

HISTORICAL DETERMINANTS OF STATE CAPACITY

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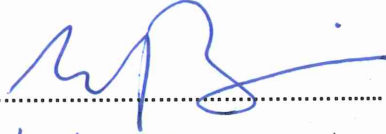
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ABSTRACT

Historical Determinants of State Capacity

High state capacity is associated with a specific type of state: modern fiscal and bureaucratic state. This study argues that modern fiscal state first emerged in Europe, and later diffused around the world. Early statehood experience between 0-1500 (state history) and colonization shaped the patterns of this diffusion. In order to understand the roles of these variables, this study tests the impact of state history, colonization, and their interaction, on current state capacity, relying on a cross-country dataset and IV models. The results show that colonization is negatively associated with current state capacity for countries that had short state history before 1500. Additionally, for countries that were not colonized, having a long state history before 1500 is associated with a weak state today. These findings suggest that the adoption of innovations associated with modern state is hindered in colonized countries with short state history and non-colonized countries with long state history.

ÖZET

Devlet Kapasitesini Belirleyen Tarihsel Faktörler

Bugün, yüksek devlet kapasitesi belli bir devlet biçimi ile özdeşleştirilmektedir: modern mali ve bürokratik devlet. Bu çalışma, bu modern mali ve bürokratik devletin ilk olarak Avrupa kıtasında ortaya çıktığını ve daha sonra dünyaya yayıldığını iddia etmektedir. 0-1500 yılları arası erken devletlik deneyimi (devlet tarihi) ve kolonileşme ise bu yayılmanın şekillerini belirlemiştir. Bu iki değişkenin süreçteki rollerini anlamak amacıyla, bu çalışma, devlet tarihi, kolonileşme ve bu iki değişkenin etkileşiminin bugünkü devlet kapasitesi üzerine etkisini araç (enstrüman) değişkenler ve ülkeler arası veri seti kullanarak test etmektedir. Sonuçlar, 1500 yılından önce kısa devlet deneyimine sahip olan ülkeler için, kolonileşme ve bugünkü devlet kapasitesinin negatif bir ilişki içinde olduğunu göstermektedir. Buna ek olarak, hiç kolonileştirilmemiş ülkeler için, geçmişte uzun devlet deneyimine sahip olmak, bugün zayıf devletlere sahip olmakla ilişkilendirilmektedir. Bu bulgular, devletin modernleşmesi ile ilgili yeniliklerin geçmiş deneyimi zayıf olan kolonileştirilmiş devletler ve geçmiş deneyimi güçlü olan kolonileştirilmemiş devletlere yayılmasının daha güç olduğunu göstermektedir.

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CHAPTER 1

INTRODUCTION

State capacity is associated with development outcomes in the literature (e.g. Acemoglu, Garcia-Jimeno, & Robinson, 2015, Besley & Persson, 2009, Fearon, & Laitin 2003). High-capacity states are the ones that are able to implement policies, collect taxes, and provide services with better performing bureaucracies. They experience economic growth and development (Besley & Persson, 2013; Dincecco & Katz, 2016). On the other hand, low-capacity states of varying degrees are prevalent in much of the world. What is the source of this variation in state capacity? Why do some countries have better performing states and bureaucracies?

Existing scholarship focuses on the role of interstate wars in explaining the origins of state capacity. Nevertheless, this explanation is limited in scope and cannot fully account for the development of state capacity outside Western Europe. This study focuses on other historical determinants that can be generalized beyond Western Europe. These determinants are colonization and early statehood (state history in the region between 0-1500 CE).

This study argues that the current state capacity is a legacy of modern state building efforts following the emergence of modern state in Europe. In other words, modern fiscal state has emerged in Europe and diffused to the rest of the world. Variations in colonization and early statehood determined the patterns of this diffusion. The findings suggest that the adoption of innovations associated with modern state is hindered in colonized countries with short state history (little or no statehood experience between 0-1500 CE) and non-colonized countries with long state history (high early statehood experience between 0-1500 CE).

This theory is based on the distinction between traditional states and modern fiscal states as the current state capacity is a legacy of the modern state rather than the traditional state. The major difference between traditional states and modern fiscal states is about the tax collection practices. Traditional states rely on decentralized tax collection whereas modern fiscal states rely on centralized tax collection, and therefore, strong bureaucracies. Historically, traditional state has been the dominant mode of rule across the world. From Aztecs to Babylon, from Ottomans to Roman Empire, all historical states have been traditional states with strong central rulers and decentralized tax collection practices. Modern fiscal state, on the other hand, is a relatively new artifact of human development which emerged in Europe as famously described by Charles Tilly (1992) in *Coercion, Capital and European States*.

This study analyzes the variations in state capacity depending on the factors that influence the diffusion of modern fiscal state (i.e. colonization and state history) relying on instrumental variables approach with two-stage least squares (2SLS) and three-stage least squares (3SLS) models and a cross-country dataset. An interaction term of colonization and state history is also included in the analysis as the effect of state history is conditional on colonization, and vice versa. Since the colonial practices depend on the existing institutional structures in the country, we expect the effect of colonization to be conditional on early statehood experience. Similarly, since the effect of early statehood experience is mediated by colonial rule (i.e. rule by a foreign power in later periods), we expect the effect of early statehood to be conditional on whether the country is colonized or not.

The findings show that, for non-colonized countries, the relationship between state history and current state capacity is negative. In other words, non-colonized

countries with relatively lower levels of early statehood have higher levels of current state capacity. High capacity Scandinavian states exemplify this finding well as Scandinavian countries are non-colonized and have very little early statehood experience.

Findings also show that colonization is negatively associated with current state capacity at lower levels of state history. This might suggest that colonization inhibits the diffusion of modern fiscal state to regions with little early statehood experience. Sub-Saharan Africa and Central America are typical examples of this finding as they currently have low capacity states, have no early statehood experience between 0-1500 CE, and had been colonized.

CHAPTER 2

THEORETICAL FRAMEWORK

In this section, I will first outline existing scholarship on state building that propose interstate war as the major determinant of state capacity. I will argue that interstate war is a trigger of state building process in pre-modern Europe rather than a general determinant of state capacity. Second, I will argue that the modern fiscal state diffused from Europe to the rest of the world after it emerged in Europe. Finally, I will discuss the reversal of fortune literature and introduce modern fiscal state (current state capacity) as an alternative explanation for reversal of fortune since modern fiscal state is an institution that might have diffused with colonization.

