Bank Integration and Transmission of Financial Shocks: Evidence from Japan

Masami Imai, Seitaro Takarabe

Web Appendix

Not for Publication

Appendix B: Replicate Tables 1-7, using city bank deposit share as a measure of bank integration

Table B1: Replicate Table 1, using city bank deposit share as a measure of bank integration

Columns 1-4 report the results of OLS. Panels A and B of columns 5-6 report the results of the first stage and second stage of IV regressions. ΔLOAN and ΔGDP represent growth of local loan and output, respectively. ΔLocal Land Price is growth of local land price index and ΔCity Land Price is growth of land price index for six major cities. City Bank Share is a ratio of city banks’ deposit total deposit in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

<table>
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<tr>
<th>Variables</th>
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<th>Panel B</th>
</tr>
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<tr>
<td></td>
<td>OLS</td>
<td>IV (1st stage)</td>
</tr>
<tr>
<td></td>
<td>ΔGDP</td>
<td>ΔGDP</td>
</tr>
<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.216*** 0.187***</td>
<td>0.613*** 0.494***</td>
</tr>
<tr>
<td></td>
<td>(0.0487) (0.0435)</td>
<td>(0.221) (0.182)</td>
</tr>
<tr>
<td>City Bank Share</td>
<td>0.0775** 0.0739**</td>
<td>0.144 0.129</td>
</tr>
<tr>
<td></td>
<td>(0.0355) (0.0342)</td>
<td>(0.0919) (0.0850)</td>
</tr>
<tr>
<td>ΔLocal Land Price</td>
<td>0.0222*** 0.0129**</td>
<td>0.078*** 0.0534***</td>
</tr>
<tr>
<td></td>
<td>(0.00648) (0.00607)</td>
<td>(0.0167) (0.0134)</td>
</tr>
<tr>
<td>Observations</td>
<td>920 916 916 920 916 916</td>
<td>7.691 7.336</td>
</tr>
<tr>
<td>Number of prefectures</td>
<td>40 40 40 40 40 40</td>
<td>0.897 0.899</td>
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<tr>
<td>R-squared</td>
<td>0.712 0.716 0.717 0.894</td>
<td>0.352*** 0.379***</td>
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<tr>
<td>First Stage F Statistic</td>
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<td></td>
<td>0.717 0.894 0.897 0.899</td>
<td>(0.0544) (0.0676)</td>
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<tr>
<td>** Variables</td>
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<tr>
<td>ΔLOAN</td>
<td>0.352*** 0.379***</td>
<td>(0.0544) (0.0676)</td>
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<td>ΔLocal Land Price</td>
<td>0.0269 0.0251</td>
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<td>(0.0359) (0.0374)</td>
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</tr>
<tr>
<td>R-squared</td>
<td>0.645 0.631</td>
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</tr>
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</table>

*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
**Not for Publication**

**Table B2: Replicate Table 2, using city bank deposit share as a measure of bank integration**

Columns 1-4, 5-8, and 9-12 report the results based on 2-year frequency, 3-year frequency, and 4-year frequency, respectively. Panels A and B in columns 5 and 6 report the results of the first stage and second stage of an IV regression. $\Delta LOAN$ and $\Delta GDP$ represent growth of local loan and output, respectively. $\Delta Local Land Price$ is growth of local land price index and $\Delta City Land Price$ is growth of land price index for six major cities. City Bank Share is a ratio of city banks’ deposit total deposit in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<tr>
<th>Variables</th>
<th>Panel A</th>
<th>Panel B (IV, 2nd stage)</th>
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<tbody>
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<td>(1) (2) (3) (4) (5) (6)</td>
<td>(7) (8) (9) (10) (11) (12)</td>
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<tr>
<td>$\Delta Local Land Price$</td>
<td>$\Delta GDP$ $\Delta GDP$ $\Delta LOAN$ $\Delta GDP$ $\Delta GDP$ $\Delta LOAN$ $\Delta GDP$ $\Delta GDP$ $\Delta LOAN$ $\Delta GDP$ $\Delta LOAN$ $\Delta LOAN$</td>
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<tr>
<td>$\Delta City Land Price$</td>
<td>0.0399*** (0.00844)</td>
<td>0.0276*** (0.00866)</td>
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<tr>
<td></td>
<td>0.120*** (0.0203)</td>
<td>0.0862*** (0.0173)</td>
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<td></td>
<td>0.0448*** (0.0104)</td>
<td>0.0259** (0.0109)</td>
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<tr>
<td></td>
<td>0.147*** (0.0316)</td>
<td>0.0982*** (0.0303)</td>
</tr>
<tr>
<td></td>
<td>0.0566*** (0.00965)</td>
<td>0.0400*** (0.0119)</td>
</tr>
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<td>0.147*** (0.0171)</td>
<td>0.103*** (0.0164)</td>
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<tr>
<td>City Bank Share $\Delta City Land Price$</td>
<td>0.175*** (0.0314)</td>
<td>0.478*** (0.159)</td>
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<td>0.190*** (0.0369)</td>
<td>0.511*** (0.183)</td>
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<td>0.147*** (0.0313)</td>
<td>0.386*** (0.128)</td>
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<td></td>
<td>0.0608 (0.0433)</td>
<td>0.162 (0.106)</td>
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<td>0.403 (0.358)</td>
<td>1.090*** (0.414)</td>
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<td>0.0117 (0.0564)</td>
<td>0.0204 (0.130)</td>
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<td>R-squared</td>
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**Panel B (IV, 2nd stage)**

