

Figure 1. The Distribution of Legal Origin

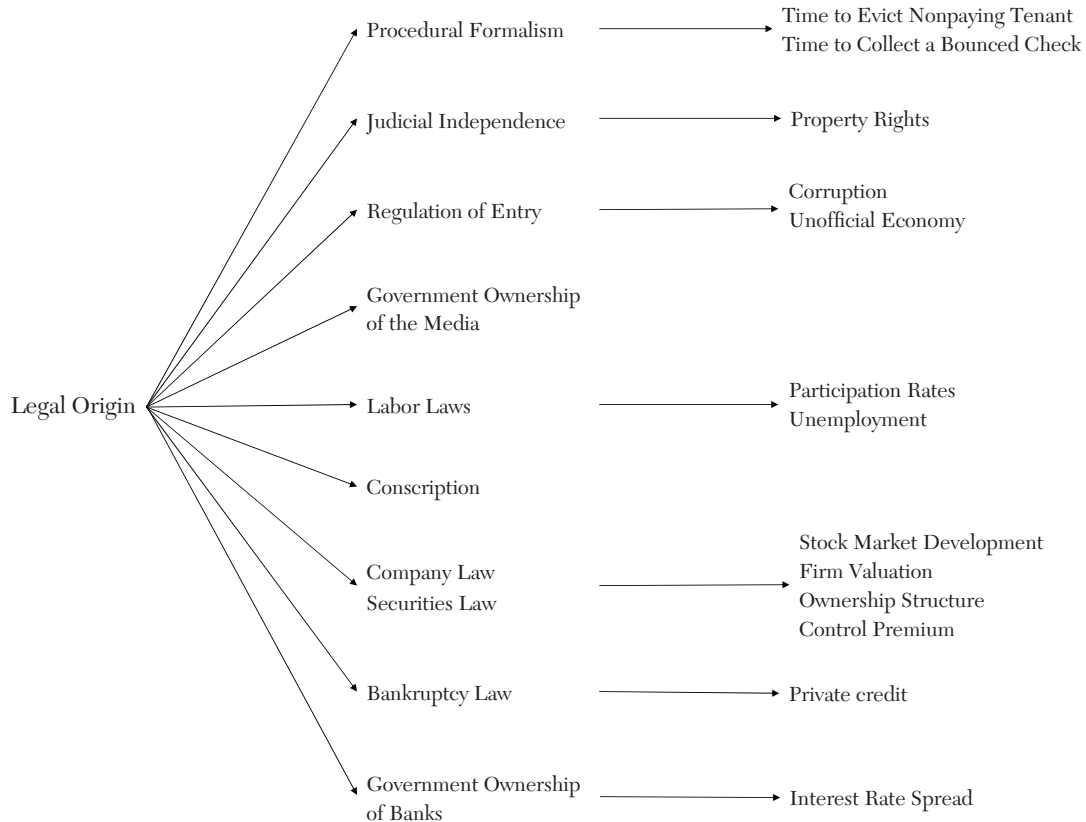
**Institution****Outcomes**

Figure 2. Legal Origin, Institutions, and Outcomes

TABLE 1  
DESCRIPTIVE STATISTICS

	WORLD SAMPLE (1)	EX-COLONIES SAMPLE (2)	ENGLISH EX-COLONIES (3)	ENGLISH EX-COLONIES		FRENCH EX-COLONIES (6)	FRENCH EX-COLONIES	
				Low Settler Mortality (4)	High Settler Mortality (5)		Low Settler Mortality (7)	High Settler Mortality (8)
Legal formalism	3.67 (1.07)	3.78 (1.24)	2.77 (.88)	2.46 (.94)	2.98 (.79)	4.65 (.75)	4.77 (.84)	4.48 (.62)
Procedural complexity	5.77 (1.37)	5.94 (1.54)	4.53 (1.03)	4.54 (1.04)	4.53 (1.06)	6.72 (1.19)	6.87 (1.33)	6.60 (1.07)
Number of procedures	27.19 (12.09)	28.73 (12.89)	20.4 (7.37)	19.67 (5.18)	21.08 (9.12)	33.26 (13.04)	30.8 (10.85)	35.15 (14.43)
Constraint on executive	4.47 (2.09)	4.15 (1.91)	4.48 (2.06)	5.58 (1.51)	3.75 (2.08)	3.99 (1.78)	5.02 (1.73)	3.33 (1.49)
Average protection against risk of expropriation	7.07 (1.81)	6.39 (1.47)	6.93 (1.70)	7.73 (1.73)	6.27 (1.40)	6.02 (1.16)	6.46 (.94)	5.61 (1.21)
Private property	3.3 (1.18)	3.04 (1.05)	3.54 (1.07)	3.79 (1.19)	3.38 (.97)	2.67 (.88)	3.15 (.59)	2.32 (.91)
Log GDP per capita in 1995 (PPP measure)	8.35 (1.10)	7.91 (1.00)	8.17 (1.14)	8.91 (1.11)	7.80 (.98)	7.71 (.83)	7.26 (.64)	8.35 (.64)
Average investment-GDP ratio	14.73 (7.89)	12.30 (7.21)	14.86 (8.37)	18.76 (9.65)	12.91 (7.04)	10.53 (5.49)	12.77 (4.73)	9.03 (5.51)
Credit to the private sector	.41 (.39)	.36 (.35)	.48 (.44)	.79 (.55)	.31 (.25)	.26 (.21)	.35 (.19)	.19 (.20)
Stock market capitalization	.22 (.37)	.17 (.37)	.30 (.51)	.67 (.68)	.07 (.11)	.04 (.14)	.11 (.17)	.03 (.09)
Log settler mortality	n.a.	4.69 (1.20)	4.25 (1.49)	3.10 (.70)	5.48 (1.06)	4.93 (.92)	4.12 (.37)	5.59 (.68)
Log population density in 1500	n.a.	.52 (1.53)	.25 (1.77)	-.27 (2.62)	.51 (1.11)	.75 (1.30)	.33 (1.70)	.99 (.92)

