The Costs of Fractionated Land-Ownership: Evidence from Indian Land Allotment*

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October 25th 2019

PRELIMINARY - COMMENTS WELCOME

Abstract

From 1906, the U.S. government's 'Indian allotment' policy re-assigned property rights over tribe-owned lands to individual Native American households in 160-acre parcels. Allotted land was initially kept in 'individual trust', to later be transferred into 'fee simple,' thereby giving full property rights. In 1934, this program was shut down prematurely, trapping millions of acres of land in trust status indefinitely. The descendants of the original allottees of in-trust land have rights to rents earned from the land, but have to agree near-unanimously to any changes in its use, or to its sale. BIA inheritance regulations mean all descendants inherit the land in 'equal undivided interest,' thereby—exogenously, and almost unalterably—trapping trust land into 'heir's property.' We utilize exogenous variation in the legal status of individual 160-acre land parcels to estimate the inefficiencies arising from this tenancy form, using present-day satellite imagery.

Keywords: Heir's Property, Fractionation, Land Tenure, Land Use , Indigenous Economic Development, Economic History JEL Codes: N51, Q15,

*We thank Terry Anderson, Donna Feir, Dominic Parker, Marc Roak, Gavin Wright and seminar participants at the Hoover Institute's Research Workshop on Renewing Indigenous Economies for helpful conversations. We thank Gwyneth Teo for excellent research assistance.

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1 Introduction

Partible inheritance practices often take the form of dividing the testator's property amongst multiple heirs. This form of partible inheritance practices has been shown to cause under-development and poverty in agricultural settings because it leads, over time, to farm sizes that are too small to operate at efficient scale (Libecap and Alter, 1982; Foster and Rosenzweig, 2011, 2017; Palsson, 2018). We investigate another form of partible inheritance practices called 'tenancy in common' (colloquially called "heir's property"). Under tenancy in common, the testator's property is kept intact, but legal claims on it are divided in shares amongst multiple heirs. Tenancy in common gives all claimants veto rights on the usage and the sale of a shared property, and, over generations, leads to a potentially exponential increase in the number of claimants.

While dividing inherited land among many heirs creates inefficiencies by creating small-scale farms, tenancy in common creates inefficiencies through the coordination costs of jointly managing one shared property. Tenancy in common has largely escaped the attention of economists, but is ubiquitous in the rural United States, where between thirty-five to fifty percent of all Black-owned land in the rural South is held in tenancy in common. It is also common in other parts of the rural U.S. including (but not limited to) Native American reservations (Graber, 1978; Emergency Land Fund, 1980; Geisler, 1995; Rivers, 2006).[1] It is viewed as a major contributor to rural poverty in the U.S. South, but no causally identified effects have been estimated to date (Mitchell, 2000; Shoemaker, 2003a; Chandler, 2005; Deaton, Baxter, and Bratt, 2009; Gaither and Zarnoch, 2017). One issue with providing such estimates is the lack of fine-grained spatial measures of land under tenancy in common, and another issue is the endogeneity of the testator's choice of inheritance form.

We provide causally identified estimates of the inefficiencies arising from tenancy in common in a setting where we have spatially fine-grained measures of land use and land tenure, and where land tenure was exogenously determined. Specifically, we use a natural experiment anchored in the U.S. government's policy of Indian land allotment, which, between 1906 and 1924, allotted millions of acres of previously tribe-owned land in 160-acre parcels to individual Native American

[1] The reason that this practice is common has less to do with testators' preferences than with states' inheritance laws when a land owner dies 'intestate' (not having made a will). In many U.S. states the property is passed as an undivided unit to all heirs.

households under the authority of the Dawes and Burke Acts.[2] All Indian allotments were first placed in a trust managed by the *Bureau of Indian Affairs* (BIA) local superintendents (the 'Indian Agents'). In-trust status limited allottees' title to the land and prevented them from selling. Following a stipulated period of being held in what was called 'individual trust', allottees who were declared "competent" had their land converted into fee-simple. The aim of allotment was to assimilate the Native Americans, and for this reason the conversion of individual trust land into was coupled with citizenship for the allottee.[3] It is also for this reason that when the Indian Citizenship Act (ICA) extended citizenship to all Native Americans in 1924, it brought land allotment and transferring to an almost complete stop. When the Indian Reorganization (or 'Howard-Wheeler') Act (IRA) legally ended Indian allotment in 1934, millions of acres of allotted land that had not been transferred into were almost unalterably locked into individual trust status. Importantly, BIA regulations determined that all land in individual trust (whether intestate or not) was to be bequeathed to all heirs equally and held under tenancy in common.

Our focus is on comparing individual trust land to fee-simple land on the same reservation, thus estimating the long-run costs of not having brought the process of Indian allotment to its conclusion. In practice, we also include into our analysis the tribal (communally owned and managed) reservation lands that were neither allotted nor opened to white settlement as surplus land.[4]

Tribal lands and individual trust lands share the problem that they cannot be collateralized at a bank (Anderson, 1995; Anderson and Parker, 2008) and are both subject to BIA oversight, but they differ in that tribal lands are managed by the tribal government instead of being under tenancy in common.

To measure the effects of land tenure on the extent and choice of land use at a spatial scale that corresponds to allotment size, we use high-resolution satellite imagery from the *National Land Cover Database* (NLCD) to determine whether land is developed or in agricultural production over

[2] Allotment nominally started with the 1887 Dawes Act, but in practice didn't really get going until the 1906 Burke Act. The time line of allotments and transfers is depicted in Online Appendix Figure 1.

[3] Another motive (which may well have been the primary motive for many) was to free up the left-over 'surplus' tribal land for white settlement. See also footnote 4.

[4] Reservation boundaries were largely unchanged by Indian allotment, so that reservations today encompass tribally owned lands, individual trust lands, and fee-simple lands which were originally allotted to tribal members but may have been sold to non-tribal members later. Once all households on a reservation had obtained their allotment, the remainder of reservations lands either went into tribal ownership or it was declared 'surplus' in which case it was sold to white settlers. In the latter case, unless surplus land was a big contiguous portion, it typically still remained within a reservation's jurisdictional boundaries.

the seven years for which data are available between 2001 and 2016.[5] Data on a land plot's tenure come from the *Bureau of Land Management*'s (BLM) database of General Land Office records, which includes the universe of all Indian allotments and can be mapped using the *Public Land Survey System* (PLSS). We observe the time when each individual allotment was made and the year it was transferred into (if ever), as well as individual characteristics of allottees at the time of their land allotment. In addition, we have a complete reservation-year panel of the exogenously rotating Indian Agents that managed allotments on individual reservations. Using these sources of information, we develop an identification strategy that generates exogenous variation in a land plot's legal title based on three factors: (*i*) the time span available from initial allotment to 1924, when transfering effectively ended (*ii*) the age of the original allottees, which dictated when they could be declared competent, and (*iii*) the sizable measured variation in individual Indian Agents' propensity to transfer land into .

Using this identification strategy, we find that individual-trust land is barren more often than tribe-owned lands, while tribe-owned plots are themselves barren more often than land, within the same reservation. This remains true when controlling for terrain and soil suitability.[6] The number of claimants under tenancy in common increases over time (assuming average fertility). As well, economic opportunities for land development on reservations have increased over the last fifteen years. Both of these facts lead us to expect that the efficiency costs of tenancy in common would have increased over time. We indeed find this to be the case: in a 2001, 2008, 2016 comparison, the differences in land use between individual trust land and the two other types of land became more pronounced, while the difference between tribe-owned lands and lands remained unchanged.

Our paper complements a large literature on land tenure and economic development (see, e.g. Besley and Ghatak 2010, and the references therein). One focus in this literature has been on insecure property rights, which lead to (*i*) under-investment (Banerjee, Gertler, and Ghatak, 2002; Goldstein and Udry, 2008), (*ii*) credit constraints because they prevent the holder of the land from collateralizing their land (De Soto, 2000), and (*iii*) inefficiently small farms by preventing land transfers (De Janvry, Emerick, Gonzalez-Navarro, and Sadoulet, 2015). The land tenure regimes

[5] The NLCD data are available for 2001, 2004, 2006, 2008, 2011, 2014, and 2016

[6] We use elevation data from the National Elevation Dataset (NED) and the Soil Productivity Index Grid developed by Schaetzl, Krist Jr, and Miller (2012).

of tribal ownership and individual trust have the same negative consequences but for reasons that have more to do with contracting, coordination, and transaction costs. The economic cost of communal (tribal) title is primarily that land cannot be collateralized (Anderson, 1995; Anderson and Parker, 2008).[7] In-trust land also cannot be collateralized, but additionally faces substantial transaction and coordination costs from being held under tenancy in common.[8] In a very nice recent paper, Akee (2019) compares households on one allotted and one un-allotted reservation in Minnesota in 1900 and 1910, and finds that allotment had negative consequences for home ownership. The problem of transaction and coordination costs arising from multiple claimants has antecedents in the literature on agricultural property rights, where it is sometimes summarized as the 'anti-commons' problem (see e.g. Rosenthal 1990; Bogart and Richardson 2009; Lamoreaux 2011 for important historical applications, and Posner and Weyl 2018 for a discussion of modern-day manifestations of this problem).

