

What Determines the Quality of Institutions?

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Trade openness has a significant impact on institutional quality, while inequality and ethnic diversity are not robustly correlated with institutional quality.

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Summary findings

In trying to explain institutional quality, different authors have come to conflicting conclusions. In tackling the problem themselves, Islam and Montenegro show three things.

First, openness is positively and pretty robustly associated with institutional quality. To minimize selection bias, the authors use data sets with the greatest cross-country coverage, though they also test the significance of the variables for smaller sample sizes. The results confirm that both natural and policy measures of openness are important. Concentration of trade in natural resource exports continues to be associated with poor institutional quality after openness in trade is accounted for.

Second, “social” variables, such as income inequality or ethnic diversity, are not associated with institutional quality. The significance of the inequality variable disappears when continent dummy variables are included for Africa and Latin America.

Third, features of specific institutions, such as freedom of the press and checks and balances in the political system, are positively associated with overall perceptions of institutional quality. These findings hold strongly across different data sets and samples even after the authors control for the variables commonly used in the literature.

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What Determines the Quality of Institutions?

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I. INTRODUCTION

It is by now widely accepted that factor accumulation and technological change alone cannot explain differences in growth performance across countries and that institutions matter for growth. There are several studies that associate institutional quality with growth and even some that associate institutional quality with poverty and inequality. These studies include both cross country analysis, and historical case studies. The cross country studies generally focus on indicators reflecting overall perceptions of how well governments protect property rights, bureaucratic quality, the power of the rule of law, and the level of corruption (Knack and Keefer, 1995, Mauro, 1995, Hall and Jones, 1999, Rodrik, 1999, Acemoglu et al (2000), Aaron (2000), Dollar and Kraay (2000), Chong and Calderon (2000). There are other studies with a less “macro” approach which examine the relationship between measures of property rights (for example the existence of land titles) and output or investment, for example, Besley (1995), Johnson et al (1999). Studies with a more historical bent reflect on how differences in institutions over time have affected economic development (Engerman and Sokoloff (2000), North (1993, 1994) Jones (1981), Greif (1989).

Some of these and other studies also examine what determines different aspects of institutional quality itself. The struggles of many poor countries around the world and the experiences of the former Soviet Union countries illustrates how much time institution building takes, and the interdependencies of political, geographic, social and economic factors. The studies recognize the importance of history and initial conditions in affecting subsequent development. They illustrate the interdependence of various factors in affecting institutional quality. Engerman and Sokoloff (2000) for example, examine the implications of endowments and inequalities for the differential development of institutions favouring growth in North and South America. Acemoglu et al (2000) consider the effects of climate and related factors on settlements in various regions of the world to explain the quality of institutions in these lands and subsequent growth. Studies also control for the

years a country has been independent as a measure of the time it takes to build strong institutions of the state. Many developing countries became nation states only in the mid 1900s- giving them 50-60 years of independence. In institution building terms this is by no means a long time.

It might also be that colonial leaders from different European origins had distinct approaches to their colonies. For example, in some colonies, all domestic enterprise which competed with those of the colonizing power were destroyed. This for example, is the case of Senegal under the French in the 18th century. While these qualitative differences are not easy to test empirically, the effect of different legal origins, representative of the political and social forces in different colonisers has been tested.

La Porta et al (2000), Straub (2000), and Chong and Zanforlin (2000), Demirguc-Kunt et al, (2001) are among those who test the impact of legal origin on institutional development. In particular, these papers find that countries with French legal heritage have consistently poorer institutional quality than those with other legal traditions. It is argued that French civil law countries have been characterized by a more interventionist and formal government apparatus, and a legal system which has historically left less policy making power in the hands of independent and autonomous agencies such as the judiciary. The common law system, traditionally viewed as flexible and dynamic underwent a different political process which meant more judicial independence.

Ades and di Tella (1999), Treisman (1998 /9), Gatti (1999), Djankov et al (2000) consider how the presence of rent seeking opportunities and lack of competition – provided by a proliferation of regulations, or, alternatively, the presence of natural resources, may affect corruption.

Papers by Wei (2000), Laffont and Guessan (1999) look at how openness affects corruption. However, Knack and Azfar, (2000) find that the results relating to openness are very sensitive to the choice and number of countries. Using data sets larger than those used by other authors, they find that these results disappear. This paper however shows that the results hold even when using the largest available (and two different) datasets.

Historical case studies argue that competition reduces rents and therefore improves the quality of institutions, often by reducing opposition to change; this is the case made for financial development (Rajan and Zingales, 2000), and Beck et al (2000). For the evolution of corporate law, Pistor et al, (2000) argue that competition between states has been a key factor promoting change.

Why should more open economies have better institutions? In more competitive contexts economic agents with poor institutions fare worse than those with better institutions and so have incentives to change their institutions. Second, rent seeking and corruption is harder when there is competition among agents. Third, as the number of trading partners increases, better institutions are demanded to manage risk that comes from trading with unknown partners. Greater risk and greater opportunities work together to break the effectiveness of existing networks and rules and create demand for more effective institutions. Fourth, agents in open economies learn from those in other economies and these forces work to improve institutional quality. Foreign or domestic businesses lobby governments for change- as evidenced by Mexican banks which lobbied for better banking regulation following the signing of NAFTA.¹ For all these reasons, better quality institutions can be expected to evolve faster in more open economies.

The paper also considers the effect of social factors such as ethnic compositions or income inequality. La Porta et al (1999) find that ethnic heterogeneity is associated with poorer institutional quality. Chong and Calderon (2000) discuss the opposite causality that income inequality can be explained by institutional quality and that the effect is nonlinear.

The argument that polarisation in society may be associated with worse outcomes in terms of institutional development mirrors the arguments made for the effect of polarisation on policy outcomes (Alesina, Baqir and Easterly 1999). Individuals that identify themselves strongly with particular groups in society and in some way “against” other groups in society are less likely to agree on policies or demand institutions which disproportionately benefit other groups. For example,

linguistically distinct groups would have different preferences for the language used in schools. Even if they agree on a common language, they may value schooling less than they would if it were taught in their ethnic tongue (Easterly, 2000). Similarly, groups from different income classes could have quite divergent interests in terms of the institutions which they feel serve their interests. For example, in a market which is dominated by a few large firms and large banks, credit is often extended on the basis of reputation and social connections. These relationships are often developed over time. New entrants may face difficulties accessing credit. Institutional development, for example, formal laws and regulations that delineate and enforce creditors' rights (such as collateral law), and that help provide credible information on potential borrowers, can facilitate access to credit. However, incumbents, older, often larger, established firms, do not have incentives to increase competition in the market for funds.

This paper attempts to sort through all these stories. It uses newer and larger data sets than those used in many of the papers discussed above and tests for the significance of key variables over many different sample selections. Many of the earlier papers have found associations which depend on the exclusion or inclusion of particular variables. What we find of particular interest is that openness in trade holds up as being a stable and significant factor affecting economic aspects of institutional quality (rather than those related to voice and accountability); both policy and exogenous factors seem to be relevant. Also interesting is the nature of the association between social structure and institutional quality: contrary to the findings of La Porta et al (1999) ethnic diversity appears to have no relationship with institutional quality once other factors are accounted for. The negative association found between income inequality and institutional quality (Chong and Calderon, 2000) breaks down when regional effects are included- that is when continent dummies for Latin America and Africa are included.

¹ WDR 2002, Building Institutions for Markets.

Another question is how features of particular institutions, for example, checks and balances between the executive, legislative and judicial branches of the government, may affect *overall* institutional quality (Djankov et al, 2001 measure the association between autocracy and institutional quality). The existence of check and balances constrains political changes to a certain degree and therefore may be expected to enhance stability or regulatory commitment and thus improve perceptions of institutional quality. Second, institutional constraints may lead to a government that is less concerned with political redistribution of benefits and more concerned with enhancing the environment for economic activities. But, at the same time, the existence of strong checks and balances may lead to excessive rigidity in institutions (Gaviria *et al.*, 2000).

Similarly, institutions which process information can affect others; thus we examine how freedom of the media affects overall institutional quality or governance. A free media and access to information allows market participants to provide checks and balances on each others' activities and on government activities (Djankov *et al.*, 2001). This paper builds on recent cross country empirical work which assesses the impact of a particular institutional feature that is, media ownership on overall institutional quality in the presence of other "traditional" factors.²

Both a higher number of checks and balances on government and a free press are important in determining overall institutional quality. However, state ownership of the press is not significantly associated with indicators of institutional quality, contrary to the findings of Djankov et al (2001) once we account for legal origin and other factors. Though causality is not established, in theory there are effects in both directions: for example, better governments are more likely to have a free press on average and a free press is more likely to produce better governments. However, lack of an appropriate instrument, precluded further analysis.

² In this regard, the existence of organizations such as an independent media can have consequences for the way other institutions functions. A free media affects the incentives of both public and private agents and therefore economic outcomes. (references). But it may also be that countries with well functioning institutions are also those which have independent media with a third variable driving both.

The empirical results are discussed below.

II. DATA

Two different sources of governance indicators are used for the analysis. These were chosen for the large number of data points that they offer. The first set of measures of institutional quality is compiled by the International Country Risk Guide (ICRG) and includes 135 countries from 1982 onwards. The ICRG indices used in this paper are Corruption in Government, Rule of Law, Quality of the Bureaucracy, Repudiation of Contracts, and Risk of Expropriation.³ Following Knack and Keefer (1995) and Chong and Zanforlin (2000), we defined the ICRG overall index as the simple average of the five individual measures re-scaled from zero to six (six meaning better quality of institutions).

