

Referee report to manuscript PUCH-D-24-00316

This manuscript assesses the legacy of European colonial rule on economic freedom in former colonies in 2000-19, as measured by the Economic Freedom of the World (EFW) index. It finds that former colonies that were colonized by relatively “freer” colonizers – per their average EFW index during the colonization period – also have a higher EFW index today. It also shows that the length of colonial rule is also associated with a higher EFW index today.

Main comments

[1] Conceptualize “economic freedom” theoretically and empirically.

The manuscript focuses on the concept of economic freedom. However, economic freedom is not properly conceptualized, either theoretically or empirically. What are the theoretical foundations of this concept? How does it differ from the “quality” of institutions as understood in the literature? Is it biased toward the functioning of a market economy?

Beyond this conceptualization, an empirical exploration seems necessary. What exactly distinguishes the EFW index from other measures (rule of law, polity IV, legal origins, etc.)? For instance, one area of the index is *precisely* the “rule of law”. If the author wants to make a specific argument about economic freedom, then they need to document which dimensions of the EFW index are orthogonal to the standard measures of institutional quality. The regression analysis should also control for these alternative measures to highlight what distinguishes economic freedom.

[2] What is the argument?

Even if the results were valid, what is the author’s argument? First, why do we see a positive correlation between the economic freedom of colonizers during colonization and that of colonized countries today? It is still not clear to me why this should be the case. Second, the rationale for the “positive” effect of the length of colonization is even less clear. Third, what is the relationship between the two mechanisms? The analysis in Columns 5–6 of Table B3 is interesting, but should be explored further. Overall, while the author rejects possible explanations through various empirical exercises, I am still unclear about what the main argument is.

Also, in addition to a better theorization of the argument, it would be very helpful to have at least a some institutional analysis with some case studies (or developed examples).

[3] Empirical analysis

[3.a] Is the author making a causal claim? This should be clarified. If so, then there should be an argument about the empirical design at hand. But even if not – the claim is only

correlational – there are many potential confounders of the relationship between current EFW and colonizer’s EFW. While the author controls for a few observables in the analysis, these should be included *altogether* and not separately. These should also include pre-colonization characteristics throughout, such as the pre-colonization population density (along with a set of geographic characteristics).

[3.b] In addition, it is not entirely clear to me why the author focuses on the average EFW of the colonizer during colonization. Arguably, colonial institutions exhibit path dependence, so they should be set at the *beginning* of the colonization period. Could the author use this variable instead? This would also have the advantage of allowing the use of colonizer FE in these regressions to remove potential confounders introduced by a particular colonizer (in the spirit of Table 4), in order to discard potential confounders that are brought by a given colonizer.

Other comments

[i] The literature review is interesting but should be tied more systematically to the argument of the manuscript. Moreover, it should highlight the specific contribution relative to the AJR and La Porta literature. It wasn’t very clear.

[ii] Typo: p11 “Estimations without the Americas...” The sentence is not finished here.

[iii] I like Figure B1 but it is difficult to understand which units matter more from just the map. I would suggest to also showing a table that provides the relative weight (as a share in percent) of each observation in generating the overall estimate. Also, provide the shares of each continent, so as to support the claim that “[t]his also dissuades concerns that the lack of significance in specifications without Africa may be caused by colonies in that continent driving the overall results” (p. 18).

[iv] It could be interesting to see in robustness population-weighted regressions.

[v] The results in Table B5 – where the *change* in EFW is the dependent variable – are interesting, but the author could be even more direct and run a series of regressions where the dependent variable is the EFW in the decade after independence, then 2 decades after, 3 decades after, ..., then today. It would give a profile of correlations over time.