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**A “DE SOTO EFFECT” IN INDUSTRY?
EVIDENCE FROM
THE RUSSIAN FEDERATION**

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The empirical literature assessing the connection between land rights, access to finance and investment activity has focused largely on actors that, for multiple reasons, might face difficulties accessing credit. Communities of small-scale farmers or poor urban households in developing countries, that is, may not be the best place to look for evidence as to whether more secure land rights are sufficient to facilitate borrowing by providing borrowers with a collateralizable asset. We explore this relationship in a setting in which financial market frictions are apt to be less severe – *i.e.*, among large, urban, industrial enterprises. Exploiting policy-induced variation across Russian regions, we use recently-collected survey data to show that private rights to land do indeed facilitate access to external financing and promote investment. This finding is supplemented by additional survey evidence that points to private land serving as an important source of collateral.

Keywords: industrial land, property rights, Russia, collateral.

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1. Introduction

Over the past two decades, the strengthening of land rights has become one of the most widely discussed policy prescriptions for reducing financial market frictions and promoting private investment in low and middle income countries. Land ownership, it is said, provides borrowers with an attractive form of collateral that can ease access to external finance. Moreover, by raising the cost of expropriation, it has the potential to provide those with the land use rights greater assurance that the return on new investments can be realized. Though the logic here is not unreasonable, convincing empirical support has been elusive. But it is worth noting that research to date has concentrated on small-scale producers that inhabit environments that may lie beyond the frontiers of formal finance. The literature, that is, is devoid of studies focusing on actors in environments in which non-land-related financial market frictions are apt to be less severe than those confronted by small-scale farmers and poor urban households. This paper looks to step into that gap. We exploit a recent survey of large, urban, industrial enterprises in Russia and a quasi-experiment occasioned by the country's post-communist land reform to explore whether private land ownership increases access to finance and promotes investment.

Though Russia launched privatization rapidly in the 1990s, it followed a different path than many Central and Eastern European countries. Rather than simultaneously privatizing enterprise capital and land, Russia's program applied only to equipment, buildings and other structures. Land plots remained state-owned. Largely for reasons of expediency, a fundamental principle of market economies that the ownership of surface objects derives from ownership of the land underneath (*superficies solo cedit*) was thus initially ignored. Today, however, the situation is different. A cursory study of Russia's urban, industrial land reveals a patchwork quilt of tenure rights. As early as the mid-1990s and particularly over the past decade, some regions responded to federal initiatives to liberalize land rights, including for those enterprises that had been previously privatized; others, in spite of federal pressure, have proceeded much more slowly, if at all.

The relationship between land, on the one hand, and finance and investment, on the other, has been popularly associated with the Peruvian economist, Hernando de Soto, who portrays the extension of widespread private land tenure (and the institutional infrastructure to

support it) as a critical step in the development process. Indeed, he describes the inability of entrepreneurs to pledge fixed assets, notably land, over which they have user rights but not formal title as “the major stumbling block that keeps [the Third World and former Communist nations] from benefiting from capitalism ...” (2000, 6–7). Though skeptically received in some quarters, scholarly interest in this relationship – referred to recently as the “de Soto effect” (Besley *et al.*, forthcoming) – has been appreciable. But among sophisticated analyses that confront the potential endogeneity of land tenure, findings have been mixed. Besley (1995) presents evidence consistent with land rights being un-related to credit access among Ghanaian farmers. And Braselle *et al.* (2002) find no systematic relationship between land tenure security and investment across household farms in Burkina Faso. While Field (2005) and Galiani and Schargrodsky (2010) find that urban squatters in Lima and Buenos Aires, respectively, invest more in their properties after being granted formal tenure, their evidence suggests that increased access to credit is not primarily responsible.¹

Is the “de Soto effect” a chimera? Do stronger rights over fixed assets, namely land, not improve access to credit and increase investment? We find it plausible that scholarship to date may have been too restrictive as to the settings in which these connections were explored. Indeed, as some of the authors of the above-noted studies themselves observe, non-land-related factors may explain the weak connections between strengthened property rights and credit access. That is, regardless of whether or not they have title to their land, the farmers and urban households that have received scholarly attention may face other barriers – *e.g.*, scale and location – that limit their access to lenders that, all else equal, would value titled assets pledged as collateral. The same concerns cannot be said to apply to the urban, industrial firms that are our focus here.

In the following, we first demonstrate the expected unconditional and conditional correlations between land tenure, on the one hand, and credit access and investment intensity, on the other. Privatized firms that own their land express both greater ease in accessing credit and more intense investment activity. We show that these relationships are robust to a wide variety of firm-specific and regional controls, including regional fixed effects. But while these

¹ Others that have focused on the link between land tenure and credit market access include Field and Torero (2006) who find that an urban titling program in Peru did not increase commercial lending. Others that have looked at land rights and credit in the context of the more general question about investment activity include Alston *et al.* (1996) and Do and Iyer (2008).

correlations are consistent with causal effects, they are not interpretable as such given that the allocation of land rights may be endogenous. We confront that problem here by taking advantage of the aforementioned policy-induced variation across Russia's territorial units. Geography (*i.e.*, the regional policy *vis à vis* land), we argue, has an exogenous effect on the current tenure status of firms' production plots. Some firms happen to be in regions in which the "price" for privatizing urban land is low; and some happen to be in regions in which the "price" is high. Using a proxy for these policy differences to instrument for the current tenure status of the firm's primary production plot, we continue to observe that firms that own their land have both greater access to capital and more intense investment agendas. That is, we provide what we believe to be the first support for a "de Soto effect" in industry.

The paper is organized as follows. Section 2 briefly lays out changes over the past generation in the policies governing Russia's non-agricultural commercial lands and highlights the persistent inter-regional differences. Section 3 introduces a unique survey of large urban industrial enterprises. In section 4, we explore the relationship between the tenure status of enterprises' primary production plot, their self-reported ease in accessing credit and the intensity of their investment activity. Section 5 provides robustness checks and uses the survey to make a fuller case as to the validity of assumptions guiding the analysis. Section 6 concludes.

2. Land policy at the federal and regional levels²

Issues surrounding land tenure seem to have been all but forgotten in commentary on Russia's industrial privatization.³ This is odd. Considering the centrality of industry to Soviet-era urban development, some of the choicest real estate in Russia's largest cities is given over to industry (Bertaud and Renaud, 1997).⁴ Further, given the non-competitive technologies in

² This section draws on Khakhalin and Pyle (2009).

³ For example, see any of the Russia-focused empirical studies referenced in the widely-cited literature review of Estrin *et al.* (2009). Even though several speculate as to why privatization seems not to have produced the desired results in Russia, none note the potential role of the ambiguous rights over land.

