

---

# Why is litigation so costly to growth?

Alessandro Melcarne<sup>\*1</sup>, Giovanni Ramello<sup>2</sup>, and Rok Spruk<sup>3</sup>

<sup>1</sup>Université Paris Nanterre – EconomiX – France

<sup>2</sup>University of Turin – Italie

<sup>3</sup>University of Ljubljana – Slovénie

## Résumé

The present paper analyzes the causal link between litigation costs and economic growth. Costly litigation decreases the probability of economic transactions' judicial enforcement, thus favoring post-contractual opportunistic behavior. As a consequence, this translates in less investments, credit shortage and higher interest rates. We exploit the variation in the prohibition of pactum quota litis, litigation fee concentration and the timing of WTO membership and GATT agreement, as plausibly exogenous sources of variation in litigation costs and use it to estimate the long-run growth and development in a cross-section of 140 countries for the period 2003-2015.

---

\*Intervenant