DO THE ENGLISH LEGAL ORIGIN COUNTRIES HAVE MORE DISPERSED SHARE OWNERSHIP AND MORE DEVELOPED FINANCIAL SYSTEMS?

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by

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Abstract
The essence of the legal origin hypothesis is that a country with an English legal origin provides better investor and creditor protection and experiences greater financial development; financial institutions and stock markets flourish, the general public participate more in financing investment projects of companies and so shareholding is less concentrated. The present paper examines this hypothesis on the basis of a cross-country study of 85 countries. We find no evidence of more dispersed share ownership in the English law countries than in other countries with different legal origins irrespective of whether we adjust for the existence of transitional economies and less developed countries present in the sample. Using three indicators of development of banking and other credit institutions and four indicators of stock market developments, we also find no evidence of more developed financial systems in the English law countries. As expected, there is some evidence of lower financial development in the less developed countries and transitional countries. It is not the English law heritage but the security of persons and goods that appears to explain the cross-country variations in financial development.

JEL Classifications: G32, K22, N20, O16, P50

Keywords: Law and finance, legal origins, comparative law, share ownership

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1. Introduction

In a seminal work on corporate governance, La Porta, Lopez de Silanes, Shleifer and Vishny (1998) - henceforth 'LLSV'- observed that the legal environment is a significant factor in explaining financial growth and development in different countries. It was further observed that a country with an English legal origin provides better investor and creditor protection and experiences greater financial development; financial institutions and stock markets tend to flourish and the general public participate more in financing investment projects of companies; so shareholding is less concentrated (see also Djankov et al., 2005).

Several authors have since studied the links between financial development and legal origin (see, for e.g., Beck *et al*., 2003) or added a limited time dimension to the existing dataset and examined the determinants of investor protection (see, for example, Pagano and Volpin, 2006). Embedded in the literature on legal origin is the general perception that legal change is likely to be more frequent and the legal system as a whole more adaptable to changing environments in an English common law system (which originated in the UK and spread to the USA and other countries) than in other systems (the different types of civil law system that originated in France and Germany spreading to developing countries often through colonisation and conquest).

The LLSV legal origin hypothesis has generated much controversy. On the one hand, there is some ambiguity concerning the mechanism through which better shareholder protection is expected to affect share ownership dispersion. For instance, more minority shareholder protection might make small investors more comfortable with firms controlled by large shareholders facilitating listing of firms with concentrated ownership (for German experience see Edwards and Weichenrieder, 2004 and for French history of corporate ownership see Murphy, 2004).

On the other hand, there were many "great reversals" in outcomes, which contradicted the theory. As Rajan and Zingales (2003) showed France had a more developed capital market than the US before World War One, while in more recent decades it has been the other way round. This is contrary to the legal origin theory because these origins do not change over time. The Rajan-Zingales conclusion was questioned by Sylla (2006) and La Porta *et al* (2008) but Musacchio (2008) has provided some new evidence in favour of Rajan-Zingales (2003) conclusion.

Recently, a detailed dataset on shareholder protection has been prepared for five countries (France, Germany, UK, USA and India) over the period, 1970-2005 by legal scholars at Cambridge (see Lele and Siems, 2007). A detailed analysis of this dataset questions both aspects of the legal origin hypothesis – the existence of better investor protection in English legal origin countries leading to dispersed shareholding and the consequent greater financial development in these countries (Fagernas *et al.*, 2008 and Sarkar, 2007).

An alternative to the LLSV legal origin hypothesis has been provided by Roe and Seigel (2008). In their view, political instability impedes financial development and is a primary determinant of differences in financial development around the world.

Last, but not least, some scholars of comparative law argue that the classification of countries by reference to legal origins is not always clear and point out that in reality most legal systems are hybrids. For instance, South African law derives from both civil law and common law traditions; Japanese company law used to be based on the German model but, since the 1950s, has been heavily influenced by US law; Swiss company law is influenced by the UK legal system and, due to the influence of the EU, UK law itself has become more 'continental' (Siems, 2007, 2008 and Armour *et al*., 2007).

In this examination of the LLSV proposition, we set aside the above mentioned concerns about the existence of hybrid legal systems and assume that the countries can be rigorously classified into two groups on the basis of legal origins, namely English (common law) and non-English (civil law). We then examine whether English legal origin countries have more dispersed share ownership and are more financially developed. We have data for 85 countries and we control for the existence of transitional economies and less developed countries in the sample. The data source and methodology are presented in the next section along with the findings. The study is summarised and concluding observations are made in the final section.