⁴ The Soviet economic model emphasized rapid urbanization and built up population centers whose spatial distribution came to look little like those elsewhere in the world. Because of the suppression of markets and the priorities of planners, a disproportionately large share of urban land was given over to industry. Though this pattern persisted into the post-Soviet era, evidence has been accumulating that as the share of industry in the economy declines and as state control over valuable urban land is weakening, the allocation of space across different economic uses is changing (Makharova and Molodikova, 2007; Molodikova and Makharova, 2007).

use at many Soviet enterprises on the eve of market-oriented reforms, land likely accounted for a substantial share of enterprise asset value when privatization was launched. Very few commentators on Russia's privatization, however, have paid attention to the split of ownership rights over the complementary land and capital assets or thought to attribute the slow pace of industrial restructuring to it.⁵

Bucking centuries of tradition to the contrary, Russia's 1993 Constitution enumerated a right to private land ownership. But subsequent efforts to give specific form to that language – including Presidential Decrees, chapters in the Civil Code enacted in 1994 and 1995, and disparate pieces of legislation – produced a body of law that was seen as “incomplete ... and sometimes ambiguous” (Kaganova and O’Leary, 1997).⁶ Nevertheless, between 1994 and 1997, an estimated 34.5 thousand hectares, across roughly 50 Russian federal subjects, were transferred to private enterprises.⁷ In May 1997, a new presidential decree granted regional administrations near full discretion in establishing land sale prices. Thereafter, land prices began to vary significantly across Russia. Over the next several years, the pace of enterprise land privatization decreased dramatically (Kaganova, 1998; Limonov *et al.*, 2001). Since sub-federal administrations were given greater control to set lease rates on state-owned land than tax rates on enterprise-owned land, they had an incentive to make land privatization procedures complex, expensive and time consuming. In 32 regions, land privatization was banned either by laws that contradicted federal legislation, by popular referenda, or by provisions added to the region's constitution. Moscow's Duma, for instance, passed a resolution that land plots occupied by privatized enterprises could be leased but not sold.

Most privatized enterprises initially held the lands they occupied under the right of *permanent (perpetual) use*, a Soviet-era form of land tenure, which granted its holder a right to use and build on a parcel but not to dispose of it through, for instance, sale to another party. This form of land tenure, re-enumerated in the Russian Civil Code of 1995, was characterized

⁵ Exceptions to this rule include Boycko *et al.* (1995), Heller (1998) and McKinsey Global Institute (1999).

⁶ Presidential Decree 1535, issued in July 1994, spelled out procedures for acquiring the lands underneath privatized, non-agricultural enterprises. In conjunction with a 1995 decree that reduced the purchase price of enterprise-occupied land, it paved the way for a number of privatized enterprises to take ownership of their land plots.

⁷ This paper uses the terms Russia's federal subjects and regions interchangeably. The Russian Federation currently is comprised of 83 federal subjects (including Moscow and St. Petersburg), each with equal representation in the Federation Council.

as permanent only because a termination date was not specified. If the government did dispossess a permanent use holder of its lands, it faced a legal obligation to provide compensation at market value.

A breakthrough in the enterprise land privatization process occurred in 2001 when the Putin administration successfully pushed through the Duma the Russian Federation Land Code. Designed to reinvigorate the process begun in the mid-1990s, it laid out mechanisms to force divestiture of state lands under privately owned structures and to unify titles to land and buildings. For instance, it called for the ownership of real estate objects to henceforth follow ownership of the attached land plot; it granted exclusive right to purchase or lease state-owned land to the owner of the attached real estate object; it gave to private owners of buildings on land plots owned by other private parties the pre-emptive right to purchase the land; and it prohibited the future privatization of real estate objects without the concurrent privatization of the attached plot (Remington, 2002; *Survey of Land*, 2006).

Perhaps most notably, the Land Code sought to bring an end to the rights of permanent (perpetual) land use by requiring private enterprises to convert from the Soviet-era form of land tenure to rights of ownership or lease by January 1, 2004. Further, the upper bound limiting the price that regional administrations could charge for enterprise land was reduced and their land sale legislation was to be brought into line with federal law. Although this legislative push did lead to an increase in the re-registration of enterprise land rights in many regions, its impact was not as great as anticipated. In an effective capitulation to the resistance the new provisions were encountering, the original deadline for converting rights of permanent use was first pushed back two years to 2006, then again to 2008, and most recently to the summer of 2012.

The response of sub-federal jurisdictions to the 2001 Land Code has varied tremendously. In some municipalities, a substantial share of land – including parcels that were unimproved and those under privatized enterprises – has now been sold off to the private sector; in others, such as Moscow, the municipal government retains an effective ownership monopoly (Kisunko and Coolidge, 2007; *Survey of Land*, 2006). More recently, the long-awaited Federal Law 212, the so-called “Major Amendments to Land Privatization Legislation” enacted in July 2007, seemed to hold out the promise of resolving, once and for all, ambiguities surrounding the ownership of enterprise land. But many local administrations

continue to put up resistance. Although Law 212 laid out a new mechanism for establishing the purchase price of plots, requiring that it not exceed 2.5% of the cadastral value (20% in Moscow and St. Petersburg), evidence suggests that some regions responded by rather capriciously increasing cadastral values so as to discourage land purchases. Regional and municipal governments have also maintained an array of formal and informal barriers to limit competitive access to previously unused urban parcels.⁸ Even today, the business press is filled with stories of how some region-level bodies attempt to undermine the intent of federal legislation (Vasilieva, 2011; Yel'kina; *Interfaks*, 2011).

Regional officials, in other words, have effectively been able to manipulate the “price” for privatizing a hectare of urban land. When given the discretion, as in the 1990s, they have done so explicitly and directly (Kisunko and Coolidge, 2007). At other times, when their policy autonomy has been more circumscribed, in a formal sense, some tinkered with the “price” indirectly by rather capriciously raising the cadastral values that serve as the basis for a plot’s price. They also have been able to raise prices implicitly by putting various bureaucratic obstacles in the way of firms. Regardless of the mechanisms used, the regional variation in the price can be seen as exogenous to the decisions of individual firms.

