



MACROECONOMICS

The Political Economy of Financial Regulation: Evidence from U.S. State Usury Laws in the 19th Century

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The authors review the development of financial regulation through the lens of U.S. state usury laws in the 19th century. Among other things, they find evidence that lending activity was affected by rate ceilings.

Exploiting the heterogeneity across states and time in regulation, enforcement and market conditions, they find that regulation tightens when it is less costly and when it coexists with other economic and political restrictions that exclude certain groups.

Furthermore, the authors assert, regulations that favor one group (and restrict others) tend to be associated with higher (lower) future economic growth rates.

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