

Supplementary Materials containing additional results for "*Caveat venditor*: The conditional effect of relationship-specific investment on contractual behavior" by Peter Murrell and Radu A. Păun

This file contains seven sets of tables providing the details of the results referred to in Subsections 5.1-5.5 of the paper. In each set, there are five tables, whose structure and content match those of Tables 1-5, which are included in the text of the paper. Each of the seven sets presents the results of a particular robustness exercise. The seven sets are referred to as Appendixes C to I and the five table numbers within each of these Appendixes match the numbers of the corresponding tables in the main body of the paper.

Note that in each of the following seven Appendixes, the first table contains descriptive statistics for only those variables that are either new to the Appendix or whose definitions have been changed from those used in the main body of the paper.

Appendix C: Robustness Tests Using a Process Index of Contractual Detail

Table C.1: Descriptive Statistics

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
Process index of contractual detail	423	1.546	0.679	0	2.5

Table C.2: OLS Estimates of the Determinants of Detailed Contracting

<i>Explanatory variables:</i>	<i>Dependent variable: Process index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.229*** (0.073)		0.189** (0.078)
Buyer specific investment		0.138 (0.103)	0.140 (0.108)
Quality of the courts	0.064 (0.071)	0.090 (0.071)	0.082 (0.072)
Information dissemination among sellers	0.093 (0.082)		0.048 (0.089)
Information dissemination among buyers		0.100 (0.088)	0.038 (0.097)
First agreement	0.002 (0.076)	0.052 (0.077)	0.023 (0.081)
Exogenous uncertainty	-0.041 (0.079)	-0.029 (0.079)	-0.026 (0.082)
Seller dependence on partner	0.179*** (0.069)		0.112 (0.076)
Buyer dependence on partner		0.239*** (0.069)	0.166** (0.080)
Constant	1.318*** (0.088)	1.307*** (0.092)	1.261*** (0.100)
Observations	390	390	371
Clusters	231	230	227
Adjusted R-squared	0.059	0.053	0.066

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table C.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of process index of contractual detail		Determinants of process index of contractual detail	
Seller specific investment	0.526*** (0.182)	Buyer specific investment	-0.855*** (0.128)
Quality of the courts	0.079 (0.071)	Quality of the courts	0.106 (0.070)
Information dissemination among sellers	0.054 (0.082)	Information dissemination among buyers	0.118 (0.088)
First agreement	0.003 (0.077)	First agreement	0.041 (0.075)
Exogenous uncertainty	-0.030 (0.080)	Exogenous uncertainty	-0.028 (0.078)
Seller dependence on partner	0.173*** (0.066)	Buyer dependence on partner	0.207*** (0.065)
Constant	1.282*** (0.099)	Constant	1.430*** (0.091)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.748*** (0.281)	Few potential sellers in heavy industry	-0.105 (0.237)
Few potential buyers in light manufacturing	-0.048 (0.620)	Few potential sellers in light manufacturing	-0.538** (0.274)
Few potential buyers in construction	1.109** (0.369)	Few potential sellers in construction	-0.906*** (0.347)
Few potential buyers in other sectors	0.714** (0.345)	Few potential sellers in other sectors	-0.625** (0.250)
Many potential buyers in heavy industry	0.041 (0.221)	Many potential sellers in heavy industry	-0.618** (0.267)
Many potential buyers in light manufacturing	0.028 (0.251)	Many potential sellers in light manufacturing	-0.286 (0.277)
Many potential buyers in construction	0.379 (0.236)	Many potential sellers in construction	-0.520** (0.255)
Constant	-0.963*** (0.166)	Constant	-0.774*** (0.183)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.293** (0.135)	rho (correlation between the error terms)	0.753*** (0.082)
Log-likelihood	-562.9	Log-likelihood	-489.8

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table C.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Process index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	0.592* (0.359)		0.250 (0.346)	0.508 (0.396)		0.642 (0.472)
Buyer specific investment		-1.128* (0.675)	-1.108* (0.695)		-1.071 (0.708)	-0.675 (0.622)
Quality of the courts	0.082 (0.069)	0.078 (0.068)	0.083 (0.071)	0.060 (0.073)	0.063 (0.079)	0.053 (0.082)
Information dissemination among sellers	0.055 (0.085)		0.024 (0.089)	0.019 (0.095)		-0.012 (0.110)
Information dissemination among buyers		0.118 (0.091)	0.061 (0.107)		0.154 (0.105)	0.086 (0.117)
First agreement	0.004 (0.075)	0.046 (0.075)	0.018 (0.082)	-0.016 (0.087)	0.091 (0.089)	0.023 (0.097)
Exogenous uncertainty	-0.029 (0.078)	-0.031 (0.078)	-0.021 (0.082)	-0.042 (0.0790)	-0.079 (0.093)	-0.083 (0.094)
Seller dependence on partner	0.171** (0.0721)		0.092 (0.084)	0.143* (0.086)		0.019 (0.102)
Buyer dependence on partner		0.234*** (0.071)	0.184** (0.080)		0.237*** (0.080)	0.166* (0.098)
Inverse Mills ratio for seller specific investment	-0.235 (0.212)		-0.041 (0.206)			
Inverse Mills ratio for buyer specific investment		0.676* (0.359)	0.674* (0.363)			
Constant	1.265*** (0.121)	1.468*** (0.131)	1.409*** (0.161)	1.346*** (0.092)	1.439*** (0.129)	1.348*** (0.119)
Observations	373	374	350	373	374	350
Clusters				227	224	218

Notes:

1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.

2) * significant at 10%; ** significant at 5%; *** significant at 1%

3) Standard errors in column (3) are bootstrapped, using 1000 iterations.

4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.054.

5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,226)=11.71, P-value=0.001

6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,223)=9.51, P-value=0.002

7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,217)=5.32, P-value=0.006

8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,217)=5.27, P-value=0.006

9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (6): P-value=0.111

Table C.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of process index of contractual detail		Determinants of process index of contractual detail	
Seller specific investment	0.417*** (0.154)	Buyer specific investment	-0.808*** (0.137)
Quality of the courts	0.075 (0.073)	Quality of the courts	0.100 (0.071)
Information dissemination among sellers	0.057 (0.082)	Information dissemination among buyers	0.124 (0.085)
First agreement	-0.010 (0.076)	First agreement	0.032 (0.074)
Exogenous uncertainty	-0.030 (0.081)	Exogenous uncertainty	-0.026 (0.079)
Seller dependence on partner	0.156** (0.066)	Buyer dependence on partner	0.161** (0.067)
Few potential buyers in heavy industry	-0.042 (0.166)	Few potential sellers in heavy industry	0.203 (0.151)
Few potential buyers in light manufacturing	0.018 (0.298)	Few potential sellers in light manufacturing	0.203 (0.162)
Few potential buyers in construction	0.237 (0.146)	Few potential sellers in construction	0.260* (0.150)
Few potential buyers in other sectors	0.187 (0.176)	Few potential sellers in other sectors	0.166 (0.164)
Many potential buyers in heavy industry	0.080 (0.119)	Many potential sellers in heavy industry	-0.077 (0.180)
Many potential buyers in light manufacturing	0.089 (0.124)	Many potential sellers in light manufacturing	0.070 (0.164)
Many potential buyers in construction	0.169* (0.100)	Many potential sellers in construction	0.263* (0.135)
Constant	1.237*** (0.124)	Constant	1.305*** (0.138)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.784*** (0.280)	Few potential sellers in heavy industry	0.088 (0.260)
Few potential buyers in light manufacturing	-0.052 (0.641)	Few potential sellers in light manufacturing	-0.344 (0.323)
Few potential buyers in construction	1.024*** (0.386)	Few potential sellers in construction	-0.672* (0.394)
Few potential buyers in other sectors	0.643* (0.352)	Few potential sellers in other sectors	-0.476 (0.308)
Many potential buyers in heavy industry	0.003 (0.214)	Many potential sellers in heavy industry	-0.717** (0.317)
Many potential buyers in light manufacturing	-0.013 (0.246)	Many potential sellers in light manufacturing	-0.219 (0.307)
Many potential buyers in construction	0.307 (0.224)	Many potential sellers in construction	-0.274 (0.274)
Constant	-0.927*** (0.162)	Constant	-0.910*** (0.193)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.201** (0.093)	rho (correlation between the error terms)	0.732*** (0.097)
Log-likelihood	-560.8	Log-likelihood	-485.0

