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Substitutable Protections

Credible Commitment Devices and Socioeconomic Insulation

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Scholars have argued that credible commitment institutions have important impacts on political outcomes as diverse as economic growth and social order. If commitment institutions function as theorized, then their effects should vary across individuals, groups, or states, based on their respective vulnerability to promise breaking. Yet existing empirical studies never pursue this implication. The failure to do so risks a number of inferential errors and can lead to suboptimal policy prescriptions for institutional reform. In this article, the authors develop and provide empirical evidence for these claims within the context of a commitment problem that scholars believe undermines social order.

Keywords: *credible commitment; order; legal reform*

The enforceability of promises is central to explanations of many political, social, and economic phenomena. When individuals cannot trust others to follow through with their commitments, social behavior becomes mildly inefficient at best, nasty and cruel at worst. A core tenant of neoinstitutional social science is that institutions designed to enforce promises, commitment institutions, are crucial tools for inducing efficient behavior. In particular, scholars commonly argue that constitutional promises to respect individual rights enforced by effective judiciaries are critical for establishing social order and generating economic growth (Barro 1997; Frye 2004; North, Summerhill, and Weingast 2000; Stasavage 2002). However, we know that courts cannot always constrain the state from violating constitutional terms (Vanberg 2001; Helmke 2005), and that individual confidence in legal institutions varies considerably, even within states whose legal systems are thought to perform very well (Cann and Yates 2008). For these reasons, states have strong incentives to develop trust in their legal institutions. As a result, legal reform efforts are commonly designed to construct general societal confidence in legal institutions via comprehensive, systemwide changes (e.g., Prillaman 2000).¹ Yet an implication of the general commitment argument, one that has yet to be explored empirically, suggests that the goal of developing everyone's beliefs in legal institutions may be suboptimal.

What is this implicit implication? Put simply, if the commitment argument is correct, institutional effects should be strongest among individuals most vulnerable to the consequences of breaking a promise and weakest among those least vulnerable. Indeed, for individuals perfectly insulated from promise breaking, we should observe no effect at all, precisely because commitment institutions substitute for characteristics that insulate a person from the negative consequences of noncompliance. While this is implied by the argument, it goes untested in the empirical literature, where scholars commonly estimate additive models of various mutually beneficial outcomes or behavior as a function of some measure of institutional quality or belief in institutional quality (e.g., Barro 1997; Clague et al. 1999; Frye 2004; Knack and Keefer 1997). Such research designs suggest that commitment institutions have constant effects across individuals or states. Since the literature has not been explicit about this element

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of the argument, it is fair to wonder whether it matters that we do so here. What is the value of determining whether commitment institutions have varying effects across individuals?

We believe that this is important for several reasons. By doing so, we will have clarified precisely how the mechanism of a commitment device operates across a range of states or individuals. Also, we will have gained valuable evidence in support of the general commitment story derived from a more discriminating empirical design. Standard hypothesis tests, conducted in the context of additive specifications, risk failing to find support for its implications in some cases, and more alarming, they may uncover support when the underlying data-generating process is inconsistent with commitment theory. Moreover, we will have gained a prescription for institutional reforms aimed at constructing beliefs in the credibility of commitment institutions. For example, in a world of scarce resources and multiple policy problems, getting the correct answer to the question “What precisely are the effects of reforming the judiciary?” is critical. If the implicit of commitment theory is correct, then a generalized reform effort may waste resources on individuals for whom increasing trust in the legal system is irrelevant and devote insignificant resources on individuals for whom an increase in trust would have a substantial impact. In the absence of such information, reformers may unnecessarily expend scarce resources to supply or promote an institution to a subpopulation that has little need for it. Alternatively, reformers might fail to supply or promote an institution to a subpopulation for which the impact will be particularly strong.

It is also worth highlighting the normative implications of getting this argument right. Although commitment scholarship does not typically include explicit normative statements, clear normative goals support the research program across political science and economics. Scholars who consider how the problem influences social order are concerned with finding institutional routes to peace. And in the more familiar literature on how the problem influences investment and growth, it is surely the case that scholars are concerned with promoting economic development and the varied normative goals that come with it. But the argument has important implications for normative theory itself, even accounts of justice that would replace political economy’s focus on the aggregation of individual preferences with the protection of individual needs (e.g., Braybrooke 1987; Brock 2005). Any needs-based analysis necessarily confronts the time-inconsistency problem that gives rise to institutions of

commitment, as Braybrooke (1987, 19) himself recognizes by noting that politicians and bureaucrats have political incentives to “inflate” what constitutes a need and thus threaten to violate an explicit prior agreement about the nature of needs. Similarly, Brock (2005, 26) suggests that institutions that protect against various forms of oppression (which we might conceptualize as violations of limits on governmental behavior) will perform a vital role in an economy designed to ensure a basic needs floor is assured. Thus, even if our normative goal involves the provision of fundamental needs rather than, say, the reasonable aggregation of preferences, we simply must deal with the enforcement of our policy choices, and this implies resolving commitment problems.

We divide the remainder of the article as follows. In the following section, we describe the commitment problem in a variety of contexts, highlighting the manner by which institutions solve the problem. We then highlight how individual socioeconomic characteristics might insulate a person from the consequences of promise breaking and identify why the failure to account for such vulnerabilities clouds a precise evaluation of the commitment mechanism. We then turn to a particular commitment problem that is central to the construction and maintenance of a democracy, a problem for which effective legal institutions are a solution. How does the state ensure order in society when the state itself is a threat to the physical security of its own citizenry?² Subsequently, we present our empirical research design and several tests. We conclude by considering implications of these results for commitment theory and legal reform.

