

# LEGAL ENVIRONMENTS, VENTURE CAPITAL, AND TOTAL FACTOR PRODUCTIVITY GROWTH OF TAIWANESE INDUSTRY

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## Abstract

*This study provides a new explanation of total factor productivity growth of Taiwanese industry. Besides the channels identified in the literature, this study finds that the venture capital (VC) industry development significantly promotes productivity growth. In addition, an indicator of legal environment has been established to record changes in VC-related legislation during the past two decades in Taiwan. The legal indicator serves as an instrumental variable that can avoid estimation bias resulting from potential endogeneity between VC development and productivity growth. (JEL G24, K23, O47).*

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