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<th>$\Delta GDP$</th>
<th>0.366*** (0.0859)</th>
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<tr>
<td>$\Delta GDP$</td>
<td>0.372*** (0.111)</td>
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<td>$\Delta LOAN$</td>
<td>-0.00390 (0.0135)</td>
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<td>$\Delta Local Land Price$</td>
<td>-0.0106 (0.0205)</td>
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<tr>
<td>City Bank Share</td>
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<td>City Bank Share</td>
<td>-0.00278 (0.279)</td>
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<td>R-squared</td>
<td>0.751 (0.844)</td>
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*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
Table B3: Replicate Table 3, using city bank deposit share as a measure of bank integration

The reported results are based upon the value of city bank share prevailing as of 1979, which is kept constant for the entire sample period. $\Delta LOAN$ and $\Delta GDP$ represent growth of local loan and output, respectively. $\Delta Local Land Price$ is growth of local land price index and $\Delta City Land Price$ is growth of land price index for six major cities. City Bank Share is a ratio of city banks’ deposit total deposit in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<td>$\Delta GDP$</td>
<td></td>
<td>$\Delta LOAN$</td>
</tr>
<tr>
<td>$\Delta Local Land Price$</td>
<td>0.0123*</td>
<td>0.0547***</td>
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<tr>
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<td>(0.00629)</td>
<td>(0.0140)</td>
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<tr>
<td>City Bank Share* $\Delta City Land Price$ (1979)</td>
<td>0.186***</td>
<td>0.486**</td>
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<td>(0.0421)</td>
<td>(0.189)</td>
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<td>897</td>
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<td>Number of prefectures</td>
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<td>R-squared</td>
<td>0.719</td>
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Panel B

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<td>$\Delta GDP$</td>
<td>0.383***</td>
</tr>
<tr>
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<td>(0.0793)</td>
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<td>$\Delta Local Land Price$</td>
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<td>(0.00849)</td>
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<td>R-squared</td>
<td>0.618</td>
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*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
**Not for Publication**

**Table B4: Replicate Table 4, using city bank deposit share as a measure of bank integration**

The table reports the results of the specification that separately estimate the effects of city land price growth on non-city bank lending (columns 1 and 2) and city bank lending (columns 3 and 4). Panels A and B in column 4 report the results of the first stage and second stage of an IV regression, respectively. $\Delta LOAN$ and $\Delta GDP$ represent growth of local loan and output, respectively. $\Delta Local$ Land Price is growth of local land price index and $\Delta City$ Land Price is growth of land price index for six major cities. City Bank Share is a ratio of city banks’ deposit total deposit in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>$\Delta$ Local Land Price</td>
<td>0.0766*** (0.0162)</td>
<td>0.0630*** (0.0158)</td>
<td>0.0148*** (0.00518)</td>
<td>-0.00170 (0.00266)</td>
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<tr>
<td>City Bank Share*$\Delta$ City Land Price</td>
<td>0.276 (0.180)</td>
<td>0.336*** (0.0260)</td>
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<tr>
<td>City Bank Share</td>
<td>0.155 (0.119)</td>
<td>0.0131 (0.0326)</td>
<td></td>
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</tr>
<tr>
<td>Observations</td>
<td>916</td>
<td>916</td>
<td>916</td>
<td>916</td>
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<tr>
<td>Number of prefectures</td>
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<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>R-squared</td>
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<td>0.890</td>
<td>0.287</td>
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<td>First Stage F Statistic</td>
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<td>Panel B (IV, 2nd stage)</td>
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</tr>
<tr>
<td>$\Delta$ LOAN (City Banks)</td>
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<td>0.557*** (0.0905)</td>
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</tr>
<tr>
<td>$\Delta$ Local Land Price</td>
<td></td>
<td>0.0138** (0.00628)</td>
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<td>City Bank Share</td>
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<td>0.0666** (0.0329)</td>
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<tr>
<td>R-squared</td>
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*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
**Not for Publication**

