

The Impact and Origins of State Capacity in Colombia

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Abstract: Recent research in comparative economic development suggests that institutions created during historical critical junctures can be socially inefficient and persist for long periods of time. Plausibly, a key set of such institutions are those comprising the state. In this research we investigate these ideas by examining the impact, origins and persistence of the organization of the state in Colombia. We first show that the presence or absence of state institutions today has large effects on socio-economic outcomes like the extent of poverty and educational enrollment. We then demonstrate, using historical data from the 16th and 18th centuries, that the spatial organization of the state is highly persistent and that the location and intensity state presence is closely related to the types of variables which capture the 'factor endowments' or initial conditions much emphasized in the recent literature. We demonstrate that the effects of state presence are causal by using a variety of instrumental variables strategies. Our results suggest that a channel via which factor endowments influences institutions was through the spatial organization of the colonial state. This initially reflected a desire to exploit the indigenous population and natural resources, and to control the settler class. Subsequently, despite the disappearance of these initial conditions, the structure of the state persisted and significantly influences current economic outcomes.