

POLITICAL INSTITUTIONS AND ETHNIC-ECONOMIC CONFLICTS

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Abstract

Democracy is one of the important issues in today's world. Democracy is a form of government in which the supreme power is vested in the people and exercised directly by them or by their elected (Lijphart, 1999). The term institution is commonly applied to customs and behavior patterns that are important to a society, as well as to particular formal organizations of government and public service. According to North (1990) an institution is a draft that names of the actors, their respective behavioral strategies, the cycle in which the actors choose from them, the information they possess when they make their selections, and the outcome resulting from the combination of actor choices. North (1990) emphasises another important feature as the institutional structure. Institutions have to be developed in political, economic and social life to solve those problems. Political institutions are created to solve collective action problems (Moe, 1990). They result from not only cooperation also competition between rational political actors. According to Lijphart (1999), that consensus democracies have an equal or slightly better record than majoritarian democracies in economic management and in the control of violence. Ethnic conflicts are one of the most important examples of social conflicts. Although there are disagreements when it comes to more specific political institutions as discussed above, Easterly (2001) argues that in general institutions that give legal protection to minorities, guarantee freedom from expropriation, grant freedom from repudiation of contracts, and facilitate cooperation for public services would constrain the amount of damage that one ethnic group could do to another (p.690). Corruption tends to arise when governments interventionism increase in attempting to tackle with market failures instead of promoting private alternatives. Economic problems are also important for our topic. For states, to make economy run properly requires well regulated markets with a limited government interventionism under the assurances of self-restrained political institutions. According to Huntington (1968), primary differences between developed and developing countries depend on the level of political

institutions. More specifically, short of political institutions are indicated in developing countries compare to developed countries.

Key Words: Political Institutions, elections, corruption, ethnic conflict, economic conflict

1. Introduction

Democracy is one of the important issues in today's world. Democracy is a form of government in which the supreme power is vested in the people and exercised directly by them or by their elected (Lijphart, 1999). Political system in a democracy ensures the maintaining of order and sanity in the society. It also makes possible for some other institutions to also have their criticisms and complaints put across in the course of social existence. Institutions are one of the principal objects of study in the social sciences, including sociology, political science, and economics and central concern for law (Lijphart, 1999). Olsen (2009) defines institutions in political system as structures and mechanisms of social order and cooperation governing the behavior of a set of individuals within a given human collectivity. Institutions are identified with a social purpose and stability, transcending individual human lives and intentions, and with the enforcing of rules governing cooperative human behavior.

In recent years, a great deal of attention has been paid to the importance of institutions for social, political and economic development, leading to a broad consensus that "institutions matter" (Fukuyama 2004). Institutions in this sense include things like property rights, credible enforcement of contracts, rule of law, and mechanisms for conflict resolution. Political institutions create incentives that influence the strategic choices made by political actors. They are in some sense the rules of the game in political life, and are themselves created to solve political problems (North, 1990). Some of the general problems that institutions might resolve are the aggregation of preferences, collective action, and the delegation of power (Knight, 1992). The term institution is commonly applied to customs and behavior patterns that are important to a society, as well as to particular formal organizations of government and public service. Aghion, Alessina and Terribi(2004) state that a fundamental aspect of institutional design is how much society chooses to delegate unchecked power to its leaders. In general, this paper will present in what ways, and to what extent, political institutions resolve dangerous conflicts in a society or

community. Furthermore, this paper will discuss why institutions might help resolve or mitigate social conflicts such as ethnic and economic conflicts.

2. Political Institutions

According to North (1990) an institution is a draft that names of the actors, their respective behavioral strategies, the cycle in which the actors choose from them, the information they possess when they make their selections, and the outcome resulting from the combination of actor choices. Some people think of them as the rules of the game in a society or more formally, the humanly devised constraints that shape human interaction. In this view institutions are the rules of the game provided by the players themselves. They are simply the ways in which the players want to play.

