ONLINE APPENDIX

The limits of hegemony: U.S. banks and Chilean firms in the Cold War

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List of Figures

List of Tables

Figure A.1: Memorandum for the President

MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger

SUBJECT: Covert Action Program -- CHILE

In addition to the actions outlined in my memorandum of November 25 (subject: Status Report on Chile), the 40 Committee has been reviewing a covert action program keyed to the overall policy towards Chile which you established at the NSC Meeting on November 5. The program has five principal elements:

   1. Political action to divide and weaken the Allende coalition;

   2. Maintaining and enlarging contacts in the Chilean military;

   3. Providing support to non-Marxist opposition political groups and parties;

   4. Assisting certain periodicals and using other media outlets in Chile which can speak out against the Allende Government; and

   5. Using selected media outlets ██████████████████ 25x(1)
   ████████████ to play up Allende's subversion of the democratic process and involvement by Cuba and the Soviet Union in Chile.

The Committee approved development of the general plan proposed by CIA and a contingency budget, but will review each specific operation on a periodic basis.

Nachmanoff/vmr 11-25-7

Source: National Security Archive.

Figure A.2: Descriptive statistics, distribution of main variables

(a) Leverage (b) Log debt (c) Log assets (d) Log fixed assets (e) Sales over assets

(f) Financial expenses (g) Number nat'l banks (h) Number int'l banks (i) Share nat'l banks (j) Share int'l banks
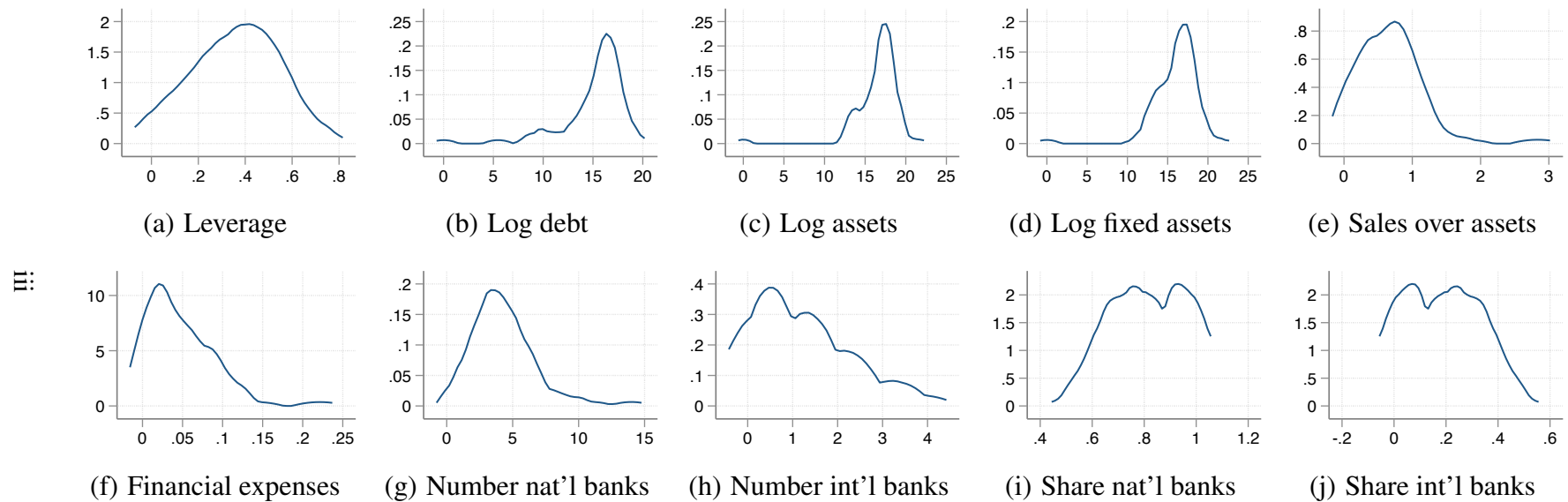
Notes: These figures present the empirical distribution of continuous dependent variables before the Salvador Allende government. The *y*-axis always measures de percentage of observations in the *x*-axis. The value of dependent variables is in the *x*-axis. All figures use an epanechnikov kernel.

Figure A.3: Additional results, long-run impact on links with international banks
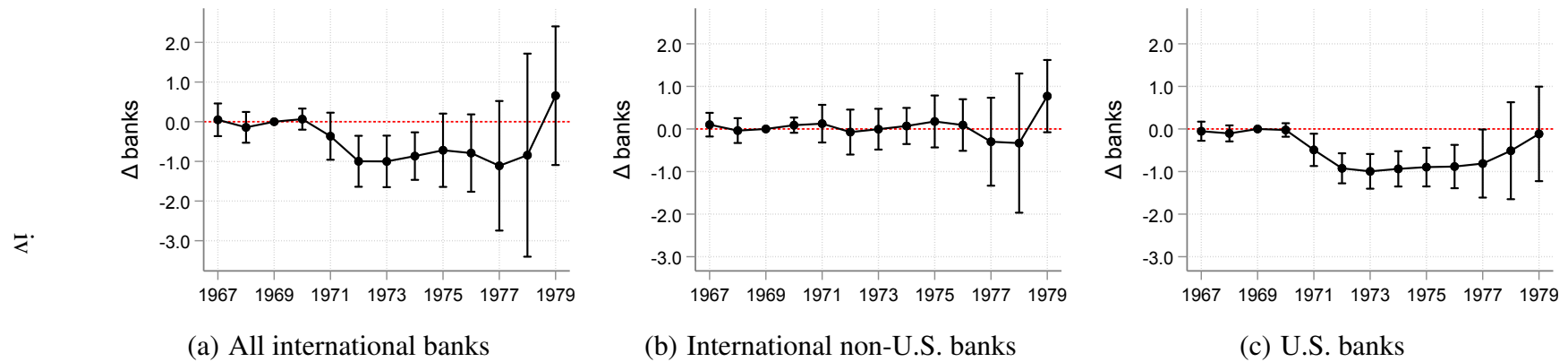
(a) All international banks   (b) International non-U.S. banks   (c) U.S. banks

