

| <div> <div>Table IV</div> <div>Bias Decomposition, 1986, full sample, religion re-coded</div> </div> |                     |                     |                     |                     |                     |                     |                     |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                                      | Benchmark           | NLS                 |                     | Firm Heterogeneity  |                     | Heckman Selection   |                     |
| Variables                                                                                            | HMR<br>QJE          | HMR<br>QJE          | HMR<br>REVISED      | HMR<br>QJE          | REVISED             | HMR<br>QJE          | HMR<br>REVISED      |
| Distance                                                                                             | -1.181<br>(0.031)** | -0.798<br>(0.034)** | -0.791<br>(0.034)** | -0.769<br>(0.038)** | -0.764<br>(0.038)** | -1.214<br>(0.031)** | -1.213<br>(0.031)** |
| Land border                                                                                          | 0.468<br>(0.146)**  | 0.834<br>(0.139)**  | 0.839<br>(0.139)**  | 0.855<br>(0.142)**  | 0.858<br>(0.142)**  | 0.436<br>(0.149)**  | 0.437<br>(0.149)**  |
| Island                                                                                               | -0.387<br>(0.120)** | -0.169<br>(0.116)   | -0.169<br>(0.116)   | -0.164<br>(0.118)   | -0.166<br>(0.118)   | -0.425<br>(0.120)** | -0.424<br>(0.120)** |
| Landlock                                                                                             | -0.556<br>(0.188)** | -0.447<br>(0.184)*  | -0.444<br>(0.184)*  | -0.433<br>(0.187)*  | -0.431<br>(0.187)*  | -0.565<br>(0.187)** | -0.565<br>(0.187)** |
| Legal                                                                                                | 0.490<br>(0.050)**  | 0.387<br>(0.049)**  | 0.385<br>(0.048)**  | 0.381<br>(0.049)**  | 0.378<br>(0.049)**  | 0.488<br>(0.050)**  | 0.488<br>(0.050)**  |
| Language                                                                                             | 0.187<br>(0.061)**  | 0.023<br>(0.059)    | 0.020<br>(0.059)    | 0.023<br>(0.060)    | 0.022<br>(0.060)    | 0.223<br>(0.061)**  | 0.223<br>(0.061)**  |
| Colonial ties                                                                                        | 1.299<br>(0.121)**  | 1.001<br>(0.114)**  | 0.999<br>(0.114)**  | 0.979<br>(0.119)**  | 0.977<br>(0.118)**  | 1.311<br>(0.123)**  | 1.311<br>(0.123)**  |
| Currency union                                                                                       | 1.356<br>(0.256)**  | 1.023<br>(0.255)**  | 1.013<br>(0.254)**  | 0.996<br>(0.260)**  | 0.987<br>(0.259)**  | 1.391<br>(0.257)**  | 1.391<br>(0.257)**  |
| FTA                                                                                                  | 0.756<br>(0.222)**  | 0.380<br>(0.162)*   | 0.377<br>(0.162)*   | 0.314<br>(0.168)    | 0.311<br>(0.168)    | 0.737<br>(0.235)**  | 0.737<br>(0.234)**  |
| Delta                                                                                                |                     | 0.871<br>(0.021)**  | 0.879<br>(0.021)**  |                     |                     |                     |                     |
| Eta*                                                                                                 |                     |                     |                     |                     |                     | 0.265<br>(0.070)**  | 0.260<br>(0.070)**  |
| Z*                                                                                                   |                     |                     |                     | 0.892<br>(0.051)**  | 0.903<br>(0.051)**  |                     |                     |
| Observations                                                                                         | 11146               | 11146               | 11146               | 11146               | 11146               | 11146               | 11146               |
| R squared                                                                                            |                     |                     |                     | 0.716               | 0.717               | 0.710               | 0.710               |

**Notes:**  
 QJE: As in HMR QJE; REVISED: Correcting the code for religion in HMR using HMR raw data  
 Robust standard errors in parentheses. Not corrected for selection; \* significant at 5%; \*\* significant at 1%