

Agricultural Institutions Analysis

July 14 -July 25, 2003

Course directors:

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Resource persons:

[Konrad Hagedorn](#) (Humboldt University, Berlin, Germany)

[Michael Sykuta](#) (University of Missouri, Columbia, Missouri, USA)

Short biographies:

Dimitar Terziev

Associate Professor at Department of Business, New Bulgarian University, Sofia. Ph. D. in Decision Support Systems in Agriculture, 1993, University of National and World Economy, Sofia. His research interests and major publications are in; i) application of the theories of institutions and transaction costs into agrarian and rural analysis, and ii) economics of information. He has been a research fellow at Royal Agricultural College, UK, National Agriculture Research Center, Japan, University of London, UK, Canterbury Business School, UK and involved (as participant and leader) in several research and academic projects financed by EU, OSSF, The World Bank, British Council, Japan Science and Technology Agency, UN Development Program. He is a member of the European Association of Agricultural Economists and FAO working group on Improvement of Teaching and Learning of Agricultural Economics.

Hrabrin Bachev

Konrad Hagedorn

Professor and Chair of Recourse Economics at Department of Agricultural Economics and Social Sciences, and Director of the Institute of Co-operative Sciences, at Humboldt University in Berlin. He was educated in Agricultural Economics at the University of Göttingen. He received Dipl.-Ing. agr. in 1976 and Dr. sc. agr. in 1982. His habilitation was on Institutions as a Research Problem of Agricultural Economics and he got Dr. habil. in 1990. He has taken various academic positions at Georg-August University of Göttingen; Institute of Structural Research of the Federal Agricultural Research Centre Braunschweig-Völkenrode; and University of Hannover. He has been a visiting scholar at University of California, Berkeley, USA; and Wageningen Agricultural University, Netherlands. He teaches theory of sustainability and co-operation and co-operatives. His research has been focused on agricultural policy and political economy combining institutional economics, environmental policies and transformation issues.

Michael Sykuta

Assistant Professor of Agribusiness, and Co-Director, Contracting and Organizations Research Institute, University of Missouri-Columbia, USA. He got his B.S. in Economics/Mathematics, University of Missouri, St. Louis in 1989. He received his Ph.D., M.A. in Economics, Washington University, St. Louis in 1994. He has been Associate Director, Center for Research on Contracts and Structure of Enterprise, and Faculty

Research Associate and Lecturer, University of Pittsburgh, Pittsburgh; Adjunct Assistant Professor, University of Missouri-St. Louis; and Adjunct Assistant Professor and Research Fellow, Washington University, St. Louis. He has been a visiting lecturer at University of Economics, Bratislava, Slovak Republic. He has been teaching various undergraduate and MBA/Masters courses on Microeconomic Theory, Managerial Economics, Business and Government; and Ph.D. course on New Institutional and Organizational Economics. His research interests are in Transaction Cost Economics, Industrial Organization, Organizational Economics, Contracting & Organization, Law & Economics, and Political Economy.

Course objectives

The main goal of the course is to incorporate the multidisciplinary approach of the New Institutional Economics (combining Economics, Organization, Politics, Law, and Sociology) into analysis of transitional agrarian and rural sector. At the end of this course students are expected to receive knowledge on modern concepts of institutional theory (ies) and practical tools for analysis of different market, private, trilateral, hybrid, political, international, etc. structures in transitional agriculture. Acquiring this new powerful methodology would increase capacity of participating scholars and professionals to analyze, understand, and govern more efficiently agriculture in their home countries and across the region.

Main objectives of the course are to build practical knowledge and skills for:

- better understanding of pace, driving factors, and prospects of agrarian transformation through analysis of role and "efficiency" of specific (transitional) formal and informal institutions (agrarian property rights, legislation, regulations, trust, informal rules, etc.);
- analysis of comparative efficiency (coordination, incentive and costs saving features) of evolving market and private formal, informal, and illegal governing modes (contracts, organizations, alliances, forms of collective actions, etc.);
- analysis of efficiency and sustainability of different forms of third party (government, NGO's, international etc.) interventions in agrarian sector (assistance, regulation, support, in-house organization, property rights and institutional modernization etc);
- application of this methodology in curriculum development of a broad range of related disciplines (macro and microeconomics, agricultural economics, farm management, agrarian policy, development economics, etc.).
- use of special literature, empirical studies, and other related data sources.

