Do Brazilian Judges Favor the Weak Party?[1]

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This article discusses the theoretical foundations of the concept of jurisdictional uncertainty, which means, the uncertainties associated to the settlement of contracts in the Brazilian jurisdiction, and that manifests itself predominantly as an anti-saver and anti-creditor bias. According to Arida et al (2005), Brazilian judges tend to favor the weak part in the claim, not the just, as a form of social justice and redistribution of income in favor of the poor people. The article shows that there is no point for the judge in deciding against the law to favor the poor. A utility function is discussed, taking into account the advantages the judge could gain from this behavior, outweighed by the penalties such as professional criticism and the reversal by a higher court. As a result, its predicted that the judge will refrain itself from deciding disregarding the original tenor of legislation, and this behavior could favor the wealthy and politically powerful. An empirical test was conducted, analyzing 181 judicial decisions, and the results were supportive to the main ideas, showing that a contract has 45% more of chances of being maintained if it is beneficial to the richer. The judiciary disregards the contract only in the areas that the Legislative decided to protect the weaker part, such as in labor contracts, social security and environment. In areas like financial contracts, commercial law and landlord-tenant relations, the judges do not interfere.

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1. INTRODUCTION

Recent studies have been showed the relation between a better institutional environment and economic development (North, 1990). In this matter it was proved, with resource to empirical cross-country analysis, that countries with good institutions, assurance of property rights and enforcement of contracts have greater increase rate of GDP per capita and more internal and foreign investment (Barro, 1991, Mauro, 1993).

The lack of good institutions results in the widespread of transaction costs (Coase, 1937) by the curbing of the well functioning of the market. This situation leads to greater contracting costs and to inefficient allocation of property rights (Coase, 1960).

The judiciary system, among the institutions able to boost economic performance, has been object of research trying to explain its well or bad functioning. These researches focuses on aspects like the influence of a greater or lower level of formalism, the concentration of power in the hands of judges, accountability of judicial system, among others (Buscaglia *et al*, 1999, Djankov *et al*, 2003).

An aspect that has been pointed as particularly harmful to supply of credit, yielding in the raise of risk premium and as a consequence raise of interest rates, is the obstacles the judicial system poses to the retaken of credit collaterals and enforcement of assurances, as well as the existence of an anti-creditor bias.

The damaging effect over interest rates takes place in two ways: The first is the raise of credit risk, due to the lower amount of credit recovered; and the second is the increasing in administrative costs, due to the need of more personnel in legal departments to cope with more burdening judicial procedures.

2. THE JURISDICTIONAL UNCERTAINTY

The concept of *jurisdictional uncertainty* could be described as the presence of an anti-creditor bias (Arida *et al*, 2005, Lamounier, Souza, 2002), making harder to retake collaterals or to resell credit. The existence of this bias could be proved by the willingness of judges to ignore contracts in order to promote social justice. The studies authored by Lamounier and Souza (2002) are pointed as corroborating this hypothesis.

Lamounier and Souza conducted a survey among members of Brazilian elite, asking them to chose between two extreme positions, the first being the perfect enforcement of contracts, disregarding any social consequence, and the second being the complete relinquish of the contract in order to reach social justice.

Pinheiro (2002) conducted another survey with the same plot, but going deeper in details. The economist tried to measure the degree of interference of ideological positions of judges over their decisions. This was done with

resource to an opinion survey, conducted among a sample of 741 judges from several Brazilian States, in which those judges were asked to express their agreement between two extreme positions: the strict observation of contract clauses or the ignoring of them in order to achieve social justice. The respondents were supposed to answer the question for each one of eight different litigation areas, namely environmental law, consumers rights, regulation and public services, social security, labor law, credit market, landlord-tenant relations and commercial (see Table 1 for the reproduction of the results).