Commitment Theory

Commitment problems infect social relations in a variety of contexts. Consider three parties: A, B, and C. The first type of problem involves how party A might induce parties B and C to enter into efficient agreements with each other when party A is a threat to the assets of both. Empirically, this is a problem of contracting in the shadow of a potentially predatory state and is most commonly addressed in the literature on economic growth (Barro 1997; Frye 2004; Stasavage 2002). If the state cannot credibly commit to respecting the property rights of investors within its jurisdiction, investment will be inefficient and growth will be retarded. A second type of problem involves how parties A and B might come to an agreement when neither A nor B can trust the other to comply

with the agreement *ex post*. This is the commitment problem most commonly studied by scholars of international and domestic conflict (e.g., Fearon 1995; Powell 2004). Here, the failure to solve the problem can result in new or continued warfare, as parties cannot trust each other to respect the terms of peace. A third problem concerns the ability of party A to induce party B to behave in some way when A is a threat to B but B is not a threat to A. This problem infects state-private contracts of many kinds and has been analyzed in the context of state borrowing behavior (North and Weingast 1989; Stasavage 2002). It also is implied by normative theories of justice, where promises to provide basic societal needs are always subject to distortion or abuse (Braybrooke 1987, 19). Perhaps most significantly, the problem affects the state's ability to construct and maintain social order, the problem North, Summerhill, and Weingast (2000) reference. How can the state construct and maintain societal order when it is also a possible threat to the rights of its citizenry? Although the particulars of these three scenarios are no doubt different, they share the central dynamic of the commitment problem: a failure of one party to credibly commit to some course of action makes it less likely that another party will act in reliance on that commitment, leading to an inefficient outcome. How is this problem solved?

The challenge in each scenario is ensuring vulnerable parties that obligations will be met. The conventional solution involves constructing institutions that can detect and provide a remedy for noncompliance. Clearly defined civil and property rights enforced by effective, independent judiciaries are designed to ensure that state promises to forgo financial predation and to respect the physical integrity of its subjects are perceived credible. Likewise, power-sharing agreements enforced by powerful third-party states or international actors do the same for the commitments of civil combatants. As long as parties believe that these institutional structures will operate as designed (Denzau and North 1994; Frye 2004; Jacobs 2005; North 1990, 2005), promises are rendered credible and mutually beneficial behavior ensues (Nellis 2000; North and Weingast 1989; Milgrom, North, and Weingast 1990).

To summarize, the mechanism that links commitment institutions to efficiency-enhancing behavior involves the vulnerable parties beliefs that the institution designed to detect and remedy noncompliance will function as designed. When parties believe this to be the case, they are relieved of their concerns over promise breaking and develop a belief in the

attractiveness of some efficiency-enhancing behavior, which in turn results in a greater propensity to engage in that behavior. In the presence of a credible institution, individuals entertain the sort of beliefs (e.g., my assets, my rights, or my liberties are secure) about their interactions that induce socially efficient behavior (e.g., I sign the contract, I support democracy, I lay down my weapons). But are all individuals equally vulnerable to the problem that commitment institutions resolve?

Commitment Institutions as Substitutes for Socioeconomic Insulation

Commitment arguments imply that institutions should have their largest impact on the most vulnerable to breach. It is among the vulnerable where the *credibility* of a promise matters. If a party will not be hurt too badly by the failure of another to follow through with a promise, we ought not to expect an institution that ensures compliance to have much of an effect on that party. On the other hand, if the party is quite vulnerable to noncompliance, then the institution should matter greatly. If commitment institutions attenuate or even eliminate noncompliance concerns, this much is a straightforward implication of the argument. Yet this idea is neither explicitly stated nor empirically tested. In our view, this treatment should be corrected.

We argue that socioeconomic factors that insulate a person from the consequences of breach condition the effectiveness of commitment institutions. This is because institutions *substitute for the protections that individuals might naturally enjoy*. We call those natural protections *socioeconomic insulation*. Recognizing that commitment institutions substitute for insulation implies that the institution's effect should be strongest among the least insulated and attenuate as insulation increases. Properly testing hypotheses derived from commitment theories in different contexts requires information on not only the commitment device in question but also the context-specific socioeconomic factor that insulates parties from breach.

What types of sociological features might insulate parties against broken promises? Depending on the context, a host of factors (e.g., wealth, asset mobility, religious tolerance, embeddedness in dense social networks, financial independence, etc.) may serve this purpose. For example, in the context of contracting under the shadow of a predatory state, firms whose assets are highly diverse or mobile should be

better protected against state financial predation than firms whose assets are concentrated or immobile (for a related argument, see Boix 2003). In this respect, the investment choices of firms with low insulation should be more sensitive to the credibility of the state promises to respect their property than the investment choices of firms with high levels of insulation. In the context of a civil conflict, the choices of vulnerable combatants (e.g., those expected to be in the minority under a democratic regime) to lay down their arms should be far more sensitive to the credibility of peace arrangements than less vulnerable parties. This is because group size better insulates the majority against a subsequent violation of the terms of the peace by the new government. In each of these settings, a commitment device serves as substitute for a specific form of socioeconomic insulation.

Typical tests of commitment models, which estimate additive specifications of commitment effects, however, do not account for such socioeconomic insulation. Additive models produce estimates that reflect the *average* institutional effect across the varying degrees of insulation associated with observations in the sample. Yet if the effects of commitment institutions are not constant, the argument implies an interactive specification, and if the underlying process is truly interactive, additive models can result in incorrect inferences on the effects on commitment institutions in three ways. A full test of the mechanism underlying commitment theory should parse out the vulnerable from the invulnerable and consider institutional effects across these categories. Such an interactive test would reveal precisely how and for whom commitment institutions resolve the fear of noncompliance they are designed to fix. To further develop this argument, we now turn to a particular commitment problem, its solution, and the implications that follow from it.

