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PRIVATE PROPERTY & SUSTAINABILITY IN THE GALÁPAGOS ISLANDS

CASE STUDY



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ABSTRACT

In 1998 Galápagos became a “Special Regime” under the Ecuadorian Constitution, granting them authority to govern their own affairs. To bolster conservation of the islands, property and immigration restrictions have been increasing since then. The latest and clearest restriction on private property ownership on the islands is based on an ordinance from the governing council of 2008. This had yet to be constitutionally challenged although Articles 66 and Article 321 of the Ecuadorian Constitution guarantee private property in all of Ecuador.

Up until 1998 most tourism to the islands was ship based. Accordingly, the restrictions in the 1998 law were mainly concentrated on ship-based rather than land-based tourism. The governing council ordinance of 2008 finally placed explicit limitations on private property on the islands, and as a result supply of new lodging has been in low-cost hostels and budget accommodations. This in turn has spurred a sharp increase in economy tourism from mainland Ecuador, which strains the resources on the islands.

The fact that a public ordinance is being held as law despite constitutional rights to the contrary is a perfect example of the problems and challenges for conservation within a fragile institutional network. Although the original intent of

these laws and ordinances was the conservation of the islands, they have had unintended consequences which are irreparably affecting the environment and long-term conservation.

This paper explores the structure and implications of the property rights regime in the Galápagos. Our objective is to examine how this legal and institutional framework, designed primarily to ensure environmental conservation, interacts with the rights to private property, and how this tension affects the islands’ long-term economic sustainability and conservation.

We suggest that reinforcing universal private property rights is the best way to increase capital for investment. This is necessary in order to stop deteriorating environmental integrity. We tackle this issue by using the empirical evidence from Ecuador’s experience in the Galápagos islands.

- **Keywords**
- Galápagos Islands, property rights, special legal regime, environmental conservation, economic development

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INTRODUCTION

The Galápagos Islands present a unique case at the intersection of environmental preservation and economic development. Globally renowned for their biodiversity and scientific significance, the islands are a top conservation priority worldwide. At the same time, they are home to a growing population with basic infrastructure needs and a fragile economy heavily reliant on tourism. The challenge is not simply to protect ecosystems, but to do so in a way that enables human flourishing and sustainable economic growth. In this context, the institutional rules governing property on land, resources, and investments become central to the long-term viability of the archipelago.

This paper explores a critical and often overlooked dimension of the Galápagos governance framework: the role of private property rights. We examine how the legal regime of Galápa-

gos conflicts with constitutional norms protecting private property rights and how that has impacted conservation on the islands. Despite Ecuador’s Constitution affirming the right to private property, the Galápagos operate under a complex set of administrative restrictions that limit ownership, prohibit transfers, and constrain productive activity. These measures, though designed to protect the environment, have yielded unintended and counterproductive consequences.

An inability to get and transfer property rights have resulted in underinvestment in industries such as higher end tourism. The lack of property rights which inhibit capital from entering the local economy have, instead, fostered budget and economy tourism which add significantly to the “load capacity” on the scarce resources on the islands (like water and electricity).

1. Free Galápagos and Instituto Ecuatoriano de Economía Política – IEPP.
2. Instituto Ecuatoriano de Economía Política – IEPP.
3. Ecuatoriano de Economía Política – IEPP.
4. IdeasLabs.org and Free Galápagos

ADMINISTRATIVE STRUCTURE

The administrative governance of the Galápagos Islands has evolved through several key stages. In 1959, the declaration of the Galápagos as a National Park (PNG)⁵ marked the beginning of formal environmental protection efforts and governance of the archipelago’s natural resources. The establishment of the PNG marked the frontier of human expansion on the islands. Since then, human presence is limited to the previously inhabited 3% of the total land-mass, and 97% remains as part of the PNG and inaccessible except for limited tourist permits to very few sites. In 1973, Galápagos became the 20th province of Ecuador. In 1980, the *Instituto Nacional Galápagos* (INGALA) was created by legislative decree⁶ to oversee conservation and development on the islands. The 1998 Constitution created the Special Regime Status of Galápagos, effectively giving it the capacity to gain some autonomous functions. The Special Regime status was enhanced under the Constitution of 2008 and then under the 2015 Organic Law for the Special Regime of the Province of Galápagos (LOREG). As changes to existing regulations have been constant, there is much uncertainty as the status and future of private investment in the Galápagos.