North (1990) emphasises another important feature as the institutional structure. Institutions have to be developed in political, economic and social life to solve those problems. It can be established by developing adaptive efficiency. Adaptive efficiency kicks in when there are flexible institutions that provide a maximum of choices at a given moment of time. If there is a society that creates such an institutional framework, it obviously has the best chance of being successful with respect to survival and continuous performance. Institutions are also made up of formal rules, informal constraints and their enforcement characteristics. Formal rules, of course, are very straightforward and put into place like laws, constitutions, regulations that have the character of being specific. Informal norms of behaviour provide us more problems because informal constraints do not show up in formal terms.

Political institutions are created to solve collective action problems (Moe, 1990). They result from not only cooperation also competition between rational political actors. In general, they are assumed to be effective in resolving “recurring and well-structured problems” (Olsen, 2009), while they are ineffective otherwise. In the literature there has been overwhelming belief that political institutions remain cumbersome to adapting to the economic, technological, and social changes, and hence fail to mitigate societal problems (Olsen, 2009). Some argue that underlying reason behind the failure is that political institutions strive to protect the status quo and resist to change, which decreases the prospects to be remedy to the social conflicts. Political institutions

are bound to change in the face of developments in social and political life. Despite in favor of status quo, political institutions are assumed to be effective in adapting to their functional or normative environment (Olsen, 2008). However, as March and Olson (1989) contend that it takes time to canalize the “dynamics of rules, beliefs, and resources” (Olsen, 2009) into capacity to manage the societal conflict.

Nevertheless, political institutions undergo change to the extent to which political actors permit. This change may vary depending on the political system in which political institutions interact. For instance, it is assumed that consensus political systems vis-à-vis majoritarian systems are more prone to be challenged by the external forces (Olsen, 2009). Every political process produces winners and losers. Modern democracies are based on two competing approaches of the democratic ideal: Majoritarian democracy and Consensus democracy. The majoritarian principle emphasizes that democracy is majority rule and is based on a concentration of power. Majoritarian democracy (by presenting United Kingdom, and New Zealand) can create sharp divisions between those who hold power and those who do not, and it does not allow the opposition much influence over government policy. On the other hand, the consensus principle, promotes the idea that democracy should represent as many citizens as possible and that a simple majority should not govern in an unfettered fashion. Consensus democracy (by presenting Switzerland, Belgium, and even the EU as cases) disperses power so that there are multiple poles of decision making and multiple checks and balances, thus limiting the power of the central government while providing for the representation of a broader array of interests (Lijphart, 1999). So the prominent different between the two is that consensus system is more inclined to protect ethnic minorities (Olsen, 2009). Thus, it can also be argued that the majoritarian system, on the one hand, is more functional, but it may be part of the social problems on the other.

Lijphart (1999) argues that whether democracy tends toward the majoritarian or consensus pole depends on ten institutional arrangements. Characteristics that favor the concentration of power—single-party government, cabinet dominance, a two-party system, a majoritarian electoral system, interestgroup pluralism, unitary and centralized government, a unicameral legislature, constitutional flexibility, the absence of judicial review, and a central bank controlled

by the executive produce a majoritarian system. The opposite characteristics, by dispersing power and creating multiple checks and balances, promote consensus democracy.

According to Lijphart (1999), that consensus democracies have an equal or slightly better record than majoritarian democracies in economic management and in the control of violence. Moreover, they perform better at promoting women's representation, reducing inequalities, encouraging electoral participation, promoting citizen satisfaction with democracy, protecting the environment, providing social welfare, avoiding high crime rates, and encouraging generosity in foreign aid.

According to Gonzales (2008) "political institutions are central to many courses on American politics and government". Political institutions are considered subgroups of a political system where political system refers to system, politics and government. In fact, political system is not the same with the economic, legal and cultural systems. Instead political systems are much more complex arrangement where they have views on who have the authority, how other general political issues such as religious, ethnicity and distribution of resources should be handled. In particular, political institutions can be considered as structures of social order which supports governing of the individuals and cooperative human behavior (Humphreys, 2005). It can be said that political institutions are the grounds to communicate with the authority to allocate common social goals and values. For example, political institutions become influential on elected official and other governmental decision making processes.