Our second set of governance indicators come from two recent papers (Kaufmann, Kraay and Zoido-Lobaton, 1999a, 1999b) which take the view that many of the existing institutional indicators serve as imperfect proxies for a much smaller number of fundamental concepts of governance or institutional quality. These authors group 31 indicators constructed in 1997/1998 into six clusters corresponding to three concepts of governance: rule of law, government effectiveness, regulatory burden, graft, voice and accountability and political instability and violence. The indicator "Voice and Accountability" measures the extent and to which citizens of a country are able to participate in the selection of governments. "Political Instability and Violence" measures the likelihood of wrenching changes in government. The second group deals with the capacity of the state to implement sound policies. The two indicators in this group are "Government Effectiveness"- the ability of government to produce and implement good policies- and "Regulatory Burden" -an index of the quality of the policies governments implement. The last group deals with the respect of the state and the citizens for the rules. The two indicators in this case are "Rule of Law" (it measures the success of a society in developing an environment in which fair and predictable rules form the basis for economic and social

interactions) and “Graft” (it measures perceptions of corruption). The main focus of this paper are those indicators of institutional quality that related to government effectiveness, corruption and the rule of law, rather than on voice and political outcomes. We rescale all the indicators so that higher values indicate better outcomes. The second set of indicators are only available for the years 1997/1998.

A problem noted recently (Straub, 2000), is that the results from the regressions explaining institutional quality are highly sensitive to the selection of the left-hand side variable. Our analysis looks at several different left hand side variables.

In terms of independent variables, the two variables which indicate social characteristics are ethnic heterogeneity and income inequality. We use the Taylor and Hudson (1972) ethnolinguistic fractionalization index defined as:

$$ELF = 1 - \sum_{i=1}^I \left(\frac{n_i}{N} \right)^2$$

where i represents different ethno-linguistic groups in the society, I is the total number of such groups, and N is the total population. The index measures the probability that two randomly selected person from the population will not belong to the same ethnolinguistic group.

In terms of the measure of inequality, we use the Gini coefficient from the database compiled by Lundberg and Squire (1999). This database represents an exhaustive collection of Gini indices for many countries at different points in time. For each country we picked the observation that provided the most reliable estimates of inequality, as judged by the authors. In some countries which were missing such indicators, we picked the nationally representative, most recent observation. The data for all the Ginis included represent periods predating the period over which the analysis is conducted.

³ For a more detailed description of the measures see Knack and Keefer (1995).

This is done in order to reduce, to some extent, the endogeneity problem since better institutions may influence the level of inequality.⁴

We distinguish between the English, French, Scandinavian, German and Socialist legal origins. Our data come from “Foreign Laws: Current Sources of Basic Legislation in Jurisdictions of the World”, 1989; and CIA World Factbook 1996.

GDP per capita can be expected to have strong effects on subsequent development of institutions since presumably with higher income there is both a greater demand for better institutions and also because richer countries can afford better institutions. But it has also been shown that better institutional quality can lead to higher output levels (KKZ) and higher growth. To partially avoid this problem, our measure of income per capita corresponds to the average income for the period 1990-1994, i.e., before the period under consideration. This data is taken from the World Bank dataset, SIMA information system.

To measure openness we use the sum of imports plus exports over GDP. The data come from the World Bank (SIMA data set). The variable is an average for the years 1997 and 1998. While it is hypothesized that greater openness increases the demand for and supply of better institutions, it may also be that countries with better governance/institutions are more likely to be open. In order to correct for possible simultaneity problems, we use 2SLS using size and geography variables. We also test for policy measures of openness- specifically average tariff rates. The average tariffs correspond to an average of the period 1990-1998 for the “Tariff Rates for Developing and Industrial Countries (unweighted and in %)” from a World Bank data source.⁵

⁴ For a few countries the gini selected is more than three decades old. The data set used is from Lundberg and Squire (1999), but we imposed the additional condition that it had to be from a national survey (that is not for a specific locality within the country) and also had to be classified by the authors as a “good quality” gini. In this selection some arbitrariness may have been introduced.

⁵ Trade data are from the Trade Policy Group, Development Economics, World Bank.

Based on a recent paper which examines the effect of an independent media on institutional quality (Djankov *et al.*, 2001) and finds that ownership of the media (public versus private) is a significant determinant of media freedom, we use the percentage of state ownership of the press as an explanatory variable for institutional quality. We also use freedom of the press data from Freedom House, as an explanatory variable.

The index of checks and balances used in this paper was devised by Henisz (2000). The index is based on a spatial model of political interaction among government branches. It measures the number of independent branches with power and the distribution of political preferences across these branches and is calculated annually. A zero value means no checks and balances. A value of one indicates that the executive enjoys relatively unchecked power. An average of the index over the period 1990 to 1994 is used.

Finally we test for how opportunities for rent seeking may lead to lower quality of institutions by allowing more rent seeking opportunities. To do this we use the Sachs-Warner index of openness which is sometimes thought to be a better representation of policy distortions leading to rent seeking opportunities than of openness. We also use the proportion of primary commodity exports (fuels and minerals) relative to overall exports. These data are from the UN's COMTRADE data base, years 96-97 for the regressions using the KKZ variables and years 84-97 for the regressions using the ICRG variables.

III. EMPIRICAL APPROACH

Given our previous discussion, the basic model to be tested is:

$$\begin{aligned}
 INDEX = & \alpha + \beta_1 * ethnolin + \beta_2 * socialist + \beta_3 * french + \beta_4 * german \\
 & + \beta_5 * scandinavian + \beta_6 * PPPgnp + \beta_7 * independent \\
 & + \beta_8 * openness + \beta_9 * gini + \beta_{10} * fpress + \beta_{11} * c\&b + \mu
 \end{aligned}$$

Where *INDEX* is our measure of the quality of the institutions; *ethnolin* is the ethnolinguistic fractionalization index; *socialist*, *french*, *german*, and *scandinavian* are dummy variables indicating the legal origin of the commercial code; *PPPgnp* is the natural log of the average GNP; *independent* is the log of the number of years the country has been independent; *openness* is an average of imports plus exports as a proportion of GDP; *gini* is the gini coefficient taken from Lundberg and Squire (1999), as explained in the previous section; *fpress* is an indicator of the freedom of the press; and *c&b* is a measure of the checks and balances existing at the political level of the government. Other explanatory variables such as checks and balances on government (*c&b*), the Sachs and Warner index, the prevalence of minerals and fuels in total exports and state ownership of the press are added to the basic specification in turn.

Table 1 presents general statistics for the variables used. Table 2 presents the correlation matrix for the explanatory variables. The same model specification is used for each measure of the quality of institutions. The KKZ indices have the advantage of covering several more countries than the ICRG index. On average the number of observations are about 100 with the former and around 80 with the latter.

Openness Results

These results are shown in Tables 3(a and b) and 4(a and b) for the KKZ variables and in tables 5(a and b) and 6(a and b) for the ICRG variables. They show that openness to trade is a significant determinant of institutional quality, though not for those measures related to voice and accountability or political instability. The instrument for the openness variable comes from Frankel and Romer (1999). These authors, using a trade gravity equation, compiled an instrument for openness that is based on geographic variables (countries' sizes, their distances from one another, whether they share a common border, and whether they are landlocked), and on countries' populations. Using the gravity model, the authors estimate for each country the geographic component

of countries' total trade. This estimate is unlikely to be correlated with factors that affect the quality of institutions. In other words, it is difficult to think of reasons that geographic isolation can affect the quality of institutions other than by reducing its interactions with other countries.⁶

In the specifications which use the ICRG index, openness is generally significant (except in the case of bureaucratic quality). This is also the case for the KKZ indices which measure government effectiveness, the rule of law and graft. These results hold over various specifications with significance at the 5% significance level. As a test of whether only the geographical determinants of openness affect institutional quality, a measure of tariff distortions was added as a right hand side variable. Table 7 shows these results. They indicate that high tariffs are associated with poor institutional quality (though the causality may run in both directions). When the openness variable (2SLS) is included with the tariff measure (Table 8) the latter becomes less significant though it remains significant in most of the specifications in which it was previously significant.

Trade related distortions

When the Sachs-Warner index of openness is used instead, it is also found to be positively associated with institutional quality as shown in Table 9. However, as noted earlier the Sachs-Warner index may be taken more as a measure of regulatory distortions or opportunities for rent-seeking. A higher ratio of primary exports relative to total exports is also associated with poorer institutional quality- again possibly reflecting the association between rent seeking opportunities and institutional quality.

Social structure and inequality

The Gini coefficient enters with a negative sign in all the estimates. Using the KKZ indices the variable is significant at the 5% level for rule of law, graft, government effectiveness as well as political instability. For the ICRG indices, it is significantly important for most of the individual

⁶ In the first stage regression we see that the coefficient of the instrument is significantly different from zero at the 1% level of confidence. Accordingly, the Hausman's test is applied to test for

measures of institutional quality. However, the inclusion of dummies for Latin America and Africa, particularly the former, reduces or cancels the significance of the gini coefficient. Generally higher measured inequality in these two regions seems to account for the significance of the association between the gini coefficient and institutional quality. This is true even when different non-linear specifications of the relationship are tested, unlike the results found elsewhere (Calderon and Chong, 2000).

Interestingly, the measure of ethno-linguistic fractionalization is not generally correlated significantly with institutional quality unlike the results found in La Porta et al (1999). In theory, the association between ethnic fragmentation and institutional development can in theory be positive or negative. Countries with strong state institutions may be able to counter ethnic tensions and maintain ethnically heterogeneous populations. This would lead to a positive association with institutional quality. Or, equally likely, countries with low ethnic fragmentation may be better able to build strong institutions and strong states. This implies a negative association between diversity and institutional quality. It may also be that countries that have survived as states have done so because ethnic communities were destroyed. So strong institutions could be associated with low ethnic diversity.

