Pillars of Prosperity

The Political Economics of Development Clusters

A TEN YEAR UPDATE

Chapter 3: Legal Capacity

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Outline

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Introduction

- Here we reassemble the charts and tables from Chapter 3 of Pillars, comparing the main correlations with our new *Pillars 2.dta*.
  - We place these side-by-side with the old charts (where space permits).
  - All original figures are placed on the left, and new figures on the right.
- We provide three sets of tables:
  1. Original tables from the book.
  2. New tables replicating the originals, but using new data for a cross-section ten years later.
  3. Robustness checks.
- Finally, in the 'Extensions' section, we provide new charts and tables exploring attitudinal variables.

Figure: Original Figure

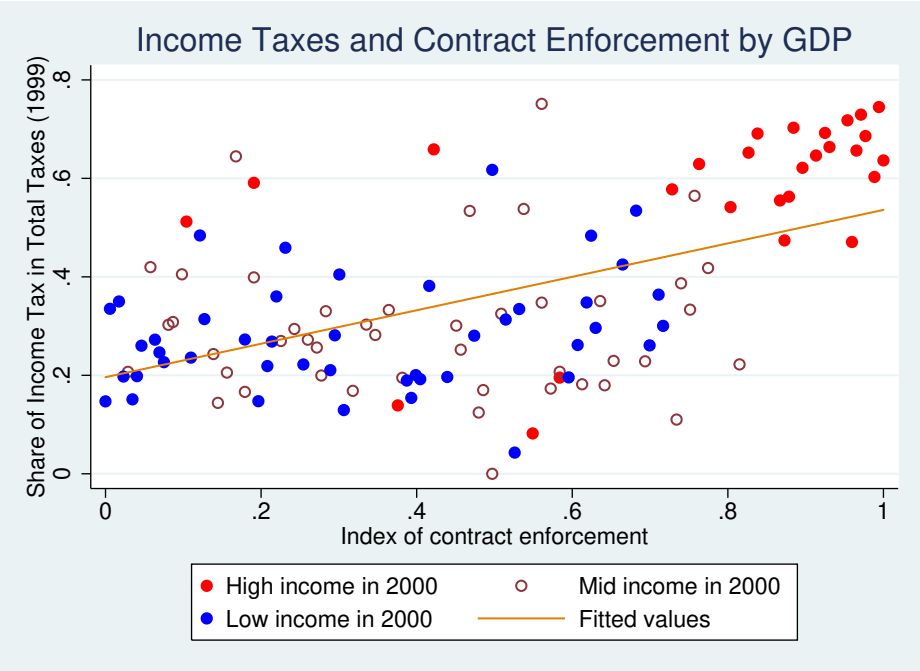


Figure: New Cross-Section, New Data

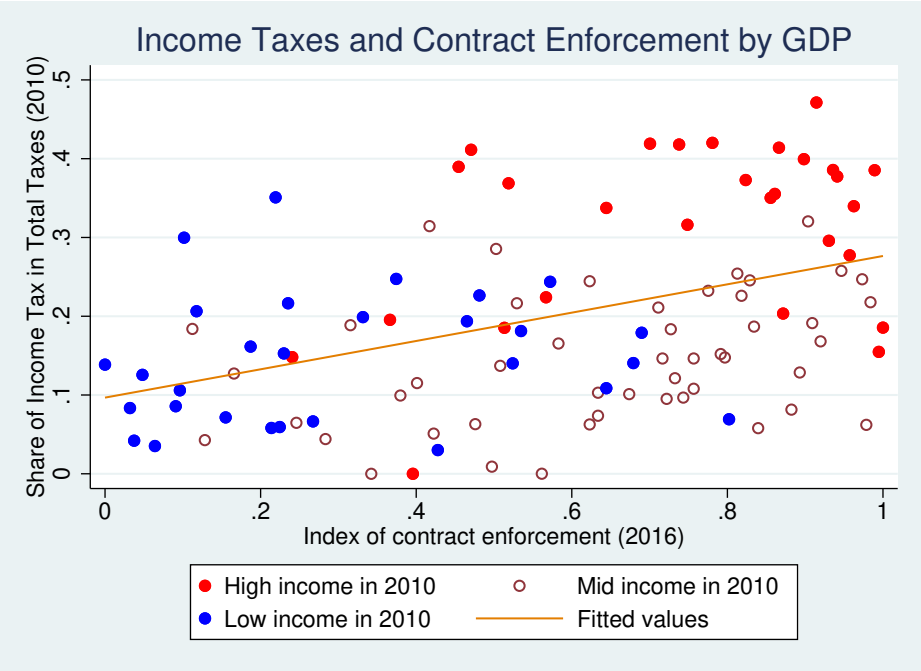


Figure 3.1 Income taxes and contract enforcement conditional on GDP

- The previous figures correlate income tax as a share of total revenue and an index of contract enforcement from the World Bank Doing Business Project as more precise measures of fiscal and legal capacity (see Chapter 8).
- Still a noisy picture using the 2010 cross-section between fiscal and legal capacity, but the positive correlation remains.
- High-income countries continue to cluster in the top right, albeit slightly more dispersed than from ten years ago (although this could itself be a function of the new data).
- The outlier high income country in 2010 (red dot), with no share of tax revenue stemming from income, is Bahrain.

