

Property Rights and Markets: The 1981 Chilean Water Code

We study the effects of Chile's 1981 Water Code, which created formal and secure property rights over water and promoted the emergence of markets for trading these rights. Newly assembled data from four agricultural censuses spanning 40 years show that the reform did not lead to an expansion in aggregate irrigation, suggesting that water rights largely formalised existing use rather than creating new access. We document a shift of land use: irrigated areas convert cereals fields into fruit orchards, crops that are more capital-intensive and have multi-year production cycles. The pattern is consistent with increased security of water rights enabling long-term investment. A central objective of the project is to assess whether these changes reflect improved market-based allocation, and to examine the potential trade-off between efficiency gains and inequality among farmers.