

The Adverse Effects of Privatization: Evidence from American Indian Allotment

From 1890 to 1910, land reform occurred on several American Indian reservations. In particular, federal agents divided up reservations into individual parcels where the land was held in trust for twenty five years. However, the combination of special interests and critiques of the policy led the government to provide pure private property rights to many parcels prior to the end of the trust period. In this paper, I exploit the variation in land privatization across time and space within one large reservation to examine the short-run and long-run effects from privatization. I use digitized maps, bureau of land management patents, census data and death records to examine the within-reservation variation in economic outcomes due to land ownership. Thus, unlike past studies, I compare individuals with trust land to individuals with fee simple land within the same reservation. My preliminary results show land most suited for livestock was converted into fee simple property faster than less suitability land and those individuals who were allotted these superior lands were less likely to become farmers or ranchers and more likely to work as a laborer. Consistent with qualitative research on Indian allotment, obtaining wealth in the form of land did not translate into better economic outcomes for American Indians.