Our paper is of first-order importance to Native Americans but also to indigenous populations elsewhere that live under institutional arrangement similar to the U.S. reservations we study, i.e. with some degree of local autonomy that often combines a degree of local governance with collective land ownership.[9] Studies from a range of such settings are fairly unanimous in concluding that more private property rights would help indigenous communities (Anderson, 1995; Flanagan and Alcantara, 2003; Alcantara, 2007; Flanagan, Alcantara, and Le Dressay, 2010). Our study broadly supports this conclusion, in showing that land is more efficiently used than either tribal land or in-trust land. In addition, our study highlights the potential costs from a poorly conceived or half-heartedly implemented privatization of indigenous lands, in showing that in-trust land is considerably less efficiently used than even tribal land.

Lastly, our paper contributes to a literature on inheritance practices. Habakkuk summarized

[7] Tribal land may also be inefficiently managed because of collective action problems associated with tribal governance, but this effect is likely to be quite limited. The seminal work in Ostrom (1990) clearly delineates many successful cases in which communal (tribal) land- or resource ownership can work well. Consistent with this, Aragón and Kessler (2018) compare tribal land with land under 'certificates of possessions' on Canadian reserves, and estimate relatively small gains from overcoming the collective action problems.

[8] At more aggregated spatial levels and without exogenous variation therein, Leonard and Parker (2017) and Leonard, Parker, and Anderson (2018) find evidence that trust-land on reservations is less efficiently used.

[9] Settings that are similar to U.S. reservations include First Nations reserves in Canada, Comarcas in Central America, Maori reserves in New Zealand, Aboriginal reserves in Australia, and Forced Resettlement Areas in South Africa. Where indigenous communities are organized in the same way as the general rural population (or constitute it), as in much of Mexico for instance, the relevant issues of land tenure are arguably different and approximate those that non-indigenous poor and rural populations face.

these as follows: impartible ('unigeniture') single-heir inheritance practices are intended to keep the family property intact, while partible ('common heirship') inheritance practices are intended to keep the extended family intact (1955). The evidence suggests that partible inheritance practices indeed succeed in keeping the extended family spatially connected, as shown, for instance, in emigration patterns of both European and North American populations (Libecap and Alter, 1982; Wegge, 1999).[10] It is important to remember, however, that inheritance practices like all cultural norms evolved endogenously and over long time horizons to optimally regulate a groups' economic and social lives (Spolaore and Wacziarg, 2013; Galor and Özak, 2016; Becker, Enke, and Falk, 2018; Enke, 2019). By contrast, on Native American reservations as well as in the U.S. South partible inheritance into tenancy in common was exogenously imposed (by the BIA, or by intestacy law). In both cases, the result has been a proliferation in transaction costs that does not appear to have been offset by any of the potential attendant social benefits one might expect if partible inheritance over property were the testator's choice and an expression of an endogenously evolved social norm.

[10] Another piece of evidence comes from family structures. Pre-industrial England had by far the most impartible inheritance norms within Europe in the 18th and 19th century. In addition, in England, the law passed the entire property to the eldest son in the case of intestacy, while in France, the Napoleonic Code provided for the opposite, equal division, in the same case. Unsurprisingly, England is also where the 'nuclear family' developed as the standard 'family model', and Guinnane (1992) argues that the 'nuclear family' as a conceptual construct did not fit well the extended families prevalent in most parts of Europe with partible inheritance norms.

2 Background

2.1 The Era of Indian Allotment

Following the establishment of the reservation system, American Indian reformers considered land allotment as a requisite element in the assimilation of American Indians (Otis, 2014). Congress experimented with allotment clauses in treaties governing individual reservations starting in the 1850s. After several general allotment acts failed to pass through Congress, Henry Dawes introduced an allotment bill to the Senate in 1886. The bill quickly passed before moving to the House, where it passed after the addition of several amendments. On February 8, 1887, President Grover Cleveland signed the Dawes General Allotment Act into law. The Dawes Act authorized the president, through the Office of Indian Affairs, to survey and allot reservation lands deemed appropriate (Banner, 2009). Heads of household received 160 acres, single persons over 18 received 80 acres, orphans under 18 received 80 acres. If the land was only suitable for grazing the allotment amounts doubled. If a prior treaty specified larger allotments, the prior treaty acreages were applied. Allotments were mandatory and anyone not selecting an allotment within the first four years, would be assigned a parcel by the Indian Agent.

Unallotted reservation land was designated as surplus and made available for outside settlement. The law required tribal approval of ceded surplus land, but tribes were rarely in a position to negotiate (Carlson, 1981).[11] Proceeds from the sales of the surplus land were held in trust and appropriated at the discretion of Congress for "education and civilization" (Banner, 2009).

Once selected, allotments were approved by the Secretary of Interior and each Indian was issued a trust patent. This patent held the allotted land in trust for a trust period, during which the Indian or their heirs were the beneficiary of the allotment. Land held in trust could not be alienated or leased and was not subject to state or local taxes. At the end of trust period, the allotment would be transferred to the allottee (or their heirs) in fee-simple.

The rapid expansion of allotment and concerns about the lack of development of Indian farmers, expansions in leasing, and sales of Indian land to settlers led to a change in public opinion regarding allotment. These concerns culminated in a review of the current social and economic conditions on reservations by Lewis Meriam of the Institute of Governmental Research in 1926.

[11] By 1903, tribal approval was no longer necessary.

The Meriam Report, published in 1928, was critical of the support provided to Indians by the Office of Indian Affairs (Meriam, 1928). This report led to a shift in federal Indian policy, brought to fruition by President Roosevelt's new Commissioner of Indian Affairs, John Collier. Collier introduced a bill that fundamentally changed Indian policy. In 1934, the Indian Reorganization Act (IRA) ended the allotment of Indian reservations. The IRA returned unallotted lands back to tribal ownership and froze allotted trust land in it's trust status.

In total, the government extended the Dawes Act to 118 reservations and issued over 245,000 patents covering nearly 41 million acres (Office of Indian Affairs, 1935). Because much of the allotted land had not yet passed through its trust period by 1934, the end of the process created a patchwork of three land tenures within Indian reservations.[12]

These three tenures are: tribal trust lands that are held in common and managed by the tribal government with the oversight of the BIA; fee simple land, whereby the individual owns the property outright and that the land is not held in trust for a tribal member by the U.S. government; and individual trust lands (MinneapolisFed 2018, 1, Montana 2009, 2). The first two types of tenure are straightforward to understand. Tribal land is communally owned and managed, whilst fee simple is simply privately owned land. The following section focuses on the third tenure type, individual trust, which is much more complicated. We discuss why land held in individual trust came, over time, to be deeded under tenancy in common, and how this, over time, led to the *fractionation* of land into *multiple, undivided* interests held by many individuals, which in turn led to severe transaction costs in land use on individual trust land, when compared to both tribal and fee simple land.

2.2 Individual Trust Status

One respect in which individual trust land is special in that the U.S. government holds the *legal title* to it, while the allottee holds the *beneficial title* (specific property rights in equity belong to a person). Having beneficial title without legal title means that the allottee cannot transfer, sell, encumber (mortgage), or lease their allotted lands without approval from the BIA (Stainbrook, 2016, 5). As we shall see, it is the inability to sell or encumber especially that had important implications for the long-run evolution of land use on individual trust land.

[12] For a more detailed discussion of the process of allotment, see Dippel and Frye (2019).

A second respect in which individual trust land is special arises from the fact that Native Americans were not allowed to write wills until 1913.[13] Allotments were made to an individuals so that original allottees were sole owners of their allotments. Without a will, the allotment was passed to heirs *intestate*, i.e. without a valid will. When a sole property owner dies intestate in the United States, *laws of intestate succession* determine which heirs receive the property and how much fractional interest they own.[14] In the U.S., these laws default to an arrangement where (*i*) claims are divided such a surviving spouse receives one-half of the estate with the balance divided equally among the deceased's surviving children and (*ii*) all land is henceforth organized under a form of legal title called *tenancy in common* (Stainbrook, 2016, 2). Even after 1913, when wills could be used to convey land, Native Americans were far less likely to do so for both economic and cultural reasons. Culturally, Native Americans were unfamiliar with the concept of estate planning (Shoemaker, 2003b). Where the majority of farmers and land owners in rural America drew up wills to avoid intestacy, see e.g. Alston and Ferrie (2012), the BIA provided neither information nor economic resources to help Native Americans with estate planning.[15]

The 'second respect' above would be shared between individual trust land and Native-owned fee simple land on reservations, were it not for two further respects in which individual trust land is special, and which interplay with the second.

The third respect in which individual trust land is special is that there are legal remedies of ouster and partition that are commonly used to resolve involuntary co-ownership of real property under tenancy in common, but these usual remedies do not apply on trust land because the allottee (and their heirs) only holds *beneficial title*, and not *legal title* to the land.

Lastly, the fourth respect in which individual trust land is special is that tenancy in common on individual trust was governed by a set of rules that was slightly different, and more restrictive,

[13] Prior to 1910, except for the Five Civilized Tribes and the Osage Tribe, tribal members could not lawfully make wills and it was not until 1913 that the law changed to include all Indian landowners (Stainbrook, 2016, 5).

[14] Intestacy law is state law in the U.S. but there is very little variation across states. The legal template for intestacy in the U.S. has its origins in the English *strict per stirpes* system, under which the intestate estate is divided at the generation nearest to the decedent into as many shares as there are members of that generation living, or deceased with surviving lineal descendants (Shumway, 2017, 648). Online Appendix A.1 provides historical background on the evolution of intestacy laws, from ancient times to today.

