# Asset Mobility and Property Rights

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**Abstract** How does asset mobility affect the provision of property rights? Existing research anticipates that firm owners with mobile assets are effective at pressuring the government for property rights. In this research note, I examine not just the influence of firm owners but also their preferences. I develop a formal model to show that owners of mobile assets, who may move their assets out of the government's reach, have less to gain from property rights enforcement than owners with less mobile assets. Moreover, once one considers heterogeneous firms competing with one another, firms with more mobile assets may gain a competitive advantage from policies that are disproportionately costly for their competitors (like violations of property rights). I evaluate the model propositions drawing on empirical analyses of survey data from business executives in Latin America and cross-national, time-series data on firm profits. The findings from Latin America show that business executives with less mobile assets report greater need for property rights improvements. Cross-nationally, property rights increase the profits of firms, but the effects are confined to firms with substantial immobile assets. These findings are consistent with the smaller benefits of property rights among firms with more mobile assets. The research note unites the literatures on heterogeneous firms and the development of property rights to challenge the conventional wisdom about how asset mobility affects property rights.

Understanding property rights provision is important because it is central to theories about economic growth.[1] How do we explain property rights provision? Prominent theories hold that property rights are more likely to emerge where assets are mobile.[2] Asset mobility captures the extent to which productive assets may be withheld from government oversight. This mobility may stem from the ability to move the asset abroad or to a different jurisdiction within the country or simply to evade authorities that seek to tax profits or expropriate assets. The owners of mobile assets are thought to have political influence, precisely because they can withhold these assets from

1. Abramson and Boix 2019; Acemoglu and Robinson 2006; Haber, Maurer, and Razo 2003; North 1990.
2. Bates and Lien 1985; Boix 2003.

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government oversight.[3] They can use their influence to obtain their preferred policies, especially movement toward property rights and democratic institutions.[4]

Rather than considering the *influence of asset owners*, this research note considers the *preferences of asset owners*. Drawing on a formal model, I show that the owners of mobile assets have less to gain from property rights. Because they can withhold their assets from government oversight, they are less likely to be targeted with costly policies and, when targeted, their costs are lower. I also consider how heterogeneity in firm mobility among competing firms affects their market share and their preferences for property rights. Improvements in property rights reduce the likelihood of expropriation, which directly benefits all firms. At the same time, these benefits are larger for immobile firms, who were more vulnerable to expropriation. This means that improvements in property rights shift market share from mobile to immobile firms. If the shift in market share is sufficiently large, property rights improvements harm mobile firms precisely because they help immobile firms so much.

I assess the model predictions drawing on two sources of data: original survey responses from business executives in Latin America and Orbis data on firm profits. Business executives who report having fewer mobile assets and higher costs to evading government policies also indicate more support for property rights. These data are consistent with a stronger need for property rights among executives with more immobile assets. The Orbis data show that property rights are associated with firm profits, but the direction of the association depends on firm mobility. Firms with many immobile assets see an increase in profits while firms with more mobile assets see a reduction in profits when property rights increase. Consistent with the competition mechanism, the results are confined to firms operating in industries with substantial variation in asset mobility. While merely correlations, the results are consistent with both a greater benefit of property rights among firms with more immobile assets and a possible aversion to property rights among those with more mobile assets.

This research note contributes to several literatures. First, the note is closely related to recent work that considers how firm heterogeneity affects politics and policy.[5] Similar to the competitive mechanism outlined here, Kennard shows that firms can benefit from climate change regulations if they are more prepared for regulation than their competitors are.[6] Sonin demonstrates that owners may not need institutionally provided property rights if they can instead privately protect their own assets, giving them an advantage over competitors who are less able to self-insure.[7] I draw on these insights about competition to show that where firms differ in their asset mobility, more mobile firms can benefit from keeping property rights weak, as this weakness disproportionately harms their competitors.

3. Boix 2003.
4. Bates and Lien 1985.
5. Betz 2017; Kim 2017; Osgood 2018.
6. Kennard 2020.
7. Sonin 2003.

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Second, a large literature considers property rights and democratization together because democratic institutions are needed to make property rights credible.[8] The research note has implications most directly for the literature on property rights and, through the credibility mechanism, for the literature on democracy. The literature suggests that asset mobility is essential to the development of property rights, because either the owners of mobile assets demand property rights and democracy,[9] or the owners of mobile assets ignore the demands of others for property rights and democracy, allowing the demands to be realized.[10] This research overlooks that if the owners of mobile assets are willing to ignore demands for property rights and democracy, they will probably also ignore demands for autocracy. They are simply less sensitive to government policies and thus less likely to push for policy reforms, especially those that benefit their competitors. Asset mobility is thus unlikely to trigger property rights development and also unlikely to prevent reversals of property rights.

Research on privatization in Russia follows a similar logic. Economists had expected that privatization would create a new constituency of asset owners demanding property rights. Yet rather than demanding property rights, many owners of privatized assets stripped the value from those assets and moved their earnings abroad.[11] They didn't demand property rights at home because they had these rights abroad.[12] In this literature, mobility helps undermine property rights because the owners of mobile assets exercise their exit option. This research note suggests that mobility can undermine property rights developments, even where owners do not exit, because owners of mobile assets are less likely to be targeted with costly policies and less likely to demand property rights protections.

The theory lends parallel insights to the literature on foreign investment. If foreign firms are more mobile than domestic firms,[13] then foreign firms have less to gain from property rights improvements, and may even oppose them as property rights disproportionately benefit their less mobile, domestic competitors. This pattern is plausibly reinforced by bilateral investment treaties (BITs). BITs can give multinational firms access to stronger property rights than their domestic counterparts.[14] This reduces the benefit of domestic property rights for foreign firms and increases the gap between foreign and domestic firms. This makes it more likely that, for foreign firms, the costs of property rights in terms of market share overwhelm the benefits in terms of expropriation. The expansion of global markets and international investment law may consequently reduce demand for domestic property rights improvements.

8. Acemoglu and Robinson 2006; North 1981; Schultz and Weingast 2003; Stasavage 2003.
9. Bates and Lien 1985.
10. Boix 2003; Freeman and Quinn 2012; Pond 2018a.
11. Braguinsky and Myerson 2007a; Hoff and Stiglitz 2004.
12. Property rights may also induce investment inflows that raise domestic wages and increase production costs; Braguinsky and Myerson 2007b.
13. Mosley and Uno 2007; Rudra 2008.
14. Betz and Pond 2019; Kerner 2009; Tobin 2025.

