} \psi_m^{-\xi} \bar{\kappa} \tag{34}$$

*where $\bar{A}(\xi, \sigma)$, $\bar{B}(\xi, \sigma, \psi_m)$, and $\bar{C}(\xi, \sigma, \psi_m)$ are strictly positive functions of the exogenous (non-technological) parameters $\xi$, $\sigma$, and $\psi_m$:*

$$\bar{A}(\xi, \sigma) \equiv (1+\xi)(\sigma-1) - \xi$$

$$\bar{B}(\xi, \sigma, \psi_m) \equiv \left( \psi_m^{\xi} (1+\xi)^{\frac{1}{\sigma-1}} \frac{\sigma}{\xi - \sigma + 1} \left( \frac{\xi \psi_m^{\xi}}{\xi - \sigma + 1} \right)^{\frac{1}{1-\sigma}} \right)^{\frac{\sigma-1}{\bar{A}(\xi,\sigma)}}$$

$$\bar{C}(\xi, \sigma, \psi_m) \equiv \bar{B}(\xi, \sigma, \psi_m)^{\frac{-\xi(\sigma-1)}{\bar{A}(\xi,\sigma)}} \frac{\psi_m^{\xi} \sigma}{\xi - \sigma + 1} \frac{\xi}{1+\xi}$$

*and $\bar{\kappa}$ is the average fixed cost of all producing entrepreneurs:*

$$\bar{\kappa} = \begin{cases} \kappa_1^* & \text{if } J^* = 1 \\ \kappa_1^* + \left(\alpha_1^* \left(\kappa_1^*\right)^{\frac{1}{\sigma-1}}\right)^{\xi} \sum_{j=2}^{J^*} \left( (\alpha_j^*)^{1-\sigma} - (\alpha_{j-1}^*)^{1-\sigma} \right)^{\frac{\xi}{\sigma-1}} \left(\kappa_j^* - \kappa_{j-1}^*\right)^{\frac{\sigma-1-\xi}{\sigma-1}} & \text{if } J^* > 1. \end{cases}$$

*Proof of Proposition 2.* We first derive the adopting set $\Psi_j^*$ for each technology $t_j^* \in T^*$. Note that we can restrict ourselves to technologies that are adopted in equilibrium (see Proposition 1), since the adopting set is empty otherwise.

By definition, if $T^*$ is a singleton set, then $\Psi_1^*$ is $[\bar{\psi}, \infty)$. Now suppose $J^* \equiv |T^*| > 1$. From equation (6), it follows that an entrepreneur with productivity $\psi$ is indifferent between adopting $t_j^*$ and $t_{j+1}^*$ if and only if $G(\psi, t_{j+1}^*, t_j^*) = 0$. Define $\bar{\psi}_{j,j+1}$ implicitly by

$$G(\psi, t_{j+1}^*, t_j^*) = 0$$

which implies that

$$\bar{\psi}_{j,j+1} = \left( \frac{\kappa_{j+1}^* - \kappa_j^*}{(\alpha_{j+1}^*)^{1-\sigma} - (\alpha_j^*)^{1-\sigma}} \right)^{\frac{1}{\sigma-1}} \left(\frac{\sigma}{Y}\right)^{\frac{1}{\sigma-1}} \frac{w}{\rho} = \bar{\psi} \frac{\left( \frac{\kappa_{j+1}^* - \kappa_j^*}{\left(\alpha_{j+1}^*\right)^{1-\sigma} - \left(\alpha_j^*\right)^{1-\sigma}} \right)^{\frac{1}{\sigma-1}}}{\alpha_1^* (\kappa_1^*)^{\frac{1}{\sigma-1}}}. \tag{35}$$

Since $G(\psi, t_{j+1}^*, t_j^*)$ is increasing in $\psi$ (see proof of Proposition 1(a)), the more productive entrepreneur chooses the technology that entails higher fixed cost. Specifically, an entrepreneur would choose $t_{j+1}^*$ over $t_j^*$ if and only if $\psi > \bar{\psi}_{j,j+1}$. This means that all entrepreneurs with productivity between $\bar{\psi}$ and $\bar{\psi}_{1,2}$ choose $t_1^*$, all entrepreneurs with productivity between $\bar{\psi}_{1,2}$ and $\bar{\psi}_{2,3}$ choose $t_2^*$, and so on and so forth. Formally,

$$\begin{cases} \Psi_j^* = [\bar{\psi}, \bar{\psi}_{j,j+1}] & \text{if } j = 1 \\ \Psi_j^* = [\bar{\psi}_{j-1,j}, \bar{\psi}_{j,j+1}] & \text{if } 1 < j < J^* \\ \Psi_j^* = [\bar{\psi}_{j-1,j}, \infty) & \text{if } j = J^* \end{cases}$$

Combining equation (8) (definition of $\bar{\psi}$) and equation (11) (labor market clearing) with the Pareto assumption, the probability of being an entrepreneur conditional on entry is

$$1 - F(\bar{\psi}) = \psi_m^{\xi} \bar{\psi}^{-\xi} = \frac{L}{1-L} \frac{\xi - \sigma + 1}{\xi(\sigma - 1)} \frac{w}{\bar{\kappa}} \tag{36}$$

where $\bar{\kappa}$, the average fixed cost across producing entrepreneurs, is

$$\bar{\kappa} = \kappa_1 + \left(\alpha_1^* \left(\kappa_1^*\right)^{\frac{1}{\sigma-1}}\right)^{\xi} \sum_{j=2}^{J^*} \left( (\alpha_j^*)^{1-\sigma} - (\alpha_{j-1}^*)^{1-\sigma} \right)^{\frac{\xi}{\sigma-1}} \left(\kappa_j^* - \kappa_{j-1}^*\right)^{\frac{\sigma-1-\xi}{\sigma-1}}.$$

Also, labor market clearing in (11) combined with the aggregate price equation in (13), implies that the labor share is constant and independent of technology:

$$\frac{Lw}{Y} = \rho. \tag{37}$$

Combining the constant labor share with equation (36), shows that the share of output devoted to the fixed costs is constant and independent of technology:

$$\frac{(1-L)\psi_m^{\xi}\bar{\psi}^{-\xi}\bar{\kappa}}{Y} = \frac{\xi - \sigma + 1}{\xi\sigma}. \tag{38}$$

Then, by goods market clearing, the profit share must be constant too:

$$\frac{(1-L)\psi_m^{\xi}\bar{\psi}^{-\xi}\bar{\pi}}{Y} = 1 - \rho - \frac{\xi - \sigma + 1}{\xi\sigma} = \frac{\rho}{\xi}. \tag{39}$$

Together with the free entry condition in equation (9) and the labor share in equation (37), the constant profit share implies that the share of entrants is constant and independent of technology too:

$$L = \frac{\xi}{1+\xi}. \tag{40}$$

Lastly, the pricing equation in (13) combined with the Pareto distribution yields

$$\left(\frac{w}{\rho}\right)^{\sigma-1} = (1-L)\left(\frac{\xi\psi_m^{\xi}}{\xi - \sigma + 1}\right)\bar{\psi}^{\sigma-1-\xi}\frac{\bar{\kappa}}{(\alpha_1^*)^{\sigma-1}\kappa_1^*} \tag{41}$$

Equations (36), (37), (40), (41) together lead to the closed-form solutions for $L$, $\bar{\psi}$, $Y$, and $w$ in equations (30), (31), (32), and (33), respectively. Lastly, the solution for $\bar{\pi}$, the average profits, in (34) result from equations (31), (32), and (33) together with the free-entry condition in (9). □

**Lemma 1.** Suppose that the assumptions in Proposition 2 (Pareto distribution) hold and that $\sigma > 2$. Then, if a new technology $t_{new}$ is added to the technology set $T$ and it is adopted in equilibrium, it increases output $Y$, wages $w$, and total profits $(1-L)\psi_m^{\xi}\bar{\psi}^{-\xi}\bar{\pi}$.

*Proof of Lemma 1.* Suppose towards contradiction that output $Y$ does not increase. Since $Y$ and wages $w$ are positively linearly related (equation (33)), the profit function can be rewritten as

$$\pi_j(\psi) = \frac{1}{\sigma}\left(\frac{\xi}{1+\xi}\right)^{\sigma-1} Y^{2-\sigma}\left(\frac{\psi}{\alpha_j}\right)^{\sigma-1} - \kappa_j. \tag{42}$$

Given $\sigma > 2$, if $Y$ does not increase, it means that profits can not go down for any productivity level and for any technology choice. Also, given that the technology is adopted, it

must yield strictly higher profits for some entrepreneurs. Therefore, total profits must go up. But by equation (39), profits are a fixed share of output. Hence, the increase in total profits implies that output $Y$ *increases*, a contradiction. Therefore, output must increase in response to a new technology that is adopted. Since output, wages, and total profits are positively and linearly related, wages and total profits must also go up in response to an adopted new technology. □

*Proof of Proposition 3.* I prove Proposition 3 by proving its elements (a) and (b) sequentially.

**Proposition 3(a):** If $t_{new}$ is adopted and has the highest fixed cost, it must have lowest marginal cost. By the reasoning in Stage 3 (equation (6)), this technology is only adopted by the entrepreneurs above a certain threshold for $\psi$. The entrepreneurs above this threshold reduce their marginal cost and thus increase their total factor productivity.

Because it becomes the highest fixed cost technology, the average fixed cost among producing entrepreneurs, $\bar{\kappa}$, increases.[46] Since $\bar{\kappa}$ increases, the entry threshold $\bar{\psi}$ increases too (seen from equation (31)). Hence, the technical change would lead some entrepreneurs to no longer produce, i.e., decreasing their total factor productivity to 0. It also means that the thresholds above which an entrepreneur uses technology $j+1$ instead of $j$ increase for each $j$ (see equation (35)): at least some entrepreneurs that do not adopt the new technology "downgrade" their technology, because the increased total output (see Lemma 1) by those using the new technology reduces their demand. Hence, for all entrepreneurs that do not adopt the new technology, the marginal cost either decreases or remains unchanged. This proves that technical change is large-scale-biased *if* the new technology has higher fixed than any other adopted technology.

Now suppose the new technology does not have highest fixed cost of all adopted technologies. Then, entrepreneurs that previously adopted the technology with lowest marginal cost can not decrease their marginal cost. For any $k > \psi_m$, there exists a subset of entrepreneurs with $\psi > k$ that adopts the technology with lowest marginal cost before and after the technical change. Hence, there does not exist a $k$ such that all entrepreneurs with $\psi > k$ strictly increase total factor productivity, so that the technical change can not be large-scale-biased, which proves that technical change can be large-scale-biased *only if* the new technology has higher fixed than any other adopted technology.

**Proposition 3(b):** If $t_{new}$ is adopted and has the lowest fixed cost, it must have highest marginal cost. First, the entry threshold $\bar{\psi}$ in equation (31) decreases because both $\kappa_1^*$ (the fixed cost of the lowest adopted fixed-cost technology) and $\bar{\kappa}$ decrease. Therefore, there exists a range of entrepreneurial productivities $[\bar{\psi}_{new}, \bar{\psi}_{old}]$ such that entrepreneurs

[46] To see this formally, note that output increases by Lemma 1. By equation (32), if output increases while the entry technology, i.e. $\alpha_1^*(\kappa_1^*)^{\frac{1}{\sigma-1}}$ remains unchanged, $\bar{\kappa}$ must increase.

within that range exited before the technical change and enter after. Therefore, these entrepreneurs increase their total factor productivity from 0 to a strictly positive value. For any $\psi > \psi_{old}$, none chooses a technology that has lower marginal cost than before the technical change, because the increased total output (see Lemma 1) reduces their demand for any given price. Hence, some entrepreneurs with $\psi > \psi_{old}$ "downgrade" their technology relative to before the technical change and others do not change their adoption choice. This proves that technical change is small-scale-biased *if* the new technology has lower fixed than any other adopted technology.

Now suppose the new technology does not have lowest fixed cost of all adopted technologies. By Lemma 1, output and wages increase as a result of the technical change. Also, output and wages are positively linearly related (equation (33)). Thus, if output goes up while the entry technology remains unchanged, $\bar{\psi}$ must increase by equation (8). That is, $\bar{\psi}(T_{new}) > \bar{\psi}(T_{old})$. This means the range of entrepreneurs with $\psi \in (\bar{\psi}(T_{old}), \bar{\psi}(T_{new}))$ see their $TFP$ decrease. Hence, such technical change can not be small-scale-biased, which proves that technical change can be small-scale-biased *only if* the new technology has lower fixed than any other adopted technology. □

**Proposition 3A** (Scale-biased technical change with obsolescence). Suppose that the assumptions in Proposition 2 (Pareto distribution) hold, that $\sigma > 2$ and that $T^*_{new} = \tilde{T}_{old} \cup \{t_{new}\}$ where $\tilde{T}_{old} \subset T^*_{old}$ (the new technology makes at least of one of the previously adopted technologies obsolete), then

(a) the technical change is large-scale-biased if and only if the conditions a.1 and either a.2 or a.3 are satisfied:

(a.1) $\alpha_{new} < \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \alpha_j$

(a.2) $\alpha_{new}\kappa_{new}^{\frac{1}{\sigma-1}} > \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \alpha_j\kappa_j^{\frac{1}{\sigma-1}}$

(a.3) $\alpha_{new}\kappa_{new}^{\frac{1}{\sigma-1}} \leq \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \alpha_j\kappa_j^{\frac{1}{\sigma-1}}$ and $\alpha_{new}\kappa_{new} > \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \left[\alpha_j\kappa_j^{\frac{1}{\sigma-1}}\right] \bar{\kappa}_{old}$

(b) the technical change is small-scale-biased if and only if the conditions b.1, b.2, and b.3 are satisfied:

(b.1) $\alpha_{new} \geq \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \alpha_j$

(b.2) $\alpha_{new}\kappa_{new}^{\frac{1}{\sigma-1}} < \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \alpha_j\kappa_j^{\frac{1}{\sigma-1}}$

(b.3) $\alpha_{new}\kappa_{new}^{\frac{1}{\sigma-1}}\bar{\kappa}_{new} \leq \min_{\{\alpha_j,\kappa_j\}\in T^*_{old}} \alpha_j\kappa_j^{\frac{1}{\sigma-1}}\bar{\kappa}_{old}$

*Proof of Proposition 3A.* I prove Proposition 3A by proving its elements (a) and (b) sequentially.