Old Tables

- The following slides in this section simply replicate the tables in Pillars for comparative purposes with the new tables in the next section.
- These are taken directly from Chapter 3 of the book.
- Note that the base variable for the legal origins dummies is 'French legal origin'.
  - This also applies to all other regression tables across both the book and these new slides showcasing the updated results.

Table 3.1 (old)

Table: Table 3.1 Correlations between legal capacity measures

	Government Antidiversion Policy	Doing Business	Registering Property	Obtaining Credit	Contract Enforcement
Government Antidiversion Policy	1				
Doing Business	0.801	1			
Registering Property	0.508	0.567	1		
Obtaining Credit	0.668	0.788	0.436	1	
Contract Enforcement	0.728	0.706	0.385	0.407	1

Table 3.2 (old)

	Government antidiversion policy	Doing business	Registering property	Obtaining credit	Contract enforcement
	(1)	(2)	(3)	(4)	(5)
Prevalence external war before 2000	1.294**	0.427**	0.278	0.355*	0.749***
	(0.580)	(0.186)	(0.441)	(0.203)	(0.230)
Average exec. constraints before 2000	2.085***	0.535***	0.222*	0.358***	0.287***
	(0.291)	(0.084)	(0.122)	(0.092)	(0.108)
Average nonopen exec. recruitment before 2000	1.467***	0.235**	0.229	-0.082	0.202*
	(0.303)	(0.109)	(0.152)	(0.114)	(0.090)
Ethnic homogeneity	1.079***	0.241***	0.257***	0.286***	0.104
	(0.259)	(0.073)	(0.091)	(0.089)	(0.096)
English legal origin	-0.157	0.148***	0.106*	0.062	0.103*
	(0.189)	(0.050)	(0.064)	(0.054)	(0.054)
Scandinavian legal origin	0.706***	0.276***	0.327***	0.127	0.452***
	(0.204)	(0.067)	(0.079)	(0.081)	(0.069)
German legal origin	0.627***	0.280***	0.244***	0.219***	0.365***
	(0.185)	(0.054)	(0.079)	(0.051)	(0.063)
Socialist legal origin	0.012	0.062	0.155**	-0.007	0.265***
	(0.153)	(0.050)	(0.059)	(0.059)	(0.053)
Observations	122	147	147	147	147
R-squared	0.623	0.552	0.293	0.414	0.442

Table 3.3 (old)

	Government antidiversion policy	Doing business	Registering property	Obtaining credit	Contract enforcement
	(1)	(2)	(3)	(4)	(5)
Prevalence external war before 2000	1.369	0.708	1.529***	0.515	1.052*
	(1.918)	(0.518)	(0.549)	(0.659)	(0.561)
External war* high exec. constraints dummy	0.146	-.299	-1.535**	-0.203	-0.320
	(2.062)	(0.554)	(0.680)	(0.676)	(0.596)
Average nonopen exec. recruitment before 2000	0.547	-0.030	0.151	-0.059	-0.038
	(0.630)	(0.199)	(0.257)	(0.210)	(0.229)
Nonopen exec. recruitment* low exec. constraints dummy	1.097*	0.245	0.028	0.010	0.254
	(0.657)	(0.204)	(0.259)	(0.212)	(0.233)
Average exec. constraints before 2000	2.147***	0.632***	0.235***	0.613***	0.216
	(0.561)	(0.127)	(0.175)	(0.147)	(0.150)
Ethnic homogeneity	1.150**	0.256***	0.241***	0.310***	0.102
	(0.296)	(0.070)	(0.091)	(0.089)	(0.096)
English legal origin	0.137	0.145***	0.112*	0.074	0.092
	(0.171)	(0.050)	(0.065)	(0.053)	(0.057)
Scandinavian legal origin	0.931***	0.340***	0.347***	0.171	0.492***
	(0.286)	(0.101)	(0.091)	(0.107)	(0.097)
German legal origin	0.714***	0.305***	0.265***	0.227***	0.388***
	(0.286)	(0.054)	(0.078)	(0.059)	(0.067)
Socialist legal origin	-0.037	0.061	0.132**	0.005	0.254***
	(0.171)	(0.052)	(0.062)	(0.062)	(0.056)
Observations	122	147	147	147	147
R-squared	0.635	0.566	0.318	0.441	0.450

Table 3.4 (old)

