

CASE STUDIES

This section contains more in-depth analysis of the interaction between property rights and economic activity, among a handful of selected countries. The reader should keep in mind that these case studies are not to be viewed as extensions of the Index methodology or scoring themselves, but rather as related material meant to provide a richer picture of the complex subject of private property rights. As mentioned in the introduction of this report, the main purpose of the IPRI is to provide a macro view snapshot of the state of property rights around the world. In so doing, the authors are invariably limited in the amount of detail they can provide on the contours of specific policies and situations within each country – this is due to both the constraint of time and resources as well as the desire to provide a consistent comparison across countries.

With this in mind, the underlying motivation for the IPRI is to provide a greater understanding of property rights such that policymakers may hopefully devote more and more effort to improving them within their own countries. We hope these case studies will help in this pursuit, and taken together with the primary metric provided by the Index, will better inform the reader about the broader issue.

CASE STUDY #1: LANGA TOWNSHIP, SOUTH AFRICA

by Karol Boudreaux

Introduction

The idea of providing poor people with legal title to their property to improve security and increase investment is not new. In Africa, systematic title registration projects took place in Sudan and Buganda (present-day Uganda) before the Second World War¹². In the post-war era, important land titling projects were implemented in Kenya in the 1950s and in Malawi in the 1970s. The list does not stop here; a dozen other African countries have experimented with private titling projects.¹³

Unfortunately, the results of these efforts have been disappointing. In Kenya, in particular, titling enriched politically well-connected individuals at the expense of the poor and also reduced women's control of land. In Somalia, scholars found no significant correlation between titling and investments in agriculture.¹⁴

The question that reformers and property-rights advocates face is this: can titling projects in the developing world live up to their promise? Perhaps, but if a country's rule of law is weak, if it has high transaction costs for property transfers, or if it erects barriers that limit entrepreneurship, then the benefits of titling will be muted. Property reform should always be considered in light of the broader legal, regulatory, and customary environment. A lack of detailed local knowledge will imperil any titling project.

The South African experiment

In South Africa, efforts to create a more secure form of tenure for black citizens have been underway for decades. The results of this experiment are visible in Langa Township, located just outside Cape Town.¹⁵

Langa is one of the country's oldest townships, created just after World War I. Black South Africans who came to Cape Town looking for work hoped to find shelter in one of Langa's residential hostels or in one of the few homes built to house black families. Properties in Langa were not available for sale, residents could only lease a home or a space in a hostel. Highly discriminatory legislation barred them from owning property in Langa.

Change began in the 1970s, under the apartheid-era National Party government, when long-term leases were approved for residents of black townships. In 1986, the government introduced legislation to allow black urban dwellers, such as the residents of Langa, to purchase freehold title to their homes.¹⁶ The post-apartheid ANC government transferred significant numbers of titles to occupants.

Today, many of Langa's residents do have freehold title to their concrete houses. The government hoped that transferring title to occupants would stimulate economic growth and alleviate poverty. Government policy makers believed that once occupants had secure title to their houses, they would leverage this asset in economically creative ways and begin to pull themselves and their families out of poverty.¹⁷

What happened in Langa after citizens gained title to their property is instructive. Many residents have improved their homes.¹⁸ Other residents use their house as a secure and cost-effective place to do businesses. However, there seems to be little use of titles as collateral for commercial loans.

A brief history

In response to the great influenza epidemic of 1918, Cape Town officials moved some of the city's black residents to an outlying area, away from whites. The area was named Langa. Laws predating this move prevented the black residents from buying land in Langa, and instead, the Cape Town city council, which owned all the land and buildings in the township, rented space to black residents.

Throughout the twentieth century black South Africans moved to cities, hoping to find work. Despite laws that made such movement very difficult and poor living conditions, rural residents continued to flow into urban areas. The white governments were unable, and unwilling, to supply adequate housing for these new residents. Supply did not increase to meet demand and the result was a substantial housing shortage, the growth of informal squatter settlements, and the extensive use of backyard shacks as homes. Langa, like other townships, suffered from all these problems and more.

In 1994, the ANC-led government of National Unity took office, and faced a tremendous housing problem: millions of people needed better housing, the existing housing stock was of a poor quality, and most black citizens lived far from city centers and faced long and costly commutes. High unemployment rates and widespread poverty compounded these problems. The Housing Act of 1997 attempted to address these problems, but to this day, the government continues to struggle with housing issues.