2.1 Modern fiscal states vs. traditional states

He (2013) introduces the distinction between modern fiscal states and traditional fiscal states. According to his framework, major distinction between these two types of states is based on their revenue generation practices. Traditional fiscal states rely on decentralized tax collection whereas modern fiscal states rely on centralized tax collection, and therefore, strong bureaucracies. He (2013) also discusses the traditional scholar distinction between fiscal states and domain states. As he derived from the definitions in the literature, fiscal states rely on tax revenues (collected either centralized or decentralized) while domain states rely on revenues generated from crown-owned property such as estates, forests and mines. Building upon these two frameworks, I will classify states as traditional states and modern fiscal states. Next, I will explain how traditional states and modern fiscal states are defined for the purposes of this study.

Traditional states consist of domain states and traditional fiscal states, while modern fiscal states rely on centralized tax collection. Modern fiscal state deserves a distinct category of its own vis-à-vis other types of states such as domain or traditional fiscal states for practical reasons: understanding variations in current state capacity. One implication of modern fiscal state is high current state capacity since current operationalizes of state capacity measure modern fiscal state relying on measures of tax collection or bureaucratic quality. Therefore, understanding emergence and diffusion of modern fiscal state is very important for understanding variations in modern state capacity. In the next section, I will discuss the literature on the emergence of modern fiscal state.

2.1.1 Emergence of modern fiscal state

The literature has proposed explanations of the development of state capacity that emphasize the role of interstate war. Tilly (1992) argued that the creation of state bureaucracies and centralized fiscal state originated from the constant interstate warfare in pre-modern Europe. As Tilly (1992) famously theorizes, constant war pressure and advancements in war technologies provided the incentives for European kings to develop state institutions capable of extracting resources from societies. Recent empirical studies confirmed this theoretical account by providing evidence on the positive association between interstate wars and fiscal capacity building in pre-modern Europe (Besley & Persson, 2009; Karaman & Pamuk, 2013; Dincecco & Katz, 2016; Gennaioli & Voth, 2015). Nevertheless, this European trajectory of state building has not been followed in Sub-Saharan Africa (Herbst, 2000) and Latin America (Centeno, 2002). For instance, Centeno (2002) argues that the constant warfare in Latin America led to destruction of state institutions rather than state

building. Similarly, Herbst (2000) argues that constant warfare in Africa was not followed by state building because necessary structural conditions such as land scarcity, population density and well-defined borders were absent in the African case. This idea is in line with the Tilly's theory (1992) which explains modern states of Europe as an outcome of continuous conflict over "well-defined boundaries."

Evidence from 18th century Ottoman Empire supports the argument that the constant warfare does not always lead to the emergence of central state building. For instance, Ottoman state subcontracted the right to collect taxes to private interests in order to get funding to finance wars with European states and Russia (Barkey, 2008). Therefore, the constant threat of war in the 18th century led to the emergence of decentralized fiscal institutions in Ottoman Empire rather than a centralized fiscal state (Barkey, 2008). Karaman & Pamuk (2013) verify this observation with an empirical analysis. They find that the warfare had both centralizing and decentralizing effects conditional on regime type and industrialization.

According Charles Tilly (1992), military innovations of pre-modern Europe, especially the use of mass armies and gun powder, made wars very expensive for states. Therefore, rulers were incentivized to develop fiscal and bureaucratic states to extract resources from societies to fund these expensive wars. Findings of Gennaioli & Voth (2015) supports Tilly's argument. Gennaioli & Voth (2015) show that technological innovations that transformed warfare have been influential in state building. In a similar vein, Dincecco, Finske, & Onarato (2019) found that historical warfare in Sub-Saharan Africa is strongly and positively correlated to modern civil wars. Since civil wars are associated with low levels of state capacity, this finding suggests a negative relationship between past traditional warfare and state capacity. Both qualitative and quantitative evidence suggest that modern warfare that follows

the military revolution in pre-modern Europe has been effective in state building process rather than the traditional warfare.

Another factor that played a role in the emergence in modern fiscal state is executive constraints. Tilly (1992) stresses the importance of parliaments in providing security guarantees to landed elite in return for their concessions. Blaydes & Chaney (2013) discusses the military recruitment processes that lead to “productively adversarial” relationships between the ruler and local elites in Europe.

As outlined in above, findings in the literature suggest that the link between interstate warfare and state building is particularly valid for pre-modern Europe. Conditions specific to pre-modern Europe, such as innovations in military technology (Tilly, 1992; Gennaioli & Voth, 2015), land scarcity, population density and well-defined boundaries (Herbst, 2000); and relative weakness of rulers vis-à-vis landed elite (Tilly, 1992; Blaydes & Chaney, 2013) prepared an environment conducive to state building. With these antecedent conditions in place, interstate warfare has been a trigger of state building. Therefore, framing interstate warfare as a trigger of state-building process in pre-modern Europe is more appropriate than framing it as a general determinant of state capacity.

2.1.2 Emergence of modern fiscal state and critical junctures

In the previous section, I defined state building in pre-modern Europe as a process that is triggered by interstate warfare as a result of antecedent conditions conducive to state development (e.g. military revolution, power dynamics between kings and aristocracy, population density, land scarcity, and well-defined boundaries). I also defined modern fiscal bureaucratic state as the outcome of this state building process in pre-modern Europe. This definition is in line with the famous concept of “critical

junctione.” According to Collier and Collier (1991) definition, a critical juncture is a period of significant change that typically occurs in different ways in different countries and that produce distinct legacies (Collier & Collier, 1991). The tensions that lead up to the critical juncture are called triggers.¹ In other words, critical junctures are responses to triggers, as trigger is something that emerges out of the antecedent conditions (Collier & Collier, 1991). Additionally, critical junctures may either be an extended period of reorientation or be a brief period in which one direction is taken (Collier & Collier, 1991). Some critical junctures may entail considerable discretion whereas in others the choice is deeply embedded in antecedent conditions (Collier & Collier, 1991). Using this critical juncture framework, modern fiscal and bureaucratic state can be defined as a “legacy” of state building “critical juncture” that took place in pre-modern Europe. This critical juncture has been “triggered” by interstate warfare and has been in the form of an “extended period of reorientation” as it took decades. Additionally, the choice to develop modern fiscal state was embedded in “antecedent conditions” (rather than discretion) such as military revolution, power dynamics between kings and aristocracy, population density, land scarcity, and well-defined boundaries. Additionally, the trigger of constant and costly warfare was emerged out of those antecedent conditions.

