Industrial Diversification and the Rise of the Local Chamber*

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Abstract

Despite the well-documented nationalization of local politics over the late 20th century, one type of local organization has flourished: the chamber of commerce. Local chambers, influential interest groups in which firms operating in a given municipality band together to lobby for improved local business conditions, are now present in over 6,700 municipalities across nearly 2,300 counties. Why has the private sector been so successful at organizing locally, despite the costs inherent in collective action? I argue that *industrial diversification* at the local level makes chamber formation more likely; when firms are co-located with complementary industries rather than direct competitors, lobbying for geographically-specific ("place-based") benefits offers greater relative gains. I provide evidence in support of this explanation using new data on thousands of local chambers incorporated between 1970 and 2018, an identification strategy based on a novel Bartik-style shift-share instrument, and member-level data for twenty individual chambers. The results demonstrate how broader patterns of structural economic change have affected interest representation at the local level.

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1 Introduction

Over the last several decades, an abundance of evidence suggests that local politics in the United States is increasingly shaped by national and even *inter*national forces. Declining social capital at the local level has led to decreased participation in local civic and political life (Putnam, 2001). National trends of partisan polarization have extended down to the local level, increasing pressure on local elected officials to toe the party line rather than pursue the policies that would best serve their constituents (Hopkins, 2018). Local newspapers and TV news stations, longtime facilitators of local political participation, are increasingly shutting their doors or shifting their coverage towards national issues (Martin and McCrain, 2019; Peterson, 2021). International trade policy, set at the national level, has meaningfully shaped economic outcomes and political preferences at the local level (Autor et al., 2020; Choi et al., 2024). Upon reviewing these trends, one might reasonably conclude that the local content of local politics is in decline.

One type of local interest group, however, has stemmed the tide of political nationalization: the local chamber of commerce.[1] Local chambers are interest groups whose members are firms that operate within a given municipality, and their primary objective is to advocate for pro-business policies at the local level; examples include tax reform, workforce development programs, and expansions and improvements of local infrastructure. According to a recent survey of municipal government officials, local chambers are cited as the most active interest groups in both large *and* small cities, as well as one of the interest groups most involved in local elections (Anzia, 2022). Chambers are ubiquitous fixtures of modern local politics: as of 2018 there were approximately 6,800 municipalities across nearly 2,300 counties that had at least one chamber, figures that have tripled and doubled (respectively) since 1947.[2] If any local interest group's power has increased since the postwar period, it is that of organized business.

[1] I will refer to local chambers of commerce as local chambers, or simply chambers, throughout.
[2] Source: author's data and calculations.

What explains the proliferation of local chambers? The expansion and influence of local organized business is surprising not only due to broader trends of political nationalization, but also due to the standard collective action and distributive dilemmas inherent in organizing lobbying collectives (Olson, 1965). If all firms in an area receive equal benefits from a collective's lobbying efforts, each firm's optimal strategy is to reap these benefits without paying the costs of collective membership. To some extent, this problem can be solved by the provision of club goods to collective members. More difficult to address, however, is the fact that the benefits from a policy change are rarely distributed evenly across all members of a lobbying collective; firms may hesitate to expend resources lobbying in favor of a policy that would generate relative gains for their competitors.

I argue that structural economic change—specifically, the trend towards industrial diversification at the local level—paved the way for local chamber formation by mitigating distributive conflict among firms operating in a given municipality. Due to a variety of factors, including urbanization and the decline of manufacturing, U.S. municipalities became hosts to an increasingly diverse range of local industries over the course of the 20th century (Kim, 1995, 1998). As a result of the decreasing correlation between geography and industry, firms became increasingly likely to be co-located with complementary rather than competitor firms at the local level. This diversification makes geographic—or "place-based" (Neumark and Simpson, 2015)—lobbying more appealing for local businesses, as geographically-targeted benefits are less likely to accrue to their industry competitors. I therefore predict that, as industrial diversification increases at the local level, firms operating in the area are more likely to form a local chamber.

In order to test this theory, I use data from state corporate registries to create a novel dataset of every local chamber of commerce that is or was active in the United States throughout its recorded history, as well as the years in which they were incorporated (and dissolved, if applicable). Under the most restrictive definition, over 11,000 chambers have been created throughout the nation's history. I take several steps to validate the accuracy of this data, and conduct multiple chamber-specific case studies to show that local chambers' membership is extremely representative of their local economy in terms of sectoral composition.

To measure industrial diversification at the local level, I rely on the U.S. Census's County Business Patterns (CBP) data (Eckert et al., 2020, 2022). The CBP contains annual employment counts at the county-sector level for virtually all U.S. counties, which is the most disaggregated geographic level at which such data is regularly available; I measure diversification by calculating the Herfindahl-Hirschman Index (HHI) of sectoral employment, with lower values indicating higher diversification. There are a number of reasons to suspect that industrial diversification and chamber formation might be jointly determined at the local level, such that a naive regression of the latter on the former would not produce a causal effect. To address this concern, I develop a novel shift-share instrument for industrial diversication that relies on (i) county-level industry shares at time t, (ii) shifts in national-level industry shares between time t and $t+n$. To my knowledge, this is the first application of the shift-share framework to instrument for an inequality measure.

Results of 2SLS regressions on a panel of counties between 1970-2018 provide strong support for the theory: a one standard deviation increase in industrial diversification at the county level leads to a five percentage point increase in the percentage of municipalities in that county that have a local chamber. The magnitude is even larger for county-level chambers: a one standard deviation increase in industrial diversification leads to a 12 percentage point increase in the probability that a county has its own chamber of commerce. Results are robust to a wide range of sample permutations, including dropping counties from any individual state as well as dropping the most populous and most urban counties, as well as alternative measures of industrial diversification. Further, to test the mechanism, I collect complete membership data for a subsample of local chambers and show that firms are more likely to join *existing* chambers when they face less industry competitors in their local area.

These results contribute to our understanding of how structural economic change has shaped local politics. The U.S. economy has undergone a number of structural transformations during the 20th and 21st centuries; the political consequences of some of these transformations, like the decline of agricultural and manufacturing employment, have been thoroughly examined (Baccini and Weymouth, 2021; Broz, Frieden, and Weymouth, 2021; Choi et al., 2024; Clark, Khoban, and Zucker, 2025). Others, such as (sub)urbanization (Baum-Snow, 2007; Michaels, Rauch, and Redding, 2012) and agglomeration (Ellison, Glaeser, and Kerr, 2010), have received less attention. Industrial diversification is a result of all three of these broader trends, and this paper shows that—contra the general findings of the literature on manufacturing decline—this structural transformation may actually *increase* the power of local business by enabling it to organize.

By providing a comprehensive dataset of local chambers, this paper also responds to Anzia (2019)'s call for scholars of interest groups to pay more attention to subnational governments. Due at least in part to data limitations,[3] past work on lobbying has focused mainly on the federal and (to a lesser extent) the state levels. Yet, there are over 3,000 county governments and over 35,000 municipal governments in the U.S. alone;[4] as local chambers are key interest groups within these governments, future work should explore chambers' influence on local governance. One fruitful area in which to search for such influence is that of local economic development and other place-based policies that seek to stimulate specific geographic areas, such as tax breaks, subsidies, and workforce development programs (Hanson, Rodrik, and Sandhu, 2025; Jensen and Thrall, 2021; Neumark and Simpson, 2015). Not only do local chambers have a strong interest in such targeted economic benefits, but local governments also often have the ability to supply them.

[3] Anzia (2019, 350) concludes that the world of subnational interest groups "is practically a desert when it comes to data."

[4] See https://www.stlouisfed.org/publications/...local-governments-us-number-type. These figures do not include school districts or other special purpose governments.

2 Local Effects of Structural Changes

While economists have mainly used the term “structural change” to refer to long-term sectoral shifts from agriculture, to manufacturing, to services (Krüger, 2008; Michaels, Rauch, and Redding, 2012), I adopt a broader definition of the term that encapsulates any broad-based and long-term change in the national economic structure. Examples include the transition from rural to urban and suburban areas as the primary loci of economic production, the increasing benefits that firms receive from operating nearby firms in other industries (agglomeration), and the increasing integration of national economies through international trade and investment. A critical premise of political economy scholarship is that these aggregate trends have distributive effects: some individuals, firms, and industries benefit from structural shifts while others lose. As a result, substantial work has studied how national economic changes generate political consequences at the local level.

The study of economic globalization’s local effects, while long a subject of interest for political economists (Schattschneider, 1935), has intensified in step with global trade and investment flows over the last several decades. Trade liberalization increases consumer surplus by lowering prices, but can also produce layoffs and firm closures when local industries cannot compete against foreign imports (Autor, Dorn, and Hanson, 2013). Individuals in localities negatively affected by trade competition increase their votes for right-wing candidates (Autor et al., 2020; Choi et al., 2024; Ferrara, 2023), increasingly support nationalist and nativist parties (Colantone and Stanig, 2018; Helms, 2024), and adopt more authoritarian values (Ballard-Rosa, Jensen, and Scheve, 2022).[5] Further, there is evidence that individuals perceive and respond not only to globalization’s impact on their own livelihood, but also to its effects on their local communities (Colantone and Stanig, 2018); one mechanism might be decline in public service provision in these areas due to declining local tax revenue (Feler and Senses, 2017).

[5] Interestingly, Scheve and Serlin (2023) show that trade shocks led affected localities to support greater redistribution in the early 20th century UK.

