

Practice Problems: Institutions

Econ520. Spring 2021. Prof. Lutz Hendricks. November 11, 2020

1. Explain how colonial evidence supports the importance of institutions.
 - (a) Explain the evidence related to the “reversal of fortunes.”
2. Why is it hard to establish that institutions cause income?
 - (a) How can natural experiments help to overcome this problem? What is a natural experiment?
 - (b) Can you think of natural experiments that demonstrate the importance of institutions?
3. Why is it hard to reform obviously bad institutions?
 - (a) Provide examples.