

Free and Protected: Trade and Breaks in Long-Term Persistence*

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Abstract

The spatial distribution of economic activity depends largely on market access and history, but countries differ greatly in the extent to which their geographies reflect these two determinants. What explains these differences? This paper explores this question using a staggered lifting of restrictions on direct trade with Europe across the Spanish Empire. I combine a difference-in-differences approach with a dynamic spatial equilibrium framework and detailed georeferenced data on maritime travel from historical logbooks to examine this issue. I show that the increase in market access induced by the reform led to a substantial reconfiguration of the economic geography in places that were initially less densely settled. Moreover, I show that modern-day settlement patterns depend less on pre-colonial population density and more on coastal access in areas subjected to the reform. Taken together, the findings show that a key determinant of persistence in economic geography is the level of development of a country as it opens up to trade.

JEL Codes: F620, F63, N760, O190, O430

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1 Introduction

The spatial distribution of economic activity is shaped largely by market access and history. However, the economic geographies of different countries differ greatly in the extent to which they reflect each of these two determinants. Market access is particularly important for city location in the United States; this is evident when one considers that the two largest cities are also the two largest international ports (New York and Los Angeles). Other urban systems, such as systems of cities centered around former imperial capitals (e.g., Rome, Beijing, and Delhi), reflect historical precedent to a much larger extent. What determines the relative importance of market access versus history in determining the spatial distribution of economic activity in different places? Can urban systems adapt to changes in the trading environment and thus break spatial persistence? If so, under what conditions?

To study these questions, I exploit a large-scale historical experiment: the expansion of direct trade with Europe in the Spanish Empire. To promote a comparative advantage in the extraction of bullion, early Spanish commercial policy severely restricted the direct trade of goods with Europe. However, driven by political developments in Europe, these restrictions were gradually lifted in the second half of the 18th century. While only four ports were permitted to trade goods directly with Europe in 1765, this number had increased to 50 by 1800. By this time, no major ports in the empire were subjected to restrictions on the direct trade of goods with Europe (see Figure 1). The reform reduced trade costs in different years and in different locations. This variation is very well suited to study the impact of trade costs for several reasons. First, while I show that the reform caused large and spatially heterogeneous variation in international trade costs, these changes were limited to the costs of trading goods. This contrasts with standard approaches relying on changes in effective distance for identification, which typically alter numerous aspects of long-distance communication.¹ Second, the geographic scope of the reform allows us to consider its heterogeneous effects while keeping formal institutions and legal origins fixed. Finally, compared to studies of single countries or regions, the geographic scope of this setting provides significant benefits in terms of external validity.

I study the long-run impact of the reform in three steps. First, I quantify how the reform affected empire-wide bilateral shipping times. To this end, I construct a grid of $0.5^\circ \times 0.5^\circ$ covering the full extent of the Spanish Empire in the 18th century. On this grid, I construct a directed network of bilateral trade costs between all adjacent cells, accounting for shipping on land and sea. For maritime shipping, I estimate accurate sailing speeds from historical maritime logbooks and georeferenced wind data. Travel on land accounts for a variety of geographic features that determined mobility, such as elevation and landcover, as well as infrastructure, such as roads and ports. I cross-validate the resulting shipping times with various historical sources, confirming the accuracy of my approach. As there are many potential routes between any two cells, I use the route that minimizes shipping cost, subject to the restrictions on direct trade with Europe that were in place in a given decade. This results in bilateral shipping time matrices for each decade between 1710 and 1810. These time-varying measures of bilateral shipping times and market access are then matched with data on geographical characteristics, agricultural productivity, and the locations of settlements to construct a balanced panel covering Spanish America between 1710 and 1810.

¹Examples in the literature are technological innovations in transportation technology, such as the diffusion of the steamship (Pascali, 2017), maritime technology (Bakker et al., 2018), air travel (Feyrer, 2019; Campante and Yanagizawa-Drott, 2018), the construction of inter-oceanic canals (Maurer and Rauch, 2019), and disruptions in transportation networks induced by conflict (Feyrer, 2009; Juhász, 2018).

I use this dataset to study the reduced-form effect of lower international trade cost on the formation and incorporation of new settlements as well as population growth. At the heart of the research design is a difference-in-differences approach, which compares changes in the prevalence of settlements and population growth in localities where trade costs changed differentially because of the reform. The identification assumption is that changes in the prevalence of cities in such localities would have been the same in the absence of the reform. Pre-trend checks and several robustness exercises support a causal interpretation of the estimates. I also examine the economy-wide effects of lower international trade costs, recognizing that improving the connectivity in one location may affect the population growth in other localities through trade and migration linkages. To capture these spatial interdependencies, I follow [Donaldson and Hornbeck \(2016\)](#) and calculate the market access for each cell by decade. To account for potential endogeneity and market size effects, I instrument local market access with the change in shipping time to Europe induced by the reform.

I find that the reform had large and heterogeneous effects on trade costs between Europe and the Americas. While the median reduction in shipping time was 16 days, the average was 12 days. This reduction ranges from 0 to 55 days, roughly half of the average voyage duration.² These changes in trade costs affected population growth and the incorporation of towns into the empire. In the preferred specification, a ten percent reduction in shipping times increases the probability of a cell containing a city, town, or village by 0.5 percentage points. The elasticity of the population size with respect to market access mirrors these results, with a one percent increase in market access increasing the population by 0.2 percent in the baseline specification. Next, I look at the heterogeneity of these effects, and three patterns emerge. First, these effects were substantially larger in localities with lower population density. Second, these effects were larger in the peripheral regions of the Spanish Empire, showing that the economic geography was much more sensitive to changing fundamentals in areas that were less densely populated.³ Finally, these effects were larger in coastal areas. Consistent with these patterns, I show that the correlation between pre-colonial density and population density in the year 2000 is substantially smaller in areas more intensively treated by the reform. Taken together, these findings provide evidence that the opening of trade restructured the economic geographies of places that were initially less densely settled. In the long-run, the economic geographies of these areas came to reflect locational fundamentals associated with trade. The economic geographies of places that did not adjust to the changes in trade costs remained reflective of pre-colonial settlement patterns.

Next, I explore the different mechanisms that may mediate these effects. Data on trade volumes and prices of Spanish American exports provide evidence of large increases in the volumes of trade with Spain. Consistent with increased reliance on commodity exports, I show the aforementioned effects are larger in areas with higher suitability for high-value export crops.⁴ Also, I show that these effects are larger in places where the reform changed the shortest sailing route to Europe than in places that benefited through less transshipment. Taken together, the findings are consistent with the hypothesis that faster sailing promoted growth in coastal areas suitable for exports of agricultural commodities. In

²The calculated travel times are cross-validated with several historical and contemporary datasets. For example, I provide evidence that the calculated sailing times are highly correlated with mail dispatch times and recorded travel times in the 18th century.

³This is consistent with the findings of [Redding and Sturm \(2008\)](#) and [Banerjee, Duflo and Qian \(2020\)](#) who also found that market access leads to a dispersion of economic activity, albeit in very different contexts.

⁴I consider the average suitability of cacao, cotton, sugarcane, and tobacco, which accounted for 27.3 percent of total exports and approximately 62 percent of non-bullion exports in the late 18th century ([Fisher, 1993](#)).

turn, this stimulated population growth in coastal areas as well as the establishment of new population centers for intermediate trade in agricultural commodities.

In order to further assess the mechanisms and account for general equilibrium effects, I develop a dynamic spatial general equilibrium model, building on the work of [Allen and Arkolakis \(2014\)](#) and [Allen and Donaldson \(2020\)](#).⁵ I adapt this framework to my setting by incorporating land as a factor of production as well as time-varying trade costs. In this model, regions with heterogeneous amenities, productivities, endowments of arable land, and initial endowments of workers are linked through costly migration and trade. Mobile workers choose where to live subject to migration costs, and the utility derived from each location depends on locational fundamentals as well as agglomeration and congestion forces. Agglomeration forces are a function of both contemporaneous and lagged population density and therefore allows for spatial persistence to play a potentially important role. The parameters governing persistence are estimated from the data. The identification of these parameters relies on the assumption that *changes* in the value of geographical fundamentals (such as proximity to natural resources or potential agricultural yield) were zero throughout the reform period. While this is an untestable assumption, the reduced form evidence, and in particular, the absence of pre-trends provide support for it.

I use the quantitative framework to simulate the spatial impact of the reform. Having confirmed that the model matches first-order patterns in the data, I simulate the reform and find that the model matches salient features of the reduced-form exercise. The trade cost shock induced by the reform increased population density in areas with higher reductions in shipping times to Europe. Moreover, the reform increased the coastal population density and had larger effects in the periphery than in the core. I then use the model to run a series of counterfactual simulations. First, I find that lower initial population density tends to increase the effects of the reform and coastal population density. Second, I find that an earlier opening of trade would have increased the coastal population density in 2010. Finally, I find that the *long-run* population distribution depends on the timing of the trade-cost shock. An earlier opening of long-distance trade would have increased the coastal population density in the long run. The findings show that the changes in trade costs changed the equilibrium distribution of economic activity in areas where the initial population density was low, and the size of the change in trade costs large. This provides further evidence that the initial conditions as a country opens up to trade shape the importance of history versus trade in determining the spatial distribution of economic activity. Locational fundamentals associated with trade, such as coastal access, became more important in explaining the spatial distribution of economic activity in places that were sparsely populated as access to maritime trade was widened.

This paper contributes to the literature on persistence in urban geography ([Davis and Weinstein, 2002](#); [Redding, Sturm and Wolf, 2010](#); [Bleakley and Lin, 2012](#); [Jedwab and Moradi, 2015](#); [Maloney and Valencia, 2016](#); [Jedwab, Kerby and Moradi, 2017](#); [Alix-Garcia and Sellars, 2020](#)).⁶ The spatial distribution of economic activity has been shown to be persistent even in the presence of large shocks in a variety of settings ([Davis and Weinstein, 2002, 2008](#); [Redding, Sturm and Wolf, 2010](#); [Miguel and Roland, 2011](#)). These findings are consistent with the conclusion that location-specific factors, such as

⁵More generally, the model builds on recent quantitative models of trade and geography, which accommodate a large number of locations that are asymmetric in their locational characteristics and frictions to trade and migration ([Redding and Sturm, 2008](#); [Ahlfeldt et al., 2015](#); [Redding and Rossi-Hansberg, 2017](#); [Monte, Redding and Rossi-Hansberg, 2018](#); [Nagy, 2020](#)).

⁶The literature distinguishes between "first nature" locational advantages (agricultural productivity, resource abundance, presence of natural defenses, and access to trade) and "second nature" locational advantages (agglomeration economies).

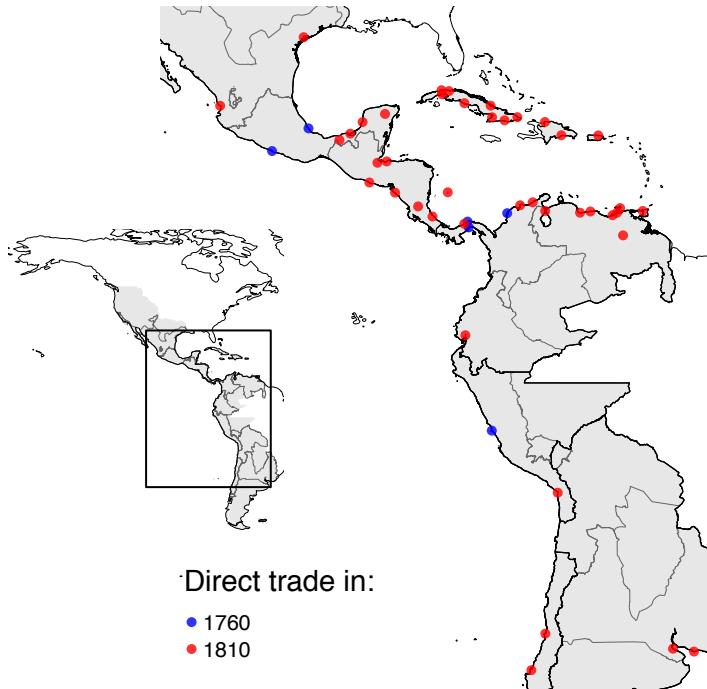


Figure 1: This map shows the extent of the territory claimed by the Spanish Empire in 1790 with its ports marked according to status. Ports marked in blue were licensed for long-distance trade prior to 1765 (Callao, Cartagena, Veracruz, Panama, and Acapulco), while those marked in red were licensed to trade with Europe in 1810. Callao, Cartagena, Veracruz, and Panama traded with Europe, while Acapulco was a hub for trade with the Philippines.

geographical fundamentals, fixed capital, and market access, play an important role. However, Bleakley and Lin (2012) show population centers persist around historical portage sites after the technology has become obsolete; this points to an important role played by agglomeration economies.⁷ Indeed, Henderson et al. (2018) found that only 35 percent of the within-country variation in population density is explained by geographical fundamentals. While spatial persistence remains well-documented in a range of settings, little is known about what determines the relative importance of market access and history in determining the spatial distribution of economic activity. This paper shows that large trade cost shocks can disrupt spatial persistence when the initial population density is low. More broadly, the findings provide evidence that what determines the relative importance of history versus market access in determining the locations of cities is the *sequencing* by which a location attains high population density and lower trade costs. History will tend to explain the distributions of population in places that attain high population density in an environment of high trade costs, while market access will explain the population distribution in places that had low population density prior to opening up to trade. This paper therefore contributes to the literature by shedding light on when persistence matters in determining the spatial allocation of economic activity, and the conditions under which it breaks down.

This paper also contributes to the literature exploring the long-term economic impacts of historical institutions, (Acemoglu, Johnson and Robinson, 2001, 2002; Banerjee and Iyer, 2005; Dell, 2010; Dell and

⁷Historical precedent has been shown to be a key determinant of contemporary income differences through a wide range of mechanisms such as historical institutions (Acemoglu, Johnson and Robinson, 2001, 2002; Banerjee and Iyer, 2005; Dell, 2010), social attitudes (Alesina, Giuliano and Nunn, 2013; Satyanath, Voigtlander and Voth, 2017; Nunn and Wantchekon, 2011), and state centralization (Michalopoulos and Papaioannou, 2013; Alsan, 2015; Dell, Lane and Querubin, 2018).

Olken, 2020) and the economic legacy of the Spanish Empire, in particular (Grafe and Irigoin, 2006, 2012; Coatsworth, 2008; Bruhn and Gallego, 2011; Engerman et al., 2012). Furthermore, the results of this paper shed light on the findings of a seminal paper by Acemoglu, Johnson and Robinson (2002) in which they establish a negative relationship between population densities in 1500 and 2000 at the country level. They argue that the population density at the time of settlement shaped the incentives faced by early European settlers. In particular, lower initial population density necessitated that institutions enable broad participation in the economy to ensure subsistence. These institutions were more compatible with modern economic growth and thus caused divergence between areas with different initial population densities starting in the second half of the 18th century. This paper complements these findings by highlighting the role of trade-related institutions in generating the increased growth in the periphery that Acemoglu, Johnson and Robinson (2002) document. The results are consistent with the view that the *reversal of fortune* is rooted in institutional change but also highlight the importance of the factors that shaped institutions governing trade, such as the transition from Habsburg to Bourbon rule in Spain, in addition to property rights, of which Acemoglu, Johnson and Robinson (2002) emphasize the importance. More broadly, this paper provides evidence of the impact of trade-related institutions on economic geography, which has received little attention in the literature (Acemoglu, Johnson and Robinson, 2005; Jha, 2013; Jia, 2014; Alvarez-Villa and Guardado, 2020).

Finally, this paper relates to the body of literature that considers the impact of trade on national income. Several papers have documented large, positive elasticities of national income with respect to trade (Frankel and Romer, 1999; Noguer and Siscart, 2005; Feyrer, 2009, 2019; Feyrer and Sacerdote, 2009; Pascali, 2017).⁸ This is puzzling given that the quantitative literature has documented more modest effects (Arkolakis, Costinot and Rodríguez-Clare, 2012). This paper builds on the literature in two main ways. First, I use time-variation in trade costs to study the impact of the trade of goods on city location. Second, I estimate the effects without relying on changes in transportation technology. These features are important for several reasons. For one, changes in transportation technology do more than lower trade costs. In particular, changes in effective distance affect travel and migration costs.⁹ Moreover, within-country variation allows for the analysis of effect heterogeneity. This is difficult in cross-country studies partly due to sample size and the number of potential confounders. In sum, the results presented in this paper shed light on the mechanisms through which lower trade costs affect national income. Furthermore, I show that trade increased density and promoted the formation of settlements situated in locations with higher market access.

This paper is structured as follows. Section 2 presents the historical background. Section 3 presents the data sources. Section 3 details the calculation of trade costs. Section 5 elaborates on the reduced-form research design, results, and mechanisms. Section 6 presents the model and the results of the quantitative exercise. Section 7 concludes.

⁸There are several limitations to the earlier literature that has dealt mainly with cross-sectional data. In particular, Rodriguez and Rodrik (1999) have shown that Frankel and Romer's estimates are vulnerable to the inclusion of controls. These issues are typically addressed by exploiting time variation in bilateral trade costs (Feyrer, 2009, 2019; Feyrer and Sacerdote, 2009; Pascali, 2017).

⁹See Campante and Yanagizawa-Drott (2018) or Söderlund (2019).

2 Historical Background

This section provides the historical background for the analysis. I discuss the background for the trade reform and the historical relationship between trade reform and economic development within the Spanish Empire, and how the reform could influence long-term regional development patterns.

The Spanish Commercial System. Spanish commercial policy sought to promote state wealth acquisition through trade surpluses (Walker, 1979; Findlay and O'Rourke, 2007). To this end, several policies restricted the free flow of goods across the Atlantic. First, it restricted the points of entry and exit by directing Atlantic trade through the four main ports in the Americas (Cartagena, Callao, Portobello/Nombre de Dios, and Veracruz) and only Seville/Cádiz in Europe. Second, it restricted participation to Spanish merchants. Foreigners who wanted to participate in the trade needed to partner with Spanish companies. Third, the frequency of travel and the routes were restricted. Typically, only two fleets left Spain every year: the New Spain *flota* destined for Veracruz, and the *Tierra Firme galeones* destined for Cartagena and Portobello. In the Pacific, shipping was conducted by *Armada del Sur*, which carried goods from the trade fairs in Portobello to Pacific ports in South America.¹⁰¹¹ Finally, there were high tax rates on imports and exports. The duties typically depended on the origin of the goods, with lower rates on goods originating from Spain.¹²

The system was designed to ensure the steady flow of bullion across the Atlantic and to prevent economic diversification to sectors competing with Spain. It achieved this in several ways. For one, it facilitated the naval defense of convoys, which could concentrate on fewer ports. Moreover, it limited imports to the Americas, thus ensuring a favorable trade balance. This limited the flow of bullion to other places than Spain. However, it also served to keep prices for Spanish exports artificially high (Baskes, 2013). Naturally, it marginalized large areas that remained isolated from the official trade routes.¹³ According to Fisher, “The inevitable consequences … were economic underdevelopment in the peripheral regions of America, at least until the liberalisation of trade in the second half of the eighteenth century”, Fisher (1997) p. 73.

Reforming Trans-Atlantic Trade. Beginning in the 18th century, Spanish policymakers were induced by geopolitical considerations, originating mainly in Europe, to overhaul the external trading system (Mahoney, 2003, 2010). In the immediate aftermath of Spain’s defeat in the Seven Years’ War, a technical commission (the *junta de comercio*) was appointed under Charles III to assess and reform the system. The *junta de comercio* proposed the abolition of the Cádiz monopoly as well as the fleet system. Further, it proposed opening 14 ports on the Iberian Peninsula as well as 35 ports in the Americas (Fisher, 1997).¹⁴

¹⁰Moreover, the Manilla galleon would sail between Acapulco and Manilla. For a detailed account of the economics of the Manilla Galleon see Mejia (2019).

¹¹Register ships (*registros*) supplied ports that were too remote relative to the large trade routes. These were ships that sailed under special permission of the crown. This was mainly the case for ports in Central-America, Buenos Aires, and Caracas. However, this was never done at a sufficiently large scale. As a consequence, these areas were often ignored by Spanish merchants and relied heavily on contraband (Walker, 1979). The extent of contraband trade is not known but is believed to have been sizeable (Christelow, 1942). Official information was carried by *aviso* ships, which were light carriers operating separately from the commercial system and were not permitted or equipped to carry freight.

¹²The slave trade was not subject to these rules. Trade in slaves was allowed for British ships from early to the mid 18th century as a result of the treaty of Utrecht, the *asiento* (Walker, 1979).

¹³The system, consolidated under Phillip II in the 1560s largely remained in place until the second half of the 18th century. Two notable exceptions were the change from using Nombre de Dios to using Portobelo on the Caribbean coast of Panama. In Spain, the merchant guild of Seville was moved to Cadiz in the early 18th century, partly due to the silting of the Guadalquivir.

¹⁴The ports that were opened on the Iberian peninsula in this period was Malaga, Almería, Cartagena, Alicante, Tortosa,

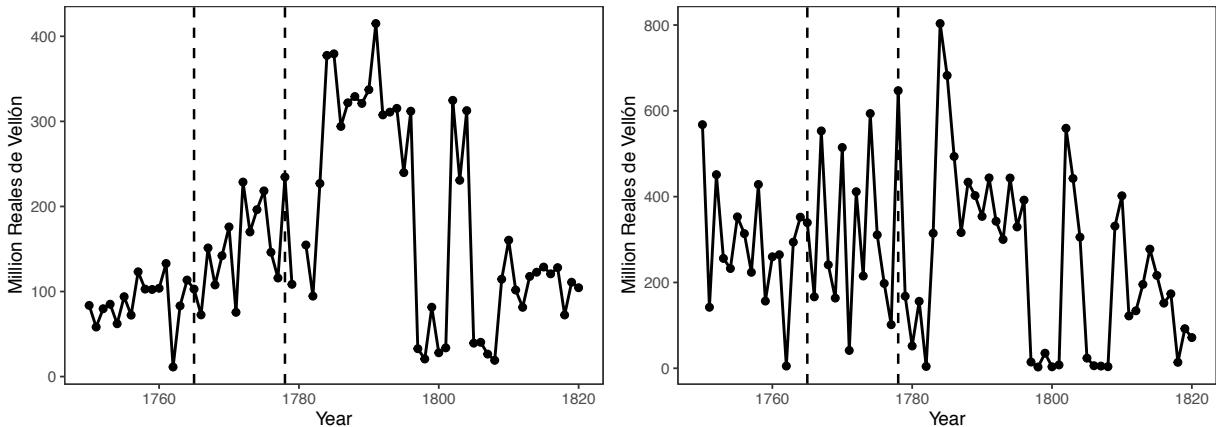


Figure 2: The left figure the value of non-bullion exports from Spain to American ports from 1750-1820. The right panel denotes bullion exports to Spain for a 1750-1820. The vertical lines denote the beginning and end of the main part of the liberalization. The large drop in 1797 is due to the British blockade of Cadiz as part of the Anglo-Spanish War 1796-1808. The lower level after 1807 was due to the Peninsular War as well as the Spanish American wars of independence. Data for 1780 is missing in the original data source. Source: [Cuenca-Estebar \(2008\)](#).

Four ports in the Caribbean were opened already in 1765.¹⁵ The liberalization measures culminated in the decree of free trade in 1778 which opened several of the remaining ports.¹⁶ In the 1780s, the remaining ports followed. Spanish communication with the Americas was disrupted during the Napoleonic wars. As a result, trade with neutral nations during the Napoleonic war was allowed. The 18th century marked the definitive end of Spain's ability to enforce protected trade with the colonies. As a result, by the beginning of the 19th century, Spanish America enjoyed *de facto* although not *de jure* unrestricted trade with foreigners (Fisher, 1998).

The historical literature emphasizes the role of European interstate competition and Spanish state-building as being the motivation for undertaking the reform. Thus, the drive to reform the Spanish commercial system should be understood as being embedded in a logic of interstate competition between the European powers of the 18th century (Kuethe and Andrien, 2014). A single event highlighted in the historical literature as an important impetus for the reform was the “humiliating” capture of Havana by the British during the Seven Years’ war. This opened a window of opportunity for reform-minded policymakers in Spain who now could rationalize reforming the external trading system with reference to concerns about national security. As a result, the reform was implemented rapidly after the Seven Years’ War (Fisher, 1997). Therefore, the timing of the reform is mainly driven by intensified interstate competition in Europe, rather than economic development in the Americas directly. Moreover, the reform was implemented from above and no significant ports in which the policies were applied were excluded. This is also apparent from the fact that the policies were resisted by several actors in the Spanish Empire (Baskes, 2013). Finally, the policies undoubtedly broadened access to international trade

Barcelona, Santander, Gijón, La Coruña, Palma de Mallorca, Santa Cruz de Tenerife. While the reform is believed to have a role in promoting the rise of the Barcelona textile industry, in the early 19th century around 80 percent of Spanish trade with the Americas still went through the port of Cádiz (Fisher, 1997).

¹⁵Santo Domingo, Puerto Rico, Margarita, and Trinidad were opened for direct trade with Spain in 1765.

¹⁶This was with the exception of the Captaincy Generalacy of Venezuela (Caracas), where it was believed the Caracas companies tobacco monopoly was worth protecting, and New Spain (Campeche), where it was believed it would have diverted too much trade away from other regions. *Reglamento y aranceles reales para el comercio libre de España a Indias de 12. de octubre de 1778*, and Fisher (1997). Even so, especially Veracruz was affected by the changes before the late 1780s since due to the abolition of the convoy system and the increased prevalence of *registros*.

across the Spanish Empire which is apparent in trade statistics (Fisher, 1985; Cuenca-Esteban, 2008).