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## Substantive Background

Because this research note deals with several broad concepts that are presented in different ways in existing literature, it is helpful to clarify how these concepts will be used here. These concepts also motivate the formalization of the theoretical model described in the next section. First, *property rights* capture investors' "ability to retain ownership of the accumulated factor and especially the returns to the factor."[15] An implied part of this definition is that, if the ownership of or returns to the factor is circumscribed in some illegal way, property rights provide access to legal redress: targeted owners can seek and obtain compensation through courts or arbitration. Consistent with this characterization, property rights are modeled here as the probability that owners continue to derive profits from their businesses following expropriation.

There are various strategies that firms could use to pressure the government for stronger property rights. These strategies operate through various channels, including formal transfers like campaign contributions, informal transfers like bribes, or information provision through lobbying.[16] This study does not address which strategies firms use;[17] it merely recognizes that firms can influence policy. Firms seeking property rights are different from firms attempting to strengthen political connections. Property rights are public goods and provide legal recourse to all firms—this will be apparent in the model where the consequences of property rights are shared across firms.

Second, *expropriation* is used generally to describe violations of property rights. Governments make commitments to asset owners about how their assets will be treated. Expropriation here is a reversal of these commitments without compensation. This broad conceptualization includes outright seizure of assets and corruption or discriminatory policies that benefit specific firms.[18] The example of Khar'kov-Moska, a firm located in Kharkiv, Ukraine illustrates the logic.[19] Khar'kov Moska planned to build a new business center. During the permitting process, the local government began targeting Khar'kov Moska with unfavorable inspections, claims of tax evasion, withdrawal of the land lease, and fines. A county-level agency declared the targeting "had no merit," and a local TV station reported that "the mayor's friend" was interested in the project. The legal harassment continued for two years, until Khar'kov-Moska gave up the project. In the model, a government decides whether to expropriate each firm or to honor its rights.

Third, *asset mobility* captures the extent to which firms can withhold their assets from government oversight, typically from taxation, regulation, or expropriation. Measures of immobility include capital intensity, fixed assets, tangible assets, capital account closure, or lack of diversification.[20] Scholars typically expect that natural

15. Drazen 2000, 459.
16. Schnakenberg and Turner 2024.
17. Bearce and Roosevelt 2023; Ehrlich 2011.
18. Graham, Johnston, and Kingsley 2015.
19. Markus 2015, 54–55.
20. Freeman and Quinn 2012; Kerner 2009; Pond and Zafeiridou 2020.

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resource assets, especially oil, are immobile.[21] Crucial for the insights that follow is that mobility can differ among producers of the same product. This makes sense if they use different production processes. Consider blueberry producers: Blueberries are often grown in fields, and land is immobile, yet they can also be grown in greenhouses and in containers, which are more mobile. Blueberries can be harvested by hand or using machines.[22] Different producers rely on different production strategies that have consequences for their mobility, and switching between different production strategies would impose transaction costs. In the model, I assume that mobility is firm specific, that firms cannot alter their level of mobility, and that mobility can vary across firms that are in direct competition with one another.

## Model

This section elaborates a formal model to explore the relationship between asset mobility and property rights. There are three actors in the model: a government and two firms. The sequence of play is as follows.

### *Sequence of Moves*

1. Nature draws the government's payoff from not expropriating, $v$.
2. Without observing nature's draw, the firms simultaneously decide how much quantity to produce, $q_i$ and $q_j$.
3. The government decides whether to expropriate each firm.

### *Preferences*

Firms seek to maximize their profits. Production follows a linear Cournot model of quantity competition, which has been revised to include property rights and mobility considerations. Each firm has the following profit function: $\pi_i(q_i, q_j) = q_i(D - q_i - q_j - c_i - \varepsilon_i(1-\rho)\mu_i)$, where the quantities produced by firm $i$ and $j$ are $q_i$ and $q_j$; the level of market demand is $D$ and the unit cost of production is $c_i$. The unit cost of expropriation is $\varepsilon_i(1-\rho)\mu_i$. The probability that firm $i$ will be expropriated is $\mu_i$, which is endogenous in the model. Immobility is $\varepsilon_i \in [0, 1]$: higher levels of $\varepsilon_i$ capture fewer mobile assets. The extent of property rights is $\rho \in [0, 1]$. Both firms are assumed to be sufficiently productive to enter the market: $D - q_i - q_j - c_i - \varepsilon_i(1-\rho)\mu_i > 0$.

The government's return if it does not expropriate is $v \in [0, 1]$, where $v$ is a random variable drawn from the uniform probability density function, $f(x) = 1$, with cumulative density, $F(x) = x$. The government's payoff from expropriation per unit

21. Biglaiser, Lee, and Staats 2017; Frieden 1994; Jensen and Johnston 2011; Ross 2012.
22. Migration News 2022.

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of production of firm $i$ is $\varepsilon_i(1-\rho)$, that is, the firm's production that is neither mobile nor protected by property rights.

The model introduces firm-specific differences in production, both through productivity, $c_i$, and immobility, $\varepsilon_i$. Additionally, either mobility or property rights, $\rho$, can lesson the cost of expropriation: The firm pays no cost to expropriation and the government sees no gain from expropriation for the share of the firm's production that is mobile or protected by property rights. One important difference between property rights and mobility is that property rights protect the assets of both firms, while mobility is firm specific: only the mobile firm gets protection from its mobility.

*Equilibrium and Model Insights*

The solution concept is Sub-game Perfect Nash equilibrium, as is appropriate for a sequential-move game. I proceed via backward induction. The government expropriates firm $i$ if: $v \leq \varepsilon_i(1-\rho)$. In expectation, the probability that the government expropriates is: $\mu_i = Pr(v \leq \varepsilon_i(1-\rho)) \Rightarrow \mu_i = \varepsilon_i(1-\rho)$. The government is more likely to expropriate firms with lower levels of mobility (where $\varepsilon_i$ is large) and where property rights are weak ($\rho$ is small). The following proposition details this finding. The finding is consistent with the conventional wisdom and thus reassuring that the model works in a reasonable way. Proofs are in the appendix.

