Inside the Property Rights Black Box:
The Political Economy of the Rural Land Registry
(Spain, 1845–1932)

Juan Carmona Pidal, Universidad Carlos III de Madrid

Joan R. Rosés, LSE

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Abstract

The significance of clearly defined (registered) property rights for the effective functioning of markets is a central theme in both economic history and institutional economics. Moreover, there is a consensus that efficient markets are crucial for economic growth. However, establishing efficient registration systems has faced significant challenges, both historically and in contemporary times, particularly in developing countries and rural areas. In developing countries, successful short-term registration programmes, often heavily subsidised by the government, struggle to maintain medium- and long-term sustainability due to high procedural costs (Deininger & Feder, 2009; Arruñada, 2017). Additionally, these programmes encounter delays and issues because rural landowners are often reluctant to disclose their wealth, primarily to minimise tax liabilities. This reluctance raises compelling questions about the trade-off between the potential benefits these landowners could gain from formalising their property rights and the associated fiscal and registration costs (D'Arcy et al., 2024; Sánchez Talanquer, 2020).

This paper examines Spain's distinct historical framework from 1845 to 1932, characterised by notable rural socio-economic transformations and significant land management advancements. Spain is a compelling case study because it implemented a property registry system as early as 1861. The system was decentralised, managed by semi-public contractors (registrars and notaries) and financed by the users. Consequently, it could face issues like those observed in today's developing nations.

This study has two main objectives: to examine the various actors and their roles in the system and to understand how the interactions among these actors influence the system's cost structure and performance. There were many actors with sometimes divergent interests in the land registry. These include the central government, which pursued to maximise taxation and expand the registered area of land; landowners, who faced the trade-off between the benefits of registering land and the direct and indirect costs (including taxation) associated with this process; notaries and registrars, who administered the registration of property rights and aim to derive the maximum rents from this administrative process; and finally, local authorities, which, at times, may be influenced by local landowners and thus did not fully align with central government policies.

To establish the registry's cost, we examine its evolution and components by analysing various decrees, regulations, and other documents published from 1845 to 1932. The cost analysis is conducted over the entire period, focusing on key regulatory changes and frequent modifications to fees.

Our preliminary results indicate that the land registry functioned as a fiscal tool for the government and was sustained by the higher fees garnered from notaries and registrars. Consequently, despite politicians' public statements, the primary aim of the registry was fiscal rather than expanding the land market by facilitating transactions. Interestingly, due to the predominance of fixed fees, the burden of the registry was notably unequal, disproportionately affecting smallholders and provinces with small, fragmented estates. An unexpected consequence is that rural mortgage markets progressed in the regions with the most expensive plots and languished in the rest of the country.