Consistent with other papers on the topic, countries with French legal origin seem to do consistently worse than others (the socialist legal code is not always significant), how long a country has been important matters for institutional development, as does of course GNP per capita.

Particular features of institutions

Inclusion of the variable measuring the extent of checks and balances in government does not affect the main conclusions. Using the ICRG index, it is significant for all measures of institutional quality: more checks and balances means better institutions. For the KKZ variables it is significant only for variables such as voice and accountability and political instability but not significant for the others.

endogeneity in each case.

Another conclusion is that freedom of the press is significantly associated with the institutional quality variables affecting also voice and accountability measures of institutional quality as well (Table 6). Djankov et al (2001) contend that state ownership of the press affects institutional quality. Using state ownership of the press as an explanatory variable, we find that it is generally not significant in our specifications which control for legal origin and social structure. In some of the regressions using the KKZ variables, measures of voice and accountability and the regulatory burden imposed by governments are negatively associated with state ownership of the press. It is not significant for any of the ICRG indicators (Table 10).

The results we obtain with respect to openness, social structure and freedom of the press are maintained through different specifications. They are maintained in different samples, to inclusion of various regions, or elimination of different variables. They also hold when the sample is divided into smaller subsamples according to income. All these results are not presented here.

V. CONCLUSIONS

What are the interesting conclusions from this work? Theory suggests that many factors are responsible for determining institutional quality. In this paper we revisit the issue empirically. Using datasets with the greatest cross country coverage. The KKZ indices have the advantage that they aggregate information from various sources and probably contain less measurement error than the ICRG index. The ICRG indices are always available for a relatively large sample of countries and have the added advantage that they are available for several years. We find that openness in trade is significantly and consistently correlated with measures of institutional quality that focus on economic features such as the rule of law, corruption, and government effectiveness measures. Evidence indicates that policy measures affecting openness are important. Open trade does not seem to be important for measures of institutional quality which focus on political aspects or voice. Second, in contrast to what has been found previously, ethnic diversity has no correlation with institutional quality. The negative association between income inequality and institutional quality that has

previously been found in the literature disappear when continent dummies for Latin American and Africa are included. In one sense the lack of association between social structure and institutional quality gives us hope: there seems to be no reason to suspect that institutional quality may be fated to be worse in ethnically diverse countries than in countries with more homogenous populations. Also, initial inequality of income does not seem to have any association with institutional quality once other factors are accounted for. The Engerman-Sokoloff hypothesis of high inequalities leading to poorer institutional quality in South America relative to North America may not be a more general one – only in regions with very high inequalities (such as in parts of Latin America and Africa) might this effect be significant.

Finally features of particular institutions can have consequences for overall perceptions of institutional quality. Measures of checks and balances in the political system, seem to affect significantly both voice and political measures of overall institutional quality. A free press affects other features of institutional quality, such as how effective a government is. However, unlike the results obtained in Djankov et al (2001), state ownership of the press is not significantly and negatively correlated with institutional quality except for selected measures. Finally, as found in other papers, countries from the French legal system seem to have significantly poorer institutional quality. Regulatory distortions and the presence of rent seeking opportunities in trade is associated with inferior institutional quality.

Finally, the lack of suitable instruments has limited some of the analysis. To the extent possible, we have used values of right hand side variables for several years preceding the period under study in order to understand, to the extent possible, the effect of the right hand side variables on the dependent variables.

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Table 1: Descriptive Statistics of the Variables

| Variable | Mean | Median | Std. Dev. | Minimum | Maximum | Skewness | Kurtosis | Number of Obs. |
|------------------------------|----------|---------|-----------|---------|-----------|----------|----------|----------------|
| Dependent Variables | | | | | | | | |
| Voice | -0.0048 | -0.0759 | 0.9613 | -1.7886 | 1.6936 | 0.0978 | 1.9287 | 172 |
| Pinstab | -0.0229 | 0.0080 | 0.9389 | -2.5863 | 1.6904 | -0.3241 | 2.5675 | 154 |
| Geffect | -0.0143 | -0.1379 | 0.8962 | -1.8831 | 2.0821 | 0.3971 | 2.6069 | 155 |
| Regbrdn | 0.0007 | 0.1835 | 0.8323 | -3.1421 | 1.2447 | -0.8997 | 3.6820 | 165 |
| rlaw2m | 0.0034 | -0.1399 | 0.9293 | -2.1525 | 1.9958 | 0.2706 | 0.2136 | 165 |
| Graft | 0.0001 | -0.2528 | 0.9089 | -1.5668 | 2.1290 | 0.7787 | 2.7436 | 154 |
| icrg97 | 4.2568 | 4.2400 | 1.0276 | 1.2000 | 6.0000 | -0.3927 | 3.1490 | 129 |
| corup97 | 3.2976 | 3.0000 | 1.2709 | 0.0000 | 6.0000 | 0.0656 | 2.7736 | 129 |
| lawrul97 | 4.2573 | 4.0000 | 1.2856 | 1.0000 | 6.0000 | -0.2278 | 2.2281 | 129 |
| bureau97 | 3.5077 | 3.0000 | 1.9519 | 1.0000 | 6.0000 | 0.3650 | 3.1172 | 129 |
| cntcre97 | 4.8130 | 5.3400 | 1.1680 | 0.6000 | 6.0000 | -1.3172 | 4.5100 | 129 |
| expris97 | 5.4083 | 5.7000 | 0.8925 | 1.8000 | 6.0000 | -2.1352 | 7.5802 | 129 |
| lcrg 84-97 | 3.7010 | 3.4668 | 1.1477 | 1.2940 | 5.9678 | 0.3977 | 2.4381 | 135 |
| Corup 84-97 | 3.3814 | 3.1000 | 1.3127 | 0.1187 | 6.0125 | 0.2784 | 2.5487 | 135 |
| Lawrule 84-97 | 3.4671 | 3.2928 | 1.4352 | 0.9187 | 6.0000 | 0.3404 | 2.0444 | 135 |
| Bureau 84-97 | 3.2563 | 3.0000 | 0.4530 | 0.9062 | 6.0000 | 0.5025 | 2.3596 | 135 |
| Cntcrepu 84-97 | 3.8845 | 3.7725 | 1.1477 | 1.2300 | 6.0000 | 0.1235 | 2.2363 | 135 |
| Exprisk 84-97 | 4.2919 | 4.2375 | 1.0675 | 1.4400 | 6.0000 | -0.1941 | 2.4070 | 135 |
| Independent Variables | | | | | | | | |
| Avclf | 0.3449 | 0.2625 | 0.3027 | 0.0000 | 1.0000 | 0.4256 | 1.6692 | 156 |
| legor_so | 0.1707 | 0.0000 | 0.3771 | 0.0000 | 1.0000 | 1.7501 | 4.0630 | 205 |
| legor_fr | 0.4390 | 0.0000 | 0.4974 | 0.0000 | 1.0000 | 0.2457 | 1.0603 | 205 |
| legor_ge | 0.0341 | 0.0000 | 0.1820 | 0.0000 | 1.0000 | 5.1304 | 27.3210 | 205 |
| legor_sc | 0.0243 | 0.0000 | 0.1546 | 0.0000 | 1.0000 | 6.1664 | 39.0250 | 205 |
| gnpp9195 | 8.2352 | 8.2267 | 1.0634 | 6.0067 | 10.2662 | 0.0212 | 2.0360 | 147 |
| gnpp7680 | 7.1133 | 7.0825 | 0.8784 | 5.5911 | 9.4691 | 0.2601 | 2.3668 | 110 |
| Indep | 3.8200 | 3.6109 | 1.1487 | 1.3862 | 5.6937 | -0.1416 | 2.4084 | 188 |
| ops9798 | 0.8454 | 0.7502 | 0.4747 | 0.1763 | 3.0144 | 1.5086 | 6.4245 | 160 |
| ops8497 | 0.7519 | 0.6336 | 0.4941 | 0.1700 | 3.5625 | 2.2771 | 11.2450 | 127 |
| inst1 | 27.5613 | 20.5500 | 28.9836 | 2.5600 | 281.2900 | 4.9430 | 40.7241 | 150 |
| gini3 | 40.2806 | 38.7100 | 10.0334 | 24.5100 | 65.0000 | 0.5903 | 2.4915 | 144 |
| Africa | 0.1789 | 0.0000 | 0.3840 | 0.0000 | 1.0000 | 1.6748 | 3.8049 | 257 |
| Latinca | 0.1484 | 0.0000 | 0.3562 | 0.0000 | 1.0000 | 1.9776 | 4.9111 | 256 |
| c_b9094 | 0.2908 | 0.1700 | 0.3196 | 0.0000 | 0.8700 | 0.5881 | 1.7521 | 157 |
| c_b7579 | 0.2068 | 0.0000 | 0.3194 | 0.0000 | 0.8800 | 1.1242 | 2.4965 | 137 |
| Setmort | 227.6808 | 78.2000 | 440.2132 | 8.5500 | 2940.0000 | 4.3931 | 24.3029 | 75 |
| Fpress | 52.9623 | 52.0000 | 24.9984 | 0.0000 | 95.0000 | -0.0989 | 1.8584 | 186 |
| Pxi70 | 0.7367 | 0.8900 | 0.2966 | 0.0400 | 1.0000 | -1.0080 | 2.6183 | 128 |
| T9097 | 15.6072 | 12.7375 | 10.1428 | 0.0000 | 56.7666 | 1.3795 | 5.5161 | 143 |