<Table 1 Here>

3. THE BEHAVIOR OF JUDGES

The judges, as well as other economic agents, aim at maximizing their utility. Some pieces of research have tried to connect decision of judges to the favoring of the social class or social group they belong, but so far these attempts have failed (Posner, 1995). The gain the judge could have in these cases will be minimal and must be outweighed against possible penalties for deciding disregarding the sound tenor of legislation. These penalties could include, among others, professional criticism and the reversal of the decision in court appeals.

The recruitment of judges, done by State, prioritizes technical knowledge, and it seems more plausible that this criterion yields in judges concerned about the quality of the decisions and as a result they must decide according to the law (Posner, 1995, Glaeser, Scheinkman, Shleifer, 2003). Here in Brazil one must also consider the criterion for career evolution, which is done in half of the cases by the promotion of the oldest and in the other half with grounds on merits. This merit evaluation takes into account, among other criteria, the number of decisions reversed in appeal courts.

4. THE VALIDITY OF THE ALTITUDINAL SURVEYS

The absence of microeconomic foundations to support the hypothesis of jurisdictional uncertainty does not explain, however, the result of the surveys conducted by Lamounier and Souza or by Pinheiro. This apparent paradox could be explained by the empirical method employed in those experiments, which lies in attitudinal measures. As it is widely known, attitudinal measures are poorly related with real actions, and an explanation would be that judges are saying that they wish to have a more relevant and active social role, which is not related in any circumstance with the way judges actually decide (Glaser *et al*, 2002, Lazzarini *et al*, 2005).

If we observe the results presented by Pinheiro (2002), we can see that the lower willingness to follow the contract clauses appears in those areas

of contracting that the law leaves to the parties less freedom to contract. In these cases the judges ignore contracts because they are illegal, and not with grounds on their discretionarily. Contractual discussions in legal areas more regulated will present more decisions rejecting contractual clauses, as a consequence of the higher probability of having an illegal clause in them.

The results presented by Pinheiro (2002) demonstrate that the lower willingness to maintain the contract clauses occurs in those areas that are more regulated (see Table 1), leaving less room for free disposal of rights by the parties when contracting. So, in these areas the judges tend to not maintain the contract probably because the contract breaches the law, that means, they do it not because they want to, but because they have to do so.

The warranty of social rights aims at assuring that hyposufficient people don't get harmed in contractual negotiations. For this reason, the freedom to negotiate is curbed by cogent norms, limiting the free disposal of some rights of poor people. For instance, a worker is not allowed to give up of his or her vacations. Any arrangement, even if it has the acceptance of this worker, is not a valid arrangement. These kinds of norms are applied to the case in which there is a public priority at stake.

As a consequence, the contracts in more heavily regulated areas are more likely to infringe some legal rules, and judges do not maintain them because they were written in the breach of law.

5. THE EMPIRICAL TEST

The empirical test tries to find an evidence of an anti-creditor bias. Unlike the previous studies, this one tries to find this evidence in real judicial cases, which means, it is not going to rely just in opinion surveys. The present research also verifies to what extent the judges put aside the terms of the contract with ground on legal disposals.

The empirical research included the analysis of appeal decisions in Sao Paulo Appeal Court ("Tribunal de Justiça de São Paulo") and interviews with judges from that court. The cases analyzed were those in the same areas that Pinheiro (2002) included in his research[4], namely labor law, consumers rights, social security, credit market, environment law, landlord-tenant relationship, commercial law, regulation and public services. All cases are supposed to be related to a contractual discussion.

The main test was made with recourse to regression analysis of 181 judicial decisions chosen among 1,019 decisions collected. In each case it was examined if the contractual clauses were maintained (and in that case one *dummy* variable has a value of 1) or not (case in which the dummy variable assumes the value zero). This was the dependent variable to be

[4]The methodology employed in this analysis was the same followed in Duran, Ferrão et al (2004).

explained.

It was also determined the degree of regulation (or the 'amount' of cogent rules) for each of the eight legal areas by the use of survey techniques applied to 30 appeal court judges. The study looks for a connection between this level of regulation index and a lower likelihood of a contract clause being maintained. To do this, it was ascertained to which area each legal case belongs and the value of the index for this area was associated with the case.