“Free Trade” and Economic Growth. The reform affected economic growth in different regions. Formerly neglected regions such as *Rio de La Plata*, Venezuela, and Cuba became important exporters of hides, indigo, tobacco, sugar. Largely unrestricted sailing of individual ships allowed for specialization in a wider range of commodities, such as more perishable goods, to be exported. However, bullion remained an important export commodity (Fisher (1997) p. 38). Fisher (1993) provides data on the composition of Spanish imports from Spanish America between 1782 and 1796 for the ports of Cadiz and Barcelona (which accounted for around 88 percent of imports from Spanish America). Precious metals still accounted for 56.4 of imports through this period. The other commodities were typically high-value agricultural commodities (tobacco 13.6, cacao 7.8, sugar 5.5, indigo 5.2, cochineal 4.2, hides 3.4 and cotton 0.4 percent) (Fisher, 1993).

While it is generally agreed upon that the reform had large effects on trade volumes, the magnitudes are disputed (Escosura and Casares, 1983; Cuenca-Esteban, 2008). Colonial imports to Spain increased tenfold and exports from Spain to the colonies fourfold (Fisher, 1985), while more modest estimates are found in Cuenca-Esteban (2008) which also suggests large effects (see Figure 2). However, there is little doubt that trade increased substantially during the period. As a result of these developments, several formerly marginal areas in the Spanish empire became important economic regions. “... for the first time, the metropolis succeeded in unleashing the agricultural potential of its American possessions, whilst also promoting the continued expansion of mining production. The relationship between this economic growth and the liberalization of trade is abundantly clear”, (Fisher (1997) p. 197). Moreover, the population and economies of previously stagnant peripheral colonies in Spanish America grew rapidly (Mahoney, 2003; Bulmer-Thomas, 2003).¹⁷ In summary, the historical literature suggests the restrictions imposed on trade in goods with the Americas stunted economic development, and efforts induced by European interstate competition to relax these had large effects on trade and regional development in the second half of the 18th century.¹⁸

3 Data

To quantitatively assess the impact of the reform, I construct a dataset containing geographical, demographic, and economic data of the Spanish Empire in the 18th century.¹⁹ The dataset consists of 6,662 grid-cells of $0.5^\circ \times 0.5^\circ$.²⁰ The dataset covers the 100 year-period 1710-1810, roughly corresponding

¹⁷Cadiz remained the dominant port for trade with Spanish America between 1778 and 1796 (76.4 percent of total exports and 84.2 percent of imports). The remaining important ports were Barcelona (9.6 and 3.8 percent), Malaga (4.8 and 1.3 percent), Santander (3.3 and 2.6 percent), and La Coruña (3 and 6.8 percent) (Fisher (1993) p.20 and p.25).

¹⁸In some parts of the Spanish Empire, the crown was confronted with local elites not keen on losing privileged access to long-distance trading opportunities (Mahoney, 2010). In the *Audiencia* of Guatemala "... a monopoly - an undesirable weed in an atmosphere of liberalized commerce - which already had taken deep root and was in full flower before the implementation in America of laws enacted to increase production and trade.", and "...Bourbon commercial reforms were too narrowly conceived and did not take into account the deep entrenchment of commercial interests established before reform efforts in America were attempted," (Floyd, 1961). The *Audiencia* of Mexico faced a similar situation. With the reform, two competing groups of merchants emerged, in Veracruz and Mexico City. Merchants in Mexico City blocked the rise of Veracruz by purchasing and distributing directly to Mexico City (Mahoney, 2010).

¹⁹The contemporary countries partly or entirely contained in the sample are Argentina, Brazil, Chile, Bolivia, Peru, Uruguay, Ecuador, Colombia, Paraguay, Venezuela, Panama, El Salvador, Honduras, Costa Rica, Guatemala, Mexico, Nicaragua, Cuba, the United States, and the Dominican Republic.

²⁰This constitutes around 55km at the equator. I also analyze different spatial resolutions and obtain similar results. These are reported in the Appendix.

to the Spanish Empire under the Bourbon dynasty. This results in a balanced panel of $6,662 \times 11 = 73,282$ observations. Summary statistics of the main variables can be found in Table 1.

3.1 Population and Settlements

Settlements. I construct the main sample from a territorial gazetteer of around 15,000 places that existed in the Spanish Empire during the 18th and early 19th-century. The dataset is based on official records as well as various secondary sources (Stangl, 2019b).²¹ It contains the founding, legal status, position in the ecclesiastical hierarchy, as well as the longitude and latitude of each settlement. In the main analysis, I restrict the sample to places with the status of *city*, *town*, or villages in order to capture the location of population centers. This avoids common pitfalls associated with using population thresholds for defining a settlement. The status of *city* was the highest legal status afforded a population center in Spanish America and was typically granted by the crown. Below the city in the hierarchy was the town (*villa*). In some cases, settlements were abandoned (such as Buenos Aires) or moved (such as Guatemala). In these cases, the date of founding is the founding of the first city in both cases. The location of the place is determined by the functional center.²² Altogether, the final dataset contains 2,125 places spanning 1710 and 1810, and henceforth, I refer to these as settlements. This results in slightly above ten percent of decade \times cell combinations containing a settlement in the final dataset. Figure 10 shows there is a secular increase in the share of grid-cells containing a settlement throughout the period.

Population. I compile population data from several sources. First, I use demographic data consisting of historical census data (Stangl, 2019c). It contains demographic data for various administrative entities between 1710 and 1810. Unfortunately, this data is cross-sectional. Therefore, I use population estimates from HYDE 3.1 (Klein Goldewijk et al., 2011). The dataset is a raster file of population density spanning the whole study region at 10-year intervals.²³ It extrapolates from various historical population statistics to create granular population data spanning the whole globe. I assess the quality of this extrapolation in the particular context of this study by cross-validating against historical census data. In the Appendix, I show that population density data from Hyde 3.1 is highly correlated with the census data.²⁴ Further, I use city-level population data from Buringh (2013) which includes cities with more than 4,000 inhabitants. I restrict the dataset to cities for which there is data in 1750 which constitutes 211 cities that are observed in 1750 and 1800. Finally, I include data on contemporary population density is from the Gridded Population of the World which is distributed by the (CIESIN) at Columbia University.

²¹"Sources include archival material like census tables, mission reports, visitations of dioceses and provinces, but also more ephemeral documents like petitions of some city council which was mostly not written for giving geographic information but may touch one specific detail or incidentally exposes some relevant information. Non-archival contemporary sources include mostly highly systematic sources for information like so-called "Foreigner Guides" (printed calendar-manuals which included also lists of office holders of many parts of the Empire), maps, or geographical descriptions both printed and manuscripts." (Stangl, 2018).

²²For example, a place served as a marketplace, the dataset includes the location of the marketplace. A place with a primarily religious function records the location of the church and so on.

²³This dataset has been used in the economics literature to study long-run growth and urbanization patterns (Motamed, Florax and Masters, 2014; Delventhal, Fernandez-Villaverde and Guner, 2019; Fernández-Villaverde et al., 2020). The years used in this analysis are 1500, 1600, 1700, 1710-1820 (by decade).

²⁴The correlation coefficient between the population implied by the two datasets is 0.77.

3.2 Sailing and Trade

Sailing data. To infer the sailing speeds, I combine information on maritime logbooks with data on wind patterns. I calculate average sailing speeds using logbooks from the CLIWOC database (Climatological Database for the World's Oceans) ([García-Herrera et al., 2005](#)). The data was originally compiled for studying historical oceanic climate conditions and contains around 280,000 logbook entries for Spanish, Dutch, French, English, and Swedish ships between 1750 and 1850. The logbook entries contain the daily longitude and latitude, wind speed and direction as well as several voyage-level characteristics such as the ship name, origin, and destination, captain name, and ship type.²⁵ I follow [Kelly and Ó Gráda \(2019\)](#) and remove observations for which either the inferred speed is implausibly high (above 10 knots), or are located in coastal areas. Information on the average velocity and direction of the sea-surface winds by $0.5^\circ \times 0.5^\circ$ cells for each week between 2011 and 2017 is from the US National Oceanic and Atmospheric Administration (NOAA).²⁶.

Trade data. Data on trade flows come from two separate sources. First, data on trade between Spain and America at the port-level between 1797-1820 is from [Fisher \(1993\)](#). These data have been compiled from primary sources mainly from the General Archive of the Indies in Seville. It contains data on the share of Spanish foreign exports to the 19 largest American ports as well as the total value (measured in *reales de vellón* in constant prices). Moreover, it contains estimates of the composition of trade. I use this data to assess the relationship between changes in shipping times and the value of trade. Second, I use data on bilateral trade flows at the country level ([Fouquin and Hugot, 2016](#)). The full dataset contains 1.9 million bilateral trade observations. I restrict this dataset to be between 1820 and 1870 which roughly proxies the period before the introduction of the steamship.

3.3 Geography and Infrastructure

Geography. I use high-resolution data on agricultural yields to proxy for agricultural land quality and suitability for important high-value export crops in Spanish America in the second half of the 18th century. Crop suitability for cotton, tobacco, sugarcane, and cacao is provided by FAO's Global Agro-Ecological Zones and averaged at the grid-cell level. These constitute around 27.3 of total exports from Spanish America to Spain in this period and measure the suitability under rain-fed, low-input agriculture. Second, I incorporate data on the potential agricultural output (measured in calories) to proxy income. I use a measure of agricultural potential constructed by [Galor and Özak \(2015, 2016\)](#) and measures the maximum attainable yield measured in calories that can be achieved for a variety of crops. A compelling feature of the Galor and Özak measure is that it captures features of the natural environment affecting attainable yields, but that are exogenous to human intervention. Furthermore, I calculate the terrain ruggedness index, average slope, and elevation by grid-cell. To proxy for the disease environment, I construct an indicator variable that takes the value one if the average elevation is below 1500m.²⁷ Finally, information on climatic variation is from [Hijmans et al. \(2005\)](#). Proxying 18th and

²⁵In the case of Spanish ships these are *paquebote*, *fregata*, and *navio*.

²⁶For cells covering land, the wind speed is set to zero to prevent routes from crossing land.

²⁷There is no data on the disease environment at high geographical resolution available for Spanish America in the 18th century. However, as pointed out in [Bruhn and Gallego \(2011\)](#), [Hong \(2007\)](#) shows that the main predictors of deaths due to malaria in North American frontier forts in the 19th century are variables related to climate and elevation which I do control for in a flexible manner.

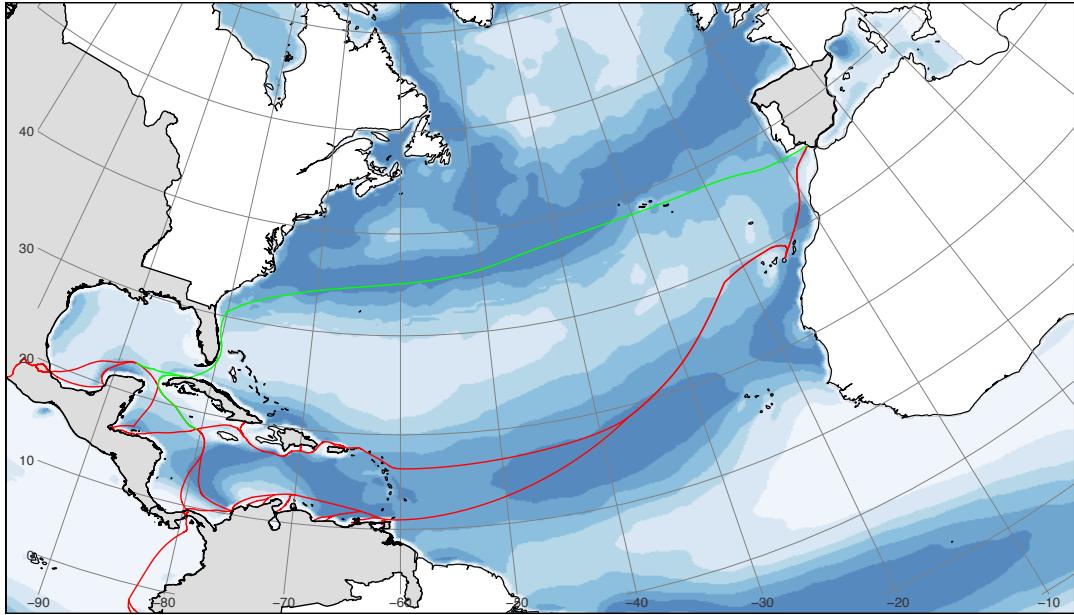


Figure 3: The figure shows the cost surface of maritime travel between 1750 and 1850. The map plots the average cost for each $1^\circ \times 1^\circ$ grid-cell where darker colors indicate that the cell can be crossed at higher speed. Grey areas denote territory claimed by the Spanish Empire in 1790. The cost surface is calculated from predicting sailing speeds from wind direction and speeds. The estimated relationship is the extrapolated on gridded data of wind direction and wind speeds covering the world oceans. The red and green lines denote historical trade routes. Red denotes the westward journey while green denotes the eastward journey. Source: NOAA and CLIWOC.

19th-century geographical characteristics with several of these data sources requires further assumptions. In particular, I assume that these have remained fixed, or only changed with the same factor across different locations.

Infrastructure. The trading status of each port is from the decree *Reglamento y aranceles reales para el comercio libre de España a Indias de 12. de octubre de 1778*, as well as [Fisher \(1997\)](#). I validate these sources with various other secondary sources and list the ports, their location, as well as trading status in the Appendix. Further, I include the location of the principal mining centers in the 18th century. In total 78 locations across the Spanish Empire mined for silver, mercury, gold, salt, emeralds, copper, platinum, or iron. This data is from [Fisher \(1997\)](#). Together, mining, cotton, tobacco, sugarcane, and cacao exports make up around 83.7 of all exports from Spanish America to Spain in the period. Finally, I use land routes for mail to proxy for the location of roads ([Stangl, 2019a](#)). These data have largely been reconstructed from historical sources. I include controls on potential vegetation to proxy for different geographical fundamentals as well as using landcover to calculate travel speeds ([Ramankutty and Foley, 1999](#)). Navigable rivers played a less important role in trade than in Europe and the United States. Therefore, I only control for time-varying effects of distance to waterways and fresh-water access by using data on river flows from ([Lehner, Verdin and Jarvis, 2008](#)).

4 Trade Costs and Market Access

To estimate the impact of the reform, I compute trade costs between locations in the Spanish Empire in the 18th century. While trade costs in this context are a function of a large range of factors, I exploit that trade costs have been widely documented to depend on distance both in contemporary and historical settings (Head and Mayer, 2014; Flückiger et al., 2019; Barjamovic et al., 2019). To this end, I construct a directed graph, where nodes denote localities and edges the shipping times to all adjacent localities (measured in days). Shipping times are calculated based on predetermined first-order determinants of mobility in the context, such as wind patterns, elevation, and infrastructure constructed before the reform. Using the graph, I calculate time minimizing trade routes by decade, accounting for which ports were allowed to trade directly with Europe in that decade. This section further elaborates on the procedure.

4.1 Estimating Trade Costs

Maritime Transport. I estimate the sailing speed by using information from maritime logbooks in the 18th and early 19th centuries. From each logbook entry, I extract information on recorded wind speed, wind direction as well as travel direction. Figure 5 panel (a) shows the distribution of recorded wind directions and panel (b) travel speeds. The figure shows that the average sailing speed was around 5 knots and that most sailings took place in the direction of the wind or at 90 degrees where sails work most efficiently (Kelly and Ó Gráda, 2019). To estimate the relationship between wind direction, wind speed, and sailing speed I consider the following equation,

$$T_{ij} = \exp\{f(\theta_{ij}, s_i) + \epsilon_{ij}\}, \quad (1)$$

where s_i measures the wind speed in grid-cell i , θ_{ij} measures the deviation of the angle between node i and j with the wind direction, and T_{ij} measures the predicted sailing speed between cells i and j . Given a large number of features, Equation 1 is estimated using an elastic net where tuning parameters are chosen optimally using 10-fold cross-validation (Zou and Hastie, 2005). The full sample ($N = 37,141$) is then split into a training sample (80 percent of the sample) and a validation sample. The model predicts sailing speed accurately (with a mean absolute error of 1.48 in the preferred model). Next, I average high-resolution data on wind speed and wind direction from NOAA weekly over the period 2011-2017. For every node in the graph, I then calculate the wind speed and wind direction between and use the final model to calculate the predicted sailing speed to all adjacent nodes.²⁸

Overland Transport. Long-distance shipping overland relied on pack animals at least until the second half of the 19th century. I calculate the costs faced by shipping with pack animals using geographical features. The pace will depend on whether travel occurs on a road, the slope of the terrain, as well as the land cover. A key feature determining movement speeds in this context is the slope of the topography which either impede or facilitate movement. I model this using the Tobler-function (Tobler, 1993), which forms the basis of the calculations. The number of days it takes to travel between i and j is given by the

²⁸The graph is weighted again to account for the fact that the distance between the nodes of the graph varies due to their relative position as well as the curvature of the earth.

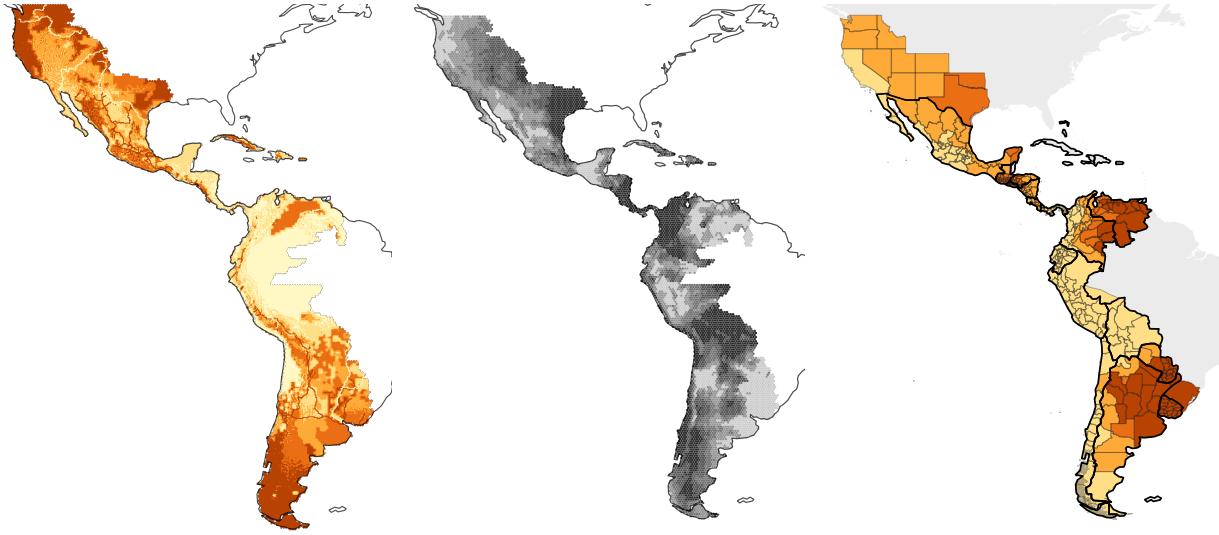


Figure 4: The left figure plots the cost surface for travel over land. Darker colors indicate that the cell can be traversed faster. The middle figure shows the residualized change in shipping times 1760 and 1810 at the level of 6,662 $0.5^\circ \times 0.5^\circ$ grid-cells. Lighter colors indicate larger reductions in shipping times. Controls include elevation, distance to the coastline, terrain ruggedness, agroclimatic suitability for various cash crops, and whether the grid-cell overlaps an active mine. The right figure shows the change in shipping time by province.

following expression,

$$\hat{T}_{ij} = \kappa_i \times 4.17 \times \exp\{3.5|slope_{ij}| + 0.05|\} \quad (2)$$

where $slope_{ij}$ measures the slope between cells i and j and κ_i is a coefficient determined by the landcover in cell i . I assume that travel on flat terrain on a road happens at 4km per hour.²⁹ I rely on data on official routes for mail in the Spanish Empire during the Bourbon period to proxy the location of roads. I assume the pace off the path to only be sixty percent of the pace on the path. Additional geographical attributes can further facilitate or impede movement and I rely on the literature for the terrain coefficients.³⁰ Six terrain types have a natural mapping between historical land cover data and the terrain coefficients.³¹ I model rivers and lakes mainly as obstacles to mobility. Further, I assume the location of rivers and lakes to be time-invariant, which is a reasonable assumption at the level of aggregation used in the analysis. The left map in Figure 4 shows the resulting cost surface.³²

Shipping time elasticity. Having calculated the bilateral shipping times, I calculate the elasticity of the value of trade with respect to shipping time. The gravity equation arises from a large set of trade models and shows that bilateral trade depends on exporter and importer capabilities, bilateral trade costs, and a trade cost elasticity ϵ (Anderson and Wincoop, 2003). Throughout this paper, I assume trade costs take

²⁹Fernández-Villaverde et al. (2020) point out that roman recruits were required to complete about 30 km in 6 hours in loaded marches. In the U.S. Army, the average march rate for foot soldiers is estimated to be between 20 to 30 km per day.

³⁰For simplicity, I assume a linear relationship between travel speed and the metabolic rate.

³¹These are dense forests, grassland, deserts, open shrubland, and dense shrubland. The terrain factor makes the pace off-path 0.6 of the initial pace, 10/11 on grassland, 5/6 on dense and open shrubland, 2/3 in forests, and 10/21 in deserts. In the baseline case, I assume that lakes have to be circumnavigated, while rivers can be crossed at every point by reducing the pace by 50 percent.

³²Özak (2018) develops a *Human Mobility Index* to calculate pre-modern travel times. This measure is not appropriate in the current context because I take into account infrastructure and travel routes in Spanish America in the 18th century. Moreover, the estimates of seafaring measure pre-modern maritime travel times.

the iceberg form and is given by the following relationship,

$$\tau_{ijt} = T_{ijt}^\zeta \times \phi_{ij} \times \zeta_{ijt}, \quad (3)$$

where T_{ijt} is again the shipping time between i and j in decade t , and ζ_{ijt} is a route-specific error term. ϕ_{ij} captures route-specific factors such as risk caused by weather or the presence of piracy and privateering along the route.³³ Based on this specification and the gravity equation, I estimate the following equation,

$$\Delta \ln X_{sjt} = \alpha + \rho \Delta \ln T_{sjt} + \mu_{sjt}, \quad (4)$$

where X_{sjt} is the value of trade between Spain and port j in year t . The shipping time elasticity ρ is the product of the trade cost elasticity ϵ , and the elasticity of trade costs with respect to distance ζ . A compelling feature of the specification is that it allows for route fixed effects due to the time variation in shipping times induced by the reform. However, a challenge is that missing data on bilateral trade between American ports prevent me from accounting fully for multilateral resistance terms present in structural gravity equations. Finally, since it is crucial to account for route fixed effects, I restrict the main estimation for ports that had approximately zero direct trade with Europe before the reform.

Least-Cost Path Problem. Once the cost of passing between all adjacent cells is known, I calculate the bilateral trade costs between all cells by searching for the cost-minimizing route of getting from a cell i to any other cell j along the graph. Since there will be many alternative routes to ship a good between localities i and j , I assume goods shipping follows the time-minimizing route according to the Dijkstra algorithm (Dijkstra, 1959). This approach results in a $R \times R$ dimensional matrix of bilateral trade costs between all the cells, $\mathbf{T}_t[\tau_{ij} \geq 1]$. I calculate one matrix for every decade, accounting for which ports were open to direct trade with Europe in a given decade, and I refer to \mathbf{T}_t as the trade cost matrix in decade t .³⁴ Using the trade cost matrices, I calculate the total exposure to trade of a location in a given decade. The market access of a locality in decade t is given by

$$MA_{i(t)} = \sum_{j \in R} T_{ij}^\rho L_{jt}, \quad (5)$$

where T_{ij}^t again measures the number of days shipping from i to j at time t , and ρ captures the shipping time elasticity. L_j^t measures the population size in j at t and is used as a proxy for the income of that location. Finally, to incorporate trade with Europe, I model Europe as a point-like country centered on Cadiz containing the population mass of Spain, the United Kingdom, and France in 1700. I choose Cadiz because the majority of legal trade with Europe was channeled through this port throughout the period.³⁵

³³The decline in piracy and privateering has been highlighted as an important source of productivity growth in shipping in the first half of the 18th century (North, 1968). These factors had become less important towards the end of the 18th century (Hillmann and Gathmann, 2011).

³⁴In the baseline case $R = 6,662$.

³⁵For the case of Great Britain the share of direct trade with Latin America became the most dominant towards the end of the colonial period, starting in the early 18th century (de la Escosura, 1984).

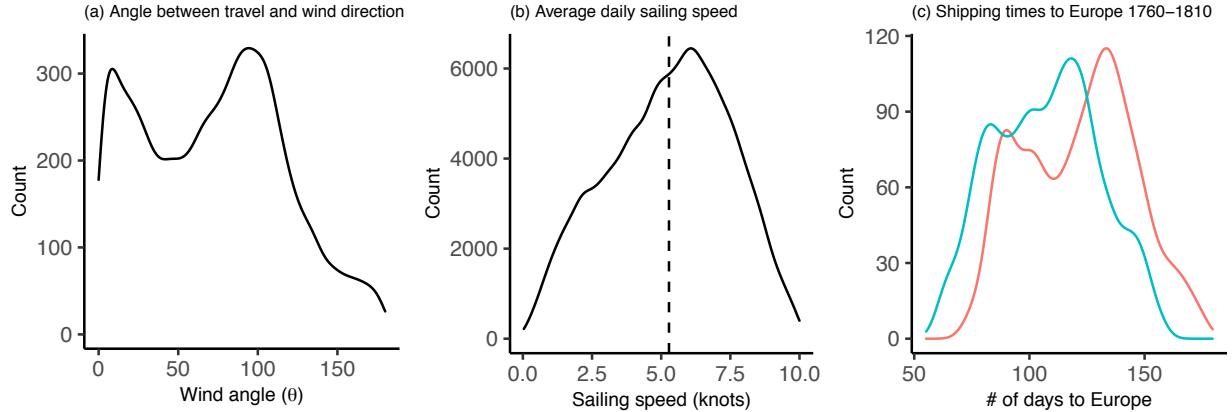


Figure 5: The left deviation of the sailing direction and wind direction for the logbook entries. The middle figure displays the average daily speed imputed from the logbook entries. The right panel displays the number of days' travel from a grid-cell to Europe in 1760 (red) and 1810 (green) for the grid cells in the sample.