**Proposition 3A(a):** If the new technology satisfies a.1 it is the technology with lowest marginal cost. Therefore, it is adopted by all entrepreneurs above a certain threshold of productivity. This range of entrepreneurs would see TFP increase. If a.2 is true (besides a.1), it means the new technology does not become the entry technology. From there, the same reasoning as in the proof of Proposition 3(a), proves that the technical change is large-scale-biased. If a.3 is true (besides a.1), the new technology becomes the only technology that is adopted in equilibrium by Proposition 1 and the entry threshold increases by Proposition 2. Therefore, every entrepreneur with productivity above the new entry threshold increases TFP, while those below the threshold lose out. That is, $\bar{\psi}(T_{new}) > \bar{\psi}(T_{old})$. This means the range of entrepreneurs with $\psi \in (\bar{\psi}(T_{old}), \bar{\psi}(T_{new}))$ see their $TFP$ decrease, while those with $\psi > \bar{\psi}(T_{new})$ see their $TFP$ increase. This proves that technical change is large-scale-biased if the conditions a.1 and either a.2 or a.3 are satisfied.

To prove that technical change is large-scale-biased only if the conditions a.1 and either a.2 or a.3 are satisfied, now suppose technical change is large-scale-biased. By definition, the new technology increases $TFP$ for all entrepreneurs above a certain productivity threshold $k > \min\{\bar{\psi}(T_{new}), \bar{\psi}(T_{old})\}$. Therefore, the marginal cost of the new technology must be lower than any previously adopted technology, such that a.1 is satisfied. Also, by definition of large-scale bias, $TFP$ does not increase for all entrepreneurs with $\psi < k$. Therefore, if the new technology becomes the only technology that is adopted in equilibrium (such that a.2 is not satisfied), it must be that the entry threshold increases, hence a.3 is satisfied. This proves that technical change is large-scale-biased only if the conditions a.1 and either a.2 or a.3 are satisfied.

**Proposition 3A(b):** Suppose conditions b.1, b.2, and b.3 are satisfied. Then, because the new technology does not have the lowest marginal cost (b.1), it is not adopted by the most productive entrepreneurs. Because b.2 is satisfied, it is adopted by the least productive entrepreneurs. Because b.3 is satisfied, it reduces the entry threshold (by Proposition 2). Therefore, it increases $TFP$ for a range of entrepreneurs that did not enter before the technical change. If it increases $TFP$ for some $\psi' > \bar{\psi}_{old}$, it also increases $TFP$ for any $\bar{\psi}_{new} > \psi'' > \psi' > \bar{\psi}_{old}$. This can be seen by realizing that the new technology can only increase $TFP$ for $\psi'$ if it is adopted by $\psi'$, in which case it must also be adopted by any entrepreneur with lower productivity (since it is adopted by the marginal entrepreneur). Also, because it is not adopted by the most productive entrepreneurs, there is a productivity threshold above which the new technology is not adopted and therefore does not increase $TFP$. This proves that technical change is small-scale-biased if the conditions b.1, b.2, and b.3 are satisfied. This proves that technical change is large-scale-biased only if the conditions b.1, b.2, and b.3 are satisfied.

Now suppose technical change is small-scale-biased. Since there exists a productivity

threshold above which the technical change does not increase $TFP$, its marginal cost must not be lower than the lowest marginal cost of any existing technology (b.1). Also, since there exists a productivity threshold below which it increases $TFP$, it must be adopted by the marginal entrepreneur (so that b.2 is satisfied by Proposition 1). Lastly, again since there exists a productivity threshold below which it increases $TFP$, it cannot increase the entry threshold (so that b.3 must be satisfied by Proposition 2). □

*Proof of Proposition 4.* I prove Proposition 4 by proving its elements (a), (b), and (c) sequentially.

**Proposition 4(a):** If technical change is large-scale-biased, it increases average fixed cost: $\bar{\kappa}_{new} > \bar{\kappa}_{old}$ (see the proof of Proposition 3(a)). Since it increases the average fixed cost without affecting $\alpha_1^*(\kappa_1^*)^{\frac{1}{\sigma-1}}$, it increases $\bar{\psi}$ by equation (31). The average employment by firm is the number of workers divided by the number of entrepreneurs. The number of workers $L$ is constant in equilibrium by equation (30). The number of entrepreneurs is $(1-L)\,(1-F(\bar{\psi}))$ which is decreasing in $\bar{\psi}$. Therefore, the average employment size increases in response to large-scale-biased technical change.

If technical change is small-scale-biased the entry threshold $\bar{\psi}$ in equation (31) decreases because both $\kappa_1^*$ (the fixed cost of the lowest adopted fixed-cost technology) and $\bar{\kappa}$ decrease. Therefore, the average employment size decreases in response to large-scale-biased technical change.

**Proposition 4(b):** By Proposition Proposition 4(a), if technical change is large-scale biased, it increases $\bar{\psi}$. Thus, by the free-entry condition in equation (9), it increases the ratio between average profits of producting entrepreneurs and wages. The opposite is true for small-scale-biased technical change.

**Proposition 4(c):** Any entrepreneur that does not adopt the technology, sees a reduction in profits as a result of technical change. This can be seen by noting that equation (42) is decreasing in output $Y$ and output increases when a new technology is added by Lemma 1. If technical change is small-scale-biased, entrepreneurs above a certain productivity threshold do not adopt the technology and their profits must therefore decline. However, total output and wages go up. Hence, there exists a $\bar{k} \in (0, 100)$ such that average income growth of the top $k$% of incomes is lower than average income growth of the bottom $(100-k)$% of incomes for all $k < \bar{k}$.

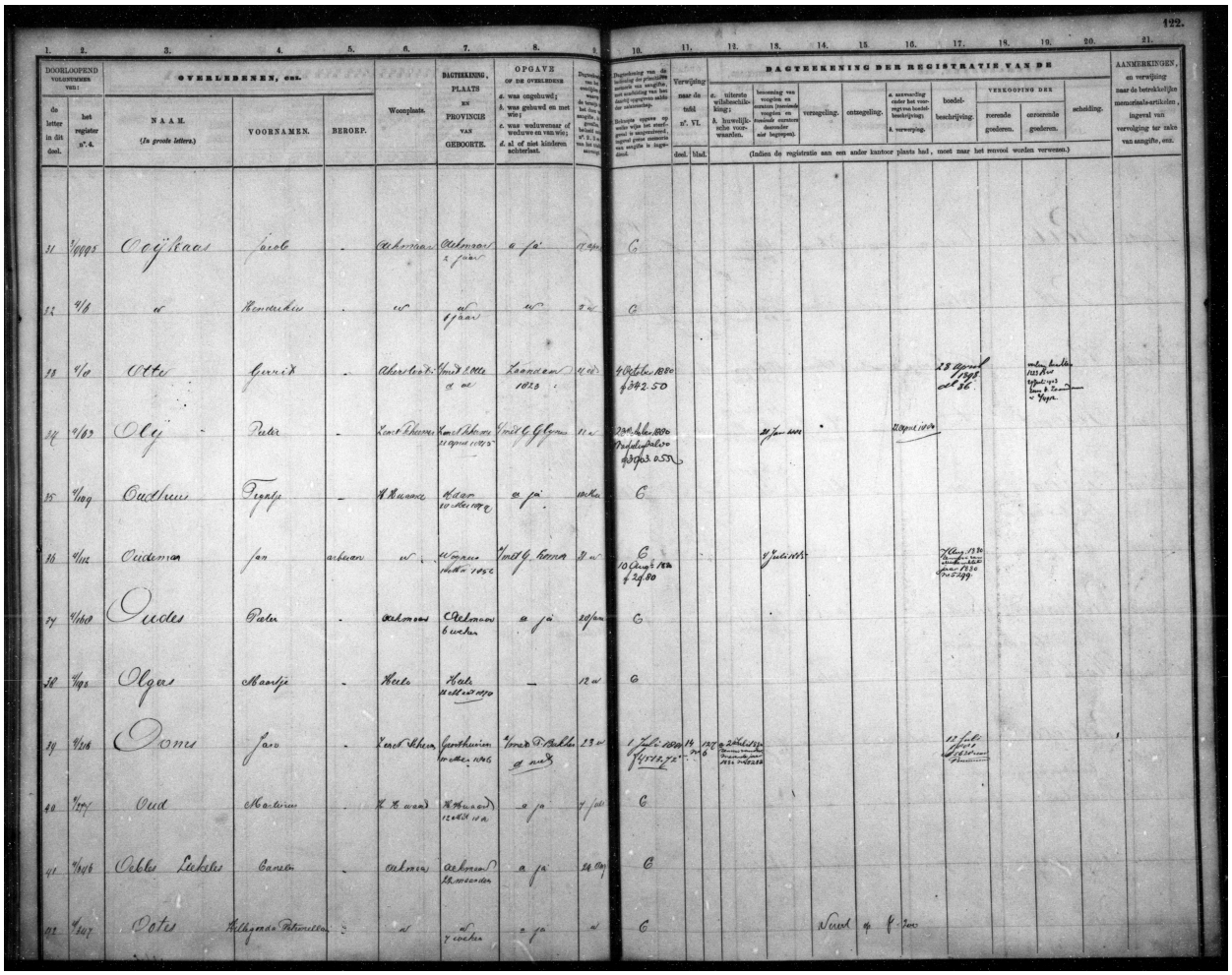
If technical change is large-scale-biased, it increases profits of entrepreneurs above a certain productivity threshold, while it decreases profit for those below it. Because the profit share of output is constant (see equation (39)) and wages are a linear function of output (33), total profit growth equates wage growth. Because only adopting entrepreneurs experience a profit increase, while other entrepreneurs' profit decline, their income growth must exceed wage growth. Furthermore, even among adopting entrepreneurs, proportional profit growth is increasing in $\psi$. Therefore, there exists a $\bar{k} \in (0, 100)$ such

that average income growth of the top $k$% of incomes is higher than average income growth of the bottom $(100-k)$% of incomes for all $k < \bar{k}$. □

# D Data appendix

## D.1 Examples of source files

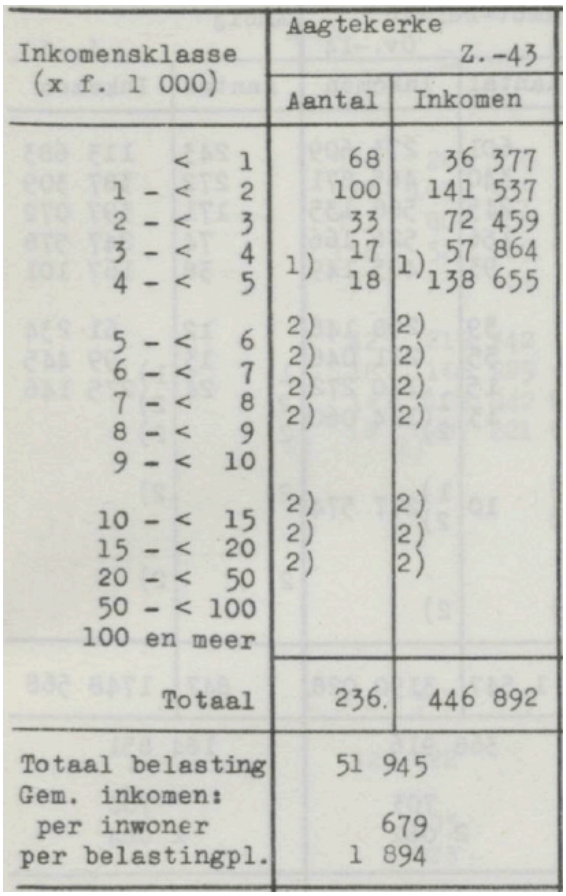
FIGURE D.1: Example of a source image of the Dutch inheritance tax files.



*Notes:* The template form was consistent nationally and over time between 1879 and 1927.

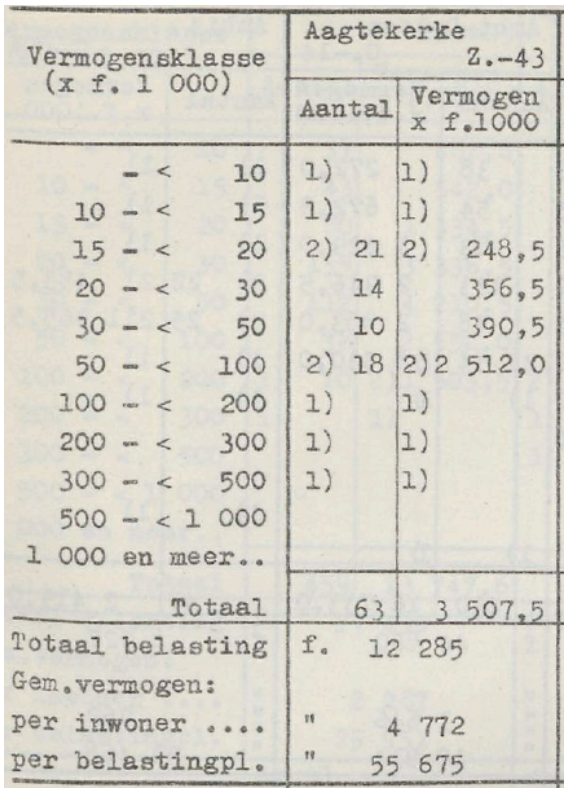
FIGURE D.2: Example of a source image for the income and wealth distribution by municipality

(A) Income distribution (1946)



| Inkomensklasse (x f. 1 000) | Aagtekerke Z.-43 Aantal | Inkomen |
|---|---|---|
| < 1 | 68 | 36 377 |
| 1 - < 2 | 100 | 141 537 |
| 2 - < 3 | 33 | 72 459 |
| 3 - < 4 | 17 | 57 864 |
| 4 - < 5 | 1) 18 | 1) 138 655 |
| 5 - < 6 | 2) | 2) |
| 6 - < 7 | 2) | 2) |
| 7 - < 8 | 2) | 2) |
| 8 - < 9 | 2) | 2) |
| 9 - < 10 | | |
| 10 - < 15 | 2) | 2) |
| 15 - < 20 | 2) | 2) |
| 20 - < 50 | 2) | 2) |
| 50 - < 100 | | |
| 100 en meer | | |
| Totaal | 236. | 446 892 |
| Totaal belasting | 51 945 | |
| Gem. inkomen: | | |
| per inwoner | 679 | |
| per belastingpl. | 1 894 | |