The reforms set in motion over the past two decades have been such that up until the present year industrial enterprises have operated under one of three land tenure regimes. Some have formal private title to their land; some lease, making regular rental payments to government agencies; and yet others have continued to occupy their land under the old Soviet-era legal framework. Within urban settlements, firms now own 247.8 thousand hectares compared to 7108.0 thousand held by the state and municipalities. Since the passage of the 2001 Land Law, this relationship between private and state lands has changed dramatically; the ratio of the former to the latter has grown at roughly 18% per year on average. Indeed, looking at enterprise land alone, the past decade could be described as one of rapid privatization, a characterization much at odds with the standard story that in Putin’s Russia, privatization “stalled” and the share of Russia’s GDP produced by private enterprise

⁸ One recent analysis suggests that the inability to access land on transparent terms constitutes as big an obstacle to business development in Russia as anywhere in the world (Muir and Shen, 2005). And among Russian enterprises that have direct experience with them, difficulties in acquiring land are more problematic than problems with bribery, the courts or access to finance, all matters that tend to receive more attention (*Survey of Land*, 2006). Similar results have been found in research focusing on the barriers to small businesses development (Zhuravskaya *et al.*, 2005).

fell (Aslund, 2007, 251). Figure 1 captures the six-fold increase from 2001 to 2010 of land ownership by enterprises in urban settlements.

As suggested above, the national-level data mask a great deal of variation in the pace of non-agricultural land privatization across regions within Russia. Comprehensive data on land ownership at the level of Russia's eighty-plus territorial subjects is hard to come by. By far the most complete source of data on regional land stocks that we have uncovered was made available by the Federal Agency for the Real Estate Cadastre (*Roskadastr*); specifically, these data address stocks as of January 1, 2008.⁹ Similar data from earlier years were not, to our knowledge, ever made available. In March 2009, the agency was subsumed by the Federal Service for Registration, Cadastre and Cartography (*Rosreestr*). Of the 7875.5 thousand hectares of land in urban settlements, the *Roskadastr* data designated roughly 45% (3512.2 thousand hectares) as residential-commercial-industrial land.¹⁰ Of Moscow's 109.1 thousand hectares, for instance, roughly 77% was so described, as were half of St. Petersburg's 139.9 thousand hectares.¹¹

In the absence of any indicators that describe the uses of land more finely, we interpret the ratio of urban residential-commercial-industrial land owned by enterprises and that owned by government entities as a good measure for the pace and extent of urban industrial land privatization in a particular region. And below, we present evidence that this index of urban industrial land ownership is a good proxy for the policy orientation of Russia's federal subjects *vis-à-vis* land reform. Table 1 lists the index by territorial subject as well as the number of enterprises that participated in the survey discussed below.

3. Survey of large, urban, industrial firms

To understand the effects of industrial land privatization, we collaborated with Moscow's Levada Centre to design and administer a survey of 359 large, urban industrial

⁹ The website with the comprehensive regional data was at http://www.kadastr.ru/available_land_2008/. After *Roskadastr* was subsumed by *Rosreestr*, the website was no longer available.

¹⁰ Formally, *Roskadastr*'s designation encompasses "lands for residential and commercial structures as well as lands for industry, transport and communications" (земли жилой, общественно-деловой застройки, земли промышленности и общего пользования, а также транспорта, связи и инженерных коммуникаций, земли иного специального назначения).

¹¹ Within the Russian capital, after all, a good amount of land is given over to parks and largely un-developed green spaces; within the city limits of St. Petersburg, roughly 20,000 hectares is designated as arable agricultural land.

enterprises in the fall of 2009. To focus on firms likely to operate on large plots of land, we addressed only those that had at least 500 employees in 2007. We also restricted analysis to former state-owned enterprises that had been founded prior to 1986 but privatized prior to 2004. By design, roughly half of the firms were from regions with more “progressive” policies vis a vis urban land (*i.e.*, in the top third of the regions in Table 1). Just under one fifth of the firms were in either Moscow or St. Petersburg, Russia’s two largest cities. The rest were distributed relatively equally across cities (each a capital of a territorial subject) of three different size ranges: 1 to 3 million; .5 million to 1 million; and .25 to .5 million. In all, the respondents represented 53 territorial subjects (see Table 1).¹²

Respondents answered general questions regarding their firm as well as those specifically addressing land-related issues. A series of questions addressed the firm’s primary production plot, with separate blocks designed for plots of different tenure status – *i.e.*, private, leased, or permanent (perpetual) use.¹³ Of survey respondents, 172 own their primary production plot, 131 lease and 56 hold it in perpetual use rights. Table 2 presents characteristics of the enterprises, their primary production plots, and responses to questions regarding financing, investment and barriers to operation.

All respondents were asked to assess on a scale from 1 to 5, how problematic difficulties in accessing credit were to their operations (with 1 representing “not at all” and 5 representing “extremely problematic”). As shown in Table 2, firms that hold their primary production plot under permanent (perpetual) use rights – the weakest form of tenure – are more apt to view credit access as a barrier than firms that own or lease their land. Responding to a similarly-scaled question about investment activity at the enterprise in 2009 (with 1 representing “no investment activity” and 5 representing “intense investment activity”), firms that owned their plot reported greater intensity; and firms operating under permanent (perpetual) use rights indicated less.

¹² Pilot surveys were administered in the summer of 2009. Of those firms contacted to participate in the survey, 429 refused categorically; 308 did not refuse outright but did not end up participating for one reason or another (*e.g.*, the surveying organization had some difficulty in settling on a mutually convenient time); at 42 firms, the necessary respondent was absent (*e.g.*, due to illness or vacation); finally, 458 did not complete the survey because they did not make it through the filtering questions that related to their sector, ownership status, year of privatization and/or employment size.

¹³ Another series of questions asked about up to three additional plots attached to the firm at the time of the survey. One more block focused on plots that had been seized or sold in the recent past. Finally, respondents answered a series of questions regarding the development of the land market in their regions.

Firms in the sample had at the time of the survey, on average, over one thousand employees and had been privatized nearly 15 years prior.¹⁴ Firms with permanent (perpetual) use rights report experiencing the most difficulties with a set of commonly-reported problems – inadequate working capital, overdue accounts receivable, government corruption and (non-property) taxes – and those that own their plots report the least; this latter difference, however, is not statistically significant. Because of the prominence of leasing rights in Moscow where 48 of the respondents are located, we see that firms with private ownership or permanent (perpetual) use rights are, on average, located in smaller cities. About one-quarter of respondents report belonging to a commercial group, some of which may support internal capital markets and ease financial market frictions for their members (Perotti and Gelfer, 2001). We observe that the ownership profile of firms varies somewhat across land tenure status; for instance, the ownership rights of foreigners in firms that hold their plots under perpetual use rights appear relatively weak. Firms that own their plots are, on average, more profitable than others but the difference, according to our rather coarse 2–6 profitability scale, is not statistically significant.¹⁵

About 80 percent of the plots of land designated at the time of the survey as the enterprise's primary production plot had been attached to the enterprise at the time of the enterprise's privatization; a small minority of the plots under consideration, that is, was acquired after privatization. Roughly half of the primary production plots were located on the city's edge, as opposed to somewhere near the center or "historic district." And a small number had been categorized as the "most hazardous" type of urban land from an environmental perspective.