*Proposition 1: The government is less likely to expropriate firms with more mobile assets and where property rights are stronger.*

Now, consider the firm's production decision. Each firm selects production to maximize profits: $\max_{q_i}\{\pi_i = q_i(D - q_i - q_j - c_i - \varepsilon_i(1-\rho)\mu_i)\}$. Plugging $\mu_i$ in and solving for both firms' optimal quantities yields the following expression for firm $i$.

$$q_i^* = \frac{D - 2c_i + c_j - \left(2\varepsilon_i^2 - \varepsilon_j^2\right)(1-\rho)^2}{3} \tag{1}$$

This expression includes the standard findings, where each firm's production is increasing in aggregate demand, $D$; decreasing in their own production costs, $c_i$; and increasing in their competitor's costs, $c_j$. More interestingly, each firm's production is decreasing in their own immobility, $\varepsilon_i$, and increasing in the competitor's immobility, $\varepsilon_j$. In short, firms that are immobile invest less in production, as they lose more from expropriation. Immobility, in the context of weak property rights, deters investment.

From the quantity produced, we derive the firm's profit function, allowing us to investigate how profits change with property rights and which firms are most in need of property rights improvements. The first Lemma follows from the profit function.

*Lemma 1: The effect of property rights on firm profits is inconclusive; property rights may increase or decrease profits.*

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To see where this insight comes from, consider how property rights affect firm profits. The effect of property rights on equilibrium profits is: $\frac{\partial \pi_i^*}{\partial \rho} = \frac{4q_i^*}{3}\left[2\varepsilon_i^2 - \varepsilon_j^2\right](1-\rho)$. The sign of this effect depends on the expression in brackets. The first term in brackets, $2\varepsilon_i^2$, captures the direct benefit of an improvement in property rights. Property rights reduce the chance and cost of expropriation. These effects lead to an increase in a firm's profits. At the same time, property rights carry these benefits for the firm's competitor as well. The second term in brackets, $-\varepsilon_j^2$, captures the indirect cost of property rights, as they increase the quantity produced by the competitor firm. When the competitor increases production, this reduces the firm's profits. Whether the firm benefits from property rights improvements depends on whether their own benefit is larger than the benefit for their competitor and thus whether $2\varepsilon_i^2 \gtrless \varepsilon_i^2$.

*Proposition 2: Property rights are more likely to profit the firm with more immobile assets.*

The proposition follows from the logic earlier. The direct benefit of property rights in terms of reducing production costs overwhelms the indirect cost in terms of market share when $2\varepsilon_i^2 > \varepsilon_j^2$. This condition is more likely to hold when the firm's own immobility, $\varepsilon_i$, is large. The intuition for the proposition is that although property rights directly reduce production costs for all firms, these benefits are largest for immobile firms. Improvements in property rights thus shift production toward firms with more immobile assets. When this shift is sufficiently large, property rights improvements reduce the profits of the more mobile firm, whose competitive advantage was at least in part based on its better ability to cope with property rights violations. The indirect effect is more likely to dominate the direct effect for the more mobile firm when mobility is higher and the difference in asset mobility between the two firms is large.

*Extensions*

**Lobbying on property rights**. In the appendix, I present a model where firms, prior to making their production decision, can exert effort to improve property rights. Drawing on the profit effects outlined in Proposition 2, firms with more immobile assets are more likely to exert effort toward property rights improvements because they see larger gains from property rights.

**Modeling expropriation**. The model here assumes that expropriation, or violations of firm property rights, affect production. Formally, expropriation was modeled as adding an additional cost, $\varepsilon_i(1-\rho)$, to each unit of production. This assumption is compelling for corruption that degrades the firm's ability to operate and is proportional to its productive capacity: it makes sense that expropriation would increase operating costs for firms.

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At the same time, there are other ways that expropriation could be modeled, which are consequential for the insights derived here. Expropriation could be modeled as a tax on firm profits, reducing the extent to which firms retain the profits from their production. The appendix shows that if expropriation costs are deducted from profits, for example, $\pi_i - \epsilon_i(1-\rho)\mu_i$, rather than by increasing the marginal cost of production as is assumed earlier, then there are no competitive effects. Firms simply make their production decisions to maximize profits, and weak property rights do not affect market shares. Under this assumption, all firms benefit from property rights improvements, albeit to different degrees. Proposition 1 still follows: Expropriation is less likely for firms with more mobile assets and in places with weaker property rights. For this reason, firms with more mobile assets should express less need for property rights. However, subtracting the expropriation costs from profits gets rid of the heterogeneous effects outlined in Lemma 1 and Proposition 2.[23] To derive the heterogeneous effects of expropriation, one must consider expropriation as affecting production decisions.

**Model predictions**. The model shows that property rights can have two effects. First, they directly reduce the production costs of firms. However, these effects are heterogeneous. For firms with more mobile assets, the benefits of property rights are smaller because they are less likely to be expropriated and, when expropriated, the costs are smaller. Second, improvements in property rights have competitive effects. By reducing costs, they increase the market share of firms with immobile assets at the expense of those with mobile assets. When the differences between asset mobility are sufficiently large, firms with mobile assets lose enough market share that they earn lower profits than they would in the absence of property rights improvements.

These material effects cut in the opposite direction as the influence channel anticipated by existing literature. Existing arguments typically expect firms with mobile assets to have more political influence and to use that influence to achieve improvements to property rights provision.[24] I now turn to an empirical analysis to evaluate which argument is more consistent with observational data.

## Empirics

I present two analyses to assess the predictions: first, survey evidence from business executives in Latin America, and second, cross-national evidence on asset mobility, property rights, and firm profits.[25]

23. To recover these effects, one could also consider allowing the firm to allocate resources across different types of production. This would increase firm investments in mobile enterprises where property rights are weak.

24. Bates and Lien 1985.

25. The appendix also presents state-level data from Mexico. Asset mobility is not associated with property rights provision across Mexican states.