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix D: Robustness Tests Using a Textual Index of Contractual Detail

Table D.1: Descriptive Statistics

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
Textual index of contractual detail	423	2.555	1.264	0	5.5

Table D.2: OLS Estimates of the Determinants of Textual Index of Contractual Detail

<i>Explanatory variables:</i>	<i>Dependent variable: Textual index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.461*** (0.142)		0.462*** (0.141)
Buyer specific investment		0.137 (0.198)	0.107 (0.198)
Quality of the courts	0.270** (0.133)	0.254* (0.138)	0.232* (0.136)
Information dissemination among sellers	0.240 (0.158)		0.163 (0.180)
Information dissemination among buyers		0.248 (0.173)	0.068 (0.204)
First agreement	0.090 (0.143)	0.170 (0.139)	0.110 (0.146)
Exogenous uncertainty	-0.069 (0.138)	-0.062 (0.139)	-0.071 (0.142)
Seller dependence on partner	0.402*** (0.126)		0.288* (0.149)
Buyer dependence on partner		0.382*** (0.131)	0.210 (0.149)
Constant	1.909*** (0.168)	2.004*** (0.189)	1.888*** (0.206)
Observations	390	390	371
Clusters	231	230	227
Adjusted R-squared	0.068	0.031	0.061

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table D.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of textual index of contractual detail		Determinants of textual index of contractual detail	
Seller specific investment	1.424** (0.617)	Buyer specific investment	-1.731*** (0.334)
Quality of the courts	0.312** (0.138)	Quality of the courts	0.294** (0.137)
Information dissemination among sellers	0.198 (0.164)	Information dissemination among buyers	0.197 (0.170)
First agreement	0.083 (0.145)	First agreement	0.144 (0.136)
Exogenous uncertainty	-0.062 (0.143)	Exogenous uncertainty	-0.071 (0.139)
Seller dependence on partner	0.325** (0.130)	Buyer dependence on partner	0.340*** (0.132)
Constant	1.735*** (0.231)	Constant	2.277*** (0.187)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.694** (0.285)	Few potential sellers in heavy industry	-0.236 (0.2380)
Few potential buyers in light manufacturing	0.022 (0.585)	Few potential sellers in light manufacturing	-0.551* (0.286)
Few potential buyers in construction	1.087*** (0.373)	Few potential sellers in construction	-0.979** (0.392)
Few potential buyers in other sectors	0.736** (0.325)	Few potential sellers in other sectors	-0.554** (0.257)
Many potential buyers in heavy industry	0.131 (0.225)	Many potential sellers in heavy industry	-0.790*** (0.274)
Many potential buyers in light manufacturing	0.021 (0.237)	Many potential sellers in light manufacturing	-0.338 (0.284)
Many potential buyers in construction	0.485* (0.254)	Many potential sellers in construction	-0.559** (0.258)
Constant	-1.002*** (0.164)	Constant	-0.746*** (0.180)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.458* (0.234)	rho (correlation between the error terms)	0.735*** (0.095)
Log-likelihood	-795.0	Log-likelihood	-733.1

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table D.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Textual index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	0.926 (0.660)		0.518 (0.805)	0.910 (0.726)		1.320 (0.891)
Buyer specific investment		-1.723 (1.2310)	-1.844 (1.380)		-2.050 (1.413)	-1.347 (1.131)
Quality of the courts	0.301** (0.128)	0.261** (0.129)	0.272** (0.133)	0.270* (0.143)	0.229 (0.157)	0.212 (0.164)
Information dissemination among sellers	0.200 (0.159)		0.143 (0.187)	0.146 (0.183)		0.072 (0.231)
Information dissemination among buyers		0.231 (0.173)	0.101 (0.204)		0.294 (0.206)	0.143 (0.247)
First agreement	0.097 (0.139)	0.153 (0.143)	0.104 (0.150)	0.065 (0.160)	0.228 (0.162)	0.104 (0.188)
Exogenous uncertainty	-0.065 (0.146)	-0.066 (0.147)	-0.073 (0.143)	-0.083 (0.140)	-0.152 (0.166)	-0.187 (0.162)
Seller dependence on partner	0.357*** (0.135)		0.216 (0.159)	0.309* (0.168)		0.071 (0.200)
Buyer dependence on partner		0.370*** (0.134)	0.257* (0.156)		0.372** (0.152)	0.219 (0.180)
Inverse Mills ratio for seller specific investment	-0.286 (0.390)		-0.059 (0.463)			
Inverse Mills ratio for buyer specific investment		0.990 (0.657)	1.053 (0.719)			
Constant	1.847*** (0.223)	2.251*** (0.244)	2.097*** (0.331)	1.940*** (0.176)	2.256*** (0.276)	2.023*** (0.251)
Observations	373	374	350	373	374	350
Clusters				227	224	218

Notes:

1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.

2) * significant at 10%; ** significant at 5%; *** significant at 1%

3) Standard errors in column (3) are bootstrapped, using 1000 iterations.

4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.103.

5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,226)=11.71, P-value=0.001

6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,223)=9.51, P-value=0.002

7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,217)=5.32, P-value=0.006

8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,217)=5.27, P-value=0.006

9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (9): P-value=0.068

Table D.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of textual index of contractual detail		Determinants of textual index of contractual detail	
Seller specific investment	1.361*** (0.449)	Buyer specific investment	-1.625*** (0.378)
Quality of the courts	0.285** (0.137)	Quality of the courts	0.282** (0.140)
Information dissemination among sellers	0.210 (0.164)	Information dissemination among buyers	0.205 (0.173)
First agreement	0.072 (0.140)	First agreement	0.125 (0.138)
Exogenous uncertainty	-0.025 (0.143)	Exogenous uncertainty	-0.032 (0.146)
Seller dependence on partner	0.313** (0.128)	Buyer dependence on partner	0.278** (0.137)
Few potential buyers in heavy industry	-0.206 (0.307)	Few potential sellers in heavy industry	0.408 (0.266)
Few potential buyers in light manufacturing	0.238 (0.527)	Few potential sellers in light manufacturing	0.153 (0.285)
Few potential buyers in construction	0.230 (0.409)	Few potential sellers in construction	0.412 (0.330)
Few potential buyers in other sectors	0.218 (0.270)	Few potential sellers in other sectors	0.145 (0.274)
Many potential buyers in heavy industry	0.449** (0.220)	Many potential sellers in heavy industry	0.168 (0.318)
Many potential buyers in light manufacturing	0.099 (0.215)	Many potential sellers in light manufacturing	-0.027 (0.285)
Many potential buyers in construction	0.480** (0.200)	Many potential sellers in construction	0.453* (0.243)
Constant	1.529*** (0.253)	Constant	2.054*** (0.264)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.779*** (0.284)	Few potential sellers in heavy industry	-0.030 (0.260)
Few potential buyers in light manufacturing	-0.067 (0.636)	Few potential sellers in light manufacturing	-0.487 (0.332)
Few potential buyers in construction	1.020*** (0.374)	Few potential sellers in construction	-0.796* (0.430)
Few potential buyers in other sectors	0.664** (0.336)	Few potential sellers in other sectors	-0.500* (0.300)
Many potential buyers in heavy industry	-0.024 (0.218)	Many potential sellers in heavy industry	-0.719** (0.321)
Many potential buyers in light manufacturing	-0.014 (0.243)	Many potential sellers in light manufacturing	-0.349 (0.311)
Many potential buyers in construction	0.316 (0.222)	Many potential sellers in construction	-0.348 (0.279)
Constant	-0.926*** (0.160)	Constant	-0.861*** (0.187)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.427*** (0.163)	rho (correlation between the error terms)	0.708*** (0.117)
Log-likelihood	-789.0	Log-likelihood	-729.9