NOTE.—Mean values, with standard deviations in parentheses. High and low settler mortality are defined as above- and below-median values for all former colonies. For detailed sources and definitions, see App. table A1.

TABLE 2  
 CONTRACTING AND PROPERTY RIGHTS INSTITUTIONS: GDP PER CAPITA, INVESTMENT,  
 CREDIT, AND STOCK MARKET CAPITALIZATION

	EX-COLONIES			EX-COLONIES		
	WORLD:	SAMPLE		WORLD:	SAMPLE	
		OLS (1)	OLS (2)		2SLS (3)	OLS (4)
Panel A	Dependent Variable: Log GDP per Capita in 1995			Dependent Variable: Average Ratio of Investment to GDP in 1990s		
Legal formalism	-.28 (.10)	-.21 (.10)	-.18 (.14)	-1.90 (.69)	-1.19 (.71)	-1.77 (.94)
Procedural complexity	-.12 (.07)	-.047 (.083)	-.141 (.122)	-1.19 (.50)	-.56 (.56)	-2.13 (.87)
Number of procedures	-.03 (.01)	-.016 (.010)	-.026 (.021)	-.22 (.06)	-.12 (.07)	-.34 (.15)
Panel B	Dependent Variable: Credit to the Private Sector in 1998			Dependent Variable: Stock Market Capitalization, Average over 1990–95		
Legal formalism	-.16 (.04)	-.14 (.03)	-.14 (.05)	-.17 (.03)	-.17 (.04)	-.16 (.05)
Procedural complexity	-.08 (.03)	-.056 (.029)	-.120 (.044)	-.089 (.025)	-.072 (.031)	-.156 (.047)
Number of procedures	-.01 (.003)	-.0077 (.0036)	-.021 (.008)	-.0093 (.0033)	-.0078 (.0038)	-.027 (.009)
Panel C	Dependent Variable: Log GDP per Capita in 1995			Dependent Variable: Average Ratio of Investment to GDP in 1990s		
Constraint on executive	.33 (.04)	.32 (.05)	.76 (.15)	1.61 (.30)	1.40 (.42)	4.16 (1.04)
Average protection against risk of expropriation	.56 (.04)	.52 (.06)	1.05 (.19)	3.17 (.33)	3.00 (.48)	5.50 (1.12)
Private property	.74 (.06)	.69 (.09)	1.57 (.32)	3.97 (.53)	3.72 (.72)	9.23 (2.23)
Panel D	Dependent Variable: Credit to the Private Sector in 1998			Dependent Variable: Stock Market Capitalization, Average over 1990–95		
Constraint on executive	.08 (.02)	.08 (.02)	.25 (.06)	.06 (.02)	.06 (.02)	.21 (.06)
Average protection against risk of expropriation	.15 (.02)	.16 (.03)	.37 (.08)	.11 (.02)	.14 (.03)	.30 (.08)
Private property	.23 (.03)	.23 (.03)	.54 (.12)	.19 (.03)	.21 (.04)	.43 (.10)