2. The Present Study

From the database called "Profils Institutionnels" (available on line: http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm) built by the researchers at the French Ministry of the Economy, Finance and Industry (MINEFE) and the French Development Agency (AFD) based on a survey in 85 countries[1] we can obtain information about the extent of dispersion of share ownership in these countries in 2006. The variable (B 708) assumes the value 0 if the type of individual shareholder (other than institutional, family and government shareholders) does not exist - if it exists, it assumes the value 1, 2, 3, 4

depending on whether its importance is very low to very high. These data are ordinal rather than cardinal (a country scored 4 for dispersed share ownership cannot be said to have a dispersion twice of that of a country scored at 2) so ordered logit and probit regression techniques are used. STATA and LIMDEP are two well-known computer programmes that can be used to estimate models using this kind of data; we used STATA.

In our sample, 22 countries can be categorised as English law group countries[2] and we assigned the value 1 to each of these countries and zero to the other 63 countries (the variable ENG). Using the ordered logit and probit regression technique, we examined whether English law group countries had more dispersed share ownership than the rest. We have found no significant evidence in support of the proposition. Use of dummies for the less developed countries (LDCs) and transitional countries – with DUMLDC assuming a value 1 for the non-OECD countries (including also current members, Mexico and Korea), and DUMTR having a value 1 for the transitional countries – China and other ex-socialist countries (and zero otherwise) does not change our conclusion. Only the dummy for the LDCs (DUMLDC) is negative and significant implying less dispersed share ownership in these countries (Table 1).

Table 1: English Law Origin and Dispersed Share Ownership: Regression Analysis

A. Ordered Logit regression				
ENG	0.542	0.733	0.812	0.69
DUMTR		0.768		-0.732
DUMLDC			-1.566*	-1.931*
Pseudo R^2	0.006	0.016	0.066	0.071
B. Ordered Probit regression				
ENG	0.304	0.39	0.451	0 .36
DUMTR		0.941		-0.522
DUMLDC			-0.88*	-1.135*
Pseudo R^2	0.006	0.011	0.062	0.069
C. Ordinary Least Squares (OLS) Regression				
ENG			0.23	1.43
DUMTR				1.73
LPCYPPP			0.13*	0.13*
Intercept			0.77	0.71
R^2			0.13	0.16

* Significant at 1 percent level; other estimates are not significant even at 5 percent level.

To check the robustness of the result, we have used the initial GDP per capita (averaged over the period 1995-2001) measured in internationally comparable purchasing power parity constant dollars[3] (in natural logs, LPCYPPP) instead of the dummy for LDCs (DUMLDC).[4] Because of this cardinal variable, logit and probit models cannot be used. So we have used OLS (Ordinary Least Squares) with (heteroschedasticity consistent) robust standard errors. Our basic conclusion does not change. We observe that the higher the GDP per capita, the more dispersed is the share ownership (consistent with our earlier findings of a significant and negative coefficient of DUMLDC).

Next, we examine whether English law group countries tend to have a more developed financial market. From the World Bank data on Financial Structure Dataset, we obtained financial development indicators for 78 countries out of 85 country-sample of MINEFE-AFD dataset: Private Credit by Deposit Money Banks / GDP (PCRY), Private Credit by Deposit Money Banks and Other Financial Institutions / GDP (PCRFY), Bank Deposits / GDP (BDY).

The following regression was estimated:

$$\text{Log } Y = a + b.ENG + c.DUMTR + d.DUMLDC \text{ (or LPCYPPP)}$$

where Y is the alternative series on financial development indicators, such as BDY, averaged over the five year period 2001-2005.

Our cross-country regression analysis (see Table 2) shows no statistically significant evidence of a more developed financial market in English law group countries, even
after taking into account the fact that our sample includes many LDCs and transitional countries (with the use of dummies, DUMLDC and DUMTR).

From the same World Bank source (Financial Structure Dataset), we collected data for 66 countries (out of 85) regarding stock market development indicators: Stock Market Capitalization/GDP (MKY), Stock Market Total Value Traded/GDP (VTRY), Stock Market Turnover Ratio (TURN). From the World Bank data on World Development Indicators, we calculated the number of domestic companies listed in the national stock market as a ratio of total population for 64 countries (LIST). Following the same regression analysis of cross-country averages (over the period 2001-2005) we find no evidence of a higher stock market development in the English law group countries. In all the cases the dummies for the LDCs and transitional economies are negative and significant, implying a less financial development in these countries compared to the other countries.

Replacing the LDC dummy by GDP per capita (LPCYPPP) does not change the basic conclusion. Interestingly, we find no significant relationship between GDP per capita and stock market development indicators in contrast to the positive relationship observed between GDP per capita and financial development indicators such as the bank deposit-GDP ratio (BDY, PCRY, PCRFY). It hints at a positive relationship between the development of banking and other financial institutions (other than the stock market) and GDP. It is beyond the scope of the present study to explore it further; it is the subject matter of a rapidly growing literature (see for example Bekaert, 2005; Levine, 2001 & 2003; Levine and Zervos, 1998).