2.2 Modern state building outside Europe

Another critical juncture of state building has taken place outside Europe in the 19th century. Emergence of the modern European state has been the trigger of state building outside Europe. Strong states started to fall behind European powers due to

¹ Collier and Collier (1991) use terms “cleavage” and “trigger” interchangeably.

dramatic economic and institutional changes that have taken place in the precedent century in Europe. Old institutions were inadequate to compete with and to protect from European states. This crisis paved the way to the institutional reforms. Therefore, a new era of state building started in non-colonized countries like Japan, China and Ottoman Empire, as well as former colonies such as the United States of America.² For instance, Pamuk (2014) explains that growing fiscal and military disparities against the European states placed enormous pressures on the Ottoman state during the 18th century, and Ottomans responded with significant military reform and fiscal centralization attempts. Similarly, China and Japan attempted to modernize bureaucracies and tax collection practices as a response to public finance crises (He, 2013).

2.3 Reversal of fortune

Acemoglu, Johnson, and Robinson (2002) find that colonialism led to a reversal of fortune in colonies. They argue that colonization leads to extractive institutions in colonies with high levels of pre-colonial development. These extractive institutions cause a "reversal of fortune" and previously rich countries become poor following the colonial period. They define extractive institutions as institutions through which small group of individuals exploit the rest of the population, in the absence of a strong emphasis on private property and checks against government power. They also find that previously poor colonies become rich following colonization as these colonies were more conducive to transplantation of European institutions.

² European states had been the model for these state reforms. Some of those attempts have been more successful than others depending on the structural conditions surrounding the critical juncture. For instance, Meiji restoration in Japan has been the most successful, whereas the attempts to build a modern fiscal state have not been as successful in China and Ottoman Empire.

In contrast to Acemoglu, Johnson, and Robinson (2002) findings, Hariri (2012) finds evidence that colonization is not a source of extractive institutions. He shows that authoritarianism (can simply be defined as a regime that relies on extractive institutions) is the persistent mode of rule in all countries except for Europe whether they are colonized or not. He finds that authoritarianism (extractive institutions) persists in previously prosperous states when they are colonized because colonizers rely on existing institutions to extract resources. He also shows that authoritarianism persists in previously prosperous non-colonized states that resisted colonization attempts.

Hariri's findings suggest that extractive institutions cannot be used to explain the effects of colonialism on the institutions of previously strong states, because extractive institutions are not an outcome of colonial period. They, rather, are native to both colonized and non-colonized countries. Therefore, a third factor that is affected by the colonial experience and that affects current economic development might be an alternative explanatory factor for the reversal of fortune. State capacity is such a factor because it is affected by colonial period developments and it affects economic growth and development (Besley & Persson, 2013; Dincecco & Katz, 2016).

CHAPTER 3

HYPOTHESES

Measures of current state capacity operationalize modern fiscal capacity (e.g. tax collection, bureaucratic quality, government effectiveness) rather than traditional state capacity. Therefore, current state capacity is an implication of successful transition into modern fiscal state. In this section, I will propose two hypotheses that explain variation in current day state capacity relying on the historical emergence of modern fiscal state.

The previous section outlined the literature on the development of modern fiscal state and concluded that modern fiscal state was first emerged in Europe as a result of conditions that are conducive to modern fiscal state building. Relying on the literature, I later argued that the modern fiscal state diffused from Europe to the rest of the world as a response to the emergence of modern fiscal state in Europe. States that fell behind their European rivals have undertaken various institutional reforms to strengthen their state capabilities, yet not all of these reforms were undertaken successfully in countries with high early statehood experience (e.g. China and Ottoman Empire). Replacing traditional decentralized structures with modern centralized tax collecting practices had been challenging for these countries.³ Japan during Meiji restoration had been an exception to this pattern since it successfully adopted modern fiscal state. On the other hand, non-colonized states with relatively low early statehood experience are located in Europe, particularly in Scandinavia.

³ This challenge might have been caused by various factors such as sociopolitical instability (He 2013) and lack of human capital for hiring bureaucrats in the periphery. Sociopolitical instability might be reflecting the resistance to existing decentralized practices by the local elites and masses. If the local elites and masses lack incentives to comply with centralized tax collecting practices, rebellion is likely. If state lacks military capacity to repress rebellion, the central state fails to innovate tax collecting practices and adopt modern fiscal state.

Scandinavian countries succeeded in adopting modern fiscal state. To summarize, the failure in the adoption of modern fiscal state is a common pattern among non-colonized countries with long state histories such as China, Turkey, Iran and Nepal; while adoption had been successful in non-colonized countries with no state history such as Sweden and Finland.⁴

Hypothesis 1: Early statehood (state history) is negatively associated with current state capacity in non-colonized countries

This negative association between early statehood and current state capacity also holds for colonies of non-colonized countries with high state history such as Ottoman Empire. Low state capacity countries in Middle East and North Africa have been colonies of Ottoman Empire once. On the other hand, we expect to see higher levels of current state capacity if countries with high state history are colonized by countries with modern fiscal states. For instance, India (colonized by Britain) and South Korea (colonized by Japan) are countries that have strong current capacities despite having high state histories.

Despite a few examples of positive colonial state capacity outcomes such as Korea and India, colonization had mixed, if not detrimental, effects on other cases. Extractive forms of colonization in countries with low early statehood experience led to weak states as we observe in Sub-Saharan Africa and Central America. In those cases, colonial powers had little interest in building state institutions even though they have modern fiscal states themselves. Colonized countries with no state history

⁴ This argument is in line with the arguments in the literature that non-inclusive institutions undermine fiscal capacity (Borcan, Olsson & Putterman, 2018), and older states with higher state history tend to have non-inclusive institutions (Hariri, 2012) due to over-centralization (Borcan, Olsson & Putterman, 2018). Japan is again an exception since fiscal centralization has started before the parliament was established (He, 2013).

were likely to experience extractive forms of colonization; therefore they did not experience modern state building.

Hypothesis 2: Colonization is negatively associated with current state capacity in countries with no or little early statehood (state history).

Second hypothesis does not hold for all cases of colonization in low-state history countries. The United States, Canada, Australia and New Zealand are examples of colonized countries with no early statehood between 0-1500 CE. Yet, these countries have received an influx of settlers and experienced modern state building by European settler communities. Nevertheless, these few examples are not expected to change the average effects of colonization in the analysis.