Table 2. Correlation Matrix of the Independent Variables⁷

| | avef | legor_so | legor_fr | legor_ge | legor_sc | gnpp9195 | gnpp7680 | indep | ops9798 | ops8497 | inst1 | gini3 | africa | latınca | c_b9094 | c_b7579 | setmort | fpres | pxi70 | i9097 | |
|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|---------------|--|
| avef | 1.00 (166) | | | | | | | | | | | | | | | | | | | | |
| legor so | -0.13 (166) | 1.00 (205) | | | | | | | | | | | | | | | | | | | |
| legor fr | 0.06 (166) | -0.40 (205) | 1.00 (205) | | | | | | | | | | | | | | | | | | |
| legor ge | -0.15 (166) | -0.09 (205) | -0.17 (205) | 1.00 (205) | | | | | | | | | | | | | | | | | |
| legor sc | -0.16 (166) | -0.07 (205) | -0.14 (205) | -0.03 (205) | 1.00 (205) | | | | | | | | | | | | | | | | |
| gnpp9195 | -0.51 (140) | 0.01 (147) | -0.19 (147) | 0.25 (147) | 0.28 (147) | 1.00 (147) | | | | | | | | | | | | | | | |
| gnpp7680 | -0.42 (109) | -0.12 (109) | -0.13 (109) | 0.10 (109) | 0.29 (109) | 0.87 (108) | 1.00 (110) | | | | | | | | | | | | | | |
| indep | -0.38 (159) | -0.42 (184) | 0.31 (184) | 0.23 (184) | 0.13 (184) | 0.26 (144) | 0.33 (107) | 1.00 (188) | | | | | | | | | | | | | |
| ops9798 | -0.05 (140) | 0.00 (158) | -0.18 (158) | -0.07 (158) | -0.04 (158) | 0.30 (135) | 0.14 (104) | -0.27 (156) | 1.00 (160) | | | | | | | | | | | | |
| ops8497 | -0.08 (126) | -0.14 (126) | -0.23 (126) | -0.04 (126) | -0.04 (126) | 0.29 (120) | 0.14 (104) | -0.31 (125) | 0.96 (127) | 1.00 (127) | | | | | | | | | | | |
| inst1 | -0.10 (149) | -0.10 (150) | 0.02 (150) | 0.01 (150) | -0.01 (150) | 0.26 (132) | 0.18 (108) | -0.15 (147) | 0.49 (132) | 0.55 (123) | 1.00 (150) | | | | | | | | | | |
| gini3 | 0.23 (126) | -0.37 (141) | 0.23 (141) | -0.18 (141) | -0.16 (141) | -0.32 (117) | -0.27 (97) | 0.03 (138) | 0.01 (131) | 0.05 (110) | -0.13 (125) | 1.00 (144) | | | | | | | | | |
| africa | 0.55 (166) | -0.24 (205) | 0.18 (205) | -0.10 (205) | -0.09 (205) | -0.57 (147) | -0.47 (110) | -0.14 (188) | -0.06 (159) | -0.06 (126) | -0.06 (150) | 0.37 (143) | 1.00 (257) | | | | | | | | |
| latınca | -0.30 (166) | -0.21 (205) | 0.20 (205) | -0.09 (205) | -0.07 (205) | 0.04 (147) | 0.01 (110) | 0.20 (188) | 0.00 (159) | 0.02 (126) | 0.03 (150) | 0.31 (143) | -0.20 (256) | 1.00 (256) | | | | | | | |
| c_b9094 | -0.39 (134) | -0.15 (152) | -0.11 (152) | 0.28 (152) | 0.28 (152) | 0.65 (125) | 0.55 (99) | 0.41 (151) | 0.04 (137) | -0.02 (113) | 0.07 (128) | -0.21 (129) | -0.36 (156) | 0.16 (156) | 1.00 (157) | | | | | | |
| c_b7579 | -0.32 (131) | -0.24 (133) | -0.17 (133) | 0.21 (133) | 0.36 (133) | 0.68 (117) | 0.63 (99) | 0.39 (132) | 0.10 (120) | 0.08 (112) | 0.16 (125) | -0.24 (114) | -0.34 (136) | 0.02 (136) | 0.83 (137) | 1.00 (137) | | | | | |
| setmort | 0.40 (73) | -0.05 (73) | 0.01 (73) | | | -0.41 (68) | -0.36 (63) | -0.28 (73) | -0.06 (70) | -0.04 (66) | 0.04 (72) | 0.05 (70) | 0.48 (75) | -0.23 (75) | -0.27 (68) | -0.23 (67) | 1.00 (75) | | | | |
| fpres | -0.29 (160) | -0.19 (184) | -0.14 (184) | 0.22 (184) | 0.25 (184) | 0.52 (145) | 0.39 (107) | 0.20 (181) | 0.11 (156) | 0.13 (125) | 0.19 (147) | -0.16 (138) | -0.25 (186) | 0.26 (186) | 0.73 (152) | 0.64 (133) | -0.12 (72) | 1.00 (186) | | | |
| pxi70 | 0.34 (126) | -0.09 (127) | 0.28 (127) | -0.42 (127) | -0.17 (127) | -0.52 (115) | -0.30 (99) | -0.30 (126) | -0.20 (113) | -0.24 (113) | -0.15 (122) | 0.31 (106) | 0.29 (128) | 0.14 (128) | -0.55 (113) | -0.55 (112) | 0.22 (69) | -0.44 (126) | 1.00 (128) | | |
| i9097 | 0.24 (135) | -0.14 (143) | 0.06 (143) | -0.17 (143) | -0.18 (143) | -0.56 (126) | -0.54 (102) | -0.15 (142) | -0.28 (131) | -0.26 (131) | -0.19 (129) | 0.12 (122) | 0.30 (143) | -0.01 (143) | -0.36 (127) | -0.39 (118) | 0.06 (70) | -0.31 (142) | 0.27 (114) | 1.00 (143) | |

⁷ The number of observations used in each pair wise calculation is included in parenthesis.

Table 3a. DATA SET: Kaufmann, Kraay and Zoido-Lobaton

| | Preferred specification | | | | | | With region dummies | | | | | |
|------------------------------------|---|------------------------------------|---|-------------------|---|-------------------|---|------------------------------------|---|-------------------|---|-------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft |
| Ethno-linguistic Fractionalization | -0.138 (-0.51) | 0.233 (0.83) | 0.257 (1.10) | -0.205 (-1.22) | 0.067 (0.26) | 0.084 (0.38) | -0.154 (-0.47) | 0.080 (0.22) | 0.053 (0.21) | -0.043 (-0.25) | -0.291 (-1.19) | -0.298 (-1.29) |
| Socialist Legal Code | -0.232 (-1.09) | 0.119 (0.52) | -0.573 (-2.13) | -0.477 (-1.80) | -0.554 (-2.95) | -0.751 (-3.67) | -0.274 (-0.96) | 0.140 (0.57) | -0.610 (-2.12) | -0.441 (-1.70) | -0.571 (-3.00) | -0.767 (-3.44) |
| French Legal Code | -0.171 (-1.28) | -0.251 (-1.65) | -0.138 (-1.02) | -0.161 (-1.63) | -0.331 (-2.61) | -0.418 (-3.23) | -0.224 (-1.57) | -0.262 (-1.64) | -0.093 (-0.70) | -0.209 (-2.08) | -0.296 (-2.31) | -0.377 (-3.19) |
| German Legal Code | -0.063 (0.32) | 0.190 (0.94) | 0.090 (0.40) | -0.432 (-2.67) | 0.247 (1.26) | -0.215 (-0.76) | 0.044 (0.23) | 0.130 (0.66) | 0.019 (0.08) | -0.377 (-2.58) | 0.109 (0.63) | -0.354 (-1.30) |
| Scandinavian Legal Code | 0.432 (2.49) | 0.521 (2.66) | 0.554 (2.87) | -0.115 (-0.74) | 0.483 (2.88) | 0.715 (3.37) | 0.398 (2.39) | 0.448 (2.38) | 0.486 (2.67) | -0.065 (-0.45) | 0.338 (2.25) | 0.567 (2.97) |
| PPP GNP Average 91-95 | 0.432 (4.93) | 0.352 (3.69) | 0.415 (5.07) | 0.338 (4.83) | 0.476 (6.14) | 0.452 (5.81) | 0.484 (5.88) | 0.392 (4.10) | 0.397 (4.58) | 0.358 (5.07) | 0.498 (6.14) | 0.474 (5.97) |
| Years since Independence | 0.105 (1.02) | 0.244 (2.26) | 0.188 (2.25) | 0.119 (1.57) | 0.122 (1.41) | 0.149 (2.07) | 0.095 (0.96) | 0.246 (2.36) | 0.214 (2.41) | 0.096 (1.38) | 0.158 (1.84) | 0.182 (2.39) |
| (X + M) / GDP Average 96-97 | .103 (0.52) | 0.313 (1.44) | 0.410 (2.46) | -0.070 (-0.50) | 0.395 (2.75) | 0.495 (3.09) | 0.071 (0.40) | 0.244 (1.31) | 0.355 (2.34) | -0.026 (-0.20) | 0.265 (2.10) | 0.360 (2.57) |
| Gini Coefficient | -0.007 (-1.27) | -0.013 (-1.74) | -0.016 (-2.75) | 0.000 (0.05) | -0.014 (-2.38) | -0.014 (-2.43) | -0.013 (-1.71) | -0.015 (-1.84) | -0.011 (-1.59) | -0.005 (-1.01) | -0.009 (-1.52) | -0.010 (-1.43) |
| Africa | | | | | | | 0.259 (1.09) | 0.228 (0.88) | -0.024 (-0.12) | 0.055 (0.35) | 0.202 (1.04) | 0.211 (1.16) |
| Latin America | | | | | | | 0.263 (1.15) | 0.001 (0.00) | -0.372 (-1.95) | 0.348 (2.60) | -0.404 (-2.31) | -0.412 (-2.42) |
| Constant | -3.389 (-4.47) | -3.585 (-4.55) | -3.693 (-5.04) | -2.737 (-5.33) | -3.882 (-5.29) | -3.807 (-5.74) | -3.610 (-4.95) | -3.803 (-4.32) | -3.683 (-4.84) | -2.741 (-5.40) | -4.144 (-5.19) | -4.033 (-6.18) |
| # obs | 105 | 101 | 102 | 104 | 104 | 101 | 105 | 101 | 102 | 104 | 104 | 101 |
| R ² | 0.56 | 0.55 | 0.64 | 0.55 | 0.70 | 0.71 | 0.57 | 0.56 | 0.67 | 0.58 | 0.74 | 0.75 |
| Hausman Test | | | | | | | | | | | | |