As national economies develop, production tends to shift from the primary sector (agriculture, mining, etc), to the secondary sector (manufacturing), and finally to the tertiary sector (services, wholesale and retail trade) (Fisher, 1939). This process, which came to be known as structural change, has diverging effects on localities depending on how specialized they are in the declining industry. In particular, scholars have shown that areas that experience larger declines in manufacturing employment experience similar consequences as those facing greater import competition: shifts towards right-wing and populist ideology (Broz, Frieden, and Weymouth, 2021), particularly among white voters (Baccini and Weymouth, 2021) and in areas where men were disproportionately affected (Clark, Khoban, and Zucker, 2025), and backlash against the incumbent party more generally (Rickard, 2022). While trade is one driver of the decline of manufacturing employment, another is the shift towards automation (Acemoglu and Restrepo, 2020), which has also been shown to affect local politics by weakening the local influence of organized labor (Balcazar, 2023).

While the local political consequences of globalization and national sectoral change have been explored in depth, an equally important structural change has received less attention: the reallocation of economic activity away from rural areas and towards cities. The share of the U.S. population living in urban areas increased by 25 percent between 1950 and 2020, and by nearly 100 percent at the global level (Ritchie, Samborska, and Roser, 2024). Firms also move to urban areas to benefit from agglomeration economies—the perks of geographic proximity to other firms—such as access to inputs and skilled labor (Glaeser and Gottlieb, 2009; Moretti, 2010). While there exists a well-documented urban-rural gap in U.S. politics, explanations for this discrepancy rarely center urbanization itself (Brown and Mettler, 2024; Serlin, 2025). Much work remains to be done to understand the local political consequences of urbanization.

Since World War II, the United States (alongside many other developed nations) has become increasingly open to global markets, has shifted away from manufacturing and towards services, and has continued to see its citizens and industries shift from the rural periphery to the urban core. When studying the local political effects of these national trends, scholars have primarily focused on the negatively affected: the import competers, the declining factory towns, the left behind. Yet, by reshaping the economic geography of the U.S., these structural shifts have also created new opportunities for local interests to organize. In the following section, I will discuss how local-level *industrial diversification*—the result of multiple overlapping structural shifts—has facilitated the rise of the local chamber of commerce and increased the political power of local business.

3 Theory: Industrial Diversification and Local Business Organization

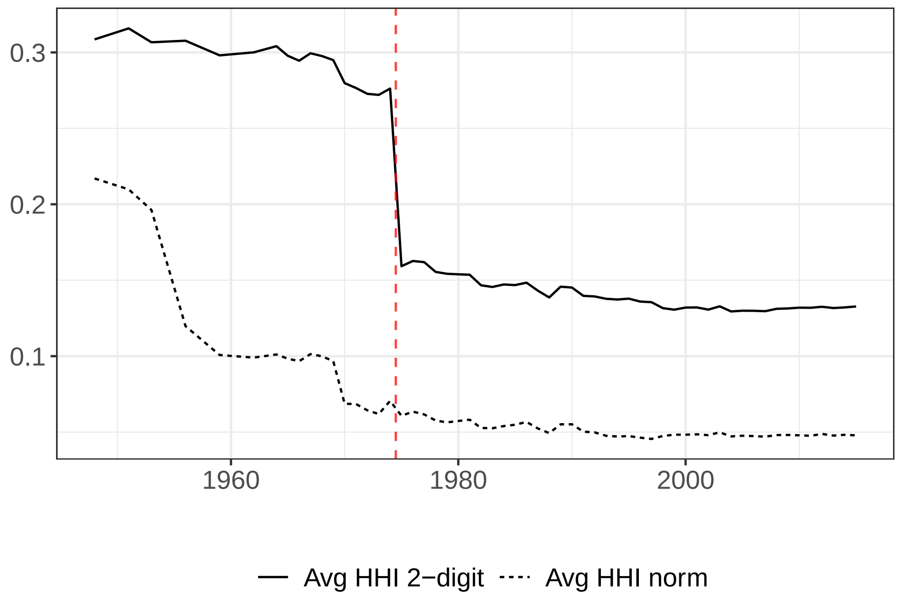
I argue that, as municipalities became home to a greater diversity of local industries over the late 20th and 21st centuries, local businesses in those municipalities became more likely to organize and create local chambers of commerce. First, I discuss industrial diversification as an often-overlooked product of multiple overlapping structural shifts. Second, I discuss the *within-industry* distributive conflict that makes local-level business organization difficult. Finally, I discuss the mechanisms through which industrial diversification mitigates this distributive conflict and enables firms to organize locally.

3.1 Industrial diversification

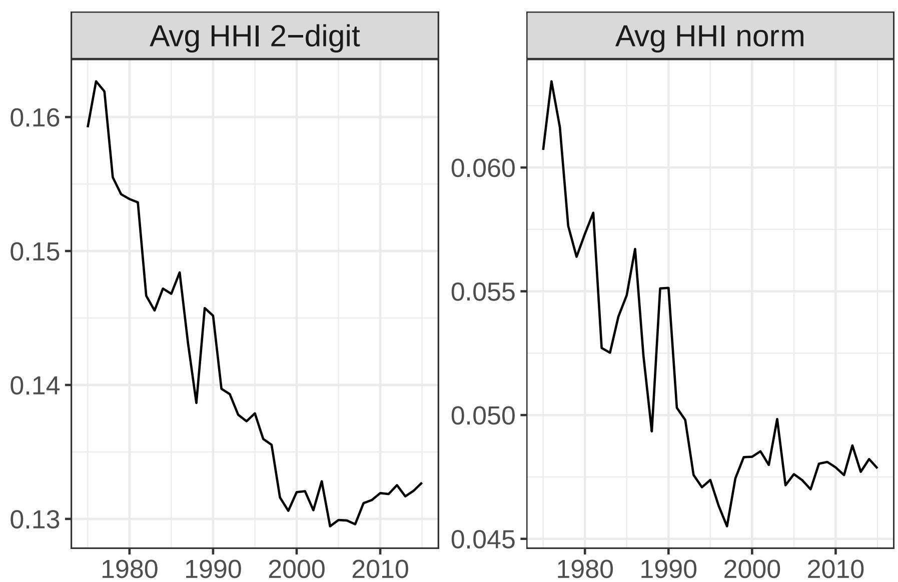
In a keynote speech delivered to a meeting of the Association of American Geographers, economist Paul Krugman (2011, 5) remarked that "[I]n 21st-century America, as compared with mid-20th-century America, there is much less sense that places are defined by what they do for a living. Compare Pittsburgh in 1950 with Atlanta today; one was a steel city, the other is a... what?" The conjecture that industry and geogra-

Figure 1: **County-level industrial specialization has been in decline since 1947.**

(a) Average county-level industrial specialization, 1947-2015. The vertical line separates the "early" CBP series from the modern series.



(b) Average county-level industrial specialization, 1975-2015.



phy have become increasingly disconnected is supported by the empirical record: Kim (1995) shows that regional industrial specialization in the U.S. declined substantially in the decades following WWII.

Kim's analysis, though instructive, ends in 1987 and is conducted at the level of the census division rather than the locality. To trace the evolution of industrial diversification at a more local level, and over a longer time period, I use data from the U.S. Census's County Business Patterns files (CBP). Since 1946, the Census has drawn on administrative data to tabulate annual, sector-level employment counts for most U.S. counties (all counties beginning in 1964) (Eckert et al., 2022). To measure local-level industrial specialization, I calculate the extent to which a county's employment is concentrated in a small number of industries using the Herfindahl-Hirschman Index (HHI):

$$\mathrm{HHI}_{ct} = \sum_{j} (\frac{E_{jt}}{E_t})^2 \tag{1}$$

A county's HHI in any given year is equal to the sum of squared industry employment shares, such that higher values of the HHI indicate greater specialization. To facilitate comparability over time, given that the CBP reported different numbers of industry categories in different years, I report (i) HHI calculated at a relatively aggregated level (2-digit SIC), (ii) the more disaggregated HHI, normalized by the number of industries reported.[6]

Figure 1 corroborates and extends Kim (1995)'s findings to the county level. According to both measures, local-level industrial specialization has fallen significantly since the end of World War II; equivalently, these plots show that local-level industrial diversification grew steadily over the postwar era until plateauing in the 21st century. This trend is likely the result of multiple, overlapping structural economic changes. For example, Kim (1998) suggests that the decline in U.S. manufacturing employment reduced the importance of regional differences in land and resource endowments; Krugman (1991) argues that, as urbanization progresses, firms are likely to want to locate in urban areas due to high local demand; and Glaeser et al. (1992) show that—due to agglomeration benefits from

[6] The normalization is $\mathrm{HHI}^N_{ct} = \dfrac{\mathrm{HHI}_{ct} - \frac{1}{N_{ct}}}{1 - \frac{1}{N_{ct}}}$, where N_{ct} is the number of industries reported in a given county-year.

proximity to other industries—industries grow faster in cities that did not previously specialize in them.

Local-level industrial diversification constitutes a meaningful structural change in the organization of the U.S. economy. While it has been overlooked by political scientists, its political consequences are quite significant; for example, the declining regionalization of industry has the potential to meaningfully change political coalitions in several states and congressional districts by weakening the influence of once-dominant regional industries (e.g. automotive manufacturing in Michigan, steel in Pennsylvania, etc). I argue that another consequence of local industrial diversification is that it makes political organization at the local level more appealing to firms *across industries*. To understand why, I first describe the basic distributive conflict that makes local business organization difficult.