Although the 2008 Constitution maintained the special regime, it redefined the governance framework. As a result, Galápagos no longer has a governor or prefect, as do all the other

23 provinces of Ecuador. Instead, the 2015 Organic Law for the Special Regime of the Province of Galápagos (LOREG)⁷ created a separate governing body, the *Consejo de Gobierno del Régimen Especial de Galápagos* (COREG) to replace INGALA. This new body has the right and obligation to enact regulations for the proper administration of the islands. The law expressly gives the governing council the mandate to establish regulations on investments in the islands, but to date no such regulations exist, relying instead on ordinances issued previous to the Law’s passing.

The *Consejo de Gobierno del Régimen Especial de Galápagos* (COREG) is composed of nine members distributed amongst local and central government representatives. Five of the members are appointed by the president and four are elected representatives of the residents of the islands. The Central Government maintains a majority through its appointed delegates, effectively granting it decision-making control over the Council. The reality, however, is that the local delegates, although a minority, are dominant. This can be explained by the small number of voters on the islands, making them politically less relevant at the national level, but easier to organize at the local level. This institutional framework is subject to regulatory capture by interest groups who benefit from the status quo of legal obscurity.

5. [Decreto Ley de Emergencia 17 - Registro Oficial 873 - 20-07-1959](#)
6. [Decreto Legislativo No. 131 - February 21th, 1980](#)
7. [Registro Oficial No. 520, Segundo Suplemento, jueves 11 de junio de 2015](#).

MIGRATION AND LAND OWNERSHIP POLICY

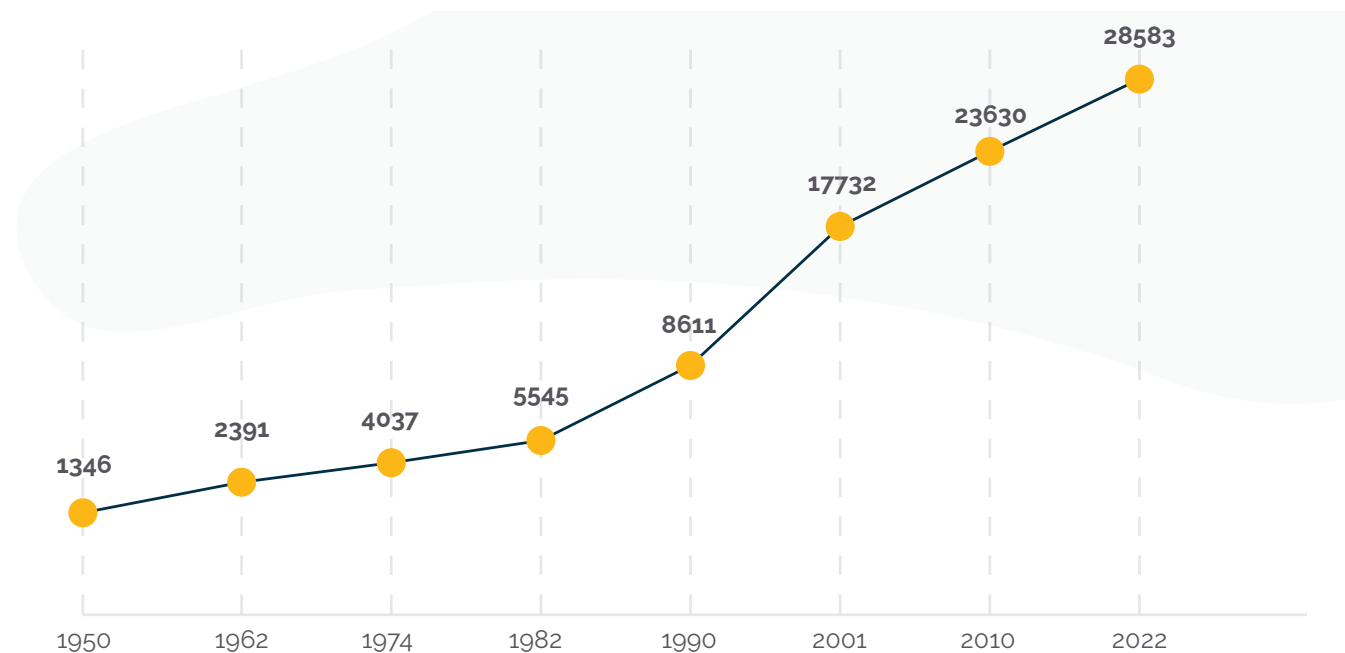
The demographic explosion and conservation erosion in the Galápagos is historically linked to the lack of property rights. The lack of property rights and quotas on lobster and sea cucumber created a “gold rush scenario” (Gonzalez, 2008) which led to the beginning of a population explosion. This increased economy led to the establishment of more flights from the mainland, increasing the accessibility of the islands to the outside world. This increased accessibility created more demand from foreign visitors further increasing economic opportunities. There, opportunities combined with a weak economy on the mainland, led to a massive increase in the permanent population of the islands in the 1990s. This rapid increase in population led to the 1998 Special Regime Laws, which instead of promoting property sought to hinder any attempt to stem the permanent population and constrain tourism.

