

[Download](#)
[Other Working Papers](#)

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor
Margarita Gáfaró
César Mantilla

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc).

Publication Date
Thursday the 26th of September, 2019

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

Divisions of rural land in developing countries reduce the possibilities of farmers to profit from agricultural returns to scale. We design and conduct a framed bargaining experiment to study whether land overvaluation (due to affective reasons) and uncertainty in land values are drivers for land division. In our bargaining game, two players with different agricultural productivity jointly inherit a land plot and individually inherit some tokens they can use to agree on a land allocation. The possible set of land allocations and the spread of land returns vary across treatment arms in the game. We conduct this experiment with 256 participants in eight rural municipalities of the Northeast of Colombia. We find that when players are allowed to divide the land plot, 75% of the bargaining interactions yield the most egalitarian, but less efficient, land allocations. Based on the predictions of a Nash bargaining model and the observations from a sample of 120 college students, we rule out land overvaluation as a driver for land divisions in the context of our game. We also find that uncertainty in land yields reduces the efficiency of land allocations when we do not allow land divisions, by increasing the likelihood of the least productive player keeping the entire land plot. Our results are consistent with a bounded rationality rule in which subjects incorporate a behavioral response to uncertainty by first bargaining over land, which is a certain outcome, and then bargaining over a token transfer.