**Table B5: Replicate Table 5, using city bank deposit share as a measure of bank integration**

The table shows the results of specifications that control for differential correlation between local economies and cities. We compute the difference in income per capita (in absolute value) between each prefecture and cities (*Income Diff*) and then interact it to city land price growth and to city bank deposit share (columns 1-3). We interact the average distance to the cities (*Distance*) to city land price growth and to city bank deposit share (columns 4-6). We also compute industry mix control (columns 7-9), which is constructed as: \( \eta_{it} = \gamma_{jt-1} \eta_{jt} \) where \( \eta_{it} \) denotes the predicted output growth of prefecture \( i \) in year \( t \), \( \gamma_{jt-1} \) denote the (lagged) share of output in industry \( j \) in prefecture \( i \) in year \( t-1 \), and \( \eta_{jt} \) denote the output growth of industry \( j \) in city prefectures in year \( t \). Standard errors are adjusted for clustering within each prefecture.

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
<th>(9)</th>
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</thead>
<tbody>
<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.133*** (0.0280)</td>
<td>0.215*** (0.0761)</td>
<td>0.619*** (0.193)</td>
<td>0.110*** (0.0290)</td>
<td>0.596*** (0.196)</td>
<td>0.0995*** (0.0292)</td>
<td>0.595*** (0.197)</td>
<td></td>
</tr>
<tr>
<td>ΔGDP</td>
<td>0.00790 (0.00577)</td>
<td>-0.00135 (0.00693)</td>
<td>0.0430*** (0.0125)</td>
<td>0.00881 (0.00576)</td>
<td>0.000765 (0.00678)</td>
<td>0.00943* (0.00559)</td>
<td>0.00210 (0.00655)</td>
<td></td>
</tr>
<tr>
<td>ΔLOAN</td>
<td>0.173** (0.0648)</td>
<td>0.171*** (0.0593)</td>
<td>0.0100 (0.0652)</td>
<td>0.516** (0.231)</td>
<td>0.253 (0.298)</td>
<td>0.470** (0.223)</td>
<td>0.429** (0.197)</td>
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</tr>
<tr>
<td>ΔLocal Land Price</td>
<td>0.00790 (0.00577)</td>
<td>-0.00135 (0.00693)</td>
<td>0.0430*** (0.0125)</td>
<td>0.00881 (0.00576)</td>
<td>0.000765 (0.00678)</td>
<td>0.00943* (0.00559)</td>
<td>0.00210 (0.00655)</td>
<td></td>
</tr>
<tr>
<td>Income Diff*ΔCity Land Price</td>
<td>-0.0329*** (0.00639)</td>
<td>-0.0183** (0.00806)</td>
<td>-0.0677*** (0.0175)</td>
<td>-0.0274*** (0.00890)</td>
<td>-0.0161* (0.00912)</td>
<td>-0.0615*** (0.0218)</td>
<td>-0.0134 (0.00880)</td>
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<tr>
<td>Income Diff*City Bank Share</td>
<td>-0.104* (0.0520)</td>
<td>-0.122** (0.0485)</td>
<td>0.0845** (0.0370)</td>
<td>-0.120** (0.0575)</td>
<td>-0.133** (0.0531)</td>
<td>0.0744* (0.0422)</td>
<td>-0.117** (0.0579)</td>
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<td>Distance*ΔCity Land Price</td>
<td>-0.00912 (0.0144)</td>
<td>-0.00670 (0.0131)</td>
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<td>-0.00991 (0.0135)</td>
<td>-0.00770 (0.0128)</td>
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<tr>
<td>Distance*City Bank Share</td>
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<td>-0.883 (0.575)</td>
<td>-0.724 (0.774)</td>
<td>-0.902 (0.609)</td>
<td>-0.783 (0.554)</td>
<td>-0.714 (0.774)</td>
<td>-0.744 (0.774)</td>
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<tr>
<td>Industry Mix Control (( \eta_{it} ))</td>
<td>0.566** (0.232)</td>
<td>0.558** (0.226)</td>
<td>0.0461 (0.217)</td>
<td>0.566** (0.232)</td>
<td>0.558** (0.226)</td>
<td>0.0461 (0.217)</td>
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*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
### Table B6: Replicate Table 6, using city bank deposit share as a measure of bank

