

## Practice Problems: Institutions

Econ520. Fall 2021. Prof. Lutz Hendricks. October 21, 2021

---

1. Explain how colonial evidence supports the importance of institutions.
  - (a) Explain the evidence related to the “reversal of fortunes.”
2. Why is it hard to establish that institutions cause income?
  - (a) How can natural experiments help to overcome this problem? What is a natural experiment?
  - (b) Can you think of natural experiments that demonstrate the importance of institutions?
3. Why is it hard to reform obviously bad institutions?
  - (a) Provide examples.