Table 2: English Law Origin and Financial Development, 2001-2005: Cross-Country Regression Analysis

A. Bank Deposits and Private Credit

Dependent Variable→ Regressors Etc ↓	BDY	BDY	PCRY	PCRY	PCRFY	PCRFY
ENG	0 .339	0.39	0.358	0.42	0.439	0.51
DUMTR	-1.22**	-0.59*	-1.223**	-0.27	-1.334**	-0.34
DUMLDC	-0.851**		-1.283**		-1.323**	
LPCYPPP		0.11*		0.14*		0.13*
a	-0.463**	-2.01**	-0.322	-2.49**	-0.211	-2.28
Adj. R^2	0.262	0.18	0.352	0.17	0.356	0.15

B. Stock Market Developments

Dependent Variable→ Regressors Etc ↓	MKPY	MKPY	VTRDY	VTRDY	TURN	TURN	LIST	LIST
ENG	0.053	0.08	0.172	0.16	0.149	0.11	0.249	0.19
DUMTR	-1.48**	-0.87	-2.442**	-0.75	0.951**	0.14	-0.836	0.01
DUMLDC	-0.899**		-2.466**		-1.589**		-1.241**	
LPCYPPP		0.07		0.12		0.07		0.12
a	-0.469**	-1.68**	-0.674*	-3.47**	-0.213	-1.89**	-10.974**	-12.94**
Adj. R^2	0.152	0.09	0.224	0.04	0.236	0.02	0.13	0.06

* Significant at 5 percent level (based on robust SE).
** Significant at 1 percent level (based on robust SE).

Information on internal public security of these countries (in a scale of 1 to 4 – very low to very high) was extracted from the MINEFE-AFD dataset. This variable, A200, has five factors:

1. security of persons and goods, A2000:
2. conflicts of ethnic, religious, regional nature, A2001;
3. violent actions by underground political organizations, A2002;
4. organized criminal activity (drug-trafficking, arms-trafficking), A2003, and
5. violent social conflicts, A2004.

These are aggregated into a single variable, A200 by the weighted average (with the weight of a factor being its standard deviation measuring variations of that factor across the countries).

Including the aggregate variable (A200) in our regression, the following model was estimated:

$$\text{Log } Y = a + b.ENG + c.DUMTR + d.DUMLDC \text{ (or LPCYPPP)} + e.A200$$

where Y is the alternative series on financial development indicators such as BDY etc (average over the period 2001-2005).

Table 3: Internal Public Security, English Legal Origin and Financial Development, 2001-2005: Cross-Country Analysis

A. Bank Deposits and Private Credit

Dependent Variable→ Regressors Etc ↓	BDY	BDY	PCRY	PCRY	PCRFY	PCRFY
A200	0.211*	0.28*	0.25*	0.38	0.181	0.33*
ENG	0 .32	0.37*	0.33	0.4	0.424	0.49
DUMTR	-1.191**	-0.67	-1.18**	-0.36	-1.304**	-0.42
DUMLDC	-0.728**	-	-1.136**	-	-1.218**	-
LPCYPPP	-	0.08	-	0.11*	-	0.09
a	-1.174**		-1.174*	-3.31*	-0.822	-3*
Adj. R^2	0.129		0.384	0.27	0.37	0.23

B. Stock Market Developments

Dependent Variable→ Regressors Etc ↓	MKPY	MKPY	VTRDY	VTRDY	TURN	TURN	LIST	LIST
A200	0.315	0.47*	0.226	0.7*	-0.062	0.26	0.598**	0.69**
ENG	-0.027	-0.001	0.115	0.04	0.165	0.07	0.131	0.11
DUMTR	-1.43**	-1.01	-2.406**	-0.97	-0.961**	0.06	-0.827	-0.27
DUMLDC	-0.676*	-	-2.306**	-	-1.634**	-	-0.878*	-
LPCYPPP		0.02		0.05		0.04		0.06
a	-1.509	-2.56**	-1.421	-4.79**	-0.008	-2.37**	-12.89**	-14.35**
Adj. R^2	0.18	0.16	0.23	0.08	0.24		0.21	0.17

* Significant at 5 percent level (based on robust SE).
** Significant at 1 percent level (based on robust SE).

We find some support of the Roe-Siegel (2008) hypothesis for some (not all) of the indicators of financial development. Banking sector developments, as measured by bank deposits relative to GDP (BDY), and private credit by banks relative to GDP (PCRY) and also stock market developments as measured by the number of listed domestic companies relative to total population (LIST) suggest that the greater internal security of a country, the more developed is the financial system. But in no case do we find support for the legal origin hypothesis (see Table 3).

In further analysis we considered all the five elements making up A200 separately. Variables A2001 and A2002 have the highest variations across the countries and are also highly correlated. Neither of these factors is significantly related to cross-country variations in financial development. Violent social conflict (A2004) is significantly related to the cross-country variations in bank

deposits (the lower the conflict - the higher is the value of A2004 - the higher is BDGDP) while the extent of organised criminal activity (A2003) is associated with the cross-country variations in bank credit and stock market listing (details are skipped). Only the results for variable A2000, the security of persons and goods, are reported in detail here. The following regression has been fitted:

Log Y = a + b.ENG +c.DUMTR d.DUMLDC (or LPCYPPP) + e.A2000

where Y is the alternative series on financial development indicators such as BDY etc (average over the period 2001-2005).

