

COURTS

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Description of the variables

This table describes the variables in the paper. The dataset is the same data used for the paper published in the Quarterly Journal of Economics with the exception of the control variable on Education (Average years of schooling). This variable has been revised, due to new data availability, to expand the sample of observations that run in the regressions (Tables VI, VII and VIII) of the paper. Unless otherwise specified, the source for the variables is the survey of law firms and the laws of each country.

Variable	Description
<i>Professionals vs. laymen</i>	
General jurisdiction court	The variable measures whether a court of general or of limited jurisdiction would be chosen or assigned to hear the case under normal circumstances. We define a court of general jurisdiction as a state institution, recognized by the law as part of the regular court system, generally competent to hear and decide regular civil or criminal cases. A limited jurisdiction court would hear and decide only some types of civil cases. Specialized debt-collection or housing courts, small-claims courts, and arbitrators or justices of the peace are examples. Equals one for a court of general jurisdiction, and zero for a court of limited jurisdiction.
Professional vs. non-professional judge	The variable measures whether the judge, or the members of the court or tribunal, could be considered as professional. A professional judge is one who has undergone a complete professional training as required by law, and whose primary activity is to act as judge or member of a court. A non-professional judge is an arbitrator, administrative officer, practicing attorney, merchant, or any other layperson who may be authorized to hear and decide the case. Equals one for a professional judge, and zero for a non-professional judge.
Legal representation is mandatory	The variable measures whether the law requires the intervention of a licensed attorney. The variable equals one when legal representation is mandatory, and zero when legal representation is not mandatory.
Index: Professionals vs. laymen.	The index measures whether the resolution of the case relies on the work of professional judges and attorneys, as opposed to other types of adjudicators and lay people. The index is the normalized sum of: (i) general jurisdiction court, (ii) professional vs. non-professional judge, and (iii) legal representation is mandatory. The index ranges from 0 to 1, where higher values mean more participation by professionals.
<i>Written vs. oral</i>	
Filing	Equals one if the complaint is normally submitted in written form to the court, and zero if it can be presented orally.
Service of process	Equals one if the defendant's first official notice of the complaint is most likely received in writing, and zero otherwise.
Opposition	Equals one if under normal circumstances the defendant's answer to the complaint should be submitted in writing, and zero if it may be presented orally to court.
Evidence	Equals one if evidence is mostly submitted to the court in written form, in the form of attachments, affidavits, or otherwise, and zero if most of the evidence, including documentary evidence, is presented at oral hearings before the judge.
Final arguments	Equals one if final arguments on the case are normally submitted in writing, and zero if they are normally presented orally in court before the judge.
Judgment	Equals one if the judge issues the final decision in the case in written form, and zero he issues it orally in an open court hearing attended by the parties. The defining factor is whether the judge normally decides the case at a hearing. If the judge simply reads out a previously made written decision, the variable equals one. Conversely, for an orally pronounced judgment that is later transposed into writing for enforcement purposes, the variable equals zero.
Notification of judgment	Equals one if normally the parties receive their first notice of the final decision in written form, by notice mailed to them, publication in a court board or gazette, or through any other written means. The variable equals zero if they receive their first notice in an open court hearing attended by them.
Enforcement of judgment	Equals one if the enforcement procedure is mostly carried out through the written court orders or written acts by the enforcement authority, and zero otherwise.

Index: Written vs. oral elements	The index measures the written or oral nature of the actions involved in the procedure, from the filing of the complaint until the actual enforcement. The index is calculated as the number of stages carried out mostly in written form over the total number of applicable stages, and it ranges from 0 to 1, where higher values mean higher prevalence of written elements.
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Legal justification

Complaint must be legally justified	The variable measures whether the complaint is required, by law or court regulation, to include references to the applicable laws, legal reasoning, or formalities that would normally require legal training. Equals one for a legally justified complaint, and zero when the complaint does not require legal justification (specific articles of the law or case-law).
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Judgment must be legally justified	The variable measures whether the judgment must expressly state the legal justification (articles of the law or case-law) for the decision. Equals one for a legally justified judgment, and zero otherwise.
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Judgment must be on law (not on equity)	The variable measures whether the judgment may be motivated on general equity grounds, or if it must be founded on the law. Equals one when judgment must be on law only, and zero when judgment may be based on equity grounds.
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Index: Legal justification	The index measures the level of legal justification required in the process. The index is formed by the normalized sum of: (i) complaint must be legally justified, (ii) judgment must be legally justified, and (iii) judgment must be on law (not on equity). The index ranges from 0 to 1, where higher values mean a higher use of legal language or justification.
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Statutory regulation of evidence