Notes: These figures show the change in firm-bank relationships before and after socialist Salvador Allende rose to power in 1970. In particular, we present difference-in-differences estimates of equation (1) using firm-level data for the 1967-1979 period. The omitted category is the indicator for firms with U.S. links in 1969. The dependent variable is always the number of bank relationships as revealed by the business reports. The y-axis presents the coefficient and thus the change in the number of bank-relationships. Point estimates are presented as black dots and vertical black lines represent 95% confidence intervals. More details in section 5.1.

Figure A.4: Participation in international markets
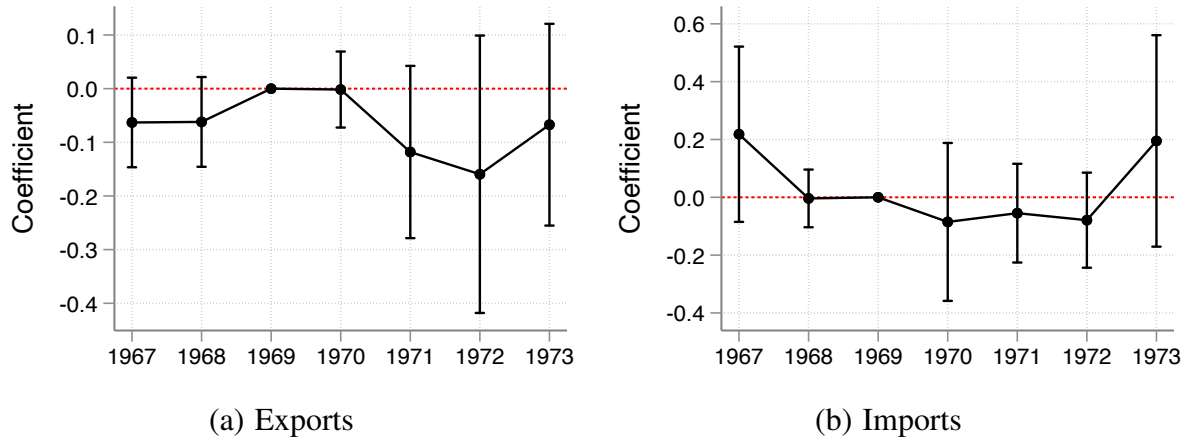
(a) Exports

(b) Imports

Notes: These figures show the change in import and export patterns before and after socialist Salvador Allende rose to power in 1970. In particular, we present difference-in-differences estimates of equation (1) using firm-level data for the 1967-1973 period. The omitted category is the indicator for firms with U.S. links in 1967-69. The dependent variable is always an indicator for export or import activities as revealed by the business reports. The y-axis presents the coefficient and thus the change in the probability of exporting or importing. Point estimates are presented as black dots and vertical black lines represent 95% confidence intervals. More details in section 5.1.

Figure A.5: Industry-by-region difference-in-differences estimates

(a) Employment

(b) Value added

(c) Value added per employee

(d) Payroll per employee

Notes: Difference-in-differences estimates using the industry-region panel data. Point estimates are presented as black dots and vertical black lines represent 95% confidence intervals. More details in section 5.3.

Figure A.6: Additional results, conservative pre-trend adjustments

(a) International banks

(b) International non-U.S.

(c) U.S. banks

(d) Leverage

(e) Log debt

(f) Log assets

(g) Sales over assets

(h) Return over assets

Notes: This figure presents the confidence set at 90% for linear and non-linear violation of the parallel trends assumption (Rambachan and Roth, 2021). The figure is shown for the coefficient in 1973. M measures the size of the change in the trend between consecutive periods. Thus $M = 0$ is a linear violation of the parallel trend assumption. The maximum value of M is equal to the trend that has a 50% power of being detected given the precision of the estimates in the pre-period (Roth, 2022). More details in section 5.4.