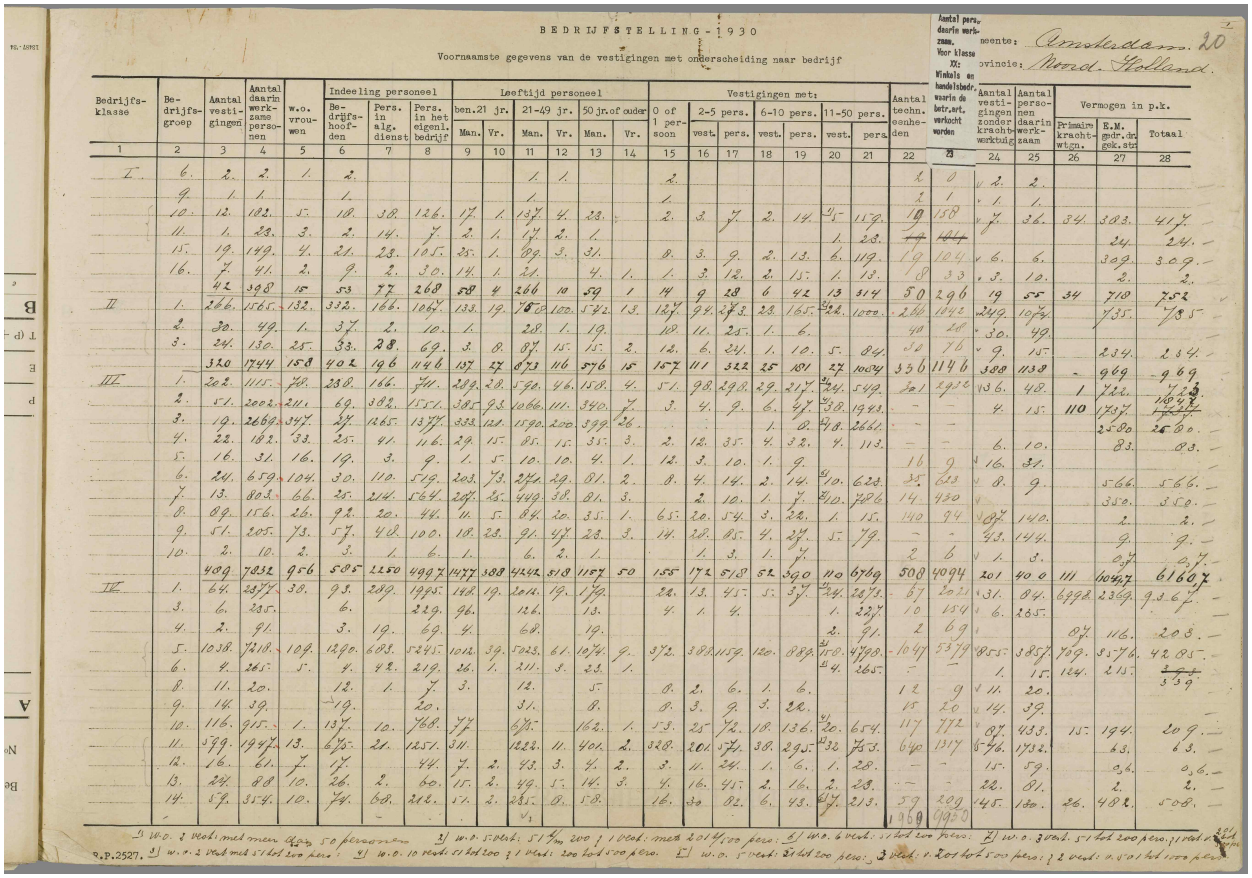
(B) Wealth distribution (1947)



| Vermogensklasse (x f. 1 000) | Aagtekerke Z.-43 Aantal | Vermogen x f.1000 |
|---|---|---|
| - < 10 | 1) | 1) |
| 10 - < 15 | 1) | 1) |
| 15 - < 20 | 2) 21 | 2) 248,5 |
| 20 - < 30 | 14 | 356,5 |
| 30 - < 50 | 10 | 390,5 |
| 50 - < 100 | 2) 18 | 2) 2 512,0 |
| 100 - < 200 | 1) | 1) |
| 200 - < 300 | 1) | 1) |
| 300 - < 500 | 1) | 1) |
| 500 - < 1 000 | | |
| 1 000 en meer.. | | |
| Totaal | 63 | 3 507,5 |
| Totaal belasting | f. 12 285 | |
| Gem.vermogen: | | |
| per inwoner .... | " 4 772 | |
| per belastingpl. | " 55 675 | |

*Notes:* The first column indicates the income or wealth bracket, the second column indicates the number of individuals in that bracket, and the third column the total bracket income or wealth. The notes 1) and 2) indicate which brackets have been grouped together for privacy reasons. *Source*: (Statistics Netherlands, 1952, 1953).

FIGURE D.3: Example of a source image of the Census of Companies by municipality in 1930




*Notes:* The example is for Amsterdam. The data contains the broad and detailed industry classification (columns 1 and 2), the number of establishments and workers by size (columns 15-21), and information on power adoption (columns 24-28). *Source*: (Statistics Netherlands, 2010).

## D.2 Census of Manufactures industry crosswalks

### D.2.1 1860-1900 crosswalks

| Industry | Census of Manufactures industries |
|---|---|
| agricultural implements | agricultural implements; agricultural implements - fanning mills; agricultural implements - grain cradles and scythe snaths; agricultural implements - grain drills; agricultural implements - handles, plough and other; agricultural implements - hoes; agricultural implements - miscellaneous; agricultural implements - mowing and reaping machines; agricultural implements - ploughs, harrows, and cultivators; agricultural implements - rakes; agricultural implements - straw cutters; agricultural implements - threshers, horse-powers, and separators; agricultural implements, ns; mowing-machine knives; scythe rifles; scythes; shovels and spades; shovels, spades, forks, and hoes |
| agriculture | bee-hives; clover hulling; clover seed cleaning; cotton ginning; fences, patent; flowers; grain threshing; hay and straw, baling; hay pressing; prepared moss; rice cleaning; rice, cleaning and polishing; seeds, garden and flower |
| artificial limbs and surgical appliances | artificial limbs; shoulder braces; splints; surgical appliances |
| ashes, pot and pearl | ashes, pot and pearl |
| awnings and tents | awnings and tents; awnings, tents, and sails |
| bagging, flax, hemp, and jute | bagging; bagging, flax, hemp, and jute; hemp hose |
| bags, other than paper | bags; bags, other than paper |
| bags, paper | bags paper; paper bags |
| baking and yeast powders | baking and yeast cakes and powders; baking and yeast powders; baking-powders; saleratus |
| belting and hose | belting and hose leather; leather belting and hose; racking-hose |
| billiard tables and materials | billiard and bagatelle tables; billiard and bagatelle tables and materials; billiard cues; billiard tables and materials |
| blacking and other polishes | blacking; blacking and water-proof composition; cleansing and polishing preparations; furniture polish; polishing preparations; stove polish |
| blacksmithing | blacksmithing; blacksmithing and wheelwrighting; horse-shoes |
| bleaching, dyeing, and cleaning | bleaching and dyeing; bleaching straw goods; dyeing and bleaching; dyeing and cleaning; dyeing and finishing textiles; straw bonnet bleaching |
| bolts, nuts, washers, and rivets | bolts, nuts, washers, and rivets; iron and steel, bolts,nuts,washers, and rivets; iron, bolts, nuts, washers, and rivets |
| bookbinding | bookbinding; bookbinding and blank books; bookbinding and blank-book making |

| | |
|---|---|
| boots and shoes | boot and shoe cut stock; boot and shoe findings; boot and shoe patterns; boot and shoe uppers; boots and shoes; boots and shoes factory product; boots and shoes, custom work and repairing; boots and shoes, including custom work and repairing; shoe and boot tips; shoe findings; shoe strings |
| boxes, fancy and paper | boxes fancy and paper; boxes, fancy; boxes, paper |
| brassware and bells | bells; brass; brass and bell founding; brass and copper tubing; brass book clasps and badges; brass castings; brass castings and brass finishing; brass founding and brass ware; brass founding and finishing; brass ornaments; brass wire and wire cloth; brass, rolled; brassware |
| bread and bakery products | bread and crackers; bread and other bakery products; bread, crackers, and other bakery products |
| brick, stone, and tile | brick; brick and tile; fire-brick; masonry brick and stone; plastering and stuccowork; sand, washed |
| bridge building | bridge-building; bridges |
| bronze | bronze castings; bronze powders |
| brooms and brushes | broom handles; brooms; brooms and brushes; brooms and wisp-brushes; brush blocks; brush handles and stocks; brushes; mops and dusters |
| butter, cheese, etc | butter reworking; cheese; cheese and butter urban dairy product; cheese and butter, factory; cheese butter and condensed milk factory product |
| canning and preserving | fish, cured and packed; fruits and vegetables, canned and preserved; fruits and vegetables, canning and preserving; oysters canning and preserving; pickles, preserves, and sauces; preserves and sauces; provisions |
| carpentering | carpentering; carpentering and building |
| carpets | carpets; carpets and rugs other than rag; carpets, other than rag; carpets, rag |
| carriage and wagon materials | carriage and wagon materials; hubs, spokes, bows, shafts, wheels, and felloes; spokes, hubs, felloes, shafts, and bows; wheelwrighting |
| carriages and wagons | carriages; carriages and sleds, childrens; carriages and wagons; carriages and wagons, including custom work and repairing; carriages childrens; carriagesmithing; wagons and carts |
| cases | clock cases and materials; clock-cases; hydrant cases; jewelry and instrument cases; jewelry boxes and cases; sewing machine cases; show cases; stereoscopic cases; watchcases |
| chemical pigments | blueing; bluing; bone-, ivory-, and lamp-black; bone-black; ivory-black; lampblack; washing blue; white lead; whiting |

| | |
|---|---|
| chemicals, other | acid, pyroligneous; acid, sulphuric; acids, (not specified); barilla; benzoline; calcium lights; celluloid and celluloid goods; chemicals bichromate of potash; chemicals bisulphate of lime; fire clay; fire extinguishers chemical; isinglass; lye, condensed; moulding sand; mucilage and paste; oil - water; potters clay and materials; putty; saltpeter; saltpetre and nitrate of soda; sulphur; taxidermy; water lime; wood preserving |
| chocolate | chocolate; chocolate and cocoa products |
| chromos and lithographs | photolithographing and engraving; photolithographing and photoengraving |
| clocks and watches | clock materials; clocks; watch and clock materials; watch and clock repairing; watch clock and jewelry repairing; watch materials; watches; watches, watch repairing, and materials |
| clothing, general | belt clasps and slides; belts, childrens; buttons; clothing mens custom work and repairing; clothing, childrens; clothing, mens; clothing, mens, factory product; clothing, mens, factory product, buttonholes; clothing, ns; collars and cuffs, paper; furnishing goods mens; shirts; suspenders |
| clothing, women's | car fixtures and trimmings; carriage-trimmings; clothing - ladies; clothing, womens; clothing, womens, dressmaking; clothing, womens, factory product; coach lace; coffin trimmings; corsets; dress patterns; fancy articles; fancy articles not elsewhere specified; fruit-jar trimmings; hatters trimmings; hoop-skirts and corsets; lamp trimmings; millinery; millinery and dress making; millinery and lace goods; millinery goods; millinery, custom work; skirt supporters |
| coffee and spices, roasted and ground | coffee and spice, roasting and grinding; coffee and spices, ground; coffee and spices, roasted and ground; coffee roasting; coffee, essence of |
| coffins | coffin screws; coffins; coffins and burial cases, trimming and finishing; coffins burial cases and undertakers goods |
| combs | comb plates; combs; combs, shell and other |
| confectionery | confectionery |
| construction, other | building stone, artificial; cement pipe; cisterns; stair building; well curbs |
| cooperage | cooperage; staves, heading, hoops, and shooks |
| copper | copper - sheet and bolt; copper smelting; copper work; copper, milled and smelted; copper, rolled; coppersmithing; speaking tubes |
| cordage and twine | cordage; cordage and twine; cotton braid, thread, lines, twine, and yarn; cotton cordage; cotton thread, twine, and yarn |
| cork | cork cutting; corks |
| cotton compressing | cotton batting and wadding; cotton compressing; cotton pressing |

| | |
|---|---|
| cotton goods | cotton bags; cotton coverlets; cotton flannel carding; cotton goods; cotton goods, (not specified); cotton lamp wick; cotton mosquito netting; cotton small wares; cotton table-cloths; cotton-ties |
| cutlery, edge tools, and axes | cutlery; cutlery and edge tools; cutlery and edge-tools, (not specified); edge tools and axes |
| decorative work, other | artificial feathers and flowers; bath tubs; bead work; china and glass decorating; china decorating; embroidery; feathers, cleaned, dressed, and dyed; kaolin and ground earths; kaolin and other earth grinding; ornaments - terra cotta; pearl goods; pencils and pens, gold; pens, gold; pipes - clay; pipes - meerschaums; porcelain ware; spelter; stuffed birds; teeth, porcelain; terra-cotta ware; veneers |
| dentistry | dentistry; dentistry, mechanical; dentists materials |
| drugs, chemicals, and medicines | chemicals; drug grinding; druggists preparations not including prescriptions; drugs and chemicals; drugs, ground; magnesia; manganese; medicines, extracts, and drugs; nitro-glycerine; patent medicines and compounds; zinc, oxide of |
| dyestuffs and extracts | bark - ground; bark - sumac, and sumac prepared; dye stuffs and extracts; dye woods and dye stuffs; gum and gum cleaning; hemlock-bark, extract; liquor coloring |
| electrical, telegraph, and telephone apparatus | electrical apparatus and supplies; telegraph and telephone apparatus |
| emery | corundum; emery; emery wheels; emery, reduced and ground |
| enameled goods | enameled goods; enameling; enameling and enameled goods; enamelling |
| engines and railroad cars | car brakes; car wheels; cars and general shop construction and repairs by steam-railroad companies; cars and general shop construction and repairs by street railroad companies; cars steam railroad not including operations of railroad companies; cars street-railroad not including operations of railroad companies; cars, omnibuses, and repairing; cars, railroad, street, and repairs; fire engines; locomotive engines and repairing; machinery, fire-engines |
| engraving | carving; engravers materials; engraving; engraving and die-sinking; engraving and stencil-cutting; engraving steel including plate printing; engraving, calico; engraving, steel; engraving, wood; gilding; watch engraving |
| envelopes | envelopes; envelopes and cards, embossed |
| explosives and fireworks | explosives; explosives and fireworks; fireworks; high explosives |
| fertilizers | fertilizers |
| files | files |
| fisheries | fisheries |
| fishing supplies | fish hooks; fishing lines, nets, and tackle; hunting and fishing tackle; nets; nets and seines; nets, fish, and seines |

