

Fence Laws: Liability Rules and Agricultural Development

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Abstract

This paper uses the evolution of fence laws in the American West to show that liability assignment can influence resource allocation and productivity. Local fence laws assign animal trespassing liability to either farmers or livestock owners. I compiled a dataset documenting all county-level fence law changes from the earliest legislative session to 1930 for eight states on the Great Plains. I compare adjacent counties with different fence laws to identify the causal effect of liability assignment on agricultural development. Results show that liability assignments had persistent effects on land use, value of output, and settlement patterns. Shifting the liability from farmers to livestock owners increased acreage in farmland and, total value of output, and investment in machinery. These effects were driven by increase in total land used for agricultural production, with no detectable impact on average productivity or land concentration. On the other hand, increasing farmers' liability shifted the composition of land acquisition by reducing the share of land acquired through cash purchase, while it had no effect on settlement through homestead.

JEL Classifications: K11, D23, N41, N51, Q15

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