Figure A.7: Robustness, excluding single firms from the estimation, bank results
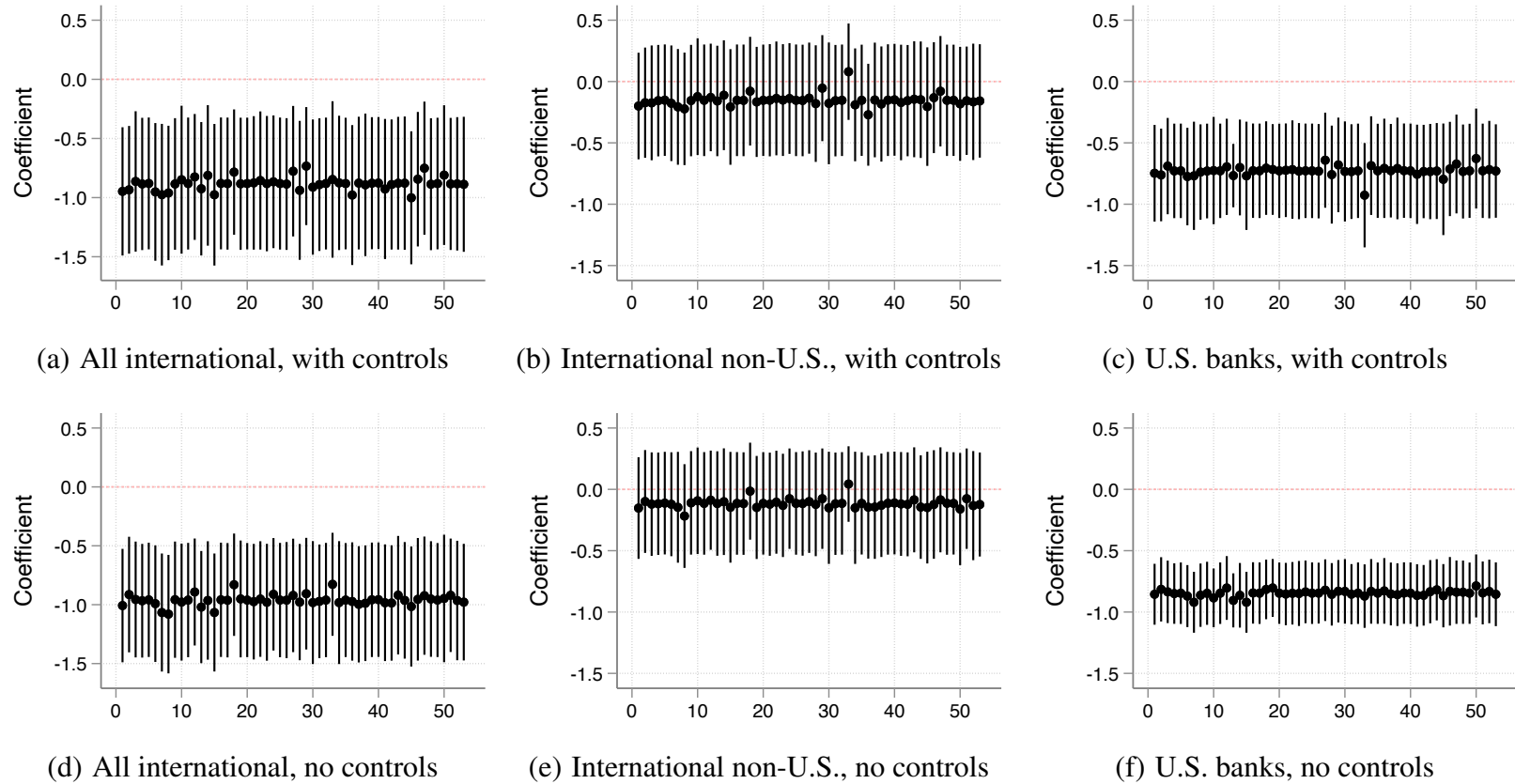
(a) All international, with controls

(b) International non-U.S., with controls

(c) U.S. banks, with controls

(d) All international, no controls

(e) International non-U.S., no controls

(f) U.S. banks, no controls

Notes: Each panel checks the robustness of results for a different dependent variable. Estimates are presented as black dots and vertical lines denote 95 percent confidence intervals. Each estimate comes from a different estimation of equation (2) dropping a single firm from the sample. The firm excluded from the sample is indexed by the *x*-axis. More details in section 5.4.

Figure A.8: Robustness, excluding single firms from the estimation, firm-level results
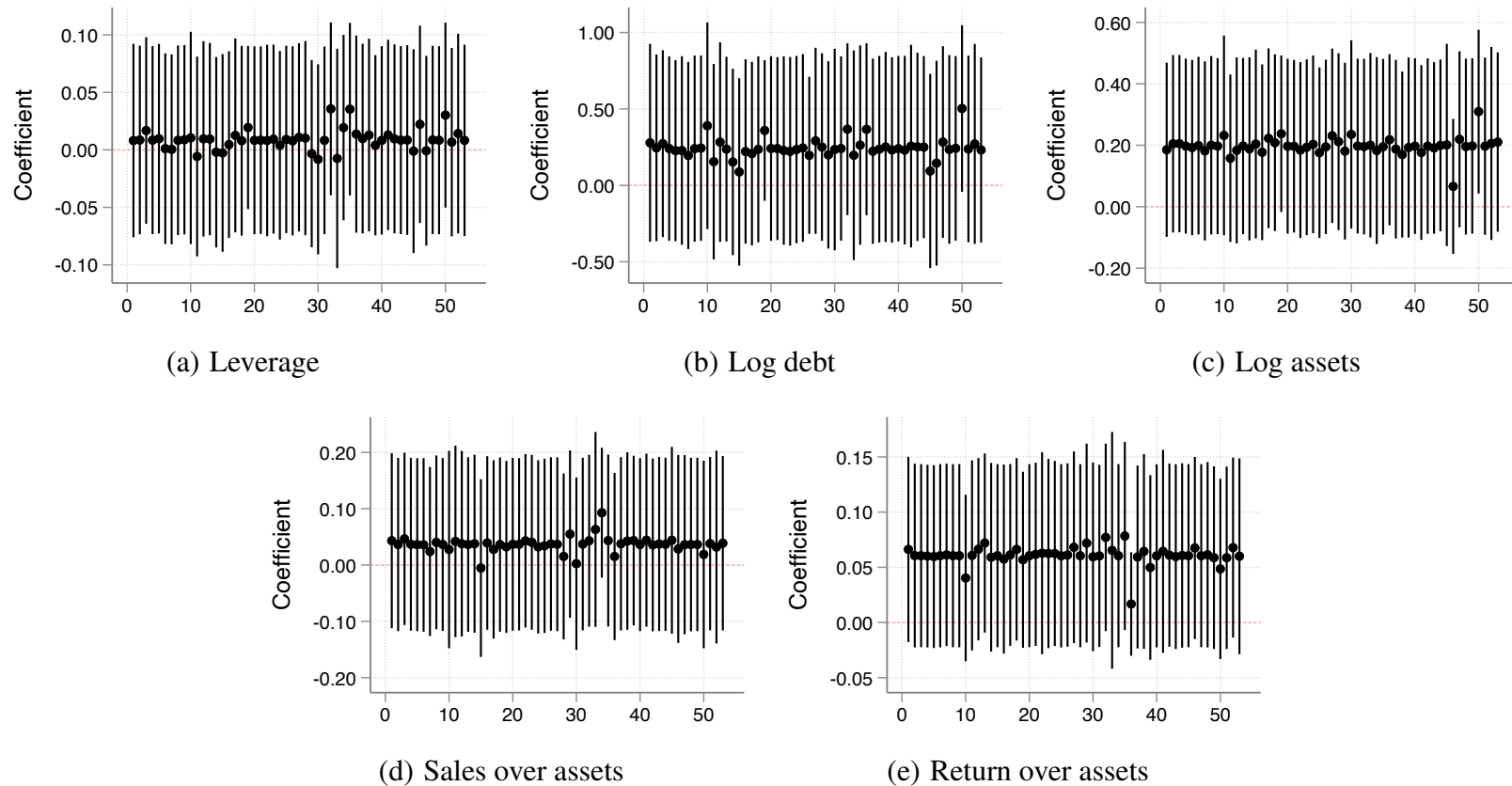
(a) Leverage

