Property Without Rights:
Origins and Consequences of the Property Rights Gap

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## TABLE OF CONTENTS

Acknowledgments ............................................................................................................. xi

Chapter 1. Introduction......................................................................................................... 1
  1.1 Conceptualizing the Property Rights Gap...................................................................6
  1.2 The Radical Shift in Property Rights in Latin America Over the Last Century.........12
  1.3 Three Canonical Paths of Property Rights Gaps.....................................................15
  1.4 Measuring the Property Rights Gap.........................................................................18
  1.5 Framing the Puzzle: Property Rights, Development, and Land Reform ..............22
  1.6 Existing Explanations for the Underprovision of Property Rights .......................27
  1.7 Reexamining the Political Origins of the Property Rights Gap.............................28
  1.8 Consequences of Property Rights Gaps....................................................................37
  1.9 Roadmap of the Book ..............................................................................................40

Chapter 2. Conceptualizing and Measuring the Property Rights Gap...............................46
  2.1 The Dramatic Evolution of Property Rights in Latin America..............................48
  2.2 Identifying and Defining Relevant Dimensions of Property Rights.....................58
  2.3 Data Sources for Land Reform and Property Rights...............................................73
  2.4 Constructing the Property Rights Gap.................................................................76
  2.5 Conclusion ..............................................................................................................101

Chapter 3. The Political Origins of the Property Rights Gap ............................................103
  3.1 Prevailing Explanations for the Underprovision of Property Rights ....................105
  3.2 Political Determinants of Redistributive Land Reform ..........................................119
  3.3 Generating a Property Rights Gap: Granting Property Without Rights .............124
  3.4 Closing the Property Rights Gap: Granting Property Rights Without Property ....145
  3.5 Connecting the Theory to the Three Canonical Paths of Property Rights Gaps......174
  3.6 Conclusion ..............................................................................................................177

Chapter 4. Evidence on the Rise and Fall of Property Rights Gaps in Latin America ........179
  4.1 Research Design and Measurement Strategy.......................................................181
  4.2 Political and Economic Patterns Tied to the Property Rights Gap .......................195
4.3 Statistical Analyses of the Property Rights Gap .................................................. 203
4.4 Observable Implications: Cognate Policies of Rural Control and Strategic Rural Targeting ................................................................. 234
4.5 Conclusion ........................................................................................................... 238

Chapter 5. Consequences of the Property Rights Gap .............................................. 239
5.1 Social and Economic Consequences of the Property Rights Gap ....................... 241
5.2 Political Consequences of the Property Rights Gap .......................................... 261
5.3 Illustrative Consequences of the Property Rights Gap in a Path A, Path B, and Path C Case ........................................................................................................ 267
5.4 Conclusion ........................................................................................................... 289

Chapter 6. Opening and Closing a Property Rights Gap in Peru ................................ 291
6.1 Case Selection for Subnational Analysis ............................................................. 292
6.2 The Generation of a Property Rights Gap in Peru ............................................. 293
6.3 Closing the Property Rights Gap After the End of Land Reform ......................... 310
6.4 Conclusion ........................................................................................................... 320

Chapter 7. The Long-Term Consequences of Peru’s Property Rights Gap ............... 322
7.1 Making Use of Peru’s Agrarian Reform Zones for Causal Identification ............ 324
7.2 Data ....................................................................................................................... 330
7.3 Research Design .................................................................................................... 344
7.4 Investigating Estimation and Identification Assumptions .................................... 347
7.5 The Property Rights Gap and Development Outcomes ...................................... 353
7.6 Alternative Explanations ....................................................................................... 365
7.7 Conclusion ........................................................................................................... 368

Chapter 8. Property Rights Gaps Around the World ................................................. 370
8.1 The Nature of Property Rights Gaps Around the World Since 1900 ................. 372
8.2 Conditions Linked to Opening and Closing Property Rights Gaps Around the World Since 1900 ................................................................. 382
8.3 Case Studies ........................................................................................................ 395
8.4 Conclusion ........................................................................................................... 428

Chapter 9. Conclusion ............................................................................................... 430
9.1 Reinterpreting Long-Term Political and Economic Development in Latin America 434
9.2 Limitations to the Property Rights Paradigm and a New Rights Agenda in Land .... 437
9.3 Property Rights and the Rise of Markets ............................................................. 440
Appendix A. Regression Tables for Chapter 4 ................................................................. 466
Appendix B. Regression Tables for Chapter 5 ................................................................. 472
Appendix C. Regression Tables for Chapter 6 ................................................................. 474

References .......................................................................................................................... 481
Chapter 1. Introduction

José swung the gate open, hopped back into the bed of the truck, and tapped the window to the cab gently with the butt of his rifle. Iván cut the headlights and put the truck in gear. We inched forward along the bumpy road that carved through the broad southern Venezuelan plains, the dust rising in a thick cloud just behind us. In a low voice, I asked José: “Wouldn’t it be easier to find capybara with the headlights on?” “I’ll tell you tomorrow,” he whispered in reply.

“You’ll see, on a night like tonight, the moonlight reflects off their eyes.”

Before long, Iván brought the truck to a halt and José, William, and I hopped out. José and William stalked slowly into a set of reeds and began whistling intermittently. Iván and I hung back near the truck. The pale light of the moon illuminated the water just beyond the reeds. Iván told me that he was recently freed by the FARC, who had held him hostage for two months across the border in Colombia until his family scraped together ransom money. Suddenly a shot rang out. Something splashed repeatedly in the water. A few minutes later, José and William approached the truck. José dragged a large capybara behind him over the hard, parched dirt and rocks. He had shot it in the head. “See?” he said to me with a victorious grin.

The next morning I found out why we were hunting capybara under the light of the moon. José’s relationship with his neighbor, who happened to have the better capybara hunting grounds given the size of his property, was fraught and no one knew what might happen if there was a confrontation. After all, José’s small plot of adjacent land used to belong to his neighbor. Under Venezuela’s new land reform, José had successfully applied for a carta agraria, a usufruct certificate that allows applicants to legally occupy the private property of individuals

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1 This experience occurred in February 2009. I have changed the names of these individuals to preserve their anonymity.
that might run afoul of landholding size and productivity criteria under Venezuela’s 2005 land reform law until compliance and ownership are verified. If they cannot be verified in a timely fashion, the occupant receives the land. José was the second occupant to cleave off a chunk of his neighbor’s land, and for all anyone knew, he was unlikely to be the last.

Both existing property owners and recipients of cartas agrarias have been trapped by Venezuela’s Kafkaesque land reform law that has enshrouded the countryside in a suffocating fog of murky property rights. The law is a near replica of a 2001 law that Venezuela’s Supreme Court struck down, only to be resuscitated after President Hugo Chávez upended the court and packed it with his allies in his quest to eliminate opposition. Under the 2005 iteration, latifundios – defined as properties larger than the regional average and whose yield is less than 80% of that suitable to its extent – are subject to expropriation and redistribution. Productive private lands that are not exceptionally large are protected, at least in theory. Practice is another story. The agency in charge of land reform, the National Institute of Lands (INTi), does not know what average property sizes are by region because they lack complete cadastral data on the actual distribution of property.

Property owners are required to register their property with INTi to rectify its lack of information. To receive a definitive title, however, owners must provide documents that prove a consistent chain of title from 1848 (when the Law of Public Lands was passed) until the present, even if their family has not occupied that land since 1848. Very few owners have such documentation. The result was the generation of a pool of land that the government can – and in many cases does – expropriate and redistribute.

Informal land transfers in Venezuela have been common historically and most land titles dating from the 1800s that do exist are vague: many historical property delimitations relied on impermanent features of the landscape such as trees. Subsequent titles referred to and built on
What about the land reform beneficiaries like José? Individual land claims like his spread like wildfire in Venezuela given that any Venezuelan citizen can challenge the ownership of a given property. There are several routes to receiving land through the law. The most common are *cartas agrarias* and declarations of permanence. Successful land claimants that obtain *cartas agrarias* receive provisional rights to their plot from INTi subject to submitting a production plan that INTi must sign off on. INTi is supposed to conduct a follow-up review after two years to verify that the land claimant has put the production plan into action; otherwise, the land can revert to state ownership. However, in many cases INTi does not follow up on the production plan, leaving the property rights of possessors of *cartas agrarias* in legal limbo. It was no surprise that José was holding off on building a house on his new property until he was more certain that it would remain his.

In a similar fashion, a declaration of permanence allows an applicant to remain on and continue occupying a plot of land over which they hold no title such that they cannot be removed except through a separate proceeding that must pass through INTi. Again, these individuals often become de facto land occupants that lack property rights.