	Private credit to GDP	Corruption perceptions	Private-investment rate	Tax revenue share in GDP	Income-tax share in total revenue	Formal sector share
	(1)	(2)	(3)	(4)	(5)	(6)
Prevalence external war before 2000	2.490***	2.130***	0.132	3.227***	2.056*	2.159***
	(0.571)	(0.495)	(0.659)	(1.160)	(1.100)	(0.807)
Average exec. constraints before 2000	1.729***	1.799***	0.906***	1.491***	1.690***	1.485***
	(0.331)	(0.275)	(0.260)	(0.420)	(0.421)	(0.375)
Average nonopen exec. recruitment before 2000	1.09**	0.870***	0.751**	0.640	0.849*	1.249***
	(0.429)	(0.310)	(0.356)	(0.388)	(0.473)	(0.471)
Ethnic homogeneity	0.489	0.693**	0.991***	0.650**	0.171	0.549
	(0.301)	(0.254)	(0.216)	(0.311)	(0.283)	(0.353)
English legal origin	0.131	0.078	0.298*	0.047	0.225	0.089
	(0.218)	(0.156)	(0.161)	(0.178)	(0.183)	(0.233)
Scandinavian legal origin	-0.346	1.719***	0.154	1.966***	1.114***	0.499**
	(0.410)	(0.212)	(0.212)	(0.348)	(0.293)	(0.215)
German legal origin	1.618***	1.117***	0.272	0.677*	1.273***	0.892**
	(0.407)	(0.231)	(0.232)	(0.359)	(0.219)	(0.221)
Socialist legal origin	NA	-.376***	0.268*	-1.027***	-0.308	-0.172
		(0.120)	(0.146)	(0.171)	(0.450)	(0.239)
Observations	96	147	154	104	104	109
R-squared	0.633	0.643	0.332	0.630	0.554	0.375

New Tables

- The following slides now replicate the previous tables from the book but using new data in *Pillars 2.dta*.
- The following regressions repeat the specifications in the old tables but for a cross-section ten years later (i.e. for 2016, where relevant).

Table 3.1 (new)

- Recreate old table 3.1 with 2016 values from Doing Business Project and 2010 values from the Fraser Institute's 'legal structure and property rights protection' variable.
- Can see correlations still go in same direction as old table, and magnitudes not too far off.

	Legal Structure & Property Rights Protection	Doing Business	Registering Property	Obtaining Credit	Contract Enforcement
Legal Structure & Property Rights Protection	1				
Doing Business	0.813	1			
Registering Property	0.616	0.800	1		
Obtaining Credit	0.464	0.703	0.526	1	
Contract Enforcement	0.679	0.730	0.641	0.400	1

Table 3.2 (new)

	Legal structure and property rights protection	Doing business	Registering property	Obtaining credit	Contract enforcement
	(1)	(2)	(3)	(4)	(5)
Prevalence external war before 2000	2.377***	0.638***	0.305	0.38*	1.116***
	(0.632)	(0.207)	(0.188)	(0.208)	(0.289)
Average exec. constraints before 2010	1.857***	0.585***	0.386***	0.296***	0.244**
	(0.323)	(0.087)	(0.097)	(0.107)	(0.113)
Average nonopen exec. recruitment before 2010	1.092***	0.321***	0.403***	-.053	0.317***
	(0.345)	(0.111)	(0.12)	(0.121)	(0.117)
Ethnic homogeneity	0.652**	0.285***	0.249***	0.17*	0.089
	(0.286)	(0.08)	(0.088)	(0.094)	(0.09)
English legal origin	0.445***	0.073	0.049	0.096*	0.082
	(0.156)	(0.045)	(0.047)	(0.054)	(0.055)
Scandinavian legal origin	1.733***	0.253***	0.3***	0.09	0.377***
	(0.192)	(0.056)	(0.056)	(0.094)	(0.071)
German legal origin	1.221***	0.258***	0.22**	0.12	0.392***
	(0.234)	(0.088)	(0.098)	(0.075)	(0.091)
Socialist legal origin	0.276**	0.175***	0.277***	0.214***	0.253***
	(0.136)	(0.046)	(0.049)	(0.056)	(0.061)
Observations	138	151	151	151	151
R-squared	0.642	0.6	0.478	0.331	0.404

Table 3.3 (new)