(b) Log debt

(c) Log assets

(d) Sales over assets

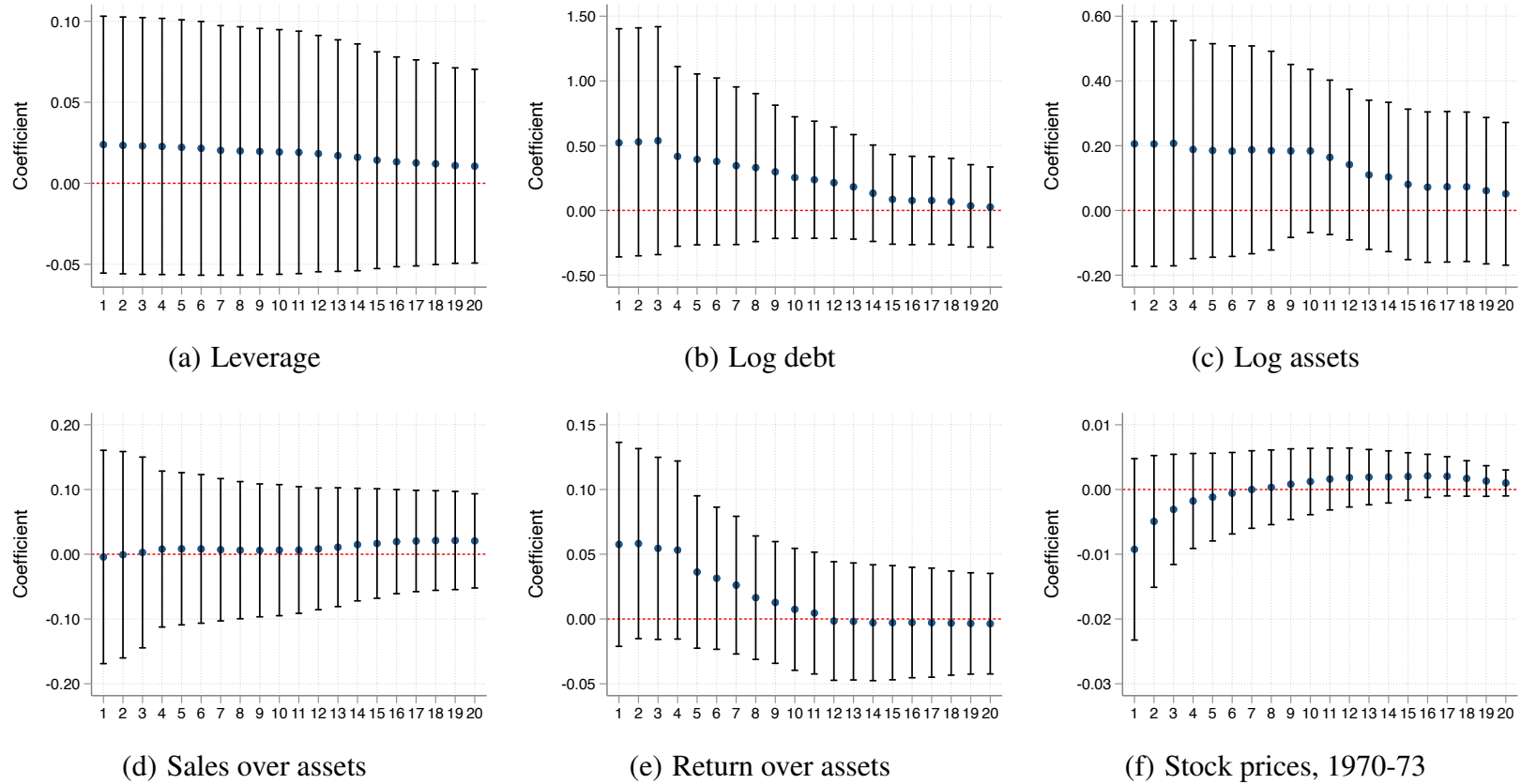(e) Return over assets

Notes: Each panel checks the robustness of results for a different dependent variable. Estimates are presented as black dots and vertical lines denote 95 percent confidence intervals. Each estimate comes from a different estimation of equation (2) dropping a single firm from the sample. The firm excluded from the sample is indexed by the x-axis. More details in section 5.4.

