Courts and Firm Investments in Real Property
July 8, 2016, 14h30, ISCTE-IUL, Auditorium ONE02 (Building I)

Michael Troilo
University of Tulsa

Michel holds a PhD in Business Administration from the University of Michigan, and an MBA and a Masters in Asian Studies from the University of Virginia. He lectured as the Wellspring Associate Professor of International Business at the Collins College of Business, School of Finance, Operations Management and International Business, in the University of Tulsa. Professor Mike Troilo has a Specialization in Entrepreneurship and Economic Development. Currently he working on the topic of Small and Medium Enterprise (SME) Policy and Economic Development for Small Nations and his research interests are in the fields of International Business, Business Administration and Business Economics.

[Abstract] The legal environment and rule of law are known to be important for business, but prior studies often treat rule of law holistically. This study examines the role of courts, specifically the speed of court decisions, the enforcement of edicts, and the impartiality of decision-making as perceived by firms of various sizes, and the impact this has on firm investments in real property. A panel of 6,3000 firms from 27 countries for the time period 2002-2009 is analyzed to find that firm size affects perceptions positively, while paying bribes affects perceptions negatively. Connections with the government has no apparent impact. More importantly, while all three components have a positive correlation with the amount firms invest in land and buildings, the speed of courts has the greatest significance and the highest marginal effect. Firms perceiving courts to be quick invest nearly four times as much as the average real property investment. This finding suggests that policymakers should focus upon reducing backlogs in the court system, perhaps by encouraging more arbitration or staffing more clerks.