Columns 1-2, 3-4, and 5-6 show the results based on a subset of prefectures whose distance to the cities is more than 50, 100, and 150 kilometers, respectively. Columns 7-8, 9-10, and 11-12 show the results based on prefectures whose income per capita differ from income per capita in the cities by more than 0.6, 0.8, and one million yen, respectively. The reported correlation coefficient at the bottom of the table is the average correlation coefficient between city land price growth and local land price growth in the excluded and included prefectures. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<tr>
<th>Dist&gt;50 km</th>
<th>Dist&gt;100 km</th>
<th>Dist&gt;150 km</th>
<th>Income Diff&gt; 0.6 million yen</th>
<th>Income Diff&gt; 0.8 million yen</th>
<th>Income Diff&gt; one million yen</th>
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<tbody>
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<td>ΔGDP</td>
<td>ΔLOAN</td>
<td>ΔGDP</td>
<td>ΔGDP</td>
<td>ΔGDP</td>
<td>ΔGDP</td>
</tr>
<tr>
<td>ΔLocal Land Price</td>
<td>0.00979</td>
<td>0.0279**</td>
<td>0.0158*</td>
<td>0.0267*</td>
<td>0.0127*</td>
</tr>
<tr>
<td>(0.00770)</td>
<td>(0.0124)</td>
<td>(0.00812)</td>
<td>(0.0143)</td>
<td>(0.00710)</td>
<td>(0.0146)</td>
</tr>
<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.367**</td>
<td>1.773***</td>
<td>0.303*</td>
<td>1.502***</td>
<td>0.348*</td>
</tr>
<tr>
<td>(0.170)</td>
<td>(0.316)</td>
<td>(0.176)</td>
<td>(0.338)</td>
<td>(0.152)</td>
<td>(0.420)</td>
</tr>
<tr>
<td>City Bank Share</td>
<td>0.121**</td>
<td>0.231***</td>
<td>0.0780*</td>
<td>0.167***</td>
<td>-0.0980</td>
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<tr>
<td>(0.0452)</td>
<td>(0.0479)</td>
<td>(0.0391)</td>
<td>(0.0463)</td>
<td>(0.289)</td>
<td>(0.329)</td>
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<td>801</td>
<td>663</td>
<td>663</td>
<td>525</td>
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<td>Number of prefectures</td>
<td>35</td>
<td>35</td>
<td>29</td>
<td>29</td>
<td>23</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.698</td>
<td>0.913</td>
<td>0.725</td>
<td>0.912</td>
<td>0.738</td>
</tr>
</tbody>
</table>

| ΔLOAN       | ΔGDP        | ΔLOAN      | ΔGDP                           | ΔLOAN                          | ΔGDP                           |
| ΔLocal Land Price | 0.207***    | 0.202**    | 0.273**                       | 0.397***                      | 0.396***                      | 0.405***                      |
| (0.0801)    | (0.0953)    | (0.137)    | (0.0648)                      | (0.0721)                      | (0.0671)                      |
| ΔLocal Land Price | 0.00400     | 0.0104     | 0.00516                       | -0.00892                      | -0.00681                      | -0.00896                      |
| (0.00844)   | (0.00856)   | (0.00802)  | (0.00851)                     | (0.00946)                     | (0.00982)                     |
| City Bank Share | 0.0727**    | 0.0443**   | -0.192                        | 0.0356                         | -0.0274                       | -0.00104                      |
| (0.0327)    | (0.0198)    | (0.294)    | (0.0335)                      | (0.105)                       | (0.0835)                      |
| R-squared   | 0.683       | 0.706      | 0.693                         | 0.599                         | 0.580                         | 0.543                         |
| First Stage F Statistic | 31.51       | 19.72      | 9.214                         | 8.265                         | 7.855                         | 11.33                         |
| Corr. Coef. (Excluded Prefectures) | .82         | .69        | .66                           | .77                           | .67                           | .63                           |
| Corr. Coef. (Included Prefectures) | .55         | .54        | .53                           | .55                           | .55                           | .54                           |