4.2 Results

Results. Figure 5 presents the change in both shipping times and market access between 1760 and 1810. The shipping time is 5.5 days lower on average. The reduction ranges from 27 days shorter shipping to no changes for several locations. These reductions are relative to a pre-reform average of around 88 days. Figure 3 shows the geographical variation in the reduction of shipping time where darker colors indicate larger changes. Localities with the largest reductions are in the River Plate region, Venezuela, and parts of Central America. These areas experienced large changes in market access and shipping times as a result of the reform. Changes in market access largely mirror the changes in shipping times. Table 2 shows the relationship between shipping times and the value of exports from Spain. For the preferred specification in Column (4), a one percent increase in the shipping time leads to a 3.6 percent reduction in the value of export from Spain.

Assessing the Shipping Times. How precise are these estimates? First, I find that there is a close correspondence between the location of predicted trade routes and the location of known historical trade routes.³⁶ Next, I quantitatively assess the quality of the estimates in three ways. First, I compare the results to measures sailing times according to a database of bilateral sailing times.³⁷ For each port, I calculate the sailing time from Europe (Cadiz) to all the ports in the dataset for which the website records information. The average speed of 5 knots is used, which makes up the average speed of Spanish freight ships in 1750 (Kelly and Ó Gráda, 2019). These two measures are shown to be highly correlated and robust to including controls. Next, I assess the correlation between predicted time travel and the duration of mail dispatches between major ports in Spanish America (Baskes, 2013). Finally, I assess the correlation between historical and modern wind patterns. As can be seen in Table ??, there is a strong correlation between wind speed and direction in these two datasets. A remaining concern is that changes in maritime technology changed the relationship between distance and trade costs over the period. However, the literature has found maritime technology to remain fairly stagnant between the

³⁶For example, Pacific and Atlantic ports are connected by the Panama isthmus, Mexico City is connected to maritime trade through Veracruz and Acapulco, and Potosí and Arica with Callao.

³⁷A database of bilateral sailing times between major ports around the world. Data available at seadistances.org.

16th and 19th centuries, before the introduction of the steamship (North, 1968; Harley, 1988).³⁸ Taken together, the exercises therefore show that the determinants of trade costs emphasized in the estimation were important in the context.

5 Atlantic Trade and Economic Geography in Spanish America

In this section, I use the calculated changes in trade costs to examine the effects of trade on economic geography. This section presents the empirical strategy, the reduced-form results, and robustness checks.

5.1 Baseline Empirical Strategy

Difference-in-Differences. I begin by documenting the impact of the changes in shipping times on the formation of new settlements. To quantify the effect, consider the following regression model,

$$y_{i(t)} = \alpha_i + \gamma_a \times \tau_t + \beta T_{i(t)} + \phi x_{i(t)} + \epsilon_{i(t)}, \quad (6)$$

where $y_{i(t)}$ is an indicator equal to one if a settlement is present in cell i at time t and zero otherwise. $T_{i(t)}$ measures the number of days of travel from the grid-cell to Europe in decade t . I include the vector of controls, $x_{i(t)}$, to capture the geography, climatic characteristics, and historical resource availability of a given cell. The baseline model controls for elevation, distance to the coastline, agroclimatic suitability for various crops, and whether the grid cell contains an active mine. While elevation and coastal access is fixed over time, the effect of these factors could have changed with for example the disease environment. The variables are therefore interacted with decade indicators, which allows each feature to vary in importance over time.³⁹ $\gamma_a \times \tau_t$ are *audiencia*-times-decade fixed effects. These account for shocks affecting all localities within a given *audiencia* in a particular decade.⁴⁰ $\epsilon_{i(t)}$ is an error term potentially spatially correlated across nearby cells. In the baseline specification, standard errors are clustered at the level of the closest port, which constitutes the level of the treatment assignment in this context (Abadie et al., 2017).⁴¹ The coefficient β captures the change in the probability of a cell containing a settlement for a one-unit change in shipping time to Europe. My key identification assumption is that *changes* in the rate of the formation of new settlements in areas with different *changes* in trade costs, would have been the same in the absence of the reform. I challenge this assumption in several ways which I elaborate upon below.

Cross-sectional Design. The long-run effects are estimated with a cross-sectional specification. The specification compares population density between localities with different treatment intensities, i.e

³⁸This view has recently been challenged by (Kelly and Ó Gráda, 2019). However, they show that Spanish sailing speeds remained stagnant throughout the period of this study.

³⁹Elevation is an indicator variable taking the value one if the average elevation is above 1,500m. Agroclimatic suitability is measured as the average suitability for cocoa, tobacco, cotton, sugar cane, and coffee. The appendix provides more details about the data sources. Other controls are included as robustness exercises.

⁴⁰The viceroyalty was subdivided into audiences, which were political bodies in charge of various policies. The *audiencia* was further divided into governorships or provinces and further into principal mayoralties *corregimientos*. The smallest administrative unit considered in this paper is the *audiencia*. Figure 5 shows the geographical extent of the *audiencia* and viceroyalties in 1790. In robustness checks, I consider borders in place for earlier periods and find the same results.

⁴¹Standard tests can never reject the null with few clusters (Cameron, Gelbach and Miller, 2008). Therefore, I estimate bootstrapped p-values using the wild cluster bootstrap to account for this as robustness. This correction matters little. Further, I also account for spatial dependence in the error term by explicitly allowing for spatial correlation (Conley, 1999). The distance kernel chosen has a cutoff at 5,000km. This correction matters little for the size of the standard errors as can be seen in the Appendix.

larger reductions in shipping times as a result of the reform. To this end, contemporary population density is treated as the main outcome. I estimate the following equation,

$$y_i = \gamma_c + \beta \Delta T_i + \lambda X'_i + \epsilon_i, \quad (7)$$

where y_i denotes population density in the year 2000 and X'_i a vector of control variables. Standard errors are clustered at the country level in the main specifications.⁴² The interpretation of the coefficient rests on changes in shipping times to be independent of counterfactual long-run outcomes.⁴³ This is naturally a stronger assumption than required for the specifications relying on exogenous timing. I therefore provide several exercises that support the identifying assumptions below.⁴⁴ Finally, because several of the variables in the analysis exhibit fat-tailed distributions which sometimes include 0, I transform variables using the inverse hyperbolic sine function. This allows me to interpret coefficients as approximately percentage changes ([Card and DellaVigna, 2020](#)).

5.2 Results

The results are presented in three parts. First, I summarize the main results showing the impact of market access on the formation of new settlements and population growth. Second, I discuss several robustness checks. Finally, present evidence on the mechanisms.

Fact 1. *Lower shipping times led to the formation of new settlements.* Table 3 shows the relationship between shipping times and the formation of new settlements. Panel (a) presents the results estimated on the full sample. Across a wide range of specifications, there is a negative relationship between shipping time to Europe and the probability of a new location becoming settled. In the preferred specification in Column (3), containing both year and decade fixed effects in addition to the full set of controls, I find that a one standard deviation increase in the shipping time to Europe (27.5 days), leads to an around 6 percentage point reduction in the probability of a new settlement forming ($\beta = -0.06$). The estimated coefficients range from -0.09 and -0.02 . The sample average is 0.1, hence ten percent of grid cell decade pairs contain settlements. The estimates are therefore both statistically and economically significant. As a result, the estimates are consistent with cheaper access to goods produced in other locations and better export opportunities increasing the attractiveness of settling a new location. This increased the population pressure in locations that experienced improved access to trade. Tables 16 provides further support for this interpretation using data from [Buringh \(2013\)](#) as well as ([Klein Goldewijk et al., 2011](#)).

Fact 2: *The effect is driven by areas that were less densely settled.* The change in trade costs induced by the reform affected regions that differed substantially in terms of population density. If city and town locations are path-dependent, we should expect smaller effects to changes in economic fundamentals in areas with more population agglomeration. To explore this possibility, I study heterogeneity by the initial level of population density. I divide the Spanish Empire into macro-regions constituting a core

⁴²To address concerns about spatially correlated errors, I report Conley standard errors in the Appendix ([Conley, 1999](#)).

⁴³More formally, the identification assumption is $y_{k,i} \perp\!\!\!\perp k_i | X_i$ where $k_i = \Delta T_i$ and X_i is a vector of observable control variables.

⁴⁴Table A10 presents several placebo checks showing that the change in maritime remoteness is only related to the population after the opening of trade, and not before, also in the cross-section. Second, I calculate the bias-adjusted estimates in line with [Altonji, Elder and Taber \(2005\)](#) and [Oster \(2019\)](#) to show that a very strong selection on unobservable characteristics is necessary to explain the estimated coefficients for most of the specifications.

Table 3: Shipping Time, Market Access, and Settlements

| Dependent variable: | Indicator variable for grid-cell containing a settlement | | | | |
|-------------------------------------------|----------------------------------------------------------|---------------------|----------------------|----------------------|---------------------|
| | (1) | (2) | (3) | (4) | (5) |
| Panel (a): Full sample | | | | | |
| Shipping Time | -0.09 *** (0.022) | -0.036 * (0.017) | -0.06 *** (0.013) | -0.06 *** (0.016) | -0.02 (0.013) |
| Observations | 61,303 | 61,303 | 61,303 | 61,303 | 61,303 |
| Panel (b): Low population density | | | | | |
| Shipping Time | -0.07 *** (0.016) | 0.006 (0.029) | -0.09 * (0.031) | -0.09 *** (0.031) | -0.09 ** (0.031) |
| Observations | 17,809 | 17,809 | 17,809 | 17,809 | 17,809 |
| Panel (c): High population density | | | | | |
| Shipping Time | -0.08 ** (0.025) | -0.04 * (0.019) | 0.016 (0.017) | 0.02 (0.018) | 0.02 (0.015) |
| Observations | 43,494 | 43,494 | 43,494 | 43,494 | 43,494 |
| F-statistic: $\beta_b = \beta_c$ | 10.7 *** | 11.9 *** | 62.1 *** | 41.9 *** | 6.31 ** |
| Grid-cell FE | | ✓ | ✓ | ✓ | ✓ |
| Decade FE | | ✓ | ✓ | | |
| Controls | | | ✓ | ✓ | ✓ |
| Viceroyalty \times Decade FE | | | | ✓ | |
| Audiencia \times Decade FE | | | | | ✓ |

Note: Shipping time is standardized. The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Dependent variable:** An indicator variable taking the value 1 if the grid-cell contains a settlement. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 5,573 grid cells. The full dataset contains $11 \times 6,662 = 61,303$ observations. Panel (b) contains cells in the *audiencia* of Buenos Aires, Guadalajara, and Caracas. **Controls:** Elevation, crop suitability, the location of active mines, distance to the coastline, and a polynomial of longitude and latitude. **Standard errors:** Clustered at the level of the closest port. *** $p < .01$, ** $p < .05$, * $p < .1$

and a low population density fringe (Mahoney, 2003, 2010). The low-density fringe consists of areas in Northern Mexico, Venezuela, Argentina, and Uruguay. I estimate the baseline specification in Equation 6 separately for these different areas. The results are presented in Panel (b) and (c) in Table 8. Across all specifications, the marginal effects of changes in shipping times are significantly different in the two samples at conventional levels of significance. For the preferred specifications in Column (3)-(5) the effect is driven by areas in the low-density fringe. For this sample, a one standard deviation increase in the shipping time to Europe, reduced the probability of a settlement forming by 9 percentage points ($\beta = -0.09$). For the remaining areas, the effect is indistinguishable from zero. Taken together, these results show that the effect is mainly driven by the areas with lower initial density.

A possible interpretation of this pattern is that improved market access facilitated settlement in frontier areas, or areas with low state presence. There were indeed efforts in during the 18th to increase state capacity and population density in the frontier (Parry, 1990). I explore this by estimating the effects separately in locations with low and high state presence. I find that formation was more responsive to

changes in shipping times in areas with more state presence.⁴⁵ Another interpretation could be that urban congestion costs are high in this context. If so, then areas with more agglomeration will react less to changes in market access. However, Mexico and Peru experienced fairly high rates of urbanization, surpassing that of Spain by the 18th century ([Arroyo Abad and Zanden, 2016](#)), which is inconsistent with large congestion costs constraining urban growth. An alternative interpretation is that it is driven by a non-linear impact of changes in trade costs. If a marginal increase in trade costs has a larger effect for large changes this could potentially explain the discrepancy between the different samples since they also differ in the size of the shock. However, controlling for non-linearity and considering different subsamples gives similar results. Finally, since I consider the effect of market access, the effect of lower distance does not depend on interactions with the local market size. Taken together, the effect is therefore consistent with the mediating factor being initial population density.

Fact 3: *Lower persistence of historical settlement patterns in areas opened to trade.* Did the changes in economic geography documented above result in lower persistence in the location of economic activity? To examine this question, I explore the relationship between pre-modern and contemporary settlement patterns in areas that experienced different changes in trade costs. I estimate the persistence elasticity, the elasticity between pre-modern and contemporary population density at the province level for 18 countries in Spanish America. To examine the relationship between the reform and spatial persistence, I split the sample into whether the provinces have high or low exposure to the reform as measured by above or below change in shipping times to Europe in the period 1760 and 1810.

Figure 7 shows the relationship between pre-colonial population density and the current population for the different samples. The left figure shows the correlation for all regions in the study region. Consistent with [Maloney and Valencia \(2016\)](#), there is a strong positive relationship within country between pre-colonial population density and population density in 2000. The plot in the middle shows the relationship between the two variables for the sample of provinces that experienced low changes in shipping costs after the reform. The figure shows that persistence is more pronounced for this subsample. Finally, the figure to the right shows the relationship to be weak in the subsample of provinces that experienced large changes due to the reform. Table 9 documents that this pattern is robust across several specifications. Consistent with the results in Section 5.2, I find that these areas are substantially more concentrated in coastal areas today. Table 10 uses the same approach to compare the differences in coastal access for areas more or less intensively treated by the reform. The table shows that the distribution of the population is more spatially clustered in coastal areas for places more intensively treated by the reform. In sum, the results from Table 10 and Table 11 support the interpretation that the reform increased the population in coastal areas.

Discussion. The combination of large regional differences in population density, a strong degree of path dependence in the location in economic activity, and late exposure to international trade contribute to explain differences in the importance of trade and historical persistence across Spanish America. In locations that develop high levels of population density early, population agglomeration will form in places with important pre-modern locational fundamentals (such as natural defenses, a favorable disease

⁴⁵Two approaches are taken to proxy for state presence. First, similar to [Acemoglu, García-Jimeno and Robinson \(2015\)](#) I use the distance to infrastructure as a proxy. In particular, I use a dataset on around 900 post offices in Spanish America in the 18th century. Second, the level of state presence is assumed to be lower in areas outside *audiencia* borders. These different approaches delineate roughly similar areas.

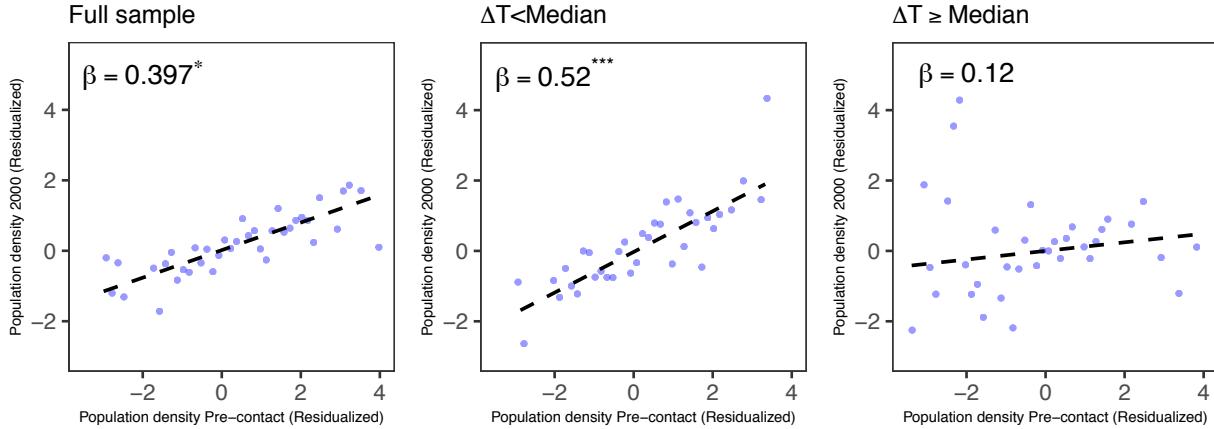


Figure 6: The figure shows the relationship between pre-contact population density and the population density in year 2000 at the level of the province. The left figure shows the relationship for the full sample. The middle figure shows the relationship for provinces with below median change in the distance to Europe between 1760 and 1810. The right figure shows the relationship for the sample above median reduction in shipping time to Europe between 1760 and 1810. Pre-colonial population density is the number of people per square kilometre pre-contact. The dependent variable is the log of people per square km in 2000. The full sample contains 258 observations. **Geographical controls:** Altitude, ruggedness, rainfall, and inverse distance to the coast (see [Maloney and Valencia \(2016\)](#) for details). **Standard errors** are clustered at the country-level.

environment, and high agricultural productivity). Due to path dependence, these agglomerations remain even though international trade becomes a relatively more important determinant for economic activity. For places with low initial population density, the forces generating path dependence in the location of economic activity are weaker, and population agglomerations emerge in places with increased market access. As a result, the sequence with which a country reaches high levels of population density and comes to rely more heavily on trade is an important factor in determining the importance of trade for the location of economic activity. The Section 6 present a quantitative model showing these mechanisms are quantitatively important in explaining differences in spatial development across the Americas.

5.3 Assessing the Research Design

The identification assumption in the reduced form is that other things equal, the formation of new settlements would have happened at an equal rate in areas with different reductions in shipping costs in the absence of the reform. To assess the plausibility of this assumption, I consider the dynamic version of Equation 6 where the change in shipping time is interacted with decade indicators. In particular, I estimate the following model

$$y_{i(t)} = \alpha_i + \gamma_a \times \tau_t + \sum_{s=1710}^{1810} \mathbb{1}[t=s] \Delta T_i \times \tau_s + \phi x_{i(t)} + \epsilon_{i(a,t)}, \quad (8)$$

where $\Delta T_i = T_{i(1760)} - T_{i(1810)}$ and the other variables are defined as in Equation 6. Figure 7 shows the estimated coefficients using the baseline specification. The plotted coefficients give the estimated difference between differentially exposed localities in year j relative to 1760, which is the last year prior to the reform. Consistent with the identification assumption, there is no significant difference in the

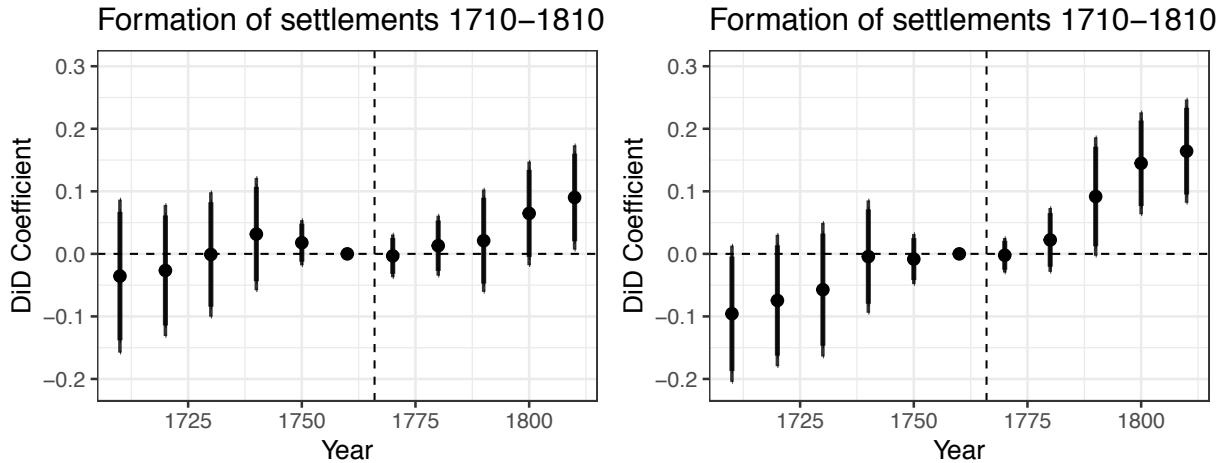


Figure 7: The figure shows the estimated coefficients of the difference in the formation of settlements and market access in grid-cells according to the reduction in shipping times to Europe. **Dependent variable left figure:** Market access (log) with $\zeta = -4$. **Dependent variable right figure:** An indicator-variable taking the value one if the grid-cell contains a settlement. **Observations:** The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. The dataset is a balanced panel at a 10-year frequency for the period 1710–1810 for 6,662 grid cells. 1760 is the omitted year. The full dataset thus contains $10 \times 6,662 = 66,620$ observations. **Controls:** The specification includes *audiencia* as well as *audiencia* times decade fixed-effects. The geographical controls contain elevation, crop suitability, the location of active mines, (log) distance to the coastline, and terrain ruggedness. **Standard errors:** Clustered at the port-level.

change of settlement in areas with high or low exposure to the reform before the reform.⁴⁶ Table 6 summarizes several alternative specifications.

Did other policies change at the same time that could explain the timing of the effect? One potential concern is the effect of a territorial reorganization that was implemented in the 18th century. The Viceroyalty of *Rio de la Plata* was separated from the Viceroyalty of Peru in the second half of the 18th century. It remains a possibility that this induced economic growth to be reoriented towards Buenos Aires in a way that was correlated with the reduction in travel times. However, when dropping cells in the Viceroyalty of *Rio de la Plata* the estimated coefficients are similar.⁴⁷ To further account for unobserved regional heterogeneity, I use viceroyalty and *audiencia* borders between 1710 and 1750 as additional controls as well as virtual country fixed effects. I use virtual country fixed-effects to account for other sources of unobserved regional heterogeneity. Next, I assess the robustness of the results of choosing different grid-cell sizes (Briant, Combes and Lafourcade, 2010). I construct two additional datasets with different resolutions and re-estimate the main effects in Table 3. Even though all large ports were eventually allowed to trade directly with Europe, it cannot be ruled out that the timing of which ports opened was driven by commercial potential. To mitigate this concern, I restrict the sample to only include areas far away from ports in the estimation, which were unlikely to be targeted by the policy. Finally, Kelly (2019, 2020) shows that in the studies spatially correlated treatment variables, p-values of statistical tests can be biased downward. I therefore use standard errors accounting for spatial correlation in line with (Conley, 1999). Taken together, these exercises provide support for the causal interpretation of the estimates.

⁴⁶I conduct a formal test of the joint significance. In all specifications, the hypothesis that the pre-trend coefficients are zero cannot be rejected.

⁴⁷Moreover, I exploit the fact that the viceroyalty of *Nueva Granada* with the capital in Bogota separated from the Viceroyalty of Peru already in 1717. I do not find evidence that this reform affected settlement patterns in a similar as the change in trade costs.

5.4 Mechanisms

(Fisher, 1997) highlights the importance of shorter shipping times to enable the export of high-value agricultural commodities. If increased export opportunities were important in driving the observed effects, one would expect the effects to be stronger in areas suitable for the production of agricultural exports. To assess this, I use measures of the suitability for cacao, sugarcane, cotton, and tobacco is averaged by the grid-cell level. These commodities constituted 27.3 of exports from Spanish America between 1782 and 1796. If new settlements formed as a result of new commercial opportunities, presumably the effect is stronger in areas with higher suitability for export agriculture. Table 14 presents the results. The average suitability measure is interacted with the change in the distance to Europe. The estimates in Table 14 support the notion that suitability is an important mediating factor. Across all the specifications longer shipping times to Europe are associated with a lower probability of a grid-cell containing a settlement.

The above results are consistent with the increased importance of high-value agricultural exports. To further explore this, I study if the reform increased the demand for labor. I use data from Eltis (2018) which contains 36,000 trans-Atlantic voyages which make up around 80 percent of voyages disembarking captives in the Americas. In the database there are 71 ports in Spanish America that took part in the slave trade.⁴⁸ For each port, I count the number of ships with the port as a first destination. The estimates suggest that places that reduced their shipping times to Europe more had more arrivals of ships disembarking slaves, which is consistent with the increased importance of high-value agricultural commodity exports. If shorter shipping times to Europe enabled the export of perishable agricultural commodities, the effects should be larger for routes that gained from the reform through changes in sailing routes, not only transshipment. To investigate which of these two effects dominates, the sample is split into localities for which the shortest path to Europe changed and not. The results can be seen in Table 17. The table shows that the largest effect is found for localities that experience changes in routes. Taken together, the findings in this section point to the importance of export opportunities in areas that experienced lower trade costs.

6 The General Equilibrium Effect of the Reform

This section outlines the key ingredients of the model. It provides further evidence that the combination of large regional differences in population density, path dependence, and late exposure to international trade contribute to explain differences in the importance of trade and historical persistence across Spanish America. The model builds on Allen and Donaldson (2020) but adapts the model to the setting by including land as a factor of production as well as time-varying trade and migration costs.