Table 4: Security of Persons and Goods, English Legal Origin and Financial Development, 2001-2005: Cross-Country Regression Analysis

A. Bank Deposits and Private Credit

Dependent Variable→ Regressors Etc ↓	BDY	BDY	PCRY	PCRY	PCRFY	PCRFY
A2000	0.16**	0.37**	0.36**	0.48**	0.315**	0.46**
ENG	0.164	0.34*	0.293	0.36	0 .384	0.45
DUMTR	-0.377**	-0.72	-1.143**	-0.42	-1.264**	-0.49**
DUMLDC	-0.217*	-	-1.014**	-	-1.089**	-
LPCYPPP		0.07		0.09*		0.08
a	0.116	-2.79**	-1.582**	-3.5**	-1.312**	-3.25**
Adj.R^2	0.37	0.33	0.443	0.37	0.418	0.32

B. Stock Market Developments

Dependent Variable→ Regressors Etc ↓	MKPY	MKPY	VTRDY	VTRDY	TURN	TURN	LIST	LIST
A2000	0.479*	0.59**	0.692*	1.05**	0.199	0.44**	0.606**	0.7
ENG	-0.025	0.04	0 .059	0.1	0.117	0.09	0.138	0.13
DUMTR	-1.327**	-1.02*	-2.221**	-1.01	-0.887*	0.03	-0.674	-0.13
DUMLDC	-.492	-	-1.878**	-	-1.421**	-	-0.822*	-
LPCYPPP	-	0.005	-	0.01	-	0.02	-	0.06
a	-2.148*	-2.87**	-3.097*	-5.57**	-0.909	-2.77**	-13.056**	-14.43
Adj. R^2	0.26	0.27	0.295	0.21	0.251	0.1	0.254	0.22

* Significant at 5 percent level (based on robust SE).
** Significant at 1 percent level (based on robust SE).

As Table 4 shows, a significant relationship emerge for almost all the indicators of financial development with security of persons and goods, A2000 - the higher the security, the greater is the financial development. This factor perhaps takes into account all other factors.

We have also replaced the LDC dummy by per capita GDP (LPCYPPP) and find some changes in our findings: English legal origin countries have higher banking sector development (as measured by BDY) if we take into account the cross-country variations in the internal security of a country (A200) or its one crucial component, security of persons and goods (A2000) and GDP per capita (LPCYPPP). But in all these regressions, the coefficient of GDP per capita is not statistically significant. The question is how far the GDP per capita is a substitute for the LDC dummy. Some LDCs have high GDP per capita (because of say the oil price hike) but a less developed financial sector. Wherever we used LDC dummy, we got the expected result that LDCs tend to have lower financial and stock market development compared to developed countries. Taking this fact into account we observed that English legal origin countries do not have more dispersed share ownership and financial development.

3. Conclusion

The present paper examines the essence of the legal origin hypothesis propagated by the works of LLSV and their collaborators on the basis of a new dataset, the MINEFE-AFD dataset, which is not widely known especially in the English-speaking world. Apart from introducing this dataset, we contribute to the literature by examining the legal origin hypothesis on the basis of much wider coverage of countries and indicators of financial development. We used alternative methodologies – simple cross-country OLS regression and logit/probit regressions especially suited for qualitative ordinal data. Due to data limitations, we could not go further in terms of methodological sophistication (using the latest tools of panel data analysis such as a vector decomposition fixed effect model or more sophisticated panel cointegration analysis). Nevertheless the present study may have some importance in showing the flimsy basis of the legal origin hypothesis.

This study shows no evidence of more dispersed share ownership in the English law countries irrespective of whether we adjust for the existence of transitional economies and less developed countries present in the sample. Using three indicators of development of banking and other credit institutions and four indicators of stock market developments, we find no evidence of higher financial development in the English law countries. As expected there is some evidence of lower financial development in the LDCs and transitional countries.

It is not the English law heritage but the security of persons and goods which appears to explain the cross-country variations in financial development – giving some support to the hypothesis of Roe and Seigel (2008). So future research may usefully study what determines the security of persons and goods in a world of ethnic, religious and many other forms of violent conflict that leads to the fragility of states and undermines economic development in many parts of the globe.

Notes

[1] The Ministry of the Economy, Industry and Employment (MINEFE) of France developed the institutional database for its own economic policy purposes. It opened up this data to the academic world by making it available online. The method adopted to construct the indicators is described in Berthelier et al. (2003) and Meisel *et al.* (2007). The scope of this database covers a broad spectrum of these institutional characteristics: functioning of political institutions, public security, public governance, markets' operating freedom, stakeholder co-ordination and strategic vision of the authorities and agents, security of transactions, market regulations and corporate governance, social dialogue, openness of society and markets and social cohesion. Kaufman *et al.* 2008 used this database in their recent work on worldwide governance indicators.