Judge cannot introduce evidence	Equals one if, by law, the judge cannot freely request or take evidence that has not been requested, offered, or introduced by the parties, and zero otherwise.
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Judge cannot reject irrelevant evidence	Equals one if, by law, the judge cannot refuse to collect or admit evidence requested by the parties, even if she deems it irrelevant to the case, and zero otherwise.
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Out-of-court statements are inadmissible	Equals one if statements of fact that were not directly known or perceived by the witness, but only heard from a third person, may not be admitted as evidence. The variable equals zero otherwise.
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Mandatory pre-qualification of questions	Equals one if, by law, the judge must pre-qualify the questions before they are asked of the witnesses, and zero otherwise.
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Oral interrogation only by judge	Equals one if parties and witnesses can only be orally interrogated by the judge, and zero if they can be orally interrogated by the judge and the opposing party.
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Only original documents and certified copies are admissible	Equals one if only original documents and "authentic" or "certified" copies are admissible documentary evidence, and zero if simple or uncertified copies are admissible evidence as well.
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Authenticity and weight of evidence defined by law	Equals one if the authenticity and probative value of documentary evidence is specifically defined by the law, and zero if all admissible documentary evidence is freely weighted by the judge.
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Mandatory recording of evidence	Equals one if, by law, there must be a written or magnetic record of all evidence introduced at trial, and zero otherwise.
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Index: Statutory regulation of evidence	The index measures the level of statutory control or intervention of the administration, admissibility, evaluation and recording of evidence. The index is formed by the normalized sum of the following variables : (i) judge can not introduce evidence, (ii) judge cannot reject irrelevant evidence, (iii) out-of-court statements are inadmissible, (iv) mandatory pre-qualification of questions, (v) oral interrogation only by judge, (vi) only original documents and certified copies are admissible, (vii) authenticity and weight of evidence defined by law, and (viii) mandatory recording of evidence. The index ranges from 0 to 1, where higher values mean a higher statutory control or intervention.
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Control of Superior Review

Enforcement of judgment is automatically suspended until resolution of the appeal	Equals one if the enforcement of judgment is automatically suspended until resolution of the appeal when a request for appeal is granted. Equals zero if the suspension of the enforcement of judgment is not automatic, or if the judgment cannot be appealed at all.
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Comprehensive review in appeal	Equals one if issues of both law and fact (evidence) can be reviewed by the appellate court. Equals zero if only new evidence or issues of law can be reviewed in appeal, or if judgment cannot be appealed.
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Interlocutory appeals are allowed	Equals one if interlocutory appeals are allowed, and zero if they are always prohibited. Interlocutory appeals are defined as appeals against interlocutory or interim judicial decisions made during the course of a judicial proceeding in first instance and before the final ruling on the entire case.
Index: Control of superior review	The index measures the level of control or intervention of the appellate court's review of the first-instance judgment. The index is formed by the normalized sum of the following variables : (i) enforcement of judgment is automatically suspended until resolution of appeal, (ii) comprehensive review in appeal, and (iii) interlocutory appeals are allowed. The index ranges from 0 to 1, where higher values mean higher control or intervention.

Engagement formalities

Mandatory pre-trial conciliation	Equals one if the law requires plaintiff to attempt a pre-trial conciliation or mediation before filing the lawsuit, and zero otherwise.
Service of process by judicial officer required	Equals one if the law requires the complaint to be served to the defendant through the intervention of a judicial officer, and zero if service of process may be accomplished by other means.
Notification of judgment by judicial officer required	Equals one if the law requires the judgment to be notified to the defendant through the intervention of a judicial officer, and zero if notification of judgment may be accomplished by other means.
Index: Engagement formalities	The index measures the formalities required to engage someone in the procedure or to held him/her accountable of the judgment. The index is formed by the normalized sum of the following variables: (i) mandatory pre-trial conciliation, (ii) service of process by judicial officer required, and (iii) notification of judgment by judicial officer required. The index ranges from 0 to 1, where higher values mean a higher statutory control or intervention in the judicial process.