Among the firms that own their primary production plot, the median year for its privatization was 2003. Two-thirds of these plots had been held in perpetual use prior to privatization, whereas the remainder had been leased. The transition from lease-holding to private ownership became more common in more recent years. Sixty-seven firms paid less than the full cadastral value to purchase the plot (an average rate of 5.6% of the cadastral

¹⁴ The median year of privatization was 1993. All had been privatized by the end of 2004. Ninety percent of those surveyed had been privatized prior to 2001.

¹⁵ This variable was constructed by summing up scaled responses to questions on profitability in 2007 and 2008 in which a response of 1, in a given year, was equivalent to being loss-making, 2 to being neither profitable nor loss-making and 3 to being profitable.

value, and a median of 2.5%); 41 paid the full cadastral value; and 20 report paying a price tied to the annual land tax (an average factor of 9 times greater, and a median of 5.5); four had “other” arrangements; and the rest did not answer that question.¹⁶

4. *Plot tenure status, access to credit and investment intensity*

Table 2 documents strong unconditional correlations between the ease of access to credit and investment intensity on the one hand, and plot tenure status on the other. Firms that own their plot report fewer problems with accessing credit and higher investment activity. The reverse holds for firms enjoying perpetual use rights rather than full property rights. These correlations, however, do not imply causality. They may very well be driven by other firm or plot characteristics. Table 2 indeed shows that some firm or plot characteristics other than ownership or usage rights vary considerably across plot-ownership-type groups. To explore whether the unconditional correlations between our main variables survive the presence of various firm and plot controls we employ a multiple regression framework estimating the following ordered probit models.

$$A_{i,j} = \alpha + \varphi T_i + Controls + \varepsilon_i \quad (1)$$

The dependent variable $A_{i,j}$ is the answer (expressed as the value of an ordered variable from 1 to 5) for the i^{th} firm to the j^{th} question ($j = 1$ or 2). For $j = 1$, the question addresses the degree to which difficulties with accessing credit pose a severe problem for the firm; $A_{i,1}$ varies between $A_{i,1} = 1$, denoting no problem at all, and $A_{i,1} = 5$, denoting a severe problem. For $j = 2$, the question addresses the intensity of the firm’s investment activity (on fixed capital, equipment, buildings and land) in 2009; $A_{i,2}$ varies between $A_{i,2} = 1$, denoting no activity at all, and $A_{i,2} = 5$, denoting intense activity.

T_i is a dummy representing the tenure status of the i^{th} firm’s primary production plot. In most specifications, $T_i = 1$ if the plot is owned privately. In some specifications though, we include dummies that capture whether the plot is leased or held under permanent (perpetual) use.

¹⁶ A substantial majority of firms that own their plots report paying a 1.5% land tax rate; 28 pay less, with the low being 0.4%. The average of all firms that report a specific rate is 1.4%.

Our baseline specification contains a control for the firm's average assessment of the difficulty posed by four potential problems (in a manner similar to the dependent variable relating to difficulties accessing credit): taxes (not related to property), corruption, overdue accounts payable and inadequate (own) working capital. That is, respondents were asked to assess on a scale from 1 to 5, how problematic difficulties in these areas were to their operations (with 1 representing "not at all" and 5 representing "extremely problematic"); the responses across each of these four categories were summed and then divided by four. The baseline specification also controls for the (log) number of years since the firm (not the plot) was privatized, the (log) number of full-time employees, and the population of the city in which the firm is located.¹⁷

The first set of additional controls we add to this baseline specification consists of characteristics of the primary production plot. These include dummies for being located on the edge of the city, for being attached to the firm at the time of the firm's (not the plot's) privatization, for being the only plot attached to the enterprise at the time of the firm's (not the plot's) privatization and for being designated as the most dangerous in terms of environmental hazards. An additional plot-specific control captures on a 1–3 scale the number of enterprises in the plot's immediate vicinity: 1 represents none, 2 represents one or two and 3 represents more than two.

The second set of additional controls capture features of the firm's ownership structure. These include a dummy variable that takes on the value of one if the firm is a member of a commercial group (*e.g.*, a financial-industrial group or a holding company). Additional ownership variables measure on a 0–4 scale the ownership influence of foreigners, the State Property Fund, non-management labor employed by the firm and Russian individuals not employed by the firm; a score of 0 is recorded if there is no representation of the given group among shareholders, 1 is equivalent to the group being represented but having little influence on the strategic direction of the firm, 4 denotes the group having a great deal of influence.

We further control for a firm's recent financial health by including an ordered variable, scaled from 2 to 6, constructed by summing answers to questions on profitability in

¹⁷ The city size variable is scaled from 1, cities under one-quarter million, to 5, cities over three million.

2007 and 2008 in which a response of 1, in a given year, was equivalent to being loss-making, 2 to being neither profitable nor loss-making and 3 to being profitable.

Some models include controls for a set of regional characteristics plausibly connected to regional land policies and credit market developments. Growth of loans to firms over 2005–2009 captures recent financial market development.¹⁸ Five additional controls are drawn from a well-known expert survey characterizing political and economic differences across regions: (1) economic liberalization, with a focus on regional privatization legislation and jurisprudence; (2) corruption among the economic and political elites; (3) the strength of local self-government; (4) the quality and turnover among local elites; and (5) a composite index of six other dimensions related to regional democracy.¹⁹ In the two last specifications, we add a set of sectoral fixed effects. And in the final one, we replace the regional characteristics with a set of regional fixed effects.

Table 3 lays out the results from the ordered probit models. We observe a strong correlation between private land ownership and both dependent variables. Across specifications, firms that own their plot report less difficulty accessing credit (the negative coefficients for private plot status in the left panel of Table 3) and higher investment intensity (the positive coefficients in the right panel of Table 3). Conversely, firms that hold their land under the least secure tenure status – permanent (perpetual) use – report more severe problems accessing credit than private land owners and comparatively little investment activity (see the second specification in both panels of Table 3). These results are in line with our central “de Soto effect” hypothesis that property rights facilitate access to credit and stimulate investment. Consistent with expectations, firms that belong to commercial groups, which are located in larger cities and which have been privatized longer report less problems with accessing credit.

We do not observe and, therefore, cannot include in our estimations all potential factors affecting access to credit and/or investment intensity. As a result, there always remains a non-zero probability that the negative (resp. positive) plot tenure coefficients in credit access (resp. investment intensity) regressions of Table 3 pick up another causality story than

¹⁸ *Source*: Bank of Russia (www.cbr.ru).

