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## **Economic Effects of Land Fragmentation**

Property Rights, Land Markets and Contracts in Bulgaria

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# **Economic Effects of Land Fragmentation: Property Rights, Land Markets and Contracts in Bulgaria**

Violeta Dirimanova

## **Abstract**

The restitution of land property has led to severe fragmentation in land ownership and use in post-socialistic Bulgaria. The aim of this book by Violeta Dirimanova's is to contribute to better understanding of the effects of land fragmentation on the private property rights system, bargaining processes and contractual choices between landowners and land users. For this purpose, she analyzes the formal and informal rules for exercising property rights, actors' attitudes and decisions about participation in land markets. She derives general propositions from the three theories from the area of New Institutional Economics: the theory of property rights, transaction costs theory, and the theory of agricultural contracting. Then, these propositions were investigated in the case of Bulgaria.

The empirical analysis is based on data gathered from three regions with different levels of land fragmentation. The empirics show that land fragmentation decreases the landowners' incentives to exercise their property rights individually and creates advantages to be exercised jointly. Also, it constrains the functioning of both land rental and sale markets and choice of agrarian contracts. Therefore, landowners in the country are unable to turn land into capital.

Increasing land fragmentation also affects the bargaining positions of the actors. This makes economic performance of the local and absentee landowners strongly dependent on the powerful farmers, who dictate the 'rules of the game' and make the contract choices. Therefore, power comes not from an ownership title, but from the ability to institutionalize the own interest of using the land property.