*** p<0.01, ** p<0.05, * p<0.1
Standard errors in parentheses
**Not for Publication**

Table B7: Replicate Table 7, using city bank deposit share as a measure of bank


<table>
<thead>
<tr>
<th></th>
<th>Panel-Corrected Standard Errors</th>
<th>Driscoll-Kraay Standard Errors</th>
<th>Petersen-Cameron-Gelbach-Miller Two-way Clustering</th>
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<tbody>
<tr>
<td></td>
<td>ΔLOAN</td>
<td>ΔGDP</td>
<td>ΔLOAN</td>
</tr>
<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.595*** 0.0995**</td>
<td>0.595*** 0.0995**</td>
<td>0.595*** 0.0995***</td>
</tr>
<tr>
<td>ΔLocal Land Price</td>
<td>0.0438** 0.00943*</td>
<td>0.0438*** 0.00943*</td>
<td>0.0438*** 0.00943*</td>
</tr>
<tr>
<td>City Bank Share</td>
<td>0.250</td>
<td>0.470**</td>
<td>0.250</td>
</tr>
<tr>
<td>Income Diff*ΔCity Land Price</td>
<td>-0.0612*** -0.0237**</td>
<td>-0.0612*** -0.0237**</td>
<td>-0.0612*** -0.0237**</td>
</tr>
<tr>
<td>Income Diff*City Bank Share</td>
<td>0.0746  -0.117***</td>
<td>0.0746  -0.117***</td>
<td>0.0746  -0.117*</td>
</tr>
<tr>
<td>Distance*ΔCity GDP</td>
<td>-0.0132  -0.00991*</td>
<td>-0.0132  -0.00991*</td>
<td>-0.0132  -0.00991*</td>
</tr>
<tr>
<td>Distance*City Bank Share</td>
<td>-0.714  -0.902*</td>
<td>-0.714  -0.902</td>
<td>-0.714  -0.902</td>
</tr>
<tr>
<td>Industry Mix Control ($\eta_{it}$)</td>
<td>0.0461  0.566**</td>
<td>0.0461  0.566</td>
<td>0.0461  0.566**</td>
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<td>Observations</td>
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<tr>
<td>R-squared</td>
<td>0.903</td>
<td>0.732</td>
<td>0.903</td>
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</table>

*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
Appendix C: Replicate Tables 1-7, using all prefectures (including the six city prefectures and Hokkaido)

Table C1: Replicate Table 1, using all prefectures (including the six city prefectures and Hokkaido)

Columns 1-4 report the results of OLS. Panels A and B of columns 5-6 report the results of the first stage and second stage of IV regressions. $\Delta \text{LOAN}$ and $\Delta \text{GDP}$ represent growth of local loan and output, respectively. $\Delta \text{Local Land Price}$ is growth of local land price index and $\Delta \text{City Land Price}$ is growth of land price index for six major cities. $\text{City Bank Share}$ is a ratio of the number of city bank branches to the total number of bank branches in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

<table>
<thead>
<tr>
<th>Variables</th>
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<th>ΔGDP</th>
<th>ΔGDP</th>
<th>ΔLOAN</th>
<th>ΔLOAN</th>
<th>ΔLOAN</th>
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<td></td>
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<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.113***</td>
<td>0.102***</td>
<td></td>
<td>0.315***</td>
<td>0.269***</td>
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</tr>
<tr>
<td></td>
<td>(0.0120)</td>
<td>(0.0117)</td>
<td></td>
<td>(0.0494)</td>
<td>(0.0556)</td>
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</tr>
<tr>
<td>City Bank Share</td>
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<td>0.0186</td>
<td></td>
<td>0.0152</td>
<td>0.0237</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0240)</td>
<td>(0.0239)</td>
<td></td>
<td>(0.0761)</td>
<td>(0.0768)</td>
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</tr>
<tr>
<td>ΔLocal Land Price</td>
<td>0.0142**</td>
<td>0.00818**</td>
<td>0.0492**</td>
<td>0.0333*</td>
<td></td>
<td>(0.0175)</td>
</tr>
<tr>
<td></td>
<td>(0.00606)</td>
<td>(0.00387)</td>
<td>(0.0222)</td>
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<tr>
<td>R-squared</td>
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Panel B

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<td>0.378***</td>
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<tr>
<td></td>
<td>(0.0487)</td>
<td>(0.0655)</td>
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<tr>
<td>ΔLocal Land Price</td>
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<td>-0.00440</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00550)</td>
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<tr>
<td>City Bank Share</td>
<td>0.0111</td>
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<tr>
<td></td>
<td>(0.0185)</td>
<td>(0.0193)</td>
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<tr>
<td>R-squared</td>
<td>0.636</td>
<td>0.625</td>
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*** p<0.01, ** p<0.05, * p<0.1
Standard errors in parentheses
### Table C2: Replicate Table 2, using all prefectures (including the six city prefectures and Hokkaido)