| | |
|---|---|
| flags and banners | flags and banners; regalia and society banners and emblems; regalias, banners, and flags |
| flax, dressed | flax dressing; flax, dressed |
| flour and grist mills | flour and meal; flouring and grist mill products |
| food products, other | barley, pearl; bone boiling; cocoa; cordials and sirups; dippers, cocoa-nut; fish canning and preserving; flavoring extracts; food preparations; food preparations, animal; food preparations, macaroni and vermicelli; food preparations, vegetable; ginseng; hemp dressing; hominy; macaroni and vermicelli; milk, condensed; mustard; mustard, ground; oleomargarine; rice flour; sumac, ground |
| fuel, charcoal and coke | charcoal; charcoal, pulverized; coke |
| fuel, gas | gas; gas illuminating and heating; gas, illuminating |
| fuel, kerosene and camphene | camphene and burning fluid; coal-oil, rectified; oil - coal; oil - kerosene |
| fuel, other | fuel, artificial; granular fuel; oil, illuminating, not including petroleum refining |
| furniture | beds, spring; furniture; furniture factory product; furniture, (not specified); furniture, cabinet, school, and other; furniture, cabinet-making, repairing and upholstering; furniture, chairs; furniture, iron bedsteads; furniture, refrigerators; house-furnishing goods, not elsewhere classified; housefurnishing goods; mattresses and beds; mattresses and spring beds; medicine chests; money drawers; printers chases, furniture, and rollers; refrigerators; refrigerators and water-coolers |
| furs | fur goods; furs; furs, dressed |
| glass | aquariums; artificial eyes; bottle moulds; bottling; glass; glass cutting staining and ornamenting; glass sand; glass ware; glass, cut; glass, cut, stained, and ornamented; glass, plate; glass, stained; glass, window; looking-glasses; mineral water apparatus; mirrors; optical goods; soda-water apparatus; spectacles and eye-glasses |
| gloves and mittens | gloves and mittens |
| glue | glue |
| gold and silver leaf and foil | gold and silver leaf and foil; gold, leaf and foil |
| gold and silver refining | gold and silver assaying and refining; gold and silver reducing and refining not from the ore; gold and silver, reduced and refined |
| grease, hides, and tallow | grease; grease and tallow; hides and tallow; lard, refined |
| gun- and lock-smithing | ammunition; bank locks; fire bomb-lances; fire-arms; gun locks and materials; gunsmithing; keys, metallic; lock and gun smithing; locksmithing and bellhanging; percussion-caps; powder flasks and percussion caps |
| gunpowder | gunpowder |
| hair-work | hair jewelry; hairwork; wigs and hair work |

| | |
|---|---|
| hardware | hardware; hardware saddlery |
| hats and caps | cap fronts; fur hats; hat and cap materials; hat materials; hat-bodies; hat-tips; hats and caps; hats and caps not including fur hats and wool hats; hats and caps, not including wool hats; wool hats |
| hones and whetstones | hones and whetstones; whetstones |
| hooks and eyes | hooks and eyes |
| hosiery and knit goods | hand knit goods; hosiery; hosiery and knit goods |
| ice | ice; ice, artificial; ice, manufactured |
| ink | ink; ink, printing; ink, writing |
| instruments, professional and scientific | globes, terrestial and celestial; instruments; instruments professional and scientific |
| iron and steel products, other | anchors and chains; axles; candle moulds; carpet-sweepers; cheese presses and vats; chimney flues; eave troughs; grates and fenders; handspikes; hydrants; iron anchors and cable-chains; iron and steel, doors and shutters; iron doors and shutters; iron, castings, stoves, heaters, and hollow ware; ironwork, architectural and ornamental; metallic caps and lables; plugs and wedges; plumbers materials; sad-irons; sash, metal; sieve hoops; stair rods; tinned iron ware; torpedoes; truss hoops; vats; wheelbarrows; whitesmithing |
| iron and steel, forged and wrought | fire-escapes; hinges, wrought and cast; iron - forged, rolled, and wrought; iron and steel forgings; iron and steel pipe wrought; iron forgings; iron pipe, wrought; iron, forged and rolled; iron, railing, wrought; steel, forged |
| iron and steel, general | iron - cast; iron and steel; iron, castings, (not specified); steel, (not specified); steel, and manufactures of; steel, cast |
| iron and steel, other | galvanizing; iron, blooms; steel, bessemer |
| iron and steel, pig | iron, pig; iron, pigs |
| ivory and bone work | ivory and bone work; ivory-work; turning, ivory and bone |
| japanned ware | japanned ware; japanning |
| jewelry | jewelry; jewelry, (not specified) |
| kindling wood | kindling wood |
| lapidary work | lapidaries work; lapidary work |
| lasts | lasts; lasts and boot trees |
| lead | lead bar pipe and sheet; lead, bar and sheet; lead, bar, pipe, sheet, and shot; lead, manufactures of; lead, pipe; lead, shot; plumbago, black and silver lead |

| | |
|---|---|
| leather | leather; leather board; leather morocco; leather patent and enameled; leather patent and enamelled leather; leather skin dressing; leather tanned, curried, and finished; leather, curried; leather, dressed skins; leather, morocco, tanned and curried; leather, tanned; leather, tanned and curried |
| leather products, other | leather goods; razor-strops; watch guards |
| lightning rods | lightning-rods |
| lime and cement | cement; lime; lime and cement |
| linen and linen goods | belting and hose, linen; flax and linen goods; linen goods; thread, linen |
| liquors and beverages, other | alcohol; cider; cider refined; liquors - bottled; liquors - cordials; malt kilns |
| liquors, distilled | liquors, distilled |
| liquors, malt | liquors malt; small beer |
| liquors, rectified | liquors - rectified |
| liquors, vinous | liquors - wine; liquors vinous |
| lithographing | chromos and lithographs; lithographing; lithographing and engraving; lithography |
| looking-glass and picture frames | looking-glass and picture frames |
| lumber | lumber and other mill products from logs or bolts; lumber and timber products; lumber, ns; lumber, planed; lumber, planing mill products , including sash , doors, and blinds; lumber, sawed; timber cutting and timber hewed; timber products, not manufactured at mill |
| machinery, iron and steel | anvils and vices; automaton pressmen; bellows; bookbinders machinery; coffee, roasters; cotton gins; crucibles; electro-magnetic machines; foundery and machine-shop products; foundry and machine shop products; furnaces, ranges, registers, and ventilators; gas and oil stoves; gas stoves; gas works, portable; gas-retorts; hoisting apparatus and machines; machinery - hay and cotton presses; machinery - paper; machinery - rice machines; machinery - shingle machines; machinery - silk; machinery - stamp machines; machinery - steam-engines, and c; machinery - turbine water-wheels; machinery - wood working; machinery, railroad repairing; machinery, steam engines and boilers; metal spinning; newspaper directing machines; oil-tanks; paint mills; pipe tongs; portable forges; printing and lithographic presses; registers cash; registers, car-fare; seal and copying presses; steering apparatus; sugar evaporators; watchmakers lathes; windmills |
| machinery, other | foundery supplies; foundry supplies; machinery, (not specified); shoe peg machines; vanes, weather; windlasses |
| machinery, wooden | machinery - cotton and woollen; machinery - ribbon looms; machinery, cotton and woolen; washing machines and clothes dryers; washing machines and clothes wringers |
| malt | malt |

| | |
|---|---|
| marble and stone work | mantels slate marble and marbleized; marble and stone work; marble and stone work, (not specified); marble and stone work, monuments and tombstones; monuments and tombstones |
| matches | matches |
| mats and matting | mats and matting; mats and rugs |
| military goods | military goods |
| milled quartz | quartz, milled |
| millstones | millstones; millstones and mill furnishing |
| millwrighting | millwrighting |
| mineral and soda waters | mineral and soda waters; mineral water |
| mining, coal | coal - anthracite; coal - bituminous; coal, ns |
| mining, gold and silver | gold mining; silver mining |
| mining, iron | iron ore |
| mining, lead | lead mining and smelting; lead, pig |
| mining, other | asphaltum work; chrome mining; clay mining; copper mining; nickel ore; zinc ore |
| musical instruments | musical instrument materials; musical instruments - melodeons; musical instruments - miscellaneous; musical instruments - pianofortes; musical instruments and materials not specified; musical instruments organs; musical instruments, nec; musical instruments, organs and materials; musical instruments, pianos and materials; piano-forte stools |
| nails and spikes | horse-shoe nails; iron and steel nails and spikes cut and wrought including wire nails; iron, nails and spikes, cut and wrought; nails, cut, wrought, and spikes |
| non-metal minerals, other | foundry facings; glaziers diamonds; graphite; graphite and graphite refining; grindstones; oil-stones; paving and paving materials; paving materials; scythe stones; soap-stone |
| oilcloth | clothing - oil; oil and enamelled cloth; oil floor cloth; oil-cloth, silk; oilcloth, enameled; oilcloth, floor |
| oils | oil - cocoa-nut; oil - cotton-seed; oil - fish, whale and other; oil - lard; oil - neatsfoot; oil - rosin; oil cotton-seed and cake; oil, animal; oil, castor; oil, essential; oil, fish; oil, linseed; oil, not elsewhere specified; oil, resin; oil, vegetable, (not specified); oil, vegetable, castor; oil, vegetable, cotton-seed; oil, vegetable, essential; oil, vegetable, linseed; oils - essential; pitch, brewers and burgundy |
| oils, lubricating | axle grease; oil, lubricating; oils - chemical |
| other metal products | babbitt metal and solder; brass and copper, rolled; brass and german silver, rolled; candlesticks; copper and brass ware; electroplating; metal, repaired and white; stamped ware; tin foil |

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| painting and paperhanging | painting; painting and paperhanging; painting house sign etc; paperhanging; paperhangings |
| paints | paints; paints, (not specified); paints, lead and zinc; zinc paint |
| paper | paper; paper and wood pulp; paper goods not elsewhere specified; paper, (not specified); paper, printing; paper, writing |
| paper, other | card boards; card cutting; card cutting and designing; cardboard; cards - enameled; cards - hand; cards - playing; cards, other than playing; ornaments - paper; paper clay; paper patterns; paper ruling; paper shades; paper staining; paper, wrapping; postal cards; valentines |
| patterns and models | models and patterns; patterns and models |
| perfumery and cosmetics | perfumery and cosmetics; perfumery and fancy soaps |
| photography | cameras; photographic apparatus; photographic materials; photographing; photographing materials; photographs; photography |
| pipes | pipe, wooden; pipes, tobacco |
| plumbing, heating, and lighting | drain and sewer pipe; drain tile; drain-pipe; electric light and power; electric lights; gas and lamp fixtures; gas fixtures, lamps, and chandeliers; gas machines and meters; gasometers; gasometers and tanks; heating apparatus; lamp fixtures; lamps; lamps and lanterns; lamps and reflectors; metal cocks and faucets; meters, gas; meters, water; plumbers supplies; plumbing and gas and steam fitting; plumbing and gasfitting; steam and gas fittings and valves; steam and water gauges; steam fittings and heating apparatus; steam heaters and heating apparatus |
| pocket-books | pocket-books, porte-monnaies, and wallets; pocketbooks |
| printing and publishing | printing and publishing; printing and publishing, (not specified); printing and publishing, book and job; printing and publishing, music; printing and publishing, newspaper; printing and publishing, newspapers and periodicals; printing materials; printing, job |
| printing and publishing, other | block letters; charts, hydrographic; map mounting and coloring; maps; maps and atlases; music printing; printers fixtures; show cards; signs; stencils and brands |
| pumps | pumps; pumps and hydraulic rams; pumps not including steam pumps |
| quarrying | barytes; grindstones and grindstone quarrying; ochre; slate quarrying |
| roofing and plastering | coal-tar; ornaments - plaster; plaster, and manufactures of; plaster, ground; plastering; roofing; roofing and roofing materials; roofing materials; shingles and lath; shingles, split; stucco and stucco work |
| rubber and elastic goods | belting and hose, rubber; boots and shoes rubber; gutta-percha goods; india-rubber and elastic goods; india-rubber goods; rubber and elastic goods; rubber, vulcanized; safety-fuse |
| saddlery and harness | saddlery and harness; saddlery and harness materials |