Alongside individual land claims, the government has opened a second front against private landowners by itself targeting private landowners for expropriation. It then typically converts these lands into state-run farms and hires local rural laborers to work on them while vesting property rights with the state rather than workers. Workers on state-run farms are monitored, screened for their support of the government, and mobilized to turn out during elections.

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these originally imprecise titles. Even if an owner can prove an unbroken chain of legal title to land, the productivity criteria in the land law are also vague and politicized.
Millions of hectares of formerly private land in Venezuela have transferred hands through these various channels under the 2005 law. Consequently, a large portion of the rural sector now has property with highly incomplete property rights or no property rights at all. Pervasive property rights insecurity has wreaked havoc on agricultural production, which twinned with exchange rate and import controls has caused devastating food shortages and widespread hunger as the economy as whole crumbled in the late 2010s. But property rights insecurity has also given the Venezuelan government a much tighter grip on the countryside and its precarious inhabitants than on cities. Although rural areas lack the investment and policy attention targeted at cities, they more reliably turn out to politically support the government. This is in part driven by people like José who hope to retain their new access to land but worry they may lose it if they are flagged as disloyal.

The rampant weak property rights associated with land redistribution in Venezuela is hardly exceptional among land reform programs of the last century. Take the example of Mexico. In the wake of the Mexican Revolution that drew to a close in 1920, the hegemonic ruling party (the Institutional Revolutionary Party, or PRI) methodically expropriated over 50 million hectares of private land – more than a quarter of all of Mexico’s land area – over the course of over 70 years and redistributed that land to peasants. Land was granted communally as ejidos to whole villages. Peasants acquired the right to use and work the land individually or collectively but faced a host of restrictions to property rights. Neither villages nor individual peasants could sell the land or use it as collateral to access commercial loans. Peasants could not rent plots and were not permitted to leave their plots idle for more than two consecutive years.

Similarly in Peru, an anti-communist military regime that ruled from 1968-1980 expropriated and redistributed half of all of Peru’s private agricultural land. Land reform
beneficiaries, however, were not granted property rights over their land. Rather, large private estates were mostly converted into cooperatives of former workers. The regime withheld land titles from cooperative members, maintained co-ownership of cooperatives until the mortgage on the land was paid, and prohibited land sales, leasing, and the use of assets as collateral for loans. Centralized control dissipated when the military regime retreated to the barracks in 1980 and cooperatives informally dissolved, splitting land up among their members. Consequently, an enormous swathe of Peru’s rural population drifted into informal individualized ownership. Today the Peruvian state is still working to extend property rights to former land reform beneficiaries.

These dynamics are not unique to Latin America. The Soviet Union redistributed private land to peasants at a massive scale without ever granting them property rights. The same transpired in much of Eastern Europe during the Cold War and China after its civil war. Zimbabwe’s Robert Mugabe seized land owned by white farmers in Zimbabwe and redistributed it to black Zimbabweans in the 1990s and 2000s while withholding property rights from land recipients. Military regimes in Egypt and Portugal of various political stripes similarly redistributed large tracts of private land while imposing onerous restrictions on the property rights of peasant beneficiaries.

Why do governments that redistribute property on a massive scale so frequently fail to grant property rights to land beneficiaries? This is particularly puzzling given that some governments do extend property rights to land beneficiaries, and that a lack of property rights often stunts and distorts investment, markets, and long-term decision-making. Indeed, in many of the examples given previously, the redistribution of property without rights was ultimately
followed by economic stagnation or decline, even where governments stoked their economies in the short term through subsidies and investment.

Rather than refashioning the rural sector toward smallholding farmers or communities with secure property rights, governments typically steamroll large landowners through expropriation but leave land reform beneficiaries adrift with highly imperfect property rights and even insecure land access, paving the way for eventual stagnation and underdevelopment. In short, the history of land redistribution is largely a history of reallocating property without rights. This book attempts to make sense of this puzzling regularity.

**CONCEPTUALIZING THE PROPERTY RIGHTS GAP**

When free markets prevail over the allocation of resources in society, governments shape and regulate market rules that guide allocation but do not directly reallocate resources. This scenario, however, is historically uncommon. The history of land redistribution – a highly interventionist public policy – is indicative. One-third of the world’s countries implemented redistributive land reform programs in the last century (Albertus 2015). Land reform has impacted at least 1.5 billion people since 1945 (Lipton 2009, 1) and hundreds of millions of hectares of land.

Land redistribution entails the expropriation or purchase of private land from large landowners and the distribution of that land to laborers and the land-poor. Government is at the core of this process.

Governments are also central to providing property rights. A property right is an enforceable authority to undertake particular actions in a specific domain (Commons 1968). The specific domain of interest in this book is land. Property rights over land vary in several important dimensions: whether rights are privately or publicly held, whether rights are formal
and defensible, whether rights are alienable, and whether rights are collective or individual in nature. Land that lacks any formalization (typically a title), is indefensible, or is inalienable indicates an absence of property rights. By contrast, land that has a formal, registered title to an owner that faces few consequential restrictions on alienability reflects complete property rights.

The core phenomenon that this book examines is the juridical gap between the government-led redistribution of private land and the allocation of property rights over that same land. When a government redistributes land but does not grant land beneficiaries property rights over that land, I term this gap a “property rights gap.”

Property rights gaps can be measured on an annual or cumulative basis. If a government redistributes land over the span of years but does not grant property rights over that land, a property rights gap can accumulate in the countryside.

Property rights gaps can also be negative, effectively forming a “property rights surplus.” In this case, a government grants property rights over land that was previously redistributed without property rights but does not simultaneously redistribute new land without property rights (or, in some cases, grants property rights over more land than is concurrently redistributed).

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3 Although I focus on these as major dimensions of property rights that are critical for empirically assessing this book’s theory, property rights over land vary in other ways as well, such as how long rights endure (Barzel 1997), the degree to which they generate externalities by encouraging certain forms of resource use (Libecap 1993), and whether enforcement is centralized or decentralized (Ostrom, Schroeder, and Wynne 1993a). See Chapter 2 for further discussion.

4 An important literature demonstrates that in certain circumstances, longstanding and uncontested informal ownership or customary tenure can provide as much or greater property security as formalized ownership (e.g., Brasselle, Gaspart, and Platteau 2002). However, as Chapters 2 and 3 detail, while these conditions may prevail in some countries, particularly in parts of sub-Saharan Africa and Oceania (Boone 2014), they are empirically rare in the Latin American cases that are the principal empirical focus of this book.

5 Chapter 2 unpacks these definitions in detail along with the scenario of partial property rights – property rights that reflect incomplete or imperfect formal ownership, consequential restrictions on alienability, or serious limits to defensibility.
To reiterate, this book focuses on property rights gaps and surpluses in the land reform sector. Governments may erode or bolster property rights over land that was not distributed by the government to begin with. While these actions can sometimes be driven by similar theoretical considerations as those considered here, that is not always the case. Broader property rights regimes can also be driven by factors such as economic inequality (Engerman and Sokoloff 2002), class-based political competition (Ansell and Samuels 2014), ethnically-based political competition or affirmation (Boone 2018, Klaus 2020), enforcement capacity (Soifer 2013), strategies of colonial rule and their postcolonial aftermath (Boone 2014), social status within customary institutions (Honig 2017), and population growth and demographic change (Boserup 1965, Barbier 2010).

Governments can of course create property rights gaps over property other than land as well. Indeed, the creation of markets and the management of property rights in those markets is a generic concern in all developing countries. For instance, a government could distribute houses to beneficiaries but not grant property rights over those houses. This occurs on a massive scale with public housing in Singapore (Trocki 2006). Or as another example, the government could allow some private actors to run companies or engage in financial transactions without giving them property rights to protect their assets or transactions from encroachment by other private actors or the state. This characterizes many of China’s private business enterprises (Bai et al. 2006, Hou 2019, Wang 2015). 6

Figure 1.1 graphically depicts a stylized property rights gap in the land reform sector for

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6 Of course, those with a relative lack of property rights can seek ways to protect themselves. Hou (2019) demonstrates how business entrepreneurs in China seek local legislative positions to gain selective and individualized property rights. Wang (2015) shows how foreign-invested enterprises in China that control valuable assets but lack political connections can demand more effective formal law enforcement than state-owned or domestic private enterprises.
illustrative purposes. The building blocks for the property rights gap are displayed in Figure 1.1a.

Suppose that a new government takes power in period 1. This government engages in land redistribution over several periods. But it does not provide property rights to the beneficiaries of land reform.

