Abstract

From 1905 to 1935, the city of Los Angeles bought rights to water and land from Owens Valley farmers and built an aqueduct to transfer the water to its residents. The dark version of the story is that Los Angeles bullied and isolated reluctant farmers in order to get cheap water. A map of the plots farmers sold at any given point in time, however, could look like a checkerboard either because the city intentionally targeted specific farmers, whose land sales would create negative externalities for the remaining farmers, or because farmers were heterogeneous and sold at different times. To assess the checkerboarding claim, we analyze sales between the city and farmers and evaluate the effects that farmers' actions had on one another. We estimate a dynamic structural preemption model of farmers' decisions to sell to the city. We find large externalities when farmers sold which are larger for neighboring farmers and when the seller was closer to the river.