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| safes, doors, and vaults | safes - cheese; safes - fire-proof; safes - provision; safes and vaults; safes, doors, and vaults, (fire-proof) |
| salt | salt; salt ground |
| sand and emery paper and cloth | sand and emery paper and cloth; sand-paper |
| sash, doors, and blinds | curtain fixtures; sash, doors, and blinds; venetian blinds; window blinds and shades; window shades; wooden door knobs |
| saws | saws |
| scales and balances | scales and balances |
| screws | jack-screws; screws; screws machine; screws wood |
| sewing machines | needle-threaders; needles; needles and pins; pins; sewing birds; sewing machine needles; sewing machine repairing; sewing machine shuttles; sewing machines and attachments; sewing-machine fixtures; sewing-machines |
| ship and boat building | blocks and spars; blocks, pumps, and spars; boats; iron steamships; iron, ship building and marine engines; mast hoops and hanks; masts and spars; oakum; oars; rigging; sails; ship and boat building; ship and boat building wooden; ship building, repairing, and ship materials; shipbuilding; shipbuilding iron and steel |
| shoddy | shoddy |
| silk and silk goods | silk and fancy goods, fringes, and trimmings; silk and silk goods; silk goods, (not specified); silk, sewing and twist |
| silverware | plated and britannia ware; plated ware; silver, manufactures of; silver-plated and britannia ware; silversmithing; silverware |
| slaughter and meat packing | butchering; meat, cured and packed, (not specified); meat, packed, beef; meat, packed, pork; sausage; slaughtering and meat packing; slaughtering and meat packing, wholesale; slaughtering wholesale not including meat packing |
| smelting and refining, other | copper smelting and refining; lead smelting and refining; nickel and cobalt; quicksilver; quicksilver, smelted; smelting and refining; smelting and refining, not from the ore |
| soap and candles | candles - adamantine; candles - wax; candles, adamantine and wax; soap and candles; wax work |
| springs | springs steel car and carriage; springs, car, carriage, locomotive, and other; steel, springs |
| stationery and school supplies | artists materials; chalk and crayons; chalk, prepared; pencils, indelible; pencils, lead; pens fountain and stylographic; pens, steel; school apparatus; stationery; stationery goods; stationery goods, not elsewhere classified |
| stereotyping and electrotyping | stereotyping and electrotyping |
| stone- and earthen-ware | clay and pottery products; pottery and stone ware; pottery terra-cotta and fire-clay products; stone and earthen ware |
| straw goods | straw goods |

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| sugar, glucose, and starch | arrow-root; glucose; molasses, refined; sirups, other than sorghum; sorghum sirup; starch; sugar and molasses; sugar and molasses beet; sugar and molasses refining; sugar and molasses, refined; sugar refining |
| tar and turpentine | tar; tar and turpentine; turpentine - crude; turpentine - distilled; turpentine and rosin |
| textile products, other | calico printing; car linings; carpet cleaning; cloth finishing; cloth sponging and refinishing; clothing, horse; costumes; filter bags; fly nets; hair-cloth; hammocks; horse-covers; labels and tags; laundry work; life-preservers; mixed textiles; printing cotton and woolen goods; quilts; satinet printing; tags; tapes and binding; trusses, bandages, and supporters; weaving, (not specified); webbing; wool cleaning and pulling |
| tin, copper, and sheet-iron ware | tin and terne plate; tin, copper, and sheet-iron ware; tinsmithing coppersmithing and sheet-iron working; tinware, copperware, and sheet-iron ware |
| tobacco | cigars; tobacco and cigars; tobacco and snuff; tobacco chewing smoking and snuff; tobacco cigars and cigarettes; tobacco stemming; tobacco, chewing and smoking, and snuff; tobacco, cigars; tobacco, stemming and rehandling |
| tools | blacksmiths tools; bookbinders tools; brick machinery and tools; carpenters tools; confectioners tools; coopers tools; curriers tools; hatters tools; jewelers dies, tools, and machinery; machinists tools; shoemakers tools; stencil tools; stone-cutters tools; tinners tools and machines; tools; tools not elsewhere specified |
| toys, games, and sporting goods | base-ball goods; croquet sets; sporting goods; toy books and games; toys; toys and games; toys, tin |
| trunks, carpet bags, and valises | trunk and carpet bag frames; trunks and valises; trunks, carpet bags, and valises; trunks, seamens chests; trunks, valises and satchels |
| type founding | metal type; type and type and stereotype founding; type founding |
| umbrellas, whips, and canes | umbrella furniture; umbrellas and canes; whips; whips and canes; whips, whip-lashes, sockets, and canes |
| upholstery | curled hair; curtains; husks, prepared; sponges; upholstering; upholstering materials; upholstery; upholstery materials |
| varnish | varnish |
| vault lights | vault lights; vault lights and ventilators |
| vinegar | vinegar; vinegar and cider |
| willow ware, baskets, and rattan | baskets; baskets, and rattan and willow ware; baskets, rattan and willow ware; whalebone and ratan; whalebone and rattan; whalebone and rattan, prepared; willow furniture and willow ware; willow ware and rustic ornaments |
| wire | wire; wire cloth; wire rope; wire work - sieves and bird cages; wire, insulated; wired steel; wirework; wirework including wire rope and cable |

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| wood products, other | carpets, wood; churns; cigar molds; drain pipe, wooden; dumb waiters; engravers blocks and wood; fans; hand stamps; handles; handles, wooden; hat and bonnet blocks; pulp goods; pulp,wood; rules ivory and wood; shoe-pegs; sugar moulds; type, wooden; veneering; water-closets; wood cutting; wood pulp; wood work, miscellaneous; wood, brackets, moldings and scrolls; wooden clothes frames; wooden screws |
| wood, turned and carved | turning, scroll sawing, and moulding; wood, turned and carved |
| wooden boxes | box shooks; boxes - packing; boxes - sugar; boxes - tobacco; boxes, cheese; boxes, cigar; boxes, ns; boxes, wooden packing |
| wooden ware | wooden ware; woodenware, not elsewhere specified |
| wool-carding and cloth-dressing | wool-carding and cloth-dressing |
| woolen goods | wool pulling; wool scouring; woolen goods; woollen goods; woollen yarn |
| worsted goods | worsted goods |
| yarn and cloth, other | felt goods; felting; jute and jute goods |
| zinc | zinc; zinc smelting and refining; zinc, (statuary and building ornaments); zinc, smelted and rolled |

### D.2.2 1890-1939 crosswalks

| **Industry** | **Census of Manufactures industries** |
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| agricultural implements | agricultural implements; agricultural machinery (except tractors); tractors |
| aircraft and parts | aircraft and parts; aircraft and parts, including aircraft engines; airplanes, seaplanes, and airships, and parts |
| artificial flowers and feathers and plumes | artificial and preserved flowers and plants; artificial feathers and flowers; artificial flowers; artificial flowers and feathers and plumes; feathers and plumes; feathers, plumes, and artificial flowers; feathers, plumes, and manufactures thereof |
| artists materials | artists materials |
| automobiles including bodies and parts | automobile bodies and parts; automobile trailers (for attachment to passenger cars); automobiles; automobiles including bodies and parts; motor vehicles, motor-vehicle bodies, parts and accessories; motor vehicles, not including motorcycles; motor-vehicle bodies and motor-vehicle parts |
| awnings tents and sails | awnings, tents, and sails; awnings, tents, sails, and canvas covers |

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| axle grease | axle-grease; lubricating greases; lubricating oils and greases, not made in petroleum refineries |
| bags other than paper | bagging, flax, hemp, and jute; bags, other than paper; bags, other than paper, not including bags made in textile mills; bags, other than paper, not made in textile mills; textile bags—not made in textile mills |
| bags paper | bags, paper; bags, paper, exclusive of those made in paper mills; bags, paper, not including bags made in paper mills; paper bags, except those made in paper mills |
| baking and yeast powders | baking and yeast powders; baking powder, yeast, and other leavening compounds; baking powders and yeast; baking powders, yeast, and other leavening compounds; baking-powders |
| baskets and rattan and willowware | baskets and rattan and willow ware; baskets and rattan and willow ware, not including furniture; baskets for fruits and vegetables; rattan and willowware (except furniture) and baskets other than vegetable and fruit baskets |
| belting and hose | belting and hose woven and rubber; belting and hose, leather; belting and hose, linen; belting and hose, other than rubber; belting and hose, rubber; belting and hose, woven, other than rubber; belting, leather; belting, other than leather and rubber, not made in textile mills; belts (apparel), regardless of material; industrial leather belting and packing leather |
| beverages | beverages; liquors, malt; liquors, malt, including cereal beverages; malt liquors; mineral and soda waters; nonalcoholic beverages |
| bicycles motorcycles and parts | bicycles and tricycles; bicycles motorcycles and parts; motorcycles, bicycles, and parts |
| billiard tables and materials | billiard and pool tables, bowling alleys, and accessories; billiard tables and accessories; billiard tables and materials; billiard tables, bowling alleys, and accessories |
| blacking and cleansing and polishing preparations | blacking; blacking and cleansing and polishing preparations; blacking, stains, and dressings; cleaning and polishing preparations; cleaning and polishing preparations, blackings, and dressings; cleansing and polishing preparations; cleansing preparations |
| bluing | bluing |
| bone ivory and lamp black | bone and carbon black; bone black, carbon black, and lampblack; bone, carbon, and lamp black; bone-, ivory-, and lamp-black |
| boots and shoes including cut stock and findings | boot and shoe cut stock; boot and shoe cut stock and findings; boot and shoe cut stock, not made in boot and shoe factories; boot and shoe findings; boot and shoe findings, not made in boot and shoe factories; boot and shoe uppers; boots and shoes; boots and shoes custom work and repairing; boots and shoes factory product; boots and shoes including cut stock and findings; boots and shoes, not including rubber boots and shoes; boots and shoes, other than rubber; footwear (except rubber) |
| boots and shoes rubber | boots and shoes rubber; rubber boots and shoes (including rubber-soled footwear with fabric uppers) |

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| boxes cigar | boxes, cigar; boxes, cigar, wooden; cigar boxes wooden, part wooden |
| boxes fancy and paper | boxes, fancy and paper; boxes, paper and other, not elsewhere specified; boxes, paper, not elsewhere classified; boxes, paper, shipping containers; boxes, set-up paper boxes; boxes, set-up paper boxes and cartons; paperboard containers and boxes not elsewhere classified |
| bread and other bakery products | biscuit, crackers, and pretzels; bread and other bakery products; bread and other bakery products (except biscuit, crackers, and pretzels) |
| brick and tile pottery terracotta and fire clay products | brick and hollow structural tile; brick and tile; brick and tile, terracotta , and fire clay products; clay and pottery products; clay products (except pottery) not elsewhere classified; clay products (other than pottery) and non-clay refractories; clay refractories, including refractory cement (clay); floor and wall tile (except quarry tile); nonclay refractories; roofing tile; sand-lime brick; sand-lime brick, block and tile; sewer pipe and kindred products; terra cotta |
| brooms and brushes | brooms; brooms and brushes; brooms, from broom corn; brushes; brushes, other than rubber |
| butter cheese and condensed milk | butter; butter cheese and condensed milk; butter reworking; cheese; cheese and butter urban dairy product; cheese butter and condensed milk factory product; condensed and evaporated milk; condensed milk; creamery butter |
| buttons | buttons |
| canning and preserving | canned and dried fruits and vegetables (including canned soups); canned fish, crustacea, and mollusks; canning and preserving; canning and preserving fish, crabs, shrimps, oysters, and clams; canning and preserving fruits and vegetables; canning and preserving fruits and vegetables pickles, jellies, preserves, and sauces; canning and preserving, fish; canning and preserving, fruits; canning and preserving, oysters; canning and preserving, vegetables; canning and preserving, vegetables and dried fruits; cured fish; fish canning and preserving; fruits and vegetables, canning and preserving; oysters canning and preserving; pickled fruits and vegetables and vegetable sauces and seasonings; pickles, preserves, and sauces; preserves, jams, jellies, and fruit butters; quick-frozen foods; salad dressings |
| card cutting and designing | card cutting and designing |
| carpets and rugs other than rag | carpet yarn, woolen and worsted; carpets and rugs other than rag; carpets and rugs, wool; carpets and rugs, wool, other than rag; carpets, wood |
| carpets rag | carpets and rugs, rag; carpets, rag |
| carriages and sleds childrens | carriages and sleds, childrens; childrens vehicles |

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| carriages and wagons and materials | carriage and wagon materials; carriages and wagons; carriages and wagons and materials; carriages and wagons, including custom work and repairing; carriages and wagons, including repairs; carriages and wagons, repair work only; carriages, wagon, sleigh, and sled materials; carriages, wagons, sleighs, and sleds; transportation equipment, nec |
| cars and general shop construction by railroad companies | cars and general construction and repairs, electric-railroad repair shops; cars and general construction and repairs, steam railroad repair shops; cars and general shop construction and repairs by electric-railroad companies; cars and general shop construction and repairs by steam-railroad companies; cars and general shop construction and repairs by street-railroad companies |
| cash registers and calculating machines | cash registers and calculating machines; cash registers, and adding, calculating, and card-tabulating machines; registers cash; registers, car fare |
| chemicals | chemicals; chemicals, not elsewhere classified; coal-tar products; coal-tar products, crude and intermediate; hardwood distillation and charcoal manufacture; rayon and allied products; sulphuric, nitric, and mixed acids; wood distillation; wood distillation and charcoal manufacture; wood distillation not including turpentine and rosin; wood naval stores |
| china decorating | china decorating; china decorating, not including that done in potteries; china firing and decorating (for the trade); china firing and decorating, not done in potteries |
| chocolate and cocoa products | chocolate and cocoa products; chocolate and cocoa products, not including confectionery |
| clocks and watches including cases and materials | clocks; clocks and watches including cases and materials; clocks, clock movements, time-recording devices, and time stamps; clocks, watches, and materials and parts (except watchcases); watch and clock materials; watch and clock materials and parts, except watchcases; watch and clock materials, except watchcases; watch cases; watch materials, except watchcases; watch, clock and jewelry repairing; watches |