A new government comes to power in period 5. This government faces pressure to provide property rights to the beneficiaries of land redistribution from the previous government. At the same time, remaining large landowners organize to block further land redistribution. The extension of property rights over formerly redistributed land, for instance through a formal land titling program, begins slowly under the new government but outpaces further land redistribution, which slows to a trickle. The extension of property rights under the new government then picks up pace in period 6 while land redistribution ends. The extension of property rights continues through period 8. In this period, property rights are extended over the last remaining lands that had been redistributed but that lacked property rights. There is no new redistribution in period 9 and no remaining redistributed land to grant property rights over.

Figures 1.1b and 1.1c demonstrate how the patterns of land redistribution and the provision of property rights over land in Figure 1.1a generate two related but distinct property rights gap measures: a yearly property rights gap measure and a cumulative property rights gap measure. While the chief focus of this book is to understand broad trajectories of property rights gaps, and therefore the evolution of cumulative property rights gaps, the change in these cumulative gaps is of necessity comprised of changes in yearly property rights gaps. It is therefore useful to illustrate how each is constructed and how they relate to each other.

The yearly property rights gap displayed in Figure 1.1b is calculated by taking the annual amount of land redistribution and subtracting from it the annual amount of that land over which
property rights are granted. In other words, the yearly property rights gap measure is a “flow” variable. In periods 1-4, land redistribution proceeds without granting land beneficiaries property rights over their land. This generates a yearly property rights gap over redistributed land that equals the amount of land redistributed on an annual basis. But in period 5 the yearly property rights gap turns negative: property rights are extended over twice as much land as is redistributed. From periods 6-7, the yearly property rights gap grows more negative as the extension of property rights over formerly redistributed land accelerates while new land redistribution is stalled. The yearly property rights gap diminishes in period 8 as the extension of property rights slows and returns to zero in period 9 as there is no new land redistribution and no more land that had been previously redistributed that still lacks property rights.

Figure 1.1. A Stylized Picture of the Property Rights Gap

(a) Land redistribution and land titling

(b) Yearly property rights gap
(c) Cumulative property rights gap

Note: The y-axis in each subfigure indicates the amount of land affected in millions of hectares.

In contrast to the yearly property rights gap measure in Figure 1.1b, the cumulative property rights gap measure is a “stock” variable. The cumulative property rights gap in Figure 1.1c can be calculated by taking the cumulative amount of land redistribution up until a given period and subtracting from it the cumulative amount of that land over which property rights have been granted up until that period. Alternatively, it can be calculated by summing the yearly property rights gap over time. It therefore captures the net difference in accumulated land redistribution and accumulated land titling at a given point in time. By definition, the cumulative property rights gap is non-negative.

Figure 1.1c indicates that the cumulative property rights gap grows in periods 1-4 as land redistribution proceeds without extending property rights and yearly property rights gaps therefore accumulate. It reaches a maximum in period 4, after which the extension of property rights over previously redistributed land outpaces further land redistribution. The cumulative property rights gap therefore begins to erode in period 5. It continues eroding in periods 6-8. By period 8, property rights are extended over the last remaining lands that had previously been redistributed without property rights. The cumulative property rights gap therefore returns to 0 where it began in period 1.
THE RADICAL SHIFT IN PROPERTY RIGHTS IN LATIN AMERICA OVER THE LAST CENTURY

This book builds a general theory of property rights gaps like that depicted in Figure 1.1. But the main, though not exclusive, empirical focus of this book is property rights gaps in Latin America. Most countries in Latin America entered the 20th century with the bulk of their rural land area guided by private property rights regimes. Extreme social and economic inequality prevailed, rooted in the skewed distribution and use of land.

The colonial period along with events and policies in the 19th century had generated these circumstances. Colonial-era land settlement along with land grants, land sales, and forced labor practices set in motion the appropriation of indigenous lands by the Spanish and Portuguese crowns, powerful private individuals, and the church. Military officers who fought in the independence wars at the start of the 19th century also won large land grants in parts of Latin America. Many states in the region then confiscated church-owned lands between the mid-19th and early 20th centuries and sold them to private individuals. Frontier areas shrank as development and population growth drove the privatization of public lands. In some countries, such as Mexico, Peru, and Bolivia, private property at the outset of the 20th century existed alongside communal property structures within indigenous communities that were pushed to the margins of their economies. But communal lands were shrinking, exacerbated by the late 19th century commodity boom.

To be sure, private property rights in the region were often poorly documented and enforced by powerful landholders rather than impartial courts. Furthermore, in most Latin American countries, private smallholders had relatively weak protections of their property rights and in some cases merely had de facto possession of state-owned land or private land. Nonetheless, private property rights largely ruled the day and eventually became fairly stable.
Take the example of Mexico. Haciendas dominated much of the rural sector at the start of the 20th century. These holdings evolved from Spanish colonial land grants to notables (mercedes) as well as grants of jurisdictions (encomiendas and repartimientos) to individuals that included both villages and peasants. Grantees were allowed to levy taxes and demand labor of the villagers that lived within their land grant. Peasant residents on haciendas typically were given an individual plot in exchange for labor on the hacienda (often six days a week) and a predefined share of the harvest (Thiesenhusen 1995, 31). The wives and daughters of male peasants often performed household tasks for the landowner.

The policies of Mexico’s Porfiriato period (1876-1910) supported the export economy and accelerated land concentration. The south saw an increase in forced labor and subjugation of indigenous groups alongside traditional peasant communities. Haciendas in the central region, oriented toward agricultural production for export, encroached on communal lands and turned free indigenous villages into rural laborers (Sanderson 1984, 16). This trend was intensified by the 1857 Ley Lerdo that confiscated land from the Catholic Church and sold it to individuals.

By 1910 roughly half of the total rural population, comprising 82% of all inhabited communities, were debt peons who worked as resident laborers on haciendas and smaller ranchos under a variety of different arrangements (Sanderson 1984, 18). The haciendas held most of the fertile and irrigated land in the country, leaving residents of free agricultural villages with fragmented and insufficient lands at the agricultural periphery, often on mountainsides and unirrigated flat areas (Sanderson 1984, 19). Less than 11,000 hacienda owners controlled 57% of the national territory; one landowner's holders were as large as all of Costa Rica. Remaining

\[\text{In northern Mexico, however, scarce labor led to wage increases.}\]
communal lands were being rapidly absorbed into haciendas. At the same time, about 15 million peasants were landless (Thiesenhusen 1995, 30).

Major land reform programs in Latin America beginning in the 20th century rocked private property rights regimes like an earthquake. The redistribution of privately held land in particular, which impacted approximately 40% of all cultivable land in Latin America, generated an enormous spike in informal ownership. A property rights twilight zone emerged: the private, excludable ownership structure of large landowners ebbed as new forms of provisional and informal ownership arose. Newly important land tenure relationships, and especially cooperative and communal ownership, took root on a massive scale. Where individual ownership continued to prevail, albeit among a new set of land reform beneficiaries, the new owners often never received formal land titles, received provisional titles that were never converted into unconditional, full titles, or received land titles that were never linked to a property register or land cadaster. In other cases, land ownership was formally vested in the state, which granted individuals or groups usufruct over land or shares to collective profits.

These enormous “property rights gaps” often endured for years or decades. Only later did many of the same countries that upended property rights seek to reintroduce them at a large scale. The shift back toward more secure property rights almost invariably occurred after the governments that eroded property rights had left the scene. Relatively young democratic regimes that replaced them often led the way, especially in the last several decades. But in several cases, such as Chile, Mexico, and Peru, authoritarian regimes led the way in restoring property rights to rural areas.

In some countries, like Chile, the most recent shift back toward property rights security came after many original land reform recipients had sold their land or migrated to urban areas. In
others, like Bolivia or Peru, informal rural transfers during the property rights twilight zone along with state weakness generated trouble in extending property rights to former land reform beneficiaries. In still other countries, like Mexico, property rights were strengthened but there was never a shift to more individual forms of ownership.

THREE CANONICAL PATHS OF PROPERTY RIGHTS GAPS

While this book’s main focus is on explaining why and when governments generate, maintain, and close property rights gaps, over time these actions create different property rights gap trajectories within countries. It turns out that there are a small number of clear patterns that repeat themselves across countries. These broad patterns have important consequences for a host of development outcomes that later chapters examine.

The shift in many Latin American countries over the last century from relatively stable private property rights over land to a property rights twilight zone and finally back toward property rights security is only one of three main paths that countries may follow with respect to property rights gaps. Figure 1.2 displays three canonical paths of property rights gaps over time. The figure displays cumulative property rights gaps over time like that depicted in Figure 1.1c.