It was also ascertained if the contract clause under discussion was in favor of the weak or strong party (a *dummy* variable too). As in several cases was not possible to conclude if one party has more power than the other, when comes the time to test this aspect some cases were dropped and the number of observations decreased to 129. This variable could show if the judge tries to do social justice, what can be proved if the contract clause that is against the interests of the weak party has less chance of being maintained.

Finally, it was tested if the preponderance of an unbalanced situation in the case has any influence. If one party is in such a situation of disadvantage when facing the other party, that means, if there is a party clearly identified as hyposufficient, there is a possibility that the judge would decide in favor of this party beyond the law. Two variables try to capture this phenomenon, first the percentage of appeal judges that consider that there is a hyposufficient party in the contractual relationship. The second is a dummy variable that assumes the value of 1 (one) when this percentage exceeds 50% and zero otherwise. In the tests this variable is included in the equation specifications, besides the index for cogent norms. It was expected that if the judges had exceed their powers, the coefficient of this variables would be negative and significant.

5.1. The Index for Cogent Norms

There is no objective criterion to determine which is the 'amount' of cogent norms in each one of the eight areas included in the research.

In fact, the simply line up of the legal areas and the use of a Likert scale could turn the job in a hard work. The use of scales going from great incidence of cogent norms to little or no incidence of cogent norms and the calculus of means would be a questionable way to do it. The opinions from specialists were asked in quantitative form from the beginning, as a strategy to allow the calculus of means, standard errors as well as the use of results in regression analysis[5].

To do so, the determination of the index in each legal area was done with recourse to forms with graphic rating scales, used in the interviews with appeal court judges. Following some warm up questions, they were

[5] The method used to get this index was a specialist's panel, made by the resource to technical interviews with appropriated graphic forms, as proposed by Ribeiro (2005a).

asked to asses an score to each legal area, ranging continuously from 1 (one) to 7 (seven). The mean and descriptive statistics of these evaluations can be seen in Table 2.

One could argue that there is room for a biased evaluation in this phase of the research. Judges more prone to subvert the contract could overestimate the level of cogent norms in more sensitive social areas. To assure that this is not the case, it was computed the mean and standard deviation for subgroups as political position, gender and tenure. All this descriptive statistics did not show any significant difference. As a second strategy, each evaluation of each judge, in all eight areas (which sum up to 240 observations) were tested by regression analysis, and there were no personal characteristic that was determinant of a higher or lower evaluation.

What seems to be determinant for a higher perceived level of cogent norms was the existence of a hyposufficient party, which is an exogenous variable not attached with personal characteristics. Even with these exogenous variables, it could be seem from the results that these models explain too little of the perceived level of cogent norms. The R^2 in these equations varies from 0.06 to 0.12 maximum. We can see also that the personal evaluation has a lower *p-value* than the mean of the evaluations, and that could mean that there is not an idiosyncratic evaluation.

The higher or lower value of the index seems to come from exogenous sources, probably from the legislator and from the political process.

On the other hand, the existence of a public priorities seem to yield in a lower level of the index, which could led to the conclusion that the State prefer not to interfere in these matters. Specially, one could see that the three areas with lower incidence of protective law related to hyposufficient parties have the lower values of the index, namely credit market, commercial law and landlord-tenant relationship. Curiously these areas are those pointed as problematic by Arida *et al*, blamed as being areas that there is the most harmful interference of the State, and yet they have the lowest degree of State's intervention.

<Table 2 Here>
<Table 3 Here>

6. RESULTS

Since the dependent variable shows only if the contract clause was maintained or not (assuming respectively the value of 1 and 0), it is necessary to deal with econometric methods that are appropriate for the analysis of dichotomous variables. The Probit model could be useful. It results in the increasing in probability of having a contract clause maintained if we change one independent variable. The model takes the form bellow:

$$P\left(y = 1|X\right) = F(\beta_0 + X\beta_1) \tag{1}$$

Where x is the vector of explanatory variables which includes the index for cogent norms, the three *dummy* variables to identify whom the contract clause favors, to show if there is a protective law related to an hyposufficient party and to express if there is a public interest in the case.