CHAPTER 4

RESEARCH METHODS

Hypotheses stated in the previous chapter are tested using instrumental variables (IV) approach with 2SLS and 3SLS models. Colonization (whether a country is colonized or not) is instrumented for in both models because colonization is not a random process and this non-randomness might raise endogeneity concerns – a potential relationship between the main explanatory variable and the error term.

In IV approach, instruments need to satisfy two major assumptions to be accepted as valid instruments. First, instruments and the independent variable (that is being instrumented for) need to be related. In other words, instruments need to be a good predictor of the independent variable (strong instrument). Second, instruments and the error term should not be correlated. The instruments need to be correlated with the dependent variable solely through the channel of the independent variable that is being instrumented for. This second assumption is also known as the exclusion restriction assumption. The details of the instrumental variables and how they satisfy these two assumptions will be discussed in the next chapter.

The model also includes an interaction term following the arguments in the literature that claim a moderating effect of state history. State history and colonization interaction is instrumented by interactions of state history and instruments of colonization. Hence the baseline first and second stage regression equations for 2SLS are

$$\begin{aligned} \text{state capacity} = & \alpha + \beta_1 \widehat{\text{colonized}} + \beta_2 \widehat{\text{colstate}} \\ & + \beta_3 \text{statehist} + B_4 \text{Controls} \end{aligned}$$

$$\widehat{colonized} = \alpha_2 + \beta_5 instruments + \beta_6 statehist \\ + \beta_7 instruments * statehist + \beta_8 Controls$$

$$\widehat{colstate} = \alpha_3 + \beta_9 instruments + \beta_{10} statehist \\ + \beta_{11} instruments * statehist + \beta_{12} Controls.$$

CHAPTER 5

DATA

The hypotheses are tested using a cross-country dataset which consists of 149 countries with 28 of them being non-colonized and 121 being colonized. The cross-country dataset is merged using different data sources for the purposes of this study. A list of all variables and data sources is presented in the Appendix A.

The main dependent variable of the study is current day state capacity, and it is defined as "the effectiveness of the state to collect taxes, implement policies and provide services. The main dependent variable is measured using the International Country Risk Guide (ICRG) bureaucratic quality index (icrgbq). The robustness of the results is controlled using two additional measures: World Bank's World Governance Indicators (WGI) Government Effectiveness score (wgieffect) and direct tax to GDP ratio (taxratio). ICRG Bureaucratic Quality Index and WGI Government Effectiveness score depend on expert opinion surveys.

The main independent variables will be state history and colonization.⁵ Bockstette, Chanda and Putterman (2002)'s measure of state history is used to measure early statehood. This state history variable (statehist) measures the existence of a supra-tribal central state in the current territories of countries by assigning each country a score between 0 and 1 according to their level of statehood experience from 0 to 1500 CE. The other main independent variable, colonization (colonized), is a dummy variable set to 1 if most of the country's territory was colonized by either a European state or a European/Asian empire. The data is created by merging European and Asian colonization data collected from two different sources.⁶

⁵ Whether a country is colonized or not

⁶ Ertan et al. 2015, Hensel ICOW

European colonization is coded as 1 if a country is colonized by a European power (Belgium, England, France, Germany, Italy, Netherlands, Portugal or Spain) during the period between 1462 and 1945, and 0 otherwise.⁷ Imperial colonization is coded as 1 if a country is colonized by a major empire (Japan, China, Ottoman, Russia, Austria-Hungary) in history, and 0 otherwise. Figure 1 shows the distribution of colonized and non-colonized countries in the dataset.



Figure 1. Colonized countries (in black)

Additionally, four variables are used to instrument for colonization. These variables are latitude, landdist, navdist and landlocked. Latitude measures absolute value of latitude of a given country. Landdist measures the distance the colonizers had to travel through ground transportation.⁸ Navdist⁹ measures the distance between

⁷ Judgment on whether foreign involvement meets the standard of colonization is made by the coders. Ertan et al. (2015) state that "colonies include cases of indirect rule as well as League of Nations protectorates but exclude cases where sources speak merely of a foreign sphere of influence."

⁸ For landlocked countries, it reflects the distance (Google Earth) from the country's historically most important city (usually but not always the current capital) to the closest oceanic port. For El Salvador, Ecuador, Peru, and Chile, landdist is the distance between Panama City and Balboa—the Atlantic and Pacific ports that are now joined by the Panama Canal (Ertan et al. 2015). Unit of measure: thousands of nautical miles.

⁹ It is important to note that landdist and navdist instruments are 0 for European countries since those variables measure the distances to Europe. Future research should account for this measurement issue.

Camaret-sur-mer and the closest port of historical significance (usually the main port) in each country.¹⁰ Finally, landlocked is a dummy variable that indicates country's direct access to the ocean. If the country does not have a direct access to the ocean, landlocked takes a value of 1. These four variables are chosen as instruments for the analysis because these variables are found to be the major determinants of European colonization by Ertan, Fiszbein and Putterman (2015). Therefore, they satisfy the first assumption of IV approach ($corr(Z, X) \neq 0$.) On the other hand, exclusion restriction assumption ($E(Z|u) = 0$) is more challenging to satisfy. Since a country's geographic location, as determined by its navigational and land distances to Europe, its latitude, and being landlocked, might be influencing the country's economic development and civil war outcomes, these variables might have an indirect on current state capacity.

¹⁰ Without considering routes going through the Suez or Panama canals. Unit of measure: thousands of nautical miles.

CHAPTER 6

RESULTS

6.1 Two-stage least squares results

Appendix B shows 2SLS estimates of the effect of colonization on current state capacity as measured using ICRG Bureaucratic Quality Index (see Appendix B, Table B1), WGI Government Effectiveness Scores (see Appendix B, Table B2) and direct tax to GDP ratio measure (see Appendix B, Table B3), respectively. The results are not conclusive for tax/GDP measure of current state capacity as the analysis produces no significant results (see Appendix B, Table B3).¹¹ On the other hand, ICRG Bureaucratic Quality and WGI Government Effectiveness results are very similar with significant findings.

The models in Table B1 (Appendix B) and Table B2 (Appendix B) show the 2SLS estimates of the effect of colonization on current state capacity in interaction models with different regional controls. The coefficients of colonization are significant at 90% level for all model specifications. In other words, a colonized country has a significantly lower current state capacity compared to a non-colonized country. The same findings hold for analyses that use WGI Government Effectiveness as a dependent variable (see Appendix B, Table B2). The association between state history and current state capacity in interaction models with different regional controls is also negative and statistically significant for all model specifications.