If a country traces Path A, it never generates a property rights gap in the countryside. This could be for one of two reasons. First, a country simply may never redistribute land to begin with, foreclosing the ability to open a property rights gap. While this relatively common outside of Latin America, every country in Latin America in the last century has engaged in at least some land redistribution. A country also may approximate this scenario by going many years without any land redistribution, followed by a brief and nearly negligible period of redistribution in which land beneficiaries are granted property rights, which is in turn followed by a return to inactivity on land redistribution. One example would be Argentina. Land redistribution was off
the table until the mid-1940s, at which point the government expropriated a handful of private properties that were distributed to beneficiaries with property rights. Governments since the early 1950s have not redistributed private land and therefore it was impossible for rural dwellers to receive land without property rights.

Alternatively, a country could follow Path A by redistributing land over a longer period of time and concurrently granting property rights over that land throughout that period. Historically, this has occurred only rarely, and uniformly at a small scale. One example is Colombia. Over the last century Colombia’s government has engaged in limited purchases of private land for redistribution, twinned with some seizures of land (typically those involved in drug production or trafficking). But when these lands are distributed from the state land bank, beneficiaries receive title and property rights over their land.

**Figure 1.2. Three Canonical Paths of Property Rights Gaps**

![Graphs showing three canonical paths](Note: The y-axis in each graph indicates the proportion of a country’s land under a property rights gap.

A more common path in Latin America is Path B. A country that traces Path B at first redistributes property to land beneficiaries but withholds property rights over that land. A property rights gap opens in the countryside as that process continues. The lives of beneficiaries come to be deeply marked by holding land but lacking property rights over it, particularly if the property rights gap endures for years or decades at a time. A property rights gap like that shown
in Path B of Figure 1.2 can be large and longstanding. In countries such as Bolivia, Mexico, and Peru, governments forged property rights gaps exceeding half of all cultivable land in the rural sector. Indeed, in Mexico and Peru, governments went on to distribute marginal lands as well, generating property rights gaps that swallowed up both productive and mediocre farmland.

Countries that follow Path B, however, eventually close the property rights gap. This occurs when a government grants land beneficiaries property rights over the land that they had initially received without property rights. Typically this is a different government than the government that had initially distributed property without rights. Often it happens after a country transitions from dictatorship to democracy, but not always.

Finally, a country can trace Path C. Like Path B, this path begins as a government redistributes property but withholds property rights from land beneficiaries. This generates a property rights gap. But unlike Path B, this property rights gap is not closed. Instead, it is maintained for a long period of time. One example is Cuba. The ruling Communist Party redistributed or nationalized nearly all of Cuba’s privately owned property in the first five years after Fidel Castro seized power through the Cuban Revolution. But peasants that received land were never granted property rights over that land. The Dominican Republic and Paraguay have also followed Path C, redistributing property without rights from the 1930s through the 1970s but never appreciably extending property rights to land beneficiaries.

Of course, countries that have traced Path C could eventually extend property rights to former land reform beneficiaries. By closing a property rights gap, this would ultimately yield a Path B pattern. But there are many countries that have long been on Path C. Outside of Latin America, countries such as China and Zimbabwe have also followed this path.
MEASURING THE PROPERTY RIGHTS GAP

How can we measure trends in the security of property rights over property such that we can discern whether a country follows Path A, Path B, or Path C as indicated in Figure 1.2? This is a difficult task that has not previously been attempted. Measuring a property rights gap is complicated because rural dwellers hold a wide panoply of rights over property. Furthermore, because property rights are so important for political, economic, social, and legal life, definitions and concerns tied to property rights are diverse.

One major contribution of this book entails constructing an analytical framework that differentiates among a set of common, observable, and consequential distinctions in property rights that are theoretically relevant and then classifying property rights gaps according to these distinctions.

I focus on three key aspects of property rights: land formalization, defensibility, and alienability. Land formalization entails delineating property delimitations, granting legal recognition of property rights and uses, and registering or recording this information. Defensibility entails the ability to defend property rights by calling on and retrieving clear property rights information and by appealing to the state for rights enforcement. Alienability entails the right (which need not be exercised) to sell or lease exclusion, management, or withdrawal rights associated with a property.

Property that lacks any formalization, is indefensible, or is inalienable reflects an absence of property rights. By contrast, land that has a formal, registered title with few consequential restrictions on alienability reflects complete property rights. To be sure, rights over property can, and often do, reside in a middle ground between these two extremes. I therefore classify property rights characterized by incomplete or imperfect formal ownership, consequential restrictions on
alienability, or serious limits to defensibility as partial property rights. Chapter 2 explores these property rights definitions in detail.

The property rights definitions I employ do not require property to be held individually for rights to be complete. There is a rich history of communal property holding, particularly among indigenous groups. Collective groups can hold a full bundle of property rights just as private individuals do – although the organization of those rights differs. But if land is held collectively or communally, the group as a whole must at least have the option to decide whether or not its members can alienate their land for property rights to be complete.

Using these definitions, I conducted extensive fieldwork and archival work to collect original data on both the redistribution of landed property and the property rights held by the beneficiaries of land redistribution for all Latin American countries between 1920 and 2010. There was very little to no land redistribution within Latin American countries of the type I examine here prior to 1920.8 Data on land redistribution and property rights over land are housed by land reform agencies, ministries of agriculture, or archives of the state throughout the region and have not been otherwise widely disseminated. Of course, data are not always classified in accordance with the theoretical distinctions that guide this project. This required gathering supporting information on the nature of compensation for land seizures, laws and practices regarding the rights and duties of property ownership, the coverage and use of property registers, and other supplementary material. Chapter 2 discusses these issues at length.

8 There was a small amount of land redistribution in Mexico just before 1920 during the final years of the Mexican revolution. Chapter 2 also discusses the distinct phenomenon of nationalizing or selling off lands owned by the Catholic Church in many Latin American countries between the mid-19th and early 20th centuries.
I gathered data on land redistribution and property rights over that land separately from one another since property rights over land can and do change over time. The result of this fieldwork is the most comprehensive and systematic dataset ever gathered on rural property rights. Furthermore, the data are comparable across countries and over time.

What emerges is a first, fascinating glimpse into rural land ownership and property rights in Latin America – or any region, for that matter – over a significant time period. I use the separate measures of land redistribution and property rights to construct “full” and “partial” property rights gap measures. I construct these measures annually as well as cumulatively over time in order to examine how property rights gaps expand, close, or persist in a stable fashion.

The coding scheme that I employ to measure the property rights gap is not tailor-made to Latin America. It can also be applied to other regions with land tenure structures and landholding patterns that differ from those in Latin America. Indeed, many countries around the globe have generated property rights gaps. Some countries, such as Taiwan and Portugal, generated large property gaps only to close them quickly, following Path B from Figure 1.2, whereas other countries, such as China, generated property rights gaps and then maintained them for decades at a time, following Path C. Within Latin America, most of the governments that implemented large-scale land redistribution simultaneously underprovided property rights to land reform beneficiaries, embarking either on Path B or Path C. Bolivia, Brazil, Chile, Cuba, the Dominican Republic, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, and Venezuela all generated large and positive yearly property rights gaps. These yearly property rights gaps sometimes stacked up so large that they came to dominate the rural sector. In Bolivia, Chile, Cuba, Mexico, Nicaragua, and Peru, more than half of all cultivable land was distributed to land reform
beneficiaries that then languished without property rights. Sometimes this transformation happened quickly, as in Cuba and Nicaragua; in other cases it occurred more slowly and methodically, as in Mexico.

In many of the cases where governments generated large property rights gaps, subsequent governments extended property rights to former land reform beneficiaries without further redistributing land, following Path B. This resulted in negative yearly property rights gaps and chipped away at longstanding cumulative property rights gaps in the countryside. In some cases, such as El Salvador, the cumulative property rights gap closed relatively quickly – much of it had been eliminated about 20 years after it was generated. But in other cases, such as Bolivia and Mexico, large cumulative property rights gaps took between 30 and 70 years to close. And in still other cases, such as Cuba, the Dominican Republic, and Paraguay, large cumulative property rights gaps were never closed and continue to prevail over enormous swathes of the countryside. These countries have followed Path C from Figure 1.2.

Figure 1.3 displays a series of graphs of land redistribution and property rights over redistributed land in a canonical Path B case: Mexico. These graphs follow the same order as the stylized picture of the property rights gap in Figure 1.1. Figure 1.3a displays the amount of land in Mexico that was redistributed over time from large landowners to new peasant communities as well as how much redistributed land was granted property rights through the large-scale land-titling program PROCEDE that started in 1993. Figure 1.3b displays the yearly property rights gap, calculated by subtracting the amount of land titled from the amount of land redistributed. Figure 1.3c displays the cumulative property rights gap, calculated by summing the yearly property rights gap over time. Figure 1.3c indicates that Mexico clearly follows Path B from Figure 1.2.
Figure 1.3. The Property Rights Gap in Mexico, 1920-2010

(a) Land redistribution and land titling

(b) Yearly property rights gap

(c) Cumulative property rights gap

Note: The y-axis in each subfigure indicates the amount of land affected in millions of hectares. In Figure 1.3a, land redistribution is indicated with a solid line and land titling with a dashed line.