Constructing the Democratic Order

To demonstrate our approach, we turn to a specific commitment problem. Before a state can attend to how its predatory choices might influence growth, it must focus on how those choices might undermine political order itself (North, Summerhill, and Weingast 2000). According to North, Summerhill, and Weingast, to avoid political disorder, a democratic state must, at a minimum, encourage citizen consensus that democracy is the legitimate governing institution best suited for their country. The failure to do so creates a pool of

dissatisfied people that may be mobilized against the regime, heightening the risks of political disorder. At the individual level, this means that a democratic state must influence a citizen's propensity to support democracy as the system of government best suited for his or her country. As North, Summerhill, and Weingast (2000, 25) say directly, "To maintain a stable democracy . . . citizens must believe that [democratic] institutions are appropriate for society." In this argument, this is critical because citizens who hold these beliefs are less likely to engage in disorderly behavior, which, among other things, means offering support to a group mobilizing as an alternative to the state. Inducing supportive beliefs is nontrivial, however, precisely because without restraint a democratic state can threaten citizens' fundamental rights. Maintaining support for the democratic regime will be especially difficult when the alternative group has a legitimate chance of success and a citizen's support for that group look increasingly attractive.³ Therefore, although it is critical to induce regime support, the state's problem is far from trivial.

Broadly conceived, the problem of maintaining the democratic order involves more than simply constraining the state from preying on financial assets but rather involves the panoply of rights that states promise to respect and over which groups of individuals might challenge the regime. Of these many rights, perhaps none is more fundamental than a citizen's physical security. Unsurprisingly, democratic regimes routinely adopt constitutional provisions that explicitly recognize physical integrity rights. Yet there is mixed evidence that formal rules designed to protect physical integrity rights are associated with lower levels of violations (Keith 2002, 127). Indeed, the yearly average percentage of democracies between 1987 and 2004 that "systematically" engaged, or had at least fifty reported cases, in state-sponsored torture in violation of specific human rights commitments is 30 percent (Cingranelli and Richards 2004), and 78 percent of democracies engaged in at least one act of torture in violation of their own commitments! Thus, we see the commitment problem here: How can the state ensure order in society by promoting democratic government when the democratic state itself is a potential threat to its own citizens' rights?

A standard commitment argument suggests that the solution lies in the state formally committing to protecting individual rights and then supplying a legal structure that can detect violations and provide a remedy when the state violates its commitment. Unfortunately, individuals do not perfectly observe

whether the legal structure will genuinely constrain the state. It is certainly possible that, even in a democracy, the judiciary will merely defer to the decisions of the political branches (Helmke 2005; Vanberg 2001). As a result, individuals only observe that a judiciary exists and have beliefs over whether it is genuine or not. Promoting beliefs in the credibility of legal institutions is thus crucial to solving the order problem. Under the standard commitment argument, we would expect that as citizens' beliefs in the credibility of the legal system increase, so too should their propensity to support for democracy.

Of course, if commitment institutions substitute for socioeconomic factors that insulate individuals from breach, then different citizens within the state are differentially insulated from state incursions on their rights. For example, mobile assets allow individuals to avoid financial predation (Boix 2003). Thus, we should observe the strongest effect of commitment institutions among individuals with immobile assets.⁴ In the context of physical security, we believe that the specific form of socioeconomic insulation, which substitutes for citizen beliefs in legal institutions, is a citizen's personal wealth. It is well known that wealth eases the process of vindicating rights in the legal system, if those rights happen to be violated. This is true for a variety of reasons, but most obviously wealth provides access to quality legal counsel (Prillaman 2000, 29). It also offers the ability to buy justice if corruption is widespread. But more importantly, wealth has prophylactic effects as well. In particular, wealth protects against physical security violations in the first place. Consider William Langewiesche's description of elite reaction to violence concerns in São Paulo, Brazil:

It was not only that the poor were being abandoned by the government but that the *very need* [emphasis added] for government was being questioned by the elites. Armored cars, private guards, helicopters, and business jets. Walls and high-voltage fences. Cheap labor, filthy rivers, and private schools. (Langewiesche 2007, 162)

Where physical security is at risk from the state or other citizens, walls, fences, and private schools offer solutions, solutions that can only be purchased with money. Thus, our focus on physical integrity violations suggests the following implication.

Implication: Individuals should be more likely to support democracy as their confidence in legal

institutions (wealth) increases; however, this relationship should be especially strong among the poor (individuals who do not trust the legal system).

Prior to moving on, it is important to highlight that wealth and asset mobility are conceptually distinct forms of socioeconomic insulation. When the right at risk is financial, it is asset mobility that matters. A person may have mobile assets because her or his assets are easily liquidated and moved abroad, and this person may be wealthy. Yet, her or his assets might also be extremely mobile because they can all be carried on her or his person, and in this case she or he would be extremely poor. Either way, rich or poor, mobility protects financial assets. In contrast, now consider that the right at risk is physical security. Individuals with mobile assets are not necessarily better able to protect themselves against violations of their physical security. This is clear if we consider how well an individual with few entirely liquid assets will fare in the legal system. What matters for the protection of physical security is wealth, and it is wealth that will condition the relationship between institutions and behavior aimed at ensuring physical security.

Research Design and Variables

To evaluate our argument, we require individual-level data that reveal citizens' support for their democratic regimes, their evaluations of the protections afforded by the legal system, the level of their relevant socioeconomic insulation, and their perceptions of regime survival. We are unfamiliar with a data source that offers a perfect measure of each of these concepts; however, the 1995 World Values Survey (WVS) provides much of the information we require for the first three concepts (Inglehart et al. 2003), and we can augment these data with indicators derived from the democratic regime literature to measure the fourth.

The 1995 WVS includes forty-two countries and 62,688 individual-level respondents. Given that we are testing an argument about citizens' support of a democratic regime, we limit our analysis to only those citizens living in a democratic system. To determine which countries were democracies, we use Bernhard, Nordstrom, and Reenock's (2001) classification of democratic regimes. Applying this standard results in our dropping nine countries (Peru, the German Democratic Republic, Armenia, Georgia, Azerbaijan, Ghana, Nigeria, China, and Pakistan) or 13,913 cases

from the WVS data set because of the fact that these countries are not classified as democracies. In addition, Bulgaria is dropped from our analysis given its missing data for all 1,072 respondents on the personal income variable. These data restrictions result in our having thirty-two democratic nations with 47,703 individual respondents in the final data set. The unit of analysis is the individual respondent.