Independent procedural actions

Filing and service	The total minimum number of independent procedural actions required to complete filing, admission, attachment, and service.
Trial and judgment	The total minimum number of independent procedural actions required to complete opposition to the complaint, hearing or trial, evidence, final arguments, and judgment.
Enforcement	The total minimum number of independent procedural actions required to complete notification and enforcement of judgment.
Index: Independent procedural actions	An independent procedural action is defined as a step of the procedure, mandated by law or court regulation, that demands interaction between the parties or between them and the judge or court officer (e.g., filing a motion, attending a hearing, mailing a letter, or seizing some goods). We also count as an independent procedural action every judicial or administrative writ or resolution (e.g., issuing judgment or entering a writ of execution) which is legally required to advance the proceedings until the enforcement of judgment. Actions are always assumed to be simultaneous if possible, so procedural events that may be fulfilled in the same day and place are only counted as one action. To form the index, we: (1) add the minimum number of independent procedural actions required to complete all the stages of the process (from filing of lawsuit to enforcement of judgment); and (2) normalize this number to fall between zero and one using the minimum and the maximum number of independent procedural actions among the countries in the sample. The index takes a value of zero for the country with the minimum number of independent procedural actions, and a value of one for the country with the maximum number of independent procedural actions.

Formalism index

Formalism index	The index measures substantive and procedural statutory intervention in judicial cases at lower-level civil trial courts, and is formed by adding up the following indices: (i) professionals vs. laymen, (ii) written vs. oral elements, (iii) legal justification, (iv) statutory regulation of evidence, (v) control of superior review, (vi) engagement formalities, and (vii) independent procedural actions. The index ranges from 0 to 7, where 7 means a higher level of control or intervention in the judicial process.
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Incentives of parties

Mandatory time limit for admission	Equals one if the judge is required by law to admit or reject the lawsuit within a certain period of time, and zero otherwise.
Mandatory time limit to present evidence	Equals one if the period in which the parties may collect or present evidence is fixed by law to a certain number of days after service or number of days before hearing, and zero otherwise.

Mandatory time limit to present defense	Equals one if the defendant is required by law to file the opposition within certain time limit, either in terms of number of days from service or number of days before the hearing. The variable equals zero otherwise.
Mandatory time limit for judgment	Equals one if the judge is required by law to enter judgment within a specified period of time after the conclusion of the hearing or the final pleadings, and zero otherwise.
Mandatory time limit for notification of judgment	Equals one if the court is required by law to notify the parties within a specified period of time after judgment is entered, and zero otherwise.
Index: Mandatory time limits	The presence of mandatory time limits in the procedure. The index is calculated as the average of: (i) term for admission, (ii) term to present evidence, (iii) term to present defense, (iv) term for judgment, (v) term for compliance, (vi) term for notification of judgment. The index ranges from 0 to 1, where higher values mean more mandatory deadlines.
Quota litis prohibited	The variable equals one if quota litis or contingent fee agreements are prohibited by law in all cases, and zero otherwise.
Loser pays rule	The variable equals one if the loser is required to pay all the costs of the dispute, and zero otherwise.

Duration in practice

Duration until completion of service of process	Estimated duration, in calendar days, between the moment the plaintiff files the complaint until the moment of service of process to the defendant.
Duration of trial	Estimated duration, in calendar days, between the moment of service of process and the moment the judgment is issued.
Duration of enforcement	Estimated duration, in calendar days, between the moment of issuance of judgment and the moment the landlord repossesses the property (for the eviction case) or the creditor obtains payment (for the check collection case).
Total duration	The total estimated duration in calendar days of the procedure under the factual and procedural assumptions provided. It equals the sum of: (i) duration until completion of service of process, (ii) duration of trial, and (iii) duration of enforcement.