Edwards, Foley and Diani (2001) state that strength and weakness of a democratic political system comes from its social structure. If a society is a mass society which relies on primarily to the state instead of institutions of civil society, the society is likely to be more vulnerable to emerging political viruses. Participation in civic associations is suggested to counter alienations in the community. Civil society can be an alternative to the state and provide diverse and new set of linkages to the community. This diversity is supposed to keep maintaining the order. They think that without having multiplicity, independence and conflictive forms in civil associations, the people will not able to restrain themselves and other groups in a community similar to Madison's view on government.

Understanding and preventing social conflicts have been normative goals for social science research. Scholars have been especially focused on problems of violent ethnic conflict or other kind of conflicts such as conflicts about natural resources, severe economic inequalities, democratic deadlock, multiparty chaos, democratic instability (Ostby, 2008). A common theme in the academic literature emphasizes the role of institutions, both formal and informal, in resolving or mitigating dangerous social conflicts in multi-ethnic societies. The belief that institutions are important guarantors of social order and cooperation is true of entire “New Institutionalism” school of thought (March & Olsen, 1984; Hall & Taylor, 1996; Thelen, 1999). Although all conflicts listed in the question are crucial and need to be discussed, there is no room here to write about all social conflicts. So, instead of discussing all these conflicts one by one, this paper will only focus on ethnic and economic conflicts.

3. Ethnic Conflicts

Since the early 1990s, ethnic divisions have replaced the cold war as the world’s most serious source of violent conflict (Lijphart, 1999). Although much of the interest in ethnic conflict arose out of the collapse of Yugoslavia and Soviet Union, the problem was not limited to communist successor states. The most protracted conflicts of this century are being fought over ethnonational issues in the Middle East and in Southeast Asia. According to Lijphart (1999), the problem of ethnic conflict is so widespread and serious that it has presented a major obstacle to further democratization in this century and has possibly caused a third reverse wave of democratization.

Scholars have refreshed the debate whether political institutions such as the level of democratization, consociationalism, federalism or the electoral system are able to mitigate or resolve ethnic conflict. Although there is an ongoing discussion on political institutions and resolution of ethnic conflicts, no agreement exists between proponents of different views as related to more specific political institutions (Christin and Hug, 2006). For example, while some scholars such as Lijphart (1999), Cohen (1997), Montalvo and Reynal –Querol, (2002) argue in favor of power-sharing arrangements mostly associated with consociational arrangements or types of consensus democracy, others reject this idea and stress that power-sharing arrangements that require collaboration after elections are hardly adequate to resolve societal conflicts

(Horowitz, 2002; Roeder and Rothchild, 2005). Moreover, with respect to electoral systems some argue forcefully for proportional representation whereas others focus on advantages in majoritarian systems (Horowitz, 2002). Furthermore, regarding decentralization and regional autonomy, while some argue that federalism helps to resolve or mitigate societal conflicts with a territorial component (Gurr, 2000; Congleton, 2000), others disagree. These group of scholars argue that federalism either hardly helps or only in conjunction with other instructional arrangements (Brancati, 2005).

Ethnic conflicts are one of the most important examples of social conflicts. Although there are disagreements when it comes to more specific political institutions as discussed above, Easterly (2001) argues that in general institutions that give legal protection to minorities, guarantee freedom from expropriation, grant freedom from repudiation of contracts, and facilitate cooperation for public services would constrain the amount of damage that one ethnic group could do to another (p.690). Good institutions might thus make a given amount of ethnic fractionalization less damaging for development. In other words, these institutions might resolve or mitigate conflicts between ethnic groups. Corruption and other institutional factors can be associated with economic growth measures from country risk guides for international investors. While poor institutions may thus reinforce the ethnolinguistic fractionalization explanation for some countries' poor performance, good institutions may resolve or mitigate ethnically based social conflict that lowers growth. In his study, Easterly found that the ethnic conflict disappears if institutions are of sufficiently high quality (Easterly, 2001).

