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Nonlinear Effects of Public Capital in Japan: A Panel Threshold Regression Approach

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Abstract: This study examines the nonlinear effects of public capital in Japan by using a panel threshold regression method. Our empirical results confirm the threshold effects of public capital productivity in Japan. In particular, we demonstrate that the productivity of rural regions has gradually declined over time. These results imply that the consideration of threshold effects is essential for understanding the economic effects of public capital at the regional level in Japan.

Keywords: Public Capital, Nonlinearity, Panel Threshold Regression

JEL Classification Number: E24, E62, H30

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