

PRELIMINARIES TO SESSIONS 5 AND 6

In sessions 5 and 6 we will re-estimate parts of Acemoglu, D., Johnson, S. and Robinson, J.A., 2001, The colonial origins of comparative development: An empirical investigation, *American Economic Review*, 91(5):1369–1401.

As preparation for this, please read the assigned paper in advance and pay special attention to the following issues:

Research question What are the two conflicting hypotheses about the determinants of the relative differences in world income. Why are institutions important for economic development? Through what channels could geography play a role?

Background What were the main differences between the social and economic development of settler and non-settler colonies?

Data How is the quality of institutions measured in this paper? Do these measures convince you?
Go also through variable definitions in Appendix A1!

Methods and results

1. What is the problem with the original OLS regression in the paper?
2. How does the IV procedure propose to solve the problem?
3. What is the role of settlement mortality in this paper? How is it measured?
4. What does the validity of instrumental variables require?
5. Could geography have also a direct influence on economic activity? How? If yes, would this invalidate the approach?
6. What are the arguments the authors use against the influence of climate and geographic factors?
7. Could you think of any other natural experiments (instruments) that one might be using for explaining institutional quality at the country level?

Policy implications What are the policy implications of these results with respect to institutional change? Are there limitations to these policy implications?