Unfortunately, missing data is a nonignorable concern in this analysis. With respect to our measures of the dependent variable, most countries in the data set have relatively small amounts of missing data (less than 5 percent). A few countries, however, have relatively high missing data rates (roughly 20 percent). Proceeding via listwise deletion can lead to selection bias and result in making incorrect inferences (King et al. 2001), and there is strong evidence that we would produce these biases in our study if we were to ignore the problem. To account for these missing data, we use the software package Amelia (King et al. 2001) to impute missing values over five different data sets and then estimate one model from these imputed data sets using the *miest* routine in Stata 9.0 (King et al. 2001). All estimates reported below are multiple imputation estimates, derived from models run across the five imputed data sets.

We use ordinary least squares regression to estimate all coefficients.⁵ We weight the data by the *weight* variable in the WVS. Moreover, we estimated standard errors clustered within country to account for the nonindependence of observations within states.

Assessing Democratic Regime Support

Given North, Summerhill, and Weingast's (2000) theoretical claim, we require a measure of a citizen's support of her or his democratic regime. Specifically, we require a measure that assesses whether a citizen believes that democratic institutions are "appropriate and legitimate" for her or his society. Scholars have used a variety of individual-level evaluations of democratic regimes (e.g., Anderson and Guillory 1997, 70; Kornberg and Clarke 1992), noting the importance of distinguishing between measures that reflect satisfaction with democracy and support for the current government in office (Kornberg and Clarke 1992, 114-16).⁶ The WVS offers two such items. The first (v164), *Democracy Better*, asked respondents to estimate their agreement with the following statement, "I'm going to read off some things that people sometimes say about a democratic political system. Could you please tell me if you agree

strongly, agree, disagree or disagree strongly. . . . Democracy may have problems but it's better than any other form of government." Since our first measure may assess citizens' generalized support for the ideal of democracy rather than support for their own democratic regime, as a robustness check, we also make use of an alternative item that directly targets the state in which the respondent lives.⁷ This item (v157), *Prefer Democratic System*, asked a respondent, "I'm going to describe various types of political systems and ask what you think about each as a way of governing this country. For each one, would you say it is a very good, fairly good, fairly bad or very bad way of governing this country. . . . Having a democratic political system." These variables are coded such that support for the regime increases in both measures.⁸ After imputation, both of these variables are continuous variables with means of 3.20 and 3.23 and standard deviations of 0.724 and 0.754, respectively.

Assessing Citizen Beliefs about Legal Institutions

To assess citizens' beliefs about legal institutions we use a survey instrument (v137) that asked each respondent to estimate the level of confidence that she or he had in her or his state's legal system. Higher value reflect stronger trust in the legal system. The mean and standard deviation of this variable, following imputation, are 2.52 and 0.876, respectively.

Assessing Socioeconomic Insulation

As we note above, there are a variety of socioeconomic characteristics that insulate citizens from violations of their rights; the relevant form of insulation depends on the right at stake. Data constraints limit our ability to test the effects of all forms of insulation (e.g., individual-level measures of asset mobility are nonexistent in the data); however, one obvious form of insulation, wealth, is easily obtained in the WVS. By using wealth as a measure of insulation, we are implicitly assuming that the right at stake is something resembling personal security, which is easier to protect as wealth increases. Since all members of a society are likely to be concerned with their physical integrity, we believe wealth offers an extremely general test of the argument.⁹

To measure individual wealth, we use a survey instrument that assesses personal income (v227). The original instrument assesses personal income by dividing income in each country into groupings by deciles. This variable is measured on a 10-point

ordinal scale from the lowest income to the highest. Of course, following imputation, the variable is best described as continuous. The average income for all respondents was 4.65, with a standard deviation of 2.80. To test our hypotheses, we interact this measure with the measure of legal system confidence.

Assessing the Likelihood of State Collapse

We include several country-level variables to control for the possibility of democratic regime collapse. These measures should reflect the costs that a citizen perceives in deciding to support democracy relative to some alternative and control for the viability of an alternate group's claim over the current regime. We include several country-level variables that have been linked to democratic regime instability (Li and Reuveny 2003; Przeworski et al. 2000). *ln(GDP)* is the natural log of the gross domestic product (GDP) measured in real GDP per capita measured in 1996 constant prices from the Penn World Tables (2002). *Population* assesses the overall size of the nation and is measured in millions of people. *Count* measures the number of years that have passed since the democratic regime's inauguration, reflecting the time that has passed without authoritarian interruption. *Presidential Regime* is a dummy variable that indicates the presence of an executive who was elected under a separate mandate to an office with fixed terms and who does not possess the ability to dismiss the legislature (Linz 1994). *Openness* measures openness of the economy with respect to trade, measured as the percentage of GDP derived from both exports and imports (Penn World Tables 2002). *Growth* is the annual percentage change in GDP (Penn World Tables 2002). *Previous Experiences* is a variable that measures the number of times a democracy has previously experienced democratic failures. *Religious* and *Ethnic Fractionalization* are controls for each democracy's cultural heterogeneity. We used Rae and Taylor's (1970) fractionalization index to capture this dimension. We calculated this index for religion and ethnicity in each country (Singer 1997, supplemented by national statistical annuals).