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| clothing mens including shirts | childrens and infants wear not elsewhere classified—made in inside factories or by jobbers engaging contractors; childrens dresses—made in contract factories; childrens dresses—made in inside factories or by jobbers engaging contractors; clothing (except work clothing), mens, youths, and boys, not elsewhere classified; clothing mens factory product buttonholes; clothing mens including shirts; clothing, mens; clothing, mens, buttonholes; clothing, mens, factory product; clothing,mens, custom work and repairing; coats, suits, and skirts (except fur coats)—made in inside factories or by jobbers engaging contractors; mens and boys shirts (except work shirts), collars, and nightwear—made in contract factories; mens and boys shirts (except work shirts), collars, and nightwear—made in inside factories or by jobbers engaging contractors; mens and boys suits, coats, and overcoats (except work clothing)—made in contract factories; mens and boys suits, coats, and overcoats (except work clothing)—made in inside factories or by jobbers engaging contractors; mens and boys underwear—made in inside factories or by jobbers engaging contractors; mens neckwear—made in contract factories; mens neckwear—made in inside factories or by jobbers engaging contractors; raincoats and other waterproof garments (except oiled cotton); robes, lounging garments, and dressing gowns; shirts; trousers (semidress), wash suits, and washable service apparel; womens and misses blouses and waists—made in contract factories; womens and misses blouses and waists—made in inside factories or by jobbers engaging contractors |
| clothing womens | childrens and infants wear not elsewhere classified—made in contract factories; clothing womens dressmaking; clothing, womens; clothing, womens, factory product; clothing, womens, not elsewhere classified; clothing, work (including sheep-lined and blanket-lined work coats but not including shirts), mens; womens and misses clothing, not elsewhere classified—made in inside factories or by jobbers engaging contractors; womens and misses dresses (except house dresses)—made in contract factories; womens and misses dresses (except house dresses)—made in inside factories or by jobbers engaging contractors; womens, childrens, and infants underwear and nightwear of cotton and flannelette woven fabrics; womens, childrens, and infants underwear and nightwear of knitted fabrics; womens, childrens, and infants underwear and nightwear of silk and rayon woven fabrics |
| cloth sponging and refinishing | cloth sponging and miscellaneous special finishing; cloth, sponging and refinishing |
| coffee and spice roasting and grinding | coffee and spice, roasting and grinding; peanuts grading roasting cleaning and shelling; peanuts, walnuts, and other nuts, processed or shelled |
| coffins burial cases and undertakers goods | caskets, coffins, burial cases, and other morticians goods; coffins, burial cases, and undertakers goods |
| coke | beehive coke; coke; coke, not including gas-house coke; oven coke and coke-oven byproducts |
| confectionary and ice cream | ice cream; ice cream and ices |
| confectionery and ice cream | candy and other confectionery products; chewing gum; confectionery; confectionery and ice cream |

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| copper tin and sheet iron products | aluminum manufactures; aluminum products (including rolling and drawing and extruding), not elsewhere classified; aluminum ware, kitchen, hospital, and household (except electrical appliances); copper tin and sheet-iron products; copper, tin, and sheet-iron work; copper, tin, and sheet-iron work, including galvanized-iron work, not elsewhere classified; enameled goods; enameling; enameling and enameled goods; enameling and japanning; enameling, japanning, and lacquering; sheet-metal work not specifically classified; stamped and enameled ware, not elsewhere specified; stamped and pressed metal products (except automobile stampings); stamped ware; stamped ware, enameled ware, and metal stamping, enameling, japanning, and lacquering; stamped ware, not elsewhere specified; tin and terne plate; tin cans and other tinware not elsewhere classified; tin plate and terneplate; tinsmithing coppersmithing and sheet-iron working; tinware, not elsewhere specified |
| cordage and twine | linen goods |
| cordage and twine and jute and linen goods | cordage and twine; cordage and twine and jute and linen goods; jute and jute goods; jute goods; jute goods (except felt) |
| cork cutting | cork cutting; cork products |
| corsets | corsets; corsets and allied garments |
| cotton goods including cotton smallwares | carpets, rugs, and mats made from such materials as paper fiber, glass, jute, flax, sisal, cotton, cocoa fiber, and rags; cotton broad woven goods; cotton goods; cotton goods including cotton small wares; cotton lace; cotton narrow fabrics; cotton small wares; cotton thread |
| crucibles | crucibles |
| cutlery and tools not specified | cutlery (except aluminum, silver, and plated cutlery) and edge tools; cutlery (not including silver and plated cutlery) and edge tools; cutlery and edge tools; cutlery and tools not elsewhere specified; tools, not elsewhere specified |
| dentists materials | dental equipment and supplies; dental goods; dental goods and equipment; dentists materials |
| drug grinding | drug grinding |
| dyeing and finishing textiles | cotton yarn; dyeing and finishing cotton, rayon, silk, and linen textiles; dyeing and finishing textiles; dyeing and finishing textiles, exclusive of that done in textile mills |
| dyestuffs and extracts | dye stuffs and extracts; dyestuffs and extracts—natural; tanning materials, natural dyestuffs, mordants and assistants, and sizes; tanning materials, natural dyestuffs, mordants, assistants, and sizes |

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| electrical machinery apparatus and supplies | automotive electrical equipment; batteries, storage and primary (dry and wet); beauty-shop and barber-shop equipment; carbon products for the electrical industry, and manufactures of carbon or artificial graphite; communication equipment; electric lamps; electrical apparatus and supplies; electrical appliances; electrical machinery, apparatus, and supplies; electrical measuring instruments; electrical products not elsewhere classified; generating, distribution, and industrial apparatus, and apparatus for incorporation in manufactured products, not elsewhere classified; insulated wire and cable; radios, radio tubes, and phonographs; wiring devices and supplies; x-ray and therapeutic apparatus and electronic tubes |
| electroplating | electroplating; electroplating, plating, and polishing |
| emery and other abrasive wheels | emery and other abrasive wheels; emery wheels; emery wheels and other abrasive and polishing appliances |
| enameling and japanning | japanning |
| engravers materials | engravers materials |
| engraving and die sinking | engraving (other than steel, copperplate, or wood), chasing, etching, and diesinking; engraving and die-sinking; engraving on metal (except for printing purposes) |
| engraving wood | engraving, wood |
| explosives | explosives; gunpowder; high explosives |
| fancy articles not specified | combs; combs and hairpins, except those made from metal or rubber; combs and hairpins, not made from metal or rubber; fancy and miscellaneous articles, not elsewhere classified; fancy articles not elsewhere specified; fancy articles, not elsewhere-specified; ivory and bone work; ivory, shell, and bone work, not including buttons, combs, or hairpins; ivory, shell, and bone work, not including combs and hairpins; signs and advertising novelties; signs, advertising displays, and advertising novelties |
| fertilizers | fertilizers |
| files | files |
| firearms and ammunition | ammunition; ammunition and related products; fire-arms; firearms and ammunition |
| fire extinguishers chemical | fire extinguishers, chemical |
| fireworks | fireworks |
| flags banners regalia society badges and emblems | flags and banners; flags banners regalia society badges and emblems; flags banners regalia society banners and emblems; regalia and society banners and emblems; regalia, and society badges and emblems; regalia, badges, and emblems |
| flavoring extracts and flavoring sirups | cordials and flavoring sirups; cordials and sirups; flavoring extracts; flavoring extracts and flavoring sirups; flavoring extracts and flavoring sirups, not elsewhere classified |
| flour mill and grist mill products | flour and other grain-mill products; flour-mill and gristmill products; flouring and grist mill products |

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| food preparations | blended and prepared flour made from purchased flour; cereal preparations; feeds, prepared, for animals and fowls; food preparations; food preparations, not elsewhere specified; macaroni, spaghetti, vermicelli, and noodles; prepared feeds (including mineral) for animals and fowls; special dairy products |

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| foundry and machine shop products | automobile repairing; bells; blowers exhaust and ventilating fans; bridges; cars and trucks, industrial; cast-iron pipe; cast-iron pipe and fittings; cold-rolled steel sheets and strip and cold-finished steel bars made in plants not operated in connection with hot-rolling mills; commercial laundry, dry-cleaning, and pressing machinery; construction and similar machinery (except mining and oil-field machinery and tools); elevators, escalators, and conveyors; enameled-iron sanitary ware and other plumbers supplies (not including pipe and vitreous and semivitreous china sanitary ware); engines, steam, gas, and water; engines, turbines, tractors, and water wheels; food-products machinery; foundry and machine shop products; foundry and machine-shop products, not elsewhere classified; gas and oil stoves; gas machines; gas machines and gas and water meters; gas machines and meters; gas machines, gas meters, and water and other liquid meters; gas stoves; gray-iron and semisteel castings; hardware; hardware not elsewhere classified; hardware saddlery; heating and cooking apparatus, except electric, not elsewhere classified; industrial machinery, not elsewhere classified; internal-combustion engines; iron and steel, cast-iron pipe; iron and steel, tempering and welding; iron and steel, welding; ironwork architectural and ornamental; lightning-rods; machine tools; machine-shop products, not elsewhere classified; machine-shop repairs; machine-tool accessories and small metal working tools, not elsewhere classified; machine-tool and other metalworking-machinery accessories, metal-cutting and shaping tools, and machinists precision tools; malleable-iron castings; mechanical power-transmission equipment; metalworking machinery and equipment, not elsewhere classified; mining machinery and equipment; oil burners, domestic and industrial; oil-field machinery and tools; paper-mill, pulp-mill, and paper-products machinery; plumbers supplies; plumbers supplies, not elsewhere specified; plumbers supplies, not including pipe or vitreous-china sanitary ware; power boilers and associated products; printing-trades machinery and equipment; pumping equipment and air compressors; pumps (hand and power) and pumping equipment; pumps not including steam pumps; pumps, not including power pumps; pumps, steam; pumps, steam and other power; special-industry machinery, nec; steam and hot-water heating apparatus (including hot-water furnaces); steam engines, turbines, and water wheels; steam fittings and heating apparatus; steam fittings and steam and hot-water heating apparatus; steam fittings, regardless of material; steel barrels, drums, and tanks; steel barrels, drums, and tanks, portable; steel barrels, kegs, and drums; stokers, mechanical, domestic and industrial; stoves and furnaces including gas and oil stoves; stoves and hot-air furnaces; stoves and ranges (other than electric) and warm-air furnaces; stoves, gas and oil; stoves, ranges, water heaters, and hot-air furnaces (except electric); structural and ornamental iron and steel work, not made in plants operated in connection with rolling mills; structural ironwork, not made in steel works or rolling mills; textile machinery; textile machinery and parts; vending, amusement, and other coin-operated machines; woodworking machinery |
| foundry supplies | foundry supplies |
| fur goods | fur coats and other fur garments, accessories, and trimmings; fur goods |

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| furnishing goods mens | collars and cuffs, mens; furnishing goods mens; furnishing goods, mens, not elsewhere classified; gloves and mittens, cloth or cloth and leather combined, made from purchased fabrics; gloves and mittens, cloth, not including gloves made in textile mills; mens and boys underwear—made in contract factories; suspenders, garters, and elastic woven goods; suspenders, garters, and other elastic woven goods, made from purchased webbing; suspenders, garters, and other goods made from purchased elastic material; work gloves and mittens cloth, cloth and leather combined |
| furniture and refrigerators | furniture; furniture and refrigerators; furniture cabinetmaking repairing and upholstering; furniture factory product; furniture, chairs; furniture, except rattan and willow; furniture, including store and office fixtures; furniture, store and office fixtures; furniture, wood, other than rattan and willow; household furniture, except upholstered; laboratory, hospital, and other professional furniture; office furniture; partitions, shelving, cabinet work, and office and store fixtures; public-building furniture; refrigerators; refrigerators and refrigerator cabinets, exclusive of mechanical refrigerating equipment; refrigerators, domestic (mechanical and absorption), refrigeration machinery and equipment, and complete air-conditioning units; refrigerators, mechanical; upholstered household furniture |
| furs dressed | furs, dressed; furs, dressed and dyed |
| galvanizing and other coating processes | galvanizing; galvanizing and other coating, not done in plants operated in connection with rolling mills; galvanizing and other coating—carried on in plants not operated in connection with rolling mills |
| gas and electric fixtures and lamps and reflectors | gas and electric fixtures; gas and electric fixtures and lamps and reflectors; gas and electric fixtures lamps, lanterns, and reflectors; gas and lamp fixtures; lamps; lamps and reflectors; lighting fixtures |
| gas illuminating and heating | gas illuminating and heating; gas, manufactured, illuminating and heating |
| glass | flat glass; glass; glass containers; tableware, pressed or blown glass, and glassware not elsewhere classified |
| glass cutting staining and ornamenting | glass products (except mirrors) made from purchased glass; glass, cutting, staining, and ornamenting |
| gloves and mittens leather | gloves and mittens; gloves and mittens leather; leather gloves and mittens |
| glucose and starch | corn sirup, corn sugar, corn oil, and starch; glucose; glucose and starch; starch |
| glue and gelatin | glue; glue and gelatin; glue, not elsewhere specified |
| gold and silver leaf and foil | gold and silver leaf and foil; gold, leaf and foil |
| gold silver and platinum reducing and refining not from the ore | gold and silver reducing and refining not from the ore; gold, silver, and platinum, reducing and refining, not from the ore; secondary smelting and refining, gold, silver, and platinum |

| | |
|---|---|
| graphite and graphite refining | graphite; graphite and graphite refining; graphite, ground and refined |
| grease and tallow | grease and tallow; grease and tallow (except lubricating greases); grease and tallow, not including lubricating greases |
| grindstones | grindstones |
| hairwork | hair work |
| handstamps and stencils and brands | hand stamps; hand stamps and stencils and brands; hand stamps, stencils, and brands; stencils and brands |
| hat and cap materials | hat and cap materials; hat and cap materials trimmings, etc; hat and cap materials, mens |
| hats and caps not including wool hats | finishing of mens and boys hats of fur-felt, wool-felt, and straw; fur hats; hat bodies and hats, fur-felt; hat bodies and hats, wool-felt; hats and caps not including fur hats and wool hats; hats and caps, except felt and straw, mens; hats and caps, not including wool hats; hats and caps, other than felt, straw, and wool; hats, fur-felt; hats, straw; hats, straw, mens; hatters fur; mens and boys hats and caps (except felt and straw) |
| hones and whetstones | hones and whetstones |
| hosiery and knit goods | hand knit goods; hosiery and knit goods; hosiery—full-fashioned; hosiery—seamless; knit goods; knitted cloth; knitted gloves; knitted outerwear (except knit gloves)—contract factories; knitted outerwear (except knit gloves)—regular factories or jobbers engaging contractors; knitted underwear |
| housefurnishing goods not specified | curtains, draperies, and bedspreads—contract factories; curtains, draperies, and bedspreads—made in regular factories or by jobbers engaging contractors; house-furnishing goods, not elsewhere classified; housefurnishings (except curtains, draperies, and bedspreads) |
| ice manufactured | ice manufactured; ice, artificial |
| ink printing | ink, printing; printing ink |
| ink writing | ink, writing; writing ink |
| instruments professional and scientific | instruments, professional and scientific |
| iron and steel blast furnaces steel works and rolling mills | blast-furnace products; ferroalloys; iron and steel; iron and steel blast furnaces; iron and steel, steel works and rolling mills; steel castings; steel works and rolling mills |
| iron and steel bolts nuts washers and rivets | bolts, nuts, washers, and rivets, not made in plants operated in connection with rolling mills; bolts, nuts, washers, and rivets—made in plants not operated in connection with rolling mills; iron and steel bolts nuts washers and rivets; iron and steel bolts nuts washers and rivets not made in steel works or rolling mills; iron and steel, bolts, nuts, washers, and rivets, not made in rolling mills |
| iron and steel doors and shutters | doors, shutters, and window sash and frames, metal; doors, window sash, frames, molding, and trim (made of metal); iron and steel doors and shutters |

