IIIb.

According to the regression, avexpr positively affects logpgp95 with a coefficient value of 0.5158. This suggest that if the average protection against expropriation risk increases by a unit of 1, PPP GDP per capita in 1995 increases by 51.58%.

IIIc.

Countries with a relatively high GPD per capita self-select into the treatment of generally having good institutions. To illustrate: if a country has favorable geographical characteristics it is generally richer and has better institutions. A problem is that we first need to find out whether the direction of causality is indeed from the treatment to the outcome.

IIIe.

From these results we can see that the coefficient of the reduced form is negative with a value of -0.5483. This coefficient is sufficiently strong as it is significant at the 1% level. As we can see a strong effect in the reduced form, it ‘looks good’.