

Institutional Change in Agriculture and Natural Resources
Institutioneller Wandel der Landwirtschaft und Ressourcennutzung

edited by/herausgegeben von
Volker Beckmann & Konrad Hagedorn

Volume/Band 24

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Agricultural Land Markets

Organisation, Institutions, Costs
and Contracts in Poland

Shaker Verlag
Aachen 2005

Bibliographic information published by Die Deutsche Bibliothek

Die Deutsche Bibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available in the internet at <http://dnb.ddb.de>.

Zugl.: Berlin, Humboldt-Univ., Diss., 2005

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Printed in Germany.

ISBN 3-8322-4114-0

ISSN 1617-4828

Shaker Verlag GmbH • P.O. BOX 101818 • D-52018 Aachen

Phone: 0049/2407/9596-0 • Telefax: 0049/2407/9596-9

Internet: www.shaker.de • eMail: info@shaker.de

Preface of the Editors

„Although economists claim to study the working of the market, in modern economic theory the market itself has an even more shadowy role than the firm. ... In the modern textbook, the analysis deals with the determination of market prices, but the discussion of the market itself has entirely disappeared” (Coase 1988: 7). Today, seventeen years after Coase's hortatory observation, there is evidence to suggest that the market itself has re-entered economic theory and modern economic textbooks (e.g. Mas-Colell, Whinston, and Green 1995; Bowls 2003). In particular the textbooks of New Institutional Economics (NIE) (e.g. Furubotn and Richter 1998; Aoki 2001a) pay significant attention to the institutional structure of markets. How market transactions are characterised by information and investment problems and how these affect resource allocation and lead to private contracting, market organisation and public regulation - these questions have recently gained high priority in economic research. In this context, some of the most interesting studies result from theoretically based empirical research done at the edge between economics and sociology, like Abolafia (1997, 2005) and Fafchamps (2004).

The book at hand by Annette Hurrelmann adds significantly to this line of research and the current lively debate about the “nature of the market”. Hurrelmann studies agricultural land markets, which seem to be particularly well suited for analysing the relationship between allocation, contracting, organisation and institutions. It may be no coincidence that important seminal papers in NIE have emerged from efforts to understand sharecropping and rental contracts in agriculture (Cheung 1968, 1969b; Stiglitz 1974; Murell 1982; Allen and Lueck 1992). However, like neoclassical economics fall short by focusing only on prices and quantities, NIE tends to limit its scope on dyadic contractual relationships, often ignoring some broader issues of market organisation and institutions. Attempts to analyse a market in its entirety lead to questions of how markets as a whole can be approached, modelled and analysed? Such are the questions to which the study by Hurrelmann seeks to provide answers.

To approach agricultural land markets, Hurrelmann applies the four level scheme of social analysis by Williamson (2000). It provides a suitable framework since it integrates the neo-classical market model in a broader institutional framework and clarifies crucial research dimensions in a systematic way, such as level of analysis, research focus, time horizon, economising options and theoretical approaches. Using the framework to review the literature on land markets, Hurrelmann identifies several blind spots and new opportunities for further research that may lead to a more complete model of land markets, e.g. a systematic analysis of the organisation of land markets. In order to develop such a market model, she integrates elements of NIE with New Economic Sociology (NES). The latter follows the main idea that markets are networks of actors em-

bedded in larger social relationships. According to Hurrelmann a combination of NIE and NES elements can enrich the market model if markets are analysed as organisations constituted by relational contracts between potential participants. In conclusion, her market model assumes that market transactions are shaped by the institutional environment in which they operate, the personal and more formal relational contracts that exist between the market participants, the properties of the transactions and the characteristics of the resources, goods or services traded.