Nevertheless, the conditional effect is significant for Model 3 in Table B1 (Appendix B). Therefore, a meaningful interpretation of results comes from this

¹¹ In the future, direct tax/indirect tax measures of state capacity can be used for robustness checks. Those measures might be capturing the state's capacity in collecting direct taxes rather than measuring the government size as a policy choice.

specification. In particular, state history's coefficient size for non-colonized countries (when colonized = 0) is -12.94 and significant; while the coefficient size is 0.03 (12.97 – 12.94) for colonized countries (when colonized = 1). This finding suggests that the negative relationship between state history and current state capacity holds for non-colonized countries. This finding confirms Hypothesis 1. The conditional effect of colonization on current state capacity can be interpreted in a similar fashion. The coefficient of colonization for countries with no early statehood (when state history = 0) is -12.17 and significant; whereas the coefficient size is 0.8 (12.97-12.17) for countries with uninterrupted early statehood experience (statehist = 1). In other words, as state history score increases, the coefficient of colonization turns from negative to positive. This finding confirms the Hypothesis 2: colonization is negatively associated with current state capacity for countries with no or little state history. The same interpretation holds for models 1 and 3 in Table B2 (Appendix B) since interaction term coefficients are positive and significant in those specifications. In the next section, I will present 3SLS results.

6.2 Three-stage least squares results

Tables in Appendix C show 3SLS estimates of the effect of colonization on current state capacity. Table C1 (Appendix C) presents results for baseline analyses with regional controls using ICRG Bureaucratic Quality Index to measure state capacity. The coefficients of colonization in 3SLS models with regional controls confirm 2SLS results in support of Hypotheses 1 and 2. In other words, being colonized is negatively associated with current state capacity for countries with no or low state history. The coefficient is significant at 95% level for all model specifications. Positive and significant coefficient of the interaction term suggests that this negative

relationship between colonization and current state capacity does not hold for high state history countries. In other words, colonized countries with no or low state history have worse state capacity scores today compared to their non-colonized counterparts. There is no such relationship for high state history countries.

The association between state history and current state capacity in interaction models with different regional controls is also negative and statistically significant for all model specifications. The positive and significant interaction term suggests that the relationship holds for non-colonized countries. In other words, lower state history is associated with higher levels of current capacity for non-colonized countries. This finding supports Hypothesis 2.

Sub-Saharan Africa indicator is the only significant regional control variable across model specifications. The coefficient of the variable is negative and statistically significant meaning that being in Sub-Saharan Africa has a significant negative effect on current state capacity scores.

6.2.1 Additional controls

Table C2 (Appendix C) and Table C3 (Appendix C) present results of additional analyses to account for possible determinants of historical development of modern fiscal state. These determinants are colonization related and culture related. Controls related to colonization type might have been influential on the effect of colonization on state capacity. For instance, violent or hostile relationships between the colonizer and the colony might cause the lower levels of state capacity. Models 1 and 2 in Table C2 (Appendix C) present results including controls for type of independence and violent independence, respectively. These variables are used as proxies of violent or hostile relationship between the colonizer and the colony. As shown in the

Table C2 (Appendix C), none of those controls has a statistically significant effect on current state capacity. Moreover, the signs and significance levels of main variable coefficients do not change when the control variables are included in the model.

Similarly, type of colonizer might have an effect on state capacity outcomes. For instance, European colonization might facilitate the diffusion of modern fiscal state. Model 4 in Table C2 (Appendix C) suggest no such effect of European colonization. However, Britain is different from other European colonizers. As presented in Model 3 (see Appendix C, Table C2), being a British colony has a positive and significant effect on current state capacity.

Second, culture is proposed as a determinant of current state capacity. For instance, one vein of literature suggests that Christianity is a determinant of historical state development because the Christian West was able to separate religion and state whereas Muslim societies did not employ such division as summarized by Blaydes (2017). In order to account for those claims in the literature, Models 1, 2 and 3 in Table C3 (Appendix C) control for religion. Findings suggest that there is no significant relationship between Catholic and Protestant Christianity and state capacity. On the other hand, coefficient of Islam is negative and statistically significant. In other words, all else being equal, state capacity is lower for Muslim majority countries compared to their non-Muslim counterparts. Nevertheless, signs and significance of the coefficients of key variable do not change when Islam is controlled for. As suggested in Table C3 (Appendix C), ethnic and religious fractionalization has no significant effect.

6.2.2 Different measures of the dependent variable

3SLS analyses explained above use ICRG Bureaucratic Quality Index to operationalize the dependent variable. Table C4 (Appendix C) presents the results for alternative operationalizations of the dependent variable. The results hold for WGI Government Effectiveness (see Appendix C, Table C4, Model 2). However, no result holds when direct tax to GDP ratio is used to operationalize state capacity.

CHAPTER 7

DISCUSSION

Hypothesis 1 is confirmed. Colonization is negatively associated with current state capacity for countries with no or little early statehood experience. I argued in the theory section that current state capacity is an implication of the successful development of modern fiscal state in a country. Therefore, this finding supports the argument that colonization inhibits the diffusion of modern fiscal state and leads to lower state capacity. The argument is not supported for countries with higher state history such as India or Korea. Despite colonization, modern fiscal state diffuses to those countries.¹² On the other hand, colonization is not random and vast majority of colonized countries (97 out of 119) have state history scores less than or equal to 0.6. This observation suggests that the negative relationship between colonization and current state capacity can be generalized for most colonized countries as they little early statehood experience.

The findings suggest that state history is negatively associated with current state capacity for non-colonized countries. The negative relationship between state history and current state capacity is counter-intuitive since the literature posits that very short state history implies weaker state capacity (Tilly, 1992; Besley & Persson, 2013; Borcan, Olsson & Putterman, 2018). However, colonization is not random, such that 23 of 28 non-colonized countries in the dataset have state history scores between 0.5 and 1. In other words, majority of non-colonized countries have state histories that are much greater than the world average (0.35). In the light of this

¹² This might be due to the type of colonization, i.e. whether it is extractive or not. Further research is necessary to understand whether type of colonization is correlated with state history scores.

observation, the results suggest that state history is negatively associated with current state capacity at the higher end of the state capacity spectrum.

