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## An Examination of Persistent Poverty and Heirs' Property in the United States

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## Introduction

- United States history includes racial discrepancy, rural poverty, and an affinity for land as an asset.
- Land is geographically situated and a bounded asset lacking mobility but transferable.
- Any transfer binds the owner, in some sense, to the constrained asset. A further complication (constraint) arises in land transfer when an owner dies without a will (intestate) and heirs inherit the land and associated assets without clear title.
- The linkage between a constrained asset, such as heirs' property, and poverty has not been a major topic in much of the research literature on poverty where human capital and income opportunities and transfers have dominated explanations.
- Persistent poverty can be defined personally (generational in a family context) and geographically (counties) that exhibit continued poverty income levels over a thirty-year period.
- An examination of separate United States' maps that highlight persistent poverty and areas with high concentrations of estimated heirs' property results in an obvious intersection of geographic locations. These include the Black Belt and Appalachian regions of the southern U.S., in addition to the Colonias of south Texas, and tribal lands.
- Deaton has hypothesized a direct connection between heirs' property and persistent poverty, but this hypothesis has not been tested in a robust and empirical approach.

## Objective

The objective of this study to test the hypothesis that heirs' property is a significant variable in models that explain persistent poverty in the United States.

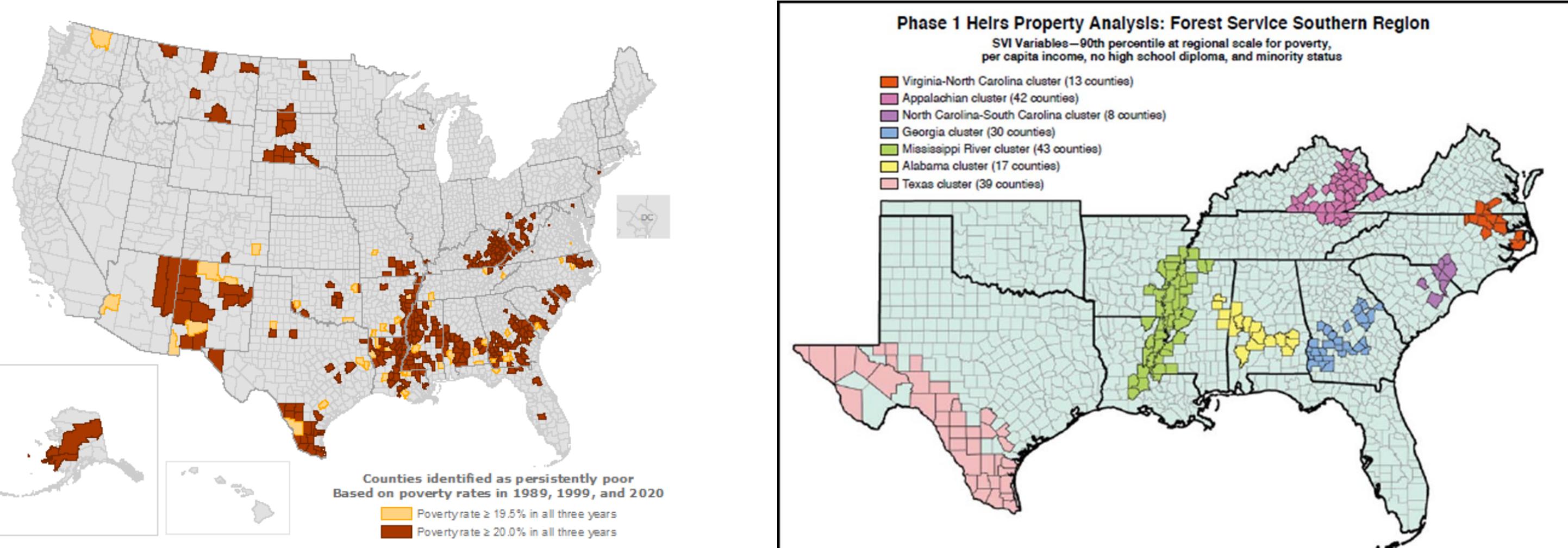
## Background

A tenancy in common, known as "heirs' property," is private property owned collectively by "heirs," typically family members. When a person dies without a will, or intestate, any real property owned by the decedent is passed to survivors via state laws of intestate succession. If heirs' property titles are not rectified in the courts, as a family progerates, all subsequent heirs receive fractional interests in the property which presents problems for potential creditors because of the lack of a traceable and verifiable interest in the property.

Research on persistent poverty in the United States has identified several explanatory factors. The seminal piece is Isabel Sawhill's "Poverty in the U.S.: Why is it so Persistent?" where she examines the incidence and explanatory factors of persistent poverty. She concentrates on income transfers and human capital investments which she portends have probably reduced the poverty rate over the two decades of 1967 to 1985.

Other research related to persistent poverty focuses on income (Partridge and Rickman), employment, and human capital (Deaton, 2005), although some research combines the above with a geographic (place-based) approach to look for economic development solutions (Deaton, 2007). Deaton (2005) was one of the first to explicitly hypothesize that heirs' property is a contributing factor to persistent poverty. Bailey, et al addressed the connection between heirs' property and persistent poverty among African Americans in the southeastern U.S. through identifying factors are barriers to asset accumulation and maintenance which, by definition, can lead to persistent poverty.