FRAMING THE PUZZLE: PROPERTY RIGHTS, DEVELOPMENT, AND LAND REFORM

The fact that so many countries trace Paths B or C instead of Path A constitutes a major
puzzle from the perspective of much of the study of property rights. Why do many governments redistribute property without extending property rights to land beneficiaries? And why do other governments grant secure property rights to beneficiaries, whether contemporaneously with land redistribution or long after it has occurred?

This puzzle is made more perplexing from several of the dominant perspectives on land reform and property rights that struggle to make sense of both the variation in property rights provision across governments as well as the propensity of most governments to withhold property rights from land beneficiaries.

Consider the perspective that granting property rights to land beneficiaries can enable them and those around them to flourish by generating economic returns used to pay for land reform or to invest in human capital or infrastructure. It is conventional wisdom that secure property rights can underpin long-term economic development by encouraging accumulation, production, and economic dynamism (Acemoglu et al. 2001, North 1990). When property rights are secure, individuals can make productivity-enhancing investments without worrying that their property or investments will be arbitrarily seized. Because of the more transparent and enforceable nature of ownership and interests, individuals can leverage property itself as collateral to gain access to financing in order to improve their assets or invest in human capital. Secure property rights underpin more liquid markets for property, which can put property into the hands of those that would use it most efficiently (Demsetz 1967).

Secure property rights over land as an asset are anticipated to have similar positive consequences. A large literature demonstrates that well-established and secure property rights are critical for the functioning of rural land markets, for generating incentives to invest in agricultural production and infrastructure, and for the rise of access to private credit (e.g., Deininger et al. 2004,
De Soto 2000, Rajan and Zingales 2003). Secure land access also supports the accumulation of human and physical capital (Besley and Burgess 2000, Galiani and Schargrodsky 2010, Galor et al. 2009). It is therefore widely accepted that property rights, even if not always formal or individual, strongly support the efficient exploitation of land (Demsetz 1967, Feder and Feeny 1991).\footnote{The importance of land formalization and individual ownership in securing property rights is an area of much more active debate than the importance of property rights themselves. See, e.g., Brasselle, Gaspart, and Platteau (2002), Ellickson (1993), Goldstein and Udry (2008). Chapter 2 takes up these issues in detail.}

Incomplete property rights over land, by extension, can inhibit accumulation and production as they depress the value of land and make it difficult to sell, lease, partition, or leverage as collateral to gain access to loans. Insecure or incomplete land rights can encourage an emphasis on planting short-term crops (Do and Iyer 2008) and a reticence to fallow land for fear of counterclaims or appropriation (Goldstein and Udry 2008), which can reduce long-term land productivity and deplete soils. Widespread property informality can scare off foreign investors and capital (Songwe and Deininger 2009).\footnote{Customary forms of land access and common property rights, however, can also be exploited by foreign actors in order to acquire land at a large scale that they would otherwise be prohibited from acquiring (Wolford et al. 2013).} It can force domestic investors to pursue creative strategies to protect their investments (Post 2014).\footnote{Post (2014) demonstrates in an analysis of the privatization of urban water and sanitation systems in Argentina that alternatives such as firm organizational structure can help substitute for weak formal property rights to make credible commitments for investment. Cross-sector diversification enabled domestic investors to gain valuable informal contractual supports that underpinned investment.} And it can generate contestation over ill-defined and poorly documented property delimitations (Boone 2014, Deininger 2003, Klaus 2020). This last consideration encourages individuals to remain on their property to protect it against counterclaimants rather than migrate seasonally to work and complicates the ability to sell land.
Despite the anticipated positive consequences of secure property rights, incomplete rural property rights are endemic throughout most of the developing world. Furthermore, major land reform programs that overhauled the allocation of property in over a third of the world’s countries since the dawn of the 20th century only rarely granted beneficiaries complete property rights. Instead, land reform programs tended to grant beneficiaries land in usufruct with state ownership, land with restrictions on partitioning, alienability, and mortgaging, or land with provisional titles or no titles at all. As de Janvry et al. (2014, 216) put it in terms of conventional wisdom in economics, land reform is “vastly ill-used as a policy instrument in spite of its well-recognized potential to generate efficiency and welfare gains.”

The puzzle of the underprovision of property rights is also complicated by the fact that land reform represents a relatively rare opportunity to supercharge development. A large body of scholarship suggests that the concentration of land in the hands of a few large landowners is key to understanding the historical roots of inequality, poverty, and underdevelopment in the contemporary world (Ansell and Samuels 2014, Moore 1966, Rueschemeyer et al. 1992). Where landholding was concentrated, as in Latin America, Southern Europe, and East and South Asia, smallholders, tenants, and wage laborers could not – or were not permitted to – accumulate enough land or capital to save, invest, and send their children to school where they could be trained to work in more dynamic economic sectors (Cinnirella and Hornung 2016, Galor et al. 2009). Land concentration can undermine dynamic rural labor markets (Rueschemeyer et al. 1992, Ziblatt 2008) and even the establishment of representative government (Acemoglu and Robinson 2006, Moore 1966). And Engerman and Sokoloff (2002) show that high historical

12 For a dissenting view that instead emphasizes the importance of rural labor market conditions, see Mares (2015).
inequality in parts of the Americas during the colonial period lowered subsequent investments in public goods, generating worse development outcomes in the long run.

For these reasons, scholars point to landholding inequality as a root cause of the “Great Divergence” between rich and poor countries over the last few centuries (Galor et al. 2009). By eliminating large landowners and equalizing land access, land redistribution should unlock economic dynamism and development (Baten and Juif 2014, Galor et al. 2009, Lipton 2009). This relationship should be particularly straightforward given that land reform avoids the typical equity-efficiency trade-off (Besley and Burgess 2000), in part due to the generally inverse farm size-productivity relationship: land reform can contribute to rural well-being given that, all things equal, small farms are often more productive than large farms (Deininger 2003).

Consequently, many scholars and policymakers beginning around the late 1940s advocated land redistribution as a way to tackle poverty and inequality in the developing world and encourage development (Ladejinsky 1977, Prosterman and Riedinger 1987). Redistributive land reform held the potential to vastly and directly improve peasant livelihoods, facilitate human capital formation, and pave the way for new public goods and services.

Although studies of the development consequences of land reform are few and far between, several such studies provide supportive evidence linking land reform to rural well-being. At the macro level, scholars have long pointed to post-World War II land reforms in South Korea and Taiwan as generating both equality and high economic growth as rural families could afford to send their children to school, ultimately yielding urbanization and industrialization (Galor et al. 2009, Haggard and Kaufman 1995). Similarly, Besley and Burgess (2000) tie land reform – and specifically tenancy reform – to lower rates of rural poverty in Indian states. At the

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13 See, e.g., Kapstein (2017) for a discussion.
more micro level, Keswell and Carter (2014) link land allocations in contemporary South Africa to higher consumption and household living standards in the medium term.

But as this book will demonstrate, these cases are the exception rather than the rule. Most countries that have conducted land reform over the last century have squandered its development potential. To a large degree, this is tied to the typical withholding of property rights from beneficiaries.

EXISTING EXPLANATIONS FOR THE UNDERPROVISION OF PROPERTY RIGHTS

Why have so many countries failed to grant the beneficiaries of land redistribution programs property rights over the land that they receive? Few existing accounts examine the creation of property rights gaps per se through policies of redistributing property but withholding rights. Nonetheless, there are several prominent explanations for the more general dearth of secure property rights in some countries that could be extended in an effort to shed light on the property rights gap. These include myopia, ideology, and insufficient state capacity.

The myopia explanation comes in several stripes. It could be, for instance, that governments were unaware that underproviding property rights would drive negative economic and social consequences or that they could more productively shape property rights. Relatedly, governments may have identified the importance of property rights but took ineffective steps to provide them – for instance by creating decentralized property registers that were not linked to a land cadaster. A final myopia explanation lies with the need of governments to wrestle with multiple and often conflicting goals simultaneously. For instance, the drive to feed cities, maintain agricultural economies of scale, and avoid land reconcentration provided powerful motivations for some policymakers to pursue land collectivization and to withhold property rights from land reform beneficiaries.
A second explanation for the lack of property rights is ideology. Skeptics of free market capitalism have long pointed to market volatility, an imbalance in power relations in the countryside, and logics of extraction and social domination as powerful forces that tend toward land concentration, peasant dispossession, and labor repression. Many leftist governments, and especially socialist ones during the heyday of the Cold War, sought to avoid these outcomes by organizing land reform beneficiaries collectively and prohibiting land alienation.