¹⁹ More information on the construction of the variables and the data themselves are available on http://atlas.socpol.ru/indexes/index_democr.shtml

we claim. The conjecture, for example, that some unobserved factor affects access to credit, which in turn determines a firm's ability to purchase its plot and engage in other types of investment activity, is not inconsistent with our results of Table 3. Causality, that is, may run from the excluded factor over access to credit to land acquisition and investment intensity. Alternatively, some unobserved factor may influence all three variables (the decision to buy land, access to credit and investment intensity) without there being any causal links among them, such that the results in Table 3 reflect omitted variable bias. To address both types of identification problems we resort to instrumental variables, a strategy widely noted in the empirical literature devoted to assessing the economic effects of property rights. Specifically, we propose to use the regional urban, industrial land privatization index (Table 1) to instrument for the tenure status of a firm's primary production plot. As we noted in the earlier sections, in spite of federal-level efforts to control the policy environment from the center, regional officials have been able to affect the difficulty, or "price," of privatizing plots. We interpret this land index as capturing the well-documented variation in land policy across regions in a manner that is exogenous to individual firms.²⁰ Where the regional land index is high, that is, we interpret the policy environment as having been conducive to plot privatization; firms, that is, have faced a lower "price" in converting the tenure status of their production plots to private ownership. We further believe that this index is a suitable instrument because it plausibly can be excluded from the second stage of the IV-model since it is difficult to conceive of an alternate, unobserved channel through which land policy might affect access to credit and investment intensity.

We of course have some anecdotal evidence to support our interpretation of the land index as a suitable proxy for land policy. The city of Moscow's Duma, for instance, passed a resolution in the 1990s that land plots occupied by privatized enterprises could be leased but not sold; further, it is well-documented that the capital's policy environment, despite the passage of the 2001 Land Code, has subsequently remained particularly hostile to plot

²⁰ A claim of exogeneity implies that the regional share of private land is not influenced by any of the surveyed firms that own their primary production plot. For all intents and purposes, this is the case. Of the 359 firms in the database, only six report owning production plots (privatized before 2008) whose area accounts for more than ten percent of the region's urban private commercial/residential land in 2008 (i.e., the numerator in our land index).

privatization (Kisunko and Coolidge, 2007). Looking at Moscow's score on our land index, we indeed observe that it is one of the lowest.

We would, however, like to provide more comprehensive support that the index captures land policy variation across regions. We thus look at responses to one of our survey questions that was asked of firms that had actually gone through with plot privatization. Each evaluated on a 1–5 scale the severity of eight different potential obstacles confronted when trying to privatize its primary production plot. One of these was the opposition of local officials to the privatization of the primary production plot. Just over half of the 169 firms that answered this question responded “1,” indicating no problem posed by local officials. Just under 10% of firms, however, responded “5,” reflecting that local officials had been a particularly severe obstacle to the process' completion. The average response was 2.1.

If our land index captures the policy variation that we claim, we would expect that it would explain the variation in the response to this question. That is, we would expect a negative correlation between its value and the assessment of individual firms – specifically, those that had experienced the process of plot privatization from beginning to end – as to the degree of opposition presented by government officials. We present tests for this relationship in Table 4. Controlling for the same firm and plot characteristics we included in Table 3, as well as for the seven other perceived barriers to plot privatization, we see that when looking at all firms that own their primary production plots (column 1) that those located in regions where the index of land privatization is high are less likely to characterize government opposition as an important barrier to plot privatization.²¹ This effect is statistically significant at the 5% level.

As described, our identification strategy relies upon an assumption that the firms make decisions about the tenure status of their plots in response to a policy environment that affects the “price” of privatizing their plots. Of course, some firms took ownership of their plots early in the post-communist period, responding to reforms in the Yeltsin years; the majority, however, have privatized their land more recently, after the passage of the Land Code. By using an instrument that measures the stock of urban land that had been privatized by 2008,

²¹ We control for the average of the firm's responses to the other “barrier” questions so as to diminish the likelihood that results are driven by unobserved variation in firms' willingness to respond with systematically higher or lower responses across all barriers.

we assume that the pattern of regional policy variation in the year prior to the survey is similar to the pattern that prevailed earlier. That is, in general, regions that were amenable (hostile) to plot privatization later in the reform period were also more amenable (hostile) earlier on. We put this assumption to the test in columns 2 and 3 of Table 4. In column 2, we run the same model that we ran in column 1 but include only those firms that had privatized their plots before 2005; this leaves us with about two-thirds of the firms that report owning their primary production plots. In column 3, we run the same model as in column 1 but, this time, include only those firms that had privatized their plots after 2000. Again, we are left with about two-thirds of all firms that had privatized their plots. In both cases, we observe that their perception of government opposition is inversely related to the land index. That is, whether we consider firms that privatized plots early or late, our land index does a nice job of explaining perceptions of government resistance, a finding consistent with the index capturing a consistent pattern of regional policy variation across time.

It is, of course, possible that regional variation in land policy is correlated with regional variation in other policies that might influence bank behavior or the investment climate (such as pro-market environments, political structure, *etc.*). This possibility necessitates the inclusion of controls for those other regional policies and characteristics. We thus include the already discussed set of regional controls in both the first and the second stage of all IV specifications: growth of loans to firms over 2005–2009²², economic liberalization with focus on regional privatization legislation and jurisprudence, corruption of the economic and political elites, the strength of local self-government, the quality and turnover of local elites, and a composite index capturing the quality of democracy. We lay out the results of this IV approach in Table 5.²³

²² As an alternative control for financial market development we use the 2009 ratio of loans to firms to gross regional product. Our main results are robust to this change.

²³ Given that our dependent variables (access to credit and investment intensity) are ordinal, while the endogenous regressor, plot tenure status, is binary, we cannot rely on the standard Two-Stage Least Squares estimation procedure, which is known to work only approximately in these circumstances (Miranda and Rabe-Hesketh, 2006). Instead, we estimate the model in one step by maximum likelihood using a Stata routine, *ssm*, which, in turn, is a “wrapper” for another routine, *gllamm*, designed to estimate endogenous switching models. The set up in these models is comparable to TSLS: *the switching equation* (probit) is similar to the first stage regression and models plot tenure status as a function of land index (instrument) and all other explanatory variables; *the outcome equation* (ordered probit) is similar to the second stage regression and models credit access/investment intensity as a function of (predicted) plot tenure status and all other explanatory variables (for details see Miranda and Rabe-Hesketh, 2006).

The first stage IV regression results show that the regional land policy index strongly predicts private plot status across specifications. The fact that we observe in our IV models that surveyed firms are more likely to have taken ownership over their primary production plot in regions where the index of urban industrial land privatization is high, even after controlling for a number of firm and plot-specific characteristics, gives us confidence that the index indeed captures the land policy variation we have argued it does and is therefore an appropriate instrument. The second stage results show a statistically significant negative relationship between the predicted value of private plot status and the firm's reported difficulty in accessing credit, while finding a statistically significant positive relationship with the firm's investment intensity. This is true for all specifications. The instrumental variables estimation results therefore reinforce the ordered probit regression results of Table 3. Our instrumental variable regressions, in other words, provide further support for a "de Soto effect" in industry.

