

Social Cleavages and Rural Development in Korea*

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Abstract

Social cleavages along dimensions like ethnicity or class can undermine economic performance. This paper identifies public good provision as a potential channel for this effect. I study 1970s Korea, which saw a 60% growth in agricultural output per capita. Villages in Korea were traditionally defined by family clans that were identified by the same parental lineage. Some villages displayed high clan homogeneity, with as many as 90% of households sharing a family name. I study how this variation in homogeneity interacts with variation in market access as the government expanded road networks. In particular, I focus on the variation created by the construction of the *Namhae* bridge. Following construction, homogeneous villages display higher agricultural investments and productivity growth than heterogeneous villages. Homogeneous villages were better able to exploit opportunities created by the bridge via local public goods provision. Finally, I find that heterogeneous villages do catch up, consistent with spillovers or demonstration effects.

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