

Property Rights, Place-Based Policies, and Economic Development

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Abstract

This paper examines the effect of property rights on economic development within local labor markets, including how property rights change the equilibrium response to place-based policies. It does so in the context of federally-recognized American Indian reservations, where a fraction of the land is held in trust by the US Federal Government and associated with restrictions on transactions. I find that incomplete property rights on reservations are responsible for lower wages and earnings, higher rates of unemployment, and higher housing prices. The direction of these findings is robust to an instrumental variables approach to dealing with the endogeneity of property rights. Next, I shed light on how property rights play a role in determining the incidence of local labor demand shocks induced by casino openings. Particularly in rural areas, when a casino opens on a reservation, the income gap due to incomplete property rights narrows almost to zero. My estimates suggest high transaction costs in the housing market may be driving this result. This paper provides insights into how place-based policies and property rights jointly shape economic outcomes through changes in the labor market, the housing market, and the mobility of workers.