Despite continuing problems, there are signs that more secure tenure is promoting investment and generating opportunities for entrepreneurship in Langa and in other townships across South Africa.¹⁹

Homes as a place of business

Lelapa Restaurant sits on a quiet side street in Langa. It has worldwide reputation among travelers for good food and a friendly atmosphere, thanks to the hard work of Sheila Mahloane and her daughter Monica.

Sheila has lived in her home on Harlem Street since 1960. Whether by necessity or instinct (or both) she has developed into a successful entrepreneur, using her home as space for her business. Back in the 1960s, nine people shared the one-bedroom house. Today, up to 60 people share it for a meal.

Throughout her life Sheila faced and overcame adversity. Before opening Lelapa, Sheila held a number of jobs, often in the informal sector. She went to school at night and then full-time to complete her education. She learned food service at one of her jobs, running the food concession at a local high school. By 1996, she was looking for a change.

Happily for Sheila, change was all around her. The new South Africa was only two years old, and tourists wanted to see the townships. However, tour companies were unsure of the reception they would get from the local people, and simply drove the tourists through the townships in large, air-conditioned buses.

Alert to opportunity, Sheila decided to turn their home into a restaurant, with her daughter Monica, to take advantage of the growing tourist trade. However, converting their home into a restaurant required money, and Sheila could not get a commercial loan, as she had spent much of her life working in the informal sector. To overcome this common problem, she raised capital by selling clothing.

After three years of preparation, Sheila and Monica opened Lelapa. In the seven years since opening, the house has been progressively converted into a restaurant. Today, in addition to providing work for herself and Monica, she employs five women full-time and she hires high-school boys to play music and sing on some evenings.

Sheila's story of perseverance and entrepreneurial spirit provides one example of how secure tenure provides a basis for the creation and expansion of a strong business. Before 1994, Sheila would have faced serious obstacles to turning her home into a restaurant: by law, black residents had limited opportunities to open formal businesses in townships. Further, as a renter, Sheila had few incentives to improve her property.

However, with her secure title Sheila faces different incentives and has invested in her property. She now reaps the benefits of using her property in a profitable way. Sheila went from being an employee to being an employer. She provides steady work for five people and part-time work and experience for several more. Sheila's efforts, and the efforts of other home-based entrepreneurs, are helping to relieve poverty in Langa.

House improvement spurs economic activity

By providing Langa's residents with a secure title to their property, government officials gave people like Sheila incentives to invest money to improve their homes. Throughout Langa, a wide variety of house improvements are underway. Some of these are small-scale upgrades to windows and doors. Some involve the addition of wrought iron fencing to the front of a house. Other residents undertake more substantial upgrades that involve adding a room or rooms and upgrading the interior space.

Exterior improvements are clearly visible throughout Langa, but interior changes are also taking place, though they may escape a visitor's eyes. Homeowners who renovate their kitchen often hire cabinet-makers, electricians, and tile layers. They buy appliances, paint, and wallpaper, to the benefit of the local hardware stores. When Langa residents are unable to do renovations themselves they tend to hire other Langa residents, keeping work in the township and signaling artisan-entrepreneurs to develop or improve their skills. The demand for artisans, bricklayers, carpenters, and masons means that more people have incentives to acquire these skills and set up shop (typically in their homes) to meet the demand of Langa residents.

Incremental change is the norm

Ronald Mhlongo is one resident who has used local artisans to improve his home. Mr. Mhlongo has lived in his home in Langa since 1984. Initially, laws forced him to rent his four-room home from the city government. The city did a poor job of maintaining rental housing for black residents and Mr. Mhlongo's house had a host of problems. Nonetheless, in the late 1980s, when new legislation gave black urban residents an opportunity to buy their homes, Mr. Mhlongo took advantage of the legal change and became a homeowner.

Over the years, he has made extensive improvements to his house. He saved a little money to pay for replastering. Then, he saved a bit more and added a ventilator. He added two more rooms (a sitting area/living room and another bedroom) and also a "granny flat" in the backyard that serves as bedrooms for two of his sons and for a grandson.

Mr. Mhlongo never thought of going to a bank for a loan to pay for the work on his house because he did not want to pay interest. Without a permanent job, he believed that it would be very difficult to repay a commercial loan. Instead, he prefers to save and then make improvements.

Mr. Mhlongo's approach to house improvement is typical of Langa. In the late 1980s and in the 1990s, residents acquired title to run-down properties in desperate need of improvement. New homeowners had an incentive to improve their property because improvements would increase the value of their new asset.

