Peer effects in the adoption of property rights: experimental evidence from urban Tanzania

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Abstract

This paper investigates the presence of endogenous peer effects in the adoption of formal property rights. Using data from a unique land titling experiment held in an unplanned settlement in Dar es Salaam, I show a strong, positive impact of neighbour adoption on the household’s choice to purchase a land title. I also show that this relationship holds in a separate, identical experiment held a year later in a nearby community, as well as in administrative data for over 40,000 land parcels in the same city. While the exact channel is undetermined, evidence points towards complementarities in the reduction in expropriation risk, as peer effects are strongest between households living close to each other and there is some evidence that peer effects are strongest for households most concerned with expropriation. The results show that, for better or for worse, households will reinforce each other’s decisions to enter formal tenure systems.

Keywords: Peer effects, Technology adoption, Land tenure, Tanzania, Unplanned settlements

JEL classification: P14, Q15

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