

Social Cohesion, Public Goods, and Productivity*

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(Job Market Paper)

October 7, 2022

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Abstract

To what extent does local context matter for the success of policies? I use newly digitized historical data from Korea to investigate the effect of social cohesion on public good provision and agricultural productivity. Korea's structural transformation in the 1970s was accompanied by a 50% growth in agricultural output per capita. During this period, the Korean government delegated the authority for public good provision to local communities—a development practice known as Community-Driven Development. The role of pre-existing Korean village characteristics in this context has not been explored. First, I exploit cross-sectional variation in social cohesion that stems from family clan homogeneity. I find that homogeneous villages provision more public goods and have higher agricultural productivity. Then, I use time variation in market access created by the construction of a bridge. The effect of clan homogeneity is amplified with increased market access. I provide suggestive evidence that this initial gap in productivity by pre-existing conditions closes by the 1980s. The combination of social cohesion, decentralized public good provision, and national transportation together explain 30% of agricultural productivity growth between 1969 and 1979.

*I am grateful to Miguel Urquiola, Suresh Naidu, and Eric Verhoogen for their guidance and support throughout the Ph.D. program at Columbia. I also thank Michael Best, Do-Hyun Han, Cristian Pop-Eleches, Matthias Schündeln, Jack Willis, and Hyunjoo Yang for their valuable comments. I benefited from discussions with Omar Ahsan, Naman Garg, Florian Grosset, and Krzysztof Zaremba. Special thanks to Mr. Euiyeon Jeong and Ms. Heemyung Ahn for generously providing me with the *Namhae* data they had collected. Sanghwa Ahn, Chris Babcock, Yuqi Cheng, James Hu, Sujeong Kim, Seoyeon Kim, Hyungcheol Kim, Taein Kim, Byeongjin Min, Bukyung Min, ChaeYeon Oh, Jiyoung Park, Siyeon Song, and Abby Zhang provided excellent research assistance at various stages of the project. I would like to thank Miguel Urquiola, The Program for Economic Research (PER), The Center for Development Economics and Policy (CDEP), and the Colloquium Research Fund at Columbia for their financial support.

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