Columns 1-4, 5-8, and 9-12 report the results based on 2-year frequency, 3-year frequency, and 4-year frequency, respectively. Panels A and B in columns 5 and 6 report the results of the first stage and second stage of an IV regression. $\Delta \text{LOAN}$ and $\Delta \text{GDP}$ represent growth of local loan and output, respectively. $\Delta \text{Local Land Price}$ is growth of local land price index and $\Delta \text{City Land Price}$ is growth of land price index for six major cities. City Bank Share is a ratio of the number of city bank branches to the total number of bank branches in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<td>0.0186**</td>
<td>0.110***</td>
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<td>0.0390***</td>
<td>0.0225**</td>
<td>0.155***</td>
<td>0.113***</td>
<td>0.0524***</td>
<td>0.0382***</td>
<td>0.152***</td>
<td>0.112***</td>
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<td>(0.00816)</td>
<td>(0.00768)</td>
<td>(0.0200)</td>
<td>(0.0197)</td>
<td>(0.00783)</td>
<td>(0.00926)</td>
<td>(0.0201)</td>
<td>(0.00746)</td>
<td>(0.0105)</td>
<td>(0.0122)</td>
<td>(0.0127)</td>
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</tr>
<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.0953***</td>
<td>0.224***</td>
<td></td>
<td>0.0852***</td>
<td>0.218***</td>
<td></td>
<td>0.0625***</td>
<td></td>
<td>0.177***</td>
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<tr>
<td></td>
<td>(0.0144)</td>
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<td></td>
<td>(0.0176)</td>
<td>(0.0416)</td>
<td></td>
<td>(0.0205)</td>
<td></td>
<td>(0.0363)</td>
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<td>City Bank Share</td>
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<td>0.141</td>
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<td>(0.196)</td>
<td>(0.344)</td>
<td>(0.293)</td>
<td>(0.554)</td>
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<td>47</td>
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<td>47</td>
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<tr>
<td>R-squared</td>
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<td>0.818</td>
<td>0.888</td>
<td>0.894</td>
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<td>0.867</td>
<td>0.862</td>
<td>0.880</td>
<td>0.862</td>
<td>0.867</td>
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**Panel B (IV, 2nd stage)**

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<td>ΔLOAN</td>
<td>0.425***</td>
<td>0.391***</td>
<td>0.354***</td>
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<tr>
<td></td>
<td>(0.0713)</td>
<td>(0.0970)</td>
<td>(0.135)</td>
</tr>
<tr>
<td>ΔLocal Land Price</td>
<td>-0.0166*</td>
<td>-0.2015</td>
<td>-0.00154</td>
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<tr>
<td></td>
<td>(0.00999)</td>
<td>(0.0181)</td>
<td>(0.0238)</td>
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<td>City Bank Share</td>
<td>-0.00209</td>
<td>-0.0509</td>
<td>-0.0868</td>
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<tr>
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<td>(0.0589)</td>
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<td>R-squared</td>
<td>0.728</td>
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</table>

*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
**Not for Publication**

Table C3: Replicate Table 3, using all prefectures (including the six city prefectures and Hokkaido)

The reported results are based upon the value of city bank share prevailing as of 1979, which is kept constant for the entire sample period. $\Delta \text{LOAN}$ and $\Delta \text{GDP}$ represent growth of local loan and output, respectively. $\Delta \text{Local Land Price}$ is growth of local land price index and $\Delta \text{City Land Price}$ is growth of land price index for six major cities. $\text{City Bank Share}$ is a ratio of the number of city bank branches to the total number of bank branches in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<tr>
<td></td>
<td>Panel A</td>
<td>Panel B</td>
</tr>
<tr>
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<td>OLS</td>
<td>IV (2nd stage)</td>
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<td>$\Delta \text{GDP}$</td>
<td>0.00771**</td>
<td>0.378***</td>
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<tr>
<td></td>
<td>(0.00374)</td>
<td>(0.0641)</td>
</tr>
<tr>
<td>$\Delta \text{LOAN}$</td>
<td>0.0321*</td>
<td>-0.00442</td>
</tr>
<tr>
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<td>(0.0169)</td>
<td>(0.00528)</td>
</tr>
<tr>
<td>$\Delta \text{Local Land Price}$</td>
<td>0.105***</td>
<td>0.00771**</td>
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<td>(0.0126)</td>
<td>(0.00374)</td>
</tr>
<tr>
<td>City Bank Share* $\Delta \text{City Land Price (1979)}$</td>
<td>0.279***</td>
<td>0.0321*</td>
</tr>
<tr>
<td></td>
<td>(0.0563)</td>
<td>(0.0169)</td>
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<td>Number of prefectures</td>
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<tr>
<td>R-squared</td>
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<td>0.876</td>
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<td>24.58</td>
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*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses
Table C4: Replicate Table 4, using all prefectures (including the six city prefectures and Hokkaido)

The table reports the results of the specification that separately estimate the effects of city land price growth on non-city bank lending (columns 1 and 2) and city bank lending (columns 3 and 4). Panels A and B in column 4 report the results of the first stage and second stage of an IV regression, respectively. \( \Delta \text{LOAN} \) and \( \Delta \text{GDP} \) represent growth of local loan and output, respectively. \( \Delta \text{Local Land Price} \) is growth of local land price index and \( \Delta \text{City Land Price} \) is growth of land price index for six major cities. \( \text{City Bank Share} \) is a ratio of the number of city bank branches to the total number of bank branches in a given prefecture. Standard errors are adjusted for clustering within each prefecture. First stage F-statistics is Kleibergen-Paap rk Wald F statistic (weak identification test).