3.2 Local business organization and distributive conflict

Firms operating in a given local area, regardless of their industry, typically have a number of shared preferences regarding local policy: they might want business tax cuts, improvements to local infrastructure, increased funding for local schools, and so on. Reasonably, then, these firms might attempt to form a collective organization in order to jointly advocate in favor of policies that would benefit them all. The first challenge to local organization is the classic collective action problem: since the benefits of local policy change are nonexcludable, firms would prefer not to pay the costs of joining and simply reap the benefits (Olson, 1965). However, this problem can be fixed by providing organization members with private benefits ("club goods"); for example, local chambers of commerce often offer their members access to subsidized employee healthcare plans,[7] exclusive networking events,[8] and private, small-group meetings with legislators and local officials.[9] Given that membership dues are often nominal, these club goods are often

[7] See https://unionchamber.com/health-care-benefit/.

[8] See https://www.gscc.org/chamber-events-sponsorships/.

[9] See https://www.bronxchamber.org/advocacy.

sufficient to mitigate the free rider problem.

However, the free rider problem is not the only barrier to local business organization. Firms care not only about their absolute gains, but also about their position relative to their competitors; capturing a larger share of an industry can increase future profitability, both through building market power and signaling product quality to consumers (Bhattacharya, Morgan, and Rego, 2022). This matters because most local policy changes, even those that would benefit all local firms to some degree, are unlikely to benefit all local firms equally. For example, a decline in local property tax rates would deliver relatively larger benefits for a firm that owns a large plant than for one that owns a small one, and increased spending on workforce development programs would deliver relatively larger benefits to firms with large local workforces. If firms believe that their local competitors would receive relatively greater benefits from local business-friendly policies, they may be unwilling to join forces with them to lobby in favor of such policies. Thus, distributive conflict can prevent local business organization even in the absence of the standard collective action problem.

3.3 Industrial diversification mitigates local distributive conflict

Distributive conflict prevents local business organization when firms believe that lobbying collectively for local policy changes would benefit their local competitors more than them. Since firms primarily compete with other firms in the same industry, this form of distributive conflict increases when geography and industry are more tightly linked: if an industry is highly concentrated in a given municipality, for example, then policies implemented at the municipal level will affect a large proportion of the firms in that industry. Likewise, if a municipality is dominated by a particular industry then the average firm in that municipality faces a greater number of local competitors, and is thus less likely to lobby collectively for local policies that would benefit their competitors. Simply put: when a firm faces a high degree of local competition, policies that benefit all firms operating in their locality do *not* tend to give them a leg up on their competition.

Industrial diversification mitigates distributive conflict by delinking industry and geography at the local level. As a municipality becomes home to an increasingly diverse range of industries, the average firm in that municipality faces a lower level of local competition. For a firm thats competitors are increasingly spread out into other cities, states, and regions, local-level policy benefits begin to look increasingly favorable: while they may also be enjoyed by other local firms in different industries, they will *not* be available to the firm's within-industry competitors operating outside of its locality. In fact, given the evidence on the benefits of colocation with firms in other industries (Glaeser et al., 1992; Moretti, 2010), firms may even benefit indirectly from policies that strengthen other local industries.

Anecdotal evidence that local businesses understand this dynamic comes from Reddit, where the question of whether or not to join the local chamber is a frequent topic of discussion on the r/smallbusiness forum. The small business owners that post on the forum are aware of the advocacy benefits of chamber membership; one user wrote that "The Chamber I'm involved in has been involved in changing policies and bylaws in the community that benefit business.[10]" Further, they often acknowledge that chamber membership is more valuable if one's competitors are not involved; one user wrote that "[chamber membership]'s been great for networking and marketing in the local community **especially if your [sic] their only business of that type**,[11]" and another user wrote that those considering membership should "[t]ake into account a couple of things - size of the chamber and competing businesses in it.[12]"

Thus, as local-level industrial diversification progresses, locally-targeted policy benefits become more desirable to firms across industries. The primary observable implication of this theory is that local-level industrial diversification should positively predict the for-

[10]See https://www.reddit.com/r/smallbusiness/comments/rtmb8z/chamber_of_commerce_is...
[11]Ibid. Boldfacing mine.
[12]See https://www.reddit.com/r/smallbusiness/comments/6tz58p/is_joining_the_local...

mation of local chambers of commerce. In the following section, I introduce an original dataset on local chambers that will allow me to evaluate this theoretical prediction.

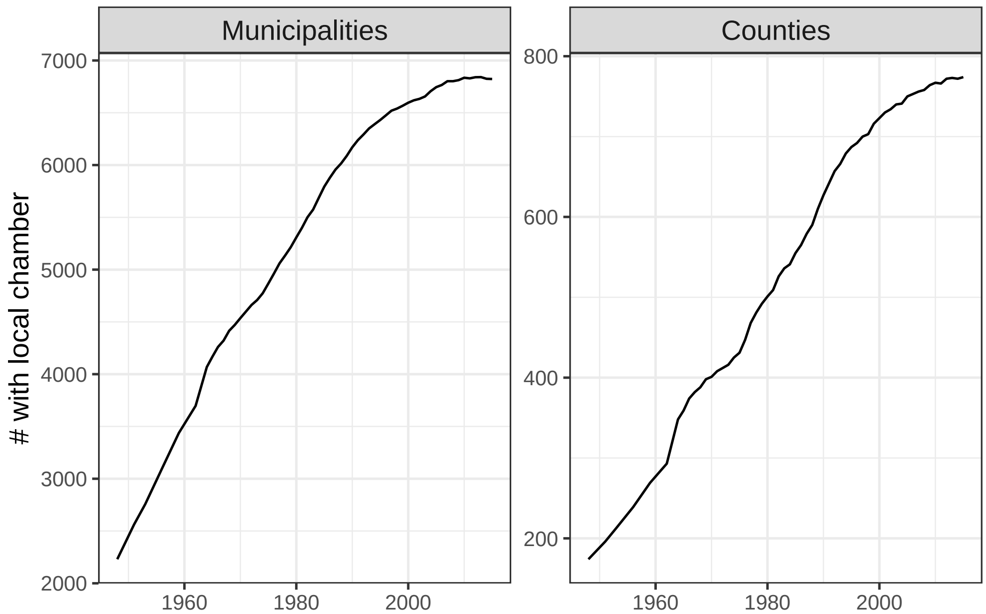
4 Data: Local Chambers in the United States

Local chambers of commerce first emerged in the mid-18th century in France, the UK, and colonial America; the New York Chamber of Commerce was founded in 1768, predating the U.S. Chamber of Commerce by nearly 150 years (Bennett, 2012).[13] Yet, despite their ubiquity and much anecdotal evidence of their local influence, it is only very recently that political scientists have begun to study local chambers. Anzia (2022) uses survey data from local government officials to measure cross-sectional local chamber activity as of 2015, finding that officials perceive local chambers to be the interest groups with the greatest involvement in local politics. Courbe and Payson (2024) hand-collect data on local chambers in California and show that voters only punish incumbent mayors for raising business taxes in cities with their own local chamber, suggesting an important mobilization role. Local chambers also get involved in state-level politics: over 700 chambers have contributed to political campaigns above the local level (Bonica, 2024), and over 350 have lobbied one of the 17 state legislatures coded by Hall et al. (2024). To date, however, no comprehensive, nation-wide, longitudinal data exists on the presence of local chambers in the United States.

To study the predictors of local business organization, I introduce an original dataset of over 11,000 local chambers of commerce incorporated in the United States over the past 250 years. To do so, I leverage the fact that local chambers—as nonprofit corporations—must file documents of incorporation with their state governments, as well as annual filings to remain in good standing. I therefore use administrative data on the complete

[13] It should be noted that the vast majority of local chambers have no connection whatsoever to the U.S. Chamber. Only 187 local chambers (less than 3%) even have formal accreditation with the U.S. Chamber; see https://www.uschamber.com/program/federation-relations/chamber-accreditation.

Figure 2: **The number of U.S. municipalities and counties with local chambers of commerce has increased sharply since 1947.**

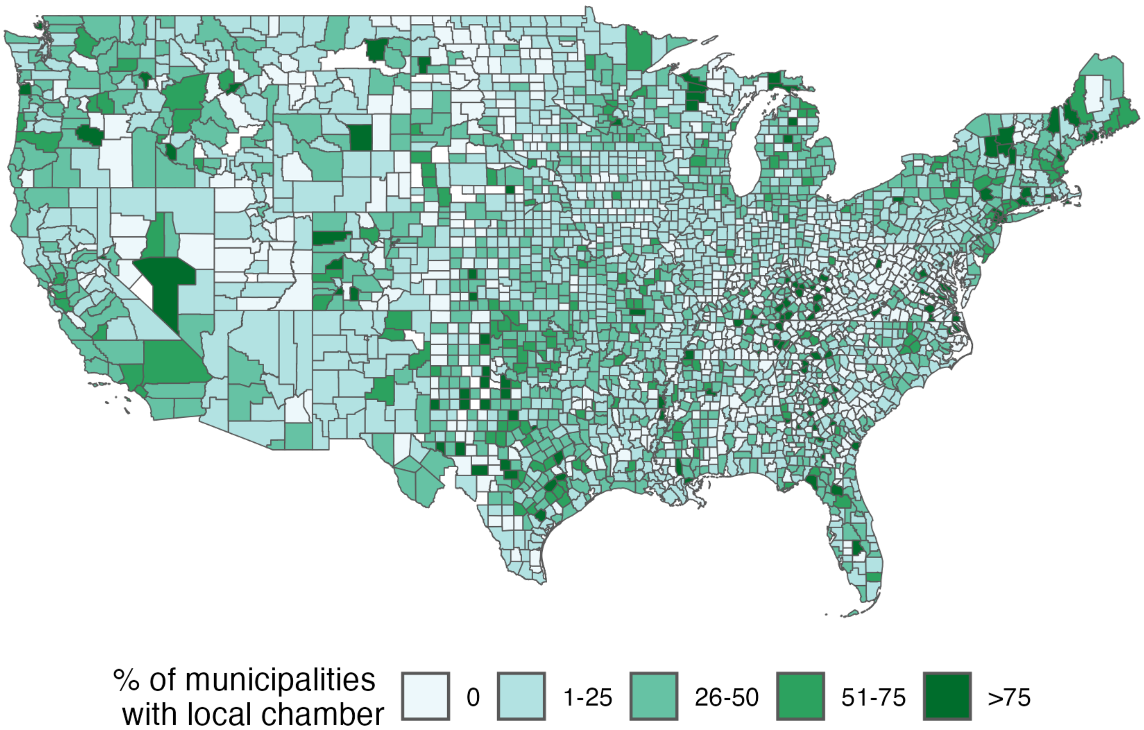


corporate registries of all 50 state governments (over 79m firms in total), collected by the nonprofit OpenCorporates, to identify all local chambers operating in the country. Further, given that most states retain records for defunct corporate entities as well as active ones, I am also able to identify local chambers that *used to* exist.