However, because Langa's residents often work in the informal sector and have irregular incomes, qualifying for a commercial loan is difficult. Instead of seeking larger commercial loans, they rely on savings clubs and their small personal savings to fund improvements. To date, relatively few alternatives to commercial lending have sprung up in the townships. The availability of micro-lending in South Africa is rather limited and, regardless, people expressed a preference for using personal savings and working with familiar savings clubs instead of working with unknown bank officials.²⁰

For these reasons, among others, traditional banks play little part in the typical Langa home-improvement project. Instead, homeowners slowly improve their properties using personal savings and pay-outs from savings clubs. These improvements, however incremental, increase the value of the property and the homeowners' wealth—wealth that most homeowners expect to hand down to their children.

Homeownership is a path towards wealth creation insofar as it creates incentives to invest in and improve an asset: one's house. Investing in human capital or in a business can also create wealth. It is possible that people might use title to a house as collateral for a loan that would allow them to invest in human or other capital, but in Langa this seems to happen infrequently. Instead, wealth tends to be created by investing using personal savings.

Why people don't use titles to secure loans

Freehold titles can, in some settings, promote tenure security.²¹ In turn, secure tenure provides people with incentives to invest in their property, to care for it, and to maintain it because the homeowners reap the rewards of doing so.²² When it comes time to sell a house, a well-maintained house fetches a higher sale price than a poorly maintained house.

In addition, one of the benefits of freehold title is that title holders can typically mortgage their land. Many property owners in the developed world use property titles as collateral for commercial credit. Loans from a commercial lender can help start a business, pay for medical expenses or education, or some other activity. The right to mortgage property is one of the many "sticks" in the bundle of rights attached to freehold title. So why are more title holders not using this stick to obtain loans and build or expand businesses, improve their homes, or fund education?

We identified several important reasons for the pattern of reliance on personal savings and savings clubs over commercial loans in Langa. Among them are the following:

- **Risk.** People do not want to risk losing their home for these reasons:
 - 1.) due to rigid labor regulations, a growing segment of South African's labor force works in the informal sector.²³ Informal sector workers are self-employed and have variable income streams, making it difficult to meet mortgage bond payments and making use of commercial credit risky.²⁴ Commercial lenders also view informal sector workers as high-risk borrowers (as compared with people employed by the formal sector) and therefore not good candidates for loans;
 - 2.) given the significant housing shortage in South Africa, replacing one's home, if lost, would be very difficult. The most likely result of losing a home would be a family moving into the house of a relative or into a shack;
 - 3.) many formal residences have an informal shack in the backyard, home to a relative or a source of rental income for the homeowner. If a home was foreclosed and lost, the ability to house family members and/or the right to rental income would also be lost;
 - 4.) homes also often serve as the locus for a business. If the house is placed at risk by a commercial loan, so too is the place of business;
 - 5.) the home has a very high cultural value as the family "seat." Parents and possibility grandparents lived in the house, and typically the current owner wants to keep the home to give to his or her children²⁵; and
 - 6.) for people who lived with severe insecurity under apartheid governments, it may be especially valuable to hold ownership rights and the increased sense of security these provide. Black South Africans faced enormous institutional barriers in obtaining formal housing in the Cape Town area. For those who fought hard to get a house, retaining the house may have a high sentimental value.
- **Trust issues.** As noted, many Langa residents rely on personal savings and savings clubs to finance home renovations. Trust and reliability seems to play an important role in this choice. Savings club members feel strong social pressures to participate in a timely fashion, making payouts fairly dependable. Savings club members know each other and engage in repeated, face-to-face dealings. A person who does not pay into the monthly pot is less likely to be able to participate in a savings club in the future.

On the other hand, people who live in Langa often see commercial banks as overly formal, unwelcoming, and costly (due both to interest payments and the time it takes to get a loan). While they may trust their next-door neighbor in a savings club, they may not trust a loan officer who they do not know. Further, for many, the peace of mind that comes from being debt-free and using savings makes personal savings and savings clubs preferable to commercial loans.

Other problems and barriers homeowners face

In addition to the problems outlined above, other, more formal, institutional barriers exist and impede economic development tied to the benefits of titling.