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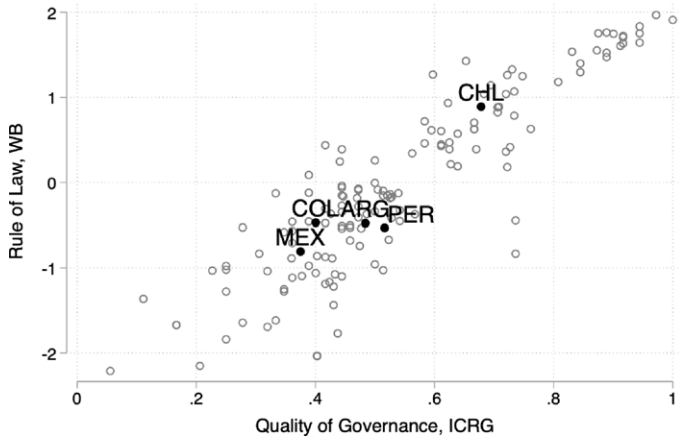



**FIGURE 1.** *Property rights across sample countries*

*Survey Data from Business Executives*

The theory anticipates that business executives with more immobile assets are more likely to be targeted for expropriation and thus have stronger preferences for property rights improvements. To assess whether their preferences are consistent with the theory, I ran an online survey of business executives in Latin America. Following standard practices in the field, I preregistered my expectations with OSF.[26] The research design was also approved by the Institutional Review Board at Washington University in St. Louis, which vetted the project with regional experts who had done survey research in the countries of interest. I also provided all survey respondents with information about the survey and gave them the opportunity to opt out.

I requested the full sample that Bilendi could reliably make available, and I collected 388 survey responses from business executives between 29 May and 5 June 2024. I targeted respondents in Argentina (fifty responses), Chile (fifty-six responses), Colombia (eighty-one responses), Mexico (155 responses), and Peru (forty-six responses). Bilendi subcontracts with survey firms in each country and provides each respondent with the equivalent of about five euros in compensation for completing the survey. Business executives are owners or managers of companies. Ninety-eight percent of the sample respondents are owners and almost 88 percent are managers (the vast majority, 86 percent, of respondents are owners *and* managers).[27] Most of the respondents own small- or medium-sized businesses. Forty-two-and-a-half percent of the firms employ fewer than ten employees, 30.4 percent have between

26. The preregistration was uploaded to OSF on 28 May 2024. The preregistration is included in the appendix and also available at <https://osf.io/tzqy9/overview>.

27. Three hundred and ninety-four respondents, who were either owners or managers, started the survey. Over 97 percent (386 respondents) completed the survey. When asked if they had any thoughts while taking the survey, several respondents noted that they enjoyed thinking about how to improve the policy environment for firms.

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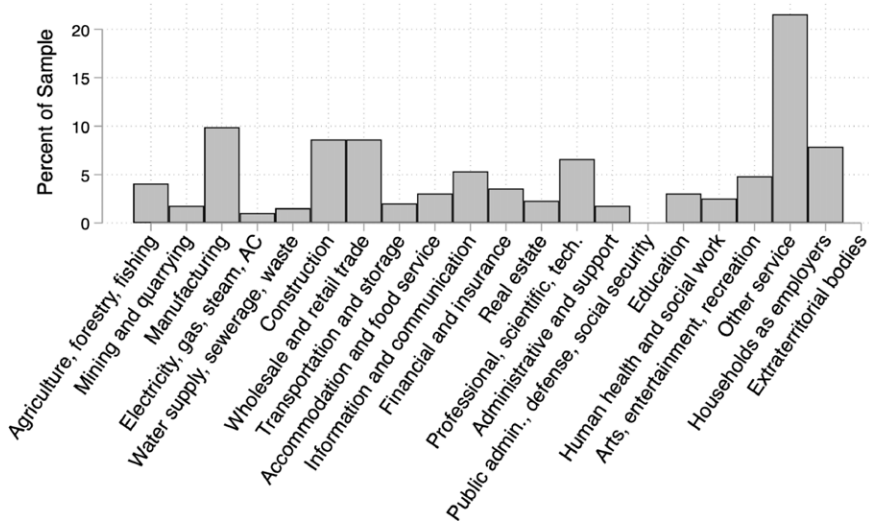



**FIGURE 2.** *Distribution of respondent sectors*

ten and forty-nine employees, 18 percent have between fifty and 249 employees, and 9 percent have over 250 employees.[28]

These countries were selected because they are middle-income countries (2025 World Bank classification) in the same region and speaking the same language with middling levels of property rights enforcement. In these countries, firm executives are plausibly familiar with the concept and function of property rights but also perceive the need to strengthen rights. Figure 1 displays cross-national data from two commonly used measures of property rights reported in 2023: the rule of law from the World Bank is on the y-axis and the quality of governance from the ICRG is on the x-axis.[29] Rule of law includes several indicator variables capturing perceptions of contract enforcement, judicial effectiveness, and the incidence of crime. Quality of governance similarly collapses indicators based on perceptions of law and order, bureaucratic quality, and corruption. Each empty gray circle in the figure represents one country from the full sample of countries available. The filled black circles represent the countries included in the survey here. Argentina, Colombia, Mexico, and Peru are clustered together near the center of the distribution. Chile scores higher on both property rights measures, a point explored in the robustness discussion later.

Figure 2 displays the sectoral composition of the sample. "Other service" is the most common sector, representing about 20 percent of the sample. Within the

28. The data comes from a survey question asking respondents about the number of employees employed by the firm. Respondents could select from the categories listed earlier. These categories were taken from common measures of business size, ranging from micro to large enterprises <https://data.oecd.org/entrepreneur/enterprises-by-business-size.htm>. Data on operating revenue look similar.

29. Both variables come from Teorell et al. 2022.

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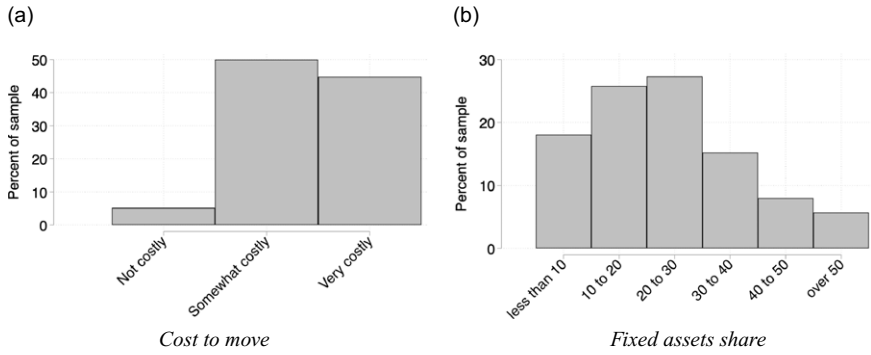



**FIGURE 3.** *Distributions of the immobility variables: the cost to move (left panel) and the fixed asset share (right panel)*

"Other service" sector, the most common division is "Other personal services," which accounts for about 90 percent of that sector.[30] Manufacturing is the second most common sector, with around 10 percent of the sample. The appendix reports the distribution of sectors for each country.

