



Land title program in Brazil: Are there any changes to happiness?☆

Mauricio Jose Serpa Barros de Moura^{a,*}, Rodrigo De Losso da Silveira Bueno^b

^a George Washington University, Washington, DC, USA

^b University of Sao Paulo, Sao Paulo, Brazil

ARTICLE INFO

Article history:

Received 23 April 2012

Received in revised form 19 February 2013

Accepted 7 April 2013

JEL classification:

D23

I31

Z13

Keywords:

Property rights

Land titling

Happiness

Probit model

ABSTRACT

This paper investigates the contribution of property rights (land title ownership) to happiness in Brazil by analyzing the household response to an exogenous change in formal ownership status. It uses a quasi-experimental design to analyze a unique dataset based on *Papel Passado*, a Brazilian government land-titling program affecting over 85,000 families. The causal role of legal ownership is isolated by comparing two geographically close and demographically similar communities in Osasco, a town of 650,000 people in the São Paulo metropolitan area, where some residential units were allocated property titles and others were not. Survey data were collected from households in both types of units before and after the granting of land titles, with neither type knowing *ex ante* whether it would receive land titles. The multinomial probit technique was applied and the results show that land title ownership increases by 13 points the probability of a household qualifying for a happier group. Furthermore, it decreases 21 points the probability of belonging to the “lower level” group.

© 2013 Elsevier Inc. All rights reserved.

1. Introduction

This paper investigates the contribution of property rights (land title ownership) to happiness in Brazil by analyzing the household response to an exogenous change in formal ownership status. The economics of happiness has been applied to a range of issues including the relationship between income and happiness, inequality and poverty, the effects of macro-policies on individual welfare and on institutional conditions such as democracy, federalism and security. Thus our main contribution is to evaluate changes in happiness as a result of the introduction of land titling. To the best of our knowledge, the association between land titling and happiness has not been studied yet.

Additionally, by focusing on an assessment of *changes* in levels of happiness, we avoid the problem of unobserved heterogeneity that is inherent in happiness studies. This is done by comparing happiness in the same household at two points in time.

We use a quasi-experimental design to analyze a unique dataset that helps not only to isolate the causal role of land-titling, but also to eliminate the endogeneity problems characteristic of most studies in this field. We compare two similar neighboring communities in the Brazilian city of Osasco. The town – with around 654,000

inhabitants where almost 6000 families live informally on urban property – is located in the metropolitan area of São Paulo and is part of the *Papel Passado* program map. In one of its communities, Jardim Canaã, all households received land titles in 2007. In the other, Jardim DR, the same program is scheduled for implementation in 2012, making it a natural comparison group. According to the Osasco City Hall, the choice of Jardim Canaã as the first community was not politically motivated.

Our analysis is based on a two-stage survey conducted in Jardim Canaã and Jardim DR focusing on the property rights issue. The sample consists of 326 households distributed across both neighborhoods (185 from Jardim Canaã and 141 from DR). The first stage of the survey occurred in March 2007, before titles had been issued to Jardim Canaã, and the second stage in August 2008, almost one-and-one-half years after the titles had been received.

Furthermore, the paper applies a multinomial probit econometric technique and shows that possession of land title potentially provides gains in happiness. The results show that the program increases by 13 points the probability of a household qualifying for a happier group. Furthermore, it decreases 21 points the probability of belonging to the “lower level” group. Finally, our results also contribute to the broader literature on individual well-being.

According to a United Nations report (UNR, 2005), about 930 million people around the world live in urban dwellings without possessing formal titles to the land they occupy. Because property rights play an important role in economic development, a number of economists have tried to understand the mechanism behind such a situation. North and Thomas (1973) and North (1990), for

☆ We thank two anonymous referees for their comments. The remaining errors are our responsibility.

* Corresponding author. Tel.: +1 202 4031086; fax: +1 202 4730391.

E-mail address: mmmoura@ifc.org (M.J.S.B. de Moura).

example, consider the absence of property rights to be a crucial obstacle to economic development and generate multiple negative ramifications for poverty and overall human well-being.

Sclar and Garau (2003) note that property rights transform the legal status of an area and a community by integrating them into the formal city. Legal tenure at the settlement levels is often a prerequisite for the provision of basic services. Lack of tenure hinders most attempts to improve shelter conditions for the urban poor, undermines long-term planning and distorts prices for land and services. Furthermore, it presents a direct impact on investment at the settlement level and reinforces poverty and social exclusion. Same authors also indicate that, from the government's perspective, insecure tenure also has a negative impact on local taxation and on property and economic activities. Cost recovery for services and infrastructures is also difficult or impossible without proper identification of beneficiaries.