[2] It is based on the MINEFE list made available to me by Mr. Aoudia (presented in Appendix II). In the Appendix I, the English legal origin countries are marked by superscript e.

[3] Available from World Bank source (World Development Indicators 2006).

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Appendix I: Internal Public Security, Share Ownership Patter And Financial Development Indicators

Countries/ Variables	A200 (1)	B708 (2)	PCRY (3)	PCRFY (4)	BDY (5)	MKPY (6)	VTRDY (7)	TURN (8)	LIST (9)
Argentina	3.3	3	0.143	0.147	0.227	0.654	0.041	0.116	2.66
Benin	3.2	2	0.125	0.125	0.167				
Burkina-Faso	3.7	2	0.128	0.128	0.134				
Bangladesh[e]	2.8	3	0.265	0.265	0.324	0.035	0.014	0.42	1.80
Bulgaria	3.4	3	0.243	0.243	0.314	0.077	0.02	0.227	45.30
Bolivia	2.6	1	0.382	0.466	0.327	0.197	0.001	0.005	3.64
Brazil	2.4	2	0.271	0.351	0.225	0.417	0.14	0.334	2.13
Botswana[e]	3.2	1	0.158	0.158	0.24	0.255	0.009	0.036	10.10
Canada[e]	4	4	0.69	0.994	0.62	1.023	0.637	0.624	
Chile	3.2	3	0.591	0.705	0.341	0.946	0.096	0.098	15.40
China	3.3	3				0.356	0.302	0.85	1.00
Côte d`Ivoire	1.5	1	0.143	0.143	0.144	0.118	0.002	0.015	2.18
Cameroon	2.4	3	0.086	0.086	0.124				
Colombia	3.6	0	0.188	0.233	0.227	0.186	0.016	0.068	2.62
Cuba	1.6	2							0.00
Czech Republic	3.8	2	0.336	0.336	0.597	0.207	0.147	0.647	6.36
Germany	4	3	1.147	1.147	0.95	0.457	0.595	1.311	8.38
Dominican Republic	2.8	2	0.226	0.297	0.265				
Algeria	2.4	1	0.094	0.094	0.397				
Egypt	2.3	1	0.5	0.567	0.733	0.393	0.093	0.194	13.40
Spain	2.6	2	1.095	1.095	0.824	0.766	1.291	1.696	67.80
Estonia	3.4	4	0.31	0.31	0.314				10.80
Ethiopia	2.6	3	0.192	0.228	0.358				
France	3.8	3	0.869	0.869	0.65	0.805	0.668	0.833	12.20
Gabon	3.3	2	0.103	0.103	0.133				
United Kingdom[e]	4	3	1.418	1.418	1.119	1.356	1.479	1.108	39.80
Ghana[e]	3.4	3	0.111	0.111	0.18	0.153	0.004	0.028	1.23
Greece	3.8	1	0.663	0.663	0.81	0.63	0.249	0.396	30.20
Guatemala	2.4	1	0.176	0.188	0.205	0.011	0.0003	0.029	0.63
Hong Kong[e]	3.6	3	1.485	1.485	2.362	4.042	1.959	0.476	148.33
Hungary	4	3	0.387	0.387	0.389	0.217	0.126	0.566	4.84
Indonesia	1.9	2	0.193	0.193	0.402	0.198	0.088	0.438	5.00
India[e]	2.4	2	0.316	0.316	0.495	0.388	0.499	1.397	1.53
Ireland[e]	3.5	3	1.163	1.163	0.775	0.591	0.271	0.474	14.50
Iran, Islamic Rep.	2.4	1	0.227	0.314	0.307	0.165	0.037	0.203	5.55
Israel[e]	2.7	3	0.876	0.876	0.875	0.664	0.41	0.632	88.90
Italy	3.4	1	0.804	0.804	0.514	0.458	0.508	1.129	4.85
Jordan	3	1	0.714	0.72	0.957	1.138	0.563	0.372	33.40
Japan	3.6	4	1.063	1.063	1.206	0.697	0.643	0.891	23.70
Kazakhstan	3	2	0.198	0.198	0.144				3.45
Kenya[e]	2.7	1	0.237	0.252	0.311	0.182	0.014	0.064	1.58
Cambodia	1.7	1	0.068	0.068	0.006				
Korea, Rep.	3.2	1	0.859	1.187	0.696	0.522	1.3	2.606	32.10