Covell (1993) says that especially in ethnic confliotions how well the political institutions manage the problem is very important. Cohen (1997) sees ethnic conflict management as the capacity of political institutions to contain ethnic conflict within their mechanisms, routines, and procedures for resolution. Good institutions also reduce the risk of wars and genocides that might otherwise result from ethnic fractionalization. However, these forms of violence are not the channel through which ethnic fragmentation and its interaction with institutions affect economic growth. Ethnically diverse nations that want to endure in peace and prosperity must build good institutions. Cohen (1997) also argues that Proportional systems are more successful than majoritarian systems in terms of ethnic conflict management, because it gives a great

importance of communal boundaries within state boundaries. On the other hand proportional systems prefer to use communal ties to create a great cooperation among ethnic groups and to socialize discontented ethnic groups politically.

Countries which struggle with ethnic conflicts may be able to adopt institutional arrangements- clear property rights, freedom from expropriation, effective rules of the game, and an efficient bureaucracy- that mitigate the negative consequences of diverse interest groups. Clear rules of the game may considerably reduce or eliminate costly rent-seeking behavior associated with ethnic diversity. Also, multiple ethnic groups might have conflicting interests concerning the kind of public services that are delivered by the state (Alesina, Baqir and Easterly, 1999). For example, ethnic groups who speak different languages may want their preferences for the language of instruction in the schools. Regionally separated groups might have trouble agreeing on the location of telephone networks. Good political institutions may be able to supersede such differences with an efficient bureaucracy and act for the good of the nation as a whole (Easterly, 2001). Like Easterly It is believed that the extent of the institutional impact on trust and cooperation to mitigate ethnic conflict are also depend on institutional credibility. To facilitate trust, political institutions must be perceived as credible. Reliance on ethnicity will be especially strong in post-conflict settings, and if political institutions loose their credibility, informal institutions and social networks centered on ethnicity may be considered more credible than formal political institutions or international authorities in resolving or mitigating dangerous social conflicts.

4. Economic Conflicts

Corruption is another important issue for social conflicts. Political institutions do not merely moderate political problems but also play important role in solving economy based problem of corruption which is the main cause of underdevelopment and obstacle in equal distribution of wealth (Lederman, Loayza and Soares, 2005).

Corruption tends to arise when governments interventionism increase in attempting to tackle with market failures instead of promoting private alternatives. This also happens in the availability of rent mining, imbalanced information allocation between officials and citizens as a

sign of lack of transparency, and absence of checks or observation capabilities of government. Along with those effects, political institutions when designed in line with generating accountability and transparency, building checks and balances between branches of government, and creating a free environment for public good services are to provide meditative political structure to cure corruption (Easterly, 2001).

If the political system make ruling class face the consequences of their actions through different mechanisms like elections with the possibility to lose, or legal system for punishing unlawful behavior, good governance increase while eliminating the possibilities of dishonesty. Particularly in governments with stable “democracy, parliamentary systems, freedom of press” have more promising environment for decreased results of corruption. However, decentralization is key in the design of the political system in fighting against corruption. Rather than decentralizing legislative power of central government, giving more decentralized freedom to different levels in determining their expenditures is more effective in the decline of corruption (Easterly, 2001).

In addition to decentralization, the detailed characteristics of political institutions could affect the level of corruption. For instance, electoral political systems that is designed to hold branches of government individually accountable and that promote competitive political environment are more likely to reduce the instances of accountability problem, namely corruption (Persson, Tabellini, & Trebbi, 2003). Separation of powers and a well balanced monitoring among the branches would heal the conflict prone area of misuse of authority (Persson, Roland, & Tabellini, 1997). Political institutions that allow restraining each branches of authority promotes citizen’s role within the political culture.