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix E: Robustness Tests Using Additional Explanatory Variables

Table E.1: Descriptive Statistics

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
State control	423	0.165	0.372	0	1
State share	423	0.187	0.390	0	1
State origin	423	0.662	0.474	0	1
In same location	423	0.482	0.500	0	1
Firm founded before 1990	419	0.558	0.497	0	1
Large firm	422	0.049	0.190	0	1

Table E.2: OLS Estimates of the Determinants of Detailed Contracting

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.705*** (0.195)		0.674*** (0.201)
Buyer specific investment		0.299 (0.285)	0.263 (0.289)
Quality of the courts	0.300 (0.184)	0.325* (0.193)	0.286 (0.190)
Information dissemination among sellers	0.304 (0.215)		0.214 (0.245)
Information dissemination among buyers		0.285 (0.229)	0.041 (0.274)
First agreement	0.140 (0.203)	0.246 (0.196)	0.167 (0.209)
Exogenous uncertainty	-0.118 (0.198)	-0.142 (0.196)	-0.113 (0.202)
Seller dependence on partner	0.599*** (0.177)		0.429** (0.199)
Buyer dependence on partner		0.597*** (0.180)	0.338* (0.198)
State control	-0.207 (0.349)	-0.442 (0.313)	-0.315 (0.341)
State share	0.470* (0.284)	0.747*** (0.215)	0.536** (0.269)
State origin	0.397* (0.228)	0.293 (0.229)	0.379 (0.234)
In same location	0.073 (0.174)	0.213 (0.175)	0.127 (0.182)
Firm founded before 1990	-0.137 (0.216)	-0.032 (0.221)	-0.085 (0.221)
Large firm	0.605*** (0.229)	0.658** (0.316)	0.802*** (0.312)
Constant	2.936*** (0.277)	3.004*** (0.306)	2.847*** (0.319)
Observations	385	385	366
Clusters	228	227	224
Adjusted R-squared	0.086	0.052	0.083

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table E.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.831*** (0.648)	Buyer specific investment	-2.168*** (0.411)
Quality of the courts	0.358* (0.188)	Quality of the courts	0.381** (0.188)
Information dissemination among sellers	0.222 (0.217)	Information dissemination among buyers	0.262 (0.225)
First agreement	0.141 (0.202)	First agreement	0.210 (0.192)
Exogenous uncertainty	-0.108 (0.203)	Exogenous uncertainty	-0.144 (0.195)
Seller dependence on partner	0.515*** (0.176)	Buyer dependence on partner	0.525*** (0.175)
State control	-0.172 (0.400)	State control	-0.091 (0.285)
State share	0.463 (0.342)	State share	0.455*** (0.176)
State origin	0.263 (0.227)	State origin	0.145 (0.221)
In same location	0.126 (0.179)	In same location	0.221 (0.172)
Firm founded before 1990	0.008 (0.218)	Firm founded before 1990	0.120 (0.210)
Large firm	0.561** (0.236)	Large firm	0.591* (0.340)
Constant	2.744*** (0.329)	Constant	3.360*** (0.300)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.786*** (0.289)	Few potential sellers in heavy industry	-0.257 (0.238)
Few potential buyers in light manufacturing	0.113 (0.607)	Few potential sellers in light manufacturing	-0.595** (0.272)
Few potential buyers in construction	1.229*** (0.380)	Few potential sellers in construction	-1.072*** (0.383)
Few potential buyers in other sectors	0.814** (0.338)	Few potential sellers in other sectors	-0.570** (0.258)
Many potential buyers in heavy industry	0.183 (0.228)	Many potential sellers in heavy industry	-0.809*** (0.273)
Many potential buyers in light manufacturing	0.154 (0.258)	Many potential sellers in light manufacturing	-0.396 (0.271)
Many potential buyers in construction	0.527** (0.268)	Many potential sellers in construction	-0.653** (0.254)
Constant	- 1.086*** (0.176)	Constant	-0.681*** (0.179)
Observations	368	Observations	369
Clusters	224	Clusters	221
rho (correlation between the error terms)	-0.402** (0.178)	rho (correlation between the error terms)	0.724*** (0.096)
Log-likelihood	-898.0	Log-likelihood	-836.7

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table E.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	1.550* (0.903)		0.859 (1.092)	1.536 (0.960)		1.939 (1.220)
Buyer specific investment		-3.272* (1.818)	-3.328 (2.053)		-4.002* (2.257)	-2.482 (1.715)
Quality of the courts	0.355** (0.179)	0.323* (0.179)	0.332* (0.188)	0.296 (0.197)	0.225 (0.236)	0.224 (0.234)
Information dissemination among sellers	0.225 (0.219)		0.153 (0.248)	0.139 (0.238)		0.102 (0.320)
Information dissemination among buyers		0.270 (0.240)	0.096 (0.280)		0.420 (0.312)	0.183 (0.354)
First agreement	0.152 (0.195)	0.226 (0.197)	0.153 (0.204)	0.088 (0.229)	0.391 (0.259)	0.189 (0.266)
Exogenous uncertainty	-0.110 (0.205)	-0.147 (0.205)	-0.122 (0.208)	-0.145 (0.200)	-0.301 (0.258)	-0.296 (0.234)
Seller dependence on partner	0.539*** (0.187)		0.321 (0.216)	0.450** (0.221)		0.112 (0.271)
Buyer dependence on partner		0.573*** (0.187)	0.392* (0.204)		0.554** (0.238)	0.340 (0.243)
State control	-0.207 (0.674)	-0.120 (0.642)	0.077 (0.508)	-0.122 (0.428)	-0.343 (0.580)	0.469 (0.541)
State share	0.483 (0.647)	0.520 (0.611)	0.239 (0.473)	0.285 (0.425)	0.564 (0.526)	-0.420 (0.609)
State origin	0.267 (0.205)	0.177 (0.207)	0.242 (0.228)	0.295 (0.227)	0.321 (0.295)	0.357 (0.269)
In same location	0.135 (0.181)	0.281 (0.181)	0.232 (0.195)	0.208 (0.197)	0.126 (0.256)	0.204 (0.245)
Firm founded before 1990	-0.004 (0.191)	0.119 (0.193)	0.069 (0.215)	-0.024 (0.215)	0.154 (0.273)	0.032 (0.248)
Large firm	0.566 (0.464)	0.626 (0.634)	0.708 (0.862)	0.635** (0.249)	0.470 (0.400)	0.712** (0.361)
Inverse Mills ratio for seller specific investment	-0.527 (0.533)		-0.134 (0.633)			
Inverse Mills ratio for buyer specific investment		1.917** (0.968)	1.958* (1.069)			
Constant	2.797*** (0.342)	3.438*** (0.376)	3.224*** (0.460)	2.945*** (0.299)	3.446*** (0.444)	3.078*** (0.391)
Observations	368	369	345	368	369	345
Clusters				224	221	215

Notes:

- 1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.
- 2) * significant at 10%; ** significant at 5%; *** significant at 1%
- 3) Standard errors in column (3) are bootstrapped, using 1000 iterations.
- 4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.047.
- 5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,223)=13.90, P-value=0.000
- 6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,220)=8.79, P-value=0.003
- 7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,214)=5.68, P-value=0.004
- 8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,214)=5.36, P-value=0.005
- 9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (6): P-value=0.045.