Other judicial quality measures

Enforceability of contracts	“The relative degree to which contractual agreements are honored and complications presented by language and mentality differences.” Scale for 0 to 10, with higher scores indicating higher enforceability. <i>Source: Business Environmental Risk Intelligence.</i> Exact definition in <i>Knack, Stephen and Philip Keefer, 1995.</i>
Legal system is fair and impartial	“In resolving business disputes, do you believe your country’s court system to be fair and impartial?” The scale ranges from 1 to 6, where higher scores mean a fairer and more impartial legal system. <i>Source: World Business Environment Survey.</i>
Legal system is honest or uncorrupt	“In resolving business disputes, do you believe your country’s court system to be honest/uncorrupt?” The scale ranges from 1 to 6, where a higher score signals a more honest and uncorrupt system. <i>Source: World Business Environment Survey.</i>
Legal system is affordable	“In resolving business disputes, do you believe your country’s court system to be affordable?” The scale ranges from 1 to 6, where a higher score means a more affordable legal system. <i>Source: World Business Environment Survey.</i>
Legal system is consistent	“In resolving business disputes, do you believe your country’s court system to be consistent?” The scale ranges from 1 to 6, where a higher score means a more consistent legal system. <i>Source: World Business Environment Survey.</i>
Confidence in legal system	The questionnaire asks the managers the degree to which they believe the system will uphold contracts and property rights in a business dispute. The scale ranges from 1 to 6, where a higher score means a higher degree of confidence on the system. <i>Source: World Business Environment Survey.</i>
Corruption	A composite index for the year 2000 that draws on 14 data sources from seven institutions: the World Economic Forum, the World Business Environment Survey of the World Bank, the Institute of Management Development (in Lausanne), PricewaterhouseCoopers, the Political and Economic Risk Consultancy (in Hong Kong), the Economist Intelligence Unit and Freedom House’s Nations in Transit. The score ranges between 10 (highly clean) and 0 (highly corrupt). <i>Source: Transparency International (2001).</i>
Law and Order	Integrity of legal system in 2000. This component is based on the Political Risk Component 1 (Law and Order) from the PRS Group’s International Country Risk Guide (various issues). Rankings are modified to a 10 point scale. <i>Source: Economic Freedom of the World (2002).</i>

Quota litis prohibited	Equals one if quota litis or contingent fee agreements are prohibited by law in all cases, and zero otherwise.
Loser pays rule	Equals one if the loser is required to pay all the costs of the dispute, and zero otherwise.

Other variables

Log of GNP per capita	Logarithm of GNP per capita in 1999, Atlas method, expressed in current US dollars. When 1999 income data in US dollars was not available, the latest available number was used (1996 for Kuwait, 1997 for Cayman Islands, Gibraltar, Turks and Caicos Island, 1998 for Anguilla, Bahrain, Netherlands Antilles, United Arab Emirates). Income for Anguilla, the British Virgin Islands, the Cayman Island, Gibraltar, Monaco, the Netherlands Antilles, and the Turks and Caicos Islands is GDP per capita (PPP) from the CIA World Factbook. <i>Source: World Development Indicators.</i>
Legal origin	Identifies the legal origin of the company law or commercial code of each country(English, French, Socialist, German, Scandinavian). <i>Source: La Porta, et al. (1999).</i>
Latitude	The absolute value of the latitude of the capital of the country, scaled to take values between 0 and 1. <i>Source: CIA Factbook.</i>
Average years of schooling	Average years of schooling of population over 25 years of age in 2000 or last year available (1990 for Estonia, Kazakhstan, Latvia, Lithuania and Vietnam, and 1980 for St.Vincent) from <i>Barro and Lee database</i> . The data for Cote d'Ivoire, Lebanon, Morocco, Nigeria and Tanzania are from the <i>Human Development Report 1994</i> , The number for Belize comes from http://www.ethnologue.com/ . The number for Ukraine is the value for mean actual years of schooling in 2000 from <i>Gorodnichenko and Sabirianova's working paper "Returns to Schooling in Russia and Ukraine: A Semiparametric Approach to Cross-Country Comparative Analysis," University of Michigan working paper, September 2004.</i>
Ethnic fractionalization	Ethnic fractionalization is computed as one minus the Herfindahl index of ethnic group shares. This calculation considers the probability that two persons, randomly chosen, from a population belong to different groups. <i>Source: Alesina et al. (2002).</i>