This non-random nature of colonization requires a closer look at the correlations between state history and the type of colonization since the effect of state history might actually be capturing the effect of the colonization type. For this purpose, future studies should account for variables that measure for colonial settlers, natural resources, time since independence, and the duration of colonization. If the duration of colonization is longer in low state history countries, the duration might be driving the negative effect of colonization in low state history countries. Similarly, controlling for settlers and natural resources¹³ illuminates whether state history is capturing the effect of extractive colonization.

For non-colonized countries with high state histories, an increase in state history leads to a decrease in current state capacity. This finding is line with the Borcan, Olsson and Putterman (2018) argument about the inverted-U shaped relationship between state history and economic development. According to their argument, states with mid-levels of state history have the highest levels of economic development. The parallels between economic development and state capacity are also supported by the findings in the literature: state capacity is a determinant of economic growth and development (Besley & Persson 2013, Dincecco and Katz 2016).

As findings suggest, modern state does not diffuse to colonized regions with low state history. One interpretation of this finding is that modern state cannot be built by colonizers in regions without any statehood tradition. In other words, colonial diffusion of modern state requires state history. This interpretation is based

¹³ If natural resources are systematically plenty and settlers are systematically rare in low state history regions, these regions might be the ones that experience extractive colonialism.

on the assumption that the colonial rulers are the major state builders in colonized countries. Colonies in Sub-Saharan Africa and Central America are examples of this result. British colonies that received influx of European settlers, i.e. USA, New Zealand and Australia, are exceptions to this general finding.

Findings also suggest that modern state does not diffuse to non-colonized regions with high state history. An interpretation of this finding is that modern state is more challenging to be built by the central elite when a strong state history is in place. Players of strong state tradition might have a harder time to replace existing patterns of tax collection and state practices with new methods. Turkey, China and Nepal are examples of this result. Meiji restoration in Japan is a counter-example to this general finding. An alternative explanation for this observed pattern might be due to variations in human capital necessary to build a large bureaucratic apparatus to employ all around the country.

Finally, it is important to note that the weaknesses of instruments in satisfying the exclusion restriction assumption might be driving the results. Appendix D shows that the Ordinary Least Squares (OLS) and 3SLS results are not similar. This raises a concern that the negative sign of a possible bias¹⁴, caused by the choice of instrumental variables, might be leading to the negative coefficients.

¹⁴ Two of the instruments, *landdist* and *landlocked*, are negatively correlated to current state capacity, but positively correlated to being colonized; the other two, *latitude* and *navdist*, are positively correlated to current state capacity, but negatively correlated to being colonized. Therefore, the sign of a possible bias is expected to be negative.

CHAPTER 8

CONCLUSION

Current state capacity is an implication of successful development of modern fiscal state. Modern fiscal state first emerged in Europe and diffused to the rest of the world. When comparing state capacities of non-colonized countries in and outside Europe, early statehood experience between 0-1500 (state history) and colonization are important determinants. Among non-colonized countries, the ones with low state history (e.g. Scandinavia) have better state capacity scores compared to the ones with high state history (e.g. Turkey, China, Iran, Nepal) This finding suggests that high state history inhibits the diffusion of the modern fiscal state in non-colonized countries. Secondly, colonization itself is an impediment to this diffusion for countries with no or very little state history. Among colonized countries, the ones with high state history (e.g. India, Korea) have better state capacity scores compared to the ones with low state history (e.g. Sub-Saharan Africa, Central America). These findings hold for colonizer-type and culture related controls. Models that use expert opinion survey measures of state capacity (i.e. ICRG Bureaucratic Quality and WGI Government Effectiveness) rather than tax to GDP ratio generate the results.

APPENDIX A
VARIABLES LIST

NAME	DESCRIPTION	SOURCE
cowcode		
colonized	colonized by other states	
colbyeu	colonized by european state	Ertan et al. 2015
colbyasia	colonized by asian state	ICOW Hensel
colen		Chanda et. al. 2016
IndViol	violent independence	ICOW Hensel
IndType	type of independence	ICOW Hensel
agyears	agricultural years	Ertan et al. 2015
statehist	supra-tribal gov't between 1CE-1500CE	Chanda et. al. 2014
middleeastdum subsharandum europedum americadum	region dummies	
latitude	Absolute value of latitude	Ertan et al. 2015
navdist	Navigational distance	Ertan et al. 2015
landdist	Land distance	Ertan et al. 2015
landlocked	Dummy variable that indicates if a country has direct access to the ocean-if it does not, <i>Landlocked</i> takes a value of 1.	Ertan et al. 2015
biogeography	Based on the numbers of large-seeded grasses and numbers of large animals suitable for domestication	Ertan et al. 2015
taxratio	tax/GDP ratio for 1999 corrected for OECD	RPC Components
wgieffect		Hegre 2014
wgirule		Hegre 2014
icrgBQ	Bureaucratic Quality	Hegre 2014
rel_Cath	Catholic fraction	Madsen et al. 2015
rel_Musl	Muslim fraction	
rel_Prot	Protestant fraction	
ethfrac	ethnic fractionalization	Buhaug, ; Cederman & Gleditsch 2014
relfrac	religious frac	
landroute		Ertan et al. 2015
landdist		Ertan et al. 2015

APPENDIX B
2SLS RESULT TABLES

Table B1: 2SLS with Endogenous “Colonized”

Dependent Variable: Current State Capacity (ICRG Bureaucratic Quality)				
	(1)	(2)	(3)	(4)

Colonized	-10.46*	-7.95*	-12.17*	-9.36*
	(-1.95)	(-1.86)	(-1.96)	(-1.92)
colstate	11.08	8.38	12.97*	9.68
	(1.64)	(1.54)	(1.67)	(1.57)
statehist	-11.36*	-9.06*	-12.94*	-9.92*
	(-1.73)	(-1.73)	(-1.74)	(-1.67)
subsahar~m		-0.70**		
		(-2.30)		
americadum			0.74	
			(1.45)	
middleea~m				-0.14
				(-0.32)
_cons	12.04**	9.96**	13.44**	10.98**
	(2.31)	(2.40)	(2.26)	(2.32)

N	108	108	108	108
df_m	3.00	4.00	4.00	4.00
r2	-2.44	-1.28	-3.20	-1.97
r2_a	-2.54	-1.37	-3.36	-2.09
F	1.47	2.63	1.15	1.13

t statistics in parentheses				
* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001				