Controls

We also include several individual-level control variables including demographic controls as well as several attitudinal controls. We include measures of *Education* (v217), as a 12-point ordinal variable, and *Female* (v214) and *Age* (v216), in years, as basic demographic controls. In addition to basic demographic

controls, we also include several attitudinal measures to assess the general propensity for an individual to support democracy. We include variables to control for the respondent's evaluation of how widespread bribe taking and *Corruption* are in their country (v213) and the extent to which the respondent agrees that using *Violence* to achieve political goals is ever justified (v164). We also include a variable to control for the respondent's *Support for the Previous Regime* (v151) and the extent to which the respondent agrees that the current government is doing enough to alleviate *Poverty* (v174). We include a variable to control for the respondent's *Political Interest* (v117). Last, we note that all results that we report are robust to the inclusion of an objective measure of legal system performance, which examines whether the individual-level belief effects are spurious.¹⁰

Results

To evaluate our proposition that socioeconomic insulation and beliefs in the legal system substitute for each other in enhancing democratic support, we estimate multiplicative models in which citizens' democratic support is a function of the interaction between beliefs about the legal system and socioeconomic insulation. The first half of Table 1 presents results for this analysis; the second half of Table 1 shows the additive specifications, reflective of the typical analysis in the literature. In each model, all of the control variables that obtain significance are in the expected direction. With respect to the implications of our argument, the signs on the legal system confidence estimates are positive and significant. This is true for the income variable in the interactive models. Importantly, in the interactive specifications, the signs on the interaction terms are negative and significant, suggesting that the slope of the relationship between beliefs about the legal system and democratic support decreases for higher levels of income, and that the slope between income and democratic support decreases for higher levels of legal system confidence. This is consistent with our expectations; however, the coefficients on the interaction terms are not the quantities in which we are interested. We want to know the marginal effects of our key causal variables across the range of their conditioning variables.

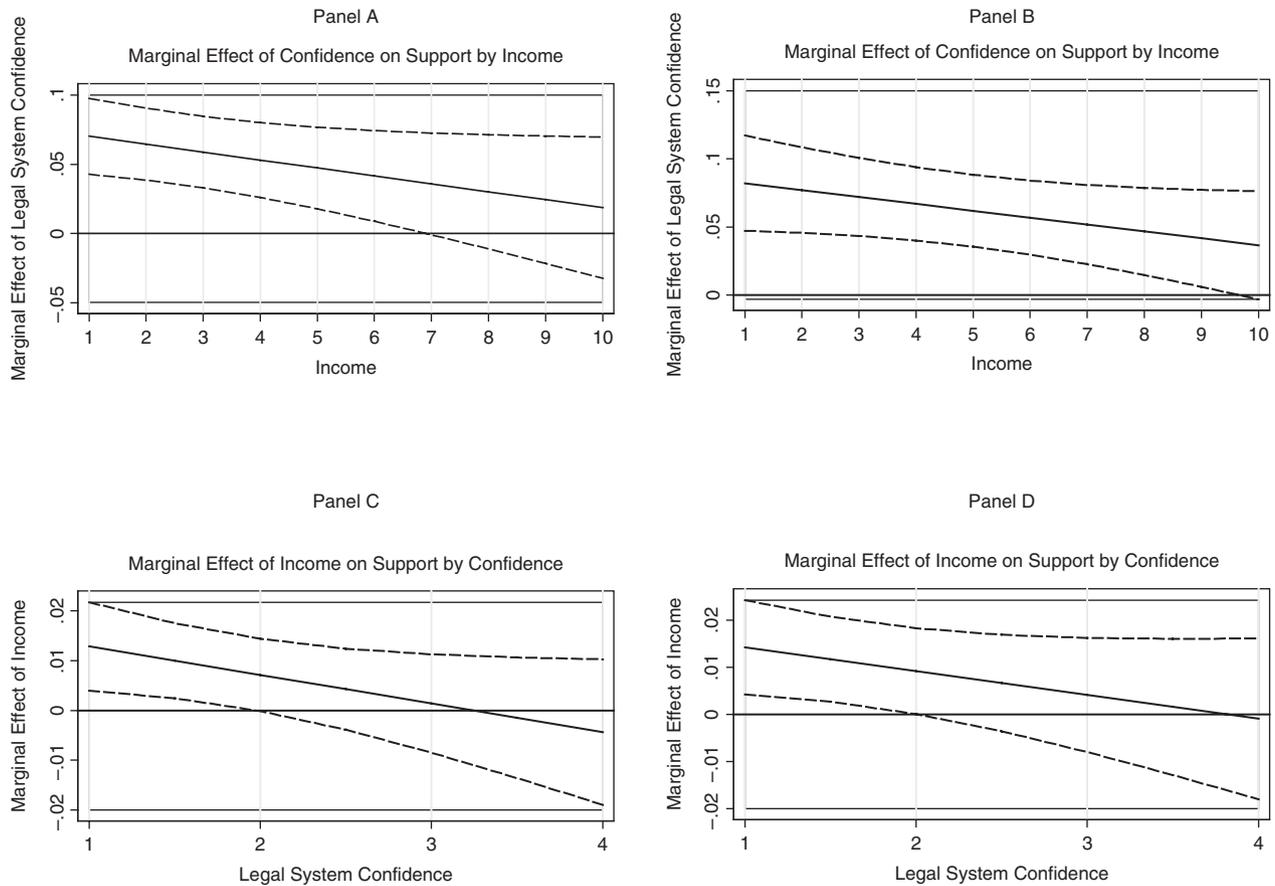
Figure 1 presents the marginal effect of a 1-unit increase in either confidence in the legal system or income conditioned on the other on each of our measures of democratic support. Panel A of Figure 1, on the top left, shows the marginal effect of confidence in the legal system conditioned on income. The panel

Table 1
Democratic Support as a Function of Confidence in the Legal System and Personal Income (Multiplicative and Additive Models)