In 1998, the first Special Regime Law for the Conservation and Sustainable Development of the Province of Galápagos⁸ was enacted, establishing the first migratory regime for the islands. These measures aimed to control population growth and limit economic activities to protect the fragile ecosystem. The law also introduced a differentiated minimum wage policy for Galápagos, setting wages at 75% higher than those on the mainland.

Since then, the growth rate of the permanent population in the Galápagos has been 44% higher than that of mainland Ecuador. Migratory restrictions created a privilege that, combined with increased employment opportunities derived from tourism, has fueled population growth. As can be seen in the graph below the number of inhabitants has risen significantly over the decades: from 5,545 in 1982; to 17,732 in 2001; and 28,583 in 2022.⁹

8. [Registro Oficial No. 278, Año II, miércoles 18 de marzo de 1998](#)
9. [Galápagos: A Crisis in Evolution, Instituto Ecuatoriano de Economía Política IEEP \(2025\), pp. 19-20](#).

Graph 1: Evolution of population in the Galapagos



Source: National Institute of Statistics and Census (Instituto Nacional de Estadística y Censos, INEC)

The Special Regime Law of 1998 limited investment on the islands by non-permanent residents but left many specifics to be defined at a further date¹⁰. This lack of clarity but clear intent to restrict access to the economic benefits of tourism increased incentives to migrate to the islands (Zalles et. al, 2025). Limits to private property were formalized by the INGALA Resolution No. 04-CI-21-I-2008¹¹ (the "Ingala Resolution") in 2008, which established formal limits on property rights and therefore investment in the Galápagos. The first three articles of the resolution by a local governing council (that had since ceased to exist) which limits private property in the Galapagos say the following:

- Article 1: prohibits non-resident natural persons from investing or acquiring real estate in Galápagos unless they have permanent resident status granted by the INGALA Residency Committee.
- Article 2: extends this prohibition to firms and trusts composed entirely of non-residents.
- Article 3: mandates that all investments by non-residents must be carried out jointly with a permanent resident holding at least 51% ownership, with a maximum of 49% ownership held by the external investor.

10. See Title 10 Chapter 1, section 12 of the Special Regime Law of 1998 <https://unidosporgalapagos.wordpress.com/wp-content/uploads/2021/04/ley-organica-de-regimen-especial-para-la-provincia-de-galapagos.pdf>

11. Registro Oficial, No. 327. Año II, 30 de Abril del 2008. Quito, pp. 14-15.

The INGALA Resolution was introduced as a provisional mechanism pending formal passage of a law and statutes. More than seventeen years later no such regulation has materialized even though the 2015 Special Regime Law stipulates that investment will be subject to the rules set forth by a "*Reglamento de Inversiones*" (Investment Regulation) to be put in place by the governing council of Galapagos (COREG). Draft versions of the investment regulation presented to date largely retain the same restrictions as the original ordinance, thereby continuing the existing regulatory framework¹². In the meantime, the authority to settle any disputes or challenges lies with the COREG, adding to the obscurity and entrenching problems of regulatory capture.

When rights cannot be acquired transparently, informal markets emerge. Black markets for tourism licenses, false commercial partnerships to circumvent residency requirements¹³, and even marriages of convenience¹⁴ to obtain permanent residency are common. Simultaneously, strict controls and high costs on formal hiring, combined with significantly higher salaries on the islands as mandated by law, attract intranational migration even if contravening the existing regulations. Rather than promoting innovation and ecological responsibility, the system rewards lobbying, privilege, and corruption reinforcing a status quo that resists reform and transparency.

12. See COREG, *Ayuda memoria: Taller de obtención de insumos para el Reglamento de Inversiones para Galápagos*, 26 de febrero del 2016, p. 13; and, COREG, *Hacia una nueva Ley*, p. 35-37.

13. PESANTEZ VERGARA, Sandra. *Galápagos, hábitats humanos: Turistificación de la conservación y sus efectos sobre la vivienda en la isla San Cristóbal*, Instituto de Estudios Urbanos y Territoriales - Pontificia Universidad Católica de Chile (2020), pp. 54-55.