Table E.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.574*** (0.472)	Buyer specific investment	-1.852*** (0.584)
Quality of the courts	0.312 (0.190)	Quality of the courts	0.339* (0.191)
Information dissemination among sellers	0.242 (0.218)	Information dissemination among buyers	0.266 (0.227)
First agreement	0.117 (0.195)	First agreement	0.169 (0.189)
Exogenous uncertainty	-0.068 (0.199)	Exogenous uncertainty	-0.108 (0.198)
Seller dependence on partner	0.482*** (0.176)	Buyer dependence on partner	0.389** (0.180)
State control	0.133 (0.422)	State control	0.268 (0.304)
State share	0.269 (0.356)	State share	0.297 (0.214)
State origin	0.266 (0.222)	State origin	0.091 (0.228)
In same location	0.093 (0.183)	In same location	0.223 (0.179)
Firm founded before 1990	0.067 (0.218)	Firm founded before 1990	0.193 (0.213)
Large firm	0.643*** (0.235)	Large firm	0.530 (0.327)
Few potential buyers in heavy industry	-0.155 (0.440)	Few potential sellers in heavy industry	0.722** (0.368)
Few potential buyers in light manufacturing	0.529 (0.778)	Few potential sellers in light manufacturing	0.682* (0.378)
Few potential buyers in construction	0.761 (0.494)	Few potential sellers in construction	0.981** (0.433)
Few potential buyers in other sectors	0.419 (0.378)	Few potential sellers in other sectors	0.422 (0.400)
Many potential buyers in heavy industry	0.611** (0.304)	Many potential sellers in heavy industry	0.286 (0.454)
Many potential buyers in light manufacturing	0.382 (0.300)	Many potential sellers in light manufacturing	0.232 (0.409)
Many potential buyers in construction	0.839*** (0.273)	Many potential sellers in construction	1.021*** (0.346)
Constant	2.362*** (0.378)	Constant	2.818*** (0.415)

Table E.5 continued on next page

Table E.5 continued

Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.848*** (0.289)	Few potential sellers in heavy industry	-0.006 (0.261)
Few potential buyers in light manufacturing	0.000 (0.648)	Few potential sellers in light manufacturing	-0.392 (0.334)
Few potential buyers in construction	1.095*** (0.381)	Few potential sellers in construction	-0.791* (0.438)
Few potential buyers in other sectors	0.724** (0.345)	Few potential sellers in other sectors	-0.455 (0.308)
Many potential buyers in heavy industry	0.054 (0.223)	Many potential sellers in heavy industry	-0.727** (0.326)
Many potential buyers in light manufacturing	0.072 (0.250)	Many potential sellers in light manufacturing	-0.308 (0.306)
Many potential buyers in construction	0.352 (0.234)	Many potential sellers in construction	-0.337 (0.290)
Constant	-0.999*** (0.167)	Constant	-0.871*** (0.189)
Observations	368	Observations	369
Clusters	224	Clusters	221
rho (correlation between the error terms)	-0.324*** (0.119)	rho (correlation between the error terms)	0.664*** (0.157)
Log-likelihood	-891.6	Log-likelihood	-831.1

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix F: Robustness Tests Based on a More Restrictive Definition of Specific Investment

Table F.1: Descriptive Statistics

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
Seller specific investment based on the more restrictive definition	418	0.158	0.365	0	1
Buyer specific investment based on the more restrictive definition	421	0.031	0.173	0	1

Table F.2: OLS Estimates of the Determinants of Detailed Contracting

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.603* (0.227)		0.551** (0.232)
Buyer specific investment		1.290*** (0.343)	1.059*** (0.390)
Quality of the courts	0.323* (0.187)	0.353* (0.189)	0.315 (0.191)
Information dissemination among sellers	0.327 (0.220)		0.224 (0.244)
Information dissemination among buyers		0.350 (0.232)	0.102 (0.271)
First agreement	0.102 (0.198)	0.223 (0.190)	0.158 (0.199)
Exogenous uncertainty	-0.084 (0.194)	-0.065 (0.191)	-0.053 (0.199)
Seller dependence on partner	0.599*** (0.176)		0.371* (0.199)
Buyer dependence on partner		0.618*** (0.176)	0.430** (0.198)
Constant	3.292*** (0.229)	3.290*** (0.244)	3.185*** (0.271)
Observations	390	390	371
Clusters	231	230	227
Adjusted R-squared	0.059	0.053	0.066

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table F.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.585*** (0.566)	Buyer specific investment	-2.347*** (0.413)
Quality of the courts	0.380** (0.192)	Quality of the courts	0.402** (0.180)
Information dissemination among sellers	0.269 (0.225)	Information dissemination among buyers	0.389* (0.220)
First agreement	0.101 (0.197)	First agreement	0.264 (0.176)
Exogenous uncertainty	-0.085 (0.200)	Exogenous uncertainty	-0.088 (0.183)
Seller dependence on partner	0.532*** (0.173)	Buyer dependence on partner	0.542*** (0.167)
Constant	3.211*** (0.260)	Constant	3.386*** (0.233)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.973*** (0.295)	Few potential sellers in heavy industry	-0.144 (0.274)
Few potential buyers in light manufacturing	-4.122*** (0.273)	Few potential sellers in light manufacturing	0.303 (0.276)
Few potential buyers in construction	1.532*** (0.393)	Few potential sellers in construction	-3.533*** (0.000)
Few potential buyers in other sectors	0.874** (0.372)	Few potential sellers in other sectors	-0.111 (0.276)
Many potential buyers in heavy industry	0.055 (0.284)	Many potential sellers in heavy industry	-0.243 (0.316)
Many potential buyers in light manufacturing	-0.077 (0.294)	Many potential sellers in light manufacturing	0.326 (0.321)
Many potential buyers in construction	0.694** (0.289)	Many potential sellers in construction	-0.503 (0.362)
Constant	-1.426*** (0.203)	Constant	-1.656*** (0.235)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.351** (0.160)	rho (correlation between the error terms)	0.921*** (0.032)
Log-likelihood	-864.5	Log-likelihood	-760.9