To measure each firm's asset mobility (the independent variable of interest), respondents were asked about the cost their firm would face if it was forced to relocate and about the share of their firm's assets that are fixed. To capture the cost to move, the question read, *"How costly would it be for your company to reinvest elsewhere or change the business model if the government threatened property rights?"*[31] Respondents selected an answer from the following: *not at all costly* (which takes on a value of 1), *somewhat costly* (2), or *very costly* (3). Higher values indicate less mobility and more vulnerability to government intervention.

To capture mobility a bit differently, respondents were also asked about the share of their assets that are fixed, which is commonly used in the literature to measure firm immobility.[32] Respondents read, *"Fixed assets are assets acquired for long-term use, such as machinery, vehicles, equipment, land or buildings. In terms of ownership of company assets, what proportion are fixed assets?"*[33] They selected a level from the following list: *less than 10 percent* (which takes on a value of 1 in the data), *between 10 and 20 percent* (2 in the data), *between 20 and 30 percent* (3), *between 30 and 40 percent* (4), *between 40 and 50 percent* (5), and *over 50 percent* (6). Higher values thus indicate more fixed assets and less mobility. Figure 3 displays the distribution of the cost to move and fixed asset share variables.

30. The other possible divisions in "Other service" are "Activities of membership organisations" and "Repair of computers and personal and household goods."

31. The question was, *"¿Qué tan costoso sería para su empresa reinvertir en otra parte o cambiar el modelo de negocio si el gobierno amenazara los derechos de propiedad?"*

32. Kerner and Lawrence 2014.

33. *"Los activos fijos son bienes adquiridos para uso a largo plazo, como maquinaria, vehículos, equipos, tierras o edificios. En términos de propiedad de activos de la empresa, ¿qué proporción son activos fijos?"*

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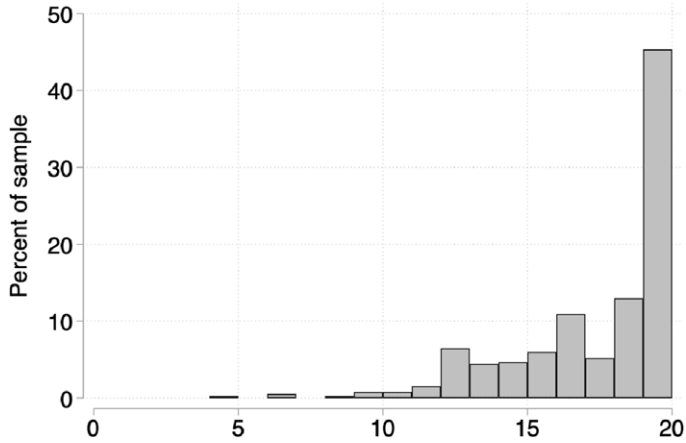



**FIGURE 4.** *Distribution of support for property rights, dependent variable*

To measure the dependent variable of interest, support for improving property rights, respondents were asked the extent to which they agree or disagree with the following four statements:[34] First, *"firm owners should be able to use the legal system to protect themselves from corruption and government interference;"*[35] second, *"the government should do more to combat corruption;"*[36] third, *"the government should do more to give firms access to a free and just legal system;"*[37] and fourth *"benefits for companies with political connections create an unfair advantage for those companies."*[38] Respondents selected the extent to which they agree with the statements on a five-point Likert scale from strongly disagree to strongly agree. Higher values indicate more agreement and thus are consistent with a stronger preference for improvements in property rights. Responses to the four questions are summed up to create the dependent variable. Figure 4 displays the distribution of the data. The appendix also reports the distribution of the underlying variables.

34. These questions were asked after the respondents read a short treatment vignette about a small business owner whose business failed due to politicians favoring a competitor. Control respondents read that the business failed because expenses exceeded revenues. I expected respondents who received the treatment to express elevated need for property rights—and that the effects would be larger for those with immobile assets. The sample is too small to evaluate this interactive effect. In the analysis here, I report correlations with preferences for protection in the full sample. When the sample is limited to the control group, results are similar but lose significance, plausibly because there are few respondents in the control condition. Results in the control condition are reported in the appendix.

35. *"Los propietarios de empresas deberían poder utilizar el sistema legal para protegerse de la corrupción y la interferencia del gobierno."*

36. *"El gobierno debe hacer más para combatir la corrupción."*

37. *"El gobierno debe hacer más para dar a las empresas acceso a un sistema legal libre y justo."*

38. *"Los beneficios para las empresas con conexiones políticas crean una ventaja injusta para estas empresas."* Results are similar when this last statement is dropped from the composite measure, which might tap into political connections more than property rights; I include it here because political connections are plausibly more important where property rights are weak.

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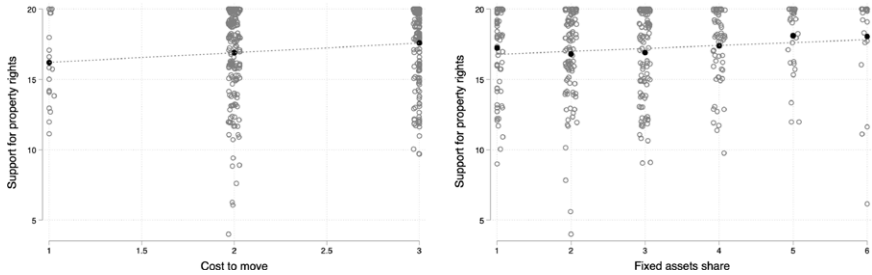



**FIGURE 5.** *Raw data: support for property rights as a function of the cost to move (left panel) and the fixed asset share (right panel)*

Before proceeding to the regression analysis, it is useful to display relationships in the raw data. Figure 5 includes two panels. The left panel plots the support for property rights measure on the y-axis and the cost to move variable on the x-axis. The right panel plots the support for property rights measure on the y-axis and the fixed assets share on the x-axis. The empty gray circles display all the observations in the data (the circles are "jittered" slightly to make it easier to see them); the black circles are the mean value of support for property rights at each level of cost to move and fixed asset share; and the line provides the linear fit of the property rights variable as a function of cost to move and fixed asset share. The data reveal a small but plausible increase in support for property rights as a function of asset immobility.