- **The unnecessary costs of government monopoly.** Though property is bought and sold in Langa, transfers are often informal, due to high transaction costs. Sellers must prove that they have paid any taxes they owe before legally transferring property. In addition, specialized (hence particularly expensive) conveyancing attorneys are required to formally transfer property. These lawyers are the only ones allowed by law to transfer properties in the Deeds Registry. Conveyancers' fees impose undue burdens on poorer citizens who often avoid these costs and transfer property informally with an affidavit. As a result, the Deeds Registry becomes increasingly inaccurate. The government has partially addressed this problem by eliminating duties on lower-valued properties, but the monopoly of conveyancers remains.
- **Poor quality of local governance.** Local governments lack the capacity and/or the will to provide residents with a safe and clean local environment, and place roadblocks in the path of commercial and residential property development. Residents resent the lack of service and fail to pay local taxes, creating a Catch-22 as residents are required to prove their taxes have been paid in order to formally transfer property. Moreover, many have reported obstructionist behavior on the part of local officials, when attempting to improve properties.
- **Problems related to crime.** In a high crime environment, homeowners may limit their home improvement projects. Too nice a home (with, for example, a second story or perhaps a garden) may signal wealth to possible thieves and may make the home or its occupants a target.
- **Access to financing.** Many point to the lack of mortgage financing for low-income earners as a problem in the South African financing environment. The government has tried to address this problem but banks have been slow to lend to low-income borrowers. Further, as interest rates in South Africa remain high, this makes commercial loans more expensive.
- **The high cost of formality.** Just like Americans, South Africans can start businesses. However, while it is relatively easy and inexpensive for Americans to create a formal business, it is costly for South Africans to do the same. Instead, many entrepreneurs opt to open informal businesses. If government policies made opening a business less costly and more attractive, the pace of economic development might well increase and people might be more willing to use titles as collateral to expand businesses or to invest in human and other forms of capital.

Conclusion

The experience in Langa Township is illustrative of the complexities of any titling project. No one receives title to property in an institutional vacuum. If a titling project is undertaken in a weak institutional environment, where elites are likely to capture the benefits of legal change or where there is a large informal sector, the project may have limited benefits. Wealthier, better educated citizens may manipulate the changed legal environment to their advantage. Informal-sector workers may shy away from the use of commercial credit. Transactions costs associated with legal professionals may give poorer citizens incentives to transfer property informally. All of these problems and more can and do exist. Thus, for any titling project to have a hope of success, it must be based on strong local knowledge of institutional strengths and weaknesses.

The evidence from Langa suggest that titles, when they are secure, do give people incentives to invest and maintain their property, to support local artisans and building supply stores. This goes some way towards stimulating the local economy. However, for poor people to truly unlock the full value of titles, governments need to do a much better job of improving the broader institutional climate.

CASE STUDY #2: BUENOS AIRES, ARGENTINA

by Sebastian Galiani and Ernesto Schargrotsky

Introduction

The fragility of property rights is considered a crucial obstacle for economic development. The main argument is that individuals underinvest if others can seize the fruits of their investments. In today's developing world, a pervasive manifestation of feeble property rights are the millions of people living in urban dwellings without possessing formal titles of the plots of land they occupy.

Land-titling programs have been recently advocated in policy circles as a powerful instrument for poverty reduction. Hernando De Soto emphasizes that the lack of property rights impedes the transformation of the wealth owned by the poor into capital.²⁶ Proper titling could allow the poor to collateralize the land. In turn, this credit could be invested as capital in productive projects, promptly increasing labor productivity and income. Inspired by these ideas, and fostered by international development agencies and private institutions, land-titling programs have been launched throughout developing and transition economies as part of poverty alleviation efforts.

The important question is then the following: Are land-titling programs a powerful tool to reduce poverty or will the societies that adopt them face another policy delusion? In other words, what are the causal effects of urban land titling? To answer this question is not easy at all. To identify what would happen to a family if they receive the title to the plot of land they inhabit instead of staying in that piece of land without the legal title is complicated: the problem is that we do not observe the same families in both situations.

A natural experiment

Thus, any attempt to answer the above questions has to compare families with and without land titles. However, the allocation of property rights across households is usually not random but based on wealth, family characteristics, individual effort, previous investment levels, or other mechanisms built on differences between the groups that acquire those rights and the groups that do not. Exogenous variability in the allocation of property rights is necessary to solve this selection problem.