⁴⁸These were Samana Monte Christi, Santo Domingo, Ocoa, Nizao, Puerto de Plata, Isla Saona, San Juan, Ponce, Bahia Honda, Banes, Cabanas, Caibarien, Canasi, Cardenas, Cienfuegos, Estuary of River Guane, Guanamar, Havana, Isla de Pinas, Manzanillo, Mariel, Matanzas, Nuevitas, Puerto Padre, Sagua, San Juan de los Remedios, Santiago de Cuba, Trinidad de Cuba, Batabano, Baracoa, Punta Macurijes, Puerto Principe, Holguin, St. Andreas, Campeche, Veracruz, Guatemala, Santo Tomas, Portobelo, Cartagena, Santa Marta, Borburata, Caracas, Cumana, La Guaira, Margarita, Orinoko, Rio de la Hacha, Darien, Nombre de Dios, Rattan, Puerto Cabello, Isla de Aves, Coro, Maracaibo, Nueva Barcelona, Guayana, Tucacas, Caye de San Juan, Trujillo, Buenos Aires, Montevideo, Colonia de Sacramento, Maldonado, Rio Negro, Ensenada de Barragain, Punta del Este, Lima, Valparaiso, Talcahuano.

6.1 Theoretical Framework

Geography. The geography of the framework is defined on a finite grid. The R localities (indexed by i) have some geographical surface of similar size and the population is concentrated at the center of the cell where all consumption and production happens. Each grid cell is connected to the adjacent cells in a network through costly trade and migration. Furthermore, each location has a location-specific factor productivity \bar{A}_i and congestion externality \bar{u}_i . Europe is modeled as a point-like country centered on Cadiz and containing the population mass of Western Europe for each decade. Moreover, I assume that the amenity and productivity of Europe is the average of the full sample.

Timing. The timing of the model follows an overlapping generation structure. Each period is inhabited by agents who are either young or old and every agent lives for only two periods. Adults supply labor, consume. Growth of pre-industrial cities and towns occurred mainly through migration ([Jedwab and Vollrath, 2015](#); [Jedwab, Christiaensen and Gindelsky, 2017](#)). I therefore model population growth to be exogenous and I assume that each adult receives one child. The young make decisions on where to live as adults and move there. In the model, each period is assumed to represent a generation of 50 years. This structure greatly simplifies the problem as the equilibrium in each period can be solved separately.

Consumption. Preferences are defined over a set of differentiated varieties shipped from all other locations. All locations produce a unique good ([Armington, 1969](#)). The utility function takes the following form,

$$U_{it} = u_{it} \sum_{j \in R} \left(q_{jit}^{\frac{\sigma-1}{\sigma}} \right)^{\frac{\sigma}{\sigma-1}} \epsilon_{it}, \quad (9)$$

where $\sigma > 1$ is the constant elasticity of substitution across varieties. Additionally, workers derive utility local characteristics of the location they live, given by u_{it} . Finally, the utility of a worker in location i depends on a draw of a vector ϵ_{it} from a Fréchet distribution with shape parameter θ which determines the spread of preferences across all the other localities.

Production. Agriculture was undoubtedly the most important sector ([Arroyo Abad and Zanden, 2016](#)). In each location there is therefore a continuum of production entities using labor and land as inputs produce the regions unique good. The production technology takes the Cobb-Douglas form,

$$q_{it}(\omega) = A_i l_{it}(\omega)^\mu h_i(\omega)^{1-\mu} \quad (10)$$

where $l_{it}(\omega)$ denotes the amount of labor used by ω , $h_i(\omega)$ the amount of land, and A_i captures the total factor productivity of the location. Given the large geographic area, the supply of land and labor was organized through a range of contractual forms. However, largely free labor was the norm by the 18th century ([Allen, Murphy and Schneider, 2012](#)). Moreover, [Arroyo Abad, Davies and van Zanden \(2012\)](#) provide evidence that real wages responded to market conditions. To capture this, I assume factor markets were competitive. In each period the markets for land and labor clear, hence $\int l_{it}(\omega) d\omega = L_{it}$ and $\int h_i(\omega) d\omega = H_i$. Moreover, since there is perfect competition, factors are paid their marginal product, $p_{it} = w_{it}/A_i l_{it}(\omega)^{\mu-1} h_i(\omega)^{1-\mu}$.

Agglomeration economies. In the core areas of Spanish America urbanization was relatively high in the 18th century, exceeding that of Spain [Arroyo Abad and Zanden \(2016\)](#). A wide variety of factors drove

agglomeration in pre-industrial contexts (Jedwab, Johnson and Koyama, 2020). While the production technology rules out increasing returns at the level of the firm, the agglomeration spillovers as captured by α_1 and α_2 opens for the possibility that the total factor productivity to be a function of size and the history of settlement, $A_{it} = \bar{A}_i L_{it}^{\alpha_1} L_{it-1}^{\alpha_2}$. The contemporaneous increasing returns could reflect increasing returns at the level of the firm, knowledge spillovers, labor market pooling, or input sharing, while the lagged returns could reflect factors such as fixed capital. Similarly, on the demand side agglomeration economies are modelled in a similar manner, $u_{it} = \bar{u}_i L_{it}^{\beta_1} L_{it-1}^{\beta_2}$. The strength of the contemporaneous spillover, determined by β_1 , captures such features as costs related to congestion, while the lagged spillover, determined by β_2 could capture the housing stock or other persistent amenities.

Land. The market for land is competitive such that the price of land equals its marginal product in each locality. That trade is balanced in each locality and the assumption that income from land is allocated lump-sum to all inhabitants implies that the following relationship between income in locality i , income from land $((1 - \mu)L_{it}v_{it})$, and from labor $(L_{it}w_{it})$ holds,

$$v_{it}L_{it} = (1 - \mu)L_{it}v_{it} + L_{it}w_{it} = \frac{L_{it}w_{it}}{\mu}, \quad (11)$$

where v_{it} is the per capita income in locality i at time t .

Trade. The model implies a gravity equation for bilateral trade between regions. Using the expenditure function, the demand function for $q_{ij,t}$, and the competitive price gives the following gravity relationship for the trade-flow between i and j at time t ,

$$X_{ijt} = \frac{1}{\mu} \tau_{ijt}^{1-\sigma} \left(\frac{w_{it}}{\mu A_{it} L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}. \quad (12)$$

The equation shows that trade between i and j increases with lower prices in i , lower trade costs between localities, and higher income in j . Trade costs are assumed to be symmetric across locations.⁴⁹

Migration. Restrictions on labor mobility and coercive labor institutions no longer played an important role by the end of the 18th century (Arroyo Abad and Maurer, 2019). To accommodate this, I assume labor can move freely, but subject to a utility cost. In the model, the young choose a location to maximize expected utility. The utility derived from a particular destination depends on the deterministic utility V_{jt} which depends on the real wage and the local congestion externality u_{it} . Moreover, there is an idiosyncratic component to preferences, ϵ_{it} , which is assumed to be independent draws from a Fréchet-distribution with shape parameter θ . Migration costs between two locations i and j are assumed to be time-invariant, and given by μ_{ij} . The utility of a young individual moving from location i to j is therefore given by the following expression,

$$V_{ijt} = \frac{V_{jt}}{\mu_{ij}} \times \epsilon_{jt}. \quad (13)$$

⁴⁹Proofs of existence and uniqueness of the equilibrium depend on symmetric bilateral transportation costs (but not migration costs). I therefore assume that $\tau_{ijt} = \tau_{jti} = \frac{\tau_{jti} + \tau_{ijt}}{2}$ throughout the analysis.

Each agent chooses the location that maximizes utility when young, hence $V_{it} = \max_{k \in R} \{V_{ikt}\}$. Using the properties of the Fréchet-distribution and that ϵ_{jt} are independent, the population flows in the model is given by the following gravity relationship,

$$L_{ijt} = \mu_{ij}^{-\theta} \Pi_{it}^{-\theta} L_{it-1} V_{jt}^\theta, \quad (14)$$

where Π_{it} is the expected utility if for people born in region i .⁵⁰

General equilibrium and steady-State. A geography is made up of local fundamentals (\bar{A}_i and \bar{u}_i), trade costs (τ_{it}), migration costs (μ_i), allocation of land H_i , and past population distribution L_{i0} for all locations R . Given a geography, an equilibrium is defined as a sequence of the endogenous variables such that all markets clear in each period. In particular, an equilibrium is given by $E_t = \{L_{it}, w_{it}, V_{it}, \Pi_{it}\}_{i \in R}$ such that in each region total sales equals the total income ($w_{it} L_{it} / \mu = \sum_{j \in R} X_{ijt}$), trade is balanced ($w_{it} L_{it} / \mu = \sum_{j \in R} X_{jti}$), the total population equals the population arriving at a location ($L_{it} = \sum_{j \in R} L_{jti}$), and the total population in the last period equals the number of people exiting a location between $t-1$ and t and ($L_{it-1} = \sum_{j \in R} L_{jti}$). As shown in the Appendix, this corresponds to the equation system in Definition 1.

Definition 1 (Equilibrium) An equilibrium given a geography G_t , is a sequence $E_t = \{L_{it}, w_{it}, V_{it}, \Pi_{it}\}_{i \in R}$ such that,

1. $w_{it}^\sigma L_{it}^{1+\tilde{\alpha}_1(1-\sigma)} = \sum_{j \in R} \tau_{jti}^{1-\sigma} \left(\frac{1}{\bar{A}_i L_{it-1}^{\alpha_2} \bar{u}_j L_{jti-1}^{\beta_2} H_i^{1-\mu}} \right)^{1-\sigma} V_{jti}^{1-\sigma} w_{jti}^\sigma L_{jti}^{1+\beta_1(\sigma-1)},$
2. $w_{it}^{1-\sigma} L_{it}^{\beta_1(1-\sigma)} V_{it}^{1-\sigma} = \sum_{j \in R} \tau_{jti}^{1-\sigma} \left(\frac{1}{\bar{A}_j L_{jti-1}^{\alpha_2} H_j^{1-\mu} \bar{u}_i L_{it-1}^{\beta_2}} \right)^{1-\sigma} w_{jti}^{1-\sigma} L_{jti}^{\tilde{\alpha}_1(\sigma-1)},$
3. $L_{it} V_{it}^{-\theta} = \sum_{j \in R} \mu_{ji} \Pi_{jti}^{-\theta} L_{jti-1},$
4. $L_{it-1} = \sum_{j \in R} \mu_{ij}^{-\theta} \Pi_{jti}^{-\theta} L_{jti} V_{jti}^\theta,$

where $\tilde{\alpha}_1 = \alpha_1 + \mu - 1$.

In this economy, one can define the steady-state given a geography as the allocation that the economy converges to in the long-run. Moreover, the economy exhibits path dependence, if the long-run steady state of the economy depends on initial conditions. In terms of the notation used in the model, this can be defined in the following manner.

Definition 2 (Steady-state and Path Dependence) A steady state given a geography $\{G_t\}_{t \in K}$, is a sequence $\{E_t\}_{t \in K}$ such that $\{E_t\} = E^*$ for all t . The economy exhibits path dependence if there exist geographies $\{G_0\}$ and $\{G'_0\}$ such that $E^*(G_0) \neq E^*(G'_0)$.

⁵⁰The expected utility of a young person before he knows the realization of the shock is given by,

$$\mathbb{E}[V_{it}] = \left(\sum_{i \in R} \left(\frac{V_{jti}}{\mu_{ij}} \right)^\theta \right)^{\frac{1}{\theta}}. \quad (15)$$

Using results in [Allen and Donaldson \(2020\)](#) and [Allen, Arkolakis and Li \(2020\)](#), I provide proofs of existence and uniqueness of the equilibrium and steady-state in the Appendix.⁵¹ The next section provides details on how the model is calibrated and shows that the conditions for the uniqueness of the equilibrium are satisfied.

6.2 Parameter Estimation and Identification

To facilitate estimating and solving the model, the model is derived on a smaller grid of 543 cells of $1.7^\circ \times 1.7^\circ$.⁵² There are seven parameters, $\{\sigma, \theta, \alpha_1, \alpha_2, \beta_1, \beta_2, \mu\}$, as well as R geographical fundamentals and local amenities. The estimation proceeds in two steps. First, the equilibrium conditions are inverted in order to back out $\{p_{it}^{\sigma-1}, P_{it}^{\sigma-1}, V_{it}^\theta, \Pi_{it}^\theta\}_{i \in R}$. Second, I take the logarithm of the endogenous productivity and amenity values, and take first differences to arrive at the estimating equations. The local amenities and productivities are calculated as the residuals of the estimated model. I further elaborate on the steps of this procedure as well as the underlying assumptions for identifying the parameters below.

Structural parameters. The fifth parameter needed is the elasticity of substitution between goods produced in different locations. The size of the elasticity is contingent on context. [Bajzik et al. \(2020\)](#) find that most point estimates are between 1 and 5.1. Elasticities on goods produced in different locations within the same country are usually larger, typically ranging from 5 to 9 ([Allen and Arkolakis, 2014](#)). [Allen and Donaldson \(2020\)](#) find an elasticity of 13.6 which is among the few papers that provide the estimate in a historical context. In light of these findings, I set σ to 6 as a starting value and do robustness checks for values in the interval of $\sigma \in [5, 9]$. This gives a conservative starting point for the importance of trade in a within-country context. There are fewer estimates of the migration elasticity θ . [Allen and Donaldson \(2020\)](#) find a migration elasticity of around 11. However, this estimate in the context of developing countries typically ranges between 2 and 4 ([Morten and Oliveira, 2018](#); [Bryan and Morten, 2019](#); [Tombe and Zhu, 2019](#)). I therefore set $\theta = 3$ which is in the middle of this range as a starting point. I check for robustness to values in the range $\theta \in [2, 4]$. Finally, in the baseline case, the labor share is set to 0.45 and 0.55 following [Caselli and Coleman \(2001\)](#); [Arroyo Abad and Zanden \(2016\)](#).

Gravity Equations. To estimate trade and migration costs, it is assumed that the costs of shipping or migrating between two locations i and j is a function of the bilateral travel time, T_{ijt} . The cost of shipping is assumed to be given by $\tau_{ijt} = T_{ijt}^\kappa$ while the cost of migrating is $\mu_{ij} = T_{ij}^\lambda$ where $\kappa > 0$ and $\lambda > 0$. Taking the natural logarithm of the gravity equation for trade and the migration (Equations 17 and 18) and inserting τ_{ij} and μ_{ij} gives the following relationships,

$$\ln X_{ijt} = \kappa(1 - \sigma) \ln T_{ijt} + \ln \left(\frac{w_{it}}{\mu A_{it} L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} + \ln P_{jt}^{\sigma-1} w_{jt} L_{jt}, \quad (17)$$

⁵¹In particular, the existence and uniqueness are guaranteed by the spectral norm of \mathbf{A} being less than one. With the parameters of the baseline model, the spectral norm equals 0.97, where \mathbf{A} is given by the following expression,

$$\mathbf{A} = \frac{1}{(b_{11}\theta + \tilde{\sigma}\sigma)\theta} \begin{bmatrix} \gamma_{11}\theta^2 & \gamma_{12}\theta & \gamma_{11}\tilde{\sigma}\sigma\theta - \gamma_{12}b_{11}\theta \\ \theta^2 & -b_{11}\theta^2 & \end{bmatrix}, \quad (16)$$

where $\gamma_{11} = \tilde{\sigma}(1 + \beta_1(\sigma - 1) + \alpha_1\sigma)$, $\gamma_{12} = \tilde{\sigma}(1 - \sigma)$, and $b_{11} = \tilde{\sigma}(1 - \alpha_1(\sigma - 1) - \beta_1\sigma) - (1 - \mu)(1 - \sigma)$.

⁵²Approximately 180km.

$$\ln L_{ijt} = -\theta \lambda \ln T_{ijt} + \ln \Pi_{it}^{-\theta} L_{it-1} + \ln V_{jt}^\theta. \quad (18)$$

Model Inversion. The equilibrium conditions in Definition 1 are used to invert the model to solve for the endogenous variables given the data. Imputing data on the population size and wages as proxied by potential agricultural yield, all the parameters as well as the exogenous amenity and productivity values are identified. To proxy wages, I use data on the maximum attainable yield (measured in calories) that can be achieved in a particular locality. The model is inverted in the following manner,

$$p_{it}^{\sigma-1} - \sum_{j \in R} Y_{it} T_{ijt} \left(\frac{Y_{jt}}{Y_{it}} \right) P_{jt}^{\sigma-1} = 0, \quad (19)$$

$$P_{it}^{\sigma-1} - \sum_{j \in R} T_{ijt} \left(p_{jt}^{\sigma-1} \right)^{-1} = 0, \quad (20)$$

$$V_{it}^{-\theta} - \sum_{j \in R} M_{jit} \left(\frac{L_{jt-1}}{L_{it}} \right) \Pi^{-\theta} = 0, \quad (21)$$

$$\Pi^{-\theta} - \sum_{j \in R} M_{ijt} V_{jt}^\theta = 0, \quad (22)$$

where $Y_{it} = L_{it} w_{it} / \mu$. Given $\{L_{it}, L_{it-1}, w_{it}\}_{i \in R}$, this system uniquely solves for the endogenous variables $\{p_{it}^{\sigma-1}, P_{it}^{\sigma-1}, V_{it}^\theta, \Pi_{it}^\theta\}_{i \in R}$.

Parameter Estimation. The functional form of the productivity spillovers and the first-order condition of the firms, is used to identify the parameters of the productivity spillover parameters. Combining these expressions gives,

$$\Delta \ln p_{it}^{\sigma-1} = (\sigma - 1) \Delta \ln w_{it} + \tilde{\alpha}_1 (1 - \sigma) \Delta \ln L_{it} + \alpha_2 (1 - \sigma) \Delta \ln L_{it-1} + (1 - \sigma) \Delta \ln \bar{A}_i. \quad (23)$$

The identification assumption is that \bar{A}_i is time-invariant in the short run such that $(1 - \sigma) \Delta \ln \bar{A}_i = 0$. This assumption is crucial since geographical fundamentals are unobserved. Without this assumption \bar{A}_i enters the error term and produces correlation between $\Delta \ln L_{it}$ and the error term (high ΔA_{it} increases the real wage which makes i a more attractive location for migrants). While the assumption is untestable in practice, the reduced form results support this assumption. This gives the following estimable equation,

$$\Delta \ln p_{it}^{\sigma-1} = (\sigma - 1) \Delta \ln \tilde{w}_i + \tilde{\alpha}_1 (1 - \sigma) \Delta \ln L_{it} + \alpha_2 (1 - \sigma) \Delta \ln L_{it-1} + \omega_1 x_i + \epsilon_{it}, \quad (24)$$

where ϵ_{it} is clustered at the level of the closest port and x_i is the vector of controls from the baseline specification in Equation 6.

Using the indirect utility function, the amenity spillovers, taking the logarithm and first-differencing gives the following expression,

$$\Delta \ln V_{it}^\theta = \theta \Delta \ln w_{it} + \frac{\theta}{1 - \sigma} \Delta \ln P_{it}^{\sigma-1} + \beta_1 \theta \Delta \ln L_{it} + \beta_2 \theta \Delta \ln L_{it-1} + \theta \Delta \ln \bar{u}_i. \quad (25)$$

Since \bar{u}_i is unobserved it enters the error term. Therefore, estimating this equation in levels will lead to biased estimates. In particular, since localities with high values of \bar{u}_i tend to attract migrants, the error term will be positively correlated with the error term of the regression. The key identification assumption is therefore that $\Delta \bar{u}_i = 0$. Since \bar{u}_i is assumed to change only slowly, it remains constant during the reform period and thus the expression disappears when taking first-differences. This gives the following estimable equation,

$$\Delta \ln V_{it}^\theta = \theta \Delta \ln w_{it} + \frac{\theta}{1-\sigma} \Delta \ln P_{it}^{\sigma-1} + \beta_1 \theta \Delta \ln L_{it} + \beta_2 \theta \Delta \ln L_{it-1} + \omega_2 x_i + \psi_{it}, \quad (26)$$

where again ψ_{it} is clustered at the level of the closest port and x_i is the vector of controls from the baseline specification in Equation 6.

Finally, I use the estimated parameters to back out the location-specific amenity and productivity using the same equations in levels. In particular, the following equations identify the locality specific fundamentals,

$$\bar{A}_i = \exp \left\{ \frac{1}{1-\sigma} \left(\ln p_{it}^{\sigma-1} - (\sigma-1) \ln w_{it} - \tilde{\alpha}_1 (1-\sigma) \ln L_{it} - \alpha_2 (1-\sigma) \ln L_{it-1} - \kappa \ln H_i \right) \right\}, \quad (27)$$

$$\bar{u}_i = \exp \left\{ \frac{1}{\theta} \left(\ln V_{it}^\theta - \frac{\theta}{1-\sigma} \ln P_{it}^{\sigma-1} - \beta_1 \theta \ln L_{it} - \beta_2 \theta \ln L_{it-1} - \theta \ln w_{it} + \theta \ln \mu \right) \right\}, \quad (28)$$

where $\kappa = (1-\mu)(1-\sigma)$. \bar{A}_i and \bar{u}_i are estimated as the residuals of Equation 24 and Equation 26.

Results. Table 20 contains the baseline estimates of Equation 23 and 25. The contemporaneous and lagged agglomeration spillovers, α_1 and α_2 , are found to be positive. This is consistent with various forms of agglomeration externalities. The point estimate of the agglomeration externality is fairly large. This could potentially be explained by the model not incorporating variety gains from population Krugman (1991), as a result, these are potentially soaked up in the α_1 parameter. $\alpha_2 > 0$ could be driven by location-specific fixed capital such as infrastructure. The contemporaneous amenity spillover is negative, consistent with congestion forces making a location less attractive as more people locate there. The lagged amenity spillover is positive but significantly smaller. This could for example be driven by the quality of the housing stock or various forms of infrastructure that depreciate slowly. Since the amenity spillovers are less precise, I solve the model with alternative amenity spillovers as a robustness check. Given this calibration of the model there exists a unique equilibrium.⁵³ Table 21 displays the parameter estimates used in the baseline models of the counterfactual exercises.

Model fit. This section assesses the performance of the theoretical framework by comparing the evolution of the spatial distribution of economic activity predicted by the model with the realized population growth. Since the population growth after 1810 is not targeted by in the calibration of the model, this serves as a test of the relevance of the mechanisms emphasized by the model. The model is solved for the initial population distribution in 1760 and solved forward several periods. The realized population distributions and the population distributions implied by the model are then compared. As the population is highly persistent over time, both levels and changes are compared.

⁵³Uniqueness is guaranteed by $\rho(\mathbf{B}) = 0.997$.

Table 21: Model Parameters

| Parameter | Description |
|-------------------------------------|-------------------------------------------------|
| Panel A: Preferences and Technology | |
| $\sigma = 6$ | Elasticity of substitution |
| $\theta = 3$ | Migration Elasticity |
| $\mu = 0.45$ | Labor share of income |
| Panel B: Trade and Migration Costs | |
| $\kappa(1 - \sigma) = -1.06^{***}$ | Elasticity of trade flow wrt. shipping time |
| $-\lambda\theta = -2.8^{***}$ | Elasticity of migration flow wrt. shipping time |
| Panel C: Spillovers | |
| $\alpha_1 = 0.214^{***}$ | Productivity spillover |
| $\alpha_2 = 0.011^{**}$ | Lagged productivity spillover |
| $\beta_1 = -0.411^*$ | Amenity spillover |
| $\beta_2 = 0.115$ | Lagged amenity spillover |

Note: The table shows the parameters used for the baseline simulation exercises. α_1 , α_2 , β_1 , and β_2 are estimated directly from the data on 543 grid-cells. σ , μ , and θ are taken from the literature in the baseline case. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. **Standard errors:** Clustered at the level of the closest port. ***p < .01, **p < .05, * p < .1

Table 22 displays the results of this exercise. Panel A shows the relationship between the model implied population in 1810 and the realized population in 1810 conditional on the baseline control variables. The table shows there is a robust relationship between the model implied population distribution and the realized population distribution. Column (3)-(4) shows that this relationship also holds within *audiencia* and viceroyalty as well as conditioning on controls. For the population changes, there is also a robust relationship between the model implied and the realized values. Table 23 compares the raw correlations between the model implied and realized population distribution both in levels and changes. For the changes, I find a correlation between 0.3 and 0.57 over the different horizons. Taken together, these exercises show that the mechanisms emphasized by the model are empirically relevant in explaining population growth in the current context.

6.3 Results

This section uses the model to conduct counterfactual exercises. Since there exists a unique dynamic equilibrium, the model yields determinate predictions for the impact of changing trade costs. The key object of interest is the population distribution under the scenario of changing trade costs, relative to the counterfactual of trade costs remaining constant, denoted by $\Delta L_t = L_t(\mathbf{T}^{1810}) - L_t(\mathbf{T}^{1760})$. In particular, $L_t(\mathbf{T}^{1810})$ denotes the model implied population distribution at time t assuming 1810 trade costs. Variables are standardized. I present several counterfactual exercises below. First, I show that the model replicates the three broad patterns of the reform documented in the reduced form analysis. Second, I consider how differences in the initial level of population concentration change the impact of

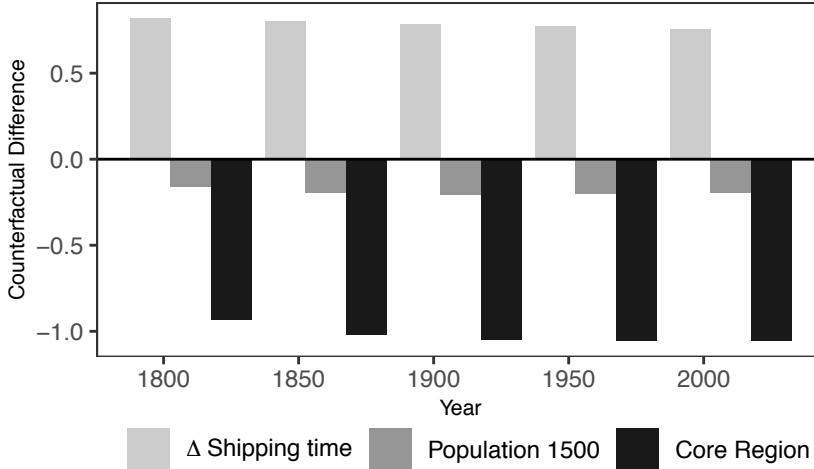


Figure 8: The figures show the results from the main counterfactual exercise. For each forward iteration of the model, the share of the number of grid-cells with higher population density under the new regime is compared. The Figure displays the difference in the counterfactual for places with more and less exposure to the reform, coastal versus interior regions, and the core versus the periphery.

the trade cost shock.