A third explanation for prevalent insecure and incomplete property rights is that many states lack the capacity to provide complete property rights. Providing and maintaining property rights can be costly and complex, requiring significant administrative and infrastructural power that some states lack.

Chapter 3 details each of these existing explanations in much more depth and roots them in broader historical context. I find support for each of these explanations to varying degrees in this book. But none is sufficient to fully explain the timing, extent, and characteristics of property rights gaps. There are too many anomalous cases, too much conflicting evidence, and often too loose a match with the realities of the countryside for these explanations to be entirely satisfactory, whether individually or in concert.

REEXAMINING THE POLITICAL ORIGINS OF THE PROPERTY RIGHTS GAP

Existing explanations shed light on but do not entirely resolve the puzzle of festering incomplete rural property rights or patterns in the upending of rights through land redistribution without granting property rights to land reform beneficiaries. Why, then, do some governments generate large property rights gaps over rural land whereas others do not? Why do some governments close these gaps when they encounter them whereas others allow them to persist or even exacerbate them? And what effects do property rights gaps have on critical development
outcomes such as economic growth and well-being, urbanization, educational outcomes, inequality, rural political voice, and links between parties and voters? This book provides a novel set of answers to these important questions rooted in the political nature of land ownership, property rights, and development.

**The Generation and Maintenance of Property Rights Gaps**

The generation of a new property rights gap requires two elements: the redistribution of property and the withholding of rights over that property from new beneficiaries. Land redistribution itself is a monumental political project. It requires deliberate executive action, legislative support, a judiciary that sustains the legality of property transfers, and a bureaucratic and military apparatus that can physically seize or purchase land from large landowners and transfer it to rural workers.

Political regimes are therefore fundamental to the implementation of redistributive land reform. Land redistribution often dies at the doorstep of democracy as heterogeneous interests across a plurality of institutions make deliberate action and consensus-building on land redistribution close to impossible. Large landowners can win legislative seats, challenge land redistribution in independent courts, and lobby politicians in an effort to stymie or entirely block land redistribution.14

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14 Of course, some “popular democracies” are characterized by weak institutional constraints (e.g., Albertus and Menaldo 2018). These regimes are more capable of implementing land redistribution than institutionally constrained democracies, as illustrated by land reforms under Salvador Allende in Chile and Jacobo Arbenz in Guatemala. However, these are exceptional cases within Latin America. The history of democracy in the region has largely been characterized by strong institutional constraints (Albertus 2015). Furthermore, democracies across the range of institutional constraints can channel popular demands more effectively than dictatorships, as will be discussed below. In light of the distribution of constrained versus unconstrained democracies in Latin America during this period and the theoretical considerations this book raises, I do not split democracies into subgroups.
Authoritarian regimes, by contrast, have much greater capacity to steamroll opposition to policies that they pursue. But not all authoritarian regimes seek to redistribute land. For every Castro or Cárdenas there is a Castelo Branco. For every Velasco there is a Videla. And for every Mao or Mugabe there is a Mussolini. Authoritarian regimes that rule with political coalitions that exclude large landowners will brook no appeals to protect them. To the contrary, they will often view out-group elites as rivals to be crushed. After all, powerful landowners have resources that can be used to attempt to displace the incumbent regime. Furthermore, they can make ruling difficult because they stand at the apex of rural social and economic relations and therefore mediate between the state and its broad swathe of rural subjects.

Crushing rival landed elites through land redistribution leaves authoritarian regimes with a valuable resource – land – and a choice: how should land and the property rights over it be allocated? Reallocating enormous tracts of land to regime insiders poses the serious risk of empowering a new set of rivals; it also forecloses the opportunity of gaining popular support from society. Few authoritarian regimes pursue this route.

On the other hand, widely distributing land grants to rural dwellers along with complete property rights gives beneficiaries a considerable degree of autonomy and independence from the state. While this can stoke economic dynamism, it too carries risks given that authoritarian regimes seek economic cooperation and reliable political support from their populations in the form of extractive revenue and pro-regime mobilization. Granting property with rights to land reform beneficiaries can be self-undermining because it can enhance their power to oppose the incumbent regime.

There is a third, particularly tempting route under these circumstances: redistribute land to rural workers without attendant property rights over that land. The strategy of widely
distributing property without rights activates a set of additional political mechanisms that provide an opportunity to enmesh land reform beneficiaries in relations of dependence on the state, creating a politically pliable and dispersed support base.

The key to recognizing these mechanisms lies in understanding the everyday obstacles that rural dwellers face when they hold property without secure property rights as well as the ways that states can fix the market failures that they themselves create. Without formal property rights, rural dwellers face difficulties in using land as collateral to obtain loans and credits from banks for critical production inputs and capital improvements. The result is underinvestment in land and agricultural production. A lack of property rights also makes it hard to sell, lease, partition, or mortgage property. This stunts rural land markets and depresses land value. Furthermore, without formal property rights, it can be difficult to defend land against counterclaimants or those who seek to encroach upon or enclose it. This makes landholders wary of migrating to obtain seasonal employment or schooling, lest they come home to find someone else living on their land.

A precarious rural sector balancing between poverty and prosperity presents a ruling authoritarian regime the opportunity to create tools – such as state banks that monopolize rural credit and loans, agencies that monopolize the provision of fertilizers and subsidies, and agencies that manage land access – that require rural dwellers to interact with the government on an iterated basis and enable them to scrape by if they remain in the government’s good graces. This can be used to manage threats such as rural rebellions and blockades of crucial transportation routes and to ensure cooperation with important regime goals such as winning elections or providing sufficient and affordable food for cities so that urban centers do not become tinder boxes of collective action. By conditioning the favorable use of these tools on the behavior of
rural subjects who need assistance, a government can gain advantageous coercive leverage that can be strategically deployed among critical constituencies during periods of heightened regime pressure.

I do not maintain that regimes typically calculate the political value of a property rights gap ex ante and then malevolently plan its every dimension and consequence to maximize their coercive leverage in the countryside. The argument I am forwarding operates mainly in equilibrium as opposed to onset, once a property rights gap is opened up through initial land redistribution. A property rights gap that opens through land redistribution without extending property rights can first occur because a regime has other goals that conflict with property rights or ideological views about the pernicious consequences of certain forms of property rights. Or it can originate for more prosaic reasons tied to focusing on first completely eliminating rival landed elites or dedicating resources to maximizing the number of immediate land beneficiaries. In select cases, however, some members of a regime may indeed recognize certain political advantages of initially withholding property rights and act to pursue those advantages.

Regardless of the very initial origins of a property rights gap, governments normally realize its political advantages relatively quickly and then intentionally maintain the gap or even grow it larger, sometimes for decades. This dynamic occurs among a wide range of politicians across ideological lines, sociological origins, and political backgrounds. It is an equilibrium that snatches governments and economies even when politicians initially have good intentions with regards to designing property rights over redistributed land.

The choice for rural dwellers that live under the equilibrium of a property rights gap is clear: toe the regime line and gain assistance or forego benefits and face a rural life riddled with the market distortions and complications that arise from lacking property rights. This stark
choice binds land reform beneficiaries that lack property rights to an incumbent regime by making the regime, and the state apparatus the regime controls, central to citizens’ strategies for economic survival.

Encouraging this repeated interaction with the state also renders land reform beneficiaries more “legible”: the regime comes to know who land reform beneficiaries are and where they live – and how to extract political support from them at low cost. And by providing rural individuals with property that lacks rights, the difficulties associated with selling land and protecting it from counterclaimants encourages land reform beneficiaries to remain in rural areas where populations are dispersed and collective action barriers are high.

Viewed through this lens, granting property without property rights is not merely an oversight or a political blunder – it is one of the most politically valuable policies that land redistribution makes possible. And it can be accomplished in a plethora of ways. These range from the more extreme, such as forcing land beneficiaries into collective farms or cooperatives, or nationalizing land and then granting beneficiaries usufruct rights, to the mundane, such as withholding formal land titles or failing to link titles to any property register or land cadaster.

