

# **The Institutional Legacy of the Mexican Rancho System in California**

**Dean Lueck**

Indiana University

[lueck@indiana.edu](mailto:lueck@indiana.edu)

**Julio A. Ramos Pastrana**

The Pennsylvania State University

[julioramos@psu.edu](mailto:julioramos@psu.edu)

**February 2023**

**Abstract.** We analyze the effect of the inherited Mexican property institutions in California on the state's early agricultural development, focusing on land demarcation and the implied water rights. In California large tracts of land, called ranchos, granted during Spanish and Mexican rule of California persisted once the region became part of the US and became intertwined with the American system of rectangular demarcation. We exploit this natural experiment in property institutions and use farm and county-level data to examine the effects of the Rancho System on farms' shapes, and values. We document large losses in land values from the Rancho System and provide evidence that the mechanism driving these differences in farms' values is the development of irrigation within the American rectangular system.

JEL Codes: D23, K11, N51, Q15