This function gives us the probability that one parameter z is determined in linear form by the regressors, which could be expressed to be short by the notation $P_i = F(z_i)$. The function F is the standard normal cumulative distribution function (cdf), expressed as an integral:

$$\mathsf{P}_i = \mathsf{F}(\mathsf{z}_i) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{z_i} \mathsf{e}^{-s^2/2} \tag{2}$$

Where s is a variable with normal distribution, zero mean and unitary variance. The probability slope that yields will be steeper in the middle and the estimation of parameters is done using the maximum likelihood criterion. The downside of the model is that it shows the linear influence of the regressors over the Z parameter of the cumulative distribution function instead the coefficients. Furthermore, the variation of the probability is not linear along the probability slope, and it is bigger in the region around the mean value of the parameters and lower as it goes to both edges of the slope. To circumvent these problems, the values shown in Tables 6 and 7 are the response of the probability to one infinitesimal variation in each regressor around the mean value (in other words, the first derivative in the point with probability 0.5). Standard deviations were computed using the White matrix, robust to heteroskedasticity.

Equation 1 and 2 test only the jurisdictional uncertainty hypothesis. The first equation make this test for the whole sample[6] assessing the probability of having the contract clause respected in response to the fact that the clause is against the weak party. The coefficient here is not significant. In the second regression it was made the test just in commercial and credit market cases, and for this reason there are just 32 observations. The result is that when the contract clause is in favor of the strongest party, it has 39% more chance of being respected than when it is in favor of the weak party.

The results for equation 3 to 6 in Table 6 show that if the index of cogent norms goes up, the likelihood of having a contract clause maintained drops significantly. This dropping ranges from 19% (in equation 4) to a maximum of 56% (equation 5) for reduction of 1 (one) in the index (keep in mind that this applies just for small departures around the mean).

The hypothesis that the judge will favor the weak party is not significant in any of the equations, no matter if it is tested by the dummy variable

[6] Remember that to assert the power of parties it was necessary to reduce the sample to 129 observations.

showing whom the clause favors (equation 1 to 4) or by the variables that express the existence of a hyposufficient party. This latter result could mean that the judge does not go beyond the limits imposed by the law to protect the weak party.

<Table 4 Here>

The index of cogent norms seems to be more important that the willingness of the judge in favoring the poor. It could be reasonable to say that the judges just ignore a contract clause in more regulated areas because the contracts were written in breach of law – if there are more norms, there is a higher chance that the contract will collide with one of them. In that case, there is no excess from the judge and he is not going beyond what the law established as the correct procedure to deal with asymmetrical parties.

6.1. The Favoring of Strongest Party

It was tested the interaction of cogent norms index and the existence of contract clauses in favor of the strongest party, and the conclusion is the opposite of the predicted by Arida *et al* (2005), as we can see from equation 8 and 9 (Table 5). One strong party with a contract clause in his favor stands a chance of having this clause maintained in a judicial decision 45% greater than a weak party in the same situation. This initial advantage is diminished when there is a higher cogent norms index, that means, in judicial discussions in legal areas such labor law, environment law and social security. However, this decreases in the likelihood of preserving the clause is considerable lower (around 15%). The test for the interaction of the two variables shows that in areas with heavier regulation, the raising in the amount of cogent norms is not enough even to reestablishes the balance in the judicial discussion.

<Table 5 Here>

The specifications in which it was included the variables *hyposufficient* and *public priorities* resulted in not significant coefficients, remaining clear that only the cogent norms index is relevant here. In those areas reputed as being sensitive to the economic development by Arida *et al* (2005), namely credit market and commercial contracts, the decision of the legislator of having a lower degree of regulation leave the parties to their own. As a consequence, parties with more financial resources will have more chances to be successful.

