

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

edited by/herausgegeben von
Volker Beckmann & Konrad Hagedorn

Volume/Band 7

Annette Hurrelmann

Land Markets in Economic Theory

- A Review of the Literature and Proposals for Further Research -

Shaker Verlag
Aachen 2002

Table of Contents

List of Figures.....	xiii
List of Tables.....	xiv
List of Abbreviations.....	xv
1 Introduction.....	1
1.1 Motivation.....	1
1.2 Overview.....	5
2 Theoretical framework.....	7
2.1 Four levels of social analysis.....	7
2.2 New Institutional Economics: fundamental ideas and concepts....	10
2.2.1 Transaction costs.....	11
2.2.2 Institutions and property rights.....	12
2.2.3 Contract.....	14
2.2.4 Bounded rationality and opportunism.....	14
2.3 Level 1: Social Theory.....	15
2.4 Level 2: Economics of Property Rights.....	17
2.5 Level 3: Transaction Cost Economics.....	20
2.6 Level 4: Neoclassical Economics and Agency Theory.....	25
3 Land relations on level 4: Neoclassical theory of the land market and principal agent problems influencing the land market.....	27
3.1 Neoclassical theory of the land market.....	28
3.1.1 Efficiency as the determinant of land transfers.....	28
3.1.2 Economies of scale and scope.....	32
3.2 Principal agent problems influencing the land market.....	34
3.2.1 Labour supervision costs.....	35
3.2.2 Credit markets.....	36

3.2.3	Insurance markets.....	41
4	Land relations on level 3: Land contracts.....	43
4.1	Theories of cropshare tenancy.....	44
4.1.1	Marshallian view.....	45
4.1.2	Trade-off between risk-sharing and transaction costs model. . .	47
4.1.3	Transaction cost model.....	52
4.1.4	Market imperfections for other inputs model.....	54
4.1.5	Screening model.....	57
4.2	Structure of farmland contracts.....	58
4.2.1	Structure of land lease contracts.....	59
4.2.2	Choice between different periods of duration of lease contracts and sale contracts.....	60
5	Land relations on level 2: Formal institutions on the land market.....	63
5.1	Evolution of property rights in land.....	64
5.1.1	Property rights in land under low population density.....	64
5.1.2	Property rights in land under high population density.....	66
5.1.3	Criticism of the theory of the evolution of private property rights in land.....	69
5.2	Land reform.....	73
5.2.1	Land reform experience.....	74
5.2.2	Determinants of land reform.....	78
5.2.3	Prospects for future land reform.....	82
5.3	Farmland policies.....	85
5.3.1	Restriction of land transfers.....	85
5.3.2	Tenancy law.....	86
5.3.3	Inheritance arrangements.....	87
5.3.4	Tax arrangements.....	87
5.3.5	Physical planning and zoning.....	88

6	Land relations on level 1: Informal institutions on the land market.....	89
6.1	Social meaning of land.....	90
6.2	Influence of culture in contracts.....	92
7	Summary.....	95
8	Conclusions.....	105
	References.....	117