The insight that political actors can benefit by manipulating property rights over land has been observed in other contexts. Boone (2014), for instance, prominently demonstrates how politicians that preside over statist land tenure regimes against a backdrop of rising competition for land in Africa back new settler communities in rural areas with long-settled populations. Politicians then leverage powerful linkages to local political spheres to mobilize new settlers for political ends by taking advantage of their reliance on the state for their tenuous land rights.\footnote{In Boone’s context, and in a departure from the main thesis in this book, political incentives to politically manipulate property rights in Africa have grown in recent decades with the emergence of multiparty electoral competition. However, and more consistent with the conclusions here,}
similar dynamic can occur in states that seek to secure their frontiers by allocating land in a contested and controversial fashion to new settlers in areas dominated by ethnic minorities that are viewed as supportive of a cross-border hostile power (McNamee 2018).

Furthermore, scholars of urban informality have also recognized the political utility in underproviding property rights over land. Take for example Collier’s (1976) classic work on illegal urban settlement formation in peripheral Lima in the mid-twentieth century. Collier demonstrates that informal settlement in which settlers lacked legal land titles was supported by the elite and their political allies not only as a way to facilitate evictions from inner-city slums but also as a way to link the urban poor to the state and win their political support while also using their marginal status to shape the nature of their political activity and demand-making. More recent evidence supports the notion that lacking a land title can make urban slum residents more vulnerable to clientelistic exchanges since politicians can condition ongoing land occupation on political support (Holland 2017, Larreguy et al. 2018). This taps into the underlying fears of eviction among the undocumented.\footnote{With the growth of urban centers in the developing world, there is increasing recognition of the political importance of urban tenure insecurity and land regulation (Auerbach et al. 2018).}

**Closing Property Rights Gaps**

Democracies are most often responsible for closing property rights gaps that were generated under previous authoritarian regimes. Democracies tend to close property rights gaps

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electoral competition in many of these cases is not entirely free and fair. Incumbents systematically leverage the power of the state over land and other resources to their political advantage. There are a number of other important differences in the historical background conditions of land ownership in sub-Saharan Africa that also lead to patterns of property rights provision that diverge from those in this book, most prominently the nature of colonial rule and widespread customary authority over land, as well as low person-land ratios and relatively weak states that do not have the capacity to conduct land redistribution in the way many countries in other regions have done so over the last century. See Chapters 2 and 3 for further discussion.
because of an asymmetry in how pluralistic political systems process popular demands against the violation of powerful minority interests.

When powerful and vocal minorities throw up resistance to reform, as landed elites do with land redistribution, policymaking in democracy grinds to a halt. Democracies are consequently unlikely to successfully conduct significant land redistribution. But there is rarely a powerful and vocal minority that opposes securing property rights in the land reform sector. Property holders that lack complete property rights stand to gain from these efforts unless their claims are contested. But individuals with contested claims are likely to be more dispersed and much less powerful than, say, the landed elites that had to be physically displaced through land redistribution.

Absent well-organized resistance from powerful minority interests, democracies can channel popular demands into the political system and will act on them with greater fidelity than dictatorships. Securing incomplete property rights is often one such demand when a wide swathe of rural dwellers lacks them. There are plenty of reasons why securing property rights for land beneficiaries who lack them can be popular. Land reform beneficiaries who gain greater property rights protection can benefit from higher land prices and more liquid land markets, can more easily secure loans and credits by using their land as collateral and thereby reap returns to investment in their land, and are less likely to be forced into a position of political and economic dependence on an incumbent government.

Democracy provides a range of paths for land reform beneficiaries that lack property rights to stump for them. These individuals can support politicians that promise greater rule of

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17 The same is not necessarily true outside of the land reform sector. See Chapter 3 for a discussion.
law and property security. They can elect legislative representatives that pursue legislation and funding for land titling and other property rights-enhancing programs. Furthermore, independent judiciaries may rule in favor of greater property rights security by formalizing the legal basis of a previous land reform and requiring the legislature and bureaucracy to provide legal protections to reform beneficiaries. The process of extending property rights need not be strictly technocratic; it is often inherently political.\(^{18}\)

Closing a property rights gap is particularly likely under democracy when political competition and coalitional formation draws peasants directly into the ruling coalition. Placing peasants in the driver’s seat supercharges incentives to both redistribute property and extend property rights over property. While the former is typically foreclosed by the institutional constraints of democracy, reforms that secure property rights are more likely to be implemented.

However, there remain exceptional circumstances in which there is a concentrated set of losers to securing property rights and those losers capture an important veto point. This typically occurs when a residual set of landed elites survives land redistribution or when political winds shift toward democracy before landed elites are entirely ruined and dispersed. In these cases, provided there are aspects of securing property rights that harm landed elites, such as cementing in the new status quo distribution of property, they may organize to capture a veto point from which to oppose such an effort. This typically occurs through the legislature, which has historically been a redoubt for landed elite interests that organize through conservative parties.

There is one additional circumstance conducive to closing a property rights gap in the countryside that transcends political regime type: foreign pressure. All countries periodically

\(^{18}\) This point is consistent with Boone’s (2018) conclusions from land titling in the Ivory Coast in recent decades.
face economic crises generated by financial panics, debt servicing, currency imbalances, or reversals in economic growth. Crises of sufficient severity can force a country to seek the help of international financial institutions such as the International Monetary Fund and World Bank. In the post-World War II era, these institutions demand economic and political reforms in exchange for lending support. Privatization and greater security of property rights are typically core conditions for receiving support. A yawning property rights gap that prevails over the countryside is a prime target. In this fashion, foreign pressure can close rural property rights gaps.

**CONSEQUENCES OF PROPERTY RIGHTS GAPS**

Property gaps have ruled the countryside in many countries over the last century. Around one-third of countries across the world have created substantial property rights gaps, following Paths B or C of the property rights gap as depicted in Figure 1.2. In some cases, as in Mexico and Russia, property rights gaps have swallowed up half or more of all agricultural land in a country for many decades. Quickly closing a property rights gap is a rarity. Some countries, such as Cuba, followed Path C and continue to preside over large property rights gaps that they generated nearly 70 years ago.

That hundreds of millions of individuals living in the rural sector have spent their lives farming land that they received from the government but that lacks property rights has fundamentally shaped trajectories into modernity for them and the countries they reside in. For one, the underprovision of property rights to land reform beneficiaries sapped any positive effects of equalizing land ownership on economic growth and dynamism. Large landowners in many countries long reigned at the top of rigid and hierarchical social relations and systematically opposed policies such as industrialization and democratic reforms that threatened
to drain cheap rural labor from their estates or politically empower traditionally marginalized social groups. Rather than replacing this landowning class with a set of dynamic and empowered rural workers with the tools and property rights protections that could facilitate creating a robust and modern agricultural sector, land redistribution often paved the way for a weak peasantry that suffered from a lack of property rights and ultimately struggled to stay afloat.

Governments threw these peasants a life preserver that just barely kept their heads above water through providing a stream of necessary but paltry annual benefits. But they never brought them into shore. Agricultural productivity consequently drifted as investment, mechanization, and the adoption of new farming technologies lagged. Regimes that faced the resultant passive and weak rural populations that languished under a property rights gap then tilted public policy in favor of cities. Basic public goods and services such as primary education and health, as well as comfortable state jobs, were targeted to urban centers.

The inability of land recipients to alienate their most valuable asset or to accumulate significant wealth stunted urban transformation in countries with large property rights gaps and kept land reform beneficiaries dispersed across the countryside. These limitations also delayed rural human capital formation. This fueled growing inequality over time as the countryside increasingly fell behind cities.

Property rights gaps eviscerated the advance of rural political power. With rural populations dispersed and underdeveloped, the star of urban political power rose. Urban restiveness became more threatening than rural rebellion and the economic payoffs to cultivating relatively productive urban centers were bright. Urban primacy became urban political power, enabling demands on the state even under authoritarianism. Property rights gaps also set the stage for rampant clientelism to replace the old social hierarchies between landowners and
peasants. Incumbent parties quickly learned to reap the advantages of their iterated interactions with geographically fixed rural dwellers and tilt the political playing field in their favor by calling land beneficiaries to heel during elections.

To be sure, while some of these dynamics further entrench government control over the countryside, these efforts are not always successful. The initial spark of peasant support from land redistribution can fade over time against this difficult backdrop. Some governments that need or want support may adjust accordingly. But in most cases the development train has already left the station; reversing it is not easily done.

Table 1.1 summarizes how the three canonical paths of property rights gaps map onto the outcomes in this discussion. Provided that land reform occurs at all, Path A represents a path to prosperity. Path B, by contrast, is a path to delayed development. And Path C is a path to stubbornly stagnant underdevelopment.

In short, characterizing the extent and duration of property rights gaps aids in understanding many dimensions of economic, social, and political life in the countryside.