Replicating the Reduced Form Facts. Using the model, I simulate the reform several periods ahead. The model is solved for the population level in 1810, using the population in 1760 as a baseline. This gives the population size in the regime with changed trade costs relative to the baseline of unchanged trade costs. The results of this exercise are displayed on the left map in Figure 8. The figure shows that the results mirror the reduced form. First, lower shipping times to Europe increased the population density. A one standard-deviation change in the shipping time increases the model implied effect of the reform by approximately 0.6 standard deviations. Second, the effect is attenuated in locations with larger historical population size. A one standard deviation increase in the population size in 1500, reduces the impact of the reform by approximately 0.1 standard deviations. Finally, the effect of the reform on population density is larger in the fringes, outside the core areas with high density at the time of the reform. The effect of the reform is one standard deviation smaller in the core areas. Taken together, the results are consistent with the reform increasing the population pressure outside the most densely settled areas.

The Role of Concentration. In this section I assess the impact of initial conditions on the impact of the reform. While lower transportation costs tend to make coastal localities more attractive, persistence driven by agglomeration economies in the hinterland will attenuate this effect. Furthermore, for the baseline parameters, the long-run steady state is not unique. As a result, changing initial conditions can have effects on the long-run steady-state.⁵⁴ To assess the quantitative significance of this mechanism, the long-run impact of the change in trade costs is calculated under different initial conditions. In particular, I solve for the steady-state of the model while varying the level of population concentration at the time of the reform.

Panel A of Table 9 displays the results from this exercise. The x-axis measures the factor with which the size of the ten most populous grid cells is increased. The y-axis measures the marginal impact of

⁵⁴This follows from the fact that $\rho(\alpha_1 + \alpha_2, \beta_1 + \beta_2) > 1$.

changing the shipping time to Europe by one standard deviation. The first column shows that direct trade with Europe increased population density in areas that increased their market access regardless of initial conditions. However, as the initial population concentration increases, the marginal impact of the reform attenuates. While the effect for the baseline case is 0.5, this effect is almost 0.35 for the highest level of concentration. This is consistent with the two competing forces of the model, dynamic agglomeration economies, and market access. When initial population concentration is low, historical agglomeration forces are weak, and changes in market access lead to larger changes in the spatial distribution of economic activity. This partly explains why the effect of the reform was smaller in areas with higher initial population density.

Robustness Checks. While the agglomeration parameters are precisely estimated from the data, I take the elasticity of substitution (σ) as well as the shape parameter (θ) on the Fréchet-distribution as given. To assess the robustness of the model predictions, I rerun the main simulation exercises using different parameter values. For all the parameters I solve the model using alternative plausible values for these parameters that preserve the uniqueness properties of the equilibrium as well as the steady-state. Taken together, I find little evidence that this exercise changes the qualitative impact of the reform.

While the baseline estimates account for fixed differences in amenity values across localities, it remains a possibility that there were changes in coastal amenity values during this period that can rationalize the above findings. To assess this, I change the double all amenity values within 100km of the coastline. This naturally increases the tendency of growth in coastal areas during the reform period. However, it does little to change the impact of changing trade costs. Taken together, the patterns uncovered in the reduced form are still replicated using the model.

The assumption in the baseline simulations that all variables other than trade costs are constant after the reform is unlikely to be realistic. This is likely to be less of a concern for the short-run effect. To assess this, I assume a five percent reduction in productivity over the reform period. The estimates from the model remain largely unchanged. For the long-run results, this is more of a concern. Assuming a five percent increase in productivity each generation, the model is solved forward. Again, there is little to suggest the results are vulnerable to these assumptions.

Another quantity which we might expect to undergo secular change over the simulation period is trade-costs. I assess this by assuming a five percent reduction in trade costs over the reform period. The estimates from the model remain largely unchanged. For the long-run results, this is more of a concern. Assuming a five percent reduction in trade costs each generation, the model is solved forward. Again, there is little to suggest the results are vulnerable to assumptions about trade costs. We might also expect migration costs to equally undergo secular change over the simulation period. Therefore, I simulate the model under two assumptions about migration costs. First, I let migration costs decline five percent each generation. Second, I assume migration across borders is infinitely costly. Finally, I assume migration across the Atlantic is infinitely costly. In all cases, the model replicated the qualitative results from the reduced form.

In the baseline case, I assume throughout that movement across national borders are costless in the long-run. In this section, I therefore add national borders to the cost raster to assess the importance of this assumption. I assume that national borders, as pertaining to sovereign states in 2020 are infinitely costly to cross from 1820 onwards. Therefore, I ignore border changes between these two periods for the sake of simplicity. Then, I rerun the main analysis. With this extension, I find similar effects. While

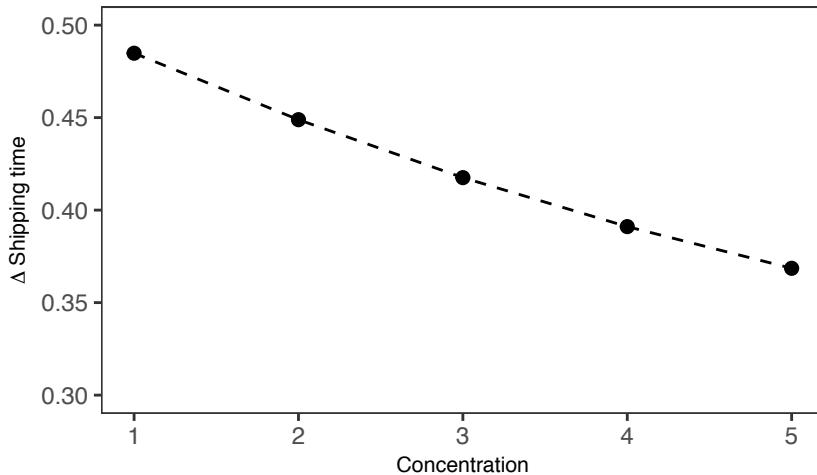


Figure 9: The figures show the results from the main counterfactual exercise. For each forward iteration of the model, the share of the number of grid-cells with higher population density under the new regime is compared. The Figure displays the difference in the counterfactual for places with more and less exposure to the reform, coastal versus interior regions, and the core versus the periphery.

including costly international migration across countries tends to attenuate the long-term effects of the reform, the effects remain quantitatively and qualitatively similar.

7 Conclusion

This paper uses the abrupt opening of direct trade with Europe within the Spanish Empire to study the role of trade in breaking spatial persistence. I calculate the changes in travel times to Europe induced by the reorganization of maritime communication in the wake of the Bourbon reforms in the second half of the 18th century. Using a difference-in-differences research design that relies on comparing areas within the same region that differentially reduced its shipping time to Europe, I estimate the impact of lower trade costs on the locations of cities and population growth. I find that a statistically and economically significant positive effect on population density is associated with reduced shipping times to Europe. To assess the mechanisms, I develop a spatial general equilibrium model that I take to the data. Consistent with the reduced-form evidence, the model shows that the opening of direct trade with Europe increased population density. Lower levels of population density in the periphery facilitated geographical reorientation towards coastal areas. Taken together, the findings show that the combination of low initial population density and large changes in trade costs initiated a dispersal of economic activity and growth in the fringes of the Spanish Empire. Taken together, the findings show that an important determinant of persistence in economic geography is the level of development of a country as it opens up to trade.

Both the quantitative and reduced-form evidence shows that changes in trade costs can overcome spatial persistence and have large effects on the spatial distribution of economic activity, especially when the trade cost shock is large or the initial population density is low. More broadly, the findings point towards the conclusion that what determines the relative weight of history versus market access in the locations of cities is the sequencing with which a country achieves a high population density versus low

trade costs. History will tend to explain the population distribution in places that attain high population density before reduced trade costs, while market access will explain the population distribution in places that had low density prior to opening up to trade. Thus, the findings highlight the role of history in shaping the population distribution in places that attained population densities early, such as Europe, China, and India, and show that market access is more important in places that attained high population densities after the large reductions in trade costs in the 19th century, such as the United States and Argentina. In light of the importance of access to water for European urbanization ([Acemoglu, Johnson and Robinson, 2005](#); [Bosker and Buringh, 2017](#); [Bosker, Buringh and van Zanden, 2012](#); [Michaels and Rauch, 2018](#)), the findings presented in this paper suggest that a poor geographic adaption to maritime trade is a cost of reaching high population density early in history.

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8 Tables

Table 1: Summary Statistics - Main Variables

| Statistic | N | Mean | St. Dev. | Min | Median | Max |
|---------------------------|--------|-----------|-----------|--------|----------|------------|
| #Cities 1710-1810 | 73,282 | 0.10 | 0.30 | 0 | 0 | 1 |
| City 2000 (Nightlights) | 73,282 | 0.36 | 0.48 | 0 | 0 | 1 |
| Nightlights | 73,282 | 1.92 | 4.80 | 0 | 0.2 | 62 |
| Population 1760 | 73,282 | 2,002.55 | 5,828.75 | 0 | 151.8 | 146,218 |
| Population 1800 | 73,282 | 2,333.26 | 7,101.08 | 0 | 179.0 | 195,808 |
| Shipping time 1760 (days) | 73,282 | 121.57 | 24.04 | 69.02 | 124.16 | 179.54 |
| Shipping time 1800 (days) | 73,282 | 107.38 | 22.69 | 55.15 | 108.30 | 160.91 |
| Market Access 1760 | 73,282 | 12,596.00 | 35,240.23 | 110.08 | 2,599.49 | 690,939.90 |
| Market Access 1800 | 73,282 | 14,884.00 | 43,115.06 | 139.22 | 2,958.78 | 868,755.70 |
| Elevation | 73,282 | 0.23 | 0.42 | 0 | 0 | 1 |
| Terrain ruggednes | 73,282 | 188.81 | 214.16 | 0.48 | 100.95 | 1,286.09 |
| Average crop suitability | 73,282 | -0.00 | 1.00 | -1.93 | -0.16 | 3.65 |
| Mining center | 73,282 | 0.03 | 0.17 | 0 | 0 | 1 |
| Average Temp. (Celsius) | 73,282 | 17.27 | 7.49 | -2.18 | 18.12 | 28.73 |
| Precipitation (mm.) | 73,282 | 1,113.99 | 939.50 | 0.01 | 831.36 | 8,186.80 |
| Coffee | 73,282 | 7.13 | 1.32 | 2 | 8 | 9 |
| Tobacco | 73,282 | 6.70 | 1.35 | 2 | 6.9 | 9 |
| Cotton | 73,282 | 6.60 | 1.66 | 1 | 7.2 | 9 |
| Wheat | 73,282 | 6.59 | 1.63 | 1 | 7.2 | 9 |
| Maize | 73,282 | 6.24 | 1.69 | 1 | 6.3 | 9 |
| Sugar cane | 73,282 | 6.86 | 1.43 | 1 | 8 | 9 |
| Dist. Coast (km) | 73,282 | 444.77 | 364.29 | 0.03 | 354.71 | 1,600.06 |
| Dist. River (km) | 73,282 | 509.22 | 514.62 | 0.06 | 328.44 | 2,516.99 |
| Dist. Port 1750 (km) | 73,282 | 1,002.53 | 844.78 | 14.59 | 742.32 | 3,686.54 |
| Decade | 73,282 | 1,760.00 | 31.62 | 1,710 | 1,760 | 1,810 |

Notes: The table shows the main key variables in the main dataset used in the analysis. The unit of analysis is at the grid-cell level. The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. *Elevation* is an indicator variable equal one if the elevation is above 1500m. *Crop suitability* is the average suitability for tobacco, cotton, sugar cane, cacao, coffee (standardized). *City 2000* is an indicator equal one if the grid cell has one pixel with more than 30 in luminosity. The dataset hence contains $11 \times 6,662 = 73,282$ observations.

Table 2: The shipping time elasticity of trade

| Outcome: | Value of exports (ln) | | | |
|--------------------------------|-----------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Full sample | | | | |
| $\Delta \ln T_p$ | -2.09 *** (0.71) | -4.84 *** (0.82) | -3.41 *** (0.89) | -3.60 *** (1.00) |
| N | 278 | 278 | 278 | 278 |
| Adjusted R^2 | 0.09 | 0.19 | 0.22 | 0.14 |
| Panel B: Limited sample | | | | |
| $\Delta \ln T$ | 0.70 (0.84) | -2.91 *** (1.03) | -2.99 *** (1.01) | -3.60 *** (1.16) |
| N | 135 | 135 | 135 | 135 |
| Adjusted R^2 | 0.11 | 0.25 | 0.26 | 0.22 |
| Year FE | ✓ | ✓ | ✓ | ✓ |
| Viceroyalty FE | | ✓ | ✓ | ✓ |
| Population | | | ✓ | ✓ |
| Viceroyalty \times Year FE | | | | ✓ |

Note: The table shows the relationship between shipping time and the value of exports from Spain. $\Delta \ln T$ denotes the change in shipping time from Spain induced by the reform. The value of trade is measured in *reales de vellón*. The full sample contains all recorded ports. The limited sample contains ports with limited direct trade with Spain prior to the reform period. The data is from Fisher (1993). Robust standard errors in parenthesis. *** p < .01, ** p < .05, * p < .1

Table 4: Shipping Time to Europe and Market Access

| Dependent variable: | Market Access (log) | | | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| | (1) | (2) | (3) | (4) |
| Shipping Time (log) | -4.473*** (0.389) | -5.090*** (0.438) | -5.001*** (0.365) | -5.061*** (0.343) |
| Viceroyalty FE × Decade FE | ✓ | ✓ | | |
| Audiencia FE × Decade FE | | | ✓ | ✓ |
| Geographic Controls | | ✓ | | ✓ |
| Mean dep. var. | 8.09 | 8.09 | 8.09 | 8.09 |
| Observations | 73,282 | 73,282 | 73,282 | 73,282 |
| Adjusted R-squared | 0.686 | 0.697 | 0.698 | 0.742 |

Notes: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **The dependent:** Market access (log). **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specification contain audiencia fixed-effects. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. The full dataset contains $11 \times 6,662 = 73,282$ observations. **Standard errors:** Clustered at the level of the closest port. ***p < .01, **p < .05, * p < .1

Table 5: Shipping Time, Market Access, and Population

| Dependent variable: | Population (asinh) | | | |
|------------------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: IV | | | | |
| Market Access | 0.406 [*] (0.222) | 0.369 (0.233) | 0.392 [*] (0.214) | 0.245 [*] (0.131) |
| Panel B: Reduced Form | | | | |
| Shipping Time | -1.337 [*] (0.792) | -1.349 (0.885) | -1.436 [*] (0.814) | -0.936 [*] (0.548) |
| Panel C: OLS | | | | |
| Market Access | 0.257 [*] (0.135) | 0.234 [*] (0.131) | 0.237 [*] (0.131) | 0.254 ^{**} (0.102) |
| First stage F | 121.51 | 126.13 | 172.06 | 35.06 |
| Viceroyalty FE × Year | | ✓ | | |
| Audiencia FE × Year | | | ✓ | ✓ |
| Controls | | | | ✓ |
| Observations | 73,282 | 73,282 | 73,282 | 73,282 |

Note: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **The dependent variable:** Population size of the grid-cell. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710–1810 for 6,662 grid cells. The full dataset contains $11 \times 6,662 = 73,282$ observations. **Controls:** Elevation, crop suitability, the location of active mines, population size in 1710 and distance to the coastline, and terrain ruggedness. All specification contain *audiencia* fixed-effects. **Standard errors:** Clustered at the level of the closest port. *** $p < .01$, ** $p < .05$, * $p < .1$

Table 6: Event-study Specification

| Dependent variable: | Indicator variable for grid-cell containing a settlement | | | | |
|-----------------------------------|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) |
| $\Delta T \times 1 (year = 1710)$ | 0.002 (0.014) | 0.002 (0.014) | 0.014 (0.014) | 0.015 (0.014) | 0.015 (0.014) |
| $\Delta T \times 1 (year = 1720)$ | 0.005 (0.013) | 0.005 (0.013) | 0.016 (0.015) | 0.016 (0.016) | 0.016 (0.016) |
| $\Delta T \times 1 (year = 1730)$ | 0.005 (0.011) | 0.005 (0.011) | 0.015 (0.014) | 0.017 (0.015) | 0.017 (0.015) |
| $\Delta T \times 1 (year = 1740)$ | -0.003 (0.005) | -0.003 (0.005) | 0.001 (0.005) | 0.002 (0.005) | 0.002 (0.005) |
| $\Delta T \times 1 (year = 1750)$ | -0.001 (0.003) | -0.001 (0.003) | -0.002 (0.002) | -0.003 (0.002) | -0.003 (0.002) |
| $\Delta T \times 1 (year = 1770)$ | 0.002 (0.006) | 0.002 (0.006) | -0.003 (0.006) | -0.003 (0.006) | -0.003 (0.006) |
| $\Delta T \times 1 (year = 1780)$ | -0.001 (0.011) | -0.001 (0.011) | -0.004 (0.008) | -0.002 (0.006) | -0.002 (0.006) |
| $\Delta T \times 1 (year = 1790)$ | 0.001 (0.013) | 0.001 (0.013) | 0.002 (0.008) | 0.004 (0.007) | 0.004 (0.007) |
| $\Delta T \times 1 (year = 1800)$ | 0.0003 (0.014) | 0.0003 (0.014) | 0.0003 (0.009) | 0.002 (0.008) | 0.002 (0.008) |
| Audiencia FE | | ✓ | ✓ | ✓ | ✓ |
| Audiencia \times Decade FE | | | ✓ | ✓ | ✓ |
| Controls | | | | ✓ | ✓ |
| Controls \times Decade FE | | | | | ✓ |
| Mean dep. var. | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Observations | 66,620 | 66,620 | 66,620 | 66,620 | 66,620 |
| Adjusted R-squared | 0.014 | 0.173 | 0.179 | 0.197 | 0.197 |

Notes: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. The full dataset contains $11 \times 6,662 = 73,282$ observations. The omitted year is the year prior to the treatment, therefore $N = 73,282 - 6,662 = 66,620$. **Controls:** Distance to the coast (log), elevation, presence of an active mine, terrain ruggedness, and crop suitability. **Standard errors:** Clustered at the level of the closest port. ***p < .01, **p < .05, *p < .1

Table 7: Heterogeneity

| Dependent variable: | Indicator for grid-cell containing a settlement | | | |
|-------------------------------|-------------------------------------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Core | | | | |
| Market Access | 0.038** (0.019) | 0.037* (0.021) | 0.035* (0.019) | 0.019 (0.041) |
| Panel B: Semiperiphery | | | | |
| Market Access | 0.090*** (0.017) | 0.086*** (0.018) | 0.085*** (0.017) | 0.072*** (0.017) |
| Panel C: Periphery | | | | |
| Market Access | 0.152*** (0.026) | 0.153*** (0.023) | 0.153*** (0.023) | 0.130*** (0.016) |
| Panel D: Coast | | | | |
| Market Access | 0.111*** (0.027) | 0.110*** (0.028) | 0.101*** (0.028) | 0.090** (0.038) |
| Panel E: Hinterland | | | | |
| Market Access | 0.037*** (0.013) | 0.036*** (0.013) | 0.031*** (0.011) | 0.030*** (0.008) |
| Viceroyalty FE × Year | | ✓ | | |
| Audiencia FE × Year | | | ✓ | ✓ |
| Controls | | | | ✓ |
| Observations | 59,147 | 59,147 | 59,147 | 59,147 |
| Adjusted R-squared | 0.169 | 0.169 | 0.175 | 0.193 |

Note: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Dependent variable:** Indicator taking the value one if the grid-cell contains a settlement. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. All specifications include grid-cell fixed-effects. **The core** denotes the audiencias of Charcas, Lima, and Mexico ($1,009 \text{ cells} \times 11 = 11,099$ observations), **the periphery** the audiencias of Buenos Aires, Santiago, Caracas, ($1,284 \text{ cells} \times 11 = 14,124$ observations) and the **semiperiphery** Quito, Santa Fe, Confines, Santo Domingo, Guadalajara, Cuzco ($1,534 \text{ cells} \times 11 = 16,874$ observations). 2,835 cells do not pertain to an audiencia. **Coastal** denotes the grid cell being less than 100km from the coast. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specification contain grid-cell fixed-effects. **Standard errors:** Clustered at the level of the closest port. *** $p < .01$, ** $p < .05$, * $p < .1$.

Table 8: Heterogeneity

| Dependent variable: | Population size of grid-cell | | | |
|-------------------------------|------------------------------|----------------------|----------------------|----------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Core | | | | |
| Market Access | 1.542 *** (0.181) | 1.499 *** (0.190) | 1.566 *** (0.205) | 1.899 *** (0.332) |
| Panel B: Semiperiphery | | | | |
| Market Access | 1.266 *** (0.181) | 1.239 *** (0.174) | 1.246 *** (0.179) | 1.303 *** (0.097) |
| Panel C: Periphery | | | | |
| Market Access | 1.657 *** (0.245) | 1.707 *** (0.220) | 1.685 *** (0.231) | 1.528 *** (0.139) |
| Panel D: Coast | | | | |
| Market Access | 1.138 *** (0.101) | 1.141 *** (0.115) | 1.139 *** (0.117) | 1.062 *** (0.155) |
| Panel E: Hinterland | | | | |
| Market Access | 1.196 *** (0.076) | 1.220 *** (0.063) | 1.202 *** (0.071) | 1.143 *** (0.109) |
| Viceroyalty FE × Year | | ✓ | | |
| Audiencia FE × Year | | | ✓ | ✓ |
| Controls | | | | ✓ |
| Observations | 59,147 | 59,147 | 59,147 | 59,147 |
| Adjusted R-squared | 0.603 | 0.606 | 0.604 | 0.606 |

Note: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Dependent variable:** Population size of grid-cell (ihs) **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. All specifications include grid-cell fixed-effects. **The core** denotes the audiencias of Charcas, Lima, and Mexico ($1,009 \text{ cells} \times 11 = 11,099$ observations), **the periphery** the audiencias of Buenos Aires, Santiago, Caracas, ($1,284 \text{ cells} \times 11 = 14,124$ observations) and the **semiperiphery** Quito, Santa Fe, Confines, Santo Domingo, Guadalajara, Cuzco ($1,534 \text{ cells} \times 11 = 16,874$ observations). 2,835 cells do not pertain to an audiencia. **Coastal** denotes the grid cell being less than 100km from the coast. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specification contain grid-cell fixed-effects. **Standard errors:** Clustered at the level of the closest port. *** $p < .01$, ** $p < .05$, * $p < .1$

Table 9: Spatial persistence in high and low exposure areas

| Dependent variable: | Population density 2000 (log) | | | |
|----------------------------------------|-------------------------------|----------------------|----------------------|----------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Full sample | | | | |
| Population density 1500 | 0.348*** (0.113) | 0.279 *** (0.097) | 0.397 ** (0.143) | 0.397 ** (0.143) |
| Panel B: $\Delta T < \text{Median}$ | | | | |
| Population density 1500 | 0.572 *** (0.078) | 0.554 *** (0.093) | 0.541 *** (0.099) | 0.541 *** (0.099) |
| Panel C: $\Delta T \geq \text{Median}$ | | | | |
| Population density 1500 | 0.264 * (0.135) | 0.179 ** (0.074) | 0.120 (0.174) | 0.120 (0.174) |
| Country FE | | | ✓ | ✓ |
| Controls | | ✓ | | ✓ |
| Observations | 125 | 125 | 125 | 125 |
| Adjusted R-squared | 0.132 | 0.353 | 0.509 | 0.509 |

Note: Market access is standardized. The unit of analysis is at the province-level. Pre-colonial population density is the number of indigenous people per square kilometre before the arrival of Columbus from [Maloney and Valencia \(2016\)](#). The dependent variable is the log of people per square km in 2000. The full sample contains 258 observations. **Geographical controls:** Altitude, ruggedness, rainfall, and inverse distance to the coast (see [Maloney and Valencia \(2016\)](#) for details). **Standard errors** are clustered at the country-level. *** p < .01, ** p < .05, * p < .1

Table 10: Coastal concentration in high and low exposure areas

| Dependent variable: | Population density 2000 (log) | | | |
|----------------------------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Full sample | | | | |
| Distance to coast | -4.542 *** (1.402) | -3.947 *** (1.432) | -6.316 *** (1.895) | -6.316 *** (1.895) |
| Panel B: $\Delta T < \text{Median}$ | | | | |
| Distance to coast | -5.849 *** (1.485) | -5.742 *** (1.069) | -4.430 * (2.115) | -4.430 * (2.115) |
| Panel C: $\Delta T \geq \text{Median}$ | | | | |
| Distance to coast | -5.081 *** (1.560) | -4.595 *** (1.602) | -9.021 *** (1.708) | -9.021 *** (1.708) |
| Country FE | | | ✓ | ✓ |
| Controls | | ✓ | | ✓ |
| Observations | 125 | 125 | 125 | 125 |
| Adjusted R-squared | 0.252 | 0.296 | 0.495 | 0.495 |