	Legal structure and property rights protection	Doing business	Registering property	Obtaining credit	Contract enforcement
	(1)	(2)	(3)	(4)	(5)
Prevalence external war before 2000	3.476**	1.473**	0.836	1.435**	2.634***
	(1.741)	(0.583)	(0.555)	(0.642)	(0.592)
External war* high exec. constraints dummy	-1.297	-.927	-.553	-1.200*	-1.728***
	(1.828)	(0.606)	(0.59)	(0.654)	(0.659)
Average nonopen exec. recruitment before 2010	0.978	0.203	0.314	-.074	0.113
	(0.619)	(0.167)	(0.21)	(0.208)	(0.229)
Nonopen exec. recruitment* low exec. constraints dummy	0.042	0.114	0.112	0.011	0.165
	(0.623)	(0.172)	(0.216)	(0.208)	(0.227)
High exec. constraints dummy	0.147	0.017	-.042	-.042	0.1
	(0.287)	(0.087)	(0.102)	(0.122)	(0.109)
Average exec. constraints before 2010	1.677***	0.608***	0.486***	0.393**	0.173
	(0.483)	(0.141)	(0.157)	(0.185)	(0.174)
Ethnic homogeneity	0.623**	0.267***	0.239***	0.154	0.056
	(0.299)	(0.083)	(0.089)	(0.096)	(0.092)
English legal origin	0.446***	0.073	0.049	0.101*	0.083
	(0.161)	(0.045)	(0.048)	(0.057)	(0.054)
Scandinavian legal origin	1.723***	0.271***	0.326***	0.103	0.392***
	(0.2)	(0.066)	(0.065)	(0.1)	(0.071)
German legal origin	1.239***	0.281***	0.239***	0.137*	0.428***
	(0.232)	(0.083)	(0.084)	(0.078)	(0.086)
Socialist legal origin	0.251*	0.159***	0.268***	0.194***	0.222***
	(0.14)	(0.048)	(0.052)	(0.058)	(0.063)
Observations	138	151	151	151	151
R-squared	0.644	0.608	0.487	0.346	0.428

Table 3.4 (new)

	Private credit to GDP	Corruption perceptions	Private-investment rate	Tax revenue share in GDP	Income-tax share in total revenue	Formal sector share
	(1)	(2)	(3)	(4)	(5)	(6)
Prevalence external war before 2000	2.377***	1.607**	-1.100	3.189***	2.814**	1.792**
	(0.632)	(0.622)	(0.871)	(0.957)	(1.115)	(0.732)
Average exec. constraints before 2010	1.857***	2.003***	0.14	0.982**	1.572***	2.369***
	(0.323)	(0.307)	(0.334)	(0.428)	(0.41)	(0.333)
Average nonopen exec. recruitment before 2010	1.092***	0.932**	1.288**	-.625	0.525	2.241***
	(0.345)	(0.37)	(0.544)	(0.548)	(0.471)	(0.37)
Ethnic homogeneity	0.652**	0.649**	0.026	0.733***	0.108	0.406
	(0.286)	(0.274)	(0.29)	(0.279)	(0.347)	(0.272)
English legal origin	0.445***	0.189	0.292	0.198	0.404*	0.051
	(0.156)	(0.156)	(0.211)	(0.193)	(0.232)	(0.186)
Scandinavian legal origin	1.733***	1.573***	-.093	1.288***	1.458***	0.462**
	(0.192)	(0.218)	(0.326)	(0.465)	(0.256)	(0.182)
German legal origin	1.221***	0.925***	0.154	0.154	1.030***	0.85***
	(0.234)	(0.234)	(0.32)	(0.247)	(0.327)	(0.214)
Socialist legal origin	0.276**	-.339**	0.233	0.343*	-.143	-.208
	(0.136)	(0.135)	(0.212)	(0.178)	(0.192)	(0.206)
Observations	138	153	142	134	92	144
R-squared	0.642	0.602	0.111	0.467	0.509	0.453

Basic Robustness Checks: V-Dem

- We now perform some elementary robustness checks for our key variables from the new tables above.
- We use V-Dem to measure our executive constraints and openness parameters.
  - As per the *Pillars 2.dta* codebook, we measure executive constraints based on the average of V-Dem's judicial constraints (*v2x_jucon*) and legislative constraints (*v2xlg_legcon*) indicators.
  - We also measure the openness of executive recruitment/selection using V-Dem's free and fair elections (*v2xel_frefair*) variable.

Table 3.2 (V-Dem)

	Legal structure and property rights protection	Doing business	Registering property	Obtaining credit	Contract enforcement
	(1)	(2)	(3)	(4)	(5)
Prevalence external war before 2000	3.084***	0.864***	0.537**	0.395*	1.278***
	(0.712)	(0.237)	(0.249)	(0.228)	(0.311)
Average exec. constraints before 2010	0.261	0.191	0.09	0.189	-.048
	(0.413)	(0.144)	(0.166)	(0.161)	(0.163)
Average nonopen exec. recruitment before 2010	-1.536***	-.317**	-.100	-.215	-.144
	(0.368)	(0.13)	(0.148)	(0.148)	(0.164)
Ethnic homogeneity	0.678***	0.305***	0.289***	0.146	0.139
	(0.257)	(0.076)	(0.089)	(0.096)	(0.085)
English legal origin	0.448***	0.083	0.06	0.098*	0.095*
	(0.143)	(0.05)	(0.057)	(0.052)	(0.057)
Scandinavian legal origin	1.483***	0.209***	0.321***	0.026	0.38***
	(0.204)	(0.059)	(0.07)	(0.088)	(0.08)
German legal origin	1.206***	0.267***	0.238***	0.119	0.393***
	(0.217)	(0.075)	(0.088)	(0.072)	(0.072)
Socialist legal origin	0.284**	0.184***	0.287***	0.233***	0.231***
	(0.135)	(0.047)	(0.057)	(0.06)	(0.066)
Observations	136	149	149	149	149
R-squared	0.681	0.592	0.428	0.326	0.381