In a series of recent papers we address this selection problem by exploiting a natural experiment in the allocation of urban land titles to a very deprived population in Argentina.²⁷

The natural experiment exploited in these papers actually started in 1981, when about 1,800 landless families organized by a Catholic chaplain occupied a wasteland in the San Francisco Solano area, on the outskirts of Buenos Aires, Argentina. At the time of the occupation the squatters thought the land belonged to the state, but they later found out that it was private property. The occupied area turned out to be made up of 13 tracts of land belonging to different private owners, which were partitioned by the squatters into small, urban-shaped parcels for each household. The squatters resisted several eviction attempts during the military government. After Argentina's return to democracy in 1984 the Congress of the Province of Buenos Aires passed a law expropriating the land from the former owners, in exchange for monetary compensation to be paid by the government, and allocating it to the squatters.

The resulting titling process, however, was incomplete and asynchronous. The government made a compensation offer to each original owner calculated in proportion to the official tax valuation of each tract of land, which had been set by the fiscal authority to calculate property taxes before the land occupation. The government offers were very similar (in per-square-meter terms) for the 13 land tracts. Each of the original owners had to decide whether to accept the expropriation compensation proposed by the government or to start a legal dispute with the aim of obtaining higher compensation.

In 1986 eight of the 13 former owners accepted the compensation offered by the government. The formal land titles that secured the property rights to the parcels were then transferred by the state to the squatters in 1989. However, five former owners did not accept the compensation offered by the government and disputed the expropriation payment in the slow Argentine courts. Thus the process of expropriation was incomplete. One of these five trials ended in 1998, and this tract of land was transferred to the squatters. The other four lawsuits were still pending at the time of writing.

A random allocation

A result of this episode is that today there are two groups of squatters living in very close proximity to each other, one of which has formal property rights (because its members live on parcels of land that used to belong to the former owners who accepted the expropriation or whose lawsuit ended) and the other of which remains untitled (because its members occupied parcels of land belonging to the challenging owners). This allocation of land titles was unrelated (more precisely, exogenous) to

the squatters' characteristics. At the time of the occupation the squatters did not know that the land had private owners, nor that an expropriation law was going to be passed, nor which parcels of land had owners who would accept (or dispute) the compensation offer, nor which eventual lawsuits could end first. Titled and untitled households arrived at the same time and were similar at the time of their arrival.

A statistical comparison of the household characteristics of these two groups prior to receiving the treatment (that is, prior to one group receiving titles) shows that the hypothesis of random assignment of land titles during this natural experiment cannot be rejected. That is, there are no significant differences between the treatment and control groups in the age, gender, years of education, and other characteristics of the family member who was the household head at the time of the occupation. There are also no differences in plot characteristics. Moreover, the squatters had no participation in the legal process between the government and the former owners, and the values of the dwellings they constructed were explicitly excluded from the calculation of the expropriation compensation.

Obtaining property rights depended on the decision of the original owners to challenge the expropriation as well as on the resolution of these legal processes. Given that these factors were exogenous to the squatters, it is possible to study the effect of the intervention "to give property rights" by comparing individuals who received and did not receive land titles, but who live in very close proximity, had similar pretreatment characteristics, and have been exposed to similar life experiences (with the exception of the treatment).

Experimental results

On credit

Do titled households have more access to credit? The evidence provided suggests that there is not much difference on this respect. In addition, we do not find differences at all in their actual earnings. Titled and untitled households have similar total earnings.²⁸ Thus, should we conclude that entitling the urban poor is not a sensible policy? Not necessarily.

On housing investment

The possession of land titles may affect the incentives to invest in housing construction through several concurrent mechanisms, beyond credit access:

- 1.) The traditional view emphasizes security from seizure. Individuals underinvest if others may seize the fruits of their investments.
- 2.) Land titles can also encourage investment by improving the transferability of the parcels. Even if there were no risk of expropriation, investments in untitled parcels would be highly illiquid, whereas titling reduces the cost of alienation of the assets.
- 3.) A third mechanism is that land titles provide poor households with a valuable savings tool. Poor households, especially in unstable macroeconomic environments, lack appropriate savings instruments. Land titles allow households to substitute present consumption and leisure into long-term savings in real property.

Empirically the impact of legal land titles on housing investment indicates that entitled families own today much better houses than untitled families. There are large effects of land titling on the probability of having walls and roof of good quality. The proportion of houses with good quality walls rises by 40 percent under land titling, while the increase reaches 47 percent for good quality roof. The results also suggest a statistically significant increase of about 12 percent in constructed surface under the presence of land titles. Finally, the study finds that a variable summarizing the overall aspect of each house using an index from 0 to 100 shows a large and significant effect of land titling on housing quality. Relative to the baseline average sample value, the estimated effect represents an overall housing improvement of 37 percent associated to titling.