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table F.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	1.391* (0.760)		0.760 (0.884)	1.704** (0.846)		1.195 (1.331)
Buyer specific investment		-5.431 (4.858)	-3.674 (5.325)		-4.394 (5.844)	1.057 (3.263)
Quality of the courts	0.375** (0.179)	0.377* (0.196)	0.383** (0.186)	0.258 (0.208)	0.216 (0.228)	0.102 (0.301)
Information dissemination among sellers	0.267 (0.222)		0.185 (0.250)	0.108 (0.244)		0.177 (0.368)
Information dissemination among buyers		0.358 (0.261)	0.142 (0.271)		0.349 (0.278)	0.154 (0.333)
First agreement	0.111 (0.194)	0.209 (0.219)	0.146 (0.199)	0.045 (0.222)	0.248 (0.245)	0.101 (0.284)
Exogenous uncertainty	-0.078 (0.203)	-0.093 (0.224)	-0.064 (0.199)	-0.087 (0.209)	-0.230 (0.258)	0.130 (0.264)
Seller dependence on partner	0.551*** (0.186)		0.312 (0.212)	0.403* (0.206)		0.563** (0.272)
Buyer dependence on partner		0.618*** (0.201)	0.482*** (0.199)		0.642*** (0.217)	0.351 (0.282)
Inverse Mills ratio for seller specific investment	-0.489 (0.433)		-0.115 (0.482)			
Inverse Mills ratio for buyer specific investment		2.893 (2.115)	2.126 (2.332)			
Constant	3.232*** (0.264)	3.506*** (0.325)	3.290*** (0.352)	3.463*** (0.244)	3.556*** (0.397)	3.111*** (0.416)
Observations	373	374	350	367	345	247
Clusters				231	230	183

Notes:

- 1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.
- 2) * significant at 10%; ** significant at 5%; *** significant at 1%
- 3) Standard errors in column (3) are bootstrapped, using 1000 iterations.
- 4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.383.
- 5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,224)=20.29, P-value=0.000
- 6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,216)=2.40, P-value=0.123
- 7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,182)=4.84, P-value=0.009
- 8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,182)=1.73, P-value=0.181
- 9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (6): P-value=0.974

Table F.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.566*** (0.431)	Buyer specific investment	-2.268*** (0.390)
Quality of the courts	0.355* (0.194)	Quality of the courts	0.375** (0.183)
Information dissemination among sellers	0.275 (0.226)	Information dissemination among buyers	0.400* (0.223)
First agreement	0.081 (0.192)	First agreement	0.210 (0.175)
Exogenous uncertainty	-0.038 (0.201)	Exogenous uncertainty	-0.037 (0.189)
Seller dependence on partner	0.497*** (0.173)	Buyer dependence on partner	0.414** (0.173)
Few potential buyers in heavy industry	-0.224 (0.436)	Few potential sellers in heavy industry	0.662* (0.368)
Few potential buyers in light manufacturing	0.368 (0.739)	Few potential sellers in light manufacturing	0.681* (0.382)
Few potential buyers in construction	0.385 (0.502)	Few potential sellers in construction	0.989** (0.426)
Few potential buyers in other sectors	0.471 (0.409)	Few potential sellers in other sectors	0.563 (0.381)
Many potential buyers in heavy industry	0.550* (0.313)	Many potential sellers in heavy industry	0.380 (0.453)
Many potential buyers in light manufacturing	0.207 (0.314)	Many potential sellers in light manufacturing	0.261 (0.415)
Many potential buyers in construction	0.610** (0.269)	Many potential sellers in construction	0.936*** (0.342)
Constant	2.920*** (0.328)	Constant	2.888*** (0.359)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	1.025*** (0.302)	Few potential sellers in heavy industry	0.200 (0.345)
Few potential buyers in light manufacturing	-4.260*** (0.220)	Few potential sellers in light manufacturing	0.657* (0.357)
Few potential buyers in construction	1.462*** (0.395)	Few potential sellers in construction	-3.533*** (0.000)
Few potential buyers in other sectors	0.784** (0.377)	Few potential sellers in other sectors	0.165 (0.365)
Many potential buyers in heavy industry	-0.054 (0.275)	Many potential sellers in heavy industry	-0.088 (0.405)
Many potential buyers in light manufacturing	-0.117 (0.299)	Many potential sellers in light manufacturing	0.486 (0.389)
Many potential buyers in construction	0.574** (0.268)	Many potential sellers in construction	-0.037 (0.393)
Constant	-1.366*** (0.198)	Constant	-1.951*** (0.281)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.337*** (0.107)	rho (correlation between the error terms)	0.916*** (0.034)
Log-likelihood	-859.8	Log-likelihood	-755.6

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix G: Robustness Tests Based on a Less Restrictive Definition of Seller Specific Investment

Table G.1: Descriptive Statistics

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
Seller specific investment based on the less restrictive definition	418	0.368	0.483	0	1

Table G.2: OLS Estimates of the Determinants of Detailed Contracting

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.672*** (0.167)		0.638*** (0.167)
Buyer specific investment		0.275 (0.277)	0.296 (0.284)
Quality of the courts	0.326* (0.183)	0.343* (0.190)	0.307 (0.189)
Information dissemination among sellers	0.355* (0.213)		0.233 (0.241)
Information dissemination among buyers		0.348 (0.232)	0.098 (0.265)
First agreement	0.120 (0.196)	0.222 (0.194)	0.156 (0.201)
Exogenous uncertainty	-0.098 (0.189)	-0.091 (0.191)	-0.082 (0.196)
Seller dependence on partner	0.594*** (0.175)		0.431** (0.197)
Buyer dependence on partner		0.621*** (0.177)	0.350* (0.194)
Constant	3.116*** (0.231)	3.311*** (0.249)	3.040*** (0.269)
Observations	390	390	371
Clusters	231	230	227
Adjusted R-squared	0.078	0.040	0.076

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table G.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.772*** (0.683)	Buyer specific investment	-2.318*** (0.372)
Quality of the courts	0.371** (0.188)	Quality of the courts	0.397** (0.186)
Information dissemination among sellers	0.286 (0.218)	Information dissemination among buyers	0.321 (0.228)
First agreement	0.106 (0.197)	First agreement	0.177 (0.189)
Exogenous uncertainty	-0.081 (0.196)	Exogenous uncertainty	-0.111 (0.189)
Seller dependence on partner	0.518*** (0.175)	Buyer dependence on partner	0.545*** (0.175)
Constant	2.799*** (0.346)	Constant	3.679*** (0.239)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.590** (0.259)	Few potential sellers in heavy industry	-0.197 (0.238)
Few potential buyers in light manufacturing	-0.361 (0.613)	Few potential sellers in light manufacturing	-0.514* (0.271)
Few potential buyers in construction	1.086*** (0.380)	Few potential sellers in construction	-0.989*** (0.378)
Few potential buyers in other sectors	0.506 (0.319)	Few potential sellers in other sectors	-0.576** (0.249)
Many potential buyers in heavy industry	0.085 (0.213)	Many potential sellers in heavy industry	-0.770*** (0.262)
Many potential buyers in light manufacturing	0.140 (0.215)	Many potential sellers in light manufacturing	-0.326 (0.276)
Many potential buyers in construction	0.470** (0.214)	Many potential sellers in construction	-0.549** (0.260)
Constant	-0.596*** (0.154)	Constant	-0.738*** (0.182)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.409** (0.196)	rho (correlation between the error terms)	0.746*** (0.085)
Log-likelihood	-957.8	Log-likelihood	-850.7