Figure A.9: Assessment of outliers in firm-level results

(a) Leverage

(b) Log debt

(c) Log assets

(d) Sales over assets

(e) Return over assets

(f) Stock prices, 1970-73

Notes: These figures assess the influence of outliers on firm-level results in Table 4. The dots in all panels represent estimates of β in equation (2) and the vertical line denotes the 95 percent confidence interval. The y-axis is always the point estimate and the x-axis measures a different winsorizing level of the corresponding outcome. For example, a value of 10 in the x-axis means that we have winsorized the dependent variable at the 10 percent of the distribution. All figures show convergence of estimates towards more precisely estimated zeros when we replace influential values by less influential ones. These results imply that outliers are unlikely to be the main explanation behind the null effects we find.

Figure A.10: Robustness, firm-bank relationships
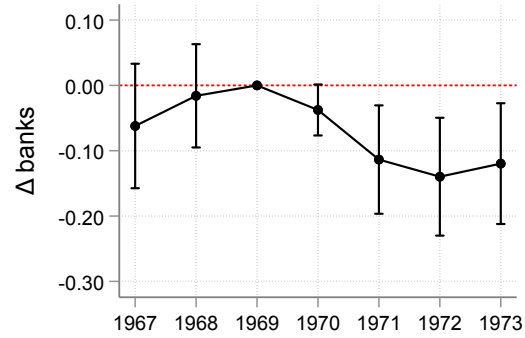
(a) Share of international banks
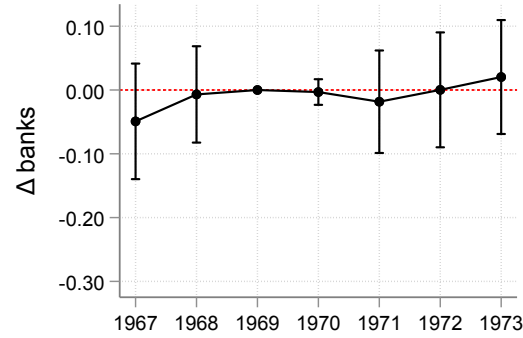
(b) Share of international non-U.S.
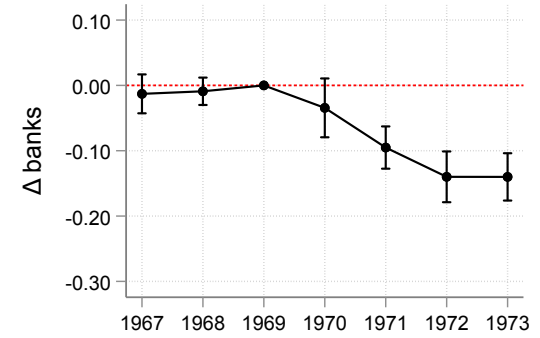
(c) Share U.S. banks
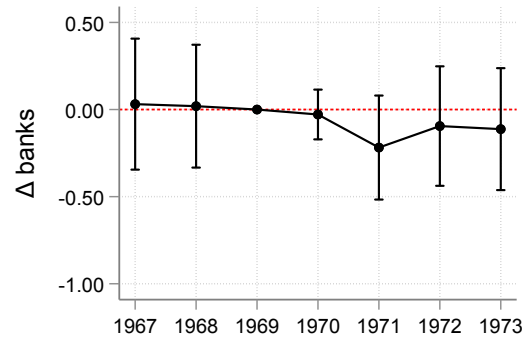
(d) Any international bank
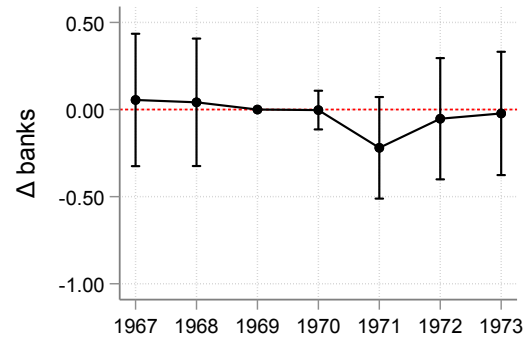
(e) Any international non-U.S.
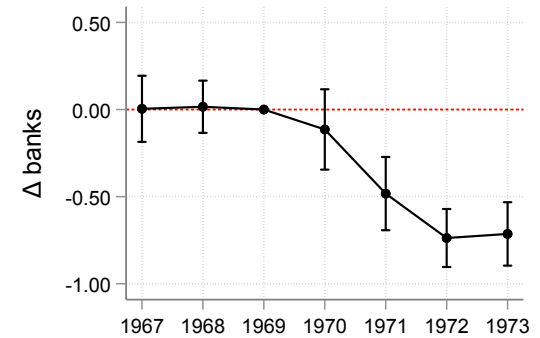
(f) Any U.S. bank

Notes: These figures show the change in firm-bank relationships before and after socialist Salvador Allende rose to power in 1970. In particular, we present difference-in-differences estimates of equation (1) using firm-level data for the 1967-1973 period. The omitted category is the indicator for firms with U.S. links in 1967-69. The dependent variable in panels (a) through (c) is the number of bank relationships of certain type (e.g. international) over all bank relationships and an indicator for any relationship of that type in panels (d) through (f). The *y*-axis presents the coefficient and thus the change in bank-relationships. Point estimates are presented as black dots and vertical black lines represent 95% confidence intervals. U.S. and non-U.S. banks are mutually exclusive categories which added up constitute "All international banks." More details in section 5.4.