Table 4. DATA SET: Kaufmann, Kraay and Zoido-Lobaton

| | With checks and balances | | | | | | With freedom of the press | | | | | |
|------------------------------------|---|------------------------------------|---|-------------------|---|-------------------|---|------------------------------------|---|-------------------|---|-------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft |
| Ethno-linguistic Fractionalization | -0.017 (-0.07) | 0.324 (1.15) | 0.297 (1.29) | -0.156 (-0.89) | 0.168 (0.66) | 0.135 (0.62) | -0.149 (-1.06) | 0.239 (0.84) | 0.263 (1.09) | -0.217 (-1.32) | 0.062 (0.22) | 0.093 (0.41) |
| Socialist Legal Code | -0.195 (-1.09) | 0.206 (0.97) | -0.505 (-1.78) | -0.452 (-1.74) | -0.508 (-2.75) | -0.673 (-3.15) | -0.105 (-0.90) | 0.236 (1.00) | -0.526 (-1.92) | -0.392 (-1.56) | -0.483 (-2.51) | -0.709 (-3.45) |
| French Legal Code | -0.050 (-0.41) | -0.152 (-1.04) | -0.070 (-0.51) | -0.135 (-1.33) | -0.292 (-2.33) | -0.344 (-2.74) | -0.093 (-1.23) | -0.197 (-1.43) | -0.119 (-0.90) | -0.117 (-1.25) | -0.305 (-2.63) | -0.407 (-3.25) |
| German Legal Code | 0.124 (0.70) | 0.280 (1.53) | 0.166 (0.79) | -0.402 (-2.44) | 0.289 (1.54) | -0.131 (-0.49) | -0.154 (-1.48) | 0.097 (0.54) | 0.038 (0.18) | -0.468 (-2.92) | 0.176 (0.98) | -0.285 (-1.08) |
| Scandinavian Legal Code | 0.420 (0.87) | 0.574 (3.12) | 0.613 (3.18) | -0.094 (-0.61) | 0.512 (3.29) | 0.784 (3.90) | -0.022 (-0.24) | 0.304 (1.71) | 0.445 (2.41) | -0.226 (-1.51) | 0.335 (2.02) | 0.586 (2.77) |
| PPP GNP Average 91-95 | 0.183 (2.11) | 0.204 (1.87) | 0.332 (3.15) | 0.298 (3.46) | 0.416 (4.90) | 0.364 (3.90) | 0.187 (4.17) | 0.230 (2.41) | 0.363 (4.31) | 0.249 (3.41) | 0.396 (4.94) | 0.401 (5.27) |
| Years since Independence | 0.030 (0.46) | 0.206 (2.23) | 0.176 (2.17) | 0.103 (1.49) | 0.108 (1.27) | 0.141 (1.96) | -0.002 (-0.04) | 0.183 (1.96) | 0.162 (1.91) | 0.080 (1.31) | 0.087 (0.97) | 0.124 (1.63) |
| (X + M) / GDP Average 96-97 | 0.259 (1.55) | 0.414 (2.04) | 0.485 (2.67) | -0.052 (-0.34) | 0.459 (2.98) | 0.588 (3.45) | 0.043 (0.30) | 0.272 (1.46) | 0.395 (2.22) | -0.100 (-0.67) | 0.375 (2.39) | 0.482 (2.86) |
| Gini Coefficient | -0.004 (-0.84) | -0.012 (-1.60) | -0.015 (-2.65) | 0.000 (0.06) | -0.013 (-2.29) | -0.013 (-2.25) | -0.004 (-1.34) | -0.011 (-1.65) | -0.015 (-2.64) | 0.000 (0.21) | -0.013 (-2.36) | -0.012 (-2.27) |
| Checks and Balances | 1.482 (5.41) | 0.811 (2.48) | 0.401 (1.23) | 0.220 (0.92) | 0.343 (1.35) | 0.419 (1.37) | | | | | | |
| Freedom of the Press | | | | | | | 0.029 (16.26) | 0.015 (3.39) | 0.006 (2.02) | 0.009 (3.09) | 0.009 (2.77) | 0.007 (2.57) |
| Constant | -1.932 (-2.86) | -2.755 (-3.52) | -3.277 (-4.07) | -2.468 (-4.59) | -3.591 (-4.93) | -3.411 (-4.79) | -2.720 (-7.16) | -3.291 (-4.05) | -3.598 (-4.89) | -2.402 (-4.89) | -3.659 (-4.64) | -3.754 (-5.26) |
| # obs | 102 | 98 | 99 | 101 | 101 | 98 | 104 | 100 | 101 | 103 | 103 | 100 |
| R ² | 0.69 | 0.58 | 0.65 | 0.55 | 0.71 | 0.71 | 0.89 | 0.63 | 0.66 | 0.60 | 0.73 | 0.73 |
| Hausman Test | | | | | | | | | | | | |

Table 5. DATA SET: ICRG, Average over the period 1984-1997

| | Preferred Specification | | | | | | With regional dummies | | | | | |
|-----------------------------------|-------------------------|-------------------|-------------------|---------------------|----------------------|--------------------|-----------------------|-------------------|-------------------|---------------------|----------------------|--------------------|
| | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| Ethnolinguistic Fractionalization | 0.391 (1.16) | 0.322 (0.57) | 0.208 (0.41) | 0.864 (1.68) | 0.167 (0.54) | 0.229 (0.80) | -0.343 (-1.17) | -0.796 (-1.61) | -0.830 (-1.91) | -0.321 (-0.75) | -0.055 (-0.14) | -0.200 (-0.56) |
| Socialist Legal Code | 0.162 (0.68) | 0.420 (1.01) | 0.446 (1.25) | -0.124 (-0.33) | 0.039 (0.17) | 0.274 (0.99) | -0.358 (-1.55) | -0.176 (-0.36) | -0.202 (-0.57) | -0.866 (-2.89) | -0.348 (-1.74) | -0.092 (-0.32) |
| French Legal Code | -0.163 (-3.87) | -0.451 (-1.83) | -0.514 (-2.23) | -0.895 (-3.68) | -0.515 (-3.76) | -0.606 (-4.45) | -0.479 (-3.58) | -0.317 (-1.38) | -0.357 (-1.66) | -0.714 (-3.63) | -0.394 (-3.21) | -0.506 (-3.79) |
| German Legal Code | 0.512 (2.29) | 0.361 (1.22) | 0.616 (2.13) | 0.688 (2.10) | 0.667 (2.47) | 0.335 (1.54) | 0.216 (1.08) | -0.036 (-0.13) | 0.221 (0.79) | 0.237 (0.90) | 0.515 (2.03) | 0.145 (0.67) |
| Scandinavian Legal Code | 0.592 (2.39) | 1.234 (3.56) | 0.954 (2.77) | 0.620 (1.77) | 0.300 (1.52) | 0.185 (0.82) | 0.345 (1.45) | 0.860 (2.55) | 0.606 (1.79) | 0.223 (0.69) | 0.224 (1.15) | 0.040 (0.17) |
| PPP GNP Average 91-95 | 0.721 (6.44) | 0.733 (3.68) | 0.806 (4.83) | 1.006 (6.21) | 0.642 (6.44) | 0.515 (4.26) | 0.660 (6.98) | 0.692 (3.24) | 0.743 (4.48) | 0.933 (7.70) | 0.564 (6.56) | 0.463 (4.26) |
| Years since Independence | 0.429 (3.68) | 0.497 (2.70) | 0.485 (2.85) | 0.438 (2.31) | 0.404 (3.98) | 0.393 (3.48) | 0.568 (6.18) | 0.683 (4.43) | 0.670 (4.77) | 0.649 (4.81) | 0.476 (5.10) | 0.482 (4.25) |
| (X + M) / GDP Average 96-97 | 0.508 (2.36) | 0.802 (3.33) | 0.639 (2.63) | 0.450 (1.36) | 0.367 (1.78) | 0.399 (2.33) | 0.403 (2.38) | 0.619 (3.02) | 0.480 (2.51) | -0.269 (1.00) | 0.362 (2.23) | 0.344 (2.51) |
| Gini Coefficient | -0.018 (-2.42) | -0.011 (-0.90) | -0.022 (-2.02) | -0.019 (-1.76) | -0.021 (-3.39) | -0.020 (-2.77) | 0.000 (0.03) | 0.005 (0.39) | -0.001 (-0.13) | 0.004 (0.38) | -0.003 (-0.52) | -0.006 (-0.77) |
| Africa | | | | | | | 0.070 (0.32) | 0.461 (1.35) | 0.258 (0.74) | 0.290 (0.87) | -0.393 (-1.70) | -0.069 (-0.26) |
| Latin America | | | | | | | -1.117 (-6.71) | -1.272 (-4.08) | -1.386 (-4.88) | -1.588 (-6.27) | -0.844 (-4.93) | -0.788 (-4.97) |
| Constant | -2.599 (-3.05) | -3.924 (-2.17) | -3.694 (-2.69) | -4.956 (-3.99) | -1.433 (-1.90) | -0.174 (-0.23) | -2.987 (-3.79) | -4.462 (-2.49) | -4.219 (-3.02) | -5.556 (-5.43) | -1.615 (-2.31) | -0.418 (-0.57) |
| # obs | 84 | 84 | 84 | 84 | 84 | 84 | 84 | 84 | 84 | 84 | 84 | 84 |
| R ² | 0.75 | 0.60 | 0.66 | 0.66 | 0.77 | 0.72 | 0.86 | 0.73 | 0.76 | 0.79 | 0.82 | 0.79 |
| Hausman Test | | | | | | | | | | | | |