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table G.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	1.401 (0.913)		0.799 (1.377)	1.251 (0.959)		1.491 (1.091)
Buyer specific investment		-2.851 (1.746)	-2.852 (1.920)		-3.121 (1.994)	-1.481 (1.599)
Quality of the courts	0.368** (0.177)	0.339* (0.177)	0.342* (0.185)	0.321 (0.199)	0.292 (0.218)	0.277 (0.220)
Information dissemination among sellers	0.288 (0.218)		0.179 (0.361)	0.232 (0.231)		0.133 (0.293)
Information dissemination among buyers		0.349 (0.238)	0.162 (0.239)		0.447 (0.287)	0.226 (0.306)
First agreement	0.119 (0.193)	0.199 (0.196)	0.130 (0.253)	0.108 (0.209)	0.319 (0.230)	0.180 (0.239)
Exogenous uncertainty	-0.090 (0.201)	-0.097 (0.203)	-0.086 (0.211)	-0.099 (0.193)	-0.231 (0.236)	-0.201 (0.212)
Seller dependence on partner	0.547*** (0.184)		0.341* (0.180)	0.492** (0.210)		0.251 (0.229)
Buyer dependence on partner		0.604*** (0.185)	0.403* (0.224)		0.609*** (0.212)	0.331 (0.251)
Inverse Mills ratio for seller specific investment	-0.486 (0.566)		-0.103 (0.837)			
Inverse Mills ratio for buyer specific investment		1.666* (0.930)	1.707 (1.075)			
Constant	2.920*** (0.391)	3.719*** (0.341)	3.375*** (0.230)	3.075*** (0.308)	3.695*** (0.373)	3.073*** (0.384)
Observations	373	374	350	373	374	350
Clusters				227	224	218

Notes:

1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.

2) * significant at 10%; ** significant at 5%; *** significant at 1%

3) Standard errors in column (3) are bootstrapped, using 1000 iterations.

4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.055.

5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,226)=13.45, P-value=0.000

6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,223)=9.51, P-value=0.002

7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,217)=6.41, P-value=0.002

8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,217)=5.37, P-value=0.005

9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (6): P-value=0.086

Table G.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	-2.414*** (0.265)	Buyer specific investment	-2.176*** (0.416)
Quality of the courts	0.347* (0.179)	Quality of the courts	0.378** (0.190)
Information dissemination among sellers	0.272 (0.212)	Information dissemination among buyers	0.333 (0.228)
First agreement	0.104 (0.182)	First agreement	0.148 (0.188)
Exogenous uncertainty	-0.043 (0.180)	Exogenous uncertainty	-0.068 (0.196)
Seller dependence on partner	0.461*** (0.157)	Buyer dependence on partner	0.436** (0.181)
Few potential buyers in heavy industry	0.837* (0.482)	Few potential sellers in heavy industry	0.606 (0.385)
Few potential buyers in light manufacturing	-0.083 (0.842)	Few potential sellers in light manufacturing	0.380 (0.392)
Few potential buyers in construction	2.047*** (0.755)	Few potential sellers in construction	0.712 (0.435)
Few potential buyers in other sectors	1.121** (0.569)	Few potential sellers in other sectors	0.334 (0.399)
Many potential buyers in heavy industry	0.500 (0.359)	Many potential sellers in heavy industry	0.118 (0.476)
Many potential buyers in light manufacturing	0.253 (0.383)	Many potential sellers in light manufacturing	0.059 (0.420)
Many potential buyers in construction	1.094*** (0.330)	Many potential sellers in construction	0.740** (0.345)
Constant	3.805*** (0.334)	Constant	3.318*** (0.365)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.467* (0.247)	Few potential sellers in heavy industry	0.025 (0.260)
Few potential buyers in light manufacturing	-0.359 (0.486)	Few potential sellers in light manufacturing	-0.387 (0.321)
Few potential buyers in construction	1.073*** (0.412)	Few potential sellers in construction	-0.747* (0.418)
Few potential buyers in other sectors	0.344 (0.297)	Few potential sellers in other sectors	-0.472 (0.298)
Many potential buyers in heavy industry	-0.139 (0.192)	Many potential sellers in heavy industry	-0.744** (0.317)
Many potential buyers in light manufacturing	0.085 (0.212)	Many potential sellers in light manufacturing	-0.303 (0.306)
Many potential buyers in construction	0.355** (0.175)	Many potential sellers in construction	-0.291 (0.280)
Constant	-0.490*** (0.137)	Constant	-0.880*** (0.189)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	0.859*** (0.042)	rho (correlation between the error terms)	0.722*** (0.104)
Log-likelihood	-943.9	Log-likelihood	-846.7

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix H: Robustness Tests Based on Alternative Definitions of the Determinants of Relationship-specific Investment

Table H.1: Descriptive Statistics Based on the New Definitions of the Variables

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
Few potential buyers in construction	400	0.025	0.156	0	1
Few potential buyers in heavy industry	400	0.030	0.171	0	1
Few potential buyers in light manufacturing	400	0.008	0.086	0	1
Few potential buyers in other sectors	400	0.028	0.164	0	1
Many potential buyers in construction	400	0.208	0.406	0	1
Many potential buyers in heavy industry	400	0.278	0.448	0	1
Many potential buyers in light manufacturing	400	0.190	0.393	0	1
Many potential buyers in other sectors	400	0.235	0.425	0	1
Few potential sellers in construction	403	0.045	0.207	0	1
Few potential sellers in heavy industry	403	0.146	0.354	0	1
Few potential sellers in light manufacturing	403	0.052	0.223	0	1
Few potential sellers in other sectors	403	0.084	0.278	0	1
Many potential sellers in construction	403	0.184	0.388	0	1
Many potential sellers in heavy industry	403	0.159	0.366	0	1
Many potential sellers in light manufacturing	403	0.151	0.359	0	1
Many potential sellers in other sectors	403	0.179	0.384	0	1

Table H.2: OLS Estimates of the Determinants of Detailed Contracting

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.689*** (0.188)		0.651*** (0.191)
Buyer specific investment		0.275 (0.277)	0.247 (0.284)
Quality of the courts	0.334* (0.184)	0.343* (0.190)	0.314* (0.188)
Information dissemination among sellers	0.333 (0.214)		0.210 (0.241)
Information dissemination among buyers		0.348 (0.232)	0.106 (0.271)
First agreement	0.092 (0.199)	0.222 (0.194)	0.133 (0.204)
Exogenous uncertainty	-0.109 (0.190)	-0.091 (0.191)	-0.097 (0.196)
Seller dependence on partner	0.580*** (0.175)		0.400** (0.197)
Buyer dependence on partner		0.621*** (0.177)	0.376* (0.197)
Constant	3.227*** (0.228)	3.311*** (0.249)	3.149*** (0.270)
Observations	390	390	371
Clusters	231	230	227
Adjusted R-squared	0.071	0.040	0.069

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table H.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	2.446*** (0.468)	Buyer specific investment	-2.313*** (0.420)
Quality of the courts	0.364** (0.185)	Quality of the courts	0.405** (0.193)
Information dissemination among sellers	0.363* (0.214)	Information dissemination among buyers	0.360 (0.233)
First agreement	0.085 (0.196)	First agreement	0.163 (0.195)
Exogenous uncertainty	-0.129 (0.192)	Exogenous uncertainty	-0.091 (0.192)
Seller dependence on partner	0.502*** (0.171)	Buyer dependence on partner	0.588*** (0.181)
Constant	2.835*** (0.275)	Constant	3.589*** (0.255)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.604*** (0.230)	Few potential sellers in heavy industry	-0.383 (0.363)
Few potential buyers in light manufacturing	0.213 (0.374)	Few potential sellers in light manufacturing	0.629 (0.445)
Few potential buyers in construction	0.908** (0.374)	Few potential sellers in construction	-0.682 (0.416)
Few potential buyers in other sectors	0.639** (0.272)	Few potential sellers in other sectors	-0.397 (0.386)
Many potential buyers in heavy industry	0.154 (0.271)	Many potential sellers in heavy industry	-0.144 (0.204)
Many potential buyers in light manufacturing	0.199 (0.269)	Many potential sellers in light manufacturing	-0.216 (0.220)
Many potential buyers in construction	0.769*** (0.234)	Many potential sellers in construction	-0.423* (0.235)
Constant	-1.146*** (0.191)	Constant	-0.974*** (0.153)
Observations	375	Observations	375
Clusters	226	Clusters	225
rho (correlation between the error terms)	-0.583*** (0.095)	rho (correlation between the error terms)	0.722*** (0.103)
Log-likelihood	-918.8	Log-likelihood	-858.9