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<tbody>
<tr>
<td>Panel A</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>( \Delta \text{Local Land Price} )</td>
<td>0.0377*</td>
<td>0.0331*</td>
<td>0.0201**</td>
<td>0.00501**</td>
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<tr>
<td></td>
<td>(0.0195)</td>
<td>(0.0194)</td>
<td>(0.00759)</td>
<td>(0.00209)</td>
</tr>
<tr>
<td>City Bank Share*( \Delta \text{City Land Price} )</td>
<td>0.0781</td>
<td>0.254***</td>
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<tr>
<td></td>
<td>(0.0515)</td>
<td>(0.0216)</td>
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<tr>
<td>R-squared</td>
<td>0.860</td>
<td>0.860</td>
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<td></td>
<td></td>
<td>138.5</td>
</tr>
</tbody>
</table>

| | (1) | (2) | (3) | |
| Panel B | | | | (IV, 2\(^{nd}\) stage) |
| \( \Delta \text{LOAN (City Banks)} \) | | | | 0.402*** |
| | | | | (0.0468) |
| \( \Delta \text{Local Land Price} \) | | | | 0.00609* |
| | | | | (0.00340) |
| City Bank Share | | | | 0.0182 |
| | | | | (0.0193) |
| R-squared | | | | 0.703 |

*** p<0.01, ** p<0.05, * p<0.1
Standard errors in parentheses
Table C5: Replicate Table 5, using all prefectures (including the six city prefectures and Hokkaido)

The table shows the results of specifications that control for differential correlation between local economies and cities. We compute the difference in income per capita (in absolute value) between each prefecture and cities (Income Diff) and then interact it to city land price growth and to city bank branch (columns 1-3). We interact the average distance to the cities (Distance) to city land price growth and to city bank branch share (columns 4-6). We also compute industry mix control (columns 7-9), which is constructed as: $\eta_t = \gamma_{it-1} \eta_{jt}$ where $\eta_t$ denotes the predicted output growth of prefecture $i$ in year $t$, $\gamma_{it-1}$ denote the (lagged) share of output in industry $j$ in prefecture $i$ in year $t-1$, and $\eta_{jt}$ denote the output growth of industry $j$ in city prefectures in year $t$. Standard errors are adjusted for clustering within each prefecture.

<table>
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<tr>
<th></th>
<th>(1)</th>
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<tbody>
<tr>
<td></td>
<td>Reduced-form ΔGDP</td>
<td>IV (2nd stage) ΔGDP</td>
<td>IV (1st stage) ΔGDP</td>
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<td>IV (1st stage) ΔGDP</td>
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<td>IV (2nd stage) ΔGDP</td>
<td>IV (1st stage) ΔGDP</td>
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<tr>
<td>City Bank Share*ΔCity Land Price</td>
<td>0.0866*** (0.0177)</td>
<td>0.241*** (0.0463)</td>
<td>0.0702*** (0.0169)</td>
<td>0.207*** (0.0519)</td>
<td>0.0626*** (0.0153)</td>
<td>0.206*** (0.0530)</td>
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<tr>
<td>ΔGDP</td>
<td>0.360*** (0.100)</td>
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<td></td>
<td>0.339*** (0.110)</td>
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<td>0.304*** (0.0919)</td>
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<tr>
<td>ΔLocal Land Price</td>
<td>0.00556* (0.00283)</td>
<td>0.0271* (0.00145)</td>
<td>0.00583* (0.00293)</td>
<td>-0.00364* (0.00572)</td>
<td>0.0279* (0.0147)</td>
<td>0.00574* (0.00293)</td>
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<tr>
<td>City Bank Share</td>
<td>0.0517* (0.0294)</td>
<td>0.0212 (0.0324)</td>
<td>0.0847 (0.0771)</td>
<td>0.137* (0.0806)</td>
<td>0.0116 (0.0999)</td>
<td>0.369*** (0.147)</td>
<td>0.131* (0.0766)</td>
<td>0.0188 (0.0919)</td>
<td>0.368** (0.147)</td>
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<tr>
<td>Income Diff*ΔCity Land Price</td>
<td>-0.0217*** (0.00545)</td>
<td>-0.0279* (0.00837)</td>
<td>-0.0527*** (0.00167)</td>
<td>-0.0136** (0.00608)</td>
<td>-0.00878* (0.00781)</td>
<td>-0.0375* (0.0190)</td>
<td>-0.0117* (0.00600)</td>
<td>-0.000386* (0.00687)</td>
<td>-0.0255* (0.0190)</td>
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<td>Income Diff*City Bank Share</td>
<td>-0.0279** (0.0111)</td>
<td>-0.00756 (0.0192)</td>
<td>-0.0566*** (0.0172)</td>
<td>-0.0295*** (0.0103)</td>
<td>-0.00774* (0.0203)</td>
<td>-0.0641*** (0.0223)</td>
<td>-0.0300*** (0.00986)</td>
<td>-0.0105 (0.0181)</td>
<td>-0.0642*** (0.0224)</td>
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<td>-0.0270* (0.0114)</td>
<td>-0.0126 (0.0154)</td>
<td>-0.0423 (0.0125)</td>
<td>-0.0252* (0.0436)</td>
<td>-0.0423 (0.0436)</td>
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<td>-0.0124 (0.0117)</td>
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<td>Distance*City Bank Share</td>
<td>-0.105 (0.0781)</td>
<td>0.0161 (0.0901)</td>
<td>-0.356** (0.140)</td>
<td>-0.0969 (0.0741)</td>
<td>0.0109 (0.0838)</td>
<td>0.0355** (0.0838)</td>
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<tr>
<td>Industry Mix Control ($\eta_{it}$)</td>
<td>0.525* (0.274)</td>
<td>0.501* (0.267)</td>
<td>0.0789 (0.216)</td>
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<td>R-squared</td>
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<td>0.636</td>
<td>0.878</td>
<td>0.729</td>
<td>0.648</td>
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<td>First Stage F Statistic</td>
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*** p<0.01, ** p<0.05, * p<0.1
Standard errors in parentheses
Table C7: Replicate Table 10, using all prefectures (including the six city prefectures and Hokkaido)


