



Property rights and intra-household bargaining[☆]

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ABSTRACT

This paper examines whether an individual-level transfer of property rights increases the individual's bargaining power within the household. The question is analyzed in the context of a housing reform that occurred in China that gave existing tenants the opportunity to purchase the homes that they had been renting from their state employers. The rights to each housing unit were granted to a particular employee, so property rights were defined at the individual level rather than the household level. The results indicate that transferring ownership rights to men increased household consumption of some male-favored goods and women's time spent on chores. Transferring ownership rights to women decreased household consumption of some male-favored goods.

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1. Introduction

Land and housing assets represent a large share of the total value of assets held by households across the world. In the United States, data from the Federal Reserve Flow of Funds Account in 1990 indicate that real estate represented about one-third of household assets. In developing countries, the corresponding numbers are often much higher at 45% of urban wealth in China, 80% of rural wealth in China, 78% of urban wealth in India and 87% of rural wealth in India.¹ The importance of real estate for the economic lives of households has motivated property rights reforms in many developing countries. Such reforms include land titling and privatization programs aimed at encouraging households to maximize their use of land and housing assets.

Research has demonstrated that property rights affect household decision-making, including investments (Besley, 1995; Field, 2005; Galiani and Schargrodsky, 2010; Goldstein and Udry, 2008), labor market choices (Field, 2007; Wang, 2012) and residential decisions (Wang, 2011). However, the economics literature on property rights has generally focused on the household as a single agent. In reality, property rights can accrue to individuals within a household rather than to a unitary household unit or in equal proportion to all members of a household. For example, property titles often include only the name of the head of household (Deere and Leon, 2001a; Deere and Leon, 2001b). In developing countries, the household head is often male; thus, programs that transfer land titles or other forms of property rights to households without careful consideration of intra-household

issues may have important implications for gender inequality within households.

This paper examines how individual-level transfers of property rights affect the distribution of bargaining power within the household. Thus, the results contribute to a growing policy debate on structuring property rights reforms to be cognizant of the implications for women's rights in developing countries. Concern for women's rights is behind the growing interest in mandating that the names of both the husband and wife be included on property registration and other forms of protection of individual rights within households (Deere and Leon, 2001a; Field, 2003; Lastarria-Cornhiel, 2009; Meizen et al., 1997).

Descriptive evidence demonstrates a positive correlation between female ownership of land or housing and her outcomes within the household as measured by domestic violence (Panda and Agarwal, 2005). To my knowledge, my analysis is the first to offer a rigorous empirical method for identifying the causal impact of individual-level property rights transfers on the bargaining outcomes of men and women within households. This question is answered in the context of a housing reform that occurred in China that gave existing tenants the opportunity to purchase the homes that had been tied with their employment within the state sector. Rights to each housing unit were granted to a particular employee, so property rights were defined at the individual level rather than the household level. Prior to the reform, people had use rights to the housing units, but the reform gave them full ownership rights including the right to lease, sell and collateralize the property. Using a panel data set, the empirical strategy compares the outcomes of the same households before and after the reform, as well as relative to a comparison group of households.

In addition to the literature on the microeconomic effects of property rights, this paper contributes to an understanding of the intra-household bargaining outcomes between men and women.² This literature can be

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¹ The sources of data for these estimates are the 1995 Urban and Rural Household Income Surveys of China and the National Sample Survey Organization of India in 1991.

² See Basu (2006), Haddad et al. (1997), Manser and Brown (1980) and McElroy and Horner (1981) for the use of bargaining models of intra-household allocation.

broadly separated into two areas. One area considers the determinants of bargaining weights within a couple focused on gender differences in income (Anderson and Eswaran, 2009; Browning et al., 1994; Duflo, 2003; Hoddinott and Haddad, 1995; Luke and Munshi, 2011; Lundberg et al., 1997; Ponczek, 2011; Thomas, 1990). The other area of this literature examines individual asset ownership rather than control over income (Fafchamps and Quisumbing, 2002; Fafchamps and Quisumbing, 2005; Fafchamps et al., 2009; Thomas et al., 2002).

This paper falls into the second body of the literature on control over assets and intra-household bargaining outcomes. The existing literature primarily focuses on how the division of assets prior to marriage affects bargaining outcomes. However, the assets that are brought into a union may be endogenous to the marriage outcomes being studied. To my knowledge, this paper is the first to examine an unexpected change in the property rights over assets that occurs after marriage.

2. Institutional background

2.1. Socialism and early housing reforms

After taking control in 1949, the Communist Party of China nationalized urban land and established a labor market system that guaranteed jobs for workers. Households that already held private ownership rights to their homes retained full property rights over their residences, but the government established public ownership of all new housing stock. Public housing stock was allocated to urban residents through state work units in exchange for nominal rents. During this period, use rights were well recognized and there was very little risk of expropriation by other individuals or by the government (as long as the individuals did not change employers).