7. CONCLUSIONS

The hypothesis stated by Arida *et al* (2005) and by Pinheiro (2002) was refused, and one could assure that there is no favoring of the weak party,

the debtor or the hyposufficient party. Instead, it was found some evidence of the opposite, that the strongest party is the one favored in judicial cases.

Prior to this conclusion, this piece of work have assessed which is the level of regulation in each legal area, or for another, what is the 'amount' of cogent norms in the eight legal areas mentioned by Pinheiro (2002). In spite of the fact that this index came from an opinion survey, one potential reason to raise the same criticism that was raised concerning the methodology employed by Pinheiro (2002), the tests conducted assure its impartiality and correctness. As a result, we could argue that the level of regulation is exogenously determined, and it is not related to ideological positions, age or tenure of judges. Although this index is exogenous to the judiciary, the judges interviewed were able to determine why legislators issued a greater number of norms in some areas. The main reason to this was the presence of a party in a disadvantageous situation - the mere presence of public priorities led this same legislator to issue a considerable lower number of norms to curb the initiative of the parties in contracting. As a result, the liberty of contracting parties is greater in commercial and credit cases, that means, there is no point in arguing that the legislator jeopardizes these markets because they do not interfere. The conclusion concerning the elaboration of this index can be summarized in the Table 6 bellow:

<Table 6 Here>

One second result from the research is that judges do not exceed their powers, and they just protect weak parties in more regulated areas to the extent defined by law. Furthermore, the contracting areas pointed as sensitive to economic development are the ones with the lowest level of regulation, resulting that in these areas we can say that who is at risk of not having his contractual rights assured is the weak party. This is true because the strongest party stands 45% more chance of having a contract clause maintained when it is in his favor than the weak party in the same situation. The results concerning the probability of a contractual clause not be maintained are summarized in the Table 7 bellow:

<Table 7 Here>

By no means this is to say that the Judiciary does not produce any distorted incentive. The time for a decision to be reached creates, that in some Brazilian States comes to 18 years (Ribeiro, 2005) and that is of 5 years in the largest Brazilian State, a burden to the creditors. Recent research from Brazilian Supreme Court (STF) regarding the judicial movement in Rio de Janeiro has showed that only 16 companies are responsible for 44,9% (Fundação Getúlio Vargas, 2005) of judicial torts claims in small cases court. These companies were condemned to pay a mean value (per company) of US$ 155 million dollars after a 923-day delay, which shows that for these companies is worth keeping with these illegal practices.

The idea of an existence of an anti-creditor bias seems not to resist to the analysis of its fundaments or to an empirical research. During the interview with appeal court judges was easy to note the impartiality of judges that are worried with providing a technical and accurate answer to the formulation of the cogent norms index. The elaboration of the concept of jurisdictional uncertainty ignores much of the incentives behind contraction and going to the Judiciary, and could lead to institutional reforms that could not lead to the expected results. As Douglas North said, "An immense amount of economic change that reflected a significant gap between intentions and outcomes as a result of 'faulty' beliefs. The fault may lie in not understanding the situation correctly but also in the revised institutional structure not altering behavior in intended ways"[7].

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Table 1 – The Opinion Survey Conducted by Pinheiro (2002).

Opinion distribution between option A and B in different law cases.