[15] As an aside, it is worth noting that there are other settings, both historical and contemporary, where intestacy laws have led to peculiar patterns in tenancy. For example, in many developing countries today, but also in much of continental Europe in the 19th century, intestacy law determined that land was divided into multiple *divided* interests. This has created many separate but inefficiently small farms in India today, but also in Ireland and parts of Germany in the 19th century (Foster and Rosenzweig, 2011, 2017; Palsson, 2018; Wegge, 1999).

than regular tenancy in common, as we shall see.

2.3 The Emergence and Persistence of Tenancy in Common on Trust Land

Tenancy in common and *joint tenancy* are the two most common ways of co-owning a property. *Joint tenancy* is typically organized with a *right of survivorship*: when one owner dies, that owner's interest in the property will pass to the surviving owner or owners *by operation of law*, i.e. out of probate. This is how most spouses co-own a house. Tenancy in common lacks the right of survivorship and consequently, the intestate death of a property owner results in their interest being passed on to all their heirs in *undivided, fractional interest*. *Tenancy in common* therefore naturally leads to a proliferation of interests on the underlying property.

Real property is frequently held under tenancy in common in the U.S. (whenever a testator passed intestate), but the downside is typically limited because there are remedies of sale, partition and ouster that help resolve this involuntary co-ownership quickly. As we shall see next, these usual remedies are all closed off to Native American owners of trust land.

Sale: the most common option to resolve involuntary co-ownership of real property is to sell it. However, Indian trust land cannot be sold because heirs hold *beneficial title* but not *legal title* to the land.

Buy Out: A second option is for one claimant to buy out the others. Under most states laws regarding tenancy in common, co-owners do not have to seek each other's permission to possess the land, and each co-owner "has full rights to use the property in any manner" (Shoemaker, 2014, 439). If there is one claimant with the clear intention to use the whole property productively, then the *ouster doctrine* allows this heir to file for *adverse possession*, i.e. the occupation of land to which another person has title, with the intention of possessing it as one's own. This doctrine allows one claimant to establish his title to 100 percent. The *ouster doctrine* is designed for cases in which one claimant wants to buy out the others, and at least one of the other claimants are not willing to sell. Again, one heir of Indian trust land cannot buy out the others because all heirs hold *beneficial title* but not *legal title* to the land. Under the ouster doctrine, economists would expect land use to be efficient because the claimant with the best use of the land is expected to end up taking possession of it.

Changing the Deed: Heirs could also re-organize to leave all interests to a single heir in a will

or creating a joint tenancy for interests through will or deed to reduce the number of heirs in the next generation. This option exists on trust land, but it is difficult to encourage such 'affirmative action' across many claimants because no one claimant can be sued to agree to it, but all need to. Further dis-incentivizing such 'affirmative action' is that on individual trust land, administrative costs of record keeping and legal documentation are borne by the federal government, and there are no property taxes. As a result, there is no cost-saving motive for absentee landowners to overcome heir property and fractionation. This is in contrast to tenancy in common elsewhere, which requires co-owners be responsible for the costs of owning the property. Co-owners can be forced to contribute to the payment of expenses such as property taxes, necessary maintenance and repairs, or mortgages for the entire property, and therefore absentee landowners have more divest themselves from their fractional claims, especially when they are small (Shoemaker, 2014, 439).

In summary, tenancy in common became the default deed for individual trust land because the original allottees were either barred from writing a will (before 1913), or otherwise neglected to write a will, and because intestacy laws defaulted to bequeathing the property in *undivided, fractional interest* held under tenancy in common. Tenancy in common then remained the default deed for individual trust land because most of the usual remedies to dissolve this form of co-ownership are not available on individual trust land.

2.4 Tenancy in Common and the Cost of Fractionation

Property under tenancy in common is private property, but the associated rights and responsibilities mimic those attached to other types of common property, as each heir or owner holds an *undivided, fractional interest* in the entire property (Deaton, 2005; Mitchell, 2000). When tenancy in common is not resolved, it naturally leads to a proliferation in the number of claimants over generations. For example, applying this law to a person with a 100-acre parcel of trust land, a spouse and five children, the spouse receives one half and each child receives one-tenth interest. The spouse and childrens interest are undivided in the whole, meaning no one receives a specific portion of 100 acres of land but all areas of the land are owned by all of them in their respective interests (Stainbrook, 2016, 1). Each child will have full access to use the 100 acres of land as opposed to each child being restricted to their own plot of say, 10 acres each.

This fractionation creates heavy transaction costs as far the efficient use of the land is concerned. The larger the number of interests (and the smaller in size), the harder it is to reach consensus about land-use decisions. Any one claimant who considers making improvements on the land faces the reality that they only own a small fraction of those improvement.

Under regular tenancy in common rules, every co-owner has full possession rights to all of the land and can keep all of the proceeds. If there is multiple co-owners who intend to possess the land, then the ouster doctrine allows one claimant to establish exclusive productive use over the land, and pay rent to other claimants. On in-trust allotted land, neither is true: any owner working the land, owes a share of the proceeds to the co-owners; and any owner seeking to establish exclusive use of an allotment needs to obtain formal permission from all co-owners (or a formal BIA-approved lease) before they can take possession of the land (Shoemaker, 2014, 436). Exacerbating the difficulties is that it is frequently difficult to identify and contact the numerous other co-owners (Gaither 2016, 22, Zabawa 1991).

2.5 The Problem of Tenancy in Common in Other Populations

Tenancy in common is common among three U.S. populations: Native Americans, poor Whites in Appalachia, and among Blacks in the U.S. South (Deaton, 2005). More than one-third of all Black-owned property in the rural South is owned as heirs' property (Rivers, 2006, 148). The common denominator amongst these populations is that they went through a historical period where intestacy was the norm, and that legal barriers (in the case of Native Americans) or economic reality made it difficult to remedy the resulting tenancy in common. Because tenancy in common is almost always the result of intestacy, the two are often treated synonymously. In the U.S. South, land under tenancy in common is often referred to as "heirs' property" (Gaither, 2016, 1).

Historically, slaves in the U.S. were barred from making wills, and were not allowed to inherit by will (Emergency Land Fund, 1980, 14). The lack of will making carried on in the African American community after the Civil War (Mitchell, 2000). Some have suggested the reason is culturally passed on distrust of rather than a lack of information about or access to the legal system, and that passing land through intestacy, therefore, became a cultural tradition (Emergency Land Fund, 1980, 115).[16] Whatever the reason for a prevalence of intestacy, there is clear evidence that

[16] Pearce III (1973) suggests that some landowners may have intentionally not transferred the property before or at

tenancy in common, once in place, was harder to remedy for Blacks in the U.S. South. A primary reason for this was worse access to credit, Whereas it has long been common practice in Mid-Western farming communities for a single heir to take out a loan secured by a mortgage on the farm to pay the other heirs out in in cash (Alston and Ferrie 2012, Shoemaker 2014, 393), this was much more difficult in the U.S. South. According to Collins and Margo (2011), "redlining" black neighborhoods in the 1930s made it more difficult for black families to obtain mortgages.

While credit access may today be much less constrained by discrimination, at this point the number of heirs has proliferated, and the stakes fallen so much for any one heir, that the transaction costs of remedying tenancy in common may be prohibitive. The Emergency Land Fund (1980, 38–39) discusses the problem of small stakes undermining any one heir's initiative to change the anything. In this respect, while tenancy in common is theoretically easier to resolve outside of reservations than on reservations because of the lack of legal constraints to do so, the situation in the U.S. South shows that legal constraints are probably no longer the binding constraint on the resolution once the number of interests has proliferated beyond a certain measure. Often, it appears simply too difficult to coordinate to resolve the tangled web of co-ownership, even when the legal tools to do so are available.

3 Data Sources

3.1 Allotment Data

Following approval from the President, each patent issued on the reservation was filed with the Government Land Office. These patents—subsequently digitized by the BLM—record the transfer of land titles from the federal government to individuals. Each patent contains information regarding the patentee's name, the specific location of the parcel(s), the official signature date, total acreage, and the type of patent issued. Patent types include cash sales, homestead entries, and Indian allotments. The patent also includes the Indian allotment number associated with the transaction.

A nice feature of the BLM data is that we can see the exact date on which each patent was issued (in trust) and the date on which it transferred into fee-simple, if ever. This ability to "follow

death, hoping to guarantee each heir a place to live without fear of being ousted.

individual trusts" and when they were converted to fee-simple allows to identify parcels as either in trust or fee-simple today. Online Appendix Figure 1 depicts the process by which allotted land transferred into fee-simple in the aggregate.

3.1.1 The Public Land Survey System

The BLM allotment data also describe the location of each land patent within the Public Land Survey System (PLSS). The PLSS a rectilinear grid that divides (most of) the United States into 36-square mile townships, each with a unique identifier.[17] Each township is composed of 36 square-mile sections numbered 1 to 36. Hence, any individual square mile of land within the PLSS can be referenced using the township identifier and section number.

These numbered sections, which are 640 acres, were often divided into smaller "aliquot parts" when transferred to private ownership. The most common division is the quarter-section, which is a 160-acre, $\frac{1}{2} \times \frac{1}{2}$-mile square referenced by a direction within a section (e.g. NE refers to the northeast corner of the section). Land could be further subdivided smaller than a quarter-section, but the relevant quarter-section can still be extracted from the aliquot part listed in the BLM patent. For example, a patent with an aliquot part of SW$\frac{1}{2}$NW is the southwest half of the north-west quarter-section.