To identify local chambers of commerce from state corporate registries, I begin by limiting the data to entities with "chamber of commerce" or "board of trade" in their name. To validate this approach, I look to the list of currently active local chambers maintained by the U.S. Chamber of Commerce;[14] of the U.S. Chamber's list of approximately 7,400 chambers, compiled via submissions from local chambers themselves, over 90% contain one of these two terms in their name. I then filter out chambers that are specific to a certain ethnic group, nationality, religion, gender, sexuality, or industry; while these groups should certainly be the focus of future study, I am solely interested in general membership local chambers. Finally, to ensure that the chambers are focused on particular localities,

[14]See https://www.uschamber.com/co/chambers.

Figure 3: **Percentage of Municipalities in each County with a Local Chamber of Commerce, 2018.** Data on municipalities per county comes from Manson et al. (2024).



I filter the data again to chambers that contain either the name of the municipality or county in which they are located. As a validation test, in Figure A.1 I show that the state-level distribution of currently active chambers in my data looks very similar to that of the U.S. Chamber list.

While some counties and municipalities have multiple active chambers at a given time, my primary interest is in the extensive margin: how has the number of localities with any local chamber at all evolved over time? Figure 2 plots these trends for both municipalities and counties between the years of 1947 and 2018.[15] The number of U.S. localities with their own, dedicated chamber grew rapidly over the 20th century, with growth slowing in the 21st century and leveling out following the 2008 Financial Crisis.

[15]Note that the "Counties" panel plots the number of counties with their own *county*-level chamber, not the number of counties in which at least one municipal chamber is operating.

The number of municipalities with a local chamber more than tripled over the late 20th century, and the number of counties with their own county chamber more than quadrupled. Given that the total number of counties remained relatively fixed over this time period, the growth in county chambers provides reassurance that growth in chamber coverage is not simply attributable to the proliferation of local governments. Further, Figure 3 demonstrates that local chambers are active across all regions of the continental United States.[16]

5 Research Design and Identification

My goal is to estimate the effect of local-level industrial diversification on the formation of local chambers of commerce. To do so, I construct a panel of U.S. counties observed annually from 1970-2015. I conduct my analysis at the county-year because, as described above, this is the most disaggregated level at which industrial diversification can be calculated using the CBP data. My primary measure of industrial diversification, as described by Equation 1, is the HHI of county-level employment at the 2-digit SIC level. Since this is technically a measure of industrial specialization, I reverse the sign by subtracting the HHI measure from 1 to facilitate interpretation.

I examine two primary outcome variables. First, since the analysis is conducted at the county-year level, I examine the proportion of municipalities in a given county year that have their own local chamber. To produce this measure, I sum the number of unique municipalities in a county-year with at least one local chamber and divide by the number of census places in that county-year according to NHGIS census tabulations (Manson et al., 2024). Second, I examine a binary variable indicating whether or not a county had its own county-level chamber in a given year. The basic estimating equation for all models

[16]See Figure A.2 for a comparable map for county-level chambers.

is as follows:

$$\text{Chambers}_{ct} = \alpha_c + \gamma_t + \delta[\text{IndDivers}]_{ct} + \beta X_{ct} + \epsilon_{ct} \quad (2)$$

I control for a number of potential confounders at the county-year level: population, white population, median education, median real income, and percent voting for the Democratic candidate in presidential elections.[17] Descriptives on all variables used in the analysis are available in Table A.1. Still, however, industrial diversification is not randomly assigned across counties. It is possible that some unmeasured confounder, such as government spending on local economic development, drives both industrial diversification as well as chamber formation. If this were to be the case, estimates of δ would fail to capture the causal effect of industrial diversification on local business organization.

To address this possibility, I introduce a novel shift-share instrument for county-level industrial diversification (Goldsmith-Pinkham, Sorkin, and Swift, 2020). The shift-share instrument was originally developed to study the effects of local employment growth on local wages (Bartik, 1991); the logic of the instrument is that local employment growth can be decomposed into local industry-level employment shares and local industry-level employment growth, and that the latter is at least partially determined by national industry-level trends. For example, while idiosyncratic local factors may have caused textile manufacturing to decline more quickly (slowly) in some U.S. municipalities, textile manufacturing in *all* U.S. municipalities is affected by the national-level trends of global integration and structural change. Thus, one can instrument for local employment at time t using industry-level employment shares at time $t - n$ and *national*-level growth in industry employment between time $t - n$ and time t. Shift-share instruments of this type are commonly used when studying the local effects of structural changes (Autor, Dorn, and Hanson, 2013; Baccini and Weymouth, 2021; Clark, Khoban, and Zucker, 2025).

My instrument follows a similar logic as that of Bartik (1991); the key difference is that

[17] Voting data comes from Amlani and Algara (2021), population data comes from the NBER intercensal estimates, and all other variables come from NHGIS (Manson et al., 2024).

while Bartik wanted to instrument for total local employment (e.g. the sum of industry employment), my goal is to instrument for the HHI of local employment (e.g. the sum of squared industry employment *shares*). First, define s_{cj} as the share of county c's total employment accounted for by industry j. To calculate the HHI of industrial employment at the county level, we take the sum $\sum_j s_{cj}^2$. We can then define *change* in the HHI between two arbitrary time periods as:

$$\Delta HHI_c = \sum_j (s_{cj} + \Delta s_{cj})^2 \tag{3}$$

Intuitively, as shares must sum to 1, $\sum \Delta s_{cj} = 0$. Next, note that we can decompose any local industry-level change in employment shares into a part that is driven by national (e.g. structural) trends and a part that is idiosyncratic to that locality:

$$\Delta s_{cj} = \Delta s_{j,-c} + \Delta s_{cj}^* \tag{4}$$

Here, $\Delta s_{j,-c}$ is the change in industry j's share of national employment, leaving out locality c. Finally, to create the instrument, I follow convention by fixing counties' initial industry employment shares at an early time period (1965) and calculate shifts as the national level growth in industry j (leaving out county c) between 1965 and time t:

$$HHI_{ct}^{IV} = \sum_j (s_{cj,t=1965} + \Delta s_{jt,-c})^2 \tag{5}$$

Where $\Delta s_{jt,-c}$ is the change in industry j's share of national employment between 1965 and year t, leaving out county c. As with the endogenous measure of industrial diversification, I subtract HHI_{ct}^{IV} from 1 so that larger values indicate greater diversification. To my knowledge, this is the first application of the shift-share approach to a measure of inequality.

The primary barrier to identification with any IV design is a violation of the exclusion restriction, meaning that Z affects Y through some mechanism other than X. For my shift-share instrument, this would mean that some correlate of counties' initial (1965) industry shares predicts change in *future* chamber formation through some path other than increased industrial diversification. I follow best practices by assessing the correlates of each individual initial industry share at the county level (Goldsmith-Pinkham, Sorkin, and Swift, 2020). The results, presented in Table B.1, are reassuring: observable covariates do not explain much of the variation in industry shares.

However, it is still the case that much of the variation in the shift-share measure comes from counties that had relatively large manufacturing sectors in 1965. Correlates of manufacturing employment, such as urbanization or exposure to import competition, thus present potential exclusion restriction violations if not addressed. In the following section, I take several steps to control for these factors.

6 Results: Chamber Formation

Table 1 presents estimates of the effect of local-level industrial diversification on the formation of municipal-level chambers of commerce. Models 1-3 present naive OLS estimates of Equation 2, while Models 4-6 present the second stage of two stage least squares estimates in which industrial diversification is instrumented with HHI^{IV}_{ct}; all estimates are presented alongside robust standard errors clustered on the county. Across all models, industrial diversification is a significant positive predictor of local chamber formation. Further, the effect magnitude is nontrivial: using the estimate from Model (6), a one standard deviation increase in industrial diversification at the county level would generate a 5 percentage point increase in the proportion of municipalities in that county with a local chamber. Note too that the first stage of the 2SLS models handily satisfies the standard weak instrument tests, with an F statistic well above the accepted level for valid inference (Lee et al., 2022).

Table 1: **Industrial diversification increases the probability of municipal-level chamber formation.**

	DV: prop. of municipalities with local chamber					
	OLS			2SLS		
	(1)	(2)	(3)	(4)	(5)	(6)
Industrial Diversification	0.385***	0.083**	0.074*	0.682+	0.427***	0.360**
	(0.036)	(0.031)	(0.032)	(0.399)	(0.114)	(0.115)
Num.Obs.	141952	141952	139369	140829	140829	139099
R2	0.013	0.819	0.823	0.004	0.815	0.820
Controls			✓			✓
Year FE		✓	✓		✓	✓
County FE		✓	✓		✓	✓
First stage *F* stat:				2,178***	14,116***	12,717***
Kleibergen-Paap:				74***	300***	278***

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2 presents the analagous results for county-level chamber formation, which is measured as a binary outcome rather than a proportion given that the unit of analysis is the county-year. Similarly to the municipal chambers analysis, industrial diversification's effect on county-level chamber formation is strongly positive across all estimates and significant in five of six. The effect size is quite substantial: again using the estimate from Model (6), a one standard deviation increase in local-level industrial diversification would generate a 12 percentage point increase in the probability that a county has its own chamber of commerce. This large effect accords with the modern geography of county chambers, which (as shown by Figure A.2) are particularly prevalent in the "Rust Belt" states of Pennsylvania, Ohio, and Indiana that experienced particularly large increases in industrial diversification as they lost their manufacturing industries.