NOTE.—Standard errors are in parentheses. All regressions are cross-sectional OLS or 2SLS, with one observation per country. Each cell reports results from a separate regression; sample sizes differ across regressions and are reported in Acemoglu and Johnson (2003). In cols. 3 and 6 of panels A and B, the measure of contracting institutions is instrumented using a dummy variable for whether a country has an English legal origin. In cols. 3 and 6 of panels C and D, the measure of property rights institutions is instrumented using log settler mortality. For detailed sources and definitions, see App. table A1.

TABLE 3

FIRST-STAGE REGRESSIONS FOR CONTRACTING AND PROPERTY RIGHTS INSTITUTIONS  
(OLS, Sample of Ex-Colonies)

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. Measure of Contracting Institutions						
	Dependent Variable: Legal Formalism		Dependent Variable: Procedural Complexity		Dependent Variable: Number of Procedures	
English legal origin	-1.98 (.23)	-1.79 (.20)	-2.28 (.34)	-2.24 (.29)	-11.29 (3.31)	-12.39 (2.88)
Log settler mortality	.09 (.09)		-.08 (1.32)		1.59 (1.29)	
Log population density in 1500		.04 (.06)		-.13 (.86)		-.38 (.84)
$R^2$ in first stage	.64	.58	.47	.47	.23	.22
Observations	53	64	60	68	61	69
Panel B. Measure of Property Rights Institutions						
	Dependent Variable: Constraint on Executive		Dependent Variable: Protection against Expropriation		Dependent Variable: Private Property	
English legal origin	-.002 (.48)	.05 (.43)	.60 (.31)	.87 (.30)	.72 (.22)	.73 (.18)
Log settler mortality	-.66 (.19)		-.71 (.12)		-.30 (.09)	
Log population density in 1500		-.40 (.13)		-.36 (.09)		-.29 (.05)
$R^2$ in first stage	.21	.15	.50	.35	.37	.47
Observations	51	60	51	57	52	60

NOTE.—Standard errors are in parentheses. All regressions are cross-sectional OLS with one observation per country. For detailed sources and definitions, see App. table A1.