14. COREG, *¡Contribuye a proteger Galápagos! Si conoces casos de migración irregular o matrimonios falsos escríbenos al denuncia@gobiernogalapagos.gob.ec* (Instagram post). Retrieved July 30, 2025 from: <https://www.instagram.com/p/C8M7mLPopDA/>

UNINTENDED CONSEQUENCES OF PROPERTY RIGHTS OBSTRUCTION

In the 1990s the vast majority of tourists visiting the islands were ship-based, and very limited infrastructure existed on land. It is no surprise therefore that the bulk of the enforcement of the first Special Regime Laws fell on ship-based tourism and fishing. The limitations on new investments can also be explained by regulatory capture from the limited number of ship operators on the islands. Since passing the restrictions only a very few new vessels have been allowed to operate, and in 2007 only 45 individuals and corporations owned all the tourist vessels on the islands (Brewington, 2013). In 2007 there were 84 cruise ships with a total capacity of 1,834 passengers¹⁵ and by 2022 there were only 77 with 1,806 beds¹⁶.

Since ship-based tourism had been the predominant way to visit the islands, it was subjected to strict regulation, whereas limitations on land-based investments were less scrutinized and lacked details. This increased regulation on ship-based tourism created an incentive to build infrastructure on land to accommodate tourists.

Although property rights restrictions had been included in the 1998 Special Regime Laws, they were not specific and loosely enforced. UNESCO's declaration of the Galápagos Islands as World Heritage Site in Danger in 2007 accelerated the deterioration of conservation of the Galápagos as it increased the possibility of regulatory tightening. Since the government was eager to get out of the negative designation it increased restrictions on migration in the 2008 Constitution and closed existing property loopholes in the INGALA Resolution as well. As a result of these temporary solutions, in 2010 UNESCO lifted the World Heritage Site in Danger designation. As can be seen in the chart below, a significant increase in land-based lodging permits began in 2007 and spiked with the eminent passing of the Special Regime Law of 2015 which further tightened and clarified restrictions (see below).

Evolucion Temporal Sistema Turistico de Tierra Alojamientos

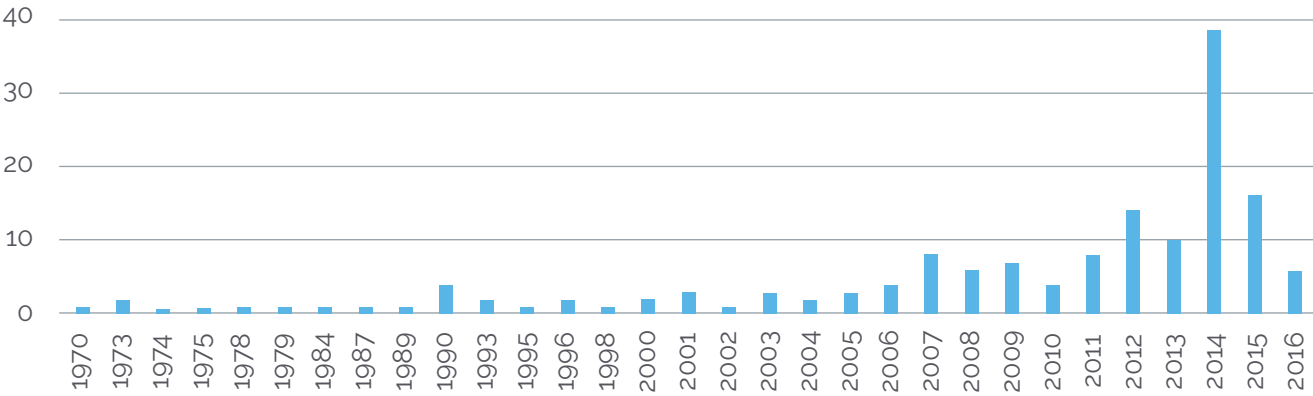


Ilustración 40 Evolución Temporal Alojamientos (elaboración propia fuente datos MINTUR catastro general 2017)