Figure A.11: Creation of bank relationships
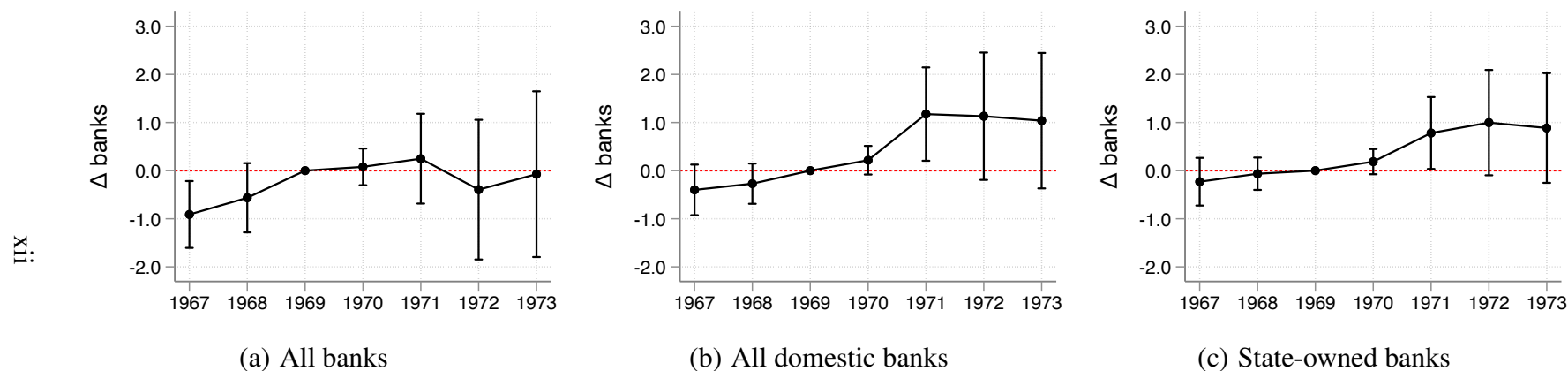
(a) All banks   (b) All domestic banks   (c) State-owned banks

Notes: These figures show the change in firm-bank relationships before and after socialist Salvador Allende rose to power in 1970. In particular, we present difference-in-differences estimates of equation (1) using firm-level data for the 1967-1973 period. The omitted category is the indicator for firms with U.S. links in 1967-69. The dependent variable is always the number of bank relationships as revealed by the business reports. The y-axis presents the coefficient and thus the change in the number of bank-relationships. Point estimates are presented as black dots and vertical black lines represent 95% confidence intervals. More details in section 6.2.

Figure A.12: Margin graphs

(a) Leverage

(b) Log debt

(c) Log assets

(d) Sales over assets

(e) Return over assets

(f) Stock returns 1970-71

(g) Stock returns 1970-73
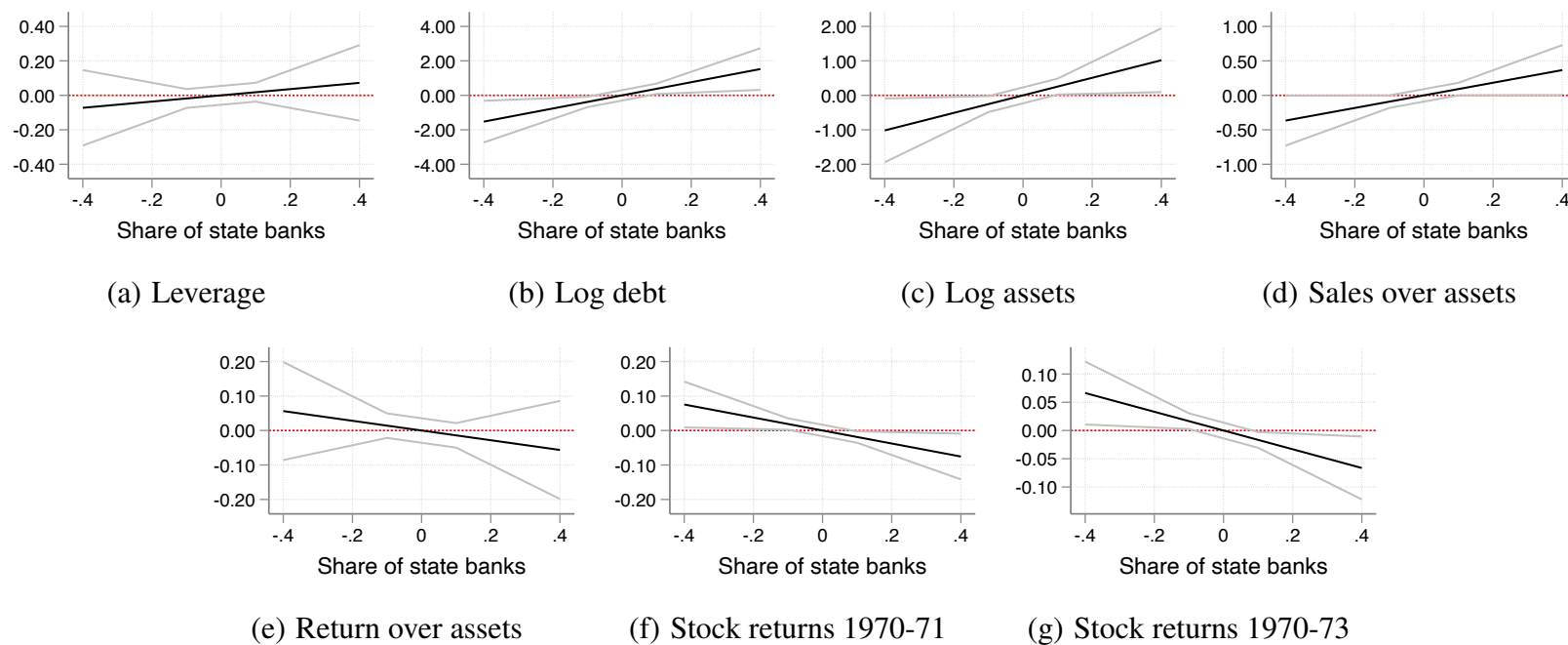
Notes: These figures present heterogeneous impacts of the destruction of links with U.S. banks on our seven outcomes of firm perfor-
mance. The solid black lines represents the estimate and the gray lines the 95 percent confidence interval. The corresponding regression
coefficients and clustered standard errors are presented in Table 7.