| | |
|---|---|
| iron and steel forgings | forgings, iron and steel, not made in plants operated in connection with rolling mills; forgings, iron and steel—made in plants not operated in connection with rolling mills; iron and steel, forgings; iron and steel, forgings, not made in steel works or rolling mills |
| iron and steel nails and spikes cut and wrought including wire nails | iron and steel nails and spikes cut and wrought including wire nails; iron and steel, nails and spikes, cut and wrought, including wire nails, not made in steel works or rolling mills; nails, spikes, etc, not made in wire mills or in plants operated in connection with rolling mills |
| iron and steel pipe wrought | iron and steel pipe wrought; iron and steel, wrought pipe; wrought pipe, welded and heavy riveted, not made in plants operated in connection with rolling mills; wrought pipes, welded and heavy riveted—made in plants not operated in connection with rolling mills |
| jewelry | costume jewelry and costume novelties (jewelry other than fine jewelry); jewelers findings and materials; jewelry; jewelry (precious metals) |
| jewelry and instrument cases | jewelry and instrument cases; jewelry cases and instrument cases |
| labels and tags | labels and tags |
| lapidary work | lapidary work |
| lasts | lasts; lasts and related products |
| leather goods | bellows; clothing, leather and sheep-lined; leather goods; leather goods, nec; pocket-books; pocketbooks, purses, and cardcases; saddlery and harness; saddlery, harness, and whips; small leather goods; trunks and valises; womens pocketbooks, handbags, and purses |
| leather tanned curried and finished | leather morocco; leather tanned, curried, and finished—contract factories; leather tanned, curried, and finished—regular factories or jobbers engaging contractors; leather, dressed skins; leather, patent and enameled; leather, tanned and curried; leather, tanned, curried, and finished |
| lime and cement | cement; lime; lime and cement |
| liqours distilled | alcohol, ethyl, and distilled liquors; liquors distilled; liquors, distilled, grain alcohol; liquors, distilled, grain alcohol and rum; liquors, rectified or blended |
| liquors vinous | liquors vinous; wines |
| looking glass and picture frames | looking-glass and picture frames; mirror and picture frames; mirror frames and picture frames |

| | |
|---|---|
| lumber and timber products | boxes, wooden packing, except cigar boxes; boxes, wooden, except cigar boxes; boxes, wooden, packing; logging camps and logging contractors (not operating sawmills); lumber and other mill products from logs or bolts; lumber and timber products; lumber and timber products, not elsewhere classified; lumber, planing mill products , including sash , doors, and blinds; lumber, planing-mill products, not including planing mills connected with sawmills; planing mills not operated in conjunction with sawmills; planing-mill products (including general mill-work), not made in planing mills connected with saw mills; plywood mills; sawmills, veneer mills, and cooperage-stock mills, including those combined with logging camps and with planing mills; timber products, not manufactured at mill; venetian blinds; window and door screens; window and door screens and weather strip; window and door screens and weather strips; wooden boxes, except cigar boxes |
| malt | malt |
| marble and stone work | artificial stone; artificial stone products; concrete products; marble and stone work; marble, granite, slate, and other stone products; monuments and tombstones |
| masonry brick and stone | masonry, brick and stone |
| matches | matches |
| mattresses and spring beds | mattresses and bed springs, not elsewhere classified; mattresses and bedsprings; mattresses and spring beds; mattresses and spring beds not elsewhere specified |
| millinery and lace goods | childrens coats—made in contract factories; childrens coats—made in inside factories or by jobbers engaging contractors; coats, suits, and skirts (except fur coats)—made in contract factories; embroideries; embroideries schiffli-machine products; embroideries, other than schiffli-machine products—contract factories; embroideries, other than schiffli-machine products—made in regular factories or by jobbers engaging contractors; handkerchiefs; handkerchiefs—made in contract factories; handkerchiefs—made in inside factories or by jobbers engaging contractors; house dresses, uniforms, and aprons—made in contract factories; house dresses, uniforms, and aprons—made in inside factories or by jobbers engaging contractors; lace goods; millinery; millinery and lace goods; millinery and lace goods, not elsewhere specified; trimmings (not made in textile mills) and stamped art goods for embroidering; trimmings (not made in textile mills), stamped art goods, and art needlework—contract factories; trimmings (not made in textile mills), stamped art goods, and art needlework—made in regular factories or by jobbers engaging contractors; womens and misses clothing, not elsewhere classified—made in contract factories; womens neckwear, scarfs, etc |
| minerals and earths ground | kaolin and ground earths; kaolin and other earth grinding; minerals and earths, ground or otherwise treated |
| mirrors | mirrors; mirrors and other glass products made of purchased glass; mirrors, framed and unframed; mirrors, framed and unframed, not elsewhere specified |

| | |
|---|---|
| models and patterns not including paper patterns | models and patterns; models and patterns (except paper patterns); models and patterns not including paper patterns |
| mucilage and paste | mucilage and paste; mucilage, paste, and other adhesives, except glue and rubber cement; mucilage, paste, and other adhesives, not elsewhere specified |
| musical instruments pianos and organs and materials | musical instrument parts and materials piano and organ; musical instruments and materials not specified; musical instruments and parts and materials, not elsewhere classified; musical instruments pianos and organs and materials; musical instruments, organs; musical instruments, organs and materials; musical instruments, piano and organ materials; musical instruments, pianos; musical instruments, pianos, and materials; organs; piano and organ parts and materials; pianos |
| needles pins and hooks and eyes | hooks and eyes; needles and pins; needles, pins, and hooks and eyes; needles, pins, hooks and eyes, and slide and snap fasteners; needles, pins, hooks and eyes, and snap fasteners |
| nonferrous metal alloys and products not including aluminum products | alloying and rolling and drawing of nonferrous metals, except aluminum; babbitt metal and solder; brass; brass and bronze products; brass and copper, rolled; brass castings and brass finishing; brass, bronze, and copper products; brassware; lead, bar, pipe, and sheet; nonferrous-metal alloys and products, not including aluminum products; nonferrous-metal foundries (except aluminum); nonferrous-metal products not elsewhere classified |
| oilcloth and linoleum | linoleum, asphalted-felt-base, and other hard-surface floor coverings, not elsewhere classified; oilcloth and linoleum; oilcloth and linoleum floor; oilcloth floor; oilcloth, enameled |
| oil cottonseed and cake | cottonseed oil, cake, meal, and linters; oil and cake, cottonseed; oil cotton-seed and cake; oil, cake, and meal, cottonseed |
| oil essential | essential oils; oils - essential |
| oil linseed | linseed oil, cake, and meal; oil - linseed; oil, cake, and meal, linseed |
| oleomargarine | oleomargarine; oleomargarine and other butter substitutes; oleomargarine, not made in meat-packing establishments |
| optical goods | ophthalmic goods lenses and fittings; optical goods; optical instruments and lenses |
| paints and varnishes | colors and pigments; paint and varnish; paints; paints and varnishes; paints, varnishes, and lacquers; varnish; varnishes |
| paper and wood pulp | paper; paper and paperboard mills; paper and wood pulp; pulp (wood and other fiber); pulp mills; pulp,wood |
| paper goods not specified | coated and glazed paper; converted paper products not elsewhere classified; envelopes; paper goods, not elsewhere classified |

| | |
|---|---|
| patent medicines and compounds and druggists preparations | druggists preparations; druggists preparations, not including prescriptions; drugs and medicines (including drug grinding); insecticides, fungicides, and related industrial and household chemical compounds; patent and proprietary medicines; patent medicines and compounds; patent medicines and compounds and druggists preparations; patent or proprietary medicines and compounds; perfumery and cosmetics; perfumes, cosmetics, and other toilet preparations |
| paving materials | paving and paving materials; paving blocks and paving mixtures asphalt, creosoted wood, and composition; paving materials; paving materials asphalt, tar, crushed slag, and mixtures |
| pencils | pencils (except mechanical) and crayons; pencils lead; pencils, lead (including mechanical); pens, mechanical pencils, and pen points |
| pens fountain stylographic and gold | pens fountain and stylographic; pens fountain stylographic and gold; pens gold; pens, fountain and stylographic pen points, gold, steel, and brass |
| petroleum refining | petroleum refining |
| phonographs and graphophones | phonographs; phonographs and graphophones |
| photo engraving | gravure, rotogravure, and rotary photogravure (including preparation of plates); photo-engraving, not done in printing establishments; photoengraving; photoengraving, not done in printing establishments (including preparation of plates); photolithographing and engraving; photolithographing and photoengraving |
| photographic apparatus and materials | photographic apparatus; photographic apparatus and materials; photographic apparatus and materials and projection equipment (except lenses); photographic materials |
| pipes tobacco | pipes tobacco; tobacco pipes and cigarette holders |
| plumbing and gas and steam fitting | plumbing and gas and steam fitting; plumbing and gasfitting |
| pottery terracotta and fire clay products | hotel china; porcelain electrical supplies; pottery; pottery products, nec; pottery terra-cotta and fire-clay products; pottery, earthen and stone ware; pottery, including porcelain ware; vitreous-china plumbing fixtures; vitreous-enameled products, including kitchen, household, and hospital utensils; whiteware |

| | |
|---|---|
| printing and publishing | bookbinding and blankbook making; bookbinding and related industries; books printing without publishing; books publishing without printing; books, publishing and printing; engraving (steel, copperplate, and wood) plate printing; engraving, steel and copper plate, including plate printing; engraving, steel and copper plate, including pre-printing; engraving, steel and copperplate, and plate printing; engraving, steel, including plate printing; general commercial (job) printing; greeting cards (except hand-painted); lithographing; lithographing and engraving; lithographing and photo-lithographing (including preparation of stones or plates and dry transfers); machine and hand typesetting (including advertisement typesetting); newspapers publishing and printing; newspapers publishing without printing; paper patterns; periodicals publishing and printing; periodicals publishing without printing; printing and publishing; printing and publishing book and job; printing and publishing music; printing and publishing newspapers and periodicals; printing and publishing, book and job job printing; printing and publishing, job printing; printing and publishing, newspaper and periodical; printing,tip |
| pulp goods | fabricated plastic products, not elsewhere classified; pulp goods; pulp goods (pressed, molded) |
| railroad cars | cars steam-railroad not including operations of railroad companies; cars street railroad not including operations of railroad companies; cars, electric and steam railroad, not built in railroad repair shops |
| rice cleaning and polishing | rice cleaning and polishing |
| roofing materials | roofing and roofing materials; roofing materials; roofing, built-up and roll asphalt shingles roof coating (except paint); roofing, built-up and roll asphalt shingles roof coatings other than paint |
| rubber goods not specified | rubber and elastic goods; rubber goods (other than rubber boots and shoes) and rubber tires and inner tubes; rubber goods not elsewhere specified; rubber goods other than tires, inner tubes, and boots and shoes; rubber products not elsewhere classified; rubber tires and inner tubes; rubber, tires, tubes, and rubber goods, not elsewhere specified; tires and inner tubes |
| safes and vaults | safes and vaults |
| salt | salt |
| sand and emery paper and cloth | sand and emery paper and cloth; sandpaper, emery paper, and other abrasive paper and cloth |
| saws | saws |
| scales and balances | scales and balances |
| screw machine products and wood screws | screw-machine products and wood screws; screws wood; screws, machine |
| sewing machines cases and attachments | sewing machine cases; sewing machines and attachments; sewing machines cases and attachments; sewing machines, domestic and industrial |

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|---|---|
| shipbuilding | boat building and boat repairing; ship and boat building wooden; ship and boat building, steel and wooden, including repair work; shipbuilding; shipbuilding and ship repairing; shipbuilding including boat building; shipbuilding iron and steel; shipbuilding, steel; shipbuilding, steel, new vessels; shipbuilding, steel, new vessels and repair work; shipbuilding, steel, new vessels and small boats; shipbuilding, wooden, including boat building |
| silk and silk goods including throwsters | rayon broad woven goods—contract factories; rayon broad woven goods—regular factories or jobbers engaging contractors; rayon narrow fabrics; rayon throwing and spinning—contract factories; rayon yarn and thread, spun or thrown—regular factories or jobbers engaging contractors; silk and rayon manufactures; silk and silk goods; silk and silk goods including throwsters; silk broad woven goods—contract factories; silk broad woven goods—regular factories or jobbers engaging contractors; silk goods; silk goods, including throwsters; silk narrow fabrics; silk throwing and spinning—contract factories; silk yarn and thread, spun or thrown—regular factories or jobbers engaging contractors |
| silverware and platedware | plated and britannia ware; plated ware; silversmithing; silversmithing and silverware; silverware; silverware and plated ware |
| slaughtering and meat packing | custom slaughtering, wholesale; meat packing, wholesale; sausage; sausage casings—not made in meat-packing establishments; sausage, meat puddings, headcheese, etc, and sausage casings, not made in meat-packing establishments; sausage, not made in slaughtering and meat-packing establishments; sausages, prepared meats, and other meat products—not made in meat-packing establishments; slaughtering and meat packing; slaughtering and meat packing, wholesale; slaughtering wholesale not including meat packing |
| smelting and refining copper | copper smelting and refining; smelting and refining copper |
| smelting and refining lead | lead smelting and refining; smelting and refining, lead |
| smelting and refining not from the ore | secondary smelting and refining of nonferrous metals, not elsewhere classified; smelting and refining; smelting and refining not from the ore; smelting and refining, metals other than gold, silver, or platinum, not from the ore |
| smelting and refining zinc | smelting and refining, zinc; zinc smelting and refining |
| soap and candles | candles; soap; soap and candles; soap and glycerin |
| soda water apparatus | soda fountains, beer dispensing equipment, and related products; soda-water apparatus |
| sporting and athletic goods | sporting and athletic goods; sporting and athletic goods not elsewhere classified; sporting and athletic goods, not including firearms or ammunition; sporting goods |
| springs steel car and carriage | springs, steel (except wire)—made in plants not operated in connection with rolling mills; springs, steel, car and carriage; springs, steel, car and carriage, not made in steel works or rolling mills; springs, steel, except wire, not made in plants operated in connection with rolling mills |
| stationery goods not specified | stationery goods not elsewhere specified |