Table B2: 2SLS with Endogenous “Colonized”, WGI

 Dependent Variable: Current State Capacity (WGI Government Effectiveness)

	(1)	(2)	(3)	(4)
colonized	-8.28* (-1.89)	-6.05* (-1.75)	-10.47** (-1.97)	-7.00* (-1.82)
colstate	9.57* (1.73)	7.17 (1.64)	12.03* (1.81)	7.97 (1.64)
statehist	-9.74* (-1.82)	-7.71* (-1.82)	-11.88* (-1.86)	-8.06* (-1.71)
subsaar~m		-0.63*** (-2.58)		
americadum			0.77* (1.76)	
middleea~m				-0.22 (-0.64)
_cons	7.76* (1.83)	5.93* (1.77)	9.62* (1.89)	6.53* (1.74)
N	108	108	108	108
df_m	3.00	4.00	4.00	4.00
r2	-1.97	-0.92	-3.00	-1.42
r2_a	-2.05	-1.00	-3.15	-1.51
F	1.29	2.80	1.20	1.00

 t statistics in parentheses

* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001

Table B3: 2SLS with Endogenous “Colonized”, Tax/GDP

Dependent Variable: Current State Capacity (Tax/GDP)				
	(1)	(2)	(3)	(4)

colonized	2.67 (1.05)	1.78 (0.99)	1.44 (1.18)	1.36 (1.47)
colstate	-3.27 (-1.05)	-2.21 (-0.99)	-1.76 (-1.18)	-1.68 (-1.48)
statehist	3.23 (1.03)	2.18 (0.97)	1.70 (1.15)	1.62 (1.44)
subsa~m		0.03 (0.51)		
americadum			-0.04 (-0.99)	
middleea~m				0.03 (0.78)
_cons	-2.47 (-0.98)	-1.60 (-0.89)	-1.24 (-1.03)	-1.17 (-1.29)

N	105	105	105	105
df_m	3.00	4.00	4.00	4.00
r2	-9.75	-4.11	-2.65	-2.33
r2_a	-10.07	-4.32	-2.80	-2.46
F	0.43	0.36	0.55	0.77

t statistics in parentheses

* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001

APPENDIX C
3SLS RESULT TABLES

Table C1: 3SLS with Endogenous “Colonized” – Regional Controls

Dependent Variable: Current State Capacity (ICRG Bureaucratic Quality)

	(1)	(2)	(3)	(4)
Colonized	-9.89** (-2.15)	-8.48** (-2.28)	-10.73** (-2.01)	-7.52** (-2.25)
State History	-9.55* (-1.77)	-8.55* (-1.93)	-10.09* (-1.65)	-7.48* (-1.88)
Col*StateHist	10.61* (1.92)	9.00** (1.97)	11.48* (1.81)	7.96* (1.93)
SubSaharan A.		-0.45* (-1.79)		-0.53** (-2.27)
America			0.39 (1.01)	
MiddleEast				-0.36 (-1.16)
Cons	11.11** (2.49)	10.07*** (2.79)	11.74** (2.30)	9.23*** (2.84)
Colonized landlocked	0.05 (0.82)	0.03 (0.53)	0.04 (0.68)	0.05 (0.68)
latitude	-0.00* (-1.65)	-0.00 (-1.34)	-0.00 (-1.40)	-0.00 (-1.56)
navdist	-0.01* (-1.70)	-0.01 (-1.63)	-0.01* (-1.80)	-0.01 (-1.46)
landdist	0.13 (1.25)	0.15 (1.37)	0.12 (1.16)	0.12 (1.10)
_cons	0.99**** (21.44)	0.99**** (20.38)	0.99**** (21.74)	0.99**** (20.29)
Col*StateHist Landlocked*SH	0.04 (0.31)	0.03 (0.21)	0.03 (0.24)	0.03 (0.23)
Latitude*SH	0.02**** (5.93)	0.02**** (5.87)	0.02**** (6.08)	0.02**** (5.90)
Navdist*SH	0.03****	0.03****	0.03****	0.03****

	(4.30)	(4.33)	(4.24)	(4.24)
Landdist*SH	0.11 (0.50)	0.13 (0.58)	0.11 (0.50)	0.12 (0.53)
Cons	0.04* (1.73)	0.04* (1.70)	0.04* (1.71)	0.04* (1.73)

N	108	108	108	108
Df	3.00	4.00	4.00	5.00
R^2	-2.36	-1.61	-2.75	-1.21
chi2	12.51	14.09	13.05	15.13

t statistics in parentheses. SH stands for State History.

* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001

Table C2: 3SLS with Endogenous “Colonized” – Colonizer Controls

Dependent Variable: Current State Capacity (ICRG Bureaucratic Quality)					
	(1)	(2)	(3)	(4)	(5)

colonized	-9.68** (-2.04)	-9.30** (-2.06)	-10.73** (-2.29)	-7.84*** (-2.65)	-3.49*** (-2.74)
statehist	-9.67* (-1.73)	-9.18* (-1.75)	-10.36* (-1.84)	-6.58* (-1.88)	-3.26* (-1.65)
col*statehis	10.57* (1.84)	10.20* (1.89)	11.50** (2.00)	6.95* (1.93)	3.56* (1.65)
indtype	-0.44 (-1.50)				
indviol		0.07 (0.25)			
colbyasia			-0.31 (-0.74)		
colen				0.68*** (2.66)	
colbyeu					0.36 (0.84)
_cons	11.90*** (2.69)	10.53** (2.38)	11.95*** (2.64)	9.01*** (3.18)	4.81*** (4.21)

colonized					
landlocked	0.07 (1.09)	0.06 (0.93)	0.05 (0.84)	0.08 (1.26)	0.07 (0.93)
latitude	-0.00 (-1.47)	-0.00 (-1.55)	-0.00 (-1.58)	-0.00* (-1.89)	-0.00 (-1.46)
navdist	-0.01 (-1.58)	-0.01* (-1.73)	-0.01 (-1.46)	-0.01 (-1.53)	-0.01** (-2.24)
landdist	0.08 (0.73)	0.12 (1.13)	0.10 (0.94)	0.09 (0.82)	0.11 (0.82)
_cons	0.99*** (20.57)	0.99*** (20.96)	0.99*** (20.67)	0.99*** (20.68)	1.02*** (19.70)

colstate					
i~locked~t	0.05 (0.39)	0.05 (0.35)	0.04 (0.30)	0.09 (0.63)	0.04 (0.31)
instlati~t	0.02*** (5.89)	0.02*** (5.88)	0.02*** (5.93)	0.02*** (5.80)	0.02*** (5.82)
instnavd~t	0.03*** (4.26)	0.03*** (4.22)	0.03*** (4.29)	0.03*** (4.26)	0.03*** (4.12)
instlandd~	0.09 (0.41)	0.11 (0.47)	0.09 (0.42)	0.07 (0.30)	0.11 (0.50)
_cons	0.05* (1.71)	0.05* (1.72)	0.04* (1.74)	0.05* (1.76)	0.05* (1.78)

