

We use data on financially distressed Chinese companies in order to study a debt market where property rights are crudely defined and poorly enforced. To help with identification we use an event where a business-friendly province published new guidelines regarding the administration and enforcement of assets pledged as collateral. While far from a comprehensive reform of bankruptcy law or property rights, the improved enforcement of existing, albeit rudimentary, contractual rights virtually eliminated creditors runs and produced a sharp increase in the survival rate of financially distressed companies “treated” by the change. These changes illustrate how piecemeal reforms of property rights and their enforcement may have a significant impact on economic outcomes. Our results challenge the view that a fully fledged system of private property is a precondition for economic development.