Thus, we can conclude that moving a poor household from usufructuary rights to full property rights substantially improves housing quality. The estimated effects are large and robust, and seem to be the result of changes in the economic returns to housing investment induced by land titling. Thus, this micro evidence supports the hypothesis that securing property rights significantly increases investment levels.

On household size and structure

The possession of land titles may also affect the size and structure of households. There are several potential reasons for that to happen. Insurance motives seem to be the most important. The poor lack access to well-functioning insurance markets and pension systems that could protect them during bad times and retirement. With limited access to risk diversification, to savings instruments, and to the social security system, the need for insurance has to be satisfied by other means. A traditional provider of insurance among the poor is the extended family. Another possibility is to use children as future insurance.

Moreover, the lack of land titles might reduce the ability of household heads to restrict their relatives from residing in their houses. In addition, untitled households may feel the need to increase the number of family members in order to protect their houses from occupation by other squatters.²⁹

Indeed large differences exist in household size between titled and untitled families. Untitled families have an average of 6.06 members, while titled households have 0.95 members less. The difference in household size seems to originate in two factors. First, there is a higher presence (0.68 members) of non-nuclear relatives in untitled households. Untitled households report a much larger number of further relatives of the household head who are not her/his spouse or offspring (i.e., siblings, parents, in-laws, grandchildren, etc.) than entitled households. Second, the entitled households show a smaller number of offspring of the household head born after the title allocation.³⁰

On children's outcomes

Earlier seminal work advances the presence of parental trade-offs between the quantity and the quality of children. This trade-off appears because limited parents' time and resources are spread over more children. If land titling causes a reduction in fertility, it could also induce households to increase educational investments in their children.³¹

We explore this hypothesis by looking at differences in educational outcomes. They show that for the offspring of the household head in the 5-13 age group in the early-treated households (the group of children for which they find a reduction in the number of members), there is a large effect on school achievement. The children in the control group show an average delay of 1.09 years in their school achievement, whereas this delay is 0.42 years shorter for the children in the early-titled parcels.³²

Moreover, exploring the effects of land titling on child health shows that children in the titled parcels enjoy better Weight-for-Height scores than those in the untitled parcels, although there are no significant differences in Height-for-Age measures. In addition, finds that teenage girls in the titled parcels show lower pregnancy rates than those in the untitled parcels. In the sample under study, teenage pregnancy is an important problem. 11.4% of the 14 to 17 years-old girls for whom an answer to their question on teenage pregnancy was provided, were or had been pregnant at least once. They find that the pregnancy rate was substantially higher in the untitled parcels (20.8%) than in the titled parcels (7.9%).³³

Thus, entitling the poor enhances their investment both in the house and on the human capital of the children of the entitled families, which will reduce their poverty in the future.

On formation of beliefs

Finally, exploiting this rare natural experiment, we most recently studied the formation of beliefs among squatters and found a significant difference in the beliefs that squatters with and without legal titles declare to hold. The measure of beliefs are obtained through survey questions designed to broadly capture beliefs that appear important to the workings of a market economy, namely individualism, materialism, the role of merit, and trust.³⁴

The set of beliefs declared by squatters with property rights are significantly different from those held by squatters without titles. The change in beliefs is consistently in the direction of what can loosely be called "Market Beliefs" (for example, in the sense that they are more individualist and materialist). This is interesting because of the strong similarities in the lives of squatters with and without titles. Moreover, the estimated causal effect is sufficiently large so as to make the beliefs of squatters with legal titles comparable to those held by the Buenos Aires general population. This is interesting because of the remarkable differences in the lives these two groups lead.³⁵

Conclusion

The study of institutions and their effect on behavior, economic development, and beliefs presents an opportunity to isolate and identify those policies that are most effective in helping societies defeat poverty. However, rare is the opportunity to study the effect of policy changes in an experimental nature such as the one discussed here. Doing so allows us make confident assessments about changes caused by the policy change itself (the "treatment"), rather other factors which may be simply correlated to the change and caused by other unobserved phenomena.

Thus the studies presented here, using a fortunate but uncommon exogenous change in titling status of squatters outside of Buenos Aires, allows us to peer into the decisions of households under different ownership status but with everything else held constant. Our results present evidence on the different channels through which policies on property rights could affect development and ultimately reduce poverty. By examining differences in housing quality, household composition and size, child health and education outcomes, and beliefs, we find that land-titling programs are indeed effective in causing changes in outcomes; changes that are positive and likely to aid in families' battle against poverty.