6.1 Robustness

These results provide strong support for the theory: county-level industrial diversification is a strong predictor of chamber formation at both the county and municipal levels.

Table 2: **Industrial diversification increases the probability of county-level chamber formation.**

	DV: county has its own chamber (0,1)					
	OLS			2SLS		
	(1)	(2)	(3)	(4)	(5)	(6)
Industrial Diversification	0.276***	0.164***	0.133***	0.809	1.253***	0.991***
	(0.036)	(0.028)	(0.036)	(0.503)	(0.172)	(0.173)
Num.Obs.	146595	146595	141112	142690	142690	140796
R2	0.005	0.845	0.848	-0.013	0.829	0.838
Controls			✓			✓
Year FE		✓	✓		✓	✓
County FE		✓	✓		✓	✓
First stage *F* stat:				2,195***	10,653***	9,582***
Kleibergen-Paap:				54***	189***	167***

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

I take several steps to ensure the robustness of these results. First, to ensure that no single state drives either the municipal or county-level results, I re-estimate the main models after iteratively dropping observations from each state; the results, plotted in Figures B.1 and B.2, are quite stable. In Table B.2, I show that all results are robust to using a more fine-grained, normalized measure of industrial diversification. In Table B.3, I show that my findings are not driven by outlier counties by demonstrating that results are robust to dropping the most urban and most populous counties from the sample.

As discussed above, a sizable proportion of the decline in county-level industrial diversification over time is driven by the decline of manufacturing employment in counties that were once specialized in manufacturing. Past studies have demonstrated that a good deal of the decline in U.S. manufacturing employment can be tied to the rise of imports from low-wage countries (Autor, Dorn, and Hanson, 2013; Pierce and Schott, 2016). Thus, if counties' initial (1965) shares of manufacturing employment render them more exposed to future trade shocks, local-level import exposure could serve as an alternative causal pathway between my shift-share instrument and local chamber foundation.

To address this possibility, I create a county-year measure of import exposure in a similar vein as that of Autor, Dorn, and Hanson (2013). To do so, I begin with data from Schott (2008) on annual U.S. imports and exports at the 4-digit SIC level from 1975-2005; I then create a measure of import balance for each industry by dividing the value of U.S. imports by the value of total trade (imports vs. exports). I then merge this measure into the CBP county-year data, and create a county-year level import exposure variable:

$$\text{ImpExp}_{ct} = \sum_{j} \text{ImpBal}_{jt} \times s_{jct} \tag{6}$$

Where ImpBal_{jt} is the U.S. import balance in an industry-year and s_{jct} is the share of county c's employment accounted for by industry j in year t. The resulting measure, which takes values between 0 and 1, provides a decent proxy for the extent to which a county's economy faces competition from imported goods.

I estimate models with both municipal and county chamber outcomes after controlling for import exposure. The results, presented in Appendix Table B.4, demonstrate that results are highly robust. The only qualitative difference is that the coefficient on industrial diversification is no longer significant in the OLS model with the municipal chamber outcome; however, as the similarity between Models 1 and 2 shows, this is an artifact of the substantially smaller sample size (1975-2005 instead of 1970-2015) rather than the inclusion of the import exposure control. The fact that three of the four fully specified models—and both of the main 2SLS results—remain significant and of similar magnitude, after both controlling for import exposure and shrinking the sample size by 33%, should foster confidence in the relationship between industrial diversification and local chamber formation.

7 Testing the Mechanism: Industrial Diversification and Chamber Membership

The results in the previous section demonstrate a positive and robust link between industrial diversification and chamber of commerce formation at the local level. Yet, they reveal little about the mechanism through which diversification enables local business organization. My theory predicts that industrial diversification aids chamber formation by reducing the average level of industry competition that firms face within their own localities, thereby increasing the *relative* gains received from locally-targeted policy benefits and incentivizing firms to organize locally.

If this mechanism is in operation, an observable implication is that firms within a given locality should also vary in their incentive to join an *existing* local chamber based on the degree of within-industry competition that they face at the local level: firms with more local competitors should be *less* likely to join the chamber. Testing this implication requires data on the memberships of several different local chambers. Such data is difficult to acquire: while chambers often provide member directories on their websites, these directories are often difficult to systematically harvest data from, and even more often they do not provide any type of information about their members' industries. Since members are often small local businesses, matching member directories to corporate databases is not feasible as a way to collect firm-level metadata.

Still, I am able to collect data on the complete memberships of 20 local chambers of commerce. My sample selection was largely driven by data availability, as I require that chamber websites provide (i) membership data that can be webscraped at scale and (ii) some form of industry description for each member. I also attempted to cover a wide range of geographic regions and municipality sizes.

Table 3 provides basic descriptives on the number of members that each chamber has as of 2025, as well as the total number of establishments in the corresponding city ac-

Table 3: **Local Chamber Membership Rates in Twenty Selected Municipalities.**

Municipality	Chamber Members	Establishments in City	Membership Rate
Ann Arbor, MI	838	4827	0.17
Aurora, IL	603	3914	0.15
Bakersfield, CA	1022	10667	0.10
Billings, MT	938	5430	0.17
Boulder, CO	1210	6652	0.18
Bowling Green, KY	1829	2849	0.64
Chandler, AZ	1215	7496	0.16
Greensboro, NC	1315	9634	0.14
Lubbock, TX	1765	7325	0.24
Memphis, TN	1669	14751	0.11
Oakland, CA	824	10210	0.08
Omaha, NE	2530	16304	0.16
Portland, OR	2092	32149	0.07
Providence, RI	954	5788	0.16
Rochester, NY	1370	11592	0.12
Salt Lake City, UT	1408	18066	0.08
San Antonio, TX	1492	36704	0.04
Tacoma, WA	1373	8048	0.17
Tampa, FL	1090	29498	0.04
Tulsa, OK	1589	14341	0.11
Average:	1356	12812	0.15

cording to the most recent edition of the CBP (2022)—recent editions of the CBP contain zip code-level data, though only for the number of establishments rather than employment.[18] Dividing the former figure by the latter produces an estimate of the membership rate for the local chamber, which averages 15% but is as high as 24% in Lubbock and 64% in Bowling Green. To provide some context for these numbers, an average membership rate of 15% is higher than the rate that nearly every civic organization documented by Putnam (2001) had at its mid-20th century *peak*; a membership rate of 64% is greater than the highest ever membership rate for working lawyers in the American Bar Association, which was 50.2% in 1977 (Putnam, 2001). That local businesses join their local chambers

[18] An establishment is defined as a place of business, such as a store or a factory. A single firm may have several establishments in the same locality. However, it is also the case that individual establishments—for example, branches of a national bank—often join local chambers separately. Thus, the establishment rather than the firm is the correct level of analysis at which to make this comparison.

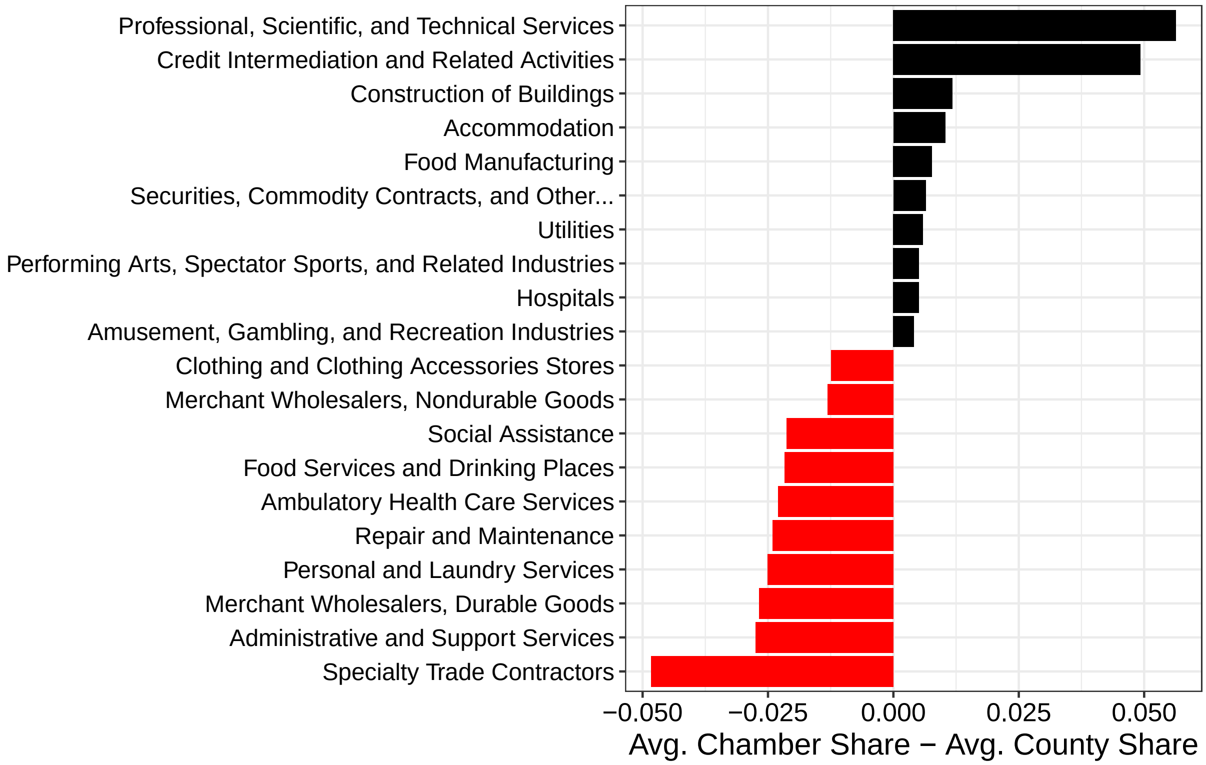
at such high rates helps to explain chambers' substantial influence in local politics (Anzia, 2022; Courbe and Payson, 2024).

