

Ag decline - path dependency

Robert Fogel

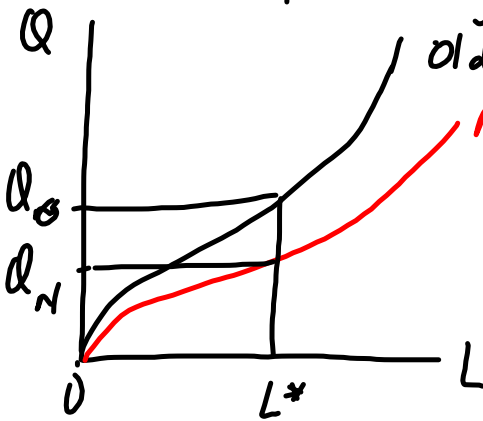
↳ counterfactual.

↳ railroads -

↳ drives resource development pattern

- ownership
- pace / timing
- technology

post resource extraction period development.



→ op cost of labor ↓

## 1862 Homestead Bill.

- lands opened to settlement  
IL, OH, MI, WI (west PA)

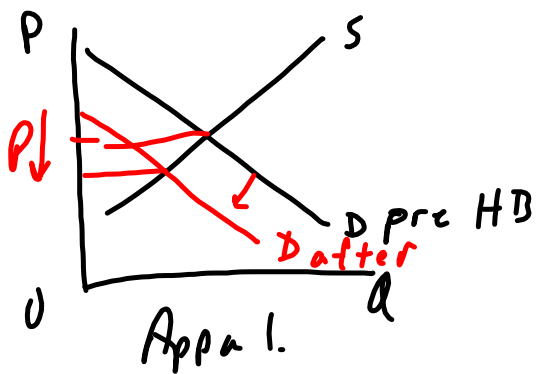
Ag output ↑

- rail growth - subsidies - cash  
- land.  
rates for cargo (freight) ↓  
applied in HB areas  
WV, KY, TN, VA → not applied.

location advantage shifted to  
"mid west"

- result → net payoff to farming in  
mid west ↑ (capture  
improvements in transport)

Product X  
 → sells in final market for  $P_x$   
 net return return is  $P_x - \text{transport cost}$



Capital markets in Appal.

Invest requires "cash" (capital)

Borrow & repay from higher earnings

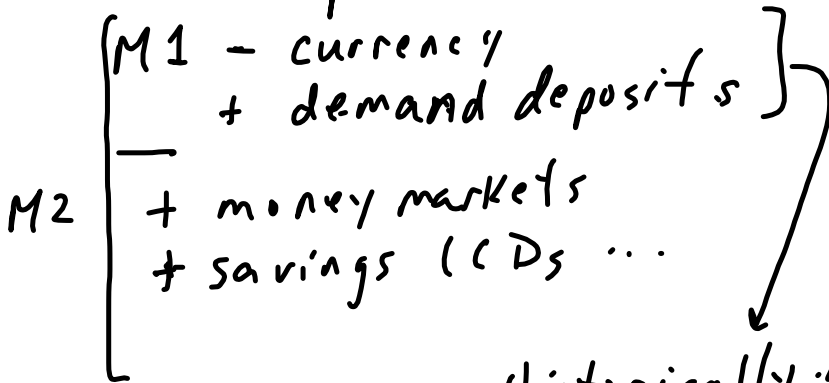
Banks needed

- costly to assess profitability
- geographic proximity
- lack of local banks. → lack of cash

capital holdings of farms

KY	- Eastern	\$2370	} 1880
	- Western	\$6700	

capital markets - investment loans  
- cash - facilitate purchases



Historically major source of transactions.

- cash - issued by local banks

"seigniorage" - face value - cost of currency

- cash holdings - transactions

- store of value

- precautionary

Gresham's Law.  
Bad drives out good.

Money A } substitutes  
 " B }  
 value A ↓ (over printed (issued))  
 A exchange medium. ( " )  
 B holding " )  
 A → "bad money"

Feds → state banks no longer  
issue currency

# in circulation 1865 \$450 million  
1870 \$350 "

→ loss of assets (forfeiture)  
due to inability to borrow  
(lack of banks)

Timber - late 1800s (after War)

↳ vast old growth forests (hardwoods)

→ lease timber rights (sep. from land)

- share cropping - pay landowner a fee  
(share of value)

↳ Keep rest

↳ risk sharing - verifiable

Moral hazard - selective effort  
effort protects asset or  
not

"any & all means practicable"

Broad form deed - no liability for  
collateral damage

Moral hazard -

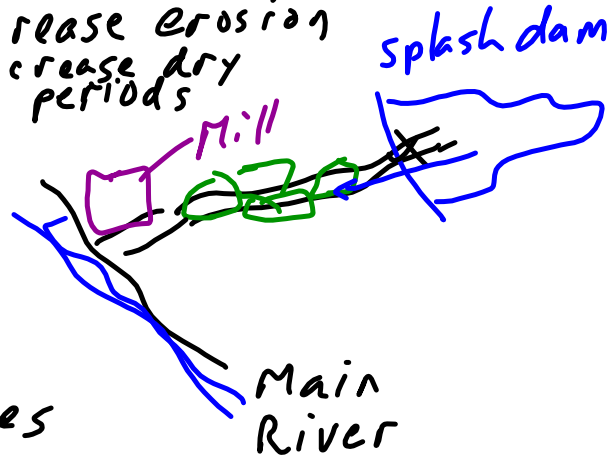
- incomplete contract -

- leave out behavior imposes cost on other party

- clear cut - increase erosion

- floating logs - increase dry periods

↳ destruction of banks of stream



- externality → imposes cost on 3rd parties

(erosion, volatility of stream flows)

- no replanting required.



- consequences - unforeseen
  - future productivity of lands ↓
- 

- legal remedy?

- "mutual mistake" - neither party could have foreseen method of extraction

- "unconscionability" - asymmetric.  
- revised by court.

Coal. → 1986 KY - covered strip mining ]

Paper topics -

- double
- integrate - eg education - development.
- environment

"Progressive Era" - early 1900s

- Weeks Act
- education
- Labor laws - <sup>work week</sup> child labor

Appal culture as tourist resource