To simplify the analysis and improve the quality of our matches, we focus on 160-acre quarter sections as the basic unit of analysis, which matches the size of a standard Indian allotment. Of the 412,900 patent-transactions with a potentially matchable aliquot part variable in our data, we successfully matched 403,197, or 97.7% to quarter sections in the PLSS.[18] Figure 1 depicts the location of our matched quarter sections. In most cases, these clusters of allotments trace out the boundaries of present-day reservations (with the gaps filled in mostly by tribal lands). In some rare cases, clusters of allotments trace out the boundaries of a former reservation that was later terminated. This is true, for example, of the more dispersed looking 'clouds' of allotments in Central and Northern California. Eastern Oklahoma was covered by reservations for the 'Five Civilized Tribes' (the Cherokee, Chickasaw, Choctaw, Creek, and Seminole) who had been relocated there in

[17] Each township is referenced by a township number and direction that indicate its North-South position and a range number and direction that identifies its East-West position relative a prime meridian.

[18] In some cases the aliquot part is either missing, corrupted, or not not formatted in a way that allows matching to quarter-sections.

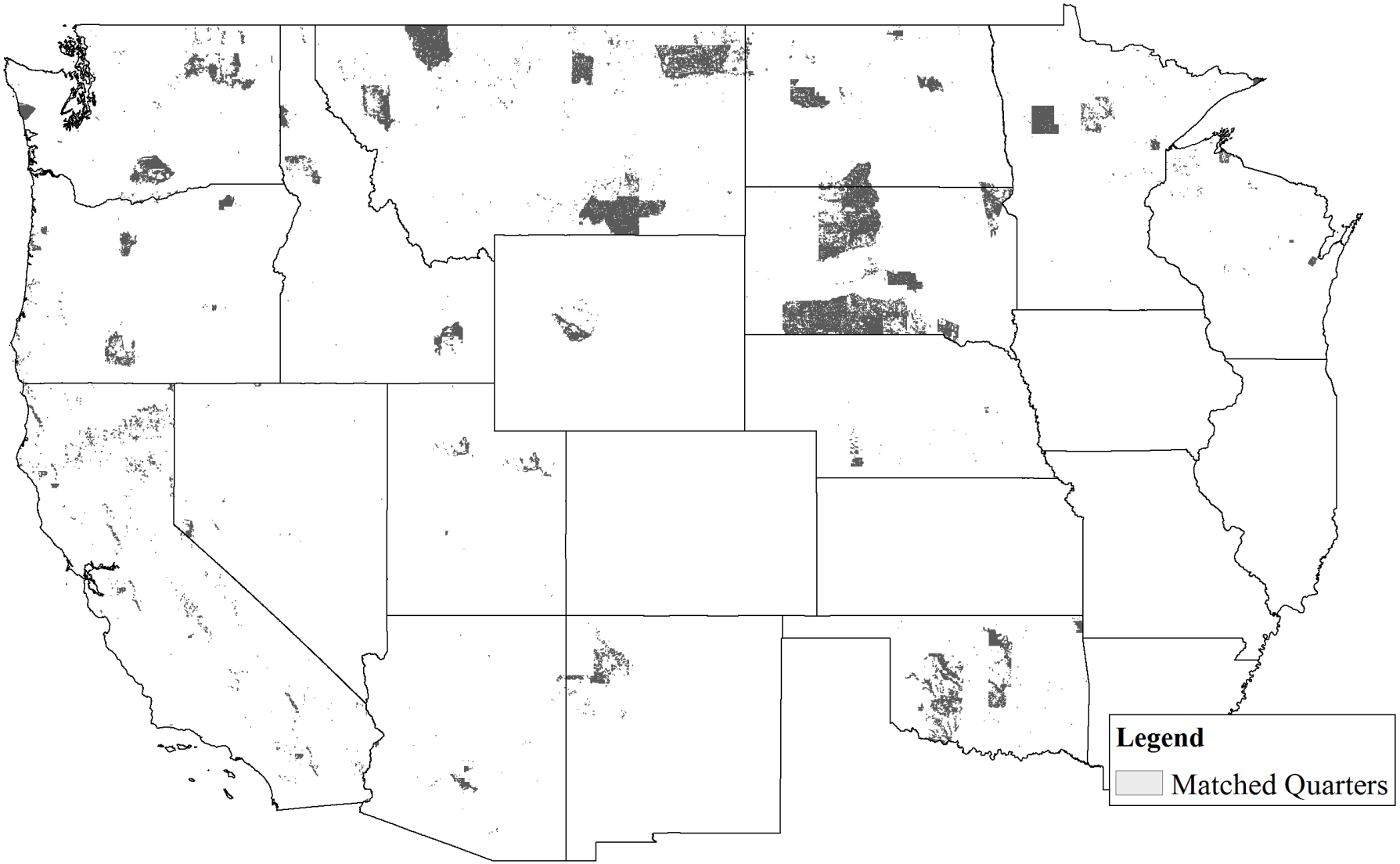
the 1830s. These tribes were fully allotted and we have their individual allotment records, but for some reason their patents were either not filed with the Government Land Office or not digitized by the BLM. Eastern Oklahoma which is in fact densely covered by allotments, is the only gap in our spatial allotment data.[19]

After matching patents to quarter sections, we track the history of transactions associated with each patent to determine when it transferred from trust to fee-simple, if ever. For the present analysis, we are most interested in the tenure status of a patent as of 2001 (when land cover data become available). Every patent in our sample begins in trust status, but only some convert to fee-simple by 2001. We define a patent as "fee-simple" whenever we see a transaction converting the original trust patent, and as "allotted trust" if we do not observe transfer to fee-simple status. We impose two additional restrictions on the sample to simplify the analysis. First, we focus on quarter sections which are matched to a single original patent that is approximately 160 acres, allowing us to avoid mixed-tenure observations. Second, we omit observations that converted from trust status to fee-simple during our study period of 2001 to 2016 (these are rare).

Figure 2 depicts an example of our matched, cleaned data on the Pine Ridge Reservation in South Dakota. Orange parcels are still in allotted trust status, whereas grey parcels have been converted to fee-simple. Unshaded areas represent tribally owned land, which we omit from the present conference draft. The larger black outlines are the 6×6-mile township boundaries. Tenure regimes are notably in close proximity to one another, often in a checkerboard fashion. Although there some concentrations of fee vs. allotted trust land in certain areas, in most cases each allotted trust parcel has at least several fee neighbors. This pattern is representative of many reservations. In our empirical analysis, we will focus on within-township variation and compare only nearby parcels of different tenure regimes.

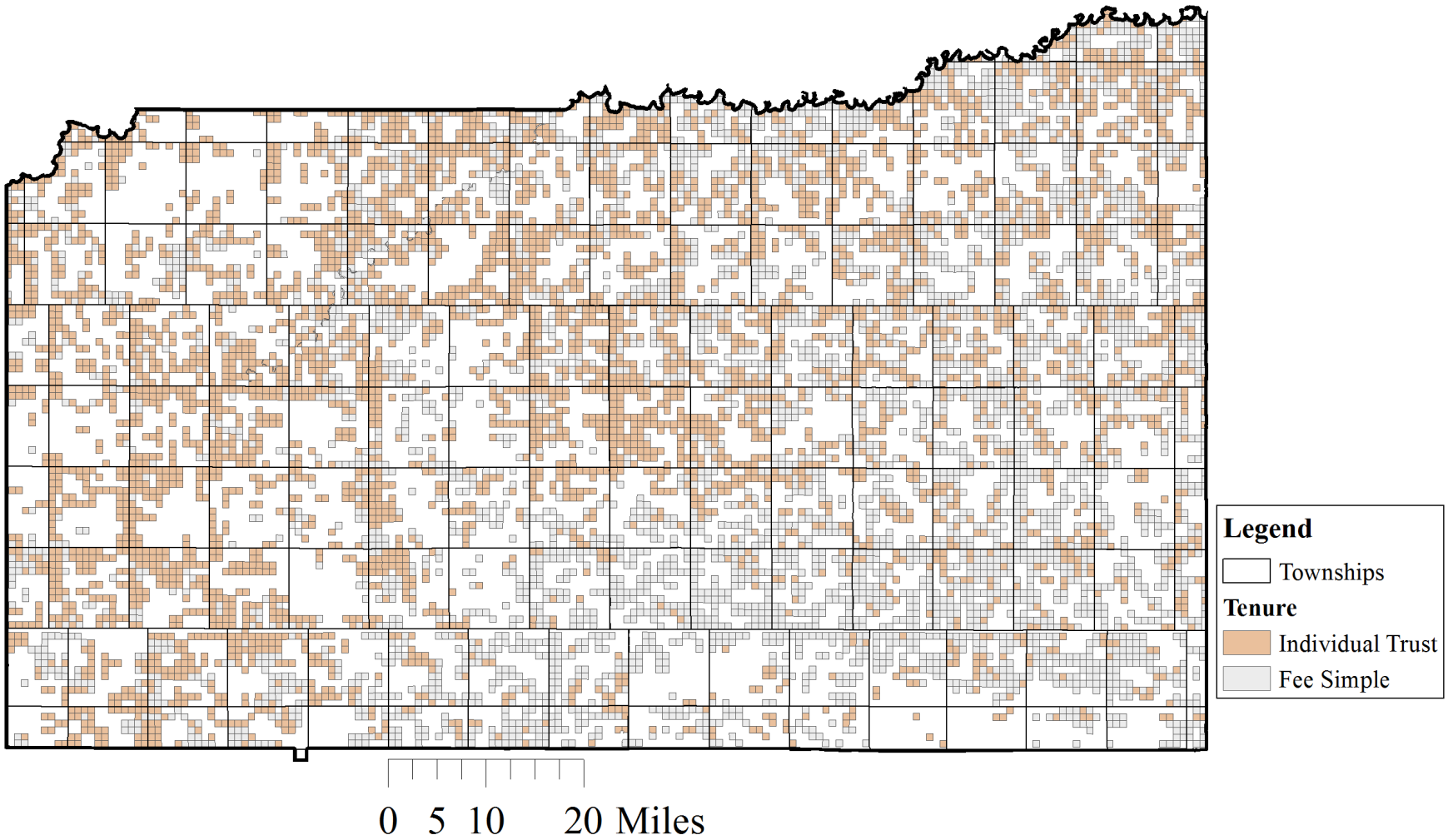
[19] Our match rate is above 99% for most states, with notably lower match rates for New Mexico (where the PLSS grid is less cleanly defined) and Wisconsin.