### Table 1.1. Economic, Social, and Political Consequences of the Property Rights Gap

<table>
<thead>
<tr>
<th>PR Gap Path</th>
<th>Land reform contribution to agricultural productivity and economic growth</th>
<th>Urbanization</th>
<th>Urban policy bias</th>
<th>Rural/Urban Inequality</th>
<th>Rural political power</th>
<th>Clientelism</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Path A</td>
<td>Positive</td>
<td>Fast</td>
<td>Limited</td>
<td>Relatively stable</td>
<td>Significant</td>
<td>Limited</td>
<td>Colombia, Uruguay</td>
</tr>
<tr>
<td>Path B</td>
<td>Neutral or negative; could flip after gap closes</td>
<td>Slow increasing</td>
<td>Substantial then wanes</td>
<td>Grows</td>
<td>Weak</td>
<td>Substantial</td>
<td>Peru, Mexico</td>
</tr>
<tr>
<td>Path C</td>
<td>Neutral or negative</td>
<td>Slow</td>
<td>Substantial</td>
<td>Grows</td>
<td>Weak</td>
<td>Substantial</td>
<td>Cuba, Dominican Republic</td>
</tr>
</tbody>
</table>

If no land reform occurs, Path A economies will retain unequal countrysides. The path to prosperity in these cases is narrower, and requires countries to develop through modernization that draws workers to cities and renders agriculture relatively less important.
ROADMAP OF THE BOOK

The rest of the book proceeds as follows. Chapter 2 provides a broad descriptive overview of the historical evolution of property rights gaps in Latin America. It does so over a long time period stretching to the early 20\textsuperscript{th} century. This requires translating the conceptual notion of a property rights gap into concrete empirical measures. Chapter 2 therefore examines the broad distinctions in forms of property holding over time, spanning from private, individual holdings to government property, informal ownership, and collective and communal ownership. It also distills key insights from the property rights literature to create a set of distinctions among property rights over property and then classifies yearly and cumulative property rights gaps in accordance with these distinctions. Armed with these original metrics of property rights gaps, Chapter 2 provides the first panoramic view of the evolution of property rights and property rights gaps in the rural sector of Latin America.

Chapter 3 begins with an overview of major prevailing explanations for a lack of property rights in some countries. But motivated by the fact that none are fully sufficient to understand the widely varying patterns in property rights gaps, Chapter 3 then provides a novel theory of why governments generate, maintain, and close property rights gaps. It examines how the main political actors that determine these outcomes – ruling political elites, landed elites, the rural masses, and international actors – interact with one another in pursuit of their preferred outcomes. The chapter lays out the logic whereby governments sometimes redistribute land but withhold property rights from land reform beneficiaries in order to enmesh them in relations of dependence on the state, providing the state with critical coercive leverage over the countryside. It develops a logic of the mechanisms that governments can use to withhold property rights from land reform beneficiaries, the distortions that this generates in the rural economy, and how these
very distortions are used as handles to intervene in rural life in order to ensure social quiescence and political support. Chapter 3 then outlines under what conditions governments close property rights gaps by extending more secure property rights to former land reform beneficiaries without further redistributing property.

Chapter 4 empirically tests the theory’s main implications. It does so by examining patterns in original data on yearly and cumulative property rights gaps in Latin America from 1920-2010. This time period in Latin America is particularly fruitful for testing the theory. Nearly every country in the region began this period with high levels of landholding inequality but there was strong divergence in how this was addressed. Political regimes and institutions as well as the composition of ruling coalitions varied widely. And many countries interacted sporadically with international financial institutions and faced pressure from these institutions.

Chapter 4 documents that authoritarian governments in particular redistribute land but withhold property rights from land reform beneficiaries. Coalitional splits between ruling political elites and landed elites drive patterns of land redistribution under dictatorship. But a logic of rural control drives authoritarian regimes to withhold property rights from land reform beneficiaries, often for decades at a time. It is democracies rather than dictatorships that typically close a prevailing property rights gap. This is especially likely when peasant groups are politically empowered and any remaining large landowners are either unopposed or politically unorganized. But foreign pressure, particularly in the wake of severe crises that require turning to international financial institutions, can also force governments – both authoritarian and democratic – into closing a property rights gap. These findings are not driven by state capacity, economic trends that correlate with waves of democracy, historicized legacies of redistribution
and property rights, the strength of party systems, US pressure, or political ideology, though some of these factors do have an important independent impact on the property rights gap.

Chapter 5 turns to the consequences of property rights gaps. Millions of rural dwellers in Latin America have lived large parts of their lives, and in some cases their entire lives, in a state of limbo in which they receive property but few if any rights over that property. This shapes many basic contours of their lives and livelihoods. And it has broader economic, political, and social repercussions. This chapter demonstrates using an array of evidence that understanding property rights gaps is like shining a spotlight into the dark: it helps to explain a host of pervasive problems and critical dynamics at the heart of rural life that scholars have long sought to explain.

Chapters 6 and 7 take a complementary approach to Chapters 4 and 5 by examining in depth a single country case. These chapters focus on Peru, which generated an enormous cumulative property rights gap starting in the late 1960s. Property rights were strengthened under democracy in the 1980s but the property rights gap did not seriously begin to close until a return to dictatorship and external pressure in the face of a major structural economic adjustment program in the 1990s. Through a process tracing exercise that tracks the key theoretical factors outlined in Chapter 3, Chapter 6 details the economic and political conditions that led to the origins and closing of Peru’s property rights gap, taking it along canonical property rights gap Path B. This chapter draws on primary and secondary documents and interviews in examining the theory’s causal mechanisms.

Chapter 7 then turns to a wealth of localized original data on land reform in Peru as well as data on property rights and metrics of development to investigate how the creation of local-level property rights gaps shaped subsequent economic and social outcomes linked to
development. Together, these localized cumulative property rights gaps formed Peru’s large national-level cumulative property rights gap. The analyses utilize a geographic regression discontinuity design that takes advantage of Peru’s regional approach to land reform through zones that did not entirely map onto major pre-existing administrative boundaries. Consistent with the theory and with Chapter 5, this chapter finds that local property rights gaps in Peru drove a slower shift away from agricultural labor, lower agricultural productivity and educational attainment, and higher rates of inequality and poverty. Chapters 6 and 7 therefore ultimately help to demonstrate the theory’s internal validity as well as its utility in understanding variation in development outcomes within as well as across countries.

Chapter 8 turns to property rights gaps outside of Latin America in order to put the region’s experience in comparative perspective. The principal aims of the chapter are threefold. First, the chapter examines the historical prevalence and nature of property rights gaps around the globe by generating an original account of the principal features of property rights over land that governments have granted to beneficiaries in the course of all major redistributive land reform programs since 1900. Second, the chapter investigates whether the factors that have generated and closed property rights gaps in much of Latin America operate in a similar fashion in other regions. Finally, this chapter examines property rights gaps in two countries with very different histories and development trajectories outside of Latin America: Portugal and China. Process-tracing exercises in each of these cases demonstrate further support for the causal mechanisms that typically guide the creation and closing – or in China’s case, modification – of property rights gaps. These cases also help to demonstrate the utility of the theory in helping to better understand cases that are typically viewed through the lenses of ideology and limited state capacity.
The concluding chapter begins by discussing the book’s implications for the influential debate on long-term economic and political development in Latin America. The theory and evidence presented here call for a reinterpretation of received wisdoms on development in the region.

This chapter also examines limitations and alternatives to the property rights paradigm. Property rights as they are typically conceived of by neoliberal policymakers are not a cure-all for rural development. But land tenure security is indeed critical for rural inhabitants. There is an emerging consensus around the need for more nuanced and context-specific property rights and a new set of international guidelines regarding how to respect, record, and strengthen such rights. This chapter outlines how the theory impinges on the implementation of these guidelines and details some of the potentially unintended consequences that might result.

The conclusion then demonstrates how the book’s theory speaks to the broader relationship between politics and markets. The creation of markets and management of property rights is a general problem in all developing country scenarios. The argument has implications for property rights in other realms aside from land and divorced from a first step associated with redistribution. States can generate new markets or enable the rise of new markets, or new markets can arise organically. A government can then choose whether, and how, to delineate and protect property rights for actors that operate in those markets. Subsequent governments can maintain this status quo or upend it.

Like with rural property rights gaps, understanding the nature and composition of a country’s political institutions as well as government coalitional dynamics and foreign pressure can help to make sense of broader property rights regimes. The conclusion develops these insights systematically and then applies them to the evolution of subsoil property rights over oil
in Mexico since its independence from Spain, subsoil mining rights for minerals in the United States since the Gold Rush, and property rights in the banking sector in Venezuela in recent decades. The discussion illuminates in new ways several broader puzzles about states and markets, such as why governments would unilaterally erode property rights in certain markets and why governments would ever extend property rights to what seem to be relatively weak social actors.