

Department of Economics
Queen's University

ECON435/835: Development Economics

Professor: Huw Lloyd-Ellis

Assignment #2

Due Date: 4 p.m., Wednesday February 16, 2011

1. Let us try to replicate the results of the Acemoglu, Johnson, Robinson's (AJR) 2001 paper, "The Colonial Origins of Comparative Development." While AJR provide some of the data in the Appendix to their paper, David Albouy at the University of Michigan has recently criticized some of the data in AJR's paper. While we will not go into his criticism per se, (helpfully for us) at Albouy's website (<http://www-personal.umich.edu/~albouy/>) you will find a Stata file containing the data for AJR's paper (as well as Albouy's modification and other data).

(a) Using this data, try to replicate Table 2 (columns 2, 5 and 6) and Table 4 (columns 1,2, 7 and 8) in AJR's paper. [Please include your Stata-output to show that you actually replicated AJR's results.]

(b) AJR use Risk of Expropriation as their index of institutional quality. However, alternatives measures of institutional quality exist. Repeat the regressions in Table 4 (columns 1, 2, 7 and 8) using Constraints on the Executive in 1990. Are the results similar?

(c) In related work AJR (2002),¹ argue that countries that were more developed in 1500 experienced low subsequent growth as a result of colonization, whereas those that were less developed in 1500 experienced high subsequent growth. As a result these colonized countries experienced a "reversal of fortune". One measure of the level of development in 1500 is the estimated degree of urbanization. Verify whether this appears to be true using simple OLS regressions, with and without continental dummies.

(d) Using Urbanization in 1500 as an instrument instead of mortality rates, repeat the regressions in Table 4 (columns 1, 2, 7 and 8). How does this affect the results? Are these results consistent with the reversal of fortune story described in the introduction of AJR (2002)?

¹"Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution", by Acemoglu, Daron, Simon Johnson, and James Robinson (2002), *Quarterly Journal of Economics*, 117, 1231-1294. Available on the course website.