Table A.1: Banks by nationality

Bank type	Banks
National	Banco de Chile, Banco del Estado, Banco Edwards, Banco de Créditos e Inversiones, Banco Español-Chile, Banco Comercial de Curicó, Banco O'Higgins, Banco de Concepción, Banco Nacional del Trabajo, Banco Osorno y la Unión, Banco de Talca, Banco Industrial y Comercial, Banco Israelita, Banco de Valdivia, Banco Chillán, Banco Sur, Banco, de Llanquihue, Banco Central de Chile, Banco Chileno-Yugoslavo, Banco Regional de Linares
United States	First National City Bank, Continental Bank, Bank of America, Marine Midland Bank, New York Bank, Republic National Bank, Manufacturers Hanover Trust Co.
European	Banco Frances e Italiano de la America del Sud, Banco de Londres y America del Sud Ltdo., Lloyd & Bolsa International Bank, Banco Italiano, London Bank
Other	Banco Panamericano, Banco do Brasil, Banco Sud Americano

Notes: Own classification based on firm-level reports and the work of Behrens (1985). More details in section 3.1.

Table A.2: Descriptive statistics, additional statistics in 1967-69

	Mean	St. Dev.	Percentiles 25th	50th	75th	Min	Max
A. Firm characteristics	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Log assets	16.57	2.75	15.70	17.28	17.80	0.00	21.64
Log fixed assets	16.02	2.86	14.60	16.75	17.48	0.00	21.81
Sales over assets	0.67	0.47	0.30	0.65	0.93	0.01	2.84
Log debt	15.14	3.25	14.58	16.12	17.01	0.00	19.48
Leverage	0.36	0.18	0.24	0.37	0.49	0.00	0.74
Financial expenses	0.05	0.04	0.02	0.04	0.07	0.00	0.22
Indicator exporter	0.29	0.46	0.00	0.00	1.00	0.00	1.00
Indicator importer	0.45	0.50	0.00	0.00	1.00	0.00	1.00
Sector: Primary	0.19	0.40	0.00	0.00	0.00	0.00	1.00
Sector: Secondary	0.56	0.50	0.00	1.00	1.00	0.00	1.00
Sector: Tertiary	0.25	0.44	0.00	0.00	0.50	0.00	1.00
B. Bank relationships							
National baks	4.29	2.43	3.00	4.00	5.67	0.00	14.00
International banks	1.18	1.08	0.00	1.00	2.00	0.00	4.00
Any national bank	0.85	0.25	0.71	1.00	1.00	0.00	1.00
Any international bank	0.57	0.42	0.00	0.67	1.00	0.00	1.00
Share national banks	0.82	0.14	0.70	0.83	1.00	0.50	1.00
Share international banks	0.18	0.14	0.00	0.17	0.30	0.00	0.50
Firms	68						

Notes: This table presents additional descriptive statistics for all 68 firms in 1967-69. Besides the means and standard deviations, already presented in Table 1, we also present percentiles and minimum/maximum values for each variable used throughout the analysis in the paper. Figure A.2 presents the full distribution of all continuous variables.

Table A.3: Comparison of firms

	Our sample of firms in 1967-1969		Chilean listed firms in 1990-2017		Firms in the S&P500 in 2022	
	Mean	St. Dev	Mean	St. Dev	Mean	St. Dev
A. Firm characteristics	(1)	(2)	(3)	(4)	(5)	(6)
Log assets	16.57	2.75	20.32	1.99	24.11	1.30
Log fixed assets	16.02	2.86	19.70	2.21	22.09	1.62
Sales over assets	0.67	0.47	0.62	0.55	0.68	0.61
Log debt	15.14	3.25	19.22	2.58	22.74	1.45
Leverage	0.36	0.18	0.23	0.19	0.34	0.26
Firms	68		158		500	

Notes: This table offers a comparison of standard balance sheet variables across three sets of firms. Odd columns present averages across firms and even columns present the standard deviation.

Table A.4: Attrition in firm-bank data

	Attrition			
	(1)	(2)	(3)	(4)
US bank (1967-70)	0.05			
	(0.06)			
Link to U.S. bank × Allende		0.06	0.02	-0.02
		(0.11)	(0.12)	(0.13)
Observations	346	346	346	346
Firms	53	53	53	53
R-squared	0.052	0.476	0.512	0.533
Firm fixed effects	No	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Industry-Allende fixed effects	No	No	Yes	Yes
Controls-Allende fixed effects	No	No	No	Yes
Avg dependent variable	0.139	0.139	0.139	0.139

Notes: Robust standard errors clustered at the firm level are presented in parenthesis. *** $p<0.01$, ** $p<0.05$, * $p<0.1$. More details in section 5.1.

