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The Samurai Bond: Credit Supply and Economic Growth in Pre-War Japan

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While credit supply growth is associated with exacerbating financial crises, its impact on long-run development is unclear. Using bond payments to samurai in nineteenth century Japan as a quasi-natural experiment and exploiting regional variation, we find that bond payments are associated with persistent redistributive effects between regions and sectors. Areas with early railway access and higher bond value per capita experienced faster income growth in the tertiary sector and slower growth in the primary, with analogous effects for sectoral labor shares. Our interpretation is that the interaction between credit supply and productivity-enhancing technologies facilitated economic development and structural transformation.

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Subjects

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