Question 2– "In your opinion, in which kind of cases must prevail position A (Contracts must always be respected in spite of having bad social consequences) or position B (Judges should assume a social function that justifies contract violations in order to make social justice) ?"								
Litigation areas		Position A must always prevail	Position A in general must prevail	Both positions have the same chance to prevail	Position B in general must prevail	Position B must always prevail	No opinion	No answer
Labor Law	Freq	68	*82*	*176*	*280*	*59*	*35*	*41*
	%	*9,2*	*11,1*	*23,8*	*37,8*	*8,0*	*4,7*	*5,5*
Commercial Law	Freq	*125*	*243*	*185*	*78*	*20*	*42*	*48*
	%	*16,9*	*32,8*	*25,0*	*10,5*	*2,7*	*5,7*	*6,5*
Consumers rights	Freq	*50*	*73*	*136*	*305*	*105*	*31*	*41*
	%	*6,7*	*9,9*	*18,4*	*41,2*	*14,2*	*4,2*	*5,5*
Environment Law	Freq	*61*	*59*	*115*	*273*	*139*	*47*	*47*
	%	*8,2*	*8,0*	*15,5*	*36,8*	*18,8*	*6,3*	*6,3*
Landlord-Tenant Relations	Freq	*96*	*196*	*203*	*139*	*29*	*35*	*43*
	%	*13,0*	*26,5*	*27,4*	*18,8*	*3,9*	*4,7*	*5,8*
Social Security	Freq	*74*	*104*	*156*	*241*	*71*	*48*	*47*
	%	*10,0*	*14,0*	*21,1*	*32,5*	*9,6*	*6,5*	*6,3*
Credit Market	Freq	*100*	*183*	*176*	*128*	*46*	*64*	*44*
	%	*13,5*	*24,7*	*23,8*	*17,3*	*6,2*	*8,6*	*5,9*
Regulation and Public Services	Freq	*86*	*111*	*199*	*171*	*76*	*55*	*43*
	%	*11,6*	*15,0*	*26,9*	*23,1*	*10,3*	*7,4*	*5,8*

Source: Pinheiro (2002), Table 5.17, p. 24.

Table 2 –OLS Regression for determinants of judge's opinion about degree of regulation[1].

	2[1]	4[1]	6[1]	8[1]	9[1]	10[1]
Hyposufficient according to judges opinion - *dummy*	1,3083*** (0,2570)				0,6096 (0,4077)	0,6566* (0,3702)
Hyposufficient according to judges opinions mean		0,0233*** (0,0040)				
Hyposufficient according to judges opinions mean - *dummy*			1,6036*** (0,2223)			
Public Priority according to judges opinion *dummy*				-1,1668*** (0,2792)	-0,6726* (0,4160)	-0,5882 (0,3742)
Political position – left or left-center	0,1135 (0,3912)	0,2788 (0,3762)	0,2793 (0,3740)	0,4060 (0,3718)		
Political position – right or right-center	-0,3372 (0,3965)	-0.3156 (0,3832)	-0,3177 (0,3783)	0,0376 (0,3453)		
Judge age	0,0184 (0,0287)	0,0107 (0,0278)	0,0105 (0,0274)			
Tenure				0,0272 (0,0227)		
Constant	3,3187** (1,5031)	3,4783** (1,4587)	3,5950** (1,4362)	4,4812*** (0,5455)	4,4621*** (0,4441)	4,7424*** (0,3352)
Number of observations	151	151	151	151	207	239
F Statistics	3,94	5,39	6,34	4,27	5,96	8,82
R^2	0,07	0,10	0,12	0,08	0,07	0,06

1 –Standard errors calculated using Huber/White matrix. *** Significant at 1% ** significant at 5% * significant at 10%.

Table 3 – Mean per group.

	Labor law	**Commercial Law.**	**Consumer rights**	**Environment Law**	**Landlord-Tenant Relations**	**Social security**	**Credit Market**	**Regulation and Public Services.**
Tenure 1º quartile	5,93	1,32	5,21	6,50	2,75	5,71	1,93	5,14
Tenure 4º quartile	5,79	2,07	5,57	6,50	3,21	5,61	2,25	5,32
Age 1º quartile	5,96	1,71	5,29	6,29	2,89	6,07	2,11	5,04
Age 4º quartile	5,89	1,82	5,50	6,50	2,86	5,38	2,07	5,25
Left or left-center	6,25	2,08	5,79	6,67	3,79	6,29	2,29	5,67
Right or right-center	6,13	1,16	5,28	6,81	2,50	5,96	1,97	4,72
Mean	**5,94**	**1,68**	**5,43**	**6,53**	**2,94**	**6,03**	**2,32**	**5,23**
Standard deviation	**0,76**	**0,88**	**0,59**	**0,76**	**0,80**	**0,76**	**0,84**	**0,95**

Table 4: Likelihood of having a contract clause maintained (dF/dx) [1] [2].