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| steam packing | steam and other packing pipe and boiler covering; steam and other packing, pipe and boiler covering, and gaskets, not elsewhere classified; steam packing |
| stereotyping and electrotyping | electrotyping and stereotyping, not done in printing establishments; stereotyping and electrotyping; stereotyping and electrotyping, not done in printing establishments |
| sugar and molasses beet | beet sugar; sugar and molasses, beet; sugar, beet |
| sugar and molasses not including beet | cane sugar—except refineries; cane-sugar refining; sugar and molasses; sugar and molasses refining; sugar refining, cane; sugar, cane; sugar, cane, not including products of refineries; sugar, refining, not including beet sugar |
| surgical appliances and artificial limbs | artificial limbs; surgical and medical instruments; surgical and orthopedic appliances, including artificial limbs; surgical appliances; surgical appliances and artificial limbs; surgical supplies and equipment not elsewhere classified orthopedic appliances |
| tobacco manufactures | cigarettes; cigars; cigars and cigarettes; tobacco chewing and smoking, and snuff; tobacco manufactures; tobacco stemming and rehandling; tobacco, chewing, smoking and snuff; tobacco, cigars; tobacco, cigars and cigarettes; tobacco, smoking; tobacco, smoking, and snuff |
| tools not including edge tools machine tools files or saws | tools (except edge tools, machine tools, files, and saws); tools, not including edge tools, machine tools, files, or saws |
| toys and games | games and toys (except dolls and childrens vehicles); toys (not including childrens wheel goods or sleds), games, and playground equipment; toys and games |
| trunks suitcases and bags | luggage; suitcases, brief cases, bags, trunks, and other luggage; trunks, suitcases, and bags |
| turpentine and rosin | gum naval stores (processing but not gathering or warehousing); tar and turpentine; turpentine and rosin |
| type founding and printing materials | printing materials; printing materials, not including type or ink; type founding; type founding and printing materials |
| typewriters and supplies | typewriters and parts; typewriters and supplies |
| umbrellas and canes | umbrellas and canes; umbrellas, parasols, and canes |
| upholstering materials | haircloth; upholstering materials; upholstering materials, excelsior; upholstering materials, not elsewhere classified; upholstery materials |
| vinegar and cider | vinegar; vinegar and cider |
| wallpaper | paper hangings; wall paper, not made in paper mills; wallpaper |
| washing machines and clothes wringers | laundry equipment, domestic; washing machines and clothes wringers; washing machines, wringers, driers, and ironing machines, for household use |
| waste | cotton waste; waste; waste, cotton |
| whips | whips |

| | |
|---|---|
| windmills | windmills; windmills and windmill towers |
| window shades and fixtures | window shades; window shades and fixtures |
| wire | wire; wire drawn from purchased rods; wire, drawn from purchased bars or rods |
| wirework not specified | wirework; wirework including wire rope and cable; wirework, nec |
| wood preserving | wood preserving |
| wood turned and shaped and other wooden goods not specified | cooperage; cooperage and wooden goods not elsewhere specified; wood products, nec; wood, turned and carved; wood, turned and shaped and other wooden goods, not elsewhere classified; wooden goods, not elsewhere specified |
| woolen worsted and felt goods and wool hats | dyeing and finishing woolen and worsted; felt goods; felt goods, wool, hair, and jute (except woven felts and hat bodies and hats); felt goods, wool, hair, or jute; hats, wool-felt; wool hats; wool pulling; wool scouring; wool shoddy; woolen and worsted goods; woolen and worsted manufactures—contract factories; woolen and worsted manufactures—regular factories or jobbers engaging contractors; woolen goods; woolen worsted and felt goods and wool hats; worsted goods |

## D.3 Income distribution by Dutch municipality

### 1883

The main source of the data reports the income distribution of 79 municipalities. I added data on the income distribution for 8 large municipalities with an income tax. The data for each additional cities derives from the same source as the other 79 municipalities. Table D.3 documents the relevant year that the income distribution was measured and the source of the data.

TABLE D.3: Sources of income distribution data for 8 additional cities

| City | Year | Archive | Source |
|---|---|---|---|
| Breda | 1881 | Stadsarchief Breda | Municipal year report ("Gemeenteverslag") 1880 |
| Delft | 1893 | Stadsarchief Delft | Municipal year report ("Gemeenteverslag") 1893 |
| Eindhoven | 1885 | RHC Eindhoven | Original assessment lists, archive number 10246.925 |
| Enschede | 1880 | Stadsarchief Enschede | Original assessment lists, archive number 1.1226 |
| Hilversum | 1880 | Archive Prof. Van Zanden | Original assessment lists |
| Nijmegen | 1880 | Regionaal Archief Nijmegen | Overview by income class, archive number 2.14167 |
| Utrecht | 1888 | Utrechts Archief | Municipal year report ("Gemeenteverslag") 1900 |
| Vlissingen | 1883 | Zeeuws Archief | Original assessment lists, available here. |

## D.4 Matching the inheritance tax records to the civil registry

I first download all deaths recorded between 1879 and 1927 in the civil registry databases from four regional archives, each covering the near-universe of deaths in their province: Brabants Historich Informatie Centrum (Noord-Brabant), Collectie Overijssel (Overijssel), Gelders Archief (Gelderland), Noord-Hollands Archief (Noord-Holland). These datasets contain high quality hand-collected information on each deaths. While the type of information that was digitized varies somewhat by archive, each archive has digitized the name(s) of the decedent and their parents, the date of death, the sex, and the place of death. In all cases except Noord-Brabant, the age at death was also collected. Amsterdam is the only place in the regions covered for which digitized records of the civil death registry are not available. To maximize the amount of information available for each person that appears in the death records, I also link the civil death records to the civil marriage and birth records.

The inheritance tax records were ordered by place and date of death. Furthermore, all decedents on the same inheritance tax table share the same first letter of the surname. For instance, Figure D.1 shows a page for individuals with last names starting with the letter "O". I use this to narrow down the possible matches in the civil registry data for each person in the inheritance tax data. In record linking terminology, I use the relevant image set and the first letter of the surname as *blocking variables* for the linking between the inheritance tax records and the civil registry data. This generates for each individual in the inheritance tax records, a set of possible matches from the civil registry.

From the set of available matches, I choose the most appropriate match (if any) by using a heuristic multi-stage matching algorithm. The algorithm takes into account information on the name, date of death, and date of birth.

# E Details on steam engine and electric motor costs

In this section, I explain in detail the sources, assumptions and computations underlying the average and marginal cost curves of steam engines and electric motors shown in Figures 4 and A.2. The underlying data for steam engines, taken directly from (Emery, 1883), are displayed in Table E.1. The data for electric motors, from (Bolton, 1926), are displayed in Table E.2. I take these to be a full description of the costs.

TABLE E.1: Cost parameters (in $, 1874) of steam engines of different capacities

| | Purchase costs | | Yearly operating costs ($) | | | | |
|---|---|---|---|---|---|---|---|
| HP | Price ($) | Life (yrs) | Engineer | Firemen | Oil, etc. | Repairs | Coal |
| 5 | 645 | 30 | 540.75 | | 61.80 | 40.17 | 226.64 |
| 10 | 988 | 30 | 540.75 | | 77.25 | 49.44 | 412.44 |
| 15 | 1487 | 30 | 618.00 | | 83.43 | 52.53 | 568.33 |
| 20 | 1981 | 30 | 618.00 | | 92.70 | 67.98 | 647.14 |
| 25 | 2441 | 30 | 695.25 | | 101.90 | 83.43 | 752.41 |
| 50 | 5331 | 30 | 618.00 | 432.60 | 111.24 | 135.96 | 1202.82 |
| 100 | 9207 | 30 | 695.25 | 463.50 | 123.60 | 237.93 | 1898.28 |
| 150 | 13046 | 30 | 772.50 | 463.50 | 145.23 | 309.00 | 2718.00 |
| 200 | 16785 | 30 | 772.50 | 463.50 | 169.95 | 383.16 | 3603.86 |
| 250 | 20426 | 30 | 849.75 | 463.50 | 200.85 | 454.23 | 4504.68 |
| 300 | 23899 | 30 | 927.00 | 463.50 | 247.20 | 525.30 | 5406.08 |
| 400 | 29958 | 30 | 927.00 | 695.25 | 293.55 | 679.80 | 7207.72 |
| 500 | 36220 | 30 | 927.00 | 927.00 | 355.35 | 886.83 | 9009.94 |

*Source*: (Emery, 1883, p. 430).

Both the coal and electricity input costs are based on the assumption that the engine/motor is run at capacity 309 days per year, 10 days per hour. For steam engines, coal input data comes directly from (Emery, 1883). For electric motors, I computed the cost using electricity prices. For example, running a 1 horsepower electric motor at full capacity for $309 \times 10$ hours requires 3090 horsepower-hour, which corresponds to $0.7457 \times 3090 \approx 2304$ kWh. The price of electricity per kWh in the UK in 1925 was £0.00687.

From the data in Tables E.1 and E.2, I compute the annualized cost of purchase and renewal using the sinking fund formula:

$$\text{Annualized purchase cost} = \text{Price} \times \frac{r}{(1+r)^{\text{Life}} - 1}. \tag{43}$$

I set the interest rate $r$ equal to 0.05. Then, for example, the annualized cost of renewal of a 5 horsepower steam engines every 30 years becomes $9.71. In other words, with an

TABLE E.2: Cost (in £, 1925) of electric motors (squirrel-cage induction motors) of different capacities

| | | Purchase costs | | Electricity input | |
|---|---|---|---|---|---|
| HP | Efficiency | Price (£) | Life (yrs) | kWh | £ |
| 1 | 0.770 | 12.90 | 15 | 2304 | 15.83 |
| 2 | 0.787 | 14.50 | 16 | 4608 | 31.66 |
| 3 | 0.800 | 16.20 | 17 | 6913 | 47.49 |
| 5 | 0.820 | 22.20 | 18 | 11521 | 79.15 |
| 7.5 | 0.833 | 26.80 | 18 | 17282 | 118.72 |
| 10 | 0.840 | 31.50 | 19 | 23042 | 158.30 |
| 15 | 0.853 | 39.25 | 19 | 34563 | 237.45 |
| 20 | 0.860 | 46.20 | 20 | 46084 | 316.60 |
| 25 | 0.870 | 52.80 | 20 | 57605 | 395.75 |
| 30 | 0.875 | 58.80 | 20 | 69126 | 474.90 |
| 40 | 0.885 | 69.90 | 20 | 92169 | 633.20 |
| 50 | 0.890 | 81.25 | 20 | 115211 | 791.50 |
| 60 | 0.900 | 92.00 | 20 | 138253 | 949.80 |
| 80 | 0.910 | 110.50 | 20 | 184337 | 1266.40 |
| 100 | 0.915 | 132.20 | 20 | 230421 | 1582.99 |

*Notes:* The price of electricity per kWh in 1925 was £0.00687 (Hannah, 1979). *Source of all other data*: (Bolton, 1926, p. 344).

interest rate of 5 percent, a deposit of $9.71 each year would yield $645 every 30 years. From there, the total annual costs per horsepower per year are calculated as the sum of the annualized purchase costs and the yearly operating costs. Figure 4 illustrates the data on cost per horsepower per year tabulated in Table E.3.

TABLE E.3: Total and per horsepower annualized cost of purchase, renewal, maintenance and operation (including and excluding of fuel) of a steam engine and electric motor of different sizes at capacity for 309 days, 10 days per hour.

| | Steam engines (in 1874 $) | | | | Electric motors (in 1925 £) | | | |
|---|---|---|---|---|---|---|---|---|
| | Excl. fuel | | Incl. fuel | | Excl. fuel | | Incl. fuel | |
| HP | Total | Per HP | Total | Per HP | Total | Per HP | Total | Per HP |
| 1 | | | | | 0.60 | 0.78 | 16 | 21 |
| 2 | | | | | 0.61 | 0.39 | 32 | 21 |
| 3 | | | | | 0.63 | 0.26 | 48 | 20 |
| 5 | 652 | 130 | 879 | 176 | 0.79 | 0.19 | 80 | 19 |
| 7.5 | | | | | 0.95 | 0.15 | 120 | 19 |
| 10 | 682 | 68 | 1095 | 109 | 1.03 | 0.12 | 159 | 19 |
| 15 | 776 | 52 | 1345 | 90 | 1.29 | 0.10 | 239 | 19 |
| 20 | 808 | 40 | 1456 | 73 | 1.40 | 0.08 | 318 | 18 |
| 25 | 917 | 37 | 1670 | 67 | 1.60 | 0.07 | 397 | 18 |
| 30 | | | | | 1.78 | 0.07 | 477 | 18 |
| 40 | | | | | 2.11 | 0.06 | 635 | 18 |
| 50 | 1378 | 28 | 2581 | 52 | 2.46 | 0.06 | 794 | 18 |
| 60 | | | | | 2.78 | 0.05 | 953 | 18 |
| 80 | | | | | 3.34 | 0.05 | 1270 | 17 |
| 100 | 1659 | 17 | 3557 | 36 | 4.00 | 0.04 | 1587 | 17 |
| 150 | 1887 | 13 | 4605 | 31 | | | | |
| 200 | 2042 | 10 | 5646 | 28 | | | | |
| 250 | 2276 | 9 | 6780 | 27 | | | | |
| 300 | 2523 | 8 | 7929 | 26 | | | | |
| 400 | 3047 | 8 | 10254 | 26 | | | | |
| 500 | 3641 | 7 | 12651 | 25 | | | | |

*Notes:* To compute the cost per horsepower per year for electric motors, an efficiency loss relative to capacity that varies across sizes is taken into account (see Table E.2).

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