

Costa-Kahn:

- Inspired by Putnam's Bowling Alone.
- Social capital is declining.
- Costa-Kahn think this might not true.

Unusual social capital setting:

Social capital: trust

- High social capital leads to higher voter turnout, better banking system, better governance

The Civil war was horrific

- Prob of death from battle and disease is ~20%
- low, infrequent pay
- Punishment mechanisms were weak
- Why didn't everyone desert?

Perhaps it was altruism toward fellow soldiers

- morale

- honor

- want to be part of the winning team

Coward vs. Hero

- as a fun of demographics, community characteristics, ideology, morale

These are non-market interactions

- Self-enforcing peer-pressure
- More social capital \Rightarrow more self-enforcing peer-pressure

Data:

- 31850 soldiers
- 81% of 18 year old males fought

Companies were formed locally

- could be sorting on unobserved skill?
- Costa-Kahn discount this.

Stakes are very high

- Rich dataset - demographic characteristics.
- Were people volunteers or hired?

Morale:

- share of battles won in last 18 months
- share of company died in last 6 months

Deserters are younger, illiterate, poorer, Irish and British, married and not German.

More heterogeneity implies more likely to desert

Having brother in company makes you more likely to desert.

- Desertion was less likely for men who
 - enlist early
 - volunteered
 - were from Pro-Lincoln areas

Social capital and fear of loss of honor substituted for incentive pay.

Liberty Ships and Learning by Doing - Thompson

Learning by doing originated with Arrow in the 1960s.

"Making a Miracle" Lucas, (EMA 1993)

1960-1988 Philippines: 1.8% GDP growth/year
Korea: 6.2% GDP growth/year

- Must be due to learning-by-doing.

Evidence for learning by doing - Liberty ships

- output per hour increased by almost 40%

Is the history correct?

Rapping (1965)

$$y_{it} = A e^{\alpha t} w_{it}^{\alpha} L_{it}^{\beta} \bar{Y}_{it}^{\eta}$$

- η - learning by doing effect

Thompson argues that growth of capital is not taken into effect. Quality also not controlled for.

- got new data from national archives
- got new capital proxy
- argues that a lot of this capital is exogenous
- got labor inputs and experience as well.
- double experience \Rightarrow 22% output increase. instead of 44% found in other papers.
- capital, Thompson finds, is very important.

Final exam

Relatively straightforward

- Do three out of six questions
- Answer questions based on readings as much as possible.
- One and a half hours.
- "Describe the 2nd industrial revolution and how it affected the labor force."