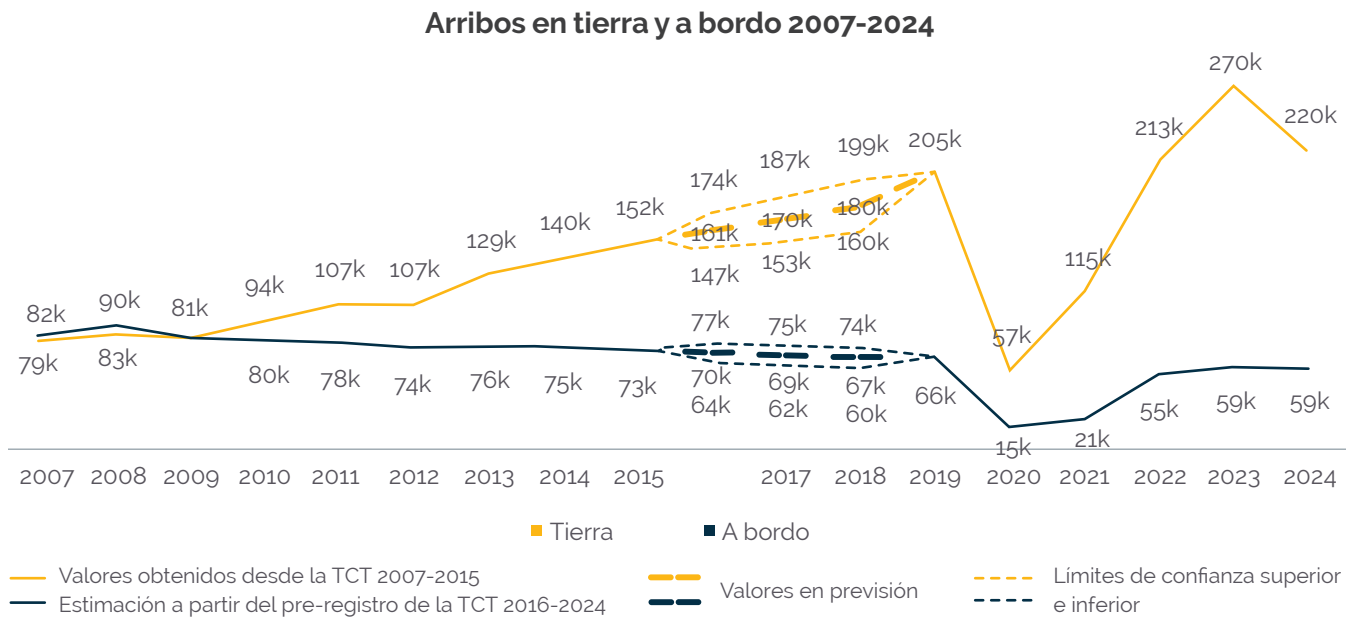
Fuente: Plan Maestro Turístico Territorial de Santa Cruz 2018¹⁷

It is no coincidence that 2010 is also the year that land-based tourists overtook ship-based tourism. By then, and despite the legal restrictions, the permanent resident population of Galápagos was growing at almost 2x the national average due to the increased privileges afforded to permanent residents, higher wages dictated by law, and growing labor opportunities in a world class tourist destination.

The chart below illustrates this trend clearly. The yellow line indicates passengers in land-based lodging whereas the blue line indicates ship-based lodging. As can be seen, ship-based tourism has decreased whereas economy or budget friendly tourism has exploded. As of 2024, 79% of the tourists arriving on the islands were land-based; this is up from 68% in 2015. Ecuadorian nationals made up 45% (125k) of all tourists visiting the islands in 2024.¹⁸ Until 2024, Ecuadorians visiting the islands paid a \$6 entry fee whereas foreigners paid \$100. These fees have now been revised upwards to \$30 for Ecuadorians and \$200 for foreigners.

15. darwinfoundation.org/en/documents/462/galapagos_report_2007-2008_english.pdf pg 81
16. observatoriogalapagos.gob.ec/wp-content/uploads/2023/09/Informe-semestral-estadisticas-enero-junio-2022-.pdf

17. drive.google.com/file/d/1vhxQlbmxAOgf7lk_t5X4THvIGuSAkYwG/view
18. galapagos.gob.ec/2024/informe_anual_visitantes_2024.pdf



Source: Informe Annual Visitantes 2024 https://galapagos.gob.ec/2024/informe_anual_visitantes_2024.pdf

Since investments in higher end hotels and cruise ships were curtailed, land-based cheaper alternatives flourished. As budget alternatives grew, local tourism from the mainland of Ecuador increased. The increased demand from Ecuadorian tourists from the mainland explains the growth in budget lodging infrastructure.

In 1991 there were 29 hotels with a total of 492 beds in the Galápagos¹⁹. By 2007 (in 18 years) hotel/rooming establishments had grown 2.5x to 73. From 2007 (the year UNSECO declared Galápagos in danger) till 2015 (the year the Special Regime Law was passed) lodging establishments increased 4x to 291²⁰. By 2017 there were 317 lodging institutions with an estimated 6,102 beds²¹; of these 55% were hostels, 24% bed and breakfasts, and a total of 90% of the available lodging institutions were classified as 3 stars or less.

