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“Coase in the Coal Fields? Historical Property Institutions in Appalachia and Long-Run Development”

The Coase Theorem suggests that the initial assignment of property rights should not affect resource allocation if property rights are clearly defined and transaction costs are sufficiently low. In this paper, I exploit variation in state court decisions which determined whether surface property owners maintained the right to exclude mineral owners from using new surface mining techniques to access their minerals. I leverage this historical reallocation of property rights in a spatial regression discontinuity design across state borders to study whether the historical reallocation of property rights affected resource allocation and long-run patterns of development in the region. I find that historical coal production was approximately 26% higher in treatment states whose legal precedent permitted the use of surface mining without the consent of the surface owner, suggesting that the Coase Theorem did not hold in this context and the allocation of property rights by the courts did affect resource allocation. Using modern data from the American Community Survey, I find that almost thirty years after the legal precedents affecting the allocation of rights have been overturned, coal regions just inside treatment state borders have lower property values and educational attainment than coal regions just outside the border.