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Article

Financial Development, Property Rights, and Growth

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Abstract

In countries with more secure property rights, firms might allocate resources better and consequentially grow faster as the returns on different types of assets are more protected against competitors' actions. Using data on sectoral value added for a large number of countries, we find evidence consistent with better property rights leading to higher growth through improved asset allocation. Quantitatively, the growth effect is as large as that of improved access to financing due to greater financial development. Our results are robust using various samples and specifications, including controlling for growth opportunities.

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