

**CULTURE, FINANCIAL DEVELOPMENT,
AND ECONOMIC GROWTH**

By

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ABSTRACT: We examine a link between culture and economic growth, with the emphasis being on the economy's financial transactions. Culture and legal regimes evolve endogenously and reinforce each other through a cultural transmission mechanism. The economy's level of output, as well as the rate of innovation and economic growth, is higher in the stationary state having stronger protection of property rights. Furthermore, a strong-property-rights stationary state leads to a more developed financial system.

JEL Classification Codes: K4, O1, G2.