Local tourists spend much less and are less observant of conservation standards. This was noted by the Charles Darwin Foundation in their annual report for the year 2009-2010 where they published the following damning conclusion:

The national tourist who arrives in Galápagos does not demand more knowledge, does not have a greater commitment to the environment, and has limited information. The motivation of his trip does not specifically consider the nature of Galápagos; his interest is limited by considering the islands as a "wonderful place" and important that belongs to Ecuador. In this context, before their visit, the national tourist feels the duty to visit it but does not have a specific interest, nor the necessary responsibility with Galápagos. (Galapagos Report 2007-2008, Charles Darwin Foundation)²²

19. https://www.darwinfoundation.org/es/documents/470/informegalapagos_2009-2010.pdf

20. https://www.cnhtours.com/news/2019/2/1/20-growth-in-land-based-tourism-last-year-can-this-continue/?utm_source=chatgpt.com

21. https://www.observatoriogalapagos.gob.ec/wp-content/uploads/2020/12/Estad%C3%ADsticas_turismo_Gal%C3%A1pagos_2017.pdf

22. https://www.darwinfoundation.org/en/documents/462/galapagos_report_2007-2008_english.pdf



To make matters worse a moratorium on new lodging establishments was enacted in 2015. The lack of investments given property rights restrictions, and the existing hotel moratorium eliminating possible competition have effectively "locked in" the existing hostels and budget accommodation model that persists.

As of 2024 local tourism accounts for almost half of all visitors, and they stay 88% on land. In contrast, the next largest group of tourists are from the U.S. (approx. 80k per year), and 70% visit the islands on board a ship. Ships are required to carry naturalist guides and are restricted to visits within the Natural Park, whereas land-based tourism can visit beaches and destinations outside the park with little to no supervision. The average age of national tourists is 35 versus 45 for foreign visitors. Tourists under 30 comprise 29% of foreign tourists whereas they are 43% of Ecuadorian mainland tourism.²³

The public spaces are where the tourism issues really are. Since these spaces are the only ones that allow construction, they are far more likely to become populated by the tourism industry. There are less protections in the public areas in order to allow individuals to construct hotels and foster economic growth for local tourism. Because of fewer regulations, land-based tourism jumped 92 percent in the amount of visitors while ship-based tourism decreased by 11 percent between 2007 and 2016.

23. https://galapagos.gob.ec/wp-content/uploads/2024/03/INFORME_ANUAL_VISITANTES-2023_WEB-LQ.pdf

In addition to lower income Ecuadorians moving to the islands to gain some income from tourism, new non-native tourist agencies began to spring up. The issue with these agencies is that they appeal to those who go to the islands for a tropical vacation which in return brings people to the Galápagos that pose a greater risk to the environment than eco-friendly tourists. (Reale, 2022)

Increased low budget tourism increases the pressure on the environment, particularly scarce water resources, and increased garbage and plastic refuse. Since electricity and cooking gas are highly subsidized by the central government of Ecuador consumption adds significantly to contamination and other environmental hazards (for more on this see Zalles et. al., 2024).

In short, subsidies combined with low budget tourism that resulted from lack of capital investment are creating a non-sustainable growth in resource consumption. Without incentives to invest and increase innovative non-budget tourism that must be accompanied by clearly defined property rights, the conservation of the islands is at risk.

The imminent collapse of the model is described by the Galápagos Tour Operator Association in an open letter to Ecuador's ambassador to the Organization of American States:

We are most concerned that current policies have encouraged a model of last minute, low budget, higher volume tourism that will increasingly strain local services (biosecurity, water usage, production of waste) while leaving relatively little benefit for the local economy, and significantly compromising the longer term appeal and uniqueness of the destination. Given the vulnerability of ecosystems on oceanic islands like Galápagos, IGTOA firmly believes that this model may have disastrous long-term consequences for the wildlife and ecosystems and the considerable economic benefits they provide for Galápagos residents and to Ecuador.²⁴

OTHER PROBLEMS DUE TO PROPERTY RESTRICTIONS

COMMERCE PROTECTIONISM, WATER SUPPLY AND SCARCITY

Unintended consequences of regulations that hurt conservation abound. For instance, a Management Plan issued by Ministry of Environment promotes an *endogenous and self-sufficient economic model* which protects local industries from competition. Not only are capital investments limited but locals are shielded from competition. This leads to a lack of innovation and scarcity. One notable example is coffee. In 2020, the Galápagos Governing Council issued Resolution 020-CGREG-10-07-2020, which prohibited the entry of roasted and ground coffee from the mainland. This measure was justified as necessary to promote local agroecological production but has been repeatedly suspended and reinstated due to local shortages, revealing its inconsistency and the prevalence of regulatory capture by privileged actors²⁵.

Moreover, these policies generate unintended environmental and demographic consequences. Coffee farming in Galápagos is water-intensive, relying on freshwater resources that depend entirely on rainfall for aquifer recharge. Additionally, all water resources on the volcanic islands are scarce and have been contaminated to the point that no water resources on the islands are fit for human consumption because of e-coli.