Formal property rights may serve as collateral, thereby allowing a household to access credit markets. Therefore, the lack of such rights represents a constraint and constitutes a severe limitation particularly for the poor (Besley, 1995). If such credit were available, it could be invested as capital in productive projects, increasing labor productivity and income (Demsetz, 1967 May; De Soto, 2000; Field and Torero, 2002). Hence, property-titling increasingly is considered one of the most effective policies targeting the poor to increase their standard of living and encourage economic growth around the globe (Baharoglu, 2002; Binswanger et al., 1995; Field, 2007; Moura et al., 2010). In Asia, millions of titles are being issued in Vietnam and Cambodia, and China also is considering implementing such a policy.¹ Galiani and Schargrodsky (2010) report that several governments in Africa are investing in social housing. In Latin America, Peru has the most famous example of a property-titling program, basically providing titling and registration documents which evidence ownership, security interest and registration status: during the 1990s, the government issued property titles to 1.2 million urban households. Urban property-titling also has been successfully implemented in Argentina (Dn Neve et al., 2010) and Brazil (Moura et al., 2010). Indeed Moura and De-Losso (Moura et al., 2010) document that titling property rights has the effect of reducing child labor, which may be an indirect channel explaining at least part of the increase in happiness.

In Brazil, the federal government announced a massive national plan in 2003 to title 750,000 families. Since its launch, this program, called *Papel Passado*, has received US \$15 million annually from the federal budget, providing titles to over 85,000 families and encompassing 49 cities in 17 different Brazilian states. Its official goal is "...to increase land titles in Brazil and to promote an increase in the quality of life for the Brazilian population."² reflecting urban land title programs main motivations: promote economic development and reduce poverty. It is intended to issue land titles to families living under illegal conditions (i.e., residents illegally squatting in urban dwellings). The Brazilian government estimates that 12 million people currently live in illegal urban conditions in the country (IBGE (PNAD, 2008)).

The paper is organized as follows: Section 1 presents why it is important to study happiness and its mechanisms relating to land titling; Section 2 provides an overview of the data surveyed; Section 3 shows the empirical strategy and is followed by a discussion of the empirical results. Section 4 concludes.

2. The importance of studying happiness and the measurement of happiness

2.1. How does land title ownership relate to happiness?

Deininger and Feder (2012) note that social and developmental impact of land title has been subject of much debate. For the authors, for example, evidence of improved access to credit due formalization of land rights, is scant. However, there is evidence, albeit not uniform, of enhancement of tenure security through land registration with benefits manifesting themselves in a higher levels of investments and labor productivity and reduced need to defend land rights.

During the survey period in Osasco we realized from informal conversations and qualitative observations that households with land titles felt "happier" after receiving them. This general positive feeling from the land title recipient group was the key motivation for this paper. Prior to owning the land title, recipients felt, in general, tension, daily stress and even some fear. Most of them made comments such as:

"With the *escritura* ['land title' in Portuguese], we do not need to feel we are hiding our house, because now we can say it is really our home. Honestly, I have been living under a lot of fear that one day someone like other residents, the State, any rich man to build a shopping mall or even the police would come here and take our house. I was ashamed and afraid. I kept wondering where I should go if that happened. Thanks God that's over, I am happier now." (Free translation and emphasis added by the authors.)

Field and Torero (2002) argue that untitled households are constrained by the need to provide informal policing, both to deter prospective invaders and to participate actively in community enforcement efforts to protect neighborhood boundaries. This circumstance demonstrates that the lack of land title ownership increases households' daily stress, fear, and tension, as mentioned by one respondent.

Given this context, titling efforts that effectively increase household security should allow households and their communities to reallocate time, resources and human talent away from the informal policing role. Hence strengthening formal property rights may change type of activity from policing to other activities. This additional time spent could be applied to more volunteer work hours or more leisure, both ways that potentially could increase a household's quality of life (Field and Torero, 2002). Thus, this situation might be one mechanism by which land title ownership can change happiness.

2.2. Importance and methods (or mechanisms) of studying happiness

As Dn Neve et al. (2010) observe that happiness research has become one of the key subjects in economics in recent years. These authors argue that studying happiness identifies determinants of individual life satisfaction and subjective well-being. Earlier economists had focused mainly on the question of economic influences, discussing how labor markets, unemployment, and inflation relate to happiness. Other socio-demographic factors such as age, gender, race, marital status, children, and even social networks have also been analyzed as key sources of happiness changes. Land title ownership potentially could be an additional source.

The literature of well-being economics currently is growing at a remarkable rate. In contrast to psychologists and occupational health researchers who have a long tradition of addressing questions of life satisfaction and well-being, economists only recently have started to consider such "soft" indicators. As Gash et al. (2010)

¹ See *The Economist* (March, 2007). The same edition reports China's intention to put in place the most ambitious land-titling program in history, including this initiative as one of the main points of the Chinese economic development model.

² See *Associação dos Notários e Registradores do Brasil* – ANOREG (ASSOCIACAO, 2007). The quotation is freely translated from Portuguese by the authors.

Download English Version:

<https://daneshyari.com/en/article/970632>

Download Persian Version:

<https://daneshyari.com/article/970632>

[Daneshyari.com](https://daneshyari.com)