Figure 1: Allotted Quarter Sections and Reservations



Notes: This figure depicts the location of allotments which we are able to match to an individual 160-acre quarter section in the Public Land Survey System (PLSS). The parcels depicted include land in allotted trust as well as fee-simple lands.

Figure 2: Checkerboard Pattern of Land Tenure on the Pine Ridge Reservation



Notes: Distribution of Land tenure on the Pine Ridge reservation by allotment parcel (quarter-section) in the BLM data. The reservation is divided into 36-square mile townships. A township itself consists of 36 one-square-mile sections, and a quarter-section corresponds to a 160-acre allotment.

3.2 The National Land Cover Database

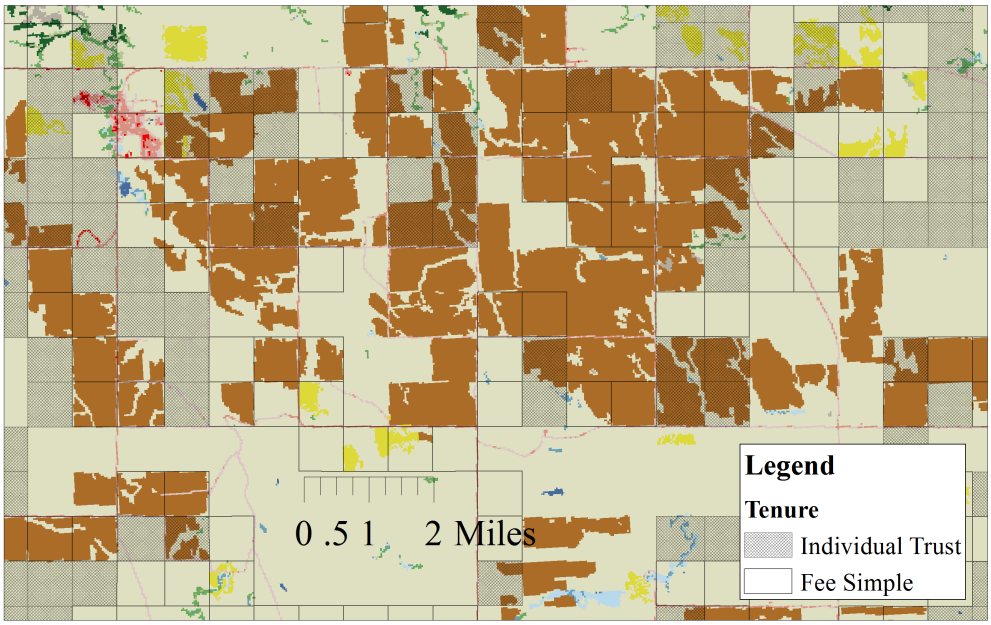
Our outcome data on land use come from the National Land Cover Database (NLCD). A collection of federal agencies known as the Multi-Resolution Land Characteristics Consortium produces the NLCD by combining satellite images from the LandSat database with remote processing techniques. The resulting database provides estimates of land cover at a 30×30-meter resolution for 2001, 2004, 2006, 2008, 2011, 2013, and 2016.

We focus our attention on two land cover classes in the NLCD: development and cultivated crops. The NLCD codes 4 different levels of development ranging from "developed, open space" which is comprised primarily of residential areas to "developed, high intensity" where people reside and/or work in large numbers. Pixels coded as cultivated by the NLCD include annual crop production, orchard crops, and any land that is being tilled. The NLCD also codes a variety of other land cover types including pasture, scrub/brush, forests, wetlands, perennial snow/ice, water, and "barren" land comprised of bedrock, talus, or sand dunes.

Figure 3 depicts an example of the land cover data on a subset of the Pine Ridge reservation. Cross-hatched parcels are in allotted trust and unshaded parcels are in fee-simple. Shading of the 30×30-meter pixels indicates different land uses. Dark brown areas are cultivated crops, pink and red areas are developed (either residential, urban, or built infrastructure), yellow areas are pasture, and tan areas are brush. Green areas indicate forested lands and blue areas indicate water.

We focus on development and cultivation for our measures of productive land uses. We call a pixel "Developed" if it falls into any of the four development classes and simply adopt NLCD's definition of cultivation. We do not wish to take a stand on development vs. cultivation given the spatial heterogeneity in our sample, so we designate pixels as "in use" if they are coded as either developed or cultivated. This is our primary outcome of interest. We express land use as a share of total usable parcel area, which we calculate as the total number of pixels in a parcel excluding water and perennial snow/ice.

Figure 3: Land Cover Data



Notes: This figure depicts the land tenure in addition to land use data from the National Land Cover Database for a subset of the Pine Ridge Reservation. Cross-hatched parcels are in allotted trust and unshaded parcels are in fee-simple. Shading of the 30×30-meter pixels indicates different land uses. Dark brown areas are cultivated crops, pink and red areas are developed (either residential, urban, or built infrastructure), yellow areas are pasture, and tan areas are brush. Green areas indicate forested lands and blue areas indicate water.

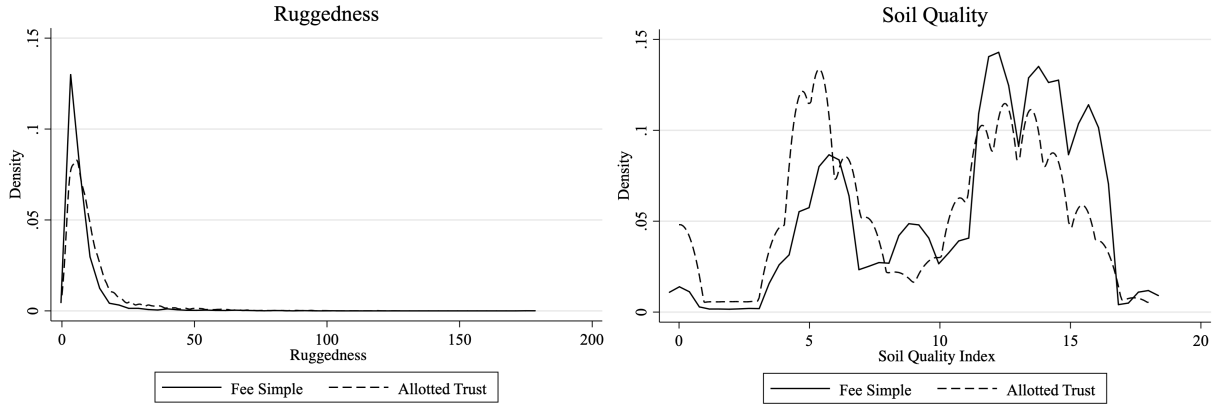
3.3 Other Geographic Covariates

We also estimate terrain characteristics and soil quality for each quarter-section. We use 30×30-meter elevation data from the National Elevation Dataset (NED) to measure the mean and standard deviation of elevation in each section. We define the variable Ruggedness as the standard deviation of elevation, a commonly-used measure of terrain ruggedness (Ascione, Cinque, Miccadei, Villani, and Berti, 2008).[20] We use the soil productivity index developed by Schaetzl et al. (2012) and estimate the average of the soil index within each quarter section. The soil productivity index ranges from 0 to 21, with soil index values greater than 10 representing highly productive soils (Schaetzl et al., 2012).

Figure 4 depicts the distribution of ruggedness and average soil productivity across quarter sections in our sample for each tenure type. Although the distributions are fairly similar, there is evidence that fee-simple land tends to be of higher quality than land that has remained in allotted

[20]Both elevation and ruggedness are expressed in 1,000s of meters in our regression models for notational convenience.

Figure 4: Land Quality



Notes: This figure depicts the distribution of terrain ruggedness and soil quality across quarter sections in the matched sample. Ruggedness is measured as the standard deviation of elevation in a quarter section (Ascione et al., 2008). Soil quality is the quarter-section mean of the Productivity Index generated by Schaetzl et al. (2012). The bi-modality of the soil quality distribution comes from the underlying data and not from differences in reservations.

trust. In terms of ruggedness, there is a much larger mass of fee parcels on the least rugged land, and the distribution of allotted trust land has a noticeably fatter tail. In terms of soil quality, both fee and allotted trust land exhibit a bi-modal distribution that is typical of the Schaetzl et al. (2012) productivity index in other samples. However, fee parcels have a larger mass of parcels with above-average productivity, whereas a larger mass of allotted trust parcels are on low-quality lands. These comparisons of land quality are consistent with Leonard et al. (2018), who document a positive relationship between land quality and the transition of land into fee-simple ownership across reservations.

Table 1 presents summary statistics for the estimation sample, reported separately for allotted trust and fee-simple quarter sections. Variable definitions and descriptions are provided in the figure note.