5. *Robustness and additional survey-based evidence*

We test the robustness of results presented above by addressing potential sources of reverse causality. First, with respect to the credit access regressions presented in Table 3, it is worth noting that the dependent variable is not time specific. Firms reporting no problems with credit access at the time of the survey may also have had no problem accessing credit in earlier years. Those firms, in turn, may have used that access to more easily purchase their plots. Causality, that is, might run in part from access to credit to land acquisition rather than the other way around. We address this potential explanation through the IV strategy presented in Table 5. But we also can address it more directly by repeating our most sophisticated regression of Table 3 above and then eliminating from the sample firms that have privatized their plots in the most recent years. In Table 6 we do precisely this. The first column includes all sample firms and simply repeats the regional fixed effects specification from Table 3. Subsequent columns in Table 6 represent the same specification but progressively eliminate firms that privatized their plots after 2009, those that privatized their plots after 2008, and so on, until finally eliminating those that privatized their plots after 2005. As can be seen, the number of sample firms gradually diminishes, but the relationship between private plot status and access to credit remains intact. If anything, the coefficient on plot tenure status even

becomes greater showing the possible reverse causation story outlined above is not a concern. The relationship between tenure status and credit access in Table 3 is not a function of firms that have had easier access to credit in the five years prior to the survey purchasing their plots.

A slightly different reverse causality concern arises in the investment intensity regressions. Recall that the investment question is time specific; firms, that is, were asked about activity in 2009. We thus cannot rule out the possibility that a portion of 2009 investment includes payment for the primary production plot. To eliminate this as a possible explanation for the relationships we highlight above, we redefine our independent variable of interest to be one only if the firm owned its plot prior to 2009. We then repeat the earlier ordered probit regressions of Table 3 and the IV regressions of Table 5. The results reported in the two panels of Table 7 confirm our previous findings that private land ownership drives investment activity and not the other way around.

Finally, we draw attention to additional questions from the survey that draw out the respondent's opinion about the relationship between land and credit. Economic research tends to discount evidence gleaned from asking respondents their personal thoughts on the relationship between two variables; it tends to be better form, that is, to demonstrate the relationship between those two variables with statistical and econometric tools. But having done the latter already, we look to specially crafted survey questions for additional evidence that buttresses what we have presented in prior sections. One question, for instance, was asked about the prevalence of requirements to pledge land as collateral to secure external financing: "According to your experience, and those of your business colleagues ... how frequently do banks demand as collateral to secure a long-term loan, the plot of land on which the firm's production takes place?" Of all respondents, 38.3% characterized the practice as extremely common (*i.e.*, "5" on a 1–5 scale). And over half responded with a "4" or "5". Although these responses indicate that pledging land is widely perceived as critical to accessing external credit, the question's wording does not clarify the extent to which lenders attach different collateral values to plots of different ownership types. Fortunately the questionnaire also contains an additional question about the specific motivation for privatizing the primary production plot, that was only posed to those firms that had actually completed the acquisition of their plot. On a 1–5 scale, 42.4% of the firms cited access to external lending as an extremely important (a "5" on the scale) motivation for acquiring their

plot. Perhaps not surprisingly, this motive was even more popular among managers at firms that privatized their plots after the passage of the Land Code when financial markets were better developed.

6. Conclusion

Do enterprises that own their plots behave differently than those that do not? Do they have more success in accessing external finance and are they more likely to invest at greater rates? The tremendous inter-regional variation in the pace of land rights reform in Russia has meant that geography has helped determine the current tenure status of a firm's primary production plot. By exploiting this quasi-experiment, we present evidence that suggests that more secure rights to land, indeed, facilitates access to external financing. This finding is confirmed by other evidence from our survey that points to the "de Soto effect" as an important motive for otherwise private firms taking ownership of their plots.

Table 1. Urban commercial-residential-industrial land owned by firms relative to that by state & municipalities (%)

		surveyed firms			surveyed firms
Belgorod	24.9	6	Tver	2.2	2
Vologoda	23.8		Tula	2.2	6
Tatarstan	18.9	13	Krasnodar	2.2	5
Lipetsk	14.8	10	Chukotka	2.2	
Novgorod	8.2	4	Sakha	2.1	
Orenburg	8.1		Oryel	2.0	
Kemerovo	7.4	5	Ingushetiya	2.0	
Tyumen	7.3	3	Samara	1.9	9
Khakasiya	6.4		Krasnoyarsk	1.9	3
Irkutsk	6.4	6	Bryansk	1.8	5
Chuvash	6.0	2	Kaliningrad	1.7	3
Sverdlovsk	6.0	17	Ivanovo	1.6	4
Novosibirsk	6.0	3	Tambov	1.6	4
Tomsk	5.5	8	Adygeya	1.6	
Smolensk	5.1	7	Altai k.	1.6	2
Chelyabinsk	4.8	17	Udmurtia	1.5	4
Leningrad	4.6	6	Buryatia	1.5	3
Rostov	4.5	10	Arkhangelsk	1.4	4
St. Petersburg	4.4	24	Murmansk.	1.4	
Karachevo-cherk.	4.4	1	Ulyanovsk	1.2	3
Kirov	3.9		Chita	1.0	
Kurgan	3.9	2	Kabardino-Balk.	0.9	
Nizhny Novgorod	3.9	14	North Ossetiya	0.9	
Kareliya R.	3.7	2	Volgograd	0.8	9
Vladimir	3.6	3	Mordovia	0.7	
Kursk	3.5	3	Penza	0.7	5
Yaroslavl	3.3	8	Astrakhan	0.5	1
Komi R.	3.3		Bashkortostan	0.5	11
Stavropol	3.3	6	Sakhalin	0.5	
Primorye	3.3		Omsk	0.4	7
Kaluga	3.1	5	Amur	0.4	
Ryazan	3.1	5	Moscow city	0.2	48
Perm	2.8	13	Khabarovsk	0.1	2
Marii El	2.7		Kalmykia	0.0	
Pskov	2.5	1	Altai r.	0.0	
Kostroma	2.4	5	Tuva	0.0	
Daghestan	2.4		Kamchatka	0.0	
Voronezh	2.3	4	Magadan	0.0	
Moscow o.	2.3	1	Jewish A.O.	0.0	
Saratov	2.3	5	Chukotka	0.0	

Data source: http://www.kadastr.ru/available_land_2008/ and author survey.

