

Country Legal Environments and Corporate Investment Performance

Dennis C. Mueller and B. Burcin Yurtoglu
University of Vienna

Abstract. *In recent years considerable attention has been devoted to differences across countries in the institutional environments in which corporations operate, and the consequences of these institutional differences for corporate performance. In this paper we test for the presence of differences in corporate performance across 38 countries, and in particular whether these differences are related to the types of legal systems existing in each country. To measure corporate performance we estimate returns on investment relative to company costs of capital in each country. We find significant differences in the investment performance of corporations across our sample of countries. Companies in countries with English-origin, common law legal systems perform significantly better on average than do those in civil law systems.*