In order to include control variables and calculate significance levels, I now turn to OLS regression models. Controls include operating revenue, number of employees, and political connections—as measured by the extent to which the executive agrees that they are close to many politicians. Controls also include industrial level fixed effects. Respondents selected their NACE sector and division from a drop-down menu. The NACE sector codes are listed along the x-axis in Figure 2 and include sectors like "manufacturing" (C) and "information and communication" (J). The divisions further disaggregate the sectors and provide an additional two-digit code, which differentiates, for example, between the "manufacture of food products" (C.10) and the "manufacture of beverages" (C.11) and "publishing activities" (J.58) and "programming and broadcasting activities" (J.60). The regressions include first sector fixed effects and then division fixed effects. They also include country fixed effects.

Table 1 reports coefficients from OLS regression models. In columns (1) through (3) the independent variable of interest is the cost to move, while in columns (4) through (6) the independent variable is the share of fixed assets. Columns (1) and (4) include country fixed effects and baseline controls. Columns (2) and (5) add sector fixed effects, and columns (3) and (6) include division fixed effects. Robust standard errors clustered by country are reported in parentheses. The results indicate a robust association between asset immobility and demand for property rights. Those with higher costs to move and higher shares of fixed assets are more likely to report a preference for improving property rights.

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**TABLE 1.** *Dependent variable is support for improving property rights*

| | *(1)* | *(2)* | *(3)* | *(4)* | *(5)* | *(6)* |
|---|---|---|---|---|---|---|
| Cost to move | 0.62** | 0.59** | 0.59* | | | |
| | (0.18) | (0.18) | (0.23) | | | |
| Fixed assets | | | | 0.28** | 0.23** | 0.23** |
| | | | | (0.079) | (0.074) | (0.074) |
| Political connections | 0.047 | 0.073 | 0.057 | 0.033 | 0.059 | 0.056 |
| | (0.10) | (0.095) | (0.17) | (0.099) | (0.091) | (0.17) |
| Number employees | −0.0046 | −0.038 | −0.083 | −0.082 | −0.098 | −0.14 |
| | (0.14) | (0.10) | (0.15) | (0.15) | (0.12) | (0.17) |
| Operating revenue | −0.15 | −0.17 | −0.10 | −0.22 | −0.23* | −0.18 |
| | (0.12) | (0.10) | (0.15) | (0.12) | (0.093) | (0.13) |
| Constant | 15.5*** | 15.6*** | 15.6*** | 16.6*** | 16.5*** | 16.5*** |
| | (0.60) | (0.90) | (1.10) | (0.36) | (0.91) | (1.31) |
| Number obs. | 386 | 386 | 386 | 386 | 386 | 386 |
| Number countries | 5 | 5 | 5 | 5 | 5 | 5 |
| Sector fixed effects | no | yes | no | no | yes | no |
| Division fixed effects | no | no | yes | no | no | yes |
| Country fixed effects | yes | yes | yes | yes | yes | yes |

*Notes:* The dependent variable is support for improving property rights. Standard errors in parentheses, clustered at the country level. $^{*}p < .10$; $^{**}p < .05$; $^{***}p < .01$.

For ease of interpretation, I dichotomize the dependent variable (where 1 is a score of at least 16 on the composite support for property rights measure, and 0 is any score less than 16)[39] and run linear probability models. A one-unit change in asset immobility (that is about a 10 percent increase in the share of fixed assets) increases the probability that respondents support property rights by 2.1 percentage points with division fixed effects and 2.8 percentage points without. Similarly, a one-unit change in cost to move (that is moving from "not at all costly" to "somewhat costly" or from "somewhat costly" to "very costly") increases the probability that respondents support property rights by 6.1 percentage points with division fixed effects and 7.0 percentage points without. While modest, the results suggest that asset immobility is an important correlate of preferences for property rights improvements, and firms with more immobile assets express more support for property rights improvements.

**Robustness**. There are various robustness tests reported in the appendix. First, because the composite property rights variable is left skewed, I replicate the main regression models but replace the dependent variable with a logged measure of support for property rights. The results following this transformation are similar to those reported in the text.

Second, the immobility of firms may have larger effects in countries with weak property rights because improvements are more relevant in these countries. To evaluate this expectation, I interact the measures of immobility with the rule of law

39. A score of 16 could indicate at least weak agreement on each of the questions. Results are similar using other rules for dichotomizing the variable.

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measure from the World Bank.[40] The positive association between immobility and demand for property rights remains positive and significant across all models. The results suggest that the positive association is larger in countries with weaker rule of law, but the difference in the effect size (interaction term) is not statistically significant. The insignificance of the interaction could stem from the limited variation in property rights in the sample countries or the sample size.

Third, to further assess the sensitivity of the results to country characteristics, I interact the measures of immobility with each country dummy. The association between cost to move and demand for property rights remains positive and statistically significant across all specifications. The association with fixed assets is positive and significant without sector and division fixed effects, but loses significance once these are added. There are some small differences between demand for property rights across the different countries.

Fourth, I replicate the main regression table and replace the dependent variable with each of the underlying property rights variables used to calculate the composite variable: support for protection from corruption and government interference, doing more to combat corruption, doing more to provide a free and just legal system, and political connections providing an unfair advantage. The correlations are similar in sign and magnitude, but the results lose significance about half of the time. The results are most robust using the underlying variables that capture support for a free and just legal system and doing more to combat corruption.

### *Cross-national data on firm profits*

I next turn to Proposition 2—the theory anticipates that property rights improvements provide larger benefits to firms with more immobile assets, while those with mobile assets may even be harmed by property rights improvements. I draw on data from the Orbis Historical database.[41] Only firms that report data on their fixed assets are included in the sample. The data include over 33 million observations from over 6 million firms in 156 countries from 1998 to 2020.