Reform began following the death of Chairman Mao Zedong in 1976. The new leadership initiated a gradual reform of the socialist system towards a mixed economy. Recognizing serious problems in the state provision of housing, including shortages, poor management and corruption in distribution (Wang and Murie 1999), the government enacted housing reforms which allows for private construction of housing to occur and the supply of private housing expanded. The first experiments of reforming the public housing system in 1979 entailed the sale of newly built apartments at construction cost in Xian and Nanning. During the 1980s, several other small-scale housing experiments were piloted in different cities. However, the small-scale attempts at privatizing housing failed because people found the prices too high.

After the political protests in Tiananmen Square in 1989, the central government shifted the discussion about housing reform towards rent increases rather than privatization. The government realized that its past attempts at privatization were financially infeasible as well as politically destabilizing (Davis, 1993). Davis' interviews with urban residents confirm that the central and municipal governments hid their plans for full commodification of urban housing from the population through the early-1990s. While the experiments of the 1980's demonstrated the government's interest in housing reform, qualitative research suggests that the urban population did not foresee the timing and specific nature of the reform. The quantitative analyses in Wang (2011) and Wang (2012) confirm that anticipation of the housing reform did not affect pre-reform labor market choices.

2.2. Privatization of state-owned housing

In July 1994, the State Council announced the procedures for state employers to sell state-owned housing units to existing tenants in all cities in China. Those living in state-owned housing were given the opportunity to buy ownership rights to their current homes. Learning from the negative public response to the small-scale housing experiments of the 1980s, the government allowed work units to set prices for their housing stock below market value with additional discounts based on seniority. Most buyers paid less than 15% of the market value for their

homes (China News Analysis, 1998). Analysis using data from the Chinese Household Income Project covering urban areas in eleven provinces in 1995 indicates that the average difference between the market value and the price charged by the government was 24,462 RMB, which is over two times the average annual wages of a household. The direct impact of the reform was to transfer ownership rights over housing to sitting tenants who previously only held use rights.

2.3. Property rights in marriage and divorce

According to the Marriage Law in China, property and other assets acquired during marriage are considered jointly owned. The laws leave unclear whether use rights to housing acquired prior to marriage but converted to full ownership rights during marriage are legally considered to be acquired during marriage and hence joint property or acquired prior to marriage and hence the individual property. This ambiguity suggests that one possible channel through which individual property rights can influence bargaining outcomes is that it affects the well-being of individuals in the case of divorce. In a rational model of Nash bargaining within a household, an individual's endowment of assets associated with a reform can only change bargaining outcomes between husbands and wives if it alters their outcomes under the threat point (Manser and Brown, 1980; McElroy and Horner, 1981). However, even in the complete absence of individual rights over the property in the case of divorce, the reform may alter outcomes between husbands and wives under a behavioral story of a kind of mental accounting (Duflo and Udry, 2004; Thaler, 1992). Unfortunately, the limitations of the data, which will be discussed in greater detail in the following section, make it impossible to disentangle the relative contributions of these possible channels.

There is an upward trend in the rate of divorce in China over the sample period, but overall the rates remained low and never exceeded 3% in the sample. The low rates of divorce, however, do not imply that models of intra-household bargaining do not apply during this period in China. What matters in these standard bargaining models is the threat of divorce; in equilibrium, divorce rates may remain low but the threat of divorce may affect the decisions of husbands and wives. Furthermore, alternative models propose that threat points may be non-cooperative marriage rather than divorce (Lundberg and Pollack, 1993).

3. Data and methodology

3.1. China Health and Nutrition Survey

I use a panel data set called the China Health and Nutrition Survey (CHNS). Nine provinces (Guangxi, Guizhou, Heilongjiang, Henan, Hubei, Hunan, Jiangsu, Liaoning, and Shandong) are covered by the CHNS and these provinces vary considerably in their economic development and geography. Following a multistage, random cluster design, counties were stratified into three levels of income, and a weighted sampling technique randomly selected four counties in each province. In addition, the data include the capital province and one low-income city. The full data set covers approximately 4400 households in the non-consecutive years 1989, 1991, 1993, 1997, 2000, 2004 and 2006. Thus, the data used in this analysis include three waves before and four waves after the beginning of the housing reform in 1994.

The data set offers several measures of household bargaining outcomes between husbands and wives.³ First, a measure of individual contributions to household public goods is reflected by the amount of time that individuals spend on household chores. The number of

³ While the data also include anthropometric measurements of children, the sample sizes are quite small and the data and results are discussed in Appendix A.

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