Note: Market access is standardized. The unit of analysis is at the province-level. Pre-colonial population density is the number of indigenous people per square kilometre before the arrival of Columbus from [Maloney and Valencia \(2016\)](#). The dependent variable is the log of people per square km in 2000. The full sample contains 258 observations. **Geographical controls:** Altitude, ruggedness, rainfall, and inverse distance to the coast (see [Maloney and Valencia \(2016\)](#) for details). **Standard errors** are clustered at the country-level. *** p < .01, ** p < .05, * p < .1

Table 11: Coastal Population Density in the Long-Run

| | log(Population) | | log(Nightlights) | | Nightlights City | | Nightlights City | |
|-------------------------------|--------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Panel A: Full Sample | | | | | | | | |
| Dist. coast (log) | -0.272* | -0.348** (0.158) | -0.373*** (0.076) | -0.405*** (0.077) | -0.170*** (0.041) | -0.179*** (0.041) | -0.057*** (0.015) | -0.061*** (0.015) |
| Panel B: High Exposure | | | | | | | | |
| Coast dist. (log) | -0.243 (0.207) | -0.159 (0.159) | -0.449*** (0.103) | -0.384*** (0.090) | -0.245*** (0.059) | -0.194*** (0.049) | -0.078*** (0.022) | -0.059*** (0.018) |
| Panel C: Low Exposure | | | | | | | | |
| Coast dist. (log) | -0.288* (0.149) | -0.268** (0.115) | -0.296*** (0.060) | -0.328*** (0.060) | -0.102*** (0.038) | -0.117*** (0.042) | -0.032** (0.013) | -0.035** (0.014) |
| Geographic FE | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Controls | | | | | | | | |
| Observations | 3,331 0.640 | 3,331 0.659 | 3,330 0.544 | 3,330 0.566 | 3,331 0.390 | 3,331 0.404 | 3,331 0.214 | 3,331 0.222 |
| Adjusted R-squared | | | | | | | | |

Notes: The unit of analysis is at a $1^\circ \times 1^\circ$ grid-cell. **Population** denotes the average population density of the grid-cell in 2000, **Nightlights** denotes the average nightlight luminosity, and **Nightlight City** is a dummy variable for if the average nightlight luminosity exceeds 30. **High Exposure** denotes above median reduction in remoteness. **High Exposure** denotes below median reduction in remoteness. **Observations** The full sample contains 6,662 observations. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specifications contain country, *audiencia*, and *viceregal* fixed-effects. **Standard errors:** Clustered at the port-level. *** p < .01, ** p < .05, * p < .1

Table 12: Changes in Shipping Times and Exports to Spanish America

| Dependent variable: | Exports from Spain | | | |
|--------------------------------------|--------------------|---------------------|------------------|--------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Export Share (asinh) | | | | |
| ΔT | 0.336** (0.126) | 0.488*** (0.129) | 0.515 (0.309) | 0.589** (0.250) |
| Panel B: Export Value (asinh) | | | | |
| ΔT (asinh) | 0.454** (0.202) | 0.472*** (0.135) | 0.585 (0.398) | 0.401* (0.236) |
| Geo. distance | | ✓ | ✓ | ✓ |
| Viceroyalty FE | | | ✓ | ✓ |
| Lon+Lat | | | | ✓ |

Notes: The table shows the relationship between changes in shipping times and exports from Cadiz and Barcelona between 1797 and 1820 which made up 86 percent of exports to Spanish America. **Dependent Panel A:** Share of total exports for 23 ports in Spanish America. **Dependent Panel B:** The value (reales de vellon) for Spanish American ports. ΔT equals the change in shipping times between 1760 and 1810 at the level of the port. All variables are transformed with the inverse hyperbole sine function. *Geo. distance* denotes the geodesic distance of the port from Europe (Cádiz). **Observations Panel A:** 23 observations. **Observations Panel B:** 246. **Standard errors:** Clustered at the level of the port. Source: Fisher(1993). ***p < .01, **p < .05, * p < .1

Table 13: The Reform and Commodity Prices

| Dependent variable: | Commodity prices (guilders) | | | | |
|------------------------|-----------------------------|----------------------|----------------------|----------------------|----------------------------|
| | (1) | (2) | (3) | (4) | (5) |
| Post | 0.271*** (0.040) | | | | |
| America | -2.733*** (0.040) | -2.733*** | | | |
| America × Post | -0.201*** (0.074) | -0.201*** (0.074) | -0.201*** (0.074) | -0.203*** (0.074) | -0.065 0.016 (0.019) |
| War × America | | | | | |
| Year Fe | | ✓ | ✓ | ✓ | ✓ |
| Commodity FE | | | ✓ | ✓ | ✓ |
| War × Treat | | | | ✓ | ✓ |
| Commodity × Time trend | | | | | ✓ |
| Observations | 29,988 | 29,988 | 29,988 | 29,988 | 29,988 |
| Adjusted R-squared | 0.164 | 0.165 | 0.986 | 0.986 | 0.991 |

Notes: The table shows the relationship between the timing of the reform and the prices of commodities produced in the Americas. The average price is 58.76. *America* denotes if the commodity is either tobacco, sugar, or cocoa. *Post* is an indicator variable for the period after 1778. *War* equals one for years in which Atlantic maritime powers were among the belligerents (Seven Years' War and the American Revolutionary War). **Standard errors:** Clustered at the commodity-level. ***p < .01, **p < .05, * p < .1

Table 14: Heterogeneity by Crop Suitability

| Dependent variable: | Indicator for grid-cell containing a settlement | | | |
|-----------------------|-------------------------------------------------|----------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| T | -0.099 [*] (0.053) | -0.129*** (0.041) | -0.048 (0.044) | -0.068 (0.042) |
| T × Crop suitability | -0.119*** (0.035) | -0.107*** (0.035) | -0.079** (0.033) | -0.080** (0.037) |
| Viceroyalty FE × Year | ✓ | ✓ | | |
| Audiencia FE × Year | | | ✓ | ✓ |
| Geographic Controls | | ✓ | | ✓ |
| Mean dep. var. | 0.1 | 0.1 | 0.1 | 0.1 |
| Observations | 73,282 | 73,282 | 73,282 | 73,282 |
| Adjusted R-squared | 0.839 | 0.841 | 0.846 | 0.846 |

Notes: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Crop suitability** is measured as the average suitability for cocoa, coffee, cacao, cotton, tobacco, and sugar cane. **Dependent variable:** Indicator variable taking the value 1 if the grid-cell contains a settlement. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. The full dataset contains $11 \times 6,662 = 73,282$ observations. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specification contain grid-cell fixed-effects. **Standard errors:** Clustered at the level of the closest port. ***p < .01, **p < .05, * p < .1

Table 15: Shipping Times to Europe and the Slave Trade

| Dependent variable: | # ships arriving per year (log) | | |
|--------------------------------------------|---------------------------------|---------------------|---------------------|
| | (1) | (2) | (3) |
| Panel A: Trans-Atlantic Slave Trade | | | |
| Shipping Time | -0.001 (0.007) | -0.092** (0.036) | 0.021 (0.028) |
| Panel B: Intra-American Slave Trade | | | |
| Shipping Time | -0.010 (0.007) | -0.079** (0.031) | -0.066** (0.027) |
| Year FE | ✓ | ✓ | ✓ |
| Port FE | | ✓ | ✓ |
| Port × Trend | | | ✓ |

Notes: The unit of analysis is the port. **Dependent variable:** Number of ships arriving at a port in a given year (log). **Observations Panel A:** 149 observations. **Observations Panel B:** 314. **Standard errors:** Clustered at the port-level. Source: Eltis (2018). ***p < .01, **p < .05, * p < .1

Table 16: Population, Urbanization, Density, and Shipping Times

| Dependent variable: | Urban population and density | | |
|------------------------------------|------------------------------|---------------------|---------------------|
| | (1) | (2) | (3) |
| Panel A: Population density | | | |
| Market Access | 0.671*** (0.061) | 0.635*** (0.073) | 0.618*** (0.056) |
| Panel B: Urban population | | | |
| Market Access | 0.159** (0.074) | 0.160** (0.072) | 0.110 (0.076) |
| Panel C: City size | | | |
| Shipping Time | -1.302* (0.755) | -1.076 (1.154) | -0.882 (0.682) |
| Viceroyalty FE \times Year | | ✓ | |
| Audiencia FE \times Year | | ✓ | ✓ |
| Controls | | | ✓ |

Notes: The unit of analysis is at a $1^\circ \times 1^\circ$ grid-cell. All specifications include *audiencia* fixed effects. The variables are transformed using the inverse hyperbolic sine function. Panel A and Panel B contain $11 \times 6,662 = 73,282$ observations. Panel C contains $2 \times 211 = 422$ observations. The geographical controls contain elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. Standard errors are clustered at the port-level. *** $p < .01$, ** $p < .05$, * $p < .1$.

Table 17: Rerouting and Transshipment

| Dependent variable: | Indicator for grid-cell containing a settlement | | | |
|-----------------------------------------------|-------------------------------------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Rerouting: City formation | | | | |
| Market Access | 0.071* (0.041) | 0.065* (0.039) | 0.063 (0.038) | 0.065*** (0.024) |
| Panel B: Rerouting: Population | | | | |
| Market Access | 1.382*** (0.195) | 1.435*** (0.185) | 1.429*** (0.186) | 1.172*** (0.142) |
| Panel C: Transshipment: City formation | | | | |
| Market Access | 0.112*** (0.017) | 0.111*** (0.019) | 0.111*** (0.019) | 0.126*** (0.032) |
| Panel D: Transshipment: Population | | | | |
| Market Access | 1.018*** (0.093) | 1.017*** (0.112) | 1.011*** (0.099) | 1.092*** (0.115) |
| Audiencia FE × Year | | ✓ | ✓ | ✓ |
| Controls | | | | ✓ |
| Adjusted R-squared | 0.235 | 0.235 | 0.239 | 0.254 |

Notes: The unit of analysis is at a $1^\circ \times 1^\circ$ grid-cell. **Observations Panel A:** 44,825 observations. **Observations Panel B:** 44,825 observations. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specifications include *audiencia* fixed effects. **Standard errors:** Clustered at the port-level. *** $p < .01$, ** $p < .05$, * $p < .1$

Table 18: Effects in the frontier

| Dependent variable: | Indicator for cell containing a settlement | | | |
|-------------------------------------------|--------------------------------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Frontier: Post Office | | | | |
| Market Access | 0.010** (0.004) | 0.009** (0.004) | 0.006** (0.003) | 0.006 (0.005) |
| Panel B: Frontier: Audiencia | | | | |
| Market Access | 0.003** (0.001) | 0.002 (0.001) | 0.003** (0.001) | 0.002 (0.002) |
| Panel C: Not frontier: Post Office | | | | |
| Market Access | 0.108** (0.046) | 0.113** (0.050) | 0.097** (0.042) | 0.079** (0.037) |
| Panel D: Not frontier: Audiencia | | | | |
| Market Access | 0.103*** (0.018) | 0.103*** (0.018) | 0.094*** (0.016) | 0.087*** (0.017) |
| Viceroyalty FE \times Year | | ✓ | | |
| Audiencia FE \times Year | | ✓ | ✓ | ✓ |
| Controls | | | | ✓ |

Notes: The unit of analysis is at a $1^\circ \times 1^\circ$ grid-cell. **Sample Panel A:** Observations below median distance to the closest post-office. 36,641 observations. **Sample Panel C:** Observations below median distance to the closest post-office. 36,641 observations. **Sample Panel B:** Places outside an *audiencia*. 31,185 observations. **Sample Panel D:** Places inside an *audiencia*. 42,097 observations. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specifications include *audiencia* fixed effects. **Standard errors:** Clustered at the port-level. ***p < .01, **p < .05, * p < .1

Table 19: Gravity Equations

| Dependent variable: | Trade | | | Migration | |
|----------------------------------|---------------------|---------------------|--------------------|----------------------|----------------------|
| | (1) | (2) | (3) | (4) | (5) |
| Shipping Time | -1.059** (0.495) | -1.060** (0.512) | -1.022* (0.555) | -2.398*** (0.064) | -2.800*** (0.046) |
| Origin + Destination FE | ✓ | ✓ | ✓ | | ✓ |
| Decade FE | ✓ | ✓ | ✓ | | |
| Origin + Destination × Decade FE | | | ✓ | | |
| Mean dep. var. | 10.46 | 10.46 | 4.55 | 4.55 | |
| Observations | 753 | 753 | 753 | 1,096 | 1,096 |
| Adjusted R-squared | 0.566 | 0.578 | 0.579 | 0.563 | 0.848 |

Notes: Trade measures the bilateral trade flow for Spanish America and Spain from 1820-1870 at the country level. Migration measures the population by state of birth in 1865 for Argentina and 1895 for Mexico. Standard errors are clustered at the origin-destination pair. ***p < .01, **p < .05, * p < .1

Table 20: Estimating model parameters

| | Model inversion | |
|---------------------------|----------------------|----------------------|
| | (1) | (2) |
| Panel A: OLS | | |
| Population _t | 1.239*** (0.019) | 1.054*** (0.050) |
| Population _{t-1} | -0.116*** (0.012) | -0.324*** (0.042) |
| Panel B: IV | | |
| Population _t | -0.130*** (0.020) | -0.152 (0.104) |
| Population _{t-1} | 1.289*** (0.063) | 0.402 (0.330) |
| Origin + Destination FE | ✓ | ✓ |
| F-statistic (effective) | 36.58 | 25.19 |
| Observations | 542 | 542 |
| Adjusted R-squared | 0.956 | 0.799 |

Notes: The table provides estimates of the contemporaneous and lagged agglomeration and amenity parameters of the model. Equation (26) provides estimates of the agglomeration spillovers while Equation (27) provides the amenity spillovers. Trade and migration costs are estimated using origin and destination fixed effect. **The first-stage F-statistic:** Accounts for clustering following Olea and Pflueger (2013). **Standard errors:** Clustered at the level of the closest port. ***p < .01, **p < .05, * p < .1

Table 22: Assessing the Model Performance

| Dependent variable: | Population size of grid-cell | | | |
|---------------------------|------------------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Levels | | | | |
| Population _M | 5.224*** (0.165) | 5.479*** (0.173) | 5.549*** (0.261) | 5.526*** (0.277) |
| Panel B: Changes | | | | |
| Population _M | 0.078*** (0.023) | 0.087*** (0.025) | 0.110*** (0.032) | 0.117*** (0.033) |
| Viceroyalty FE | | ✓ | ✓ | ✓ |
| Audiencia FE | | | ✓ | ✓ |
| Controls | | | | ✓ |
| <i>Adjusted R-squared</i> | 0.732 | 0.779 | 0.827 | 0.834 |

Notes: The table compares the population levels and growth by the grid-cell level implied by the model with the realized population level and growth. Population_M refers to the model implied population. The dependent variable in Panel A is the population level in 1810. The dependent variable in Panel B is the change in population between 1760 and 1810. Controls include longitude, latitude as well as the distance to the coast. Standard errors are clustered at the level of the port. ***p < .01, **p < .05, * p < .1

Table 23: Correlation of population between the model and the data

| Year | Changes | Levels |
|----------------------------|---------|--------|
| Population ₁₈₁₀ | 0.306 | 0.878 |
| Population ₁₈₆₀ | 0.572 | 0.689 |
| Population ₁₉₁₀ | 0.573 | 0.457 |
| Population ₁₉₆₀ | 0.537 | 0.206 |
| Population ₂₀₁₀ | 0.523 | 0.145 |

Note: The table shows the correlation between the model implied and realized population both in levels and changes.

Table 24: Main Counterfactual Exercises

| Dep. variable: \tilde{L} | Δ Shipping Time | Distance to Coast | Core Region |
|-----------------------------|------------------------|-------------------|-------------|
| Panel A: Initial Population | | | |
| 1760: | 0.141 | -0.04 | -0.197 |
| 1700: | 0.135 | -0.041 | -0.193 |
| 1600: | 0.137 | -0.038 | -0.179 |
| Panel B: Opening year | | | |
| 1700: | -0.039 | 0.002 | -0.033 |
| 1600: | -0.039 | -0.024 | 0.3 |
| 1500: | -0.014 | 0.008 | -0.143 |

Note: The unit of analysis is at a $1^\circ \times 1^\circ$ grid-cell. All variables are standardized. ΔT denotes the change in shipping time during the reform period. *Coast* measures the distance to the coastline. *Core* is an indicator variable taking the value one if the grid-cell is in the core. *Pop.* denotes the population size of the grid-cell at the time of the change in transportation costs. *Initial Pop.* denotes the initial distribution of population as the transportation cost change. *Opening year* denotes the counterfactual of implementing the policy in a given year. *Long-run* denotes the effect 150 years in the future with different initial population distributions.

Table 25: Effects of the Reform with Changing Migration Costs

| Dependent variable: | Model implied population | | | |
|------------------------------------------|--------------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Migration costs fixed | | | | |
| Δ T | 0.141*** (0.031) | 0.178*** (0.036) | 0.190*** (0.054) | 0.143*** (0.051) |
| Panel B: Migration costs changing | | | | |
| Δ T | 0.286*** (0.019) | 0.263*** (0.020) | 0.251*** (0.042) | 0.274*** (0.035) |
| Viceroyalty FE | | ✓ | ✓ | ✓ |
| Audiencia FE | | | ✓ | ✓ |
| Controls | | | | ✓ |
| Adjusted R-squared | 0.204 | 0.318 | 0.516 | 0.627 |

Notes: The table compares the population levels and growth by the grid-cell level implied by the model with the realized population level and growth. **Population_M** refers to the model implied population. **The dependent variable Panel A:** An indicator variable taking the value one if the grid-cell has higher density under the new trade costs with fixed migration costs. **The dependent variable Panel B:** An indicator variable taking the value one if the grid-cell has higher density under the new trade costs when migration costs change in accordance with the trade costs. **Controls:** Longitude, latitude as well as the distance to the coast. **Standard errors:** Clustered at the level of the port. ***p < .01, **p < .05, * p < .1

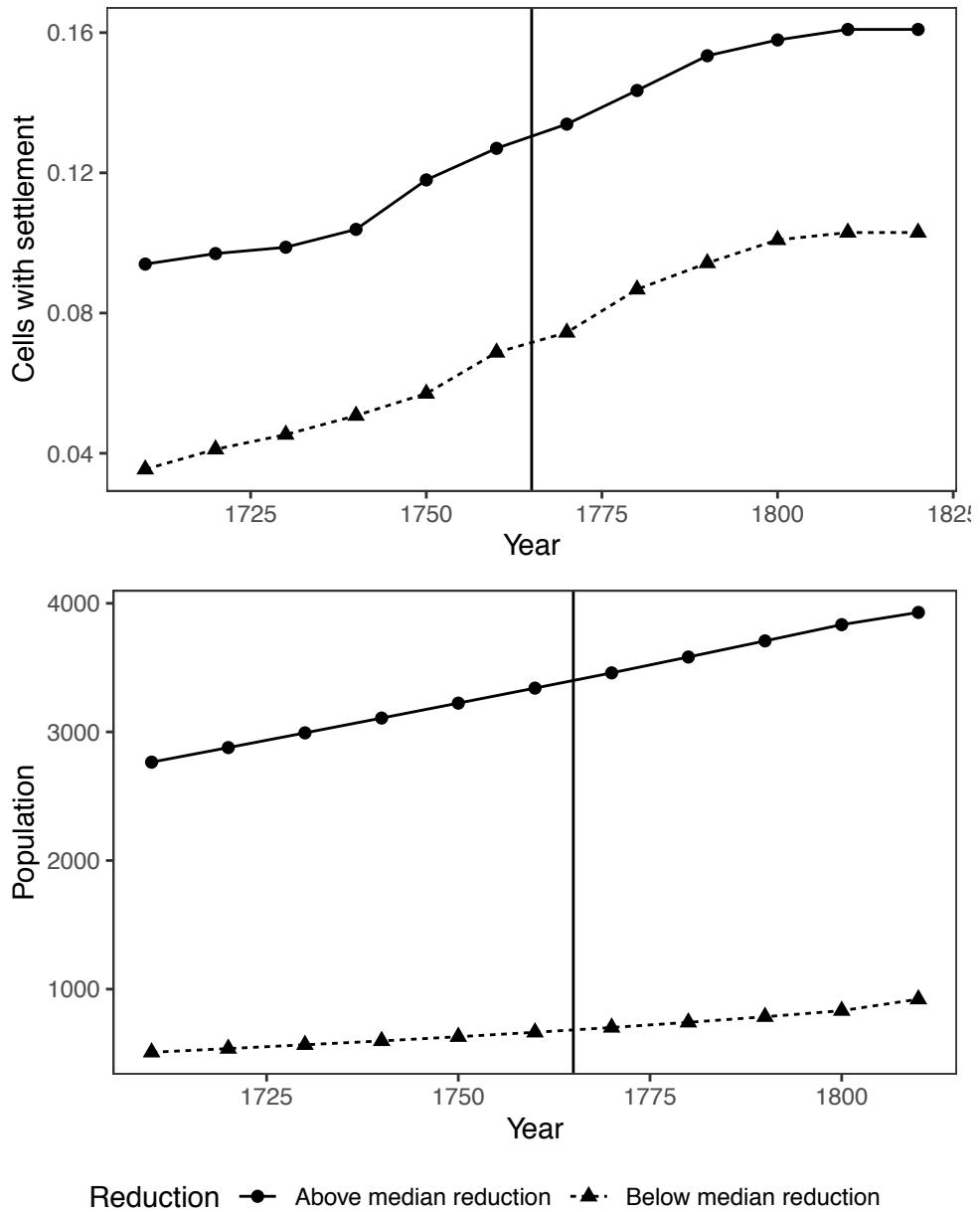


Figure 10: The figures show the average population and settlements by grid-cell for each decade. The solid line is the average for grid-cells above median reduction in shipping times. The dashed line is the average for cells with below average reduction in shipping times.

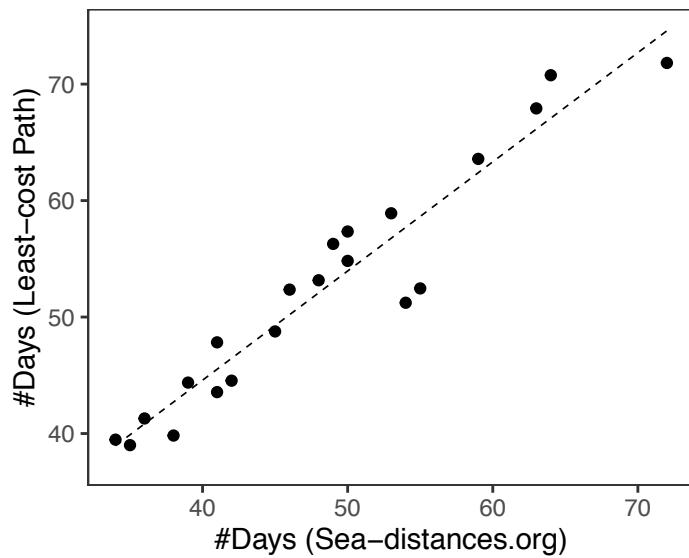


Figure 11: The figure shows the relationship between sailing times produced by the least-cost path on the constructed cost-surface and sailing times from sea-distances.org for voyages between Cadiz and 21 ports in Spanish America. The travel times are set to 4 knots which is the average speed attained over the cost-surface.

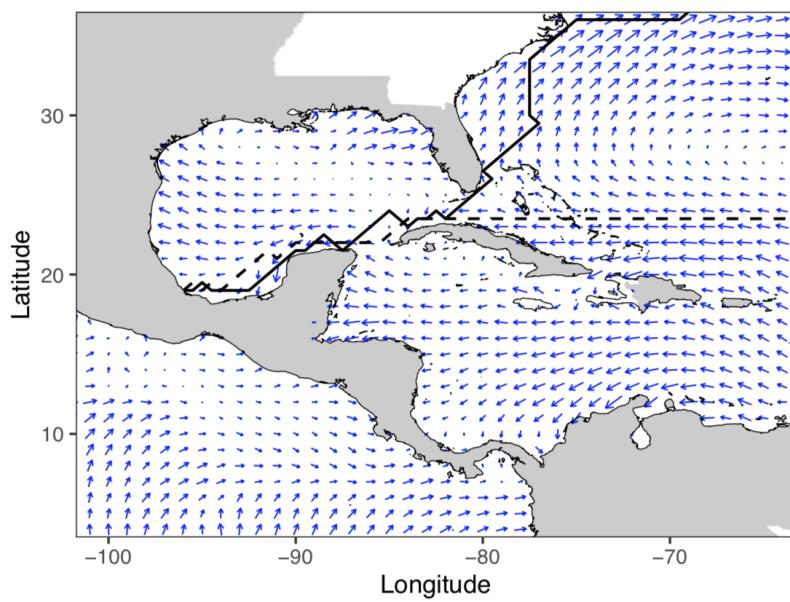


Figure 12: The figure shows the average wind speed and direction for the Caribbean over 2011-2017. The length of each arrow is proportional to the wind speed. The dashed line shows the shortest path from Cádiz to the port of Veracruz while the full line shows the shortest path from Veracruz to Europe (as proxied by the port of Cádiz). The grey areas indicate territory claimed by the Spanish Empire as of 1790. Source: NOAA.