Table 6. DATA SET: ICRG, Average over the period 1984-1997

| | With checks and balances | | | | | | With freedom of the press | | | | | |
|-----------------------------------|--------------------------|-------------------|-------------------|---------------------|----------------------|--------------------|---------------------------|-------------------|-------------------|---------------------|----------------------|--------------------|
| | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| Ethnolinguistic Fractionalization | 0.475 (1.55) | 0.437 (0.84) | 0.336 (0.77) | 0.963 (1.98) | 0.230 (0.75) | 0.287 (1.09) | 0.450 (1.33) | 0.422 (0.78) | 0.339 (0.68) | 0.926 (1.80) | 0.213 (0.68) | 0.260 (0.90) |
| Socialist Legal Code | 0.594 (2.36) | 0.952 (2.45) | 1.127 (2.88) | 0.421 (0.95) | 0.337 (1.20) | 0.643 (2.52) | 0.513 (1.61) | 1.004 (1.86) | 1.202 (2.27) | 0.259 (0.49) | 0.298 (0.98) | 0.471 (1.51) |
| French Legal Code | -0.328 (-2.00) | -0.084 (-0.35) | -0.057 (-0.24) | -0.537 (-2.00) | -0.310 (-2.00) | -0.371 (-2.77) | -0.566 (-3.97) | -0.361 (-1.51) | -0.386 (-1.70) | -0.855 (-3.75) | -0.469 (-3.35) | -0.591 (-4.55) |
| German Legal Code | 0.661 (2.61) | 0.564 (2.25) | 0.858 (2.97) | 0.863 (2.38) | 0.783 (2.50) | 0.440 (1.67) | 0.450 (2.03) | 0.277 (0.91) | 0.524 (1.72) | 0.604 (1.83) | 0.639 (2.41) | 0.283 (1.31) |
| Scandinavian Legal Code | 0.626 (3.19) | 1.305 (4.42) | 1.015 (3.67) | 0.643 (2.11) | 0.342 (2.06) | 0.181 (1.01) | 0.480 (1.90) | 1.069 (2.99) | 0.759 (2.16) | 0.480 (1.30) | 0.238 (1.23) | 0.103 (0.46) |
| PPP GNP Average 91-95 | 0.454 (4.16) | 0.404 (1.91) | 0.398 (2.32) | 0.664 (4.00) | 0.466 (4.22) | 0.286 (2.11) | 0.691 (6.53) | 0.684 (3.46) | 0.742 (4.91) | 0.973 (6.36) | 0.621 (6.25) | 0.498 (4.14) |
| Years since Independence | 0.297 (2.45) | 0.339 (1.80) | 0.273 (1.60) | 0.269 (1.29) | 0.314 (2.69) | 0.275 (2.64) | 0.358 (2.58) | 0.376 (1.65) | 0.327 (1.53) | 0.362 (1.65) | 0.350 (2.89) | 0.355 (2.84) |
| (X + M) / GDP Average 96-97 | 0.417 (2.22) | 0.699 (3.20) | 0.477 (2.15) | 0.336 (1.11) | 0.299 (1.50) | 0.312 (2.07) | 0.458 (2.37) | 0.710 (3.23) | 0.511 (2.12) | 0.404 (1.31) | 0.321 (1.58) | 0.379 (2.27) |
| Gini Coefficient | -0.014 (-2.15) | -0.007 (-0.59) | -0.017 (-1.79) | -0.014 (-1.41) | -0.019 (-3.15) | -0.016 (-2.59) | -0.017 (-2.47) | -0.010 (-0.89) | -0.022 (-2.06) | -0.018 (-1.72) | -0.021 (-3.45) | -0.019 (-2.73) |
| Checks and Balances | 1.228 (5.01) | 1.475 (3.70) | 1.886 (4.82) | 1.586 (3.88) | 0.800 (2.83) | 1.091 (4.34) | | | | | | |
| Freedom of the Press | | | | | | | 0.007 (1.55) | 0.011 (1.67) | 0.014 (1.94) | 0.007 (1.13) | 0.004 (1.27) | 0.004 (1.10) |
| Constant | -0.795 (-0.92) | -1.728 (-0.92) | -0.883 (-0.64) | -2.657 (-1.94) | -0.222 (-0.25) | 1.392 (1.55) | -2.515 (-3.03) | -3.754 (-2.11) | -3.445 (-2.55) | -4.895 (-4.02) | -1.341 (-1.70) | -0.157 (-0.20) |
| # obs | 82 | 82 | 82 | 82 | 82 | 82 | 83 | 83 | 83 | 83 | 83 | 83 |
| R ² | 0.81 | 0.66 | 0.74 | 0.71 | 0.79 | 0.78 | 0.76 | 0.62 | 0.68 | 0.67 | 0.77 | 0.73 |
| Hausman Test | | | | | | | | | | | | |

Table 7. Regressions with tariffs without openness (OLS)

| | DATA SET: Kaufmann, Kraay and Zoido-Lobaton | | | | | | DATA SET: ICRG, Averaged over the period 1984-1997 | | | | | |
|------------------------------------|---|------------------------------------|---|--------------------|---|--------------------|--|--------------------|--------------------|---------------------|----------------------|--------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | | | | | | |
| Ethno-linguistic Fractionalization | -0.228 (-0.882) | 0.156 (0.570) | 0.081 (0.396) | -0.268 (-1.895) | -0.054 (-0.210) | -0.085 (-0.466) | 0.282 (0.916) | 0.213 (0.452) | 0.012 (0.026) | 0.752 (1.569) | 0.018 (0.053) | 0.165 (0.559) |
| Socialist Legal Code | -0.282 (-0.946) | 0.075 (0.286) | -0.711 (-2.623) | -0.242 (-1.782) | -0.550 (-2.480) | -0.939 (-4.525) | 0.420 (1.415) | 0.580 (1.549) | 0.748 (1.716) | 0.119 (0.264) | 0.325 (1.004) | 0.625 (2.295) |
| French Legal Code | -0.222 (-1.454) | -0.282 (-1.483) | -0.259 (-1.966) | -0.153 (-1.485) | -0.355 (-2.610) | -0.589 (-5.162) | -0.684 (-4.390) | -0.737 (-3.313) | -0.648 (-2.630) | -0.893 (-3.618) | -0.533 (-3.381) | -0.589 (-4.289) |
| German Legal Code | -0.260 (-0.144) | 0.098 (0.484) | -0.137 (-0.656) | -0.403 (-2.825) | 0.156 (0.880) | -0.514 (-2.030) | 0.307 (1.595) | -0.216 (-0.825) | 0.320 (0.934) | 0.618 (1.970) | 0.571 (2.193) | 0.257 (1.252) |
| Scandinavian Legal Code | 0.329 (2.203) | 0.413 (2.380) | 0.300 (2.148) | -0.089 (-0.737) | 0.378 (2.951) | 0.390 (2.467) | 0.368 (1.876) | 0.813 (3.208) | 0.641 (2.221) | 0.452 (1.456) | 0.142 (0.808) | 0.038 (0.208) |
| PPP GNP Average 91-95 | 0.397 (5.009) | 0.374 (3.655) | 0.386 (5.663) | 0.242 (4.516) | 0.489 (5.958) | 0.441 (6.945) | 0.679 (5.451) | 0.415 (1.893) | 0.731 (3.668) | 1.094 (6.043) | 0.668 (4.840) | 0.549 (4.285) |
| Years since Independence | 0.072 (0.863) | 0.180 (1.940) | 0.104 (1.424) | 0.111 (2.171) | 0.049 (0.610) | 0.066 (1.082) | 0.291 (2.542) | 0.387 (2.300) | 0.281 (1.571) | 0.305 (1.640) | 0.258 (2.067) | 0.231 (2.357) |
| Gini Coefficient | -0.009 (-1.562) | -0.012 (-1.507) | -0.018 (-2.951) | -0.001 (-0.221) | -0.012 (-1.908) | -0.017 (-3.004) | -0.021 (-2.815) | -0.022 (-1.907) | -0.026 (-2.141) | -0.020 (-1.732) | -0.022 (-3.227) | -0.021 (-2.833) |
| Nominal Tariffs Average 90-97 | -0.011 (-1.329) | -0.008 (-1.063) | -0.020 (-3.564) | -0.011 (-2.580) | -0.008 (-1.166) | -0.019 (-4.062) | -0.022 (-2.409) | -0.051 (-4.297) | -0.029 (-2.650) | -0.009 (-0.730) | -0.014 (-1.337) | -0.015 (-1.578) |
| Constant | -2.556 (-2.742) | -3.121 (-3.023) | -2.253 (-2.883) | -1.716 (-3.143) | -3.257 (-3.627) | -2.383 (-3.424) | -0.766 (-0.696) | 0.881 (0.455) | -1.021 (-0.548) | -4.489 (-2.692) | -0.404 (-0.303) | 0.884 (0.727) |
| # obs | 106 | 103 | 104 | 105 | 105 | 103 | 83 | 83 | 83 | 83 | 83 | 83 |
| R ² | 0.5767 | 0.5285 | 0.6658 | 0.5886 | 0.6806 | 0.7589 | 0.7450 | 0.6596 | 0.6479 | 0.6556 | 0.7155 | 0.6899 |