## Evidence



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## Theoretical Chain

The theoretical chain between heirs' property and persistent poverty is clearly illustrated by Deaton (2007).

- Starts with the premise that much of heirs' property is the result of intestate succession.
- This leads to the theoretical justification provided by the tragedy of the anticommons (Buchanan and Yoon, 2000).
- The tragedy of the anticommons refers to an underused common resource due to multiple owners. Heller (1998) first described the anticommons and the resulting consequences. Buchanan and Yoon(2000) next developed a formal economic model of the anticommons, both algebraically and geometrically. Then Dagan and Heller (2001) explicitly cite heirs' property as a result of the anticommons situation (p. 606)
- Next, Deaton (2007) brings in the economic concept of transaction costs to buttress the rationale behind the application of the tragedy of the anticommons to further explain the causal nature of heirs' property to persistent poverty. This leads to a discussion of dead capital over generations which explains why poverty would persist over time. De Soto (2000) labels dead capital as "assets that are informally owned and cannot be leveraged into new productive investments (Deaton, 2007, p. 938)". The theoretical circle is complete when heirs' property becomes and stays dead capital as a result of "property law, intestate succession, and high transactions costs" (Deaton, 2007, p.939).
- Deaton (2007) further states the need for empirical testing of the relationship between heirs' property and persistent poverty.

## Results

Model 1 Binary Logit - Persistent Poverty (*, **, *** = significant .10, .05, & .01)		Model 2 Multinomial - $\Delta$ Persistent Poverty (*, **, *** = significant .10, .05, & .01)	
		Entering (73)	Remain (280)
Variable	Marginal Effect	Marginal Effect	Marginal Effect
Farming	-0.008*	-0.0018*	0.006*
Mining	-0.005*	-0.009*	0.022*
Manufacturing	-0.0693**	0.015*	0.023**
Government	0.298*	-0.004*	-0.015*
Recreation	-0.031*	0.007*	0.045**
Low Education	0.043***	-0.020***	-0.047***
Low Employment	0.019**	-0.005*	-0.023***
Population Loss	-0.009*	0.009*	0.151*
Retirees	-0.018*	0.007*	0.436*
Rural	-0.021**	-0.014**	0.342**
Heirs' Property	0.012***	0.008***	0.010***
Income	-0.011***	-0.005***	-0.011***
Income Inequality	0.041 ***	0.018 ***	0.051 ***
N= 3138	Max-Scaled R Square=0.713	N= 3138	Max-Scaled R Square=0.652

## Models

(1) Persistent Poverty (PP) = f (state, farming, mining, manufacturing, government, recreation, low education, low employment, population loss, retirees, rural, heir property, income, income inequality)

(2)  $\Delta$ Persistent Poverty (PP) = f (state, farming, mining, manufacturing, government, recreation, low education, low employment, population loss, retirees, rural, heir property, income, income inequality)

$\Delta$ Persistent Poverty (PP) = Entering, Remaining, Exiting

### Estimation Procedure

Model 1 – Binary Logit Estimation  
Model 2 – Multinomial Logit Estimation

## Data

County Level Data, 50 States, 3138 counties, 354 Persistent Poverty Counties (2020), 353 Persistent Poverty Counties (2010)

### Data – Persistent Poverty(PP) Characteristics

50 States – 11.59% of counties were PP  
13 Southern States – 43.87% of counties were PP  
28 states had PP counties

22 states had no PP counties

Most PP States – LA (56%), MS (52%), NM(42%), KY (32%), GA (32%), AL (29%), WV (23%), SC (21%), AR (21%), AZ (20%)

### Data – Heirs' Property (HP) Characteristics

All 50 states had HP parcels

50 States – 0.29% of total parcels were HP

13 Southern States – 0.53% of total parcels were HP

13 Southern States – 70% of HP parcels in U.S.

Most HP States – MS (1.6%), WV (1.2%), KY (0.9%), LA (0.7%), NC (0.6%), AL (0.6%), TX (0.5%), SC (0.5%), GA (0.5%), VT (0.4%)

### Other Variables (all discrete except Heirs' Property, Income, & Income Inequality)

Heirs' Property Variable - The heirs' property variable indicates the percentage of estimated heirs' property parcels in a county. Heirs' parcels were identified using purchased parcel data from a commercial firm (Lightbox, formerly Digital Maps Products) obtained by the USDA Forest Service's Forest Inventory and Analysis division. Proportion of county parcels as heirs' was calculated by dividing the resulting number of heirs' parcels by total county parcels.

## Heirs' Property Results and Interpretation

- In the Persistent Poverty Model (1), the Heirs' Property Ratio is significant and positive at the 1 percent significance level. The other .01 significant county classification variables were low education, income, and income inequality.
- In the change in Persistent Poverty model (2), the Heirs' Property Ratio is significant and positive at the 1 percent significant level for entering and remaining in persistent poverty. The Heirs' Property Ratio is much less significant (.10) for exiting persistent poverty.
- The above results support and align with the anticommons theory and the dead capital result.

## Conclusions

- In this analysis, the most statistically significant variables in explaining persistent poverty counties in the United States were low education, income, income inequality, and heirs' property.
- Adding a wealth component, heirs' property, (or lack thereof) supports the anticommons theory.
- Furthermore, the analysis here confirms Deaton's hypothesis (2007) of a positive relationship between the incidence of heirs' property and persistent poverty.

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