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table H.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	4.696*** (1.700)		3.898*** (0.919)	4.900** (1.910)		2.522 (1.639)
Buyer specific investment		-3.632 (2.679)	-1.086 (1.741)		-5.189 (3.358)	-4.896 (3.244)
Quality of the courts	0.340* (0.175)	0.354** (0.181)	0.365** (0.184)	0.210 (0.258)	0.259 (0.257)	0.152 (0.314)
Information dissemination among sellers	0.364* (0.221)		0.191 (0.246)	-0.072 (0.342)		0.116 (0.471)
Information dissemination among buyers		0.375 (0.247)	0.196 (0.273)		0.555 (0.352)	0.142 (0.506)
First agreement	0.109 (0.190)	0.179 (0.198)	0.138 (0.203)	-0.150 (0.340)	0.367 (0.283)	0.220 (0.345)
Exogenous uncertainty	-0.106 (0.203)	-0.080 (0.206)	-0.098 (0.197)	-0.277 (0.283)	-0.208 (0.289)	-0.327 (0.319)
Seller dependence on partner	0.473*** (0.180)		0.341* (0.213)	-0.112 (0.393)		-0.212 (0.428)
Buyer dependence on partner		0.633*** (0.185)	0.326 (0.208)		0.638** (0.254)	0.540 (0.359)
Inverse Mills ratio for seller specific investment	-2.401** (0.995)		-1.961*** (0.528)			
Inverse Mills ratio for buyer specific investment		2.043 (1.405)	0.726 (0.914)			
Constant	2.319*** (0.468)	3.728*** (0.410)	2.516*** (0.403)	3.061*** (0.343)	3.784*** (0.485)	3.803*** (0.548)
Observations	375	375	350	375	375	320
Clusters				226	225	205

Notes:

1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.

2) * significant at 10%; ** significant at 5%; *** significant at 1%

3) Standard errors in column (3) are bootstrapped, using 1000 iterations.

4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.007.

5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,225)=8.27, P-value=0.004

6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,224)=3.93, P-value=0.049

7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,204)=4.87, P-value=0.009

8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,204)=2.54, P-value=0.082

9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (6): P-value=0.035

Table H.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	-2.676*** (0.268)	Buyer specific investment	0.476 (0.431)
Quality of the courts	0.320** (0.154)	Quality of the courts	0.349* (0.201)
Information dissemination among sellers	0.246 (0.189)	Information dissemination among buyers	0.372 (0.249)
First agreement	0.057 (0.171)	First agreement	0.116 (0.193)
Exogenous uncertainty	-0.221 (0.172)	Exogenous uncertainty	-0.030 (0.200)
Seller dependence on partner	0.453*** (0.152)	Buyer dependence on partner	0.586*** (0.174)
Few potential buyers in heavy industry	1.084*** (0.400)	Few potential sellers in heavy industry	0.644* (0.362)
Few potential buyers in light manufacturing	0.343 (0.511)	Few potential sellers in light manufacturing	-0.558 (0.585)
Few potential buyers in construction	1.727** (0.722)	Few potential sellers in construction	1.003* (0.568)
Few potential buyers in other sectors	1.013** (0.486)	Few potential sellers in other sectors	0.648 (0.468)
Many potential buyers in heavy industry	0.337 (0.444)	Many potential sellers in heavy industry	0.328 (0.288)
Many potential buyers in light manufacturing	0.287 (0.424)	Many potential sellers in light manufacturing	0.174 (0.290)
Many potential buyers in construction	1.367*** (0.377)	Many potential sellers in construction	0.745*** (0.265)
Constant	3.525*** (0.344)	Constant	2.954*** (0.323)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.396* (0.233)	Few potential sellers in heavy industry	-0.215 (0.565)
Few potential buyers in light manufacturing	0.262 (0.345)	Few potential sellers in light manufacturing	0.686 (0.767)
Few potential buyers in construction	0.614 (0.387)	Few potential sellers in construction	-0.160 (0.574)
Few potential buyers in other sectors	0.427 (0.265)	Few potential sellers in other sectors	-0.219 (0.508)
Many potential buyers in heavy industry	0.123 (0.249)	Many potential sellers in heavy industry	0.036 (0.230)
Many potential buyers in light manufacturing	0.074 (0.243)	Many potential sellers in light manufacturing	-0.182 (0.256)
Many potential buyers in construction	0.630*** (0.205)	Many potential sellers in construction	-0.410 (0.274)
Constant	-0.977*** (0.171)	Constant	-1.115*** (0.171)
Observations	375	Observations	375
Clusters	226	Clusters	225
rho (correlation between the error terms)	0.916*** (0.035)	rho (correlation between the error terms)	-0.056 (0.055)
Log-likelihood	-897.4	Log-likelihood	-856.3

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Appendix I: Robustness Tests Based on an Alternative Definition of Court Quality

Table I.1: Descriptive Statistics

<i>Variables:</i>	Number of observations	Mean	Standard deviation	Min	Max
Quality of the courts based on alternative definition	413	0.569	0.496	0	1

Table I.2: OLS Estimates of the Determinants of Detailed Contracting

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>		
	(1)	(2)	(3)
Seller specific investment	0.703*** (0.189)		0.667*** (0.193)
Buyer specific investment		0.268 (0.279)	0.241 (0.285)
Quality of the courts	0.339* (0.186)	0.314 (0.191)	0.290 (0.189)
Information dissemination among sellers	0.321 (0.215)		0.211 (0.241)
Information dissemination among buyers		0.344 (0.235)	0.099 (0.272)
First agreement	0.083 (0.199)	0.212 (0.195)	0.122 (0.205)
Exogenous uncertainty	-0.118 (0.191)	-0.102 (0.192)	-0.107 (0.197)
Seller dependence on partner	0.579*** (0.175)		0.401** (0.198)
Buyer dependence on partner		0.625*** (0.177)	0.375* (0.197)
Constant	3.256*** (0.224)	3.354*** (0.243)	3.188*** (0.266)
Observations	390	390	371
Clusters	231	230	227
Adjusted R-squared	0.072	0.038	0.068

Clustered standard errors in parentheses, where each cluster is a firm.

