

Table 4: The effect of machine type and worker quality on log output per machine

	(1)
	Production function
Log number of weavers	0.109*** (0.029)
New machine	-0.858** (0.335)
Log residual wage (as of 1989) of workers at the machine type	-9.91** (4.62)
New machine \times log residual wage	38.53*** (7.55)
Number of observations	261
R^2	0.733
Effect of the new machine at 25th percentile of the 1989 residual wage	-0.747
Effect of the new machine at 50th percentile of the 1989 residual wage	1.20
Effect of the new machine at 75th percentile of the 1989 residual wage	1.47

Notes: Dependent variable: log output per machine. Sample: machine-months for five types of loom. Estimation: OLS. The average residual wage was measured by regressing individual log annual earnings (based on payment by results) in 1989 on age, age squared and type of machine fixed effects, and averaging the residual for workers employed at the given type of machine in the given month. Output is measured in million pics/month. Standard errors (in parentheses) are calculated from a 200-repetition bootstrap. Coefficients significantly different from zero at 1, 5 and 10 percent are marked by ***, ** and *, respectively.