	106	106	108	108	108
N	106	106	108	108	108
N_g					
df_m	4.00	4.00	4.00	4.00	4.00
r2	-2.43	-2.12	-2.81	-1.38	-0.23
r2_a					
F					
chi2	23.89	12.72	18.35	14.79	11.67

t statistics in parentheses

* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001

Table C3: 3SLS with Endogenous “Colonized” – Society Controls

Dependent Variable: Current State Capacity (ICRG Bureaucratic Quality)					
	(1)	(2)	(3)	(4)	(5)

colonized	-8.80** (-2.22)	-8.97** (-2.23)	-9.23** (-2.46)	-9.14** (-2.29)	-4.23** (-2.02)
statehist	-9.59** (-2.02)	-9.46** (-1.98)	-9.72** (-2.27)	-8.83* (-1.89)	-5.18* (-1.86)
colstate	11.34** (2.30)	11.15** (2.24)	11.27** (2.47)	9.78** (2.03)	5.76** (1.97)
rel_musl	-0.65* (-1.76)				
rel_prot		1.62 (1.62)			
rel_cath			0.44 (0.88)		
relfrac				0.04 (0.08)	
ethfrac					-0.39 (-1.24)
_cons	10.17*** (2.64)	10.01*** (2.60)	10.30*** (2.95)	10.39*** (2.73)	5.99*** (2.88)

colonized					
landlocked	0.06 (0.79)	0.07 (0.90)	0.05 (0.67)	0.06 (0.91)	0.07 (0.94)
latitude	-0.00** (-2.03)	-0.00* (-1.85)	-0.00** (-2.01)	-0.00* (-1.71)	-0.00 (-1.35)
navdist	-0.01 (-1.51)	-0.01* (-1.66)	-0.01* (-1.90)	-0.01* (-1.82)	-0.01** (-2.42)
landdist	0.03 (0.19)	0.03 (0.16)	0.06 (0.36)	0.13 (1.27)	0.13 (1.06)
_cons	1.02**** (19.48)	1.01**** (19.45)	1.03**** (20.14)	1.00**** (21.29)	1.02**** (19.95)

colstate					
i~locked~t	-0.10 (-0.65)	-0.08 (-0.51)	-0.11 (-0.70)	0.05 (0.34)	0.04 (0.31)
instlati~t	0.02**** (5.99)	0.02**** (5.82)	0.02**** (5.84)	0.02**** (5.90)	0.02**** (5.89)
instnavd~t	0.03**** (3.48)	0.03**** (3.66)	0.03**** (3.54)	0.03**** (4.15)	0.03**** (4.06)
instlandd~	0.24 (0.84)	0.22 (0.77)	0.26 (0.90)	0.11 (0.50)	0.10 (0.46)
_cons	0.05* (1.82)	0.05* (1.81)	0.05* (1.88)	0.05* (1.78)	0.05* (1.81)

	100	100	99	107	107
N	100	100	99	107	107
N_g					
df_m	4.00	4.00	4.00	4.00	4.00
r2	-1.76	-1.82	-1.96	-2.01	-0.39
r2_a					
F					
chi2	13.93	13.18	14.91	12.78	6.26

t statistics in parentheses

* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001

Table C4: 3SLS with Endogenous “Colonized”

	Dependent Variable:		
	ICRG (1)	WGI (2)	Tax/GDP (3)
colonized	-4.68** (-2.08)	-4.02** (-1.98)	1.48 (1.58)
statehist	-5.15* (-1.87)	-5.34** (-2.14)	1.70 (1.45)
colstate	5.55* (1.92)	5.77** (2.20)	-1.78 (-1.52)
rel_musl	-0.42 (-1.54)	-0.43* (-1.71)	-0.01 (-0.30)
colen	0.63*** (3.00)	0.42** (2.22)	0.03 (1.04)
subsahar~m	-0.56*** (-2.74)	-0.52*** (-2.80)	0.01 (0.40)
_cons	6.39*** (2.98)	3.68* (1.90)	-1.28 (-1.39)
colonized landlocked	0.07 (0.74)	0.04 (0.43)	0.05 (0.55)
latitude	-0.00 (-1.56)	-0.00* (-1.81)	0.00 (0.16)
navdist	-0.01 (-1.56)	-0.01 (-1.41)	-0.01 (-0.86)
landdist	0.01 (0.08)	0.06 (0.32)	-0.11 (-0.63)
_cons	1.01**** (18.09)	1.02**** (18.06)	0.95**** (17.35)
colstate i~locked~t	-0.10 (-0.60)	-0.08 (-0.49)	-0.07 (-0.45)
instlati~t	0.02**** (5.92)	0.02**** (5.81)	0.02**** (5.95)
instnavd~t	0.03**** (3.41)	0.03**** (3.45)	0.03**** (4.04)
instlandd~	0.19 (0.64)	0.19 (0.66)	0.22 (0.74)

_cons	0.05*	0.05*	0.03
	(1.80)	(1.82)	(1.23)

N	100	100	97
N_g			
df_m	6.00	6.00	6.00
r2	-0.20	-0.25	-3.02
r2_a			
F			
chi2	26.16	24.23	21.77

t statistics in parentheses

* p<0.1, ** p<0.05, *** p<0.01, **** p<0.001

APPENDIX D

OLS AND 3SLS COMPARISON

	(1) 3SLS	(2) OLS

main		
colonized	-4.68** (-2.08)	-0.72 (-1.59)
statehist	-5.15* (-1.87)	0.47 (0.69)
colstate	5.55* (1.92)	-0.85 (-1.14)
rel_musl	-0.42 (-1.54)	-0.73*** (-3.01)
colen	0.63*** (3.00)	0.62**** (3.59)
subshar~m	-0.56*** (-2.74)	-0.86**** (-4.46)
_cons	6.39*** (2.98)	2.92**** (6.76)

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