	"Democracy Better" Model 1			"Prefer Democracy" Model 2			"Democracy Better" Model 3			"Prefer Democracy" Model 4		
	<i>B</i>	<i>SE</i>		<i>B</i>	<i>SE</i>		<i>B</i>	<i>SE</i>		<i>B</i>	<i>SE</i>	
Main variables												
Individual income	0.0186***	0.0068		0.0193***	0.0072		0.0043	0.0041		0.0067*	0.0038	
Confidence in legal system	0.0760***	0.0153		0.0873***	0.0199		0.0523***	0.0098		0.0664***	0.0114	
Income × confidence	-0.0057*	0.0030		-0.0051*	0.0030		—	—		—	—	
The likelihood of state collapse												
ln(GDP)	-0.0570	0.0919		-0.0573	0.0821		-0.0594	0.0930		-0.0594	0.0833	
Population	-0.0003	0.0018		-0.0001	0.0018		-0.0003	0.0018		-0.0002	0.0018	
Years democratic	0.0041***	0.0015		0.0031*	0.0019		0.0042***	0.0015		0.0031*	0.0019	
Trade openness	-0.0014	0.0011		-0.0014	0.0011		-0.0014	0.0011		-0.0014	0.0011	
Presidential regime	0.0513	0.0619		0.0403	0.0646		0.0511	0.0618		0.0402	0.0645	
Economic growth	0.0083	0.0074		0.0134*	0.0081		0.0083	0.0075		0.0134*	0.0081	
Previous democratic experience	0.0597	0.0472		0.0191	0.0479		0.0593	0.0475		0.0188	0.0481	
Religious fractionalization	-0.2273*	0.1374		-0.1493	0.1350		-0.2242*	0.1383		-0.1466	0.1359	
Ethnic fractionalization	-0.0651	0.1784		-0.0903	0.1685		-0.0669	0.1799		-0.0919	0.1697	
Individual-level controls												
Education	0.0240***	0.0046		0.0363***	0.0071		0.0239***	0.0046		0.0363***	0.0071	
Gender (female)	-0.0098	0.0082		-0.0247**	0.0101		-0.0102	0.0082		-0.0250**	0.0101	
Age	0.0016***	0.0005		0.0014***	0.0005		0.0016***	0.0005		0.0013***	0.0005	
Corruption	-0.0412***	0.0118		-0.0671***	0.0148		-0.0405***	0.0118		-0.0665***	0.0148	
Too much on poverty	0.0029	0.0176		0.0086	0.0172		0.0023	0.0177		0.0081	0.0172	
Reject violence	-0.1236***	0.0119		-0.0707***	0.0118		-0.1238***	0.0119		-0.0709***	0.0118	
Support for previous regime	-0.0261***	0.0063		-0.0265***	0.0064		-0.0262***	0.0063		-0.0266***	0.0064	
Political interest	-0.0602***	0.0102		-0.0926***	0.0113		-0.0603***	0.0102		-0.0927***	0.0113	
Constant	4.0001***	0.8581		4.0397***	0.7457		4.0830***	0.8810		4.1130***	0.7729	
<i>N</i>	47,703			47,703			47,703			47,703		

Note: Results generated using ordinary least squares with robust standard errors corrected for clustering on countries. **p* < .10, two-tailed. ***p* < .05, two-tailed. ****p* < .01, two-tailed.

Figure 1
Substitution Effects of Legal System Confidence and Socioeconomic Insulation (Income)
on Democratic Support (DemSupport and DemSystem)



Note: Dashed lines represent 95 percent confidence intervals around the expected marginal effect.

reveals that income does attenuate the positive relationship between beliefs in the legal system and democratic support. Indeed, the figure suggests that for individuals at lower levels of income, there is a positive marginal effect of increasing confidence in the legal systems on their willingness to lend support to democracy. The size of this positive marginal effect, however, decreases as income rises and eventually becomes insignificant, with the confidence intervals straddling the x-axis, or has no effect on democratic support above approximately middle-high incomes ($Income \approx 7$). This finding suggests that at the highest levels of income, increasing beliefs in the legal system have no significant impact on the wealthiest citizens' willingness to support democracy, as predicted by the theoretical argument. A similar pattern holds for the other specification of support for democracy as measured by the *Prefer*

Democratic System variable (shown in Panel C of Figure 1 at the bottom left), with the only difference being a higher estimate of the income threshold, beyond which beliefs about institutions have no effect ($Income \approx 9.5$).¹¹

Panels B and D in Figure 1 demonstrate the substitution effect. The marginal effect of income is significant in explaining democratic support, but only for those citizens whose beliefs in the legal system are quite low, approximately below 2.0, for both measures of the dependent variable. Above this level of confidence in the legal system, increasing citizens' socioeconomic insulation, or raising their income, has no effect on their democratic support. This evidence, combined with that presented in the first panel of the figure, suggests that our measures of beliefs and insulation do indeed serve as substitutes for each other.

Table 2
Comparison of Additive and Interactive Model Effects of Legal System Confidence on Democratic Support (Two Measures) across Income

Income	Support for Democracy			Support for Democratic System		
	Estimated Marginal Effect of Confidence in Legal System			Estimated Marginal Effect of Confidence in Legal System		
	Interactive Model	Additive Model	% Change	Interactive Model	Additive Model	% Change
1	0.070**	0.052***	-25.39	0.082**	0.066***	-19.22
2	0.065**	0.052***	-18.76	0.077**	0.066***	-13.88
3	0.059**	0.052***	-10.85	0.072**	0.066***	-7.78
4	0.053**	0.052***	-1.22	0.067**	0.066***	-0.75
5	0.047**	0.052***	10.73	0.062**	0.066***	7.44
6	0.042**	0.052***	25.97	0.057**	0.066***	17.11
7	0.036**	0.052***	46.09	0.052**	0.066***	28.68
8	0.030	0.052***	73.84	0.047**	0.066***	42.80
9	0.024	0.052***	114.61	0.041**	0.066***	60.39
10	0.019	0.052***	180.37	0.036	0.066***	82.92

Note: The percentage change in the estimated marginal effect of confidence in the legal system is calculated as the change in the additive model effect away from the interactive model effect for each level of income.