Kuwait	3.7	3	0.521	0.609	0.661	0.965	0.834	0.835	43.00
Lebanon	3.2	1				0.096	0.013	0.115	3.54
Sri Lanka[e]	2.3	3	0.279	0.279	0.334	0.13	0.03	0.222	12.50
Lithuania	3.8	3	0.181	0.181	0.221	0.171	0.018	0.112	13.90
Morocco	2.8	1	0.543	0.543	0.711	0.337	0.035	0.094	1.86
Madagascar	2.7	1	0.084	0.084	0.149				
Mexico	2	2	0.148	0.166	0.236	0.209	0.055	0.261	1.58
Mali	3.2	1	0.176	0.176	0.163				
Mozambique	3.1	1	0.036	0.036	0.223				
Mauritania	3	1	0.261	0.261	0.117				13.80
Mauritius	3.4	1	0.562	0.562	0.787	0.319	0.019	0.061	33.20
Malaysia[e]	3.2	2	0.971	1.284	0.897	1.405	0.38	0.268	37.30
Niger	3.3	1	0.058	0.058	0.074				
Nigeria[e]	1	2	0.152	0.152	0.176	0.138	0.016	0.11	1.60
Norway	3.8	3	0.737	0.983	0.501	0.438	0.422	0.931	
New Zealand[e]	4	3	1.138	1.138	0.833	0.362	0.147	0.404	35.90
Pakistan[e]	1.9	1	0.233	0.233	0.315	0.186	0.678	3.5	4.69
Peru	2.4	2	0.209	0.212	0.234	0.258	0.018	0.072	7.33
Philippines	2.3	3	0.309	0.351	0.489	0.297	0.045	0.15	2.90
Poland	3.4	3	0.266	0.266	0.349	0.187	0.055	0.278	5.87
Portugal	3.6	2	1.378	1.378	0.876	0.403	0.199	0.49	6.27
Romania	3	1	0.079	0.079	0.111	0.096	0.014	0.137	204.33
Russian Federation	2.1	2	0.181	0.181	0.181	0.371	0.159	0.424	1.60
Saudi Arabia	2.5	1	0.284	0.514	0.34	0.758	1.301	1.302	3.30
Senegal	3.3	1	0.191	0.191	0.22				
Singapore[e]	4	1	1.058	1.263	1.056	1.466	0.823	0.563	110.21
Sweden	4	2	0.961	0.962	0.429	1.005	1.131	1.126	29.80
Syria	3.6	1	0.078	0.078	0.441				
Taiwan	1.9	1				1.117	2.001	1.833	
Chad	3.6	1	0.035	0.035	0.041				
Thailand[e]	2.3	2	0.757	0.974	0.85	0.521	0.511	1.016	6.98
Tunisia	4	1	0.587	0.644	0.468	0.103	0.011	0.109	4.65
Turkey	2.3	1	0.166	0.173	0.409	0.296	0.475	1.658	4.20
Uganda[e]	1.9	4	0.054	0.054	0.137	0.009	0	0.013	0.13
Ukraine	3.2	1				0.104	0.004	0.057	3.51
United States[e]	1.7	1	0.435	2.088	0.601	1.297	2.023	1.552	19.00
Uzbekistan	3.4	2				0.002	0.002	0.883	5.86
Venezuela	2.3	2	0.095	0.1	0.149	0.049	0.002	0.05	2.22
Vietnam	3.4	1	0.456	0.456	0.282	1.627	0.702	0.435	
South Africa[e]	3	3				0.701	0.099	0.164	
Yemen[e]	2.1	1	0.747	1.25	0.571	0.344	0.079	0.221	9.64
Zimbabwe[e]	2.7	2	0.117	0.147	0.151	0.075	0.012	0.151	6.02

e English legal origin countries.

Data Definitions:

(1) A200: Internal public security, 2006 – it varies from 1 = low to 4 = high.
(2) B708: Dispersed share ownership, 2006 – it is 0 if the type of shareholder does not exist - if it exists, grade from 1=very low weight to 4=very high weight.
(3) PCRY: Private Credit by Deposit Money Banks / GDP, 2001-2005.
(4) PCRFT: Private Credit by Deposit Money Banks and Other Financial Institutions / GDP, 2001-2005.
(5) BDY: Bank Deposits / GDP, 2001-2005.
(6) MKPY: Stock Market Capitalization / GDP, 2001-2005.
(7) VTRDY: Stock Market Total Value Traded / GDP, 2001-2005.
(8) TURN: Stock Market Turnover Ratio, 2001-2005.
(9) LIST: Listed Domestic Firms per Million Population, 2001-2005.

Data Sources:

Data presented in columns (1) and (2) are MINEFE-AFD project data.
Data presented in columns (3) to (8) are calculated from World Financial Structure Dataset (World Bank data)
Data presented in columns (9) are calculated from World Bank data on World Development Indicators, 2006.