TABLE 4

## CONTRACTING VS. PROPERTY RIGHTS INSTITUTIONS: GDP PER CAPITA AND INVESTMENT-GDP RATIO (2SLS)

	INSTRUMENT FOR PROPERTY RIGHTS INSTITUTIONS					
	Log Settler Mortality (1)	Log Population Density (2)	Log Settler Mortality (3)	Log Settler Mortality (4)	Log Settler Mortality (5)	Log Settler Mortality (6)
Panel A. Dependent Variable: Log GDP per Capita, Second Stage of 2SLS						
Legal formalism	.05 (.24)	-.002 (.21)			.35 (.15)	.85 (.45)
Procedural complexity			.097 (.17)			
Number of procedures				.02 (.04)		
Constraint on executive	.99 (.29)	.88 (.27)	.84 (.18)	.88 (.23)		
Average protection against risk of expropriation					.99 (.16)	
Private property						2.45 (.81)
Results in Equivalent OLS Specification						
Measure of contracting institutions	-.16 (.10)	-.13 (.10)	-.050 (.07)	-.013 (.009)	.11 (.09)	.01 (.10)
Measure of property rights institutions	.31 (.07)	.29 (.07)	.34 (.06)	.32 (.06)	.63 (.08)	.74 (.14)
Observations	51	60	60	61	51	52
Panel B. Dependent Variable: Investment-GDP Ratio, Second Stage of 2SLS						
Legal formalism	-.80 (1.55)	-1.34 (1.37)			.57 (1.08)	3.83 (2.52)
Procedural complexity			-.60 (1.10)			
Number of procedures				-.08 (.23)		
Constraint on executive	4.70 (1.87)	4.24 (1.77)	4.21 (1.20)	4.06 (1.44)		
Average protection against risk of expropriation					4.68 (1.11)	
Private property						13.16 (4.57)
Results in Equivalent OLS Specification						
Measure of contracting institutions	-1.05 (.83)	-.94 (.76)	-.50 (.60)	-.08 (.07)	.67 (.71)	.14 (.78)
Measure of property rights institutions	1.08 (.57)	1.00 (.51)	1.5 (.48)	1.31 (.49)	3.88 (.65)	4.68 (1.08)
Observations	51	60	60	61	51	52

NOTE.—Standard errors are in parentheses. All regressions are cross-sectional with one observation per country. The main regressions are 2SLS, with results from corresponding OLS specifications at the bottom of each panel. The instruments are English legal origin in all columns; in cols. 1 and 3–6, log settler mortality; and in col. 2, log population density in 1500. First stages are similar to those in table 3. For detailed sources and definitions, see App. table A1.

TABLE 5

## CONTRACTING VS. PROPERTY RIGHTS INSTITUTIONS: PRIVATE CREDIT AND STOCK MARKET CAPITALIZATION (2SLS)

	INSTRUMENT FOR PROPERTY RIGHTS INSTITUTIONS					
	Log Settler Mortality (1)	Log Population Density (2)	Log Settler Mortality (3)	Log Settler Mortality (4)	Log Settler Mortality (5)	Log Settler Mortality (6)
Panel A. Dependent Variable: Credit to Private Sector, Second Stage of 2SLS						
Legal formalism	-.08 (.08)	-.08 (.06)			-.01 (.07)	.16 (.14)
Procedural complexity			-.05 (.06)			
Number of procedures				-.010 (.012)		
Constraint on executive	.27 (.10)	.17 (.07)	.24 (.06)	.22 (.07)		
Average protection against risk of expropriation					.28 (.07)	
Private property						.70 (.25)
Results in Equivalent OLS Specification						
Measure of contracting institutions	-.13 (.04)	-.11 (.04)	-.059 (.030)	-.006 (.003)	-.09 (.04)	-.08 (.04)
Measure of property rights institutions	.06 (.03)	.06 (.02)	.08 (.02)	.071 (.02)	.13 (.04)	.21 (.05)
Observations	51	60	60	61	51	52
Panel B. Dependent Variable: Stock Market Capitalization, Second Stage of 2SLS						
Legal formalism	-.16 (.07)	-.14 (.05)			-.10 (.07)	.04 (.10)
Procedural complexity			-.11 (.06)			
Number of procedures				-.022 (.013)		
Constraint on executive	.20 (.09)	.13 (.07)	.19 (.06)	.14 (.08)		
Average protection against risk of expropriation					.21 (.07)	
Private property						.54 (.20)
Results in Equivalent OLS Specification						
Measure of contracting institutions	-.17 (.04)	-.15 (.04)	-.08 (.03)	-.006 (.004)	-.15 (.05)	-.08 (.04)
Measure of property rights institutions	.39 (.03)	.04 (.03)	.055 (.03)	.05 (.03)	.10 (.04)	.21 (.06)
Observations	50	59	59	59	50	51

