



American Economic Review

ISSN 0002-8282 (Print) | ISSN 1944-7981 (Online)

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Property Rights and Finance

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AMERICAN ECONOMIC REVIEW
VOL. 92, NO. 5, DECEMBER 2002
(pp. 1335–1356)

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Article Information

Abstract

Which is the tighter constraint on private sector investment: weak property rights or limited access to external finance? From a survey of new firms in post-communist countries, we find that weak property rights discourage firms from reinvesting their profits, even when bank loans are available. Where property rights are relatively strong, firms reinvest their profits; where they are relatively weak, entrepreneurs do

not want to invest from retained earnings.

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Johnson, Simon, John McMillan, and Christopher Woodruff. 2002. "Property Rights and Finance." *American Economic Review*, 92 (5): 1335–1356.

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JEL Classification

P23 Socialist Systems and Transitional Economies: Factor and Product Markets; Industry Studies; Population

P34 Socialist Institutions and Their Transitions: Financial Economics

D23 Organizational Behavior; Transaction Costs; Property Rights

M13 New Firms; Startups

P31 Socialist Enterprises and Their Transitions

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