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Historical Perspectives on Financial Development and **Economic Growth**

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WORKING PAPER 9333

DOI 10.3386/w9333

ISSUE DATE November 2002

This paper uses standard tools of empirical macro economics to examine how well the existing historical time series support a role for financial factors in real sector activity in four economies that experienced what are widely considered to be 'financial revolutions' over the past 400 years. The evidence presented for the Dutch Republic (1600-1794), England (1700-1850), the United States (1790-1850), and Japan (1880-1913) suggests that the emergence of financial instruments, institutions, and markets played a central role in promoting trade, commerce, and industrialization. Cross-section regressions with a wider set of countries for the post-1850 period offer additional support for the Schumpeterian view of finance in growth. Though limitations of the available data argue

for a cautious interpretation, the findings are consistent with the traditional and more descriptive analyses of these events in the economic history literature, and with results obtained for the post-1960 period by modern macro economists.

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Acknowledgements and Disclosures

Citation and Citation Data

Published Versions

Peter L. Rousseau, 2003. "Historical perspectives on financial development and economic growth," Review, Federal Reserve Bank of St. Louis, issue Jul, pages 81-106. citation courtesy of RePEc

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Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

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