

# Colonial Rule and Economic Freedom

João Pedro Bastos\*

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## Abstract

This paper studies the legacy of European colonial rule for economic freedom in former colonies today. I find that current levels of economic freedom in former colonies is directly related to the level of economic freedom of their colonizers. This association can be seen as early as the time of independence, and persists until today. I also find that additional European settlement from colonizers with high (low) economic freedom is incremental (detrimental) to overall economic freedom of their colonies. These results are robust to selection on unobservables, and controls for geography, climate, natural resource endowments, colonizer identity, settlement patterns, and pre-colonial characteristics. The difference in modern-day economic freedom associated with being colonized by the freest colonizer instead of the least free implies a predicted increase in modern-day per capita income of up to US\$10,000.

**JEL codes:** N40, O10, P14, P50

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\*PhD Student, Department of Agricultural and Applied Economics and Free Market Institute, Texas Tech University, Box 45059, Lubbock, TX, 79409-5059. [Joao-Pedro.Bastos@ttu.edu](mailto:Joao-Pedro.Bastos@ttu.edu)