Bar Talk: Informal Social Interactions, Alcohol Prohibition, and Invention

Economic History Workshop

Event time: Monday, October 28, 2019 - 4:00pm

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28 Hillhouse Ave., Room 106

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Abstract: To understand the importance of informal social networks for invention, I examine one of the largest involuntary disruptions of social networks in U.S. history: alcohol prohibition. The enactment of state-level prohibition laws di?erentially treated counties depending on whether those counties were wet or dry prior to prohibition. After the imposition of state-level prohibition, previously wet counties had 8-18% fewer patents per year relative to consistently dry counties. The e?ect was largest in the ?rst three years after the imposition of prohibition and rebounds thereafter. The e?ect was smaller for groups that were less likely to frequent saloons, namely women and particular ethnic groups. I present evidence that the e?ect was driven by the disruption of social inter-actions and rule out alternative explanations. I next use the prohibition experiment to document several facts. I show that the social network increases invention through exposure to ideas in addition to exposure to collaborators and that informal and formal connections are complements in the invention production function. Finally, I show that the social network exhibits path dependence in the sense that as individuals rebuilt their social networks following prohibition, they connected with new individuals and patented in new technology classes. While prohibition had only a temporary e?ect on the rate of invention, the fact that the post-prohibition network exposed individuals to di?erent ideas means that prohibition had a lasting e?ect on the direction of inventive activity.

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