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The Samurai Bond: Credit Supply, Market Access, and Structural Transformation in Pre-War Japan

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Abstract

While credit supply growth is associated with exacerbating financial crises, its impact on long-run growth is unclear. Market access similarly has ambiguous economic effects over time. Using regional variation in bond payments to samurai and the introduction of railways in nineteenth century Japan, we find that together they are associated with persistent redistributive effects between regions and sectors. Areas with higher bond value and railway access experienced tertiary sector growth and primary sector shrinkage, with analogous results in sectoral labor shares. This interaction between credit supply and market access facilitated structural transformation but had little long-run net growth impact.

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