Based on the industry descriptions provided in each chamber member's entry in the chamber's online member directory, I assign a 3-digit NAICS industry code to each member firm. For example, Billings Chamber member firm Bob Smith Motors, Inc. was listed with the industry tag of "Auto Dealers–New & Used," which I mapped to NAICS code 441 ("Motor Vehicle and Parts Dealers"). I then calculate the proportion of each chamber's membership that is accounted for by each industry. I also calculate the corresponding proportion of each county's total establishments that is accounted for by each industry, again using the 2022 CBP. The correlation of these two statistics reveals the general extent to which local chambers are representative of their local economies: among the chambers in my sample the correlation is $\rho = 0.70$, suggesting that local chambers are indeed quite representative.

While local chambers are fairly representative of their local economies, some industries are better represented than others. To study this, I calculate for every county-industry ij the difference between industry j's share of the membership in the local chamber and industry j's share of the enterprises in county i; positive values indicate that an industry is overrepresented in the chamber, while negative values indicate underrepresentation. I then average these differences at the industry level and plot the top 10 over- and underrepresented industries in Figure 4. The results indicate that firms in the credit intermediation (retail/commercial banks and credit unions) and professional services industries—the latter of which includes legal services, accounting, consulting, and so on—are particularly overrepresented in local chambers. Conversely, firms engaged in industries like wholesale trade and specialty contracting are underrepresented. It is notable that service industries appear at both the top and bottom ends of the figure, while manufacturing industries are largely absent.

Using this county-industry level data, I can test the relationship between local com-

Figure 4: **Ten most overrepresented and underrepresented industries in local chambers**. Positive values on the X axis indicate that an industry is overrepresented in local chambers relative to its share of local establishments, while negative values indicate underrepresentation.



petition and local chamber membership; if my theoretical mechanism is in operation, we should see a negative relationship between the two. To operationalize demand for local chamber membership at the industry level, I take as my outcome variable the proportion of chamber i's membership that is accounted for by industry j. I directly model the effect of local industrial diversification on the relationship between an industry's share of the local economy and its share of the local chamber. My theory predicts that, as diversification increases (specialization decreases), chambers should be more representative of their local economies because the average firm will have a greater incentive to join. Thus, an industry's share of the local economy should be *more* predictive of its share of the local chamber under greater levels of industrial diversification. The estimating equation for this test is as follows:

Table 4: **Testing the Mechanism: City-Industry Level Results**.

DV:	Proportion of Firms in Local Chamber in Industry j							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Prop. City	0.206**	-4.402**	-4.417**	-4.392**				
	(0.065)	(1.584)	(1.607)	(1.620)				
Prop. County					0.243***	-3.868*	-3.866*	-3.765*
					(0.062)	(1.850)	(1.862)	(1.875)
Ind. Div		-0.045	-0.046			-0.032	-0.029	
		(0.048)	(0.049)			(0.039)	(0.038)	
Prop. City × Ind. Div		4.680**	4.696**	4.671**				
		(1.621)	(1.644)	(1.657)				
Prop. County × Ind. Div						4.167*	4.165*	4.064*
						(1.913)	(1.924)	(1.936)
Num.Obs.	1260	1260	1260	1260	1502	1502	1502	1502
R2	0.711	0.711	0.712	0.714	0.715	0.716	0.716	0.717
Controls			✓				✓	
Industry FE	✓	✓	✓	✓	✓	✓	✓	✓
City FE				✓				✓

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

$$\text{ChamShare}_{ij} = \alpha_i + \gamma_j + \beta\text{LocalShare}_{ij} + \tau\text{IndDivers}_i + \delta[\text{LocalShare}_{ij} \times \text{IndDivers}_i] + \epsilon_{ij} \tag{7}$$

IndDivers_i is the same measure of inverted county-industry employment HHI used in previous sections, this time calculated using the 2022 CBP; higher values indicate greater industrial diversification at the local level. My theory predicts that δ should be positive. I use two different measures of an industry's share of the local economy: its share of the enterprises in the *city*, and its share of the enterprises in the corresponding *county*.

Table 4 presents the results of several models alongside robust standard errors clustered on the industry. Models 4 and 8 contain city fixed effects, while Models 3 and 7 include county-level controls for median income, median education, and urban population. First, Models 1 and 5 demonstrate that an industry's share of all establishments in the city/county is a robust positive predictor of that industry's share of the membership in the local chamber, even controlling for industry fixed effects. Thus, the strong correlation between an industry's presence in the local economy and its presence in the local chamber is not simply driven by industry-level differences in propensity to join the chamber.

However, the other models reported in Table 4 demonstrate that the positive relationship between an industry's share of the local economy and its share of chamber membership is conditional on industrial diversification. The large, positive, and significant coefficient on the interaction term between Prop. City/Prop. County and Industrial Diversification suggests that the relationship between an industry's share of the local economy and its share of the local chamber is strongest under conditions of maximum industrial diversification. In fact, once industrial diversification falls to a sufficiently low level (< 0.94, using estimates from Model 4), the relationship *reverses*: an industry's share of the local economy becomes a *negative* predictor of its share of of the local chamber membership. While none of the 20 counties in my sample have a low enough level of industrial diversification to flip this relationship, 45% of all U.S. counties do (as of 2022).

I have shown that, when industrial diversification is sufficiently low, an industry's share of the local economy is a negative predictor of that industry's share of the local chamber. This suggests that, when local economies are dominated by a few major industries, the only firms with an incentive to engage in collective lobbying at the local level are those in non-dominant industries with few competitors. These results establish strong support for my contention that the presence of local competitors significantly reduces a firm's incentive to engage in local collective action, and suggest that reduced local competition could be the mechanism driving the relationship I identify between industrial diversification and local chamber formation.

8 Conclusion

Why have local business interest groups proliferated widely over the last several decades, bucking the trend of political nationalization? I argue that the answer lies in an underresearched form of structural change: the increasing diversity of local economies' industrial composition. As industrial diversification progresses, firms face less direct competition from other entities in their locality; this makes local organization and lobbying for locally-targeted benefits more appealing, as firms can capture a greater proportion of these benefits relative to their competitors. Using an original dataset on thousands of local chambers of commerce, as well as a novel shift-share instrument, I find a strong positive effect of local industrial diversification on local chamber formation. Further, using additional original data on chamber membership, I find support for my proposed mechanism: when firms face greater local competition, they join existing chambers at lower rates.

This study contributes to a fast-growing literature on local interest groups in the United States (Anzia, 2019, 2022; Courbe and Payson, 2024; Gaudette, 2024; Sahn, 2025). A major barrier to studying local interest groups has historically been the inavailability of comprehensive data on the activities, and even the *presence*, of these groups. As a result, many existing studies restrict their focus to local interest groups in a single state (Courbe and Payson, 2024), in large cities only (Gaudette, 2024), or even in a single city (Sahn, 2025). By providing a comprehensive, national, longitudinal dataset on local chambers of commerce, the primary type of local business interest group, this study will hopefully enable much future investigation of chambers' effects on local policymaking. Further, given that many other types of local interest groups likely also incorporate as non-profits, state corporate registries may serve as a good resource for future data collection efforts as well.

Relatedly, while I limit my focus in this paper to general membership chambers, the data I collect suggest that there has also been a proliferation of local chambers that represent specific subsets of the local business community. For example, race and ethnicityspecific chambers—such as Black chambers, Asian-American chambers, and Hispanic chambers—are quite common. Studying these local interest groups has the potential to advance the recent empirical study of racial capitalism in political science (Thurston, 2021, 2025). For example, racial segregation has long been a critical aspect of local politics in the U.S., enduring long after the 1968 Fair Housing Act through mechanisms such as local land use restrictions (Trounstine, 2020); Black-owned and Black-friendly businesses clustered overwhelmingly in redlined neighborhoods in the mid 20th century, paving the way for modern business district segregation as well (Jones et al., 2024). Future research could fruitfully examine the effects of local-level racial segregation on the emergence of racially-fragmented local interest groups, as well as study these groups' preferences and advocacy efforts.