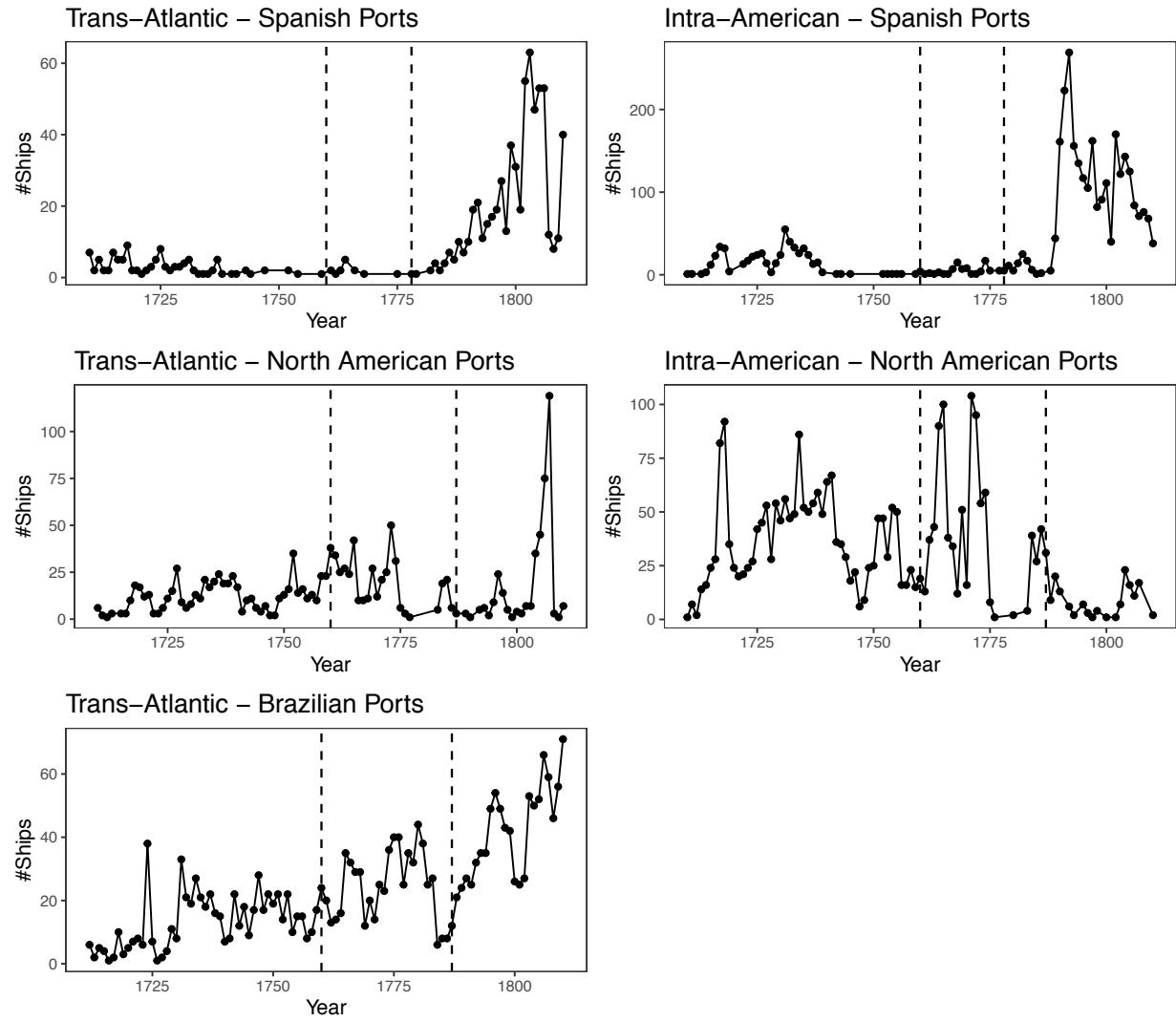


Figure 13: The figures show the number of ships participating in the intra-american and trans-atlantic slave trades arriving at Spanish, North American, and Brazilian ports between 1710 and 1810. The vertical lines denote the years between which most Spanish ports were opened for long-distance trade. A ship is assigned to a port if the port is the first destination of a particular ship. Source: [Eltis \(2018\)](#).

Online Appendix

A Model Derivation

This section shows the main steps of the derivation of the model, the equilibrium conditions, and the estimation of the parameters.

Consumers problem. The consumers problem is standard and I outline the main steps in this section. The utility function assumes every locality produces a unique good and takes the following form,

$$M_{it} = u_{it} \sum_{j \in R} \left(q_{j|it}^{\frac{\sigma-1}{\sigma}} \right)^{\frac{\sigma}{\sigma-1}}. \quad (\text{A.1})$$

which gives rise the standard price index, $P_i = \left(\sum_{j \in R} p_{j|it}^{1-\sigma} \right)^{\frac{1}{1-\sigma}}$. To find the compensated demand function for each variety the household solves the following problem,

$$\max_{\{q_{ijt}\}_{j=R}^R} \sum_{j \in R} \left(q_{ijt}^{\frac{\sigma-1}{\sigma}} \right)^{\frac{\sigma}{\sigma-1}} \text{ s.t. } \sum_{j \in R} q_{ijt} p_{j|it} \leq \frac{w_{it}}{\mu}, \quad (\text{A.2})$$

which gives the following compensated demand function $q_{ijt} = \frac{w_{it}}{\mu P_{it}} \left(\frac{p_{j|it}}{P_{it}} \right)^{-\sigma}$. Using the definition of the price index gives the deterministic part of the utility function as presented in the paper,

$$V_{it} = \frac{u_{it} w_{it}}{P_{it} \mu}. \quad (\text{A.3})$$

Production. Production is undertaken by a continuum of firms from the set Ω operating under constant returns to scale technologies, $q_{it}(\omega) = A_{it} l_{it}(\omega)^\mu h_{it}(\omega)^{1-\mu}$ using land ($h_{it}(\omega)$) and labor as ($l_{it}(\omega)$) as inputs where μ is the constant labor share. Firms maximize profits which gives the demand for labor of firm ω as $p_{it} = w_{it} / A_{it} \mu l_{it}(\omega)^{\mu-1} h_{it}(\omega)^{1-\mu}$. In each region and at each time labor market clear $\int_{\Omega} l_{it}(\omega) = L_{it}$ and $\int_{\Omega} h_{it}(\omega) = H_{it}$.

Gravity equations. The total value of trade from i to j at time t is given by $X_{ijt} = q_{ijt} p_{j|it} = p_{j|it}^{1-\sigma} X_{jt} P_{jt}$, where X_{jt} denotes the total income in location j $X_{jt} = w_{jt} L_{jt} / \mu$. This gives the gravity equation for trade,

$$X_{ijt} = \frac{1}{\mu} \tau_{ijt}^{1-\sigma} p_{it}^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}. \quad (\text{A.4})$$

Since $p_{it} = w_{it} / A_{it} \mu l_{it}(\omega)^{\mu-1} h_{it}(\omega)^{1-\mu}$, $\int_{\Omega} h_{it}(\omega) = H_{it}$, and $\int_{\Omega} l_{it}(\omega) = L_{it}$ this gives the gravity equation in the text,

$$X_{ijt} = \frac{1}{\mu} \tau_{ijt}^{1-\sigma} \left(\frac{w_{it}}{\mu A_{it} L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}. \quad (\text{A.5})$$

The utility of an individual moving from region i to region j at time t is given by

$$V_{ijt} = \frac{V_{jt}}{\mu_{ij}} \epsilon_j, \quad (\text{A.6})$$

where ϵ_j follows the Fréchet-distribution. π_{ijt} is the fraction of young individuals in region i with a large enough

shock to move from i to j . This happens if $\Pr(V_{ijt} \geq \{V_{ikt}\}_{\forall k \in R})$. The number of young leaving i for j is then given by $L_{ijt} = \pi_{ijt} L_{it-1}$. Using that the shocks are iid. and properties of the Fréchet-distribution it follows that,

$$\Pr(V_{ijt} \geq \{V_{ikt}\}_{\forall k \in R}) = \quad (\text{A.7})$$

$$\int_{\mathbb{R}} \Pr(u \geq \max_{k \in R} \{u_{ik}\}) dG(u) = \quad (\text{A.8})$$

$$\int_{\mathbb{R}} \prod_{n=1}^R \exp \left\{ - \left(\frac{V_{ik}}{\mu_{ik}} \right)^{\theta} \right\} dG(u) = \quad (\text{A.9})$$

$$\frac{\left(V_{ij}/\mu_{ij} \right)^{\theta}}{\left(\sum_{j \in R} V_{ij}/\mu_{ij} \right)^{\theta}}. \quad (\text{A.10})$$

The expression can be further simplified by defining the expected value of a young person in location i prior to the realization of the shock, $\mathbb{E}[\max_{k \in R} \{V_{ik}\}]$. To find this expression one needs to derive the cdf of $\max_{k \in R} \{V_{ik}\}$ which can be done in closed form using the properties of the Frechet distribution. In particular, it follows that,

$$\Pr \left(\max_{k \in R} \{V_{ik}\} \leq v \right) = \quad (\text{A.11})$$

$$\prod_{n=k}^R \Pr(V_{ik} \leq v) = \quad (\text{A.12})$$

$$\exp \left\{ -v^{-\theta} \Phi \right\}, \quad (\text{A.13})$$

where $\Phi = \sum_{k \in R} (V_{ik}/\mu_{ik})^{\theta}$. From this it follows that the expected utility of a young individual in i before knowing the realization of the shock is given by,

$$\Gamma \left(1 - \frac{1}{\theta} \right) \Phi^{\frac{1}{\theta}}, \quad (\text{A.14})$$

where $\Gamma(\cdot)$ is the gamma function. Using this, the expression in Equation (17) of the text follows.

Equilibrium Conditions. The equilibrium of the model is a sequence of the endogenous variables such that all goods markets clear in every period. These expressions are rewritten in order to solve the model numerically and provide proofs. The first condition determines that total sales are equal to the total income of the region in each period. This is guaranteed by $w_{it} L_{it} / \mu = \sum_{j \in R} X_{ijt}$. Using the gravity-equation for trade it follows that,

$$\frac{w_{it} L_{it}}{\mu} = \frac{1}{\mu} \sum_{j \in R} \tau_{ijt}^{1-\sigma} p_{it}^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt} \quad (\text{A.15})$$

$$w_{it}^{\sigma} L_{it} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{A_{it} \mu L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}. \quad (\text{A.16})$$

Next, using that $A_{it} = \bar{A}_i L_{it}^{\alpha_1} L_{it-1}^{\alpha_2}$ it follows that,

$$w_{it}^{\sigma} L_{it} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\mu \bar{A}_i L_{it}^{\alpha_1} L_{it-1}^{\alpha_2} L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}. \quad (\text{A.17})$$

$$w_{it}^{\sigma} L_{it} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\mu \bar{A}_i L_{it}^{\alpha_1+\mu-1} L_{it-1}^{\alpha_2} H_i^{1-\mu}} \right)^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}. \quad (\text{A.18})$$

$$w_{it}^\sigma L_{it}^{1+\tilde{\alpha}_1(1-\sigma)} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\mu \bar{A}_i L_{it-1}^{\alpha_2} H_i^{1-\mu}} \right)^{1-\sigma} P_{jt}^{\sigma-1} w_{jt} L_{jt}, \quad (\text{A.19})$$

where $\tilde{\alpha}_1 = \alpha_1 + \mu - 1$. Next, using that $V_{jt} = \frac{u_{jt} w_{jt}}{\mu P_{jt}}$ it follows that $P_{jt}^{\sigma-1} = \left(\frac{u_{jt} w_{jt}}{\mu V_{jt}} \right)^{\sigma-1}$. Substituting the price index gives and the amenity spillovers gives,

$$w_{it}^\sigma L_{it}^{1+\tilde{\alpha}_1(1-\sigma)} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\bar{A}_i L_{it-1}^{\alpha_2} H_i^{1-\mu}} \right)^{1-\sigma} \left(\bar{u}_j L_{jt}^{\beta_1} L_{jt-1}^{\beta_2} \right)^{\sigma-1} V_{jt}^{1-\sigma} w_{jt}^\sigma L_{jt}, \quad (\text{A.20})$$

$$w_{it}^\sigma L_{it}^{1+\tilde{\alpha}_1(1-\sigma)} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\bar{A}_i L_{it-1}^{\alpha_2} H_i^{1-\mu}} \right)^{1-\sigma} \left(\bar{u}_j L_{jt-1}^{\beta_2} \right)^{\sigma-1} V_{jt}^{1-\sigma} w_{jt}^\sigma L_{jt}^{1+\beta_1(\sigma-1)}, \quad (\text{A.21})$$

$$w_{it}^\sigma L_{it}^{1+\tilde{\alpha}_1(1-\sigma)} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\bar{A}_i L_{it-1}^{\alpha_2} \bar{u}_j L_{jt-1}^{\beta_2} H_i^{1-\mu}} \right)^{1-\sigma} V_{jt}^{1-\sigma} w_{jt}^\sigma L_{jt}^{1+\beta_1(\sigma-1)}, \quad (\text{A.22})$$

which equals the first equilibrium condition. The second condition ensures that all income in location i is spent on imports to location i in each period which is guaranteed by $\frac{w_{it} L_{it}}{\mu} = \sum_{j \in R} X_{jxit}$. Again using the gravity equation for trade combined with the price index, productivity and amenity spillovers gives the following expression,

$$\frac{w_{it} L_{it}}{\mu} = \frac{1}{\mu} \sum_{j \in R} \tau_{jxit}^{1-\sigma} p_{jt}^{1-\sigma} P_{it}^{\sigma-1} w_{it} L_{it}, \quad (\text{A.23})$$

$$1 = \sum_{j \in R} \tau_{jxit}^{1-\sigma} \left(\frac{w_{jt}}{\bar{A}_i L_{it}^{\alpha_1} L_{it-1}^{\alpha_2} L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} \left(\frac{u_{it} w_{it}}{V_{it}} \right)^{\sigma-1}, \quad (\text{A.24})$$

$$1 = \sum_{j \in R} \tau_{jxit}^{1-\sigma} \left(\frac{w_{jt}}{\bar{A}_j L_{jt}^{\tilde{\alpha}_1} L_{jt-1}^{\alpha_2} H_j^{1-\mu}} \right)^{1-\sigma} \left(\frac{\bar{u}_j L_{jt}^{\beta_1} L_{jt-1}^{\beta_2} w_{it}}{V_{it}} \right)^{\sigma-1}, \quad (\text{A.25})$$

$$w_{it}^{1-\sigma} L_{it}^{\beta_1(1-\sigma)} V_{it}^{1-\sigma} = \sum_{j \in R} \tau_{jxit}^{1-\sigma} \left(\frac{1}{\bar{A}_j L_{jt-1}^{\alpha_2} H_j^{1-\mu} \bar{u}_i L_{it-1}^{\beta_2}} \right)^{1-\sigma} w_{jt}^{1-\sigma} L_{jt}^{\tilde{\alpha}_1(\sigma-1)}. \quad (\text{A.26})$$

The third equilibrium condition ensures that the number of workers in the locality equals the number of workers exiting all other localities for i . This gives $L_{it} = \sum_{j \in R} L_{jxit}$. Using the gravity equation which incorporates the migration decisions of the young directly gives the expression in the text.

$$L_{it} V_{it}^{-\theta} = \sum_{i \in \Omega} \mu_{jxit}^{-\theta} \Pi_{jxit}^{-\theta} L_{jxit-1}. \quad (\text{A.27})$$

The final equilibrium condition denotes that the number of people in the location in the last period equals the number of people who exited that location between t and $t+1$. This is guaranteed by $L_{it-1} = \sum_{j \in R} L_{jxit}$. Again using the gravity equation for migration it follows that,

$$L_{it-1} = \sum_{i \in \Omega} \mu_{jxit}^{-\theta} \Pi_{jxit}^{-\theta} L_{jxit-1} V_{jt}^\theta. \quad (\text{A.28})$$

Uniqueness of the Equilibrium. The results that guarantee uniqueness of the equilibrium are found in [Allen and Donaldson \(2018\)](#) and [?](#). Here I show how to calculate the conditions for uniqueness in the presence of land relying

on the same techniques as in [Allen and Donaldson \(2018\)](#). First,

$$w_{it}^{1-\sigma} A_{it}^{\sigma-1} \propto P_{it}^{\sigma-1} w_{it} L_{it} \quad (\text{A.29})$$

$$w_{it} \propto u_{it}^{\frac{\sigma-1}{1-2\sigma}} V_{it}^{\frac{1-\sigma}{1-2\sigma}} L_{it}^{\frac{1}{1-2\sigma}} A_{it}^{\frac{1-\sigma}{1-2\sigma}} \quad (\text{A.30})$$

$$w_{it} \propto u_{it}^{-\tilde{\sigma}} V_{it}^{\tilde{\sigma}} L_{it}^{\frac{1}{1-2\sigma}} A_{it}^{\tilde{\sigma}} \quad (\text{A.31})$$

which is then inserted in the first equilibrium condition in Definition (1) to yield,

$$\left(u_{it}^{-\tilde{\sigma}} V_{it}^{\tilde{\sigma}} L_{it}^{\frac{1}{1-2\sigma}} A_{it}^{\tilde{\sigma}} \right)^{\sigma} L_{it} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{L_{it}^{\mu-1} H_i^{1-\mu}} \right)^{1-\sigma} A_{it}^{\sigma-1} u_{jt}^{\sigma-1} \left(u_{jt}^{-\tilde{\sigma}} V_{jt}^{\tilde{\sigma}} L_{jt}^{\frac{1}{1-2\sigma}} A_{jt}^{\tilde{\sigma}} \right)^{\sigma} V_{jt}^{1-\sigma} L_{jt}, \quad (\text{A.32})$$

$$V_{it}^{\tilde{\sigma}\sigma} L_{it}^{\frac{\sigma}{1-\sigma}\tilde{\sigma}+1} = \sum_{j \in R} \tau_{ijt}^{1-\sigma} \left(\frac{1}{\mu H_i^{1-\mu}} \right)^{1-\sigma} L_{it}^{(1-\mu)(1-\sigma)} A_{it}^{\sigma-1-\tilde{\sigma}\sigma} u_{it}^{\tilde{\sigma}\sigma} u_{jt}^{\sigma-1-\tilde{\sigma}\sigma} L_{jt}^{\frac{\sigma}{1-\sigma}\tilde{\sigma}+1} A_{jt}^{\tilde{\sigma}\sigma} V_{jt}^{1-\sigma+\tilde{\sigma}\sigma}. \quad (\text{A.33})$$

Inserting the agglomeration spillovers gives the following three equilibrium conditions,

$$V_{it}^{\tilde{\sigma}\sigma} L_{it}^{\sigma(1-\alpha_1-\beta_1\sigma\tilde{\sigma})-(1-\mu)(1-\sigma)} = \sum_{j \in R} \left(\frac{\tau_{ijt}}{\mu H_i^{1-\mu}} \right)^{1-\sigma} \bar{A}_i^{(\sigma-1)\tilde{\sigma}} \bar{u}_{it}^{\tilde{\sigma}\sigma} \bar{u}_{jt}^{\tilde{\sigma}(\sigma-1)} \bar{A}_{jt}^{\tilde{\sigma}\sigma} V_{jt}^{\tilde{\sigma}(1-\sigma)} \\ L_{it-1}^{\tilde{\sigma}(\alpha_2(\sigma-1)+\sigma\beta_2)} L_{jt-1}^{\tilde{\sigma}(\beta_2(\sigma-1)+\alpha_2\sigma)} L_{jt}^{\tilde{\sigma}(1+\beta_1(\sigma-1)+\alpha_1\sigma)}. \quad (\text{A.34})$$

The following equations therefore pin down the equilibrium of the model,

$$V_{it}^{\tilde{\sigma}\sigma} L_{it}^{\tilde{\sigma}(1-\alpha_1(\sigma-1)-\beta_1\sigma)-(1-\mu)(1-\sigma)} = \sum_{j \in R} \left(\frac{\tau_{ijt}}{\mu H_i^{1-\mu}} \right)^{1-\sigma} \bar{A}_i^{(\sigma-1)\tilde{\sigma}} \bar{u}_{it}^{\tilde{\sigma}\sigma} \bar{u}_{jt}^{\tilde{\sigma}(\sigma-1)} \bar{A}_{jt}^{\tilde{\sigma}\sigma} V_{jt}^{\tilde{\sigma}(1-\sigma)} \\ \times L_{it-1}^{\tilde{\sigma}(\alpha_2(\sigma-1)+\sigma\beta_2)} L_{jt-1}^{\tilde{\sigma}(\beta_2(\sigma-1)+\alpha_2\sigma)} L_{jt}^{\tilde{\sigma}(1+\beta_1(\sigma-1)+\alpha_1\sigma)}. \quad (\text{A.35})$$

$$\Pi_{it}^{\theta} = \sum_{i \in R} \mu_{ij}^{-\theta} V_{jt}^{\theta}. \quad (\text{A.36})$$

$$L_{it} V_{it}^{-\theta} = \sum_{i \in R} \mu_{ji} \Pi_{jt}^{-\theta} L_{jt-1}, \quad (\text{A.37})$$

Ordering the endogenous variables as L, V, Π gives the following matrices of coefficients,

$$\mathbf{B} = \begin{bmatrix} \tilde{\sigma}(1-\alpha_1(\sigma-1)-\beta_1\sigma)-(1-\mu)(1-\sigma) & \tilde{\sigma}\sigma & 0 \\ 0 & 0 & \theta \\ 1 & -\theta & 0 \end{bmatrix}, \quad (\text{A.38})$$

$$\boldsymbol{\Gamma} = \begin{bmatrix} \tilde{\sigma}(1+\beta_1(\sigma-1)+\alpha_1\sigma) & \tilde{\sigma}(1-\sigma) & 0 \\ 0 & \theta & 0 \\ 0 & 0 & -\theta \end{bmatrix}. \quad (\text{A.39})$$

Taking the inverse of \mathbf{B} gives,

$$\mathbf{B}^{-1} = \frac{1}{(b_{11}\theta + \tilde{\sigma}\sigma)\theta} \begin{bmatrix} \theta^2 & 0 & \tilde{\sigma}\sigma\theta \\ \theta & 0 & -b_{11}\theta \\ 0 & b_{11}\theta + \tilde{\sigma}\sigma & 0 \end{bmatrix} \quad (\text{A.40})$$

Therefore,

$$\mathbf{A} = \boldsymbol{\Gamma}\mathbf{B}^{-1} = \frac{1}{(b_{11}\theta + \tilde{\sigma}\sigma)\theta} \begin{bmatrix} \gamma_{11}\theta^2 + \gamma_{12}\theta & 0 & \gamma_{11}\tilde{\sigma}\sigma\theta - \gamma_{12}b_{11}\theta \\ \theta^2 & 0 & -b_{11}\theta^2 \\ 0 & -\theta(b_{11}\theta + \tilde{\sigma}\sigma) & 0 \end{bmatrix} \quad (\text{A.41})$$

Then, using Proposition 1 in [Allen and Donaldson \(2018\)](#), the equilibrium is unique if,

$$\rho(\mathbf{A}) \leq 1, \quad (\text{A.42})$$

where,

$$\mathbf{A} = \frac{1}{(b_{11}\theta + \tilde{\sigma}\sigma)\theta} \begin{bmatrix} \gamma_{11}\theta^2 + \gamma_{12}\theta & \gamma_{11}\tilde{\sigma}\sigma\theta - \gamma_{12}b_{11}\theta \\ \theta^2 & -b_{11}\theta^2 \end{bmatrix}. \quad (\text{A.43})$$

Under the baseline calibration $\rho(A) = 0.972$. Therefore there exists a unique equilibrium.

Steady-state Multiplicity. Here I derive the conditions for the uniqueness/multiplicity of the steady-state of the model again relying on the results in [?](#) and [Allen and Donaldson \(2018\)](#). In the steady state $L_{it} = L_{it-1}$ for all $i \in R$ and all t . In order to ensure this, the number of people exiting a location must equal the number of people entering it, $\sum_{i \in R} L_{ijt} = \sum_{j \in R} L_{jti}$. Again, the destination and origin fixed effects must be proportional which implies there exists a real number Ω such that $V_i \Pi_i L_i^{\frac{1}{\theta}} = \Omega$ for all $i \in R$. This gives the following conditions in the steady,

$$V_{it}^{\tilde{\sigma}\sigma} L_i^{\tilde{\sigma}(1-(\alpha_1+\alpha_2)(\sigma-1)-(\beta_1+\beta_2)\sigma)-(1-\mu)(1-\sigma)} = \sum_{j \in R} \left(\frac{\tau_{ijt}}{\mu H_i^{1-\mu}} \right)^{1-\sigma} \bar{A}_i^{(\sigma-1)\tilde{\sigma}} \bar{u}_{it}^{\tilde{\sigma}\sigma} \bar{u}_{jt}^{\tilde{\sigma}(\sigma-1)} \times \bar{A}_{jt}^{\tilde{\sigma}\sigma} V_{jt}^{\tilde{\sigma}(1-(\beta_1+\beta_2)(\sigma-1)+(\alpha_1+\alpha_2)\sigma)}, \quad (\text{A.44})$$

$$V_i^{-\theta} L_i = \sum_{i \in R} \mu_{ij}^{-\theta} V_j^\theta, \quad (\text{A.45})$$

Writing out the system gives the following matrices of coefficients,

$$\mathbf{B} = \begin{bmatrix} \tilde{\sigma}(1 - (\alpha_1 + \alpha_2)(\sigma - 1) - (\beta_1 + \beta_2)\sigma) - (1 - \mu)(1 - \sigma) & \tilde{\sigma}\sigma \\ 1 & \theta \end{bmatrix}, \quad (\text{A.46})$$

$$\boldsymbol{\Gamma} = \begin{bmatrix} \tilde{\sigma}(1 + (\beta_1 + \beta_2)(\sigma - 1) + (\alpha_1 + \alpha_2)\sigma) & \tilde{\sigma}(1 - \sigma) \\ 0 & \theta \end{bmatrix}. \quad (\text{A.47})$$

Which again gives the following conditions for uniqueness,

$$\rho(\mathbf{A}) \leq 1, \quad (\text{A.48})$$

where $\mathbf{B} = \boldsymbol{\Gamma}\mathbf{B}^{-1}$ and given by,

$$\mathbf{A} = \frac{1}{(b_{11}\theta + \tilde{\sigma}\sigma)\theta} \begin{bmatrix} \gamma_{11}\theta^2 + \gamma_{12}\theta & \gamma_{11}\tilde{\sigma}\sigma\theta - \gamma_{12}b_{11}\theta \\ \theta^2 & -b_{11}\theta^2 \end{bmatrix}. \quad (\text{A.49})$$

In the baseline calibration of the model $\rho(A) = 3.35$.

