

Lab #12 - The Colonial Origins of Comparative Development

Econ 224

October 18th, 2018

The Colonial Origins of Comparative Development

Today we'll work with a dataset from the 2001 paper "The Colonial Origins of Comparative Development" by Acemoglu, Johnson, and Robinson. To avoid repeatedly typing out all three names, I'll refer to the authors as AJR in the rest of this lab. You can download this paper from the website of the *American Economic Review* or from Piazza, where I have posted a copy. The dataset is called `ajr.dta` and is available from the course website: <http://ditraglia.com/econ224/ajr.dta>. Note that this file is in STATA format, so you'll need to convert to a format the R can understand before proceeding. Here is a description of the variables we'll use in this lab:

Name	Description
longname	Full name of country, e.g. Canada
shortnam	Abbreviated country name, e.g. CAN
logmort0	Natural log of early European settler mortality
risk	Avg. protection against expropriation risk 1985-1995 (0 to 10)
loggdp	Natural log of 1995 GDP/capita at purchasing power parity
latitude	Absolute value of latitude (scaled between 0 and 1)
meantemp	1987 mean annual temperature in degrees Celsius
malaria	% of Popn. living where falciparum malaria is endemic in 1994

The key variables in this analysis are `loggdp`, which is the *outcome* variable (y), `risk` which is the regressor of interest (x), and `logmort0`, which AJR propose as an *instrumental variable* (z) for `risk`.

Exercises

1. Preliminaries:
2. Preliminaries:
 - (a) Regress `loggdp` on `risk`. Summarize your statistical findings. Discuss why they may or may not indicate a causal relationship between property rights (expropriation risk) and GDP per capita.
 - (b)
 - (c)
 - (d)
 - (e)

Solutions