Table 3.3 (V-Dem)

	Legal structure and property rights protection	Doing business	Registering property	Obtaining credit	Contract enforcement
	(1)	(2)	(3)	(4)	(5)
Prevalence external war before 2000	6.062***	1.998***	1.168*	1.888**	3.024***
	(1.915)	(0.661)	(0.607)	(0.734)	(0.704)
External war* high exec. constraints dummy	-3.463*	-1.292*	-.675	-1.694**	-1.993***
	(1.981)	(0.693)	(0.665)	(0.77)	(0.767)
Average nonopen exec. recruitment before 2010	-1.730***	-.329**	-.137	-.150	-.215
	(0.401)	(0.131)	(0.157)	(0.154)	(0.176)
Nonopen exec. recruitment* low exec. constraints dummy	0.497	0.025	0.142	-.259	0.227
	(0.637)	(0.215)	(0.234)	(0.249)	(0.231)
High exec. constraints dummy	0.707	0.052	0.036	-.191	0.242
	(0.489)	(0.167)	(0.181)	(0.189)	(0.176)
Average exec. constraints before 2010	-.260	0.187	0.228	0.285	-.110
	(0.569)	(0.199)	(0.217)	(0.199)	(0.223)
Ethnic homogeneity	0.614**	0.298***	0.296***	0.153	0.12
	(0.264)	(0.078)	(0.09)	(0.097)	(0.085)
English legal origin	0.443***	0.08	0.056	0.09*	0.093*
	(0.14)	(0.051)	(0.058)	(0.054)	(0.056)
Scandinavian legal origin	1.487***	0.194***	0.284***	0.006	0.356***
	(0.225)	(0.063)	(0.075)	(0.092)	(0.084)
German legal origin	1.290***	0.272***	0.233**	0.098	0.418***
	(0.219)	(0.081)	(0.091)	(0.074)	(0.082)
Socialist legal origin	0.222	0.156***	0.271***	0.187***	0.194***
	(0.142)	(0.051)	(0.061)	(0.065)	(0.072)
Observations	136	149	149	149	149
R-squared	0.694	0.6	0.436	0.347	0.407

Table 3.4 (V-Dem)

	Private credit to GDP	Corruption perceptions	Private-investment rate	Tax revenue share in GDP	Income-tax share in total revenue	Formal sector share
	(1)	(2)	(3)	(4)	(5)	(6)
Prevalence external war before 2000	3.084***	2.112***	-.679	2.910***	3.187***	3.174***
	(0.712)	(0.553)	(0.86)	(0.83)	(1.106)	(0.835)
Average exec. constraints before 2010	0.261	1.015**	-.311	1.269**	1.886***	0.258
	(0.413)	(0.438)	(0.794)	(0.606)	(0.691)	(0.61)
Average nonopen exec. recruitment before 2010	-1.536***	-1.192***	0.316	-.608	-.045	-.991*
	(0.368)	(0.41)	(0.852)	(0.539)	(0.643)	(0.54)
Ethnic homogeneity	0.678***	0.632***	0.226	0.571*	0.073	0.613**
	(0.257)	(0.225)	(0.291)	(0.293)	(0.343)	(0.302)
English legal origin	0.448***	0.153	0.33	0.131	0.385*	0.165
	(0.143)	(0.16)	(0.215)	(0.205)	(0.222)	(0.208)
Scandinavian legal origin	1.483***	1.217***	0.085	0.976***	1.333***	0.572**
	(0.204)	(0.224)	(0.279)	(0.356)	(0.278)	(0.236)
German legal origin	1.206***	0.874***	0.193	0.037	1.024***	0.976***
	(0.217)	(0.234)	(0.242)	(0.274)	(0.286)	(0.241)
Socialist legal origin	0.284**	-.309**	0.18	0.447**	0.045	-.137
	(0.135)	(0.131)	(0.241)	(0.193)	(0.21)	(0.232)
Observations	136	151	141	132	90	142
R-squared	0.681	0.658	0.04	0.478	0.529	0.34

Table 3.2 and 3.3 – Alternative Measures of Legal Capacity

- As part of creating *Pillars 2.dta*, we also included new alternative measures of legal capacity:
  - V-Dem's own property rights variable (*v2xcl_prpty*), which gauges whether citizens enjoy the right to private property.
  - The World Justice Project's (WJP) aggregate 'rule of law' index (we use the 2014 values due to issues with their 2012-2013 data; see WJP for further details).
- We thus repeat the core specifications from tables 3.2 and 3.3 using these alternative measures.
  - This means the executive constraints and openness variables use the Polity measures again.