Model Inversion. To back out the relationships between the endogenous variables and the the following variables are defined, $p_{it} = w_{it}/A_{it}\mu l_{it}(\omega)^{\mu-1} h_i(\omega)^{1-\mu}$, $\int_{\Omega} h_i(\omega) = H_i$, $\int_{\Omega} l_{it}(\omega) = L_{it}$ and $Y_{it} = L_{it}w_{it}/\mu$. The first equilibrium condition then becomes,

$$p_{it}^{\sigma-1} - \sum_{j \in R} T_{ijt} P_{jt}^{\sigma-1} \frac{Y_{jt}}{Y_{it}} = 0, \quad (\text{A.50})$$

$$P_{it}^{\sigma-1} - \sum_{j \in R} T_{jit} \left(p_{jt}^{\sigma-1} \right)^{-1} = 0, \quad (\text{A.51})$$

$$V_{it}^{-\theta} - \sum_{j \in R} M_{ jit} \left(\frac{L_{jt-1}}{L_{it}} \right) \Pi^{-\theta} = 0, \quad (\text{A.52})$$

$$\Pi^{-\theta} - \sum_{j \in R} M_{ijt} V_{jt}^\theta = 0. \quad (\text{A.53})$$

Estimating equations. To arrive at the estimating equations (Equations 26 and 27) the definition of the agglomeration externality and indirect utility is used. Taking logs of $p_{it}^{\sigma-1} = \frac{w_{it}}{\mu \bar{A}_i L_{it}^{\alpha_1} L_{it-1}^{\alpha_2} L_{it}^{\mu-1} H_i^{1-\mu}}$ and then taking the first difference gives,

$$\Delta \ln p_{it}^{\sigma-1} = (\sigma - 1) \Delta \ln w_{it} + \tilde{\alpha}_1 (1 - \sigma) \Delta \ln L_{it} + \alpha_2 (1 - \sigma) \Delta \ln L_{it-1} + (1 - \sigma) \Delta \ln \bar{A}_i. \quad (\text{A.54})$$

Using $V_{it} = \bar{u}_i L_{it}^{\beta_1} L_{it-1}^{\beta_2} w_{it} / P_{it} \mu$, taking logs and first-differences gives,

$$\Delta \ln V_{it}^\theta = \theta \Delta \ln w_{it} + \frac{\theta}{1 - \sigma} \Delta \ln P_{it}^{\sigma-1} + \beta_1 \theta \Delta \ln L_{it} + \beta_2 \theta \Delta \ln L_{it-1} + \theta \Delta \ln \bar{u}_i. \quad (\text{A.55})$$

A.1 Further Robustness Checks

Table A1: Correcting for spatial correlation

| | (1) | (2) | (3) | (4) |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Panel A: Town Formation | | | | |
| Shipping Time (log) | -0.466 *** [0.024] (0.038) | -0.215 *** [0.022] (0.030) | -0.520 *** [0.035] (0.039) | -0.179 *** [0.023] (0.033) |
| Panel B: Population | | | | |
| Shipping Time (log) | -0.909 *** [0.291] (0.032) | -1.336 *** [0.332] (0.033) | -1.198 *** [0.359] (0.404) | -1.02 *** [0.278] (0.311) |
| Panel C: Market Access (log) | | | | |
| Shipping Time (log) | -6.411 *** [0.204] (0.210) | -4.495 *** [0.173] (0.176) | -7.201 *** [0.297] (0.353) | -0.545 *** [0.115] (0.093) |
| Viceroyalty FE | ✓ | | | |
| Audiencia FE | | ✓ | | |
| Port catchement FE | | | ✓ | |
| Grid-cell FE | | | | ✓ |
| Observations | 73,282 | 73,282 | 73,282 | 73,282 |

Note: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Dependent variable Panel A:** An indicator variable taking the value 1 if the grid-cell contains a town. **Dependent variable Panel B:** Logarithm of grid-cell population size. **Dependent variable Panel C:** Logarithm of market access. **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. The full dataset contains $11 \times 6,662 = 73,282$ observations. **Standard errors:** Conley standard errors with cutoff set to 5,000km in brackets. Robust standard errors in parenthesis. *** $p < .01$, ** $p < .05$, * $p < .1$

Table A2: Heterogeneity

| Dependent variable: | Urban population | | | |
|-------------------------------|----------------------|----------------------|----------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Core | | | | |
| Market Access | 0.483 *** (0.151) | 0.497 *** (0.130) | 0.591 *** (0.205) | 0.797 ** (0.331) |
| Panel B: Semiperiphery | | | | |
| Market Access | 0.181 (0.122) | 0.225 * (0.123) | 0.227 * (0.126) | 0.125 (0.092) |
| Panel C: Periphery | | | | |
| Market Access | 0.455 *** (0.175) | 0.412 ** (0.185) | 0.402 ** (0.189) | 0.185 (0.213) |
| Panel D: Coast | | | | |
| Market Access | 0.228 ** (0.106) | 0.247 ** (0.112) | 0.247 ** (0.113) | 0.161 (0.177) |
| Panel E: Hinterland | | | | |
| Market Access | 0.128 * (0.078) | 0.130 (0.079) | 0.131 * (0.077) | 0.098 * (0.057) |
| Viceroyalty FE × Year | | ✓ | | |
| Audiencia FE × Year | | | ✓ | ✓ |
| Controls | | | | ✓ |
| Observations | 59,147 | 59,147 | 59,147 | 59,147 |
| Adjusted R-squared | 0.096 | 0.098 | 0.101 | 0.102 |

Note: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Dependent variable:** Urban population of the grid-cell (ihs) **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710-1810 for 6,662 grid cells. All specifications include grid-cell fixed-effects. **The core** denotes the audiencias of Charcas, Lima, and Mexico ($1,009 \text{ cells} \times 11 = 11,099$ observations), **the periphery** the audiencias of Buenos Aires, Santiago, Caracas, ($1,284 \text{ cells} \times 11 = 14,124$ observations) and the **semiperiphery** Quito, Santa Fe, Confines, Santo Domingo, Guadalajara, Cuzco ($1,534 \text{ cells} \times 11 = 16,874$ observations). 2,835 cells do not pertain to an audiencia. **Coastal** denotes the grid cell being less than 100km from the coast. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specification contain grid-cell fixed-effects. **Standard errors:** Clustered at the level of the closest port. *** $p < .01$, ** $p < .05$, * $p < .1$

A3: Heterogeneity

| Dependent variable: | Population density | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Core | | | | |
| Market Access | 1.118*** (0.069) | 1.163*** (0.113) | 1.182*** (0.122) | 1.314*** (0.209) |
| Panel B: Semiperiphery | | | | |
| Market Access | 0.836*** (0.088) | 0.879*** (0.091) | 0.894*** (0.096) | 0.884*** (0.066) |
| Panel C: Periphery | | | | |
| Market Access | 0.897*** (0.148) | 0.903*** (0.148) | 0.897*** (0.151) | 0.744*** (0.095) |
| Panel D: Coast | | | | |
| Market Access | 0.683*** (0.107) | 0.721*** (0.100) | 0.752*** (0.098) | 0.652*** (0.134) |
| Panel E: Hinterland | | | | |
| Market Access | 0.622*** (0.046) | 0.664*** (0.047) | 0.643*** (0.048) | 0.624*** (0.066) |
| Viceroyalty FE × Year | | ✓ | | |
| Audiencia FE × Year | | | ✓ | ✓ |
| Controls | | | | ✓ |
| Observations | 59,147 | 59,147 | 59,147 | 59,147 |
| Adjusted R-squared | 0.706 | 0.718 | 0.714 | 0.716 |

Note: The unit of analysis is at a $0.5^\circ \times 0.5^\circ$ grid-cell. **Dependent variable:** Population density of grid-cell (ihs). **Observations:** The dataset is a balanced panel at a 10 year frequency for the period 1710–1810 for 6,662 grid cells. All specifications include grid-cell fixed-effects. **The core** denotes the audiencias of Charcas, Lima, and Mexico ($1,009 \text{ cells} \times 11 = 11,099$ observations), **the periphery** the audiencias of Buenos Aires, Santiago, Caracas, ($1,284 \text{ cells} \times 11 = 14,124$ observations) and the **semiperiphery** Quito, Santa Fe, Confines, Santo Domingo, Guadalajara, Cuzco ($1,534 \text{ cells} \times 11 = 16,874$ observations). 2,835 cells do not pertain to an audiencia. **Coastal** denotes the grid cell being less than 100km from the coast. **Controls:** Elevation, crop suitability, the location of active mines, and distance to the coastline, and terrain ruggedness. All specification contain grid-cell fixed-effects. **Standard errors:** Clustered at the level of the closest port. *** $p < .01$, ** $p < .05$, * $p < .1$

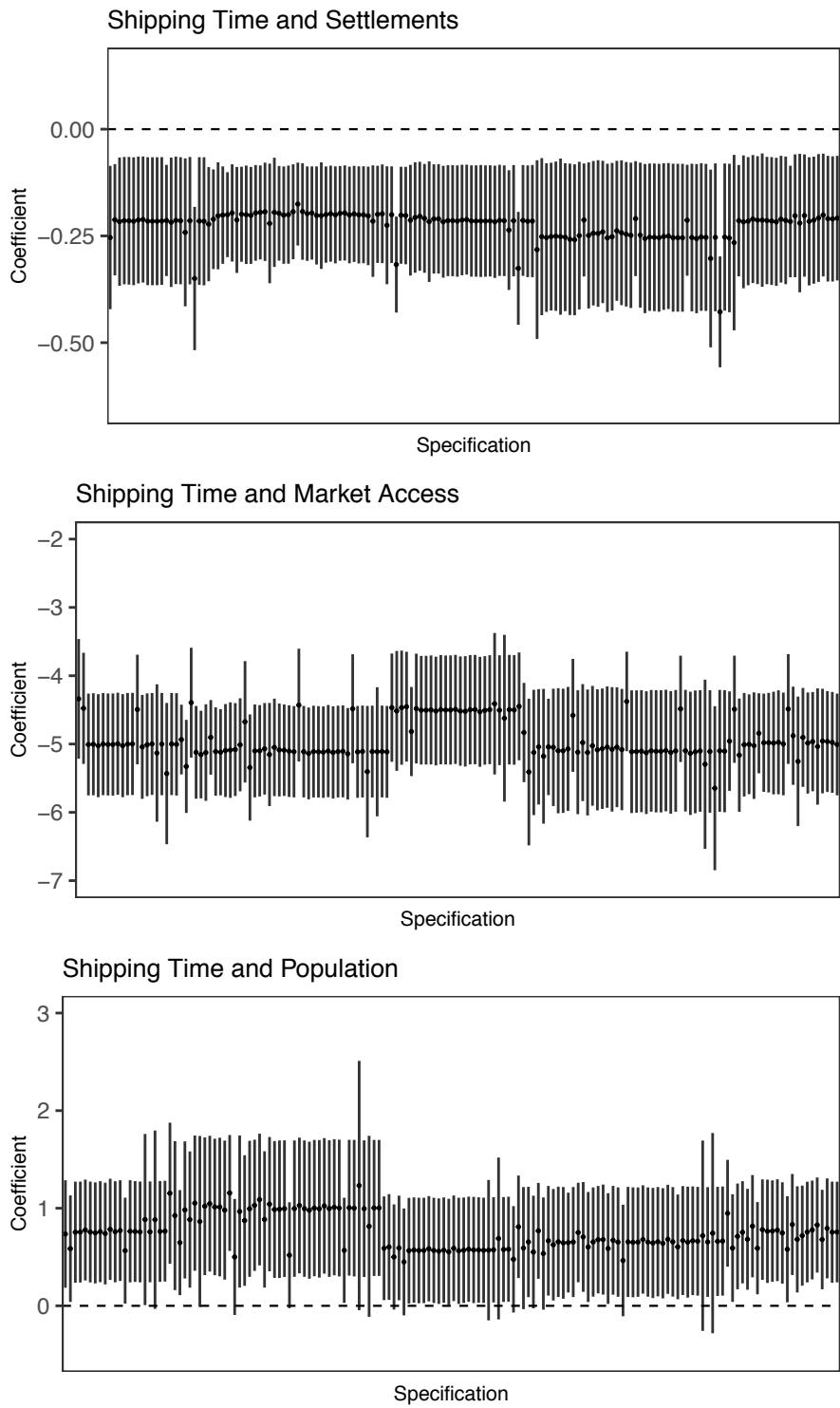


Figure A1: The figure shows the estimated coefficients from the different specifications reported in the paper. The top figure shows the estimated coefficient of the probability of a grid-cell containing a town on shipping time. The middle figure shows the coefficients from regressions where the population size of the grid-cell is regressed on shipping time. The bottom figure shows market access regressed on shipping time. For each specification, the catchment area of one is removed from the sample.

Table 2: Travel Speeds, Historical, and Contemporary Wind Conditions

| Dependent variable: | Travel speed, wind speed, and wind direction | | | |
|-----------------------------------|----------------------------------------------|---------------------|---------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: Knots (daily average) | | | | |
| θ_{ij} | 0.036*** (0.012) | 0.085*** (0.015) | 0.085*** (0.015) | 0.071*** (0.011) |
| Wind speed _i | 0.346*** (0.009) | 0.315*** (0.011) | 0.315*** (0.011) | 0.424*** (0.007) |
| Panel B: Wind Speed 1750-1850 | | | | |
| Wind speed (Beaufort) | 0.357*** (0.018) | 0.343*** (0.035) | 0.343*** (0.035) | 0.331*** (0.016) |
| Panel C: Wind Direction 1750-1850 | | | | |
| Wind direction (Degrees) | 0.226*** (0.013) | 0.247*** (0.016) | 0.246*** (0.016) | 0.173*** (0.014) |
| Year + Month FE | ✓ | ✓ | ✓ | ✓ |
| Ship Type FE | | ✓ | ✓ | |
| Nationality FE | | | ✓ | |
| Voyage FE | | | | ✓ |

Note: The unit of analysis is at a logbook entry. **Dependent variable Panel A:** Average speed per day measured in knots. **Dependent variable Panel B:** Wind speed as reported in the logbooks measured in Beaufort. **Dependent variable Panel C:** The wind direction measured in degrees. θ_{ij} denotes the angle between the wind and the direction of travel. **Observations Panel A:** 225,211. **Observations Panel B:** 40,158. **Observations Panel C:** 17,221. **Standard errors:** Clustered at the voyage-level. **Data source:** NOAA and CLIWOC. *** p < .01, ** p < .05, * p < .1

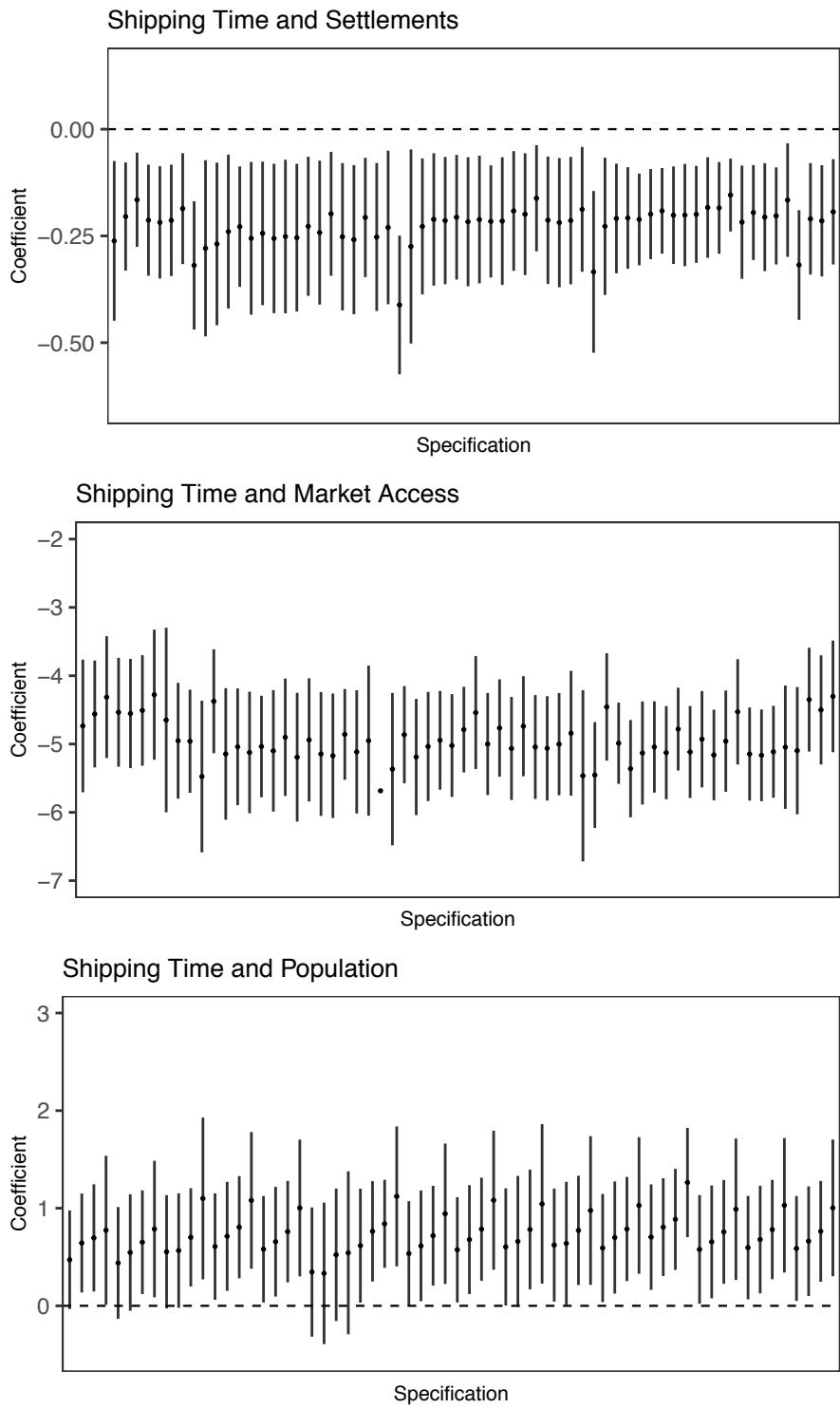


Figure A2: The figure shows the estimated coefficients from the different specifications reported in the paper. The top figure shows the estimated coefficient of the probability of a grid-cell containing a town on shipping time. The middle figure shows the coefficients from regressions where the population size of the grid-cell is regressed on shipping time. The bottom figure shows market access regressed on shipping time. For each specification, an audiencia is removed from the sample.



Figure A3: The left map shows study region partitioned in $0.5^\circ \times 0.5^\circ$ grid-cells which is used as the baseline. The right map shows the resolution used as a robustness check with larger grid cells ($1^\circ \times 1^\circ$).

A.2 Cross-validating Hyde 3.1 and Census Data

Demographic data consisting of historical census data. It contains demographic data for various administrative entities between 1700 and 1820. The data is not complete, but nevertheless contains 900 observations for the period 1701-1810 for various administrative units. It is worth noting that the historical census data clearly also imperfectly reflect the true population counts, reflecting the bias that is inherent in historical data of this nature. The following administrative units are included in the dataset.

- Provincia
- Provincia menor
- Provincia mayor
- Partido
- Obispado
- Jurisdiccion
- Intendencia

The dataset comes with shapefiles delineating the territory of each administrative unit. These shapefiles are used to aggregate the population data implied by Hyde 3.1. This dataset is a raster file of population density spanning the whole study region at 10-year intervals. It extrapolates of various historical population statistics to create granular population data. Here I assess the quality of this extrapolation by cross-validating against historical census data. A scatter plot of the observations in the two datasets can be seen in the figure below. Moreover, I consider the overall distribution of the two datasets. Overall, the two datasets match fairly well. I find that the raw correlation between the two datasets is 0.77. From the scatter plot it is apparent that the two datasets line up more poorly for smaller administrative units, while they match better for larger ones. The distributions of the two variables overlap to high extent.

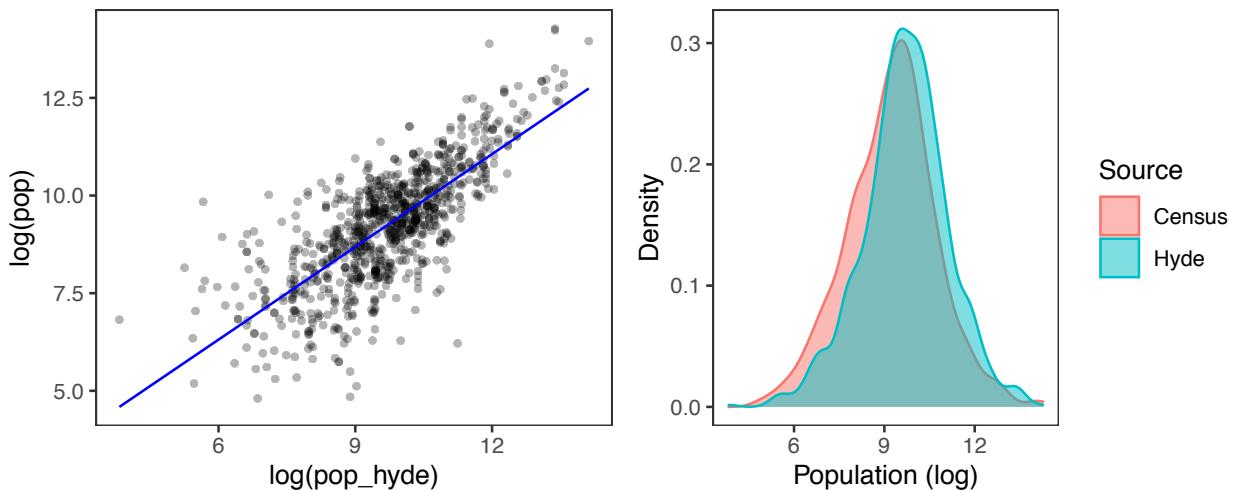


Figure A4: The figure shows the relationship between population counts in census data and in Hyde 3.1. The left figure is a scatter plot of the logarithm of the two variables. The right figure shows the density plots of the two variables.

B Data Sources

B.1 Potential Vegetation

Global potential vegetation data is from the Center for Sustainability and the Global Environment (SAGE). The data is representative of the world's "potential" vegetation, that is vegetation that would most likely exist now in the absence of human activities. The data consists of a global map of natural vegetation at a 5 min resolution classified into 15 vegetation types. These are:

- Tropical evergreen forest/woodland
- Tropical deciduous forest/woodland
- Temperate broadleaf evergreen forest/woodland
- Temperate needleleaf evergreen forest/woodland
- Temperate deciduous forest/woodland
- Boreal evergreen forest/woodland
- Boreal deciduous forest/woodland
- Evergreen/deciduous mixed forest/woodland
- Savanna
- Grassland/steppe
- Dense shrubland
- Open shrubland
- Tundra
- Desert
- Polar desert/rock/ice

The data is available at <https://nelson.wisc.edu/sage/data-and-models/global-potential-vegetation/index.php>. Details about the construction of the data can be found in [Ramankutty and Foley \(1999\)](#).

B.2 Agricultural Yield

I use a measure of agricultural potential constructed by [Galor and Özak \(2015, 2016\)](#). The data measure the maximum attainable yield measured in calories that can be achieved for a variety of crops. Agricultural productivity is the maximum potential production capacity in tons per hectare over the seventeen crops

- buckwheat
- barley
- chickpea
- foxtail millet
- groundnut
- maize
- oat
- pearl millet
- wetland rice
- rape
- rye
- sunflower

- soybean
- sweet potato
- sorghum
- wheat
- white potato

B.3 Climate and Temperature

Data on climate and temperature are from the WorldClim global climate database. The data spans (1960-1990) at 5 minute resolution. See <https://www.worldclim.org/data/bioclim.html> for the data source. The following variables are included in the analysis:

- Annual Mean Temperature
- Mean Diurnal Range (Mean of monthly (max temp - min temp))
- Isothermality
- Temperature Seasonality (standard deviation $\times 100$)
- Max Temperature of Warmest Month
- Min Temperature of Coldest Month
- Temperature Annual Range
- Mean Temperature of Wettest Quarter
- Mean Temperature of Driest Quarter
- Mean Temperature of Warmest Quarter
- Mean Temperature of Coldest Quarter
- Annual Precipitation
- Precipitation of Wettest Month
- Precipitation of Driest Month
- Precipitation Seasonality (Coefficient of Variation)
- Precipitation of Wettest Quarter
- Precipitation of Driest Quarter
- Precipitation of Warmest Quarter
- Precipitation of Coldest Quarter

B.4 Ruggedness, Slope, and Elevation.

The Terrain Ruggedness Index was developed in [Elliot, DeGloria and Riley \(1999\)](#). Follows the the classification:

- 0-80 - level terrain surface.
- 81-116 - nearly level surface.
- 117-161 - slightly rugged surface.
- 162-239 - intermediately rugged surface.
- 240-497 - moderately rugged surface.
- 498-958 - highly rugged surface.
- > 959 - extremely rugged surface.

I measure ruggedness by the average standard deviation of elevation. Plains will score low in this measure, while

mountains and valleys will score high. Elevation, terrain ruggedness, and the slope of the main study area are displayed in the following maps which shows they are all highly correlated.

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