The dependent variable is each firm's profit margin, logged. The independent variables include an interaction between property rights and asset immobility. Property rights are measured using the World Bank's rule of law variable described earlier.[42] Asset immobility is again captured by each firm's fixed assets, logged. Higher values indicate less mobility. The theory anticipates a positive interaction, where property rights increase profits more among firms with more fixed or immobile assets.

The empirical models control for several confounding factors. At the firm level, they include controls for the number of employees and total firm assets, both logged,

40. Using the most recent data from 2023, downloaded from Teorell et al. 2022.

41. Accessing the Orbis Historical database follows the steps used by Betz and Hummel 2025, and I thank Timm Betz for compiling the data. Data were accessed through the license from the Technical University of Munich.

42. From the World Bank, as reported by Teorell et al. 2022.

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**TABLE 2.** *Dependent variable is profit margin, logged*

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Fixed assets × Rule of law | .024* | .062*** | .054*** | .043*** | .046** |
| | (.013) | (.020) | (.016) | (.016) | (.019) |
| Rule of law | −.25 | −.74** | −.69** | −.28 | −.56** |
| | (.241) | (.332) | (.279) | (.257) | (.236) |
| Fixed assets, log | −.072*** | −.0030 | −.027 | −.030 | −.016 |
| | (.014) | (.032) | (.026) | (.022) | (.022) |
| Employees, log | | −.13*** | −.15*** | −.19*** | −.21*** |
| | | (.041) | (.032) | (.028) | (.032) |
| Total assets, log | | −.035 | .014 | .086*** | .10*** |
| | | (.042) | (.041) | (.033) | (.031) |
| GDP per capita, log | | | | −.55*** | −.080 |
| | | | | (.124) | (.226) |
| GDP growth | | | | .036*** | .014*** |
| | | | | (.010) | (.004) |
| Polity | | | | .099*** | −.0056 |
| | | | | (.036) | (.007) |
| Capital account openness | | | | .074 | .046 |
| | | | | (.062) | (.046) |
| Constant | 2.09*** | 1.91*** | 3.18*** | 6.49*** | 3.65* |
| | (.291) | (.457) | (.345) | (1.184) | (1.860) |
| Number obs. | 3.33e+07 | 1.99e+07 | 1.99e+07 | 1.84e+07 | 1.84e+07 |
| Number countries | 156 | 143 | 143 | 122 | 122 |
| Year fixed effects | yes | yes | yes | yes | yes |
| Industry fixed effects | no | no | yes | yes | yes |
| Country fixed effects | no | no | no | no | yes |

*Notes:* The dependent variable is the profit margin, logged. Standard errors in parentheses, clustered at the country level. $^{*}p < .10$; $^{**}p < .05$; $^{***}p < .01$.

as well as fixed effects for the firm's four-digit NACE industry code (also from Orbis). These are important controls since larger firms plausibly earn higher profits and have more fixed assets. The fixed effects allow us to look within the same industry, which is important for capturing firms that are in competition with one another. The models also control for country-level variables: wealth (GDP per capita), growth rates, the polity score,[43] and capital account openness.[44] Profits may be higher in wealthier countries and in countries that are growing quickly. The level of democracy may affect both rule of law and profits. Capital account openness may be related to asset mobility, property rights, and profits if it prevents redistribution and facilitates democratization.[45]

Table 2 reports the results of OLS regression models. Errors are clustered at the country level.[46] All columns include year fixed effects. Column (1) reports the baseline model. Column (2) adds firm-level controls for employees and total assets, logged. Column (3) adds industry fixed effects at the four-digit level (NACE code).

43. World Bank and Polity measures from Teorell et al. 2022.
44. Updated from Chinn and Ito 2008.
45. Freeman and Quinn 2012; Gao 2021; Pond 2018a.
46. Clustering at the firm or industry level generates higher levels of significance.

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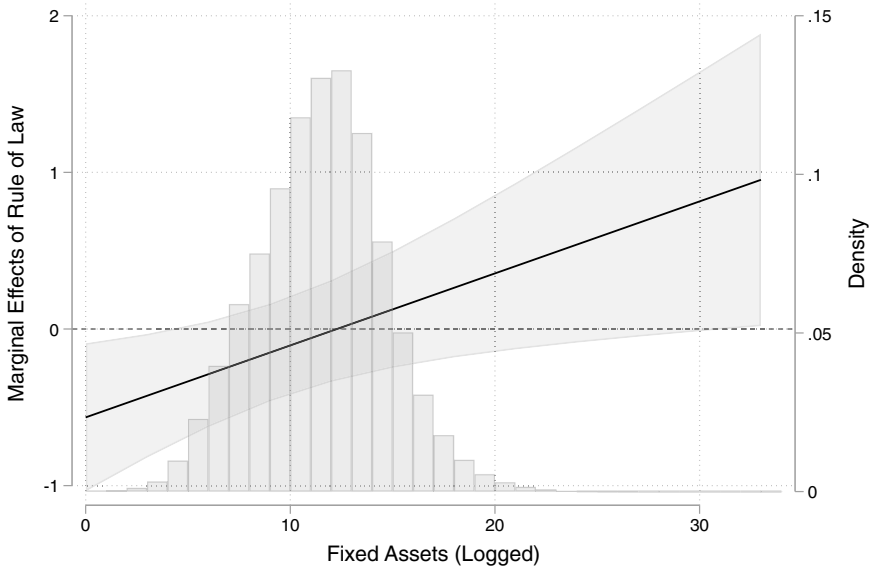



**FIGURE 6.** *Marginal effect of governance on profits*

Column (4) adds controls for log GDP per capita, GDP growth, the Polity score, and capital account openness. Column (5) adds country fixed effects.

The coefficient on the interaction term is positive in all models and reaches statistical significance at the 5 percent level in most models (the exception is the baseline model, which does not control for total assets). Figure 6 displays the marginal effect of rule of law as a function of fixed assets, drawing on the estimates from column (5). While the interaction is significant, the marginal effect of rule of law is often insignificant. Rule of law is negatively associated with profits for firms with very few fixed assets, in other words for those with many mobile assets. This effect is consistent with these firms losing market share to firms with fewer mobile assets—when property rights are improved. It is only for firms with very many fixed assets that rule of law is positively and significantly associated with profits. The findings are consistent with property rights affecting market share and immobile firms benefiting from property rights improvements.