Course level

This course is intended for young scholars and professionals (government officials, representatives of NGO and international organisations, farmers and agribusiness entrepreneurs) interested in problems of transitional agrarian development. Participants are expected to be familiar with traditional and mainstream economics, organizational theory, and to have basic knowledge in agrarian and rural development.

Course format

This course consists of 4 modules combining lectures, seminar discussions, case studies, and class experiments. Participants will apply acquired knowledge in analyzing various specific governing structures (dominant institutions, organisations, and other formal and informal arrangements) from their own countries and own areas of interests. Each module will be finished by participants writing a short essay on a main topic.

Course content

Module 1 will concentrate on development of theories of institutions and their empirical relevance. Differences between institutional and traditional approach to economy will be clarified. Areas of various application of New Institutional Economics in general (understanding role and development of different institutions and organizations, political economy of modernization etc.) and an analysis of transitional agriculture will be outlined. Principles of economic theory of constitutions and rules for agricultural policy, collective actions and farmers union, and globalization will be presented. Concepts of sustainable agrarian growth will be incorporated into agrarian institutions analysis. Approaches for designing institutions for resource and environmental protection will be suggested.

Module 2 will focus on progress of understandings of market and business organizations, and how Transaction Cost Economics framework could be incorporated into agrarian economy. Evolution of market and hierarchy will be regarded as devices for solving the problem of economic coordination. Characteristics and limits of mainstream economic theory will be analyzed. Alternative ideas (managerial, behavioral, game and agency) will be discussed. Transaction Cost Economics theory's differences will be summarized in: obstacles in following rural market signals; restricted agrarian agent's ability for evaluation of possible alternatives; rent seeking activities consequence of more realistic behavioral assumption (such as opportunism) for agrarian agents. Costs associated with market and internal transactions will be clarified and discussed. Transaction will be put in the center of the analyses, and market, organizations, and contracts will be studied as alternative governing forms.

Module 3 will analyze different governing structures in transitional agriculture. Kinds of agrarian property rights and different modes (contractual and other) of their exchange and enforcement will be presented. Costs and benefits of various private arrangements will be analyzed, and limits of decentralized institutional modernization estimated. Critical dimensions of agrarian transactions (uncertainty, frequency, assets specificity, appropriability) will be clarified and principle matrix of effective governing modes will be suggested. Comparative efficiency of alternative forms for land, labor, supply, capital, and knowledge supply, and for marketing in transitional conditions will be discussed. Efficiency of different types of farms (self-consistent, family, cooperative, and firm) will be analyzed, and economic (horizontal and vertical) boundaries of farm and agrarian organizations defined.

Module 4 will focus on the economic role of government and the political economy of legislative and bureaucratic organizations. Role and importance of property right allocations in a world with positive transaction costs will be reviewed. Available alternatives for this allocation accomplishment will be discussed. The State will be regarded as the most significant actor in establishing both the initial property rights allocation and institutional framework within which any type of reallocation must operate. New institutional economic theories of the State and its purpose, organization, and operation will be discussed. The political economy of property rights reallocations and the development of policy will be discussed. Given this theoretical underpinning empirical research cases on domestic and international agrarian policy will be reviewed. The role and structure of international agencies and the political economy of world agrarian trade agreements will be evaluated.