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Appendix

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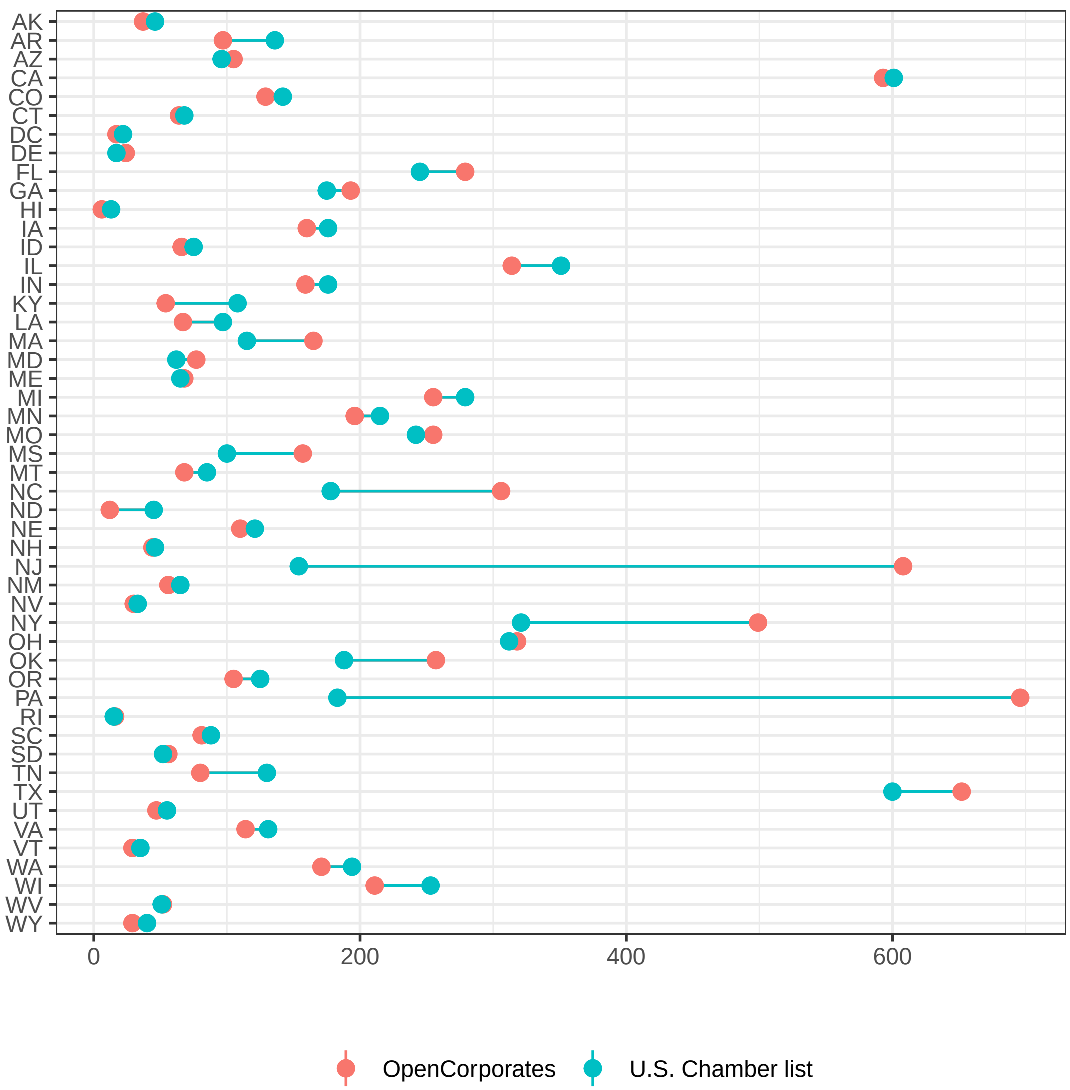
A Additional descriptives

A.1 Data validation: comparison to U.S. Chamber list of local chambers

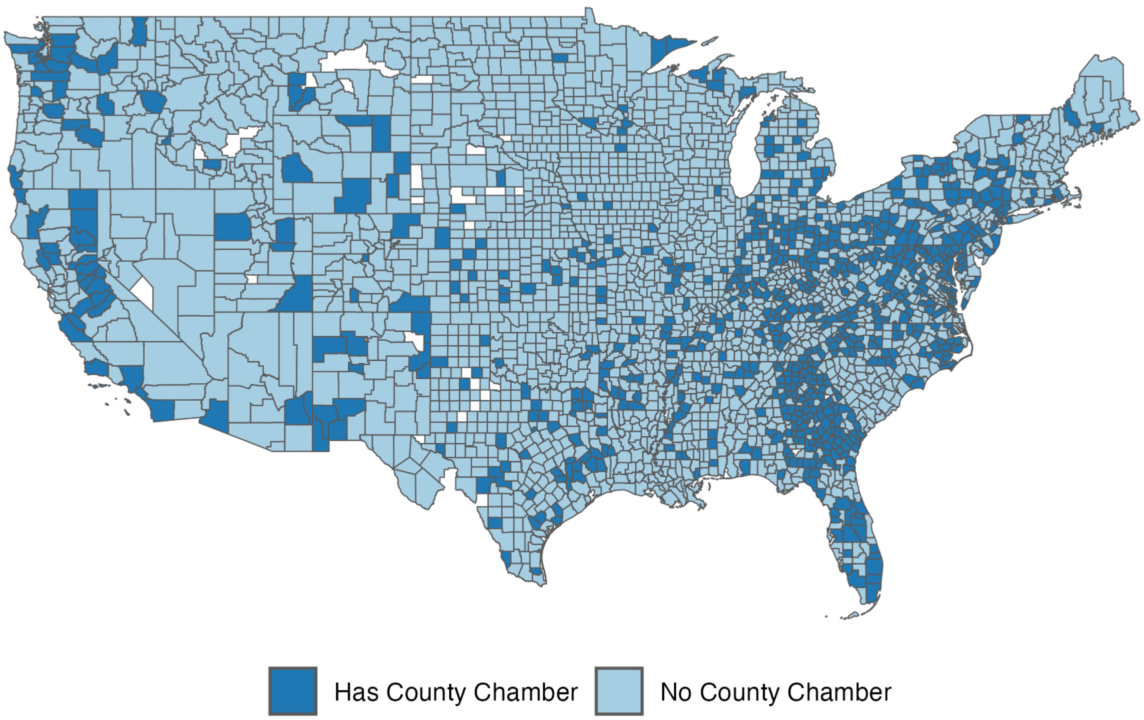
Figure A.1: **For most states, the number of active chambers in my data is quite similar to the number reported by the U.S. Chamber of Commerce.**



Discrepancies, such as those in PA or NJ, are likely due to those states' failure to label inactive chambers as inactive. AL and KS not listed, as those states do not provide status codes in their corporate registries.

A.2 Descriptives: map of county-level chambers as of 2018

Figure A.2: **U.S. Counties with a County-level Chamber of Commerce, 2018.**



A.3 Descriptives: descriptive statistics for variables used in main analyses

Table A.1: **Descriptive statistics for variables used in main analyses.**

Variable	Prop non-missing	Mean	SD	Min	Max
Year	1.00	1992.50	13.28	1970.00	2015.00
Ind. HHI (2-dig)	1.00	0.15	0.10	0.06	1.00
Ind. HHI (norm)	1.00	0.05	0.07	0.00	1.00
Ind. HHI (IV)	0.97	0.33	0.11	0.00	1.00
Prop. with municipal cham	0.97	0.27	0.28	0.00	1.00
County cham	1.00	0.20	0.40	0.00	1.00
Population	0.97	77680.31	259101.67	40.00	9848011.00
Median real income	0.98	43544.11	11867.79	9727.90	135436.95
Median education	0.98	11.41	1.75	5.00	16.00
White pop.	0.98	63448.61	182669.97	32.00	6006499.00
Dem vote share	0.98	0.40	0.13	0.05	0.93