Table 8. Regressions with tariffs and openness (TSLS)

| | DATA SET: Kaufmann, Kraay and Zoido-Lobaton | | | | | | DATA SET: ICRG, Averaged over the period 1984-1997 | | | | | |
|------------------------------------|---|------------------------------------|---|--------------------|---|--------------------|--|--------------------|--------------------|---------------------|----------------------|--------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | | | | | | |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| Ethno-linguistic Fractionalization | -0.218 (-0.811) | 0.230 (0.805) | 0.175 (0.773) | -0.266 (-1.766) | 0.056 (0.215) | -0.030 (-0.145) | 0.360 (1.070) | 0.176 (0.331) | 0.175 (0.347) | 0.851 (1.619) | 0.169 (0.521) | 0.260 (0.900) |
| Socialist Legal Code | -0.277 (-0.893) | 0.117 (0.503) | -0.647 (-2.313) | -0.250 (-1.821) | -0.464 (-2.281) | -0.824 (-3.880) | 0.284 (1.164) | 0.499 (1.228) | 0.583 (1.479) | -0.036 (-0.089) | 0.156 (0.607) | 0.488 (2.158) |
| French Legal Code | -0.224 (-1.546) | -0.253 (-1.498) | -0.218 (-1.649) | -0.164 (-1.729) | -0.296 (-2.118) | -0.500 (-4.241) | -0.611 (-3.703) | -0.578 (-2.231) | -0.520 (-2.090) | -0.841 (-3.299) | -0.498 (-3.476) | -0.546 (-4.337) |
| German Legal Code | 0.001 (0.004) | 0.188 (0.870) | -0.020 (-0.090) | -0.403 (-2.680) | 0.303 (1.421) | -0.333 (-1.221) | 0.460 (1.881) | 0.075 (0.213) | 0.529 (1.502) | 0.741 (2.022) | 0.655 (2.255) | 0.358 (1.565) |
| Scandinavian Legal Code | 0.363 (1.871) | 0.518 (2.474) | 0.436 (2.202) | -0.086 (-0.607) | 0.545 (2.892) | 0.592 (2.847) | 0.521 (2.028) | 1.067 (2.941) | 0.904 (2.402) | 0.579 (1.539) | 0.255 (1.191) | 0.147 (0.657) |
| PPP GNP Average 91-95 | 0.368 (4.057) | 0.342 (3.050) | 0.351 (4.433) | 0.228 (3.575) | 0.460 (5.213) | 0.395 (5.237) | 0.725 (5.681) | 0.518 (2.068) | 0.727 (3.460) | 1.134 (5.920) | 0.675 (5.637) | 0.579 (4.827) |
| Years since Independence | 0.093 (0.924) | 0.243 (2.289) | 0.177 (2.133) | 0.117 (1.756) | 0.137 (1.635) | 0.146 (2.017) | 0.384 (3.016) | 0.482 (2.385) | 0.444 (2.286) | 0.395 (1.858) | 0.359 (2.941) | 0.312 (3.093) |
| Gini Coefficient | -0.010 (-1.554) | -0.014 (-1.635) | -0.019 (-3.002) | -0.001 (-0.280) | -0.013 (-2.092) | -0.016 (-2.702) | -0.018 (-2.362) | -0.015 (-1.156) | -0.023 (-1.870) | -0.018 (-1.511) | -0.022 (-3.072) | -0.020 (-2.536) |
| Nominal Tariffs Average 90-97 | -0.010 (-1.154) | -0.002 (-0.229) | -0.013 (-2.025) | -0.011 (-2.545) | 0.002 (0.254) | -0.011 (-1.836) | -0.006 (-0.646) | -0.026 (-1.667) | -0.012 (-1.016) | 0.006 (0.409) | -0.003 (-0.286) | -0.003 (-0.357) |
| (M+X)/GDP Average 97-98 | 0.069 (0.328) | 0.315 (1.409) | 0.339 (2.013) | -0.002 (-0.013) | 0.458 (3.031) | 0.419 (2.790) | 0.436 (1.701) | 0.714 (2.193) | 0.599 (2.018) | 0.380 (1.033) | 0.306 (1.234) | 0.321 (1.795) |
| Constant | -2.453 (-2.600) | -3.459 (-3.433) | -2.669 (-3.092) | -1.597 (-2.885) | -3.951 (-4.440) | -2.908 (-3.569) | -2.237 (-1.820) | -1.561 (-0.630) | -2.663 (-1.353) | -5.810 (-3.012) | -1.365 (-1.029) | -0.213 (-0.192) |
| # obs | 102 | 99 | 100 | 101 | 101 | 99 | 81 | 81 | 81 | 81 | 81 | 81 |
| R ² | 0.5708 | 0.5461 | 0.6717 | 0.5885 | 0.6889 | 0.7423 | 0.7650 | 0.6301 | 0.6583 | 0.6679 | 0.7700 | 0.7321 |

Table 9a. Regressions with the Sachs-Warner index without openness (OLS)

| | DATA SET: Kaufmann, Kraay and Zoido-Lobaton | | | | | | DATA SET: ICRG, Averaged over the period 1984-1997 | | | | | |
|------------------------------------|---|------------------------------------|---|--------------------|---|--------------------|--|--------------------|--------------------|---------------------|----------------------|--------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | | | | | | |
| Ethno-linguistic Fractionalization | -0.310 (-1.150) | -0.092 (-0.373) | -0.017 (-0.077) | -0.247 (-1.616) | -0.079 (-0.300) | -0.118 (-0.557) | 0.120 (0.365) | -0.018 (-0.032) | -0.181 (-0.376) | 0.537 (1.099) | -0.043 (-0.139) | 0.023 (0.078) |
| Socialist Legal Code | -0.624 (-0.846) | 0.599 (2.072) | 0.146 (0.682) | -0.218 (-0.843) | 0.127 (0.545) | -0.126 (-0.595) | 0.632 (2.161) | 0.821 (-1.698) | 1.332 (3.232) | 0.467 (1.093) | 0.507 (1.770) | 0.718 (2.067) |
| French Legal Code | -0.268 (-1.795) | -0.336 (-1.872) | -0.188 (-1.428) | -0.188 (-1.658) | -0.365 (-2.880) | -0.462 (-3.570) | -0.544 (-3.127) | -0.453 (-1.676) | -0.330 (-1.373) | -0.769 (-3.027) | -0.429 (-2.820) | -0.531 (-3.197) |
| German Legal Code | -0.036 (-0.199) | 0.036 (0.159) | -0.130 (-0.525) | -0.458 (-3.026) | 0.063 (0.320) | -0.441 (-1.437) | 0.274 (1.760) | 0.078 (0.273) | 0.225 (0.735) | 0.445 (1.757) | 0.454 (2.317) | 0.118 (0.721) |
| Scandinavian Legal Code | 0.354 (2.426) | 0.372 (2.280) | 0.347 (2.460) | -0.121 (-0.916) | 0.307 (2.478) | 0.486 (2.908) | 0.288 (1.630) | 0.850 (3.218) | 0.473 (2.046) | 0.319 (1.111) | 0.040 (0.277) | -0.085 (-0.531) |
| PPP GNP Average 91-95 | 0.314 (2.957) | 0.209 (1.717) | 0.238 (2.600) | 0.220 (2.706) | 0.351 (4.006) | 0.371 (4.110) | 0.682 (5.604) | 0.733 (3.467) | 0.716 (4.372) | 0.938 (5.677) | 0.591 (5.601) | 0.475 (3.786) |
| Years since Independence | 0.141 (1.600) | 0.175 (1.487) | 0.102 (1.018) | 0.148 (1.999) | 0.031 (0.304) | 0.029 (0.306) | 0.147 (1.313) | 0.173 (0.915) | 0.031 (0.177) | 0.123 (0.698) | 0.157 (1.397) | 0.148 (1.250) |
| Gini Coefficient | -0.004 (-0.656) | -0.006 (-0.854) | -0.008 (-1.365) | -0.000 (-0.053) | -0.010 (-1.598) | -0.008 (-1.311) | -0.005 (-0.663) | 0.002 (0.147) | -0.001 (-0.114) | -0.002 (-0.227) | -0.010 (-1.542) | -0.010 (-1.277) |
| Sachs-Warner Index Average 82-92 | 0.301 (1.178) | 0.609 (2.162) | 0.900 (4.252) | 0.272 (1.462) | 0.711 (3.158) | 0.684 (3.248) | | | | | | |
| Sachs-Warner Index Average 66-81 | | | | | | | 0.840 (3.624) | 0.817 (2.347) | 1.485 (4.728) | 0.994 (2.901) | 0.803 (3.509) | 0.772 (3.805) |
| Constant | -2.636 (-2.970) | -2.283 (-2.805) | -2.168 (-3.123) | -2.010 (-4.294) | -2.578 (-3.466) | -2.680 (-3.988) | -1.489 (-1.576) | -2.630 (-1.358) | -1.950 (-1.419) | -3.767 (-2.869) | -0.441 (-0.529) | 0.797 (0.990) |
| # obs | 95 | 92 | 93 | 94 | 94 | 92 | 82 | 82 | 82 | 82 | 82 | 82 |
| R ² | 0.5973 | 0.5987 | 0.7273 | 0.6071 | 0.7543 | 0.7721 | 0.7948 | 0.6328 | 0.7267 | 0.7035 | 0.7897 | 0.7556 |