Table 2. Characteristics of enterprise and primary production plot by land tenure status

	Private		Lease		Perpetual use	
Credit access and investment intensity						
Degree to which difficulties accessing credit poses problem for firm (1-5 scale)	2.75	*	2.83		3.46	***
Intensity of investment activity in 2009 (1-5 scale)	2.76	**	2.51		2.22	**
Enterprise characteristics						
Full-time employees	1249.1		1368.5		1599.3	
Years since enterprise was privatized	14.4		14.9		14.4	
Degree to which problems with inadequate working capital, overdue accounts receivable, corruption and (non-land) taxes pose problems for firm (1-5 scale)	3.21		3.26		3.50	*
City size in which located (1-5 scale)	3.0	***	3.8	***	3.0	**
Member of commercial group (FIG, holding, etc.) (%)	30.6		30.4		23.6	
Influence of state property fund (0-4 scale)	0.35		0.35		0.54	
Influence of non-management labor (0-4 scale)	1.36		1.14		1.31	
Influence of foreigners (0-4 scale)	0.46		0.64	**	0.11	***
Influence of other Russian individuals (0-4 scale)	1.47		1.01	***	1.82	***
Profitability in 2007-08 (2-6 scale)	5.38		5.24		5.16	
Primary production plot						
Only plot "on balance" of enterprise when enterprise privatized (%)	40.4		37.4		25.5	*
"On balance" of enterprise when enterprise privatized (%)	81.9		78.6		78.2	
Categorized as first category of environmental harm (%)	4.7		6.1		3.6	
Located on edge of city (%)	43.9		51.1		54.5	
Number of other enterprises close by (1=none, 2=one or two, 3=more than two)	2.53		2.67	*	2.49	

***, **, * difference significant at 1%, 5% or 10% levels, respectively; t-test on equality of means of those inside and outside sub-group.

Table 3. Plot tenure status, access to credit and investment intensity

Plot tenure status	Accessing credit is a severe problem (1–5 scale)								Firm's investment intensity, 2009 (1–5 scale)							
Private	-0.292** (0.131)		-0.289** (0.133)	-0.298** (0.134)	-0.287** (0.134)	-0.329** (0.131)	-0.351*** (0.121)	-0.297** (0.151)	0.345*** (0.121)	0.357*** (0.117)	0.355*** (0.116)	0.312** (0.132)	0.382*** (0.136)	0.335** (0.154)	0.195 (0.152)	
Lease	0.229 (0.142)								-0.279* (0.150)							
Perpetual use	0.421** (0.191)								-0.476*** (0.173)							
4 other problems (1-5 scale)	0.628*** (0.087)	0.622*** (0.087)	0.640*** (0.090)	0.631*** (0.090)	0.647*** (0.096)	0.627*** (0.098)	0.639*** (0.091)	0.733*** (0.112)	-0.082 (0.079)	-0.077 (0.079)	-0.087 (0.080)	-0.106 (0.080)	-0.061 (0.084)	-0.086 (0.070)	-0.072 (0.074)	-0.149* (0.087)
(Log) years since privatization	-0.757*** (0.217)	-0.758*** (0.216)	-0.794*** (0.208)	-0.813*** (0.213)	-0.810*** (0.224)	-0.802*** (0.234)	-0.882*** (0.228)	-0.959*** (0.255)	-0.320* (0.187)	-0.326* (0.184)	-0.310 (0.194)	-0.396* (0.214)	-0.480** (0.212)	-0.419** (0.187)	-0.393** (0.185)	-0.069 (0.242)
(Log) full-time employees	-0.021 (0.072)	-0.029 (0.073)	-0.025 (0.074)	-0.025 (0.075)	-0.027 (0.076)	-0.043 (0.072)	-0.043 (0.075)	-0.097 (0.093)	0.164** (0.067)	0.172** (0.069)	0.157** (0.073)	0.169** (0.071)	0.175*** (0.068)	0.178*** (0.068)	0.186** (0.076)	0.275** (0.117)
City size (1-5 scale)	-0.161*** (0.056)	-0.149*** (0.058)	-0.148** (0.058)	-0.147** (0.061)	-0.139** (0.060)	0.001 (0.087)	-0.005 (0.090)	-0.277 (0.186)	0.080 (0.049)	0.067 (0.054)	0.080 (0.050)	0.087* (0.049)	0.072 (0.056)	0.111 (0.077)	0.108 (0.075)	-0.014 (0.170)
Member of commercial group				-0.203* (0.120)	-0.225* (0.123)	-0.247* (0.127)	-0.270** (0.124)	-0.214 (0.145)			-0.051 (0.128)	-0.057 (0.127)	-0.053 (0.134)	-0.133 (0.133)	-0.034 (0.154)	
Profitability					0.018 (0.066)	-0.011 (0.067)	-0.004 (0.066)	-0.003 (0.085)					0.259*** (0.063)	0.264*** (0.060)	0.264*** (0.054)	0.352*** (0.082)
Plot characteristics	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Owner characteristics	No	No	No	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes
Regional characteristics	No	No	No	No	No	Yes	Yes	No	No	No	No	No	Yes	Yes	Yes	No
Sector fixed effects	No	No	No	No	No	No	Yes	Yes	No	No	No	No	No	No	Yes	Yes
Regional fixed effects	No	No	No	No	No	No	No	Yes	No	No	No	No	No	No	No	Yes

N	333	333	333	329	326	326	326	326	330	330	330	326	323	323	323	323
Pseudo R ²	0.10	0.10	0.10	0.11	0.11	0.12	0.13	0.21	0.02	0.02	0.02	0.03	0.05	0.06	0.08	0.16

Note: Ordered probit models (1–5 scale). *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors, clustered at regional level, in parentheses. Plot characteristics: dummies for being located on the edge of the city, for being located proximate to at least two other enterprises, for being attached to the firm at the time of the firm's (not the plot's) privatization, being the only plot attached to the enterprise at the time of the firm's (not the plot's) privatization and for being designated the highest in terms of environmental hazard. Ownership controls: 0–4 scale variables measuring the ownership influence of foreigners, the State Property Fund and Russian individuals not employed by the firm. Regional characteristics: growth of loans to firms over 2005–2009, economic liberalization with focus on regional privatization legislation and jurisprudence, corruption of the economic and political elite, the span of control of local self-government, the quality and fluidity of local elites, and a composite index of the quality of democracy.