These findings are merely suggestive. They are correlations in observational data, and there are many challenges to inference. First, reverse causality could be present and bias could go in either direction: profits could drive rule of law if economic growth fosters demand for rule of law (positive association) or if large profits make attractive targets for expropriation (negative association). These effects may be especially pronounced for firms with more fixed assets, as willingness to invest depends on property rights. Second, property rights may induce changes to markets that affect profits through several avenues distinct from those outlined in the formal

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model. If property rights deepen financial markets, they may facilitate entry and encourage competition, which reduces profits. I cannot rule out these competing effects and thus urge caution in interpreting the results.

**Robustness**. I provide several additional analyses and robustness tests in the appendix. First, the theoretical intuition earlier relied on the idea that more mobile firms could gain a competitive advantage in a weak property rights environment as their competitors are more sensitive to government intervention. I thus expect the results to apply only in industries with variation in sensitivity to government intervention. To assess this, I calculate the standard deviation in log fixed assets among firms in the same NACE four-digit industry. I then calculate the standard deviation in log fixed assets across all firms. I code a dummy variable, "low variation," which is equal to 1 for each industry with a below-average standard deviation in logged fixed assets and equal to 0 for those industries with an above-average standard deviation in logged fixed assets. I interact low variation with rule of law and fixed assets to evaluate whether the results are stronger for those industries with substantial variation in fixed assets (and thus where competitive effects should be relevant). Among high-variation industries, the results look similar to those reported in the text. Among low-variation industries, the association between rule of law (at all levels of fixed assets) is largely insignificant, as is the interaction term. In sum, the results are confined to those industries with above-average variation in fixed assets, where asset mobility can be a source of competitive advantage.

Second, I assess the linearity assumption of the interaction with immobility. I first bin the immobility variable (fixed assets) into terciles and replicate the main findings in the paper; I then bin the variable into quintiles for added flexibility. The binned findings are similar to the continuous findings and reveal larger positive effects of property rights at higher levels of immobility.

Third, I replicate the main models replacing the dependent variable with alternative measures of profits. These variables are profit to loss ratio (before and after taxes) and the profit margin. The correlations remain similar in size and significance.

## Conclusion

This research note presents three empirical predictions. First, governments are more likely to expropriate firms with more immobile assets and in weak property rights environments. Second and for this reason, firms with more immobile assets have more to gain from property rights improvements. Third, to the extent that firms, who produce the same products, differ in their production processes, those with more mobile assets may be competitively disadvantaged by property rights improvements. This is because property rights disproportionately reduce the production costs of their competitors.

Evidence is consistent with the predictions. Survey data from Latin America shows that business executives with more immobile assets are more likely to agree that improving the legal system and providing protection from corruption are important.

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In cross-national regressions, property rights are positively associated with profits for only firms with substantial immobile assets. For those with many mobile assets, property rights are negatively associated with profits.

These findings challenge the conventional wisdom that asset owners with mobile assets seek out institutional reforms that enhance property rights provision. The theory suggests instead that firms with immobile assets are more likely to demand institutionalized property rights protections, although they may lack the influence to realize their preferences in policy. The note suggests that the owners of mobile assets, who are less sensitive to costly government policies, were unlikely to have been the primary driver of property rights developments. Combined with theories of firm influence, this presents a paradox. Firm owners who have the more political influence and are better able to realize their preferences as policy are less likely to seek property rights.

More broadly, the note is thus consistent with arguments asserting that a fundamental cause of property rights is a division between the economic and the political elite, where the economic elite seek property rights protection from interference by the political elite.[47] The note further suggests that, due to the influence induced by mobility, the economic elite—when they own mobile assets—are unlikely to demand property rights. This suggests that a division between the economic and political elite *and* the ownership of immobile assets by the economic elite might be needed for the development of democratic institutions. This insight is consistent with case material from Bellin, who shows divisions within economic elites in their preferences for representative institutions.[48]

Research further suggests that divisions between the economic and political elite are unlikely. First, the political elite systematically regulate markets to undermine the economic performance of their rivals' firms.[49] Second, if immobile assets are more subject to government discretion, they are likely to be owned by those with political connections: connected individuals gain ownership through expropriation, biased legal decisions, or purchases.[50] This is indeed one of the logics of the resource curse. If governments can take over immobile natural resource firms and have easy access to resource revenues,[51] they can use those revenues to co-opt or repress popular dissent and undermine moves toward democracy.[52] In sum, even with differences between the political and economic elite, there is little reason to anticipate property rights improvements if the assets of the economic elite are protected by their mobility.

The theory relied on several assumptions that warrant more exploration. First, it assumed that asset mobility is fixed (this is a common starting point in the literature).[53] In fact, firms can choose to invest in making their assets more mobile, in increasing their

47. Ansell and Samuels 2010, 2014.
48. Bellin 2000.
49. Acemoglu 2006; Frieden and Silve 2023.
50. Betz and Pond 2023.
51. Guriev, Kolotilin, and Sonin 2011; Wellhausen 2015.
52. Morrison 2007; Ross 2012.
53. Bauerle Danzman and Slaski 2022; Boix 2003; Chen and Hollenbach 2022; Earle and Gehlbach 2015.

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political influence, or in improving property rights. All three strategies are consistent with concern about costly government policies. In addition, governments have an incentive to increase mobility when it helps them meet political objectives.[54] The precise relationships between these strategies warrants more attention in future work.

Second, the theory assumed that violations of property rights affect the operations of firms. As discussed earlier, this assumption is consequential. If expropriation comes purely from profits, it does not affect market share and all firms benefit, albeit to different degrees, from property rights. Considering how best to model expropriation warrants more attention in future work. Early steps included distinguishing between taxation of profits and expropriation of assets[55] and between expropriation from centralized or local authorities.[56] Understanding how different types of expropriation affect firm profits and behavior could help us better understand when firms call for property rights improvements and which firms are likely to make these calls.

## Data Availability Statement

Replication files for this research note may be found at <https://doi.org/10.7910/DVN/GMJTHI>.

## Supplementary Material

Supplementary material for this research note is available at <https://doi.org/10.1017/S0020818326101325>.

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## Key Words

Asset mobility; property rights; business influence; political risk; expropriation; rule of law

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