Table 1: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
			Allotted Trust		
Elevation	87,635	1.002683	.567679	.0666844	2.698626
Ruggedness	87,635	.0110071	.0116823	0	.1288639
Soil Quality	87,635	.0092252	.0047831	0	.018
$\mathbb{1}$(In Use)	87,635	.3282935	.4695949	0	1
$\mathbb{1}$(Developed)	87,635	.1712444	.3767245	0	1
$\mathbb{1}$(Cultivated)	87,635	.1609745	.3675095	0	1
Share In Use	87,635	.0987568	.2500729	0	1
Share Developed	87,635	.0117668	.0306226	0	.9707522
Share Cultivated	87,635	.08699	.24182	0	1
			Fee-Simple		
Elevation	88,939	.7226359	.267268	.0595389	2.447307
Ruggedness	88,939	.0079171	.0166378	0	.6754085
Soil Quality	88,939	.011259	.0041563	0	.018
$\mathbb{1}$(In Use)	88,965	.6614624	.473215	0	1
$\mathbb{1}$(Developed)	88,965	.3124487	.4634943	0	1
$\mathbb{1}$(Cultivated)	88,965	.4876187	.4998495	0	1
Share In Use	88,939	.2913742	.3688953	0	1
Share Developed	88,939	.0206779	.0379754	0	.9861112
Share Cultivated	88,939	.2706963	.3615155	0	1

Notes: This table presents the summary statistics for our estimation sample that consists of quarter-sections which only have a single tenure type and do not change tenure over 2001 to 2016. $N = 25,225$ parcels over $T = 7$ years. Variables are defined as follows: elevation and ruggedness are measured in 1,000s of meters. Soil quality is $\frac{1}{1000}$ times the soil productivity index from Schaetzl et al. (2012). $\mathbb{1}$(Developed) is a dummy equal to 1 if there are developed pixels in a parcel, $\mathbb{1}$(Cultivated) is a dummy equal to 1 if there are cultivated pixels in a parcel, and $\mathbb{1}$(In Use) is a dummy equal to 1 if there are either developed *or* cultivated pixels in a parcel. Share "X" is the number of pixels of type X in a parcel divided by the total number of land pixels in a parcel (omits water and "barren" pixels that are not developable according to NLCD.

4 Initial Empirical Analysis and Results

In the future, we plan to exploit exogenous drivers of the probability that a parcel was allotted and remained in trust using the identification strategy described in the introduction. For the present conference draft, we focus on initial OLS results to establish differences in land utilization across allotted trust vs. fee-simple quarter sections. We also provide evidence that tenancy in common is likely to be the main driver for observed differences in land use by looking at the relative performance of allotted trust vs. fee-simple land over time. Because tenancy in common leads to additional fractionation of ownership each time a claimant dies, our theory predicts that the costs of common ownership relative to fee-simple grow over time. We exploit the 7 years of available land cover data to test this hypothesis.

4.1 Estimation Strategy

We estimate the effect of tenure on land use at the quarter section-level using the following linear regression model:

$$y_{ijt} = \beta_0 + \vec{\lambda} X_{it} + \theta Allotted_{it} + \kappa_j + \tau_t + \varepsilon_{ijt} \tag{1}$$

where y_{ijt} is the outcome of interest in quarter section i in township j in period t. We focus on both extensive and intensive measures of overall land use, development, and cultivation. X_{it} is a vector of controls that includes ruggedness, soil quality, and alternative land uses (for the models that focus on either development or cultivation). We include township and year fixed effects (κ_j and τ_t) so that our identifying variation comes from within-year differences in land use within a 6×6-mile township where land quality and distance to urban areas or other import infrastructure are unlikely to differ dramatically. $Allotted_{it}$ is an indicator equal to 1 if a quarter section has not transferred into fee-simple ownership prior to our study period. The coefficient of interest is θ, which represents the average difference in land use for allotted trust vs. nearby fee-simple parcels averaged over 2001, 2004, 2006, 2008, 2011, 2013, and 2016.

4.2 Pooled OLS Results

We estimate Equation (1) on the following outcomes using OLS: $\mathbb{1}$(In Use), $\mathbb{1}$(Developed), $\mathbb{1}$(Cultivated), Share in Use, Share Developed, and Share Cultivated, where $\mathbb{1}(x)$ is an indicator equal to 1 if par-

cel i has at least 1 pixel of type x. The results are reported in Table 2. Columns 1-3 focus on the extensive margin, whereas columns 4-6 focus on the share of land in each type of use. Standard errors are clustered by parcel in every specification, although the results are robust to clustering by township.

Table 2: Pooled OLS Estimates of the Effect of Tenure on Land Use

	Extensive Margin			Intensive Margin (Shares)		
	(1)	(2)	(3)	(4)	(5)	(6)
	𝟙(In Use)	𝟙(Developed)	𝟙(Cultivated)	In Use	Developed	Cultivated
Allotted	-0.0752***	-0.0144**	-0.0766***	-0.0857***	-0.00300***	-0.0798***
	(0.00593)	(0.00603)	(0.00523)	(0.00407)	(0.000488)	(0.00401)
𝟙(Cultivated)		0.129***				
		(0.00871)				
𝟙(Developed)			0.0917***			
			(0.00621)			
Cultivated					0.00876***	
					(0.000869)	
Developed						0.595***
						(0.111)
Ruggedness	-7.744***	-2.769***	-5.854***	-3.598***	-0.128***	-3.346***
	(0.417)	(0.349)	(0.290)	(0.505)	(0.0286)	(0.470)
Elevation	-0.0209	-0.211***	0.198***	-0.251***	-0.00833***	-0.234***
	(0.0614)	(0.0505)	(0.0401)	(0.0105)	(0.00136)	(0.0103)
Soil Quality	19.97***	9.147***	16.45***	20.51***	0.904***	18.80***
	(0.882)	(0.841)	(0.750)	(0.435)	(0.0585)	(0.431)
Constant	0.416***	0.321***	0.0495	0.271***	0.0152***	0.243***
	(0.0521)	(0.0429)	(0.0345)	(0.00965)	(0.00130)	(0.00967)
Township FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	176,575	176,575	176,575	176,575	176,575	176,575
Adjusted R^2	0.589	0.365	0.624	0.329	0.146	0.319

Notes: Standard errors are clustered by parcel and reported in parentheses.The results are also robust to clustering by township rather than parcel. The estimation sample is limited to quarter-sections composed of a single tenure (allotted trust or fee-simple) that do not change tenure over 2001 to 2016. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Across all six specifications, allotted trust land appears to be significantly under-utilized relative to nearby fee-simple land. The coefficient estimate in column 1 indicates that allotted trust parcels are 7.5 percentage points less likely to have any productive land use than fee-simple parcels. Columns 2 and 3 suggest that much of this difference is driven by agricultural land use—

allotted trust parcels are 7.6 percentage points less likely to be cultivated at all, whereas they are only 1.4 percentage points less likely to be developed.

Turning to the intensive margin, allotted trust parcels have about 8.6 percentage points less land utilization that fee-simple parcels. This is a 41% reduction relative to the average land utilization rate of 21 percent. Allotted trust parcels have 0.3 percentage points less development, which is a 15% reduction relative to the mean of 2%. Finally, allotted trust parcels have a 7.9 percentage point lower cultivation rate, which is a 42% reduction relative to the mean of 19%.

The controls included in Table 2 have the expected signs. Rugged land is less likely to be utilized, but the effect is larger for agriculture than for development. Land with higher soil quality is also more likely to be utilized, especially in agriculture. Land at higher elevations is also less likely to be utilized.

4.3 The Effects of Tenure Over Time

The results in Table 2 reveal striking differences in the pattern of land use across allotted trust vs. fee-simple land *within* small geographic areas on reservations, conditional on land quality. We recognize that one needs to be careful when interpreting these OLS results causally because the process by which land transfers out of allotted trust into fee-simple is not exogenous.

In the next iteration of this paper, we will add tribal lands to to the above comparison. The comparison between fee-simple land and tribal land with establish the land use inefficiencies that arise solely from having land that cannot be collateralized, and that is held in trust with the federal government. By contrast, the comparison between individual trust land and tribal land will isolate the land use inefficiencies that arise from tenancy in common. For the present conference draft, where we have not adequately measured tribal lands yet, we pursue a different strategy to provide some preliminary evidence that fractionation associated with tenancy in common is the most likely mechanism for the large differences in land use reported in Table 2. This strategy is anchored on the logic that a variety of factors could lead to large *level* differences between allotted trust and fee-simple lands, tenancy in common has the unique feature that it mechanically worsens over time as claimants pass away and have their individual interests further subdivided. If tenancy in common increases the transaction costs of land use decisions by increasing the number of claimants with veto power, a clear theoretical prediction is that the costs of tenancy in com-

mon should grow over time, leading to an increasing difference between fee-simple and allotted trust lands. On the other hand, it is not obvious why federal trusteeship or the ability to provide collateral for loans should lead to constantly increasing differences over time.

To explore the hypothesis that the differences between fee-simple and allotted ownership increase over time, we estimate the following model:

$$y_{ijt} = \beta_0 + \vec{\lambda} X_{it} + \theta Allotted_{it} + \sum_{t=2001}^{2016} \gamma_t (Allotted_{it} \times \tau_t) + \kappa_j + \tau_t + \varepsilon_{ijt} \tag{2}$$

where $\sum_{t=2001}^{2016} \theta_t (Allotted_{it} \times \tau_t)$ is a series of interactions between the allotted trust indicator and the year fixed effects. All other variables are defined as before. This specification allows the effect of allotted trust on land use to be different in each year, and these effects are captured by the γ_t coefficients. θ captures the difference between allotted trust and fee-simple in 2001. Our theory predicts that $\gamma_t < 0 \quad \forall t$ *and* that $|\gamma_t|$ is increasing in t. In words, we predict that allotted trust parcels consistently perform worse than fee-simple parcels, and that the difference between allotted trust and fee should be increasing over time.