	Property Rights (V-Dem)		Rule of Law Index (WJP)	
	(1)	(2)	(3)	(4)
Prevalence external war before 2000	1.020	6.301**	1.341**	-2.144
	(0.826)	(2.629)	(0.61)	(1.736)
Average exec. constraints before 2010	2.005***	2.018***	1.910***	2.032***
	(0.339)	(0.588)	(0.433)	(0.556)
Average nonopen exec. recruitment before 2010	0.244	0.761	0.745*	1.038*
	(0.384)	(0.656)	(0.406)	(0.61)
Ethnic homogeneity	0.604*	0.541	0.846**	0.949**
	(0.328)	(0.336)	(0.358)	(0.377)
External war* high exec. constraints dummy		-6.415**		3.954**
		(2.692)		(1.777)
Nonopen exec. recruitment* low exec. constraints dummy		-.815		-.090
		(0.637)		(0.645)
High exec. constraints dummy		-.013		-.191
		(0.343)		(0.316)
English legal origin	-.420**	-.385**	0.066	0.063
	(0.182)	(0.184)	(0.208)	(0.215)
Scandinavian legal origin	-.0004	-.095	1.425***	1.424***
	(0.257)	(0.248)	(0.265)	(0.258)
German legal origin	0.121	0.119	1.030***	0.945***
	(0.206)	(0.233)	(0.253)	(0.266)
Socialist legal origin	-.460**	-.561***	-.167	-.082
	(0.216)	(0.217)	(0.158)	(0.157)
Observations	152	152	94	94
R-squared	0.388	0.412	0.649	0.661

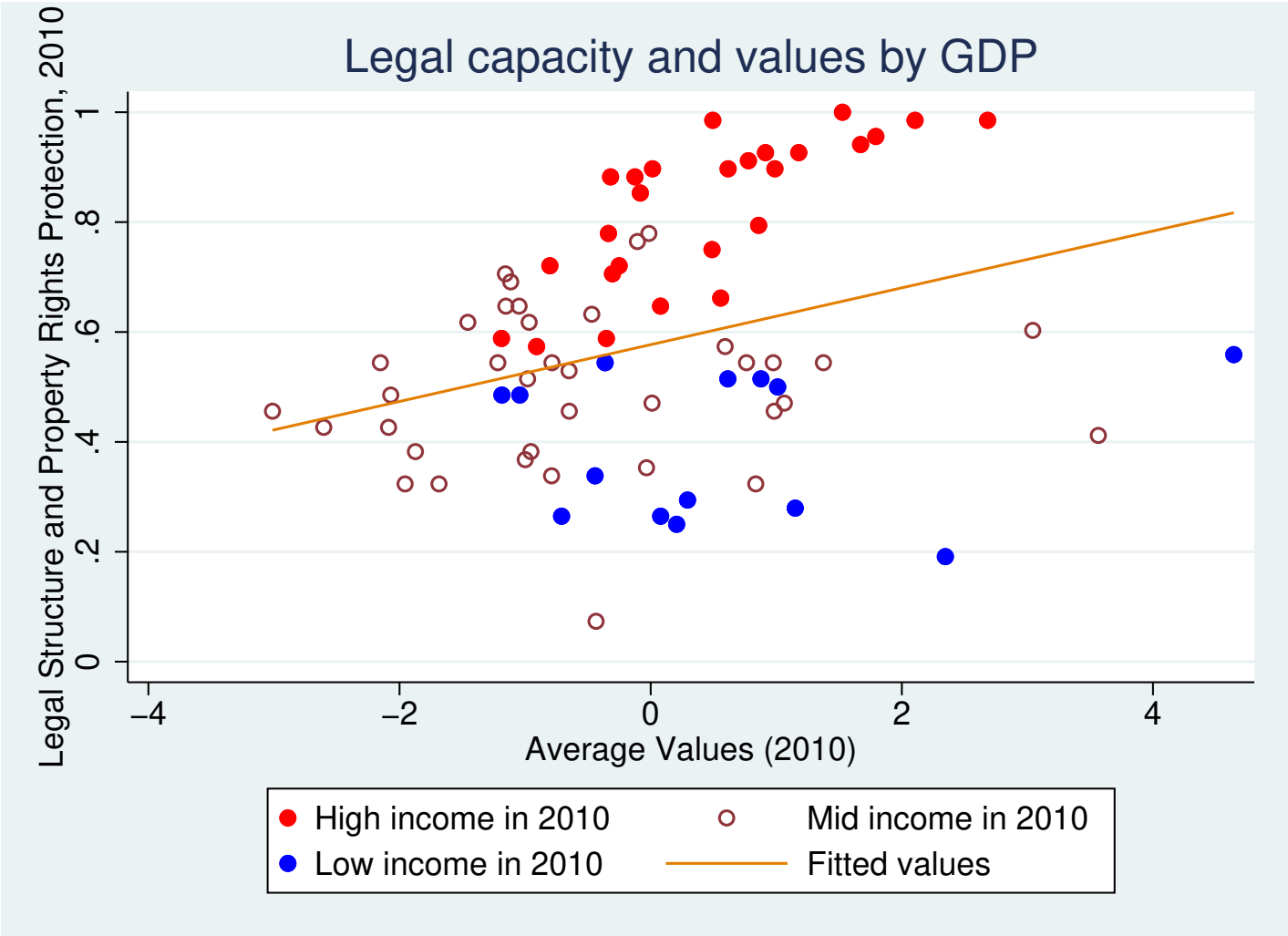
Alternative Measures of Legal Capacity – Comments