Appendix II: Legal Origin Information for 85 Countries

Source : CIA

Countries	Civil Law						Common Law			Others			
	Fr	Rom	Sp	Dut	West	**Total Civil law**	Eng	US	**Total Com law**	Isl	Communist	custom	**Others**
Argentina	0	0	0	0	1	**1**	0	1	**1**	0	0	0	**0**
Benin	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Burkina Faso	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Bangladesh	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Bulgaria	0	1	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Bolivia	1	0	1	0	0	**1**	0	0	**0**	0	0	0	**0**
Brazil	0	1	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Botswana	0	1	0	1	0	**1**	0	0	**0**	0	0	0	**0**
Canada	1	0	0	0	0	**1**	1	0	**1**	0	0	0	**0**
Chile	1	0	1	0	0	**1**	1	0	**1**	0	0	0	**0**
China	1	0	0	0	0	**1**	0	0	**0**	0	1	0	**0**
Côte d'Ivoire	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Cameroon	1	0	0	0	0	**1**	1	0	**1**	0	0	0	**0**
Colombia	0	0	1	0	0	**1**	0	0	**0**	0	0	0	**0**
Cuba	1	0	0	0	0	**1**	0	1	**1**	0	1	0	**1**
Czech Republic	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Germany	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Dominican Rep	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Algeria	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Egypt	1	0	0	0	0	**1**	1	0	**1**	1	0	0	**1**
Spain	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Estonia	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Ethiopia	0	0	0	0	0	**0**	0	0	**0**	0	0	1	**1**
France	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Gabon	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
United Kingdom	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Ghana	0	0	0	0	0	**0**	1	0	**1**	0	0	1	**1**
Greece	0	1	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Guatemala	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Hong Kong SAR	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Hungary	0	0	0	0	1	**1**	0	0	**0**	0	0	0	**0**
Indonesia	0	1	0	1	0	**1**	0	0	**0**	0	0	0	**0**
India	0	0	0	0	0	**0**	1	0	**1**	0	0	1	**1**
Ireland	0	0	0	0	0	**0**	1	0	**1**	0	0	1	**1**
Iran Islamic Republic of	0	0	0	0	0	**0**	0	0	**0**	1	0	0	**1**
Israel	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Italy	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Jordan	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Japan	1	0	0	0	0	**1**	1	1	**1**	0	0	0	**0**
Kazakhstan	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Kenya	0	0	0	0	0	**0**	1	0	**1**	1	0	0	**1**
Cambodia	1	0	0	0	0	**1**	0	0	**0**	0	1	1	**1**
Korea	1	0	0	0	0	**1**	1	0	**1**	0	0	1	**1**

Kuwait	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Lebanon	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Sri Lanka	0	1	0	1	0	**1**	1	0	**1**	1	0	0	**1**
Lithuania	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Morocco	1	0	1	0	0	**1**	0	0	**0**	1	0	0	**1**
Madagascar	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Mexico	1	0	0	0	0	**1**	0	1	**1**	0	0	0	**0**
Mali	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Mozambique	0	0	1	0	0	**1**	0	0	**0**	0	0	1	**1**
Mauritania	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Mauritius	1	0	0	0	0	**1**	1	0	**1**	0	0	0	**0**
Malaysia	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Niger	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Nigeria	0	0	0	0	0	**0**	1	0	**1**	1	0	1	**1**
Norway	1	0	0	0	0	**1**	1	0	**1**	0	0	1	**1**
New Zealand	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Pakistan	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Peru	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Philippines	0	0	1	0	0	**1**	1	1	**1**	0	0	0	**0**
Poland	1	0	0	0	0	**1**	0	0	**0**	0	1	0	**1**
Portugal	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Romania	1	0	0	0	0	**1**	0	0	**0**	0	1	0	**1**
Russia	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Saudi Arabia	0	0	0	0	0	**0**	0	0	**0**	1	0	0	**1**
Senegal	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Singapore	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Sweden	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Syrian Arab Republic	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Taiwan Province of China	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Chad	1	0	0	0	0	**1**	0	0	**0**	0	0	1	**1**
Thailand	1	0	0	0	0	**1**	1	0	**1**	0	0	0	**0**
Tunisia	1	0	0	0	0	**1**	0	0	**0**	1	0	0	**1**
Turkey	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
Uganda	0	0	0	0	0	**0**	1	0	**1**	0	0	1	**1**
Ukraine	1	0	0	0	0	**1**	0	0	**0**	0	0	0	**0**
United States	0	0	0	0	0	**0**	1	0	**1**	0	0	0	**0**
Uzbekistan	0	0	0	0	0	**0**	0	0	**0**	0	1	0	**0**
Venezuela	0	0	1	0	0	**1**	0	0	**0**	0	0	0	**0**
Vietnam	1	0	0	0	0	**1**	0	0	**0**	0	1	0	**1**
Yemen Republic of	0	0	0	0	0	**0**	1	0	**1**	1	0	1	**1**
South Africa	0	1	0	1	0	**1**	1	0	**1**	0	0	0	**0**
Zimbabwe	0	1	0	1	0	**1**	1	0	**1**	0	0	0	**0**
Total	51	8	7	5	2	65	29	5	32	15	7	21	38