B Additional analyses

B.1 Correlates of 1965 industry shares

Table B.1: **Correlates of 1965 Industry Shares.**

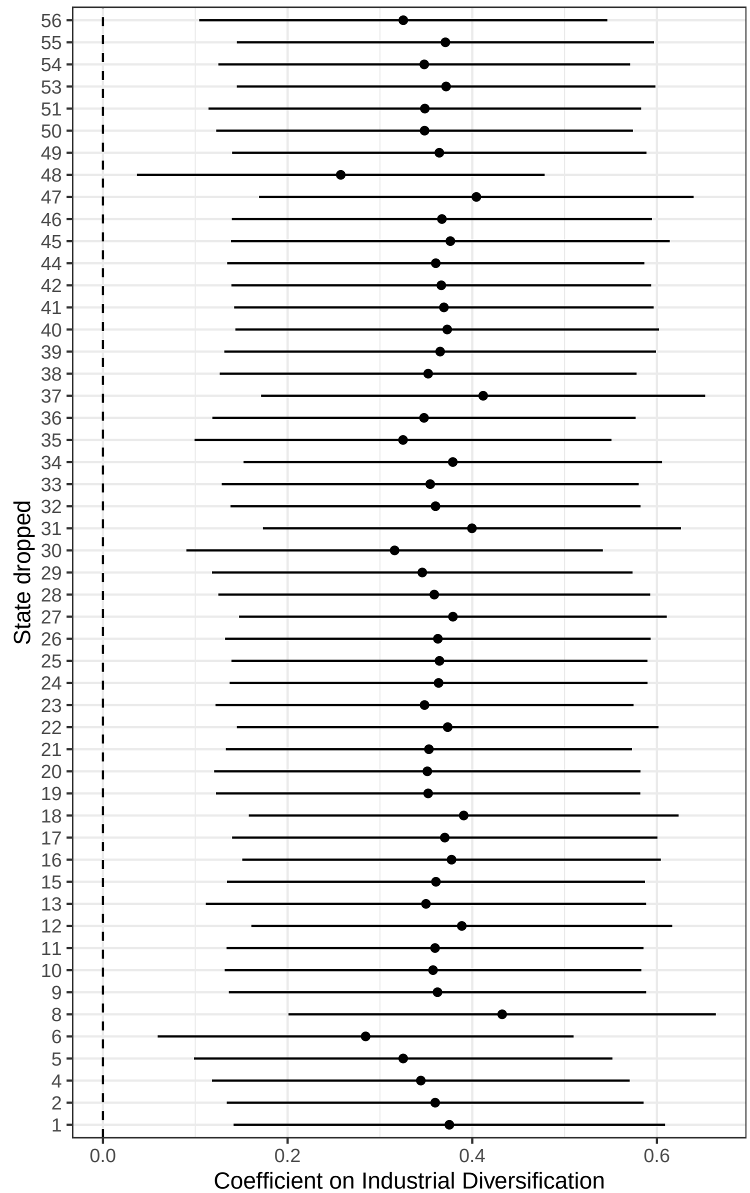
DV:	Industry Share of County Employment, 1965										
	Unclass.	Agri.	Mining	Constr.	Mfg.	Utils.	W. Trade	R. Trade	Finance	Svcs.	Ind. Div
log(Employment)	-0.020***	-0.003***	-0.019***	-0.003**	0.060***	0.001+	-0.008***	-0.034***	-0.002***	-0.002+	0.010***
	(0.001)	(0.000)	(0.002)	(0.001)	(0.003)	(0.001)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)
Median Educ.	0.000	0.000	-0.009***	0.003***	-0.021***	0.003***	0.003***	0.009***	0.003***	0.009***	0.006***
	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)	(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
log(Median Income)	0.016**	0.001	0.006	0.018*	0.028	-0.015**	-0.007	0.005	-0.003	-0.016+	-0.034**
	(0.006)	(0.002)	(0.015)	(0.008)	(0.022)	(0.006)	(0.006)	(0.011)	(0.004)	(0.009)	(0.013)
Dem Vote Share	-0.019*	-0.004	0.092***	-0.024*	-0.127***	0.001	0.011	0.048**	0.010+	0.008	0.040*
	(0.009)	(0.003)	(0.022)	(0.011)	(0.030)	(0.008)	(0.008)	(0.015)	(0.005)	(0.012)	(0.017)
Prop. White	-0.022**	-0.003	0.064**	-0.050***	-0.114***	0.009	-0.004	0.054***	-0.001	0.021*	0.009
	(0.007)	(0.002)	(0.020)	(0.008)	(0.024)	(0.006)	(0.006)	(0.012)	(0.004)	(0.010)	(0.014)
Prop. Foreign	0.309***	0.056***	0.115	0.149*	-1.940***	0.155**	0.250***	0.650***	0.131***	0.592***	0.214*
	(0.053)	(0.017)	(0.123)	(0.064)	(0.187)	(0.047)	(0.049)	(0.093)	(0.033)	(0.075)	(0.104)
Num.Obs.	2613	2621	2371	3057	3046	3053	3040	3088	3060	3082	3093
R2	0.233	0.059	0.103	0.020	0.211	0.037	0.057	0.232	0.044	0.110	0.059

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

All covariates measured as of 1970. Industries include SIC 00 (Unclassified); SIC 07 (Agricultural Services, Forestry and Fisheries); SIC 10 (Mining); SIC 15 (Contract Construction); SIC 20 (Manufacturing); SIC 40 (Transportation and Utilities); SIC 50 (Wholesale Trade); SIC 52 (Retail Trade); SIC 60 (Finance, Insurance and Real Estate); and SIC 70 (Services).

B.2 Municipal chamber results, iteratively dropping each state

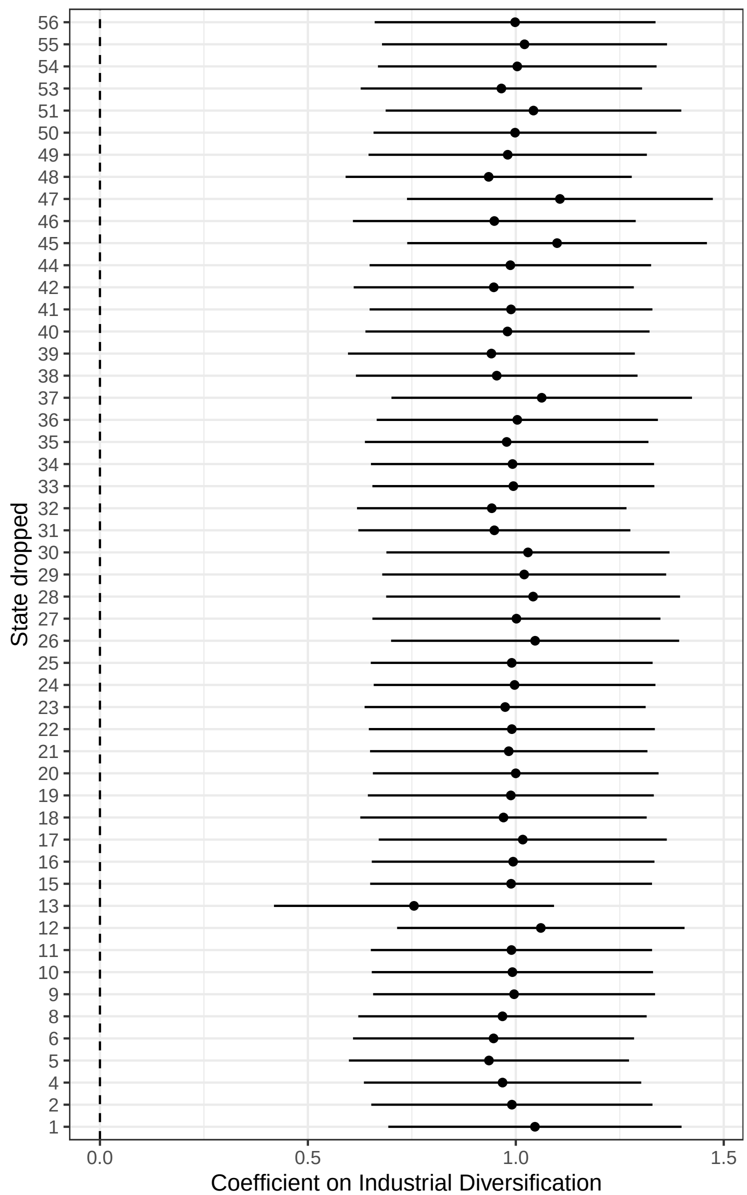
Figure B.1: **Results of Table 1, Model (6) are robust to dropping observations from each state.**



Unsurprisingly, the states that most affect the estimated effect when dropped are Texas (FIPS 48) and California (FIPS 6).

B.3 County chamber results, iteratively dropping each state

Figure B.2: **Results of Table 2, Model (6) are robust to dropping observations from each state.**



B.4 Main results, alternative measure of industrial diversification

Table B.2: **Main results from Tables 1 and 2 are robust to an alternate measure of industrial diversification.**

DV:	Prop. w/local chamber				County chamber (0,1)			
	OLS		2SLS		OLS		2SLS	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ind. Diversification	0.071*	0.058+	1.201***	1.089**	0.106***	0.076+	3.671***	3.175***
	(0.032)	(0.032)	(0.333)	(0.361)	(0.030)	(0.039)	(0.668)	(0.718)
Num.Obs.	141950	139367	140827	139097	146562	141097	142675	140785
R2	0.819	0.823	0.798	0.806	0.845	0.848	0.727	0.760
Controls		✓		✓		✓		✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓	✓	✓
First stage F stat:			2,702***	2,121***			1,748***	1,318***
Kleibergen-Paap:			97***	82***			49***	36***

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Rather than measuring industrial diversification using the HHI of industry employment at the 2-digit SIC level, the results in Table B.2 measure local industry employment HHI using the most fine-grained industry codes available and then normalize according to the number of industries reported per county-year. The normalization is $\text{HHI}_{ct}^{N} = \frac{\text{HHI}_{ct} - \frac{1}{N_{ct}}}{1 - \frac{1}{N_{ct}}}$, where N_{ct} is the number of industries reported in a given county-year.

B.5 Main results, dropping most populous and most urban counties

Table B.3: **Main results from Tables 1 and 2 are robust to dropping the most urban and most populous counties.**

DV:	Prop. w/local chamber				County chamber (0,1)			
	OLS		2SLS		OLS		2SLS	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ind. Diversification	0.071*	0.075*	0.324**	0.359**	0.143***	0.135***	1.070***	0.993***
	(0.032)	(0.032)	(0.125)	(0.115)	(0.038)	(0.036)	(0.205)	(0.173)
Num.Obs.	115789	138449	115729	138179	117184	140192	117108	139876
R2	0.811	0.822	0.809	0.819	0.841	0.849	0.828	0.839
Controls	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓	✓	✓
Drop:	Urb	Pop	Urb	Pop	Urb	Pop	Urb	Pop
First stage *F* stat:			8,913***	12,617***			6,510***	9,504***
Kleibergen-Paap:			212***	277***			123***	167***

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table B.3 presents the effects of industrial diversification on both municipal and county-level chamber formation after (i) excluding all counties in which > 90% of the population ever lives in an urban area ("Drop = Urb"); (ii) excluding the 20 most populous counties as of 2015 ("Drop = Pop").

B.6 Main results, including import exposure control

Table B.4: **Main results from Tables 1 and 2 are largely robust to controlling for import exposure.**

DV:	Prop. w/local chamber			County chamber (0,1)		
	OLS		2SLS	OLS		2SLS
	(1)	(2)	(3)	(4)	(5)	(6)
Industrial Diversification	0.045	0.042	0.469*	0.129**	0.127**	1.226***
	(0.039)	(0.039)	(0.189)	(0.042)	(0.042)	(0.275)
Num.Obs.	95003	95003	94784	96321	96321	96069
R2	0.867	0.867	0.863	0.878	0.878	0.865
Import Exposure Control:		✓	✓		✓	✓
Other Controls	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓
First stage *F* stat:			3,974***			2,858***
Kleibergen-Paap:			91***			62***

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$