- Notwithstanding the more mixed evidence using V-Dem's measures of executive constraints, alternative measures of legal capacity still confirm the general predictions from the theory.
- Executive constraints are robustly correlated with property rights protection and the general rule of law index from the WJP, again a key aspect of the theory developed in Pillars.

Extensions – Norms and Values

- Similar to chapter 2, we can once again explore how well average cross-national values correlate with our measures of legal capacity.
- Now, we focus on values directly relevant to the justice system from the World Values Survey (WVS):
  - Confidence in government (which we keep from chapter 2 as a "catch all" civic values variable)
  - General trust in people (again, we keep from chapter 2 as a "catch all" civic values variable)
  - Confidence in the justice system/courts
  - Unjustifiable to accept bribes
- Taking the first principal component, the factor loadings are 0.601, 0.412, 0.684 and 0.047 respectively.
  - So this is largely capturing whether, on average, people have confidence in their governments and the justice system, generally trust people, and (weakly) do not find it justifiable to accept bribes, all correlations we would expect (again, a type of "civic culture").

Legal Capacity and Values



Legal Capacity and Values

	Legal structure and property rights protection	Doing business	Registering property	Obtaining credit	Contract enforcement	Property rights (V-Dem)	Rule of law index (WJP)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Prevalence external war before 2000	1.221**	0.359**	0.191	0.17	0.761***	0.539	1.319**
	(0.594)	(0.142)	(0.216)	(0.153)	(0.258)	(0.509)	(0.591)
Average exec. constraints before 2010	2.028***	0.445***	0.333**	0.137	0.229*	0.927**	1.581***
	(0.363)	(0.106)	(0.137)	(0.132)	(0.125)	(0.458)	(0.456)
Average nonopen exec. recruitment before 2010	1.125***	0.283**	0.25*	0.017	0.419***	0.212	-.084
	(0.415)	(0.138)	(0.145)	(0.168)	(0.143)	(0.474)	(0.478)
Ethnic homogeneity	0.745**	0.278***	0.272**	-.043	0.06	0.814*	1.217***
	(0.331)	(0.103)	(0.123)	(0.14)	(0.135)	(0.433)	(0.385)
Civic values	0.043	-.0004	0.038	-.079**	-.012	0.014	0.221***
	(0.088)	(0.026)	(0.037)	(0.032)	(0.031)	(0.107)	(0.083)
English legal origin	0.4*	0.085	-.022	0.265***	0.089	-.201	-.086
	(0.223)	(0.065)	(0.083)	(0.089)	(0.083)	(0.2)	(0.283)
Scandinavian legal origin	1.286***	0.197**	0.151	0.333***	0.342***	0.089	0.726*
	(0.316)	(0.078)	(0.114)	(0.123)	(0.116)	(0.24)	(0.387)
German legal origin	0.916***	0.191**	0.134	0.207***	0.345***	0.104	0.653**
	(0.259)	(0.08)	(0.106)	(0.078)	(0.098)	(0.151)	(0.267)
Socialist legal origin	0.029	0.147***	0.267***	0.162**	0.262***	0.019	-.140
	(0.182)	(0.052)	(0.07)	(0.073)	(0.065)	(0.221)	(0.185)
Observations	68	69	69	69	69	68	68
R-squared	0.727	0.575	0.529	0.299	0.441	0.377	0.687

Note: civic values are now calculated for/up to 2016 for congruence with the Doing Business Project indicators.