NOTE.—Standard errors are in parentheses. All regressions are cross-sectional with one observation per country. The main regressions are 2SLS, with results from corresponding OLS specifications at the bottom of each panel. The instruments are English legal origin in all columns; in cols. 1 and 3–6, log settler mortality; and in col. 2, log population density in 1500. First stages are similar to those in table 4. For detailed sources and definitions, see App. table A1.

TABLE 9  
DETERMINANTS OF CONTRACTING AND PROPERTY RIGHTS INSTITUTIONS:  
SAMPLE OF EX-COLONIES

	DEPENDENT VARIABLE: QUALITY OF THE COURTS		DEPENDENT VARIABLE: JUDICIARY FUNCTIONING FOR BUSINESS DISPUTES		DEPENDENT VARIABLE: VIOLATION OF COPYRIGHTS, PATENTS, OR TRADEMARKS	
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. Reduced Form						
English legal origin	-.81 (.21)	-.87 (.19)	-.68 (.18)	-.82 (.18)	-.72 (.12)	-.82 (.10)
Log settler mortality	.10 (.08)		.18 (.08)		.08 (.06)	
Log population density in 1500		-.02 (.07)		.01 (.07)		.05 (.03)
R <sup>2</sup>	.09	.09	.13	.12	.09	.11
Panel B. Structural Form with Legal Formalism and Constraint on Executive, 2SLS						
Legal formalism	.44 (.11)	.45 (.12)	.39 (.13)	.43 (.11)	.38 (.06)	.44 (.06)
Constraint on executive	-.07 (.12)	.23 (.28)	-.18 (.14)	.11 (.23)	-.04 (.07)	-.07 (.14)
Includes firm-level sales?	yes	yes	yes	yes	yes	yes
Countries	38	44	38	44	38	44
Observations	3,043	3,379	3,282	3,637	3,029	3,347
Panel C. Reduced Form						
	DEPENDENT VARIABLE: FREQUENCY OF ADDITIONAL PAYMENTS		DEPENDENT VARIABLE: CORRUPTION OF GOVERNMENT OFFICIALS		DEPENDENT VARIABLE: PREDICTABILITY OF LEGISLATION AND REGULATION	
	(1)	(2)	(3)	(4)	(5)	(6)
English legal origin	.37 (.31)	.04 (.19)	-.25 (.20)	-.49 (.14)	.09 (.14)	-.01 (.16)
Log settler mortality	.51 (.11)		.32 (.07)		.33 (.06)	
Log population density in 1500		.33 (.04)		.21 (.03)		.06 (.04)
R <sup>2</sup>	.08	.12	.10	.14	.06	.01
Panel D. Structural Form with Legal Formalism and Constraint on Executive, 2SLS						
Legal formalism	-.04 (.28)	.10 (.36)	.24 (.16)	.33 (.23)	.05 (.14)	.03 (.09)
Constraint on executive	-.72 (.28)	-1.23 (.87)	-.42 (.18)	-.77 (.61)	-.45 (.16)	-.21 (.16)
Includes firm-level sales?	yes	yes	yes	yes	yes	yes
Countries	38	44	38	44	38	44
Observations	3,220	3,568	3,145	3,482	3,348	3,707

NOTE.—Standard errors, clustered by country, are in parentheses. All regressions are cross-sectional, 2SLS, using data only from ex-colonies. In panels B and D, the instruments in all columns are a dummy variable for whether a country has an English legal origin; in cols. 1, 3, and 5, log settler mortality; and in cols. 2, 4, and 6, log population density in 1500. Firm-level sales are included in all columns. For detailed sources and definitions, see App. table A1.