	Shleifer : Legal Structure and Judical Efficiency : the Lex Mundi Project - Oct 2001				MINEFE SYNTHESE		
Countries	French Law	Common Law	Other		Civil law	Common law	Others
Argentina	1	0	0		**1**	**0**	**0**
Benin					**1**	**0**	**0**
Burkina Faso					**1**	**0**	**0**
Bangladesh					**0**	**1**	**0**
Bulgaria					**1**	**0**	**0**
Bolivia	1	0	0		**1**	**0**	**0**
Brazil	1	0	0		**1**	**0**	**0**
Botswana	0	1	0		**0**	**1**	**0**
Canada	0	1	0		**0**	**1**	**0**
Chile	1	0	0		**1**	**0**	**0**
China	0	0	1		**1**	**0**	**0**
Côte d'Ivoire	1	0	0		**1**	**0**	**0**
Cameroon					**1**	**0**	**0**
Colombia	1	0	0		**1**	**0**	**0**
Cuba					**1**	**0**	**0**
Czech Republic	0	0	1		**1**	**0**	**0**
Germany	1	0	0		**1**	**0**	**0**
Dominican Rep	1	0	0		**1**	**0**	**0**
Algeria					**1**	**0**	**0**
Egypt	1	0	0		**1**	**0**	**0**
Spain	1	0	0		**1**	**0**	**0**
Estonia	0	0	1		**1**	**0**	**0**
Ethiopia					**0**	**0**	**1**
France	1	0	0		**1**	**0**	**0**
Gabon					**1**	**0**	**0**
United Kingdom	0	1	0		**0**	**1**	**0**
Ghana	0	1	0		**0**	**1**	**0**
Greece	1	0	0		**1**	**0**	**0**
Guatemala	1	0	0		**1**	**0**	**0**
Hong Kong SAR	0	1	0		**0**	**1**	**0**
Hungary	0	0	1		**1**	**0**	**0**
Indonesia	1	0	0		**1**	**0**	**0**
India	0	1	0		**0**	**1**	**0**
Ireland	0	1	0		**0**	**1**	**0**
Iran Islamic Republic of					**0**	**0**	**1**
Israel	0	1	0		**0**	**1**	**0**
Italy	1	0	0		**1**	**0**	**0**
Jordan	1	0	0		**1**	**0**	**0**
Japan	1	0	0		**1**	**0**	**0**
Kazakhstan					**1**	**0**	**0**
Kenya	0	1	0		**0**	**1**	**0**
Cambodia					**1**	**0**	**0**
Korea	1	0	0		**1**	**0**	**0**
Kuwait	1	0	0		**1**	**0**	**0**
Lebanon	1	0	0		**1**	**0**	**0**
Sri Lanka					**0**	**1**	**0**
Lithuania	0	0	1		**1**	**0**	**0**

Morocco				**1**	**0**	**0**
Madagascar				**1**	**0**	**0**
Mexico	1	0	0	**1**	**0**	**0**
Mali				**1**	**0**	**0**
Mozambique	1	0	0	**1**	**0**	**0**
Mauritania				**1**	**0**	**0**
Mauritius				**1**	**0**	**0**
Malaysia	0	1	0	**0**	**1**	**0**
Niger				**1**	**0**	**0**
Nigeria	0	1	0	**0**	**1**	**0**
Norway	1	0	0	**1**	**0**	**0**
New Zealand	0	1	0	**0**	**1**	**0**
Pakistan	0	1	0	**0**	**1**	**0**
Peru	1	0	0	**1**	**0**	**0**
Philippines	1	0	0	**1**	**0**	**0**
Poland	0	0	1	**1**	**0**	**0**
Portugal	1	0	0	**1**	**0**	**0**
Romania	0	0	1	**1**	**0**	**0**
Russia	0	0	1	**1**	**0**	**0**
Saudi Arabia				**0**	**0**	**1**
Senegal	1	0	0	**1**	**0**	**0**
Singapore	0	1	0	**0**	**1**	**0**
Sweden	1	0	0	**1**	**0**	**0**
Syrian Arab Republic				**1**	**0**	**0**
Taiwan Province of China	1	0	0	**1**	**0**	**0**
Chad				**1**	**0**	**0**
Thailand	0	1	0	**0**	**1**	**0**
Tunisia	1	0	0	**1**	**0**	**0**
Turkey	1	0	0	**1**	**0**	**0**
Uganda	0	1	0	**0**	**1**	**0**
Ukraine	0	0	1	**1**	**0**	**0**
United States	0	1	0	**0**	**1**	**0**
Uzbekistan				**0**	**0**	**1**
Venezuela	1	0	0	**1**	**0**	**0**
Vietnam	0	0	1	**1**	**0**	**0**
Yemen Republic of				**0**	**1**	**0**
South Africa	0	1	0	**0**	**1**	**0**
Zimbabwe	0	1	0	**0**	**1**	**0**
Total	32	19	10	59	22	4