** $p < .05$, two-tailed. *** $p < .01$, two-tailed.

The findings support our contention that beliefs in the credibility of legal institutions do not have constant effects across all individuals. The effects depend on an individual's wealth. The evidence we uncover is consistent with North, Summerhill, and Weingast's (2000) theory of how a democratic political order is constructed and maintained. Importantly, our findings provide strong evidence for the commitment argument. It is not just that legal system confidence matters for regime support, but it matters in particular ways and under particular conditions. It is positive among the most poor, attenuates as wealth increases, and has no effect among the very rich.

Discussion

We began this article by suggesting that legal institutions can solve commitment problems; however, these devices have differential effects across different populations. We argued that a complete empirical examination of the commitment argument would examine whether institutional effects have their strongest effect among the most vulnerable to promise breaking and attenuate as vulnerability decreases. We suggested that the failure to do so might lead scholars to uncover both weaker and stronger commitment effects than the data really support. We also suggested that scholars might find null effects when they really should observe evidence in line with the theory.

Finally, the most troubling possibility we raised was that scholars might find support for the argument when the underlying, interactive data-generating process is entirely inconsistent with commitment theory. With the mechanism more precisely identified, we would be better able to suggest policy implications for institutional reform and be in better position to contemplate the normative implications. We are now in a position to examine those claims in light of the study we have just summarized.

Overstated and Understated Institutional Effects

What we want to know is how we would have misunderstood commitment effects if we had proceeded as if legal system confidence had a constant effect. To do so, we need to compare the results from the interactive and additive specifications. Table 2 displays the estimated marginal effects of beliefs in the legal system on democratic support for both the additive and the interactive models across individual income. We also report the percentage change in the estimate as you move from the conditional effect assumption to the constant effect assumption. Based on the additive models, we would conclude that beliefs in legal institutions have the effect that the standard argument expects them to have. Namely, an increase in an individual's confidence in the legal system leads to greater support for democracy, or

marginal effects of .0523 and .064 for each dependent variable, respectively. Moreover, we would conclude that these institutions operate on all individuals and with precisely the same magnitude across individuals. However, what we want to know is how different are the effects in the additive and interactive models.

Note that under both the interactive (conditional) and additive (unconditioned) models, the effect of beliefs is estimated to be approximately equal for those individuals around middle income or at an income of approximately 5 on our 1 to 10 scale. However, as an individual's income moves away from this level, the estimated effects diverge. First, consider those citizens who are most insulated from violations of their physical security (*Income* \approx 10). Compared to the interactive models, the estimated effect from the additive model overestimates the impact of beliefs in the legal system on democratic support by 180.37 percent and 82.92 percent for each of the measures of democratic support, respectively. Moreover, the interactive models suggest that beliefs have no statistically significant impact on individuals with incomes higher than 7 and 9.5, respectively, while the additive models predict a significant effect at that level. Next, consider citizens least insulated from violations of their physical security (*Income* \approx 1). Compared to the interactive models, the additive model underestimates the impact of beliefs in the legal system on democratic support by -25.39 percent and -19.22 percent for each of the measures of support, respectively. In sum, the comparison of effects in Table 2 suggests that treating beliefs in institutions as if they have constant effects across individuals leads to quite different inferences about commitment institutions. If the commitment institutions substitute for socioeconomic insulation, the additive model both overestimates and underestimates effects. In fact, in some cases, the additive model suggests an effect when there is none!

Substantively, these results suggest that commitment institutions have larger effects than the literature suggests among the least insulated (most vulnerable) and that institutions likely have smaller effects than the literature suggests among the most insulated. They do not necessarily call into question the positive institutional results found in much of the commitment theory literature; however, they do reflect a more precise test of the mechanism. Moreover, our results suggest that null or mixed findings published in the literature (Boix 2003; Mauro 1999), or those that were never published because of their null results, may very well be masking commitment devices' beneficial effects for some

subset of the population. In both of these cases, without considering how institutions affect individuals with different vulnerabilities, we cannot determine whether a commitment institution really inoculates a person from the fear of promise breaking or is merely correlated on average with some efficiency-enhancing behavior.

In a broader sense, we should note that these findings sit easily with other results in the literature on political institutions. The effect of district magnitude on the number of parties, for example, depends on sociocultural homogeneity. In relatively homogenous cultures with corresponding small numbers of issue cleavages, the equilibrium number of parties will be relatively small, no matter how permissive the electoral institution; however, as states become increasingly heterogeneous, the effects of the institution kick in (Cox 1997; Ordeshook and Shvetsova 1994). Like electoral institutions, commitment institutions do not have identical impacts under all conditions. Instead, they influence behavior only under particular conditions (e.g., Cox 1997, 19-20). This article sheds some light on a behavior that should be affected by political institutions and some conditions under which we should observe those effects.

Reconciling Targets of Reform with Varying Socioeconomic Insulation

We conclude by considering an implication of this research for legal reform. To clarify this implication, we make use of our concept of socioeconomic insulation and the corresponding point that different forms of insulation are relevant for different threats to citizen resources. Although the community of scholars and practitioners engaged in the debate around judicial reform recognize that similar judicial rules might be implemented differently by different judiciaries, or even by the same judiciary in different jurisdictions (e.g., Jappelli, Pagano, and Bianco 2005), it is unclear that any scholar of reform seriously considers how individuals might be differentially affected by identical reforms.¹² Our article suggests a reason for doing so.

States confront multiple policy problems, from how to best deliver educational resources to how to control pollution. Quite obviously, communicating a general respect for the physical security of its population is also an important state goal, and much theory suggests that constructing an independent, effective judiciary is a major solution to this problem. But in the context of multiple policy problems and significant budget constraints, it is not clear that states will succeed

in constructing quality judicial systems, especially in the developing world. Prillaman (2000) argues that the failure to properly reform Latin American judiciaries has resulted from the inability to pursue a comprehensive reform package. Unfortunately, it is immediately obvious that the scope of the Prillaman reform project will be daunting (perhaps impossible) for relatively underdeveloped states, states that confront a wide array of problems. Perhaps more important, it is not at all clear how reforms aimed at making the judiciary more efficient, accessible, and independent will be communicated to the population. Our study suggests that judicial reform efforts can have significant effects, on regime support at least; however, these reforms must be properly targeted. A generalized program of reform, communicated diffusely to the population at large, is not likely to be very effective. Our results suggest that a reform effort should be intense and targeted at the lower end of the income distribution. Importantly, it is not that the wealthy all support democracy, so that there is nothing to gain there. It is just that judicial reform will likely have little effect among those in the upper tail of the income distribution. Instead, the “bang” for the reform “buck” is to be found among the poor.