Hurrelmann applies this model to analyse agricultural land markets in Poland, a case that is interesting for at least two reasons. First, Poland has a diverse agricultural structure and various land market settings ranging from purely private land ownership to large shares of state ownership. Second, agricultural land markets are a sensitive policy issue in Poland due to the failed attempt of compulsory collectivisation of agriculture during socialism which has resulted in a strong affection of farmers to ownership of land. Against this background, Hurrelmann investigates three “underresearched” and “undertheorised” research questions. First, she examines if land markets can be analysed as organisations that have some boundaries, members and objectives. Second, she explores the decision on renting-in vs. buying/renting-out vs. selling, and third, she investigates the influence of the institutional environment and the properties of transactions on the contracting behaviour of farmers. For all three research issues, Hurrelmann produces substantial advances in knowledge, thus contributing to a better understanding of Polish land markets. Analysing land markets as organisations helps to discover some important elements of market microstructure and reveals that relational contracts can vary substantially from setting to setting. Renting-in vs. buying/renting-out vs. selling cannot be explained by transaction costs reasoning alone. Instead, Hurrelmann shows that the full opportunity costs of exchange have to be taken into account. Finally, it is revealed that the institutional environment can have a profound impact on land market contracts, sometimes overruling the effects of the properties of the transactions.

There is no doubt that the research undertaken in the Polish agricultural land market could fruitfully be extended to other land market settings and to other markets as well. Indeed, more studies like this are needed in order to foster the discussion on markets themselves, like Coase has demanded. How are different markets organised, how do they emerge and disappear, what are the interconnections between different sub-markets that differ in their contracting structure, what are interrelations between institutional environment and properties of the transaction? Based on the approach outlined by Hurrelmann, these and further questions could be studied systematically in different settings contributing step by step to the stock of knowledge that may once enter into modern textbooks.

Acknowledgements

This book is based on my postgraduate research work in agricultural economics at Humboldt University of Berlin during the years 2002 to 2005. It would never have come into existence without the help of numerous people, whom I would like to thank here.

My supervisor Prof. Dr. Dr. h.c. Konrad Hagedorn not only offered his support and guidance throughout the research process but also deserves thanks for creating such an open and innovative spirit at the Chair of Resource Economics, where it was always a pleasure to work. I am grateful to Prof. Dr. Jerzy Wilkin for being willing to represent the Polish side on the referee board for the thesis and for providing vital assistance during my research sojourn at Warsaw University. Dr. Volker Beckmann was an invaluable counsellor in all stages of the study and has provided countless inspiring ideas. His ability to understand what I meant to say in this work and to help me say it the right way was most reassuring and always very much appreciated.

In Warsaw, Dr. Dominika Milczarek helped me to organise my field trips and the students Michał, Grzegorz and Kamil from the Economics Department of Warsaw University did an extraordinary job as translators in the interviews, which would have been impossible to conduct without them. Dr. Sabine Zillmer deserves credit for letting me use the data she collected in Poland in the context of the KATO research project.

I am deeply indebted to all my colleagues and friends from the Chair of Resource Economics who were always extremely supportive and ready to give advice whenever things got tricky. Additionally, in the context of our research colloquium, many of them offered very helpful written reviews and oral comments on many parts of my work.

Extracts from the thesis were presented at conferences - the 10th EAAE Congress in Zaragoza 2002, the AES Conference in London 2004 and the PhD student workshop at the IAMO in Halle 2004 - where I received welcome and useful suggestions from the participants.

I thank Dr. Achim Hurrelmann and Christiane Canenbley for their readiness to read, comment on and discuss various chapters of this book. Nick Faulkner did a wonderful job correcting my English. I would never have been able to assemble the information on Polish laws and the legal system without the patient help of Agata Gerba. Any errors remaining in the work despite all these tireless supporters are, of course, my own.

As representatives for all the residents of my three case study villages who were willing to share information on their farm, life, village and land transactions with me, I would like to express my heartfelt thanks to Barbara and

Stanisław Gierczyński for their friendliness, openness and assistance in getting to know some of the secrets of rural Poland.

Funding for this research from Studienstiftung des deutschen Volkes, Promotionsförderung nach dem Nachwuchsförderungsgesetz des Landes Berlin (NaFöG) and the “Go-East” programme of the German Academic Research Foundation (DAAD) is gratefully acknowledged.

Berlin, May 2005

Annette Hurrelmann

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