

The role of pawnshops in risk coping in early twentieth-century Japan

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Abstract

This study examines the role of pawnshops as a risk-coping strategy in Japan in the prewar period when poor people were highly vulnerable. Using data on pawnshop loans in more than 250 municipalities and the 1918–1920 influenza pandemic as a natural experiment, we find that the total loan amount increased because of the pandemic shock. Our results suggest that those who regularly relied on pawnshops borrowed from them more money than usual to cope with the adverse health shock, whereas others did not take out pawnshop loans. In addition, further analyses reveal that loans from pawnshops prevented an increase in the unemployment rate due to the pandemic. Pawnshops thus served as an informal social insurance mechanism in early twentieth-century Japan.

Keywords: Pawnshop; Risk-coping strategy; Borrowing; Influenza pandemic

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