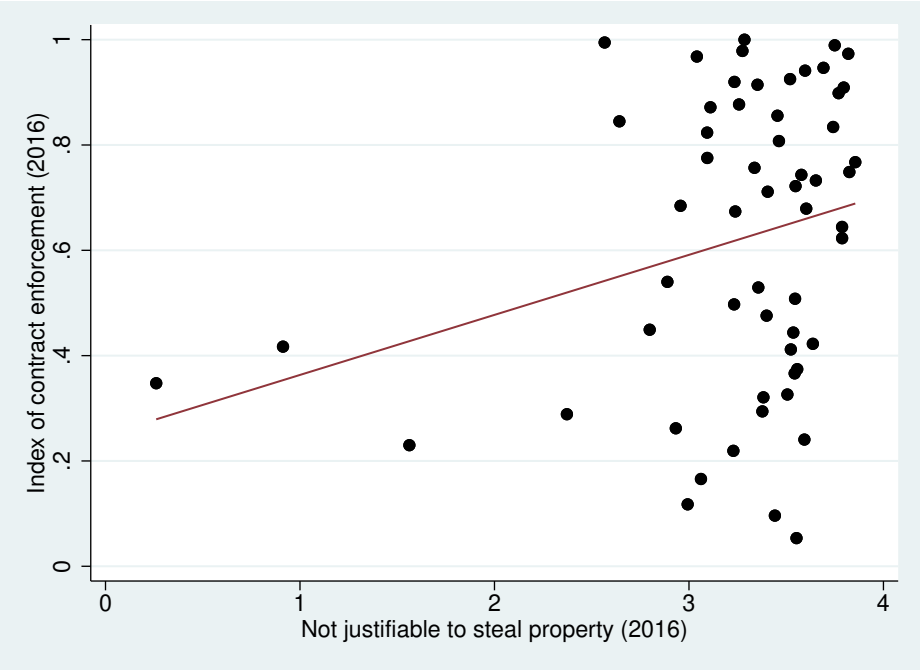
Legal Capacity and Values

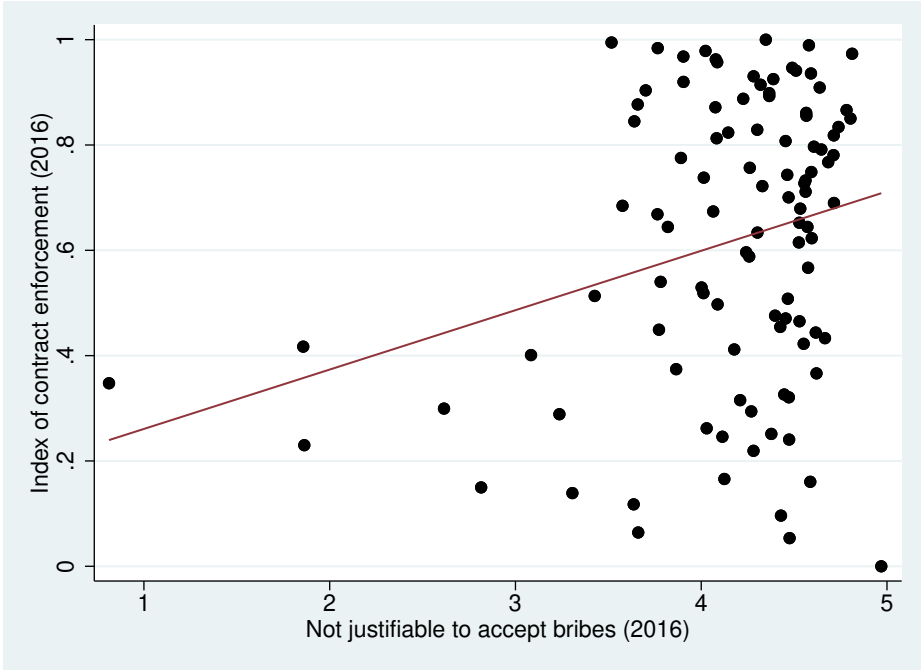
- Similar to chapter 2, clear heterogeneity in distribution of values across countries.
- Four outliers below trend line from the scatter plot are Bangladesh, China, Jordan, and Vietnam (trend line robust to their removal).
- Notwithstanding these aberrations, still the case that high income countries possess strong civic-minded values pertaining to the legal system and legal capacity.
- Although some mixed evidence, we do find a significant positive correlation between civic values and the WJP's rule of law index.
  - As Besley (2020) highlights, future work could better explore the connection between civic values and legal capacity as one dimension of state capacity.

Legal Capacity and Values (I)

- Finally, using the most recent values of the 'unjustifiable to accept bribes' and 'unjustifiable to steal property' variables, we can plot this against the index of contract enforcement for 2016, as the main measure of legal capacity used in the Pillars of Prosperity Index in Chapter 8.
  - We do not use the 'unjustifiable to steal property' variable in the previous principal components analysis due to the much smaller sample of countries where it was asked.
- As illustrated, there is a clear complementarity between civic values pertaining to the law and contract enforcement as one dimension of legal capacity.
  - Again, triangulation shows there is no country with strong legal capacity where indifference to theft of individual property or accepting bribes is high.
- Outliers in both charts are South Africa, the Philippines and Haiti, although trend line is robust to their omission.

Legal Capacity and Values (II)





Contract enforcement and justifiable to steal and/or accept bribes