Table 4. Opposition of local officials was barrier to privatizing plot, 1-5 scale

	All	Before 2005	After 2000
(Log) urban commercial-residential-industrial land owned by juridical relative to that owned by municipalities and government	-0.322** (0.150)	-0.544*** (0.174)	-0.382** (0.182)
Other “barrier” control	Yes	Yes	Yes
Sector controls	Yes	Yes	Yes
Plot characteristics controls	Yes	Yes	Yes
Owner controls	Yes	Yes	Yes
N	168	105	108
Pseudo R2	0.19	0.29	0.29

Ordered probit models. Robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5% or 10% levels, respectively. Other “barrier” responses refer to the sum of responses to similar questions relating to defining and agreeing on plot boundaries, inadequate resources (difficulty accessing credit), high cost of completing documents to purchase land, incomplete process of assigning land to appropriate government level, and absence of documents conferring rights to land. Other sector, plot characteristic and owner controls are similar to those in Table 3 and 4 specifications.

Table 5. Plot tenure status, access to credit and investment intensity: an IV approach

	Accessing credit is a severe problem (1-5 scale)					Firm's investment intensity, 2009 (1-5 scale)				
Plot tenure status, private	-0.762** (0.361)	-0.713* (0.366)	-0.852** (0.368)	-0.906** (0.354)	-0.939** (0.437)	0.790** (0.340)	0.812** (0.348)	0.721** (0.360)	0.732** (0.334)	0.670** (0.337)
First stage: plot owned privately										
(Log) urban commercial-residential-industrial land owned by firms relative to that by state, %	0.659*** (0.117)	0.679*** (0.120)	0.675*** (0.121)	0.678*** (0.120)	0.686*** (0.125)	0.658*** (0.116)	0.679*** (0.120)	0.670*** (0.123)	0.675*** (0.122)	0.703*** (0.126)
Baseline controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Plot characteristics	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Owner controls	No	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Profitability	No	No	No	Yes	Yes	No	No	No	Yes	Yes
Regional characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector fixed effects	No	No	No	No	Yes	No	No	No	No	Yes
N	333	333	329	326	326	330	330	326	323	323

Note: IV models with ordered dependent variable (1–5 scale) and binary endogenous regressor. Used a “wrapper” program, *ssm*, that calls *gllamm* to fit such models in Stata (Miranda and Rabe-Hesketh, 2006). *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors, clustered at regional level, in parentheses. Plot characteristics: dummies for being located on the edge of the city, for being located proximate to at least two other enterprises, for being attached to the firm at the time of the firm's (not the plot's) privatization, for being the only plot attached to the enterprise at the time of the firm's (not the plot's) privatization and for being designated the highest in terms of environmental hazard. Owner controls: 0–4 scale variables measuring the ownership influence of foreigners, the State Property Fund and Russian individuals not employed by the firm. Regional characteristics: growth of loans to firms over 2005–2009, economic liberalization with focus on regional privatization legislation and jurisprudence, corruption of the economic and political elites, the span of control of local self-government, the quality and fluidity of local elites, and a composite index of the quality of democracy.

Table 6. Plot tenure status and access to credit, excluding firms that recently privatized plots

	Table 3, column 8	Same specification as Table 3, column 8 but excluding firms that privatized plots after				
		2009	2008	2007	2006	2005
Plot tenure status, private	-0.297** (0.151)	-0.348** (0.151)	-0.313* (0.162)	-0.333* (0.170)	-0.403** (0.193)	-0.408* (0.223)
N	326	314	296	284	275	269
Pseudo R ²	0.21	0.10	0.10	0.11	0.11	0.12

Note: Ordered probit models (1–5 scale). *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors, clustered at regional level, in parentheses. Plot characteristics: dummies for being located on the edge of the city, for being located proximate to at least two other enterprises, for being attached to the firm at the time of the firm's (not the plot's) privatization, for being the only plot attached to the enterprise at the time of the firm's (not the plot's) privatization and for being designated the highest in terms of environmental hazard. Owner controls: 0–4 scale variables measuring the ownership influence of foreigners, the State Property Fund and Russian individuals not employed by the firm. Regional characteristics: growth of loans to firms over 2005–2009, economic liberalization with focus on regional privatization legislation and jurisprudence, corruption of the economic and political elites, the span of control of local self-government, the quality and fluidity of local elites, and a composite index of the quality of democracy.

Table 7. Investment intensity in 2009 of firms whose plots privatized before 2009

	Ordered probit models similar to Table 4							IV models similar to Table 5				
Plot tenure status, private before 2009	0.299** (0.127)	0.306** (0.123)	0.303** (0.123)	0.258* (0.134)	0.319** (0.139)	0.274* (0.152)	0.064 (0.154)	0.767** (0.320)	0.768** (0.324)	0.700** (0.336)	0.722** (0.316)	0.665** (0.316)
First stage: plot owned privately												
(Log) urban commercial-residential-industrial land owned by firms relative to that by state, %								0.718*** (0.118)	0.734*** (0.121)	0.730*** (0.124)	0.733*** (0.123)	0.757*** (0.126)
Baseline controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Plot characteristics	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Owner controls	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Profitability	No	No	No	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes
Regional characteristics	No	No	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Sector fixed effects	No	No	No	No	No	Yes	Yes	No	No	No	No	Yes
Regional fixed effects	No	No	No	No	No	No	Yes	No	No	No	No	No
N	329	329	325	322	322	322	322	329	329	325	322	322
Pseudo R ²	0.02	0.02	0.03	0.05	0.06	0.07	0.16					

Note: Ordered probit models (1–5 scale). IV models with ordered dependent variable (1–5 scale) and binary endogenous regressor. *** p < 0.01, ** p < 0.05, * p < 0.1. Standard errors, clustered at regional level, in parentheses.

Figure 1. Land held privately by firms in urban settlements
(1000s of hectares)



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Основное внимание в специальной литературе, посвященной оценке связи между правами на землю, доступом к финансовым ресурсам и инвестиционной деятельностью, уделяется субъектам, чьи трудности доступа к кредитам могут быть вызваны несколькими причинами *одновременно*. Соответственно, сообщества мелких фермеров или бедные городские домохозяйства в развивающихся странах не могут служить доказательной базой для ответа на вопрос, являются ли более гарантированные права на землю достаточными для облегчения заимствования путем обеспечения заемщиков активами, способными служить залогом. Мы исследуем данную связь в условиях, в которых трения на финансовых рынках обычно менее серьезны, а именно среди крупных городских промышленных предприятий. Отталкиваясь от различий в развитии регионов России, вызванных проводимой политикой, мы используем данные недавнего проведенного опроса для того, чтобы показать, что права частной собственности на землю действительно облегчают доступ к внешним источникам финансирования и способствуют инвестициям. Эти выводы подкрепляются другими данными того же опроса, которые указывают на то, что земля, находящаяся в частной собственности, является наиболее часто используемым предметом залога.

Ключевые слова: земля для промышленной застройки, права собственности, Россия, обеспечение.

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Данные по Российской Федерации**

(на английском языке)