	1	2	3	4	5	6	7
Degree of regulation			-0,2228***	-0,1899***	-0,5586***	-0,5042***	-0,5195***
			(0,0264)	(0,0293)	(0, 0716)	(0, 0906)	(0,0903)
Contract favors the strongest party	-0,0842	0,3885**		-0,0682		-0,1688	-0,1950
	(0,1102)	(0,1941)		(0,1425)		(0, 3892)	(0,3937)
Influence of protective law (hyposufficient)					-0,0002	-0,0007	
					(0, 0043)	(0,0052)	
Influence of protective law (hyposufficient). - *dummy*							0,0589
							(0,3227)
Constant					2,3775***	2,1770***	2,2216***
					(0,3148)	(0, 5450)	(0,5581)
Number of observations	129	32	181	129	181	129	129
Log Likelihood	-84,8465	-8,9789	-83,4932	-61,0164	-83,4926	-61,0053	-60,9981
Pseudo R^2	0,00	0,26	0,33	0,28	0,33	0,28	0,28

1 – Instead the coefficients, the table shows the alteration in dependent variable due to a slight change around the mean in the explanatory variable (dF/dx), if it is a continuous variable, or for the change from 0 to 1 in dichotomous variables. 2 – Standard errors calculated using Huber/White matrix. *** Significant at 1% ** significant at 5% * significant at 10%.

Table 5: Likelihood of having a contract clause maintained (dF/dx) – Interaction between variables[1] [2].

	8	9	10	11	12	13
High degree of regulation	-0,0764	-0,0764	-0,1933***	-0,1933***	-0,1889***	-0,1889***
	(0,0528)	(0, 0508)	(0,0367)	(0, 0361)	(0,0311)	(0, 0295)
Contract favors the strongest party	0,4541**	0,4541**	-0,0734	-0,0734	-0,0743	-0,0743
	(0,1247)	(0,1166)	(0,1252)	(0, 1524)	(0,1248)	(0, 15189)
Interaction between degree of regulation and the presence of strongest party	-0,1587**	-0,1587***				
	(0,0654)	(0,0613)				
Interaction between degree of regulation and protective law (hyposufficient)			0,0061	0,0061		
			(0,0358)	(0, 0360)		
Interaction between degree of regulation and Public priority					-0,0044	-0,0044
					(0,0203)	(0, 0213)
Number of observations	128	128	129	129	129	129
Log Likelihood	-57.8860	-57.8860	-61,0019	-61,0019	-60,9930	-60,9930
Pseudo R^2	0,31	0,31	0,28	0,28	0,28	0,28

1 – Instead the coefficients, the table shows the alteration in dependent variable due to a slight change around the mean in the explanatory variable (dF/dx), if it is a continuous variable, or for the change from 0 to 1 in dichotomous variables. 2 – Standard errors calculated using Huber/White matrix. *** Significant at 1% ** significant at 5% * significant at 10%.

Table 6: Summary of Conclusions – Cogent Norms Index.

	Degree of regulation according judges opinion
Degree of regulation related to protective law (hyposufficient)	Increase
Degree of regulation related to public priority	Decrease
Judges political position defined as left or left-center	Stable
Judges political position defined as right or right-center	Stable
Tenure or judge age	Stable

Table 7 – Summary – Analysis of Judicial Cases

	Low degree of regulation	**High degree of regulation**
Law Areas	Commercial Law, Credit Market, Landlord-Tenant Relations	Labor Law, Consumer Rights, Environment Law, Regulation and Public Services, and Social Security
Probability of a contract to be maintained in a lawsuit when contract favors the strongest party	45% more chance of the contract be maintained than when the contract favors the weak part	The initial advantage of 45% in favor of strongest party is partially diminished (15% for unit of the cogent norms index)
Probability of judges favor the weak party regardless Law	Zero	Zero
Probability of judges does not maintain contracts in order to making prevail public priority regardless law.	Zero	Zero