

# Does Legal Enforcement Affect Financial Transactions? The Contractual Channel in Private Equity

[Get access >](#)

*The Quarterly Journal of Economics*, Volume 120, Issue 1, February 2005, Pages 223–246, <https://doi.org/10.1162/0033553053327443>

**Published:** 01 February 2005

## Abstract

Analyzing 210 developing country private equity investments, we find that transactions vary with nations' legal enforcement, whether measured directly or through legal origin. Investments in high enforcement and common law nations often use convertible preferred stock with covenants. In low enforcement and civil law nations, private equity groups tend to use common stock and debt, and rely on equity and board control. Transactions in high enforcement countries have higher valuations and returns. While relying on ownership rather than contractual provisions may help to alleviate legal enforcement problems, these results suggest that private solutions are only a partial remedy.

This content is only available as a PDF.

© 2005 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology

**Issue Section:** [Articles](#)

You do not currently have access to this article.

**Sign in**

 [Get help with access](#)

**Personal account**

**Institutional access**

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

[Register](#)



Sign in through your institution

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

### **Institutional account management**

[Sign in as administrator](#)

## Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Does Legal Enforcement Affect Financial Transactions? The Contractual Channel in Private Equity\* - 24 Hours access

EUR €38.00

GBP £33.00

USD \$41.00

## Rental



This article is also available for rental through DeepDyve.