Table 9b. Regressions with primary exports and openness (TSLS)

| | DATA SET: Kaufmann, Kraay and Zoido-Lobaton | | | | | | DATA SET: ICRG, Averaged over the period 1984-1997 | | | | | |
|--|---|------------------------------------|---|--------------------|---|--------------------|--|--------------------|--------------------|---------------------|----------------------|--------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | | | | | | |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| Ethno-linguistic Fractionalization | -0.127 (-0.489) | 0.096 (0.378) | 0.198 (0.771) | -0.155 (-0.896) | 0.048 (0.160) | 0.028 (0.124) | 0.429 (1.336) | 0.384 (0.726) | 0.310 (0.655) | 0.865 (1.677) | 0.237 (0.784) | 0.251 (0.933) |
| Socialist Legal Code | -0.167 (-0.512) | 0.153 (0.715) | -0.588 (-2.241) | -0.187 (-1.307) | -0.466 (-2.564) | -0.772 (-3.958) | 0.316 (1.347) | 0.673 (1.881) | 0.643 (1.757) | 0.063 (0.164) | 0.145 (0.579) | 0.347 (1.212) |
| French Legal Code | -0.089 (-0.591) | -0.196 (-1.252) | -0.144 (-1.008) | -0.063 (-0.644) | -0.275 (-2.031) | -0.443 (-3.346) | -0.614 (-3.886) | -0.472 (-2.063) | -0.495 (-2.194) | -0.926 (-3.660) | -0.496 (-3.293) | -0.580 (-3.958) |
| German Legal Code | 0.081 (0.397) | 0.201 (0.905) | 0.038 (0.167) | -0.349 (-2.381) | 0.261 (1.238) | -0.298 (-1.053) | 0.428 (2.031) | 0.234 (0.878) | 0.557 (1.996) | 0.553 (1.776) | 0.624 (2.263) | 0.301 (1.416) |
| Scandinavian Legal Code | 0.563 (2.735) | 0.662 (2.742) | 0.576 (2.794) | 0.054 (0.368) | 0.586 (2.858) | 0.700 (3.823) | 0.485 (2.165) | 1.070 (3.453) | 0.856 (2.620) | 0.448 (1.499) | 0.249 (1.191) | 0.145 (0.660) |
| PPP GNP Average 91-95 | 0.419 (4.657) | 0.294 (3.374) | 0.415 (4.708) | 0.293 (4.533) | 0.436 (5.322) | 0.458 (5.529) | 0.845 (7.677) | 0.937 (5.262) | 0.951 (5.761) | 1.171 (7.085) | 0.726 (6.610) | 0.562 (4.569) |
| Years since Independence | 0.078 (0.760) | 0.214 (2.524) | 0.156 (1.823) | 0.093 (1.454) | 0.112 (1.416) | 0.134 (1.865) | 0.322 (3.182) | 0.335 (2.109) | 0.397 (2.427) | 0.291 (1.714) | 0.344 (3.117) | 0.332 (3.027) |
| Gini Coefficient | -0.005 (-1.381) | -0.010 (-1.381) | -0.014 (-2.106) | 0.002 (0.334) | -0.014 (-2.200) | -0.014 (-2.116) | -0.018 (-2.326) | -0.009 (-0.759) | -0.023 (-2.090) | -0.019 (-1.649) | -0.022 (-3.236) | -0.022 (-2.794) |
| (Export fuels& minerals)/Total exports Average 96-97 | -0.007 (-2.389) | -0.008 (-2.343) | -0.005 (-1.856) | -0.005 (-2.047) | -0.005 (-2.227) | -0.004 (-2.244) | | | | | | |
| (Export fuels& minerals)/Total exports Average 84-97 | | | | | | | -0.005 (-1.863) | -0.008 (-1.960) | -0.005 (-1.167) | -0.007 (-1.561) | -0.004 (-1.336) | -0.002 (-0.925) |
| (M+X)/GDP Average 97-98 | 0.107 (0.572) | 0.406 (2.333) | 0.392 (2.128) | -0.016 (-0.117) | 0.425 (2.679) | 0.446 (2.601) | | | | | | |
| (M+X)/GDP Average 84-97 | | | | | | | 0.381 (1.795) | 0.626 (2.606) | 0.523 (2.386) | 0.280 (0.838) | 0.269 (1.265) | 0.331 (2.009) |
| Constant | -3.208 (-4.381) | -3.025 (-3.702) | -3.519 (-4.987) | -2.322 (-4.921) | -3.470 (-4.290) | -3.658 (-5.587) | -2.813 (-3.234) | -4.438 (-2.591) | -4.176 (-3.144) | -5.199 (-4.103) | -1.624 (-1.927) | -0.089 (-0.111) |
| # obs | 96 | 93 | 94 | 95 | 95 | 93 | 80 | 80 | 80 | 80 | 80 | 80 |
| R ² | 0.6076 | 0.6319 | 0.6789 | 0.5955 | 0.7245 | 0.7515 | 0.8068 | 0.6924 | 0.7246 | 0.7119 | 0.7847 | 0.7405 |

Table 10. Regressions with state ownership of the press with openness (TSLs)

| | DATA SET: Kaufmann, Kraay and Zoido-Lobaton | | | | | | DATA SET: ICRG, Averaged over the period 1984-1997 | | | | | |
|------------------------------------|---|------------------------------------|---|--------------------|---|--------------------|--|--------------------|--------------------|---------------------|----------------------|--------------------|
| | How authorities are selected and replaced | | Capacity of the state to implement sound policies | | Respect of the state and the citizens for the rules | | | | | | | |
| | Voice and Accountability | Political Instability and Violence | Government Effectiveness | Regulatory Burden | Rule of Law | Graft | ICRG | Corruption | Rule of Law | Bureaucracy Quality | Contract Repudiation | Expropriation Risk |
| Openness 97-98 (ops9798) | 0.694 (1.536) | 0.450 (1.523) | 0.508 (1.765) | 0.306 (1.811) | 0.589 (2.652) | 0.639 (2.456) | 0.514 (2.350) | 0.706 (2.138) | 0.616 (1.679) | 0.524 (1.684) | 0.370 (1.702) | 0.475 (2.218) |
| Ethno-linguistic Fractionalization | 0.271 (0.789) | -0.138 (-0.303) | -0.032 (-0.085) | -0.030 (-0.125) | -0.548 (-1.646) | -0.124 (-0.361) | -0.214 (-0.575) | -0.041 (-0.079) | -0.321 (-0.501) | 0.170 (0.307) | -0.564 (-1.617) | -0.397 (-1.166) |
| Socialist Legal Code | -0.119 (-0.439) | 0.066 (0.226) | -0.645 (-2.049) | -0.396 (-1.965) | -0.797 (-3.641) | -0.838 (-3.486) | -0.157 (-0.389) | 0.295 (0.496) | 0.510 (0.847) | -1.027 (-1.573) | -0.157 (-0.369) | 0.207 (0.526) |
| French Legal Code | -0.137 (-0.598) | -0.386 (-1.873) | -0.151 (-0.802) | -0.112 (-0.955) | -0.479 (-3.014) | -0.483 (-2.800) | -0.711 (-4.660) | -0.812 (-3.676) | -0.501 (-1.896) | -1.092 (-4.315) | -0.475 (-2.837) | -0.476 (-3.067) |
| German Legal Code | 0.151 (0.577) | 0.175 (0.725) | -0.049 (-0.201) | -0.272 (-2.124) | 0.106 (0.496) | -0.387 (-1.394) | 0.200 (1.143) | -0.074 (0.278) | 0.381 (1.223) | 0.202 (0.739) | 0.496 (2.393) | 0.174 (0.973) |
| Scandinavian Legal Code | 0.573 (2.226) | 0.513 (2.053) | 0.408 (1.929) | 0.072 (0.477) | 0.339 (1.797) | 0.544 (2.567) | 0.311 (1.438) | 0.736 (2.573) | 0.707 (2.008) | 0.216 (0.673) | 0.184 (0.999) | 0.077 (0.358) |
| PPP GNP Average 91-95 | 0.319 (2.607) | 0.239 (1.926) | 0.396 (3.435) | 0.181 (2.631) | 0.308 (3.194) | 0.447 (4.611) | 0.640 (6.623) | 0.781 (4.160) | 0.789 (4.337) | 0.898 (6.543) | 0.504 (5.258) | 0.390 (3.225) |
| Years since Independence | 0.260 (2.214) | 0.291 (2.127) | 0.222 (1.950) | 0.149 (1.823) | 0.172 (1.635) | 0.218 (2.181) | 0.426 (3.666) | 0.432 (2.559) | 0.466 (2.524) | 0.600 (3.264) | 0.344 (2.765) | 0.357 (2.796) |
| Gini Coefficient | -0.006 (-0.783) | -0.008 (-0.833) | -0.015 (-1.613) | -0.001 (-0.141) | -0.013 (-1.627) | -0.013 (-1.486) | -0.011 (-1.344) | -0.009 (-0.576) | -0.014 (-1.053) | -0.007 (-0.669) | -0.013 (-1.811) | -0.014 (-1.738) |
| State ownership of the press | -0.570 (-2.013) | 0.009 (0.034) | -0.094 (-0.366) | -0.418 (-2.249) | 0.090 (0.411) | 0.012 (0.056) | -0.083 (-0.276) | -0.204 (-0.438) | -0.305 (-0.766) | 0.192 (0.415) | -0.107 (-0.337) | -0.200 (-0.672) |
| Constant | -3.675 (-3.599) | -2.950 (-2.050) | -3.631 (-2.869) | -1.783 (-2.671) | -2.473 (-2.405) | -4.057 (-3.729) | -1.826 (-2.117) | -3.485 (-1.768) | -3.412 (-2.109) | -4.837 (-3.854) | -0.094 (-0.098) | 0.940 (0.931) |
| # obs | 70 | 69 | 69 | 70 | 70 | 69 | 59 | 59 | 59 | 59 | 59 | 59 |
| R ² | 0.5745 | 0.5817 | 0.7133 | 0.6549 | 0.7467 | 0.7765 | 0.8392 | 0.7581 | 0.7448 | 0.7671 | 0.8236 | 0.7920 |

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