Table 3 presents the results of estimating Equation 2. We focus our discussion on the extensive-margin results in columns 4-6; although the the extensive-margin results are largely similar. Beginning in column 4, allotted trust parcels were less utilized than fee-simple parcels beginning in 2001, with the difference growing monotonically over time in every year except for 2004. The development and cultivation results in columns 5 and 6 shows that this pattern holds within each land use type. Consistent with our theory, there is strong evidence that the gap in land utilization between allotted trust and nearby fee-simple parcels has grown substantially over 2001 to 2016.

Figure 5 plots the predicted values and 95% confidence intervals from the regression in column 4 for allotted trust and fee-simple parcels separately to illustrate the divergence. There are two points worth emphasizing. First, there were already large differences in land utilization between allotted trust and fee-simple parcels by 2001, this suggests that land tenure is an essential part of the puzzle associated with reservation poverty. Second, the gap between nearby parcels with different land tenure increases substantially, nearly doubling over the 15-year period from 2001 to 2016.

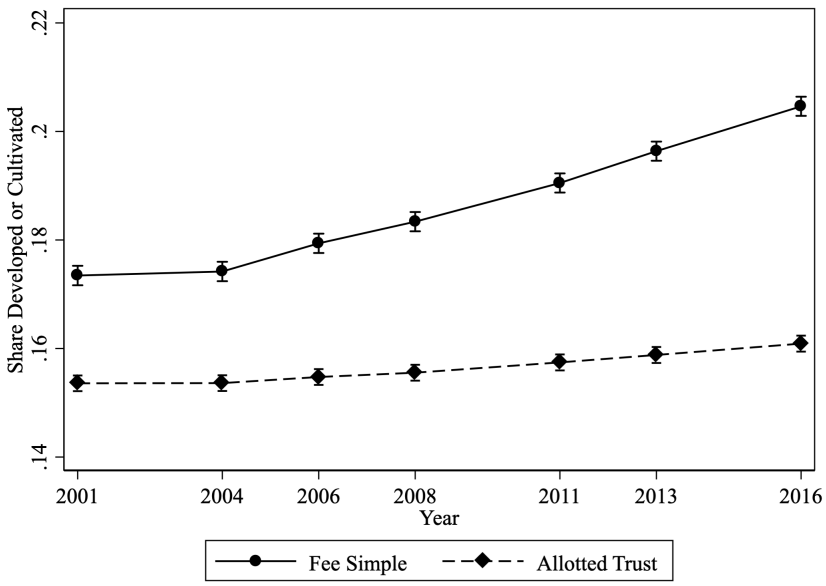
It is possible that the estimated effects in Table 3 and the differences in land use over time

Table 3: OLS Estimates of the Effects of Tenure on Land Use Over Time

	Extensive Margin			Intensive Margin (Shares)		
	(1)	(2)	(3)	(4)	(5)	(6)
	𝟙(In Use)	𝟙(Developed)	𝟙(Cultivated)	In Use	Developed	Cultivated
Allotted	-0.0723***	-0.0124**	-0.0714***	-0.0366***	-0.0000493	-0.0366***
	(0.00597)	(0.00604)	(0.00528)	(0.00368)	(0.000525)	(0.00364)
Allotted×2004	0.000836	-0.000291**	0.00246***	-0.000288	0.0000447**	-0.000333
	(0.000586)	(0.000123)	(0.000918)	(0.000368)	(0.0000220)	(0.000367)
Allotted×2006	-0.000219	-0.00174***	-0.0000614	-0.00397***	-0.0000696**	-0.00389***
	(0.000854)	(0.000423)	(0.00127)	(0.000632)	(0.0000354)	(0.000631)
Allotted×2008	-0.00116	-0.00150***	-0.00195	-0.00699***	-0.000108***	-0.00687***
	(0.00101)	(0.000433)	(0.00146)	(0.000762)	(0.0000305)	(0.000761)
Allotted×2011	-0.00451***	-0.00363***	-0.00733***	-0.0120***	-0.000305***	-0.0117***
	(0.00123)	(0.000728)	(0.00174)	(0.000973)	(0.0000779)	(0.000973)
Allotted×2013	-0.00599***	-0.00311***	-0.0110***	-0.0165***	-0.000302***	-0.0162***
	(0.00132)	(0.000738)	(0.00187)	(0.00115)	(0.0000738)	(0.00115)
Allotted×2016	-0.00981***	-0.00341***	-0.0185***	-0.0227***	-0.000530***	-0.0221***
	(0.00156)	(0.000871)	(0.00217)	(0.00131)	(0.000106)	(0.00131)
𝟙(Cultivated)		0.129***				
		(0.00872)				
𝟙(Developed)			0.0917***			
			(0.00621)			
Cultivated					0.000525	
					(0.00137)	
Developed						0.0281
						(0.0752)
Ruggedness	-7.744***	-2.769***	-5.854***	-5.337***	-0.314***	-5.011***
	(0.417)	(0.349)	(0.290)	(0.215)	(0.0320)	(0.211)
Elevation	-0.0209	-0.211***	0.198***	0.230***	-0.00570	0.236***
	(0.0614)	(0.0505)	(0.0401)	(0.0281)	(0.00428)	(0.0272)
Soil Quality	19.97***	9.147***	16.45***	11.50***	0.651***	10.83***
	(0.882)	(0.841)	(0.750)	(0.504)	(0.0674)	(0.497)
Constant	0.414***	0.320***	0.0470	-0.0593**	0.0173***	-0.0770***
	(0.0522)	(0.0429)	(0.0345)	(0.0239)	(0.00358)	(0.0233)
Township FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	176,575	176,575	176,575	176,575	176,575	176,575
Adjusted R^2	0.589	0.365	0.624	0.595	0.333	0.582

Notes: Standard errors are clustered by parcel and reported in parentheses.The results are also robust to clustering by township rather than parcel. The estimation sample is limited to quarter-sections composed of a single tenure (allotted trust or fee-simple) that do not change tenure over 2001 to 2016.* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Figure 5: Within-Township Changes in Land Use



Notes: This figure plots the predicted values from the regression model in Column 4 of Table 3 with the associated 95% confidence intervals. The identifying variation comes from changes in land use over time, within 6×6-mile townships.

depicted in Figure 5 are driven by underlying differences in land quality. Notably, there is almost no observable increase in land utilization on allotted land between 2001 and 2016 in Figure 5. It is possible that unobserved heterogeneity in land quality not captured by our controls is strongly correlated with tenure so that allotted trust lands are fundamentally unproductive, whereas fee lands have more productive capacity. In this case, the finding depicted in Figure 5 may be partly driven by unobserved differences in land quality.

To address this concern, we add parcel fixed effects to the regression model in Equation (2). In doing so, we can no longer estimate θ because the parcel fixed effects absorb the effect all time-invariant parcel characteristics, which includes the tenure variable $Allotted_{it}$ that does not change over 2001 to 2016.

However, we can still use interaction terms $\sum_{t=2004}^{2016} \gamma_t(Allotted_{it} \times \tau_t)$ to test whether there is a difference between allotted trust and fee-simple lands over time, *after accounting for unobserved characteristics of individual parcels.* Now, the identifying variation comes from changes in land use within a parcel over time, and the γ_t variables report the average difference in land use change for allotted relative to fee. As before, we predict $\gamma_t < 0 \quad \forall t$ *and* that $|\gamma_t|$ is increasing in t..

Table 4 reports the results of estimating Equation 2 with the addition of individual parcel fixed effects. Once again, the differences in overall land use between allotted trust and fee-simple in column 4 increase monotonically over time (except 2004, the first year of divergence). Once again, the results are very similar for both development and cultivation. These results indicate that individual parcels are much less likely to see increased utilization over 2001 to 2016 if they are in allotted trust than in fee-simple, even after for controlling for unobserved parcel characteristics (such as land quality) that could lead to different rates of development over time.

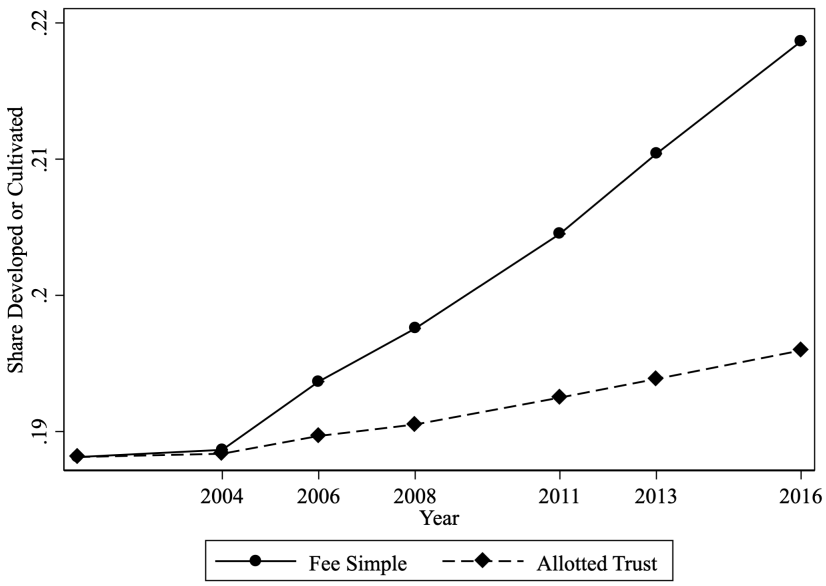
Figure 6 plots the predicted values from the regression model in column 4 of Table 4. Confidence intervals are also included but are too small relative to the scale of the graph to be visible. The 2001 difference in land use is normalized to 0 by the parcel fixed effects, and few differences emerged by 2004. After 2004, there is a striking divergence between allotted trust and fee-simple land use. Importantly, allotted trust lands are increasing in utilization over time, suggesting that there are at least attempts at productive land use. Despite the normalization in 2001, by 2016 the average fee-simple parcel as about about 0.03 more utilized than the average allotted trust parcel—a 14% difference relative to the mean utilization rate.