Because tourism pays higher wages and affirmative action rules prioritize local labor, coffee growers often recruit workers from the mainland. These workers are frequently hired informally and remain on the islands after their contracts expire, contributing to population growth. Between 2021 and 2022, coffee sales on the islands grew by 81%, while reported formal employment in the sector remained flat, indicating a probable increase in unregistered labor²⁶. Similar dynamics exist in other protected sectors, including cheese and tomato production.

These protectionist policies, combined with decreased capital sources due to restrictions on private property, attract only low skilled labor to the islands. A liberalization of trade and integration with continental markets would allow for better allocation of resources, fewer distortions, and more effective protection of the archipelago's fragile ecosystem.

Even though the stated objective of the protectionist laws where to increase the production of foodstuffs on the islands, Galápagos suffers from constant scarcity. Some of the causes are endogenous (e.g controlled prices), but the lack of private property rights has "locked in" a lower capacity for investment. This is evident in a lack of innovation and investment in agricultural methods.

24. https://s3.amazonaws.com/igtoa-org/app/public/ckeditor_assets/attachments/232/igtoa_letter_on_tourism_growth_2023-5.pdf

25. During 2022, the restriction on the entry of coffee was suspended by COREG Resolution No. 007 of April 14, and reinstated on November 22. The suspension was lifted again by Resolution No. 039 of April 25, 2024, and later reinstated by Resolution No. 001 of February 24, 2024. All resolutions are available in the COREG library: <https://www.gobiernogalapagos.gob.ec/biblioteca/>

26. *Galápagos: A Crisis in Evolution*, Instituto Ecuatoriano de Economía Política IEEP (2025), pp. 24-27.



MARITIME TRANSPORT AND VESSEL LICENSES

Since the 1998 law, operating permits have been an indispensable requirement to offer tourism-related maritime services in the Galápagos Islands. Initially granted by Instituto Ecuatoriano Forestal y de Áreas Naturales y Vida Silvestre (INEFAN), these permits could only be transferred among permanent residents. The 2015 LOREG tightened these rules, making permits *intuitu personae*²⁷, which means they are issued based on the individual rather than the activity or entitled firm, further restricting their transferability.

This system has incentivized cartelization and monopolization of tourism maritime services, and poor quality of the services. All permits are strictly non-transferable; their sale, lease, or any transfer of rights is prohibited²⁸. Only one permit is granted per person, excluding relatives and even legal entities formed by permit holders. This framework prevents permits concentra-

tion by the most efficient operators and severely restricts market entry, limiting innovation and service expansion. The static initial endowment and prohibition of dynamic permit reassignment create an inefficient sector that stifles quality improvements²⁹.

One of the consequences of these investment restrictions is a lack of capital investment in the current fleet. This results in an unusual number of maritime incidents. The frequency of incidents is such that no international re-insurance is available for vessels on the islands. Data published by the Ecuadorian government indicate more than one serious incident or sinking per month. In 2022 the lack of maintenance and training resulted in four tourist deaths in the sinking of a ferry whose motors had failed consistently in the days leading to the accident.

FISHING AND OTHER NATURAL RESOURCES

The lack of property rights on fishing catches affects conservation directly. The overexploitation of these resources was a major driver of the population explosion in the 1990s. In 1998 the new law established an exclusive 40 mile fishing zone for local fishermen but did not establish catch quotas. In other words, although the maritime exclusion zone exists, no quotas and lax supervision create the perfect scenario for the "Tragedy of the Commons" in the Galápagos.

One of the most egregious examples of this is the near man-made extinction of sea cucumbers in a supposedly pristine ecosystem. Starting in the 1990s, increased demand from Asia depleted the sea cucumber population on the continental shelf of Ecuador. Fishermen predictably moved their operations to the unregulated

waters of the Galápagos Islands. Although the activity became much more visible and regulated, the economic opportunity afforded to the local fishermen was a significant incentive. The illegal activity continued to the point that by 2015 the sea cucumber harvest was suspended for five years.³⁰ Similarly, lobster harvests are limited to specific months due to dangerously low populations.

Other natural resources that are being exploited are evidenced in a growing trade for illegal specimens of Galápagos fauna, illegal exploitation of endemic forests, and the illegal mining of quarries and sand. The latter two are directly related to the increased permanent population and lack of property rights on forests and other resources.