Notes

1. Also see World Bank indicators for reform success and justice institutions to evaluate reform success (<http://go.worldbank.org/3HH5NP2JM0>).

2. In subsequent sections, we consider the effect of individual wealth as a form of insulation against physical integrity violations. Of course, individuals are vulnerable to promise breaking in dimensions other than physical security. With respect to promises to respect financial assets, consistent with the political economy literature, we suggest below that the mobility of individual assets (and not wealth) is the key form of insulation. Unfortunately, given the lack of a good measure of asset mobility at the individual level in our data, we are not able to empirically investigate how asset mobility conditions the way that legal institutions help solve commitment problems over financial assets.

3. The marginal benefit of democratic support for a group mobilizing against the regime is larger when the regime is likely to fail. When a regime is stable, antisystem support risks having one's assets extinguished via death or confiscated via imprisonment. This does not suggest that the way that vulnerabilities and institutions interact is influenced by the possibility of state failure, but it does suggest that one's support for the regime likely turns on whether the regime is strong or weak. And since it is likely that beliefs in institutional protections might vary with the likelihood of regime survival, it will be important to control for features of a regime that lead to breakdown in our empirical analysis.

4. To account for the possibility that all members of society benefit from well-functioning societies and economies, whether or not they are personally vulnerable to violations of their own

rights, we isolate shifts in these shared indirect beliefs on democratic support econometrically as intercept shifts expressed a model with state-level covariates.

5. Given that our key concepts of interests (support for democracy, wealth, and beliefs about legal institutions) can easily be conceived of as latent concepts that reflect underlying continuous dimensions of support, we allowed our routine to impute continuous values for these variables (Honaker et al. 2003).

6. While Anderson and Guillory (1997) and others commonly use single-item measures of regime satisfaction, Canache, Mondak, and Seligson (2001) question the validity of such measures on the basis that the question appears to mean different things to different respondents. In particular, Canache and colleagues show that the relationship between democratic satisfaction and political system support, which includes a number of institutional confidence measures, varies across countries. However, this is only a problem in the absence of a theory that can account for variation in the relationship between democratic satisfaction and system support (e.g., support for the legal system). Importantly, we supply a theory that provides at least one answer to an empirical puzzle that these scholars had interpreted as a problem with the measure's validity. In addition, the alternative suggested by Canache and colleagues, which makes use of scales of particular dimensions of political support (e.g., Muller, Jukam, and Seligson 1982) cannot be used if we wish to test the North, Summerhill, and Weingast (2000) argument. The multiple-item indices group together variables that, according to the theory tested here, belong on the right and left sides of the equation, respectively (see Muller, Jukam, and Seligson 1982, 249).

7. This concern would be particularly troubling if we were attempting to measure regime support in an autocracy with our variables; however, since we have restricted our study to democracies, we are not prone to make this error.

8. We conducted two validity checks on our measures. First, if the previous literature is correct, our democratic support measures ought to be negatively associated with an individual's propensity to engage in antisystem behavior (Anderson and Mendes 2006). Indeed, our two measures of democratic support, *Democracy Better* and *Prefer Democratic System*, were negatively correlated with a World Values Survey variable that measures a citizen's beliefs about whether using violence to achieve political goals is ever justified (v164) at -0.19 ($p < .01$) and -0.13 ($p < .01$), respectively. Second, we conducted a predictive validity test in which we found that aggregated measures of our democratic support variables are correlated positively with estimated median democratic regime survival times and correlated negatively with estimated hazard rates of regime survival time derived from a standard event history model of democratic regime transition (Przeworski et al. 2000). So as North, Summerhill, and Weingast (2000) suggest, there is reason to believe that the beliefs the state is supposedly interested in constructing have important consequences for social order.

9. It might be argued that increasing wealth makes a person more vulnerable to financial asset predation. For the reasons we offered in our discussion of the socioeconomic insulation concept, we believe that asset specificity and not wealth has this effect. That said, it is worth considering the consequences for our research design in the event that wealth does increase financial vulnerability. If wealth has no effect on physical security but does increase vulnerability to financial predation, then we should

expect that wealth reinforces the effect of legal system trust. If, on the other hand, wealth increases vulnerability along the financial dimension but decreases vulnerability along the physical integrity dimension, then our estimates of the effect of wealth as a form of insulation along the physical integrity dimension will be biased downward. This would be true of a vulnerability effect of wealth in the financial dimension. Thus, no matter what effect we are trying to uncover, the test is conservative.

10. We included the level of *contract intensive money* that exists within a democracy (Clague et al. 1999) as well as a *law and order* measure (Political Risk Services 1996), both of which have been used as valid indicators of the rule of law.

11. With respect to concerns over endogeneity, it is important to note that we do not simply find that legal system confidence is positively related to our measures of democratic support; rather, we find that it is positively related only among the poor. If the variables in questions are measuring our concepts, it is unclear why support for the regime would cause only the poor to have trust in the legal system. On the other hand, imagine that the democracy measures tap into only a general sort of support for the regime type, which would lead a person to have trust in institutions associated with democracy (e.g., the legal system). It is possible that a person would only recognize the connection between democracy the ideal and democratic institutions with increasing socioeconomic status, but if so, then we would expect to observe the relationship among the wealthy, which we do not.

12. Channell's (2006) point about taking cultural values into account when designing and evaluating reform projects is close.

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