* significant at 10%; ** significant at 5%; *** significant at 1%

Table I.3: Maximum Likelihood Treatment-Effects Estimates of the Effect of Relationship-Specific Investment

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.743*** (0.636)	Buyer specific investment	-2.314*** (0.381)
Quality of the courts	0.342* (0.188)	Quality of the courts	0.365* (0.187)
Information dissemination among sellers	0.245 (0.220)	Information dissemination among buyers	0.320 (0.230)
First agreement	0.076 (0.201)	First agreement	0.166 (0.191)
Exogenous uncertainty	-0.108 (0.196)	Exogenous uncertainty	-0.123 (0.189)
Seller dependence on partner	0.510*** (0.175)	Buyer dependence on partner	0.551*** (0.174)
Constant	3.123*** (0.270)	Constant	3.724*** (0.234)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.714** (0.285)	Few potential sellers in heavy industry	-0.193 (0.239)
Few potential buyers in light manufacturing	-0.026 (0.611)	Few potential sellers in light manufacturing	-0.508* (0.272)
Few potential buyers in construction	1.118*** (0.381)	Few potential sellers in construction	-1.004*** (0.381)
Few potential buyers in other sectors	0.727** (0.337)	Few potential sellers in other sectors	-0.584** (0.250)
Many potential buyers in heavy industry	0.091 (0.226)	Many potential sellers in heavy industry	-0.765*** (0.264)
Many potential buyers in light manufacturing	0.028 (0.247)	Many potential sellers in light manufacturing	-0.323 (0.277)
Many potential buyers in construction	0.443* (0.251)	Many potential sellers in construction	-0.541** (0.261)
Constant	-0.988*** (0.169)	Constant	-0.740*** (0.183)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.370** (0.177)	rho (correlation between the error terms)	0.743*** (0.087)
Log-likelihood	-917.0	Log-likelihood	-851.0

Clustered standard errors in parentheses, where each cluster is a firm. * significant at 10%; ** significant at 5%; *** significant at 1%

Table I.4: Heckman Two-Step and Instrumental Variable Estimates of the Effect of Relationship-Specific Investment

<i>Explanatory variables:</i>	<i>Dependent variable: Index of contractual detail</i>					
	Heckman Two-Step Estimates			Instrumental Variable Estimates		
	(1)	(2)	(3)	(4)	(5)	(6)
Seller specific investment	1.441 (0.918)		0.706 (0.851)	1.264 (1.063)		1.851 (1.314)
Buyer specific investment		-2.869 (1.749)	-2.985 (1.901)		-3.099 (2.000)	-1.973 (1.612)
Quality of the courts	0.345** (0.175)	0.313* (0.176)	0.326* (0.181)	0.329* (0.190)	0.293 (0.217)	0.310 (0.212)
Information dissemination among sellers	0.248 (0.220)		0.168 (0.245)	0.178 (0.250)		0.074 (0.316)
Information dissemination among buyers		0.346 (0.238)	0.154 (0.274)		0.440 (0.289)	0.213 (0.336)
First agreement	0.087 (0.193)	0.189 (0.196)	0.110 (0.203)	0.050 (0.225)	0.310 (0.231)	0.125 (0.261)
Exogenous uncertainty	-0.108 (0.201)	-0.107 (0.203)	-0.107 (0.198)	-0.130 (0.192)	-0.237 (0.236)	-0.266 (0.229)
Seller dependence on partner	0.534*** (0.187)		0.315 (0.217)	0.480** (0.227)		0.111 (0.272)
Buyer dependence on partner		0.609*** (0.185)	0.440** (0.204)		0.613*** (0.211)	0.392 (0.245)
Inverse Mills ratio for seller specific investment	-0.463 (0.541)		0.050 (0.606)			
Inverse Mills ratio for buyer specific investment		1.672* (0.932)	1.742* (0.985)			
Constant	3.177*** (0.301)	3.762*** (0.337)	3.572*** (0.429)	3.322*** (0.235)	3.718*** (0.361)	3.375*** (0.322)
Observations	373	374	350	373	374	350
Clusters				227	224	218

Notes:

1) Standard errors in parentheses, clustered for Instrumental Variable, where each cluster is a firm.

2) * significant at 10%; ** significant at 5%; *** significant at 1%

3) Standard errors in column (3) are bootstrapped, using 1000 iterations.

4) Test of equality of seller and buyer relationship-specific investment coefficients in column (3): P-value=0.061.

5) F-test of excluded instruments for seller relationship-specific investment in column (4): F(1,226)=10.88, P-value=0.001

6) F-test of excluded instruments for buyer relationship-specific investment in column (5): F(1,223)=9.44, P-value=0.002

7) F-test of excluded instruments for seller relationship-specific investment in column (6): F(2,217)=4.78, P-value=0.009

8) F-test of excluded instruments for buyer relationship-specific investment in column (6): F(2,217)=5.32, P-value=0.006

9) Wald test of equality of seller and buyer relationship-specific investment coefficients in column (6): P-value=0.072

Table I.5: Maximum Likelihood Treatment-Effects Estimates with Identification Based on Non-Linearities

Determinants of index of contractual detail		Determinants of index of contractual detail	
Seller specific investment	1.610*** (0.430)	Buyer specific investment	-2.169*** (0.427)
Quality of the courts	0.289 (0.189)	Quality of the courts	0.334* (0.189)
Information dissemination among sellers	0.263 (0.222)	Information dissemination among buyers	0.336 (0.230)
First agreement	0.049 (0.195)	First agreement	0.138 (0.190)
Exogenous uncertainty	-0.073 (0.195)	Exogenous uncertainty	-0.085 (0.195)
Seller dependence on partner	0.475*** (0.173)	Buyer dependence on partner	0.443** (0.181)
Few potential buyers in heavy industry	-0.237 (0.424)	Few potential sellers in heavy industry	0.594 (0.384)
Few potential buyers in light manufacturing	0.200 (0.787)	Few potential sellers in light manufacturing	0.387 (0.389)
Few potential buyers in construction	0.517 (0.502)	Few potential sellers in construction	0.729* (0.437)
Few potential buyers in other sectors	0.387 (0.381)	Few potential sellers in other sectors	0.333 (0.398)
Many potential buyers in heavy industry	0.508 (0.311)	Many potential sellers in heavy industry	0.101 (0.475)
Many potential buyers in light manufacturing	0.182 (0.303)	Many potential sellers in light manufacturing	0.067 (0.418)
Many potential buyers in construction	0.641** (0.269)	Many potential sellers in construction	0.713** (0.345)
Constant	2.879*** (0.324)	Constant	3.371*** (0.363)
Determinants of seller specific investment		Determinants of buyer specific investment	
Few potential buyers in heavy industry	0.778*** (0.283)	Few potential sellers in heavy industry	0.023 (0.260)
Few potential buyers in light manufacturing	-0.068 (0.645)	Few potential sellers in light manufacturing	-0.380 (0.322)
Few potential buyers in construction	1.024*** (0.378)	Few potential sellers in construction	-0.756* (0.420)
Few potential buyers in other sectors	0.652* (0.344)	Few potential sellers in other sectors	-0.479 (0.298)
Many potential buyers in heavy industry	-0.011 (0.216)	Many potential sellers in heavy industry	-0.746** (0.317)
Many potential buyers in light manufacturing	-0.012 (0.245)	Many potential sellers in light manufacturing	-0.298 (0.306)
Many potential buyers in construction	0.311 (0.223)	Many potential sellers in construction	-0.294 (0.281)
Constant	-0.928*** (0.161)	Constant	-0.879*** (0.189)
Observations	373	Observations	374
Clusters	227	Clusters	224
rho (correlation between the error terms)	-0.326*** (0.099)	rho (correlation between the error terms)	0.718*** (0.107)
Log-likelihood	-912.3	Log-likelihood	-847.2

Clustered standard errors in parentheses, where each cluster is a firm.
 * significant at 10%; ** significant at 5%; *** significant at 1%