Table A.5: Industry-by-region outcomes, 1968-1973

	Ln employment	Ln value added	Ln value added per employee	Ln value added over payroll	Ln payroll per employee
	(1)	(2)	(3)	(4)	(5)
Link to U.S bank × Allende's term	-0.08	-0.12	-0.07	-0.00	-0.06
	(0.06)	(0.07)	(0.07)	(0.06)	(0.07)
Observations	401	401	401	401	401
Industry-region fixed effects	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes
Avg. dependent variable	6.915	21.16	14.33	1.384	12.94

Notes: This table shows the evolution of industry outcomes. US Bank is a dummy that takes the value one if at least one firm in the industry-region had a relationship with a U.S. bank between 1967 and 1969. Post is a dummy that takes the value one from 1970 onwards. Robust standard errors clustered at the industry-region level are presented in parenthesis. *** p<0.01, ** p<0.05, * p<0.1. More details in section 5.3.

Table A.6: Robustness, bias from hypothesized linear pre-trend

	(1) Estimate	(2) Slope	(3) Unconditional bias	(4) Conditional bias
All international banks	-1.10	0.22	0.57	0.61
International non-U.S.	-0.19	0.17	0.43	0.49
U.S. banks	-0.91	0.10	0.26	0.25
Leverage	0.02	0.03	0.07	0.07
Log debt	0.52	0.42	1.04	1.05
Log assets	0.21	0.07	0.16	0.16
Sales over assets	-0.00	0.06	0.15	0.15
Return over assets	0.06	0.02	0.05	0.07

Notes: This table presents the estimated parameter from our baseline specification in Tables 2 and 4, and the main estimates based on Roth (2022). In column 2, we present the pre-trend that has a 50% power of being detected given the precision of the estimates in the pre-period. In column 3, we present the average bias suggested by this trend, while in column 4, the bias from the adjusted pre-trend that takes into account the pre-testing bias that arises from the fact that the analysis shown is conditional on passing a pre-test. More details in section 5.4.

Table A.7: Robustness, firm-bank relationships

	Share of...			Any...		
	international banks	international non-U.S.	U.S. banks	international banks	international non-U.S.	U.S. banks
	(1)	(2)	(3)	(4)	(5)	(6)
Link to U.S. bank × Allende's term	-0.10***	0.01	-0.11***	-0.15	-0.12	-0.63***
	(0.03)	(0.04)	(0.01)	(0.15)	(0.15)	(0.07)
Observations	305	305	305	361	361	361
Firms	52	52	52	53	53	53
R-squared	0.843	0.785	0.888	0.549	0.599	0.716
Firm fixed effects	X	X	X	X	X	X
Year fixed effects	X	X	X	X	X	X
Industry-Allende fixed effects	X	X	X	X	X	X
Avg. dependent variable	0.36	0.19	0.16	0.83	0.73	0.67

Notes: This table presents estimates of different specifications of equation (2) using the annual panel of firms. Robust standard errors clustered at the firm level are presented in parenthesis. *** $p<0.01$, ** $p<0.05$, * $p<0.1$. More details in section 5.3.

Table A.8: The importance of previous relationships with state-owned banks

	Leverage	Logarithm debt	Logarithm assets	Sales over assets	Returns over assets	Weekly stock returns 1970-71	Weekly stock returns 1970-73
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Link to U.S. bank × Allende [α]	-0.03	-0.47	-0.11	-0.09	0.08	0.02*	0.02**
	(0.06)	(0.48)	(0.20)	(0.13)	(0.05)	(0.01)	(0.01)
× Share state-owned banks [β]	0.18	2.44	1.99**	0.92**	0.11	-0.20***	-0.18***
	(0.27)	(1.55)	(0.86)	(0.45)	(0.20)	(0.05)	(0.04)
Allende × Share state-owned banks	-0.19	-3.43***	-1.60**	-0.65	0.08	0.17***	0.15***
	(0.22)	(1.22)	(0.76)	(0.40)	(0.15)	(0.05)	(0.04)
Test: $-0.2 \times \beta$	-0.04	-0.49	-0.40**	-0.19**	-0.02	0.04***	0.04***
	(0.05)	(0.31)	(0.17)	(0.09)	(0.04)	(0.01)	(0.01)
Observations	344	344	346	346	268	2,394	6,686
Firms	53	53	53	53	44	39	41
Firm fixed effects	X	X	X	X	X	X	X
Year (week) fixed effects	X	X	X	X	X	X	X
Industry × Allende fixed effects	X	X	X	X	X	X	X
Controls × Allende fixed effects	X	X	X	X	X	X	X
Avg. dependent variable	0.37	15.73	17.09	0.68	0.19	-0.02	-0.02

Notes: Regression estimates of an augmented version equation (3) which includes control variables interacted with Allende's term. The "Share state-owned banks 1969" (N_i) is the share of (soon to be) state-owned banks in the firm i's bank portfolio in 1969. This is, if firm k has three bank relations in 1969, but only one of the two domestic banks in k's portfolio will be nationalized by Allende, then $N_k = 0.33$. To facilitate the interpretation of coefficients, we include N_i in deviations from the mean, i.e. $(N_i - \overline{N}_{1969})$ where $\overline{N}_{1969} = 0.44$. The main parameter of interest is β and measures the differential impact of fewer relations with U.S. banks on firms with different shares of N_i. Robust standard errors clustered at the firm level are presented in parenthesis. *** p<0.01, ** p<0.05, * p<0.1. More details in section 6.