Economic problems are also important for the topic. For states, to make economy run properly requires well regulated markets with a limited government interventionism under the assurances of self-restrained political institutions. Especially those with a market preserving federal systems are more able to sustain economic performance and development by securing economic and political rights (Weinqast, 1995). On the other hand, economies could gender economic problems prone to conflict within society on the basis of unequal distribution of wealth. Especially in diverse societies mostly ruled by federalism, any imbalances are prone to trigger public unrest in which one side complains about being exploited or not equally receiving public

wealth as well as services and goods. When combined with ethnicity, inequality among provincial districts aggravates the political stability (Bakke and Wibbels, 2006). Rather than vertical inequalities lay between classes, horizontal inequalities lay between ideationally separate groups are more likely to threaten social harmony especially when social opportunities like in education or career are distributed discriminately (Ostby, 2008).

Although each state has its endogenous solution for sustaining political stability in economic basis, federal states that allow maintenance in favor of strengthening economic flexibility of local governments are more likely to abate potential conflicts since increased local government expenditures gratify the demands from local neighborhood. Fiscal decentralization in this sense serves as a mediator of tensions while local governments grow in size and authority (Mansoob Murshed, Zulfan Tadjoeeddin and Chowdhury, 2009). However, fiscal decentralization alone has limited effect on reducing political unrest coming forward as rebellions or protests but it entails proportionate distribution of wealth and the capacity to hold togetherness of the federal states for conservation of peace (Bakke and Wibbels, 2006). Notwithstanding dividedness of society and the skeptics about causality, federal governments are able to mediate potential conflicts by inventing additional institutions or modifying existing institutions in line with managing claims of localities.

On the contrary, decentralization of budget and fund allocation is not always automatically bringing an economic and political stabilization (Saiegh and Tommasi, 1999) therefore a revision is indispensable as a reflection to past failures (Kent and Dickovick, 2004). As seen in Latin America, federal states that suffered from strong centralization decades ago now began to recentralize their economic and fiscal policies due to unparallel reforms in economic and political decentralization.

5. Conclusion

Electoral systems lie at the center of conflict resolution of different interest subgroups. Especially in ethnically divided societies, ethnic cleavages determine the political layout of the power and authority representation since each group tries to elect a member of their own identity,

(Posner, 2007) a kind of situation that induces high competition as an obstacle to peaceful solutions for political issues.

The need for a reform in political institutions comes forward due to arising tensions in absence of solutions for contemporary political issues. Political deadlock and vain competition among small ethnic groupings for running the office under single party system can turn into a more comprehensive and embracing political multiparty system that allows people participate in larger interest or identity groups. Change in regime type from more restricted to more participatory one enhances political performance in dealing with ethnic cleavages which once being a source of political conflict (Posner, 2007). Enumerating political channels into the system allows localized diversity relatively melt into generalized ideals and interests.

A collective-action problem can be mitigated through the design of appropriate political institutions. Shepsle (1986) notes that these may take various forms, but his major illustration is the internal structure of Congress. An important explanation for the specific forms taken by political institutions is that they help solve the problem of government commitment by enabling government to take effective action in seeking to enhance social efficiency. His analyses interweave aspects of social choice and the new economics of organization. From social choice comes a heavy emphasis on the instabilities of majority rule and the inclination to see these problems as what is most distinctive about politics. From the new economics comes a framework for explaining how political institutions can mitigate these collective-action problems.

According to Huntington (1968), primary differences between developed and developing countries depend on the level of political institutions. More specifically, short of political institutions are indicated in developing countries compare to developed countries. Besides, creating more political institutions which are capable of dealing with the problems of the community are suggested by Huntington. In particular, the capacity to produce social institutions is regarded as the capacity to form public interest. In this respect, the civil society cannot foster civic consciousness adequately without receiving support of political institutions (Edwards, Foley and Dani, 2001). The role of political institutions should be to balance conflicts of

interests. In the final analysis, society can only be governed on the basis of building basic order, relying on institutional innovation as the key to institutional reform.

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