

# Colonial Rule and Economic Freedom

João Pedro Bastos\*

July 11, 2024

## Abstract

This paper studies the legacy of European colonial rule for economic freedom in former colonies today. Using data on 107 former European colonies, I study how the colonizer's identity and characteristics of the colonial rule – duration and timing – are related to economic freedom today. The main results use a historical index of economic freedom to show that the level of economic freedom of colonies is directly related to the level of economic freedom of their colonizers, both at the time of independence and in the twenty-first century. I also find that the length of colonial rule is positively and significantly correlated with average economic freedom from 2000 to 2019. These results are robust to controls for geography, climate, natural resource endowments, the identity of the colonizer, and the timing of colonization.

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

**Keywords:** colonial rule, economic freedom, institutions, path-dependence

---

\*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)