27. LOREG, Articles 63, 64 y 65.3.

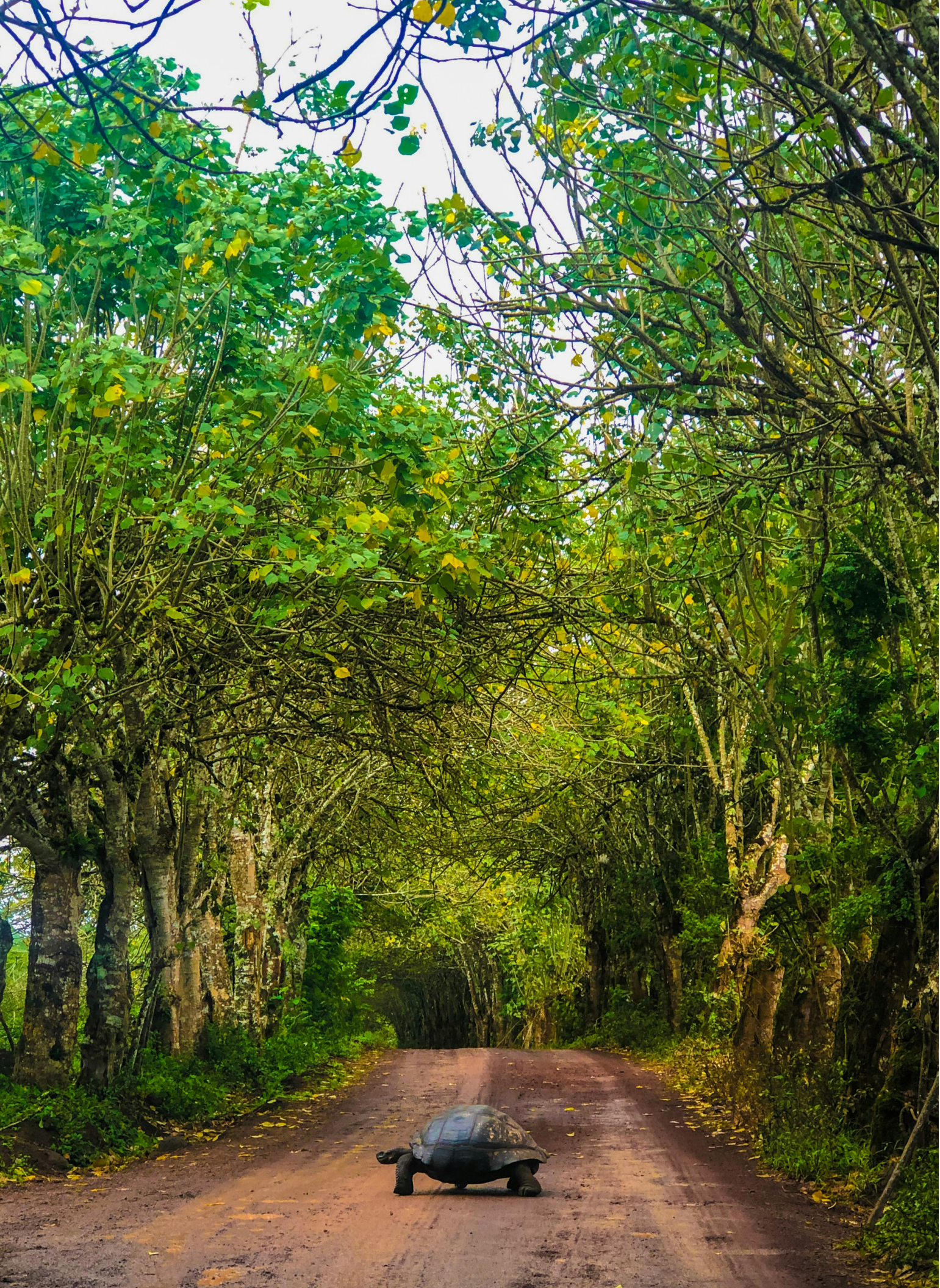
28. LOREG, Article 67.

29. Coase, Ronald. The institutional structure of production (1991), en Boettke at al., Mainline Economics, Mercatus Center, Arlington, VA, 2016.

30. <https://galapagos.gob.ec/galapagos-se-alista-para-la-temporada-de-pesca-de-pepino-de-mar/>

CONCLUSION

The lack of private property rights in the Galápagos is seriously undermining its status as a conservation hotspot. Since 1998, a series of environmental protection measures—intended to safeguard the islands—have produced unintended consequences, often with results directly opposed to their original goals. Chief amongst these prohibitions is the lack of private property rights which has limited capital accumulation. Low capital investment has in turn fostered budget tourism which has stressed the islands' resources to capacity. Instead of high end/high margin tourism, the legal restrictions to private investment have created a high volume/low margin tourism industry which hurts conservation.



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