Table 4: Within-Parcel Estimates of the Effects of Tenure on Land Use Over Time

	Extensive Margin			Intensive Margin (Shares)		
	(1)	(2)	(3)	(4)	(5)	(6)
	𝟙(In Use)	𝟙(Developed)	𝟙(Cultivated)	In Use	Developed	Cultivated
Allotted×2004	0.000709	0.00000773*	0.00236**	-0.000288	0.0000431*	-0.000318
	(0.000622)	(0.00000417)	(0.000981)	(0.000391)	(0.0000236)	(0.000390)
Allotted×2006	-0.000380	-0.00181***	-0.000409	-0.00399***	-0.0000849**	-0.00394***
	(0.000908)	(0.000408)	(0.00136)	(0.000676)	(0.0000378)	(0.000675)
Allotted×2008	-0.00139	-0.00182***	-0.00235	-0.00704***	-0.000131***	-0.00697***
	(0.00107)	(0.000408)	(0.00156)	(0.000816)	(0.0000324)	(0.000816)
Allotted×2011	-0.00468***	-0.00475***	-0.00797***	-0.0120***	-0.000341***	-0.0118***
	(0.00132)	(0.000734)	(0.00187)	(0.00104)	(0.0000922)	(0.00104)
Allotted×2013	-0.00632***	-0.00476***	-0.0117***	-0.0165***	-0.000356***	-0.0163***
	(0.00141)	(0.000735)	(0.00201)	(0.00123)	(0.0000904)	(0.00123)
Allotted×2016	-0.00997***	-0.00604***	-0.0193***	-0.0227***	-0.000593***	-0.0223***
	(0.00167)	(0.000865)	(0.00233)	(0.00141)	(0.000126)	(0.00141)
𝟙(Cultivated)		-0.00363***				
		(0.000894)				
𝟙(Developed)			-0.0245***			
			(0.00552)			
Cultivated					-0.00198*	
					(0.00119)	
Developed						-0.322***
						(0.0885)
Constant	0.492***	0.242***	0.324***	0.188***	0.0165***	0.177***
	(0.000434)	(0.000260)	(0.00142)	(0.000348)	(0.000192)	(0.00147)
Parcel FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	176,575	176,575	176,575	176,575	176,575	176,575
Adjusted R^2	0.987	0.995	0.971	0.979	0.988	0.978

Notes: Standard errors are clustered by parcel and reported in parentheses. The estimation sample is limited to quarter-sections composed of a single tenure (allotted trust or fee-simple) that do not change tenure over 2001 to 2016. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Figure 6: Within-Parcel Changes in Land Use



Notes: This figure plots the predicted values from the regression model in Column 4 of Table 4 with the associated 95% confidence intervals (they are too small to see). The identifying variation comes from changes in land use over time, within individual parcels.

4.4 Future Work

This draft was prepared for conference circulation in early June 2019. We plan to undertake two extensions which are not yet incorporated into the current draft.

First, we will bring the other two types of land on reservations—tribal and non-Native 'surplus'—into the analysis. These land types form a non-trivial portion of reservations lands. Bringing them into the analysis is important beyond this fact, however: This is because individual-trust land differs from fee simple land not only in being held under 'tenancy in common'. In addition, it differs in that individual-trust cannot be collateralized and is largely managed by the BIA in conjunction with the tribal government. Assuming tribal management and BIA management are broadly similar, the comparison between tribal land and fee simple land can serve as a benchmark estimate of any costs associated with these two features, non-collateralizability and non-private management. Stated differently, we expect a ranking in land-use efficiently (confirmed in some preliminary data analysis that is not included in this draft), whereby fee simple land is the most efficiently used, tribal land is less efficiently used because of its non-collateralizability and potential managerial in-

efficiencies, and individual trust land is least efficiently used, partly for the same reasons as tribal land, but additionally because of being held under tenancy in common.

Second, we plan to provide bounds on reasonable dollar-estimates of the cumulative cost of the land-use inefficiencies that arose from having land "trapped" in individual trust rather than having been transferred into fee simple. Our reasoning for wanting to do this is that the U.S. government took on the responsibility of being the warden of tribes and reservations. The federal government could have chosen not to allot reservation lands to individuals, preserving reservations in tribal ownership. Once it chose to allot lands, it could have seen the process through to its completion, by transferring all allotted lands into fee simple. Through its choice of abolishing the process of allotment mid-way through it having run its course, it locked the non-transferred lands into individual trust. Given the ongoing poverty and economic underdevelopment of Native American reservations in the U.S., it seems that a plausible range of dollar-estimates of the cumulative cost of having abolished the process of allotment is necessary to discipline any policy debate that may ensue from our findings.

5 Conclusion

TBA

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Online Appendix

to

The Costs of Tenancy in Common: Evidence from Indian Land Allotment

Online Appendix A Additional Details on Section 2

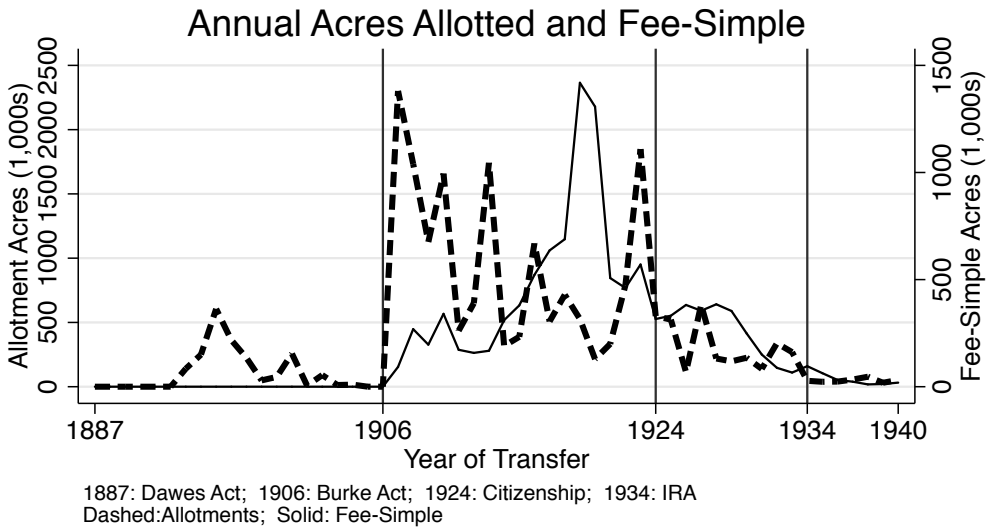
Online Appendix A.1 The Legal Origins of Intestacy Laws

Intestacy law is among the oldest of the civil laws established in society (Blackstone, 1878). With the recognition of the individual as distinguished from family property in most cultures, rules of succession to adequately dispose of the decedent's property became necessary (??, atk). Guidelines for the distribution of one's property can be found as far back as biblical times when the Israelites were given an intestacy scheme that allowed inheritance by the closest relative (Shumway, 2017, 647). Intestacy laws help in preserving order because, without some legal method of distributing a decedent's property, people may engage in violent conflicts to acquire property rights (Blackstone, 1878). Medieval England developed its intestacy laws around a system of primogeniture, where the eldest male child was afforded exclusive inheritance rights (Shumway, 2017, 648). The English Administration of Estates Act of 1925 effectively abolished the system of primogeniture (Shumway, 2017, 648). The English *strict per stirpes* system was the early standard for America (Dainow, 1937). Under strict per stirpes, the intestate estate is divided at the generation nearest to the decedent into as many shares as there are members of that generation living, or deceased with surviving lineal descendants (Shumway, 2017, 648).

In enacting and interpreting intestacy statutes, legislatures and courts have attempted to mirror the desires and wishes of the intestate and also effectuate another goal of public policy: that of providing some security and protection for the surviving dependents of the deceased (Emergency Land Fund, 1980, 150). Intestacy fixes the proportionate share as well as the identity of heirs of an intestates property and generally, rights of inheritance are conferred by statute on blood relatives only (Emergency Land Fund, 1980, 150). The surviving spouse and adopted children are exceptions to this general rule. Intestate schemes designate the class of relatives or heirs who shall inherit and the order in which they inherit (Emergency Land Fund, 1980, 150). If there are no relatives, the next of kin, to the rules of Canon or Civil Law, defines the inheriting class (Emergency Land Fund, 1980, 150).

Online Appendix B Online Data Appendix

Figure Online Appendix Figure 1: Flow of Allottments and Transfers into Fee Simple



Notes: This figure is Figure 1 from Dippel and Frye (2019). It tracks the flow of total acres that were allotted and the flow of acres subsequently transferred into fee simple in the BLM data.