

Interactions between Regional Public and Private Investment: Evidence from Japanese Prefectures

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This paper examines the effects of government investment on capital investment of private sectors by using Japanese prefectures' data. Empirical results show that while public investment stimulates the investment in transportation and communication industries, robust crowding-out effect is observed in services and financial sectors in rural areas. This suggests that public investment is not necessarily adequate to support the regional economy through stimulating regional private sector's capital formation.

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