<table>
<thead>
<tr>
<th></th>
<th>Panel-Corrected Standard Errors</th>
<th>Driscoll-Kraay Standard Errors</th>
<th>Petersen-Cameron-Gelbach-Miller Two-way Clustering</th>
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<tr>
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<td>ΔLOAN</td>
<td>ΔGDP</td>
<td>ΔLOAN</td>
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<td>City Bank Share*ΔCity Land Price</td>
<td>0.206** (0.103)</td>
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<td>0.206*** (0.0198)</td>
<td>0.0626*** (0.0542)</td>
<td>0.0279* (0.05074)</td>
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<td>ΔLocal Land Price</td>
<td>0.0279** (0.0118)</td>
<td>0.00574 (0.009394)</td>
<td>0.00574* (0.000338)</td>
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<td>0.0279* (0.0143)</td>
<td>0.00574* (0.00150)</td>
<td>0.0279* (0.000499)</td>
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<tr>
<td>City Bank Share</td>
<td>0.368 (0.309)</td>
<td>0.131 (0.0974)</td>
<td>0.368** (0.119)</td>
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<td></td>
<td>0.368*** (0.0827)</td>
<td>0.131 (0.0815)</td>
<td>0.368** (0.0784)</td>
</tr>
<tr>
<td>Income Diff*ΔCity Land Price</td>
<td>-0.0372*** (0.0111)</td>
<td>-0.0117 (0.00950)</td>
<td>-0.0372* (0.00983)</td>
</tr>
<tr>
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<td>-0.0372*** (0.0100)</td>
<td>-0.0117* (0.00100)</td>
<td>-0.0372* (0.00194)</td>
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<td>Income Diff*City Bank Share</td>
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<td>-0.0300*** (0.00844)</td>
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<tr>
<td>Distance*ΔCity GDP</td>
<td>-0.0420 (0.0287)</td>
<td>-0.0252 (0.0177)</td>
<td>-0.0252* (0.00973)</td>
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<td>-0.0420* (0.0217)</td>
<td>-0.0252** (0.00442)</td>
<td>-0.0420* (0.0146)</td>
</tr>
<tr>
<td>Distance*City Bank Share</td>
<td>-0.355 (0.330)</td>
<td>-0.0969 (0.104)</td>
<td>-0.355** (0.144)</td>
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<td>-0.355*** (0.107)</td>
<td>-0.0969 (0.0890)</td>
<td>-0.355*** (0.0758)</td>
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<tr>
<td>Industry Mix Control ($\eta_{it}$)</td>
<td>0.0789 (0.525)</td>
<td>0.525** (0.206)</td>
<td>0.525** (0.206)</td>
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<td>0.0789 (0.378)</td>
<td>0.525** (0.363)</td>
<td>0.525** (0.221)</td>
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<tr>
<td>Number of prefectures</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.880</td>
<td>0.736</td>
<td>0.880</td>
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</table>

*** p<0.01, ** p<0.05, * p<0.1
Standard errors in parentheses