Tentative course syllabus

MODULE 1: THEORIES OF INSTITUTIONS AND THEIR EMPIRICAL RELEVANCE

Topics	Resource Person	Hours	Teaching Mode	Discussion Points
Basics of institutional analysis	Konrad Hagedorn	2+1	Lecture + seminar discussion	Foundations of Institutional Economics and Public Choice Theory. Differences to conventional theories. Concepts and categories. Understanding institutions and their development. Areas of application of institutional concepts.
Agrarian institutions & transition	Konrad Hagedorn	2+1	Lecture + seminar discussion	Applicability of different branches of new institutional economics to institutional change or institutional choice in agriculture. Historical examples. Institutional transformation of CEE agriculture.
Institutions in agricultural politics	Konrad Hagedorn	2+1	Lecture + seminar discussion	Economic theory of constitutions and rules for agricultural policies. Economic theory of collective action and farmers unions. Bureaucracy, federalism and the EU.
Institutions of sustainability	Konrad Hagedorn	2+1	Lecture + seminar discussion	Existing approaches for designing institutions for resource use and environmental protection (e.g. for common-pool resources). The Berlin approach to institutions of sustainability. Institutions for resource use and environmental protection in transition countries.

MODULE 2: MARKET AND HIERARCHY. TRANSACTION COST ECONOMICS OF AGRARIAN ECONOMY

Market and organizations Classical and Neoclassical tradition	Dimitar Terziev	1+1	Lecture + seminar discussion	The economic problem in agriculture. Specific features of agrarian division of labor, specialization and coordination. Nature and functions of rural market and agricultural organizations.
Alternative theories of the firm	Dimitar Terziev	1+1	Lecture + seminar discussion	The firm in managerial, behavioral, game, and agency theories. Links with New Institutional Economics.

Agrarian information, bounded rationality, and behavioral characteristics of agrarian agents	Dimitar Terziev	2+2	Lecture + country presentation + case study	Specific informational problems (perfect, imperfect and asymmetric information) of farmers in different countries. A business game on the limits of human capacity to process information. Case studies on opportunism, adverse selection, and moral hazard.
Transaction costs in agrarian sphere	Dimitar Terziev	1+1	Lecture + country presentation	Discussion on the importance of different type of transactions costs in the particular countries.
A new look on the economic coordination	Dimitar Terziev	1+1	Lecture + seminar discussion	Market, organizations and contracts as alternative governance modes

MODULE 3: GOVERNING OF AGRARIAN TRANSACTIONS

Agrarian property rights and contracting	Hrabrin Bachev	2+1	Lecture + seminar discussion	Absolute and relative property rights. Types of agrarian contracts. Third party's role. What are costs and benefits of different private arrangements? Limits of decentralized institutional development. Understanding "gray" and black economy.
Organizational design and contractual mix in agriculture	Hrabrin Bachev	2+1	Lecture + seminar discussion	Can we measure transacting costs? How uncertainty, frequency, assets specificity and appropriability of transactions affect organizational choice in transitional agriculture? Building a principle governing matrix. Efficiency criteria for transitional structures.
Modes for agrarian transacting	Hrabrin Bachev	2+1	Lecture + case discussion	What is comparative efficiency of alternative forms for land supply, labor supply, service supply, inputs supply, knowledge supply, credit supply, and marketing in different countries? Interlinked organization.

Agrarian firm (farm)	Hrabrin Bachev	2+1	Lecture + case discussion	Farm as a nexus of contracts. What are transaction costs features of self-consistent and family farms, cooperatives, agro-firms, and hybrid forms? Role of technology. What are economic boundaries of farm and agrarian organizations in your country?
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MODULE 4: POLITICAL INSTITUTIONS AND AGRARIAN POLICY ISSUES

Evolution and Allocation of Property Rights	Michael Sykuta	1+1	Lecture + class experiment	In what ways does the allocation of property rights in your country affect economic performance? What factors affect the costs of reallocating property rights?
New Institutional Economics Theories of the State	Michael Sykuta	1+1	Lecture + case discussions	How do the proposed theories reflect or relate to the experience of your country?
Contracting for Property Rights/ Political Markets	Michael Sykuta	1+1	Lecture + case discussions	What factors affect the development of property right systems in your country? What is the balance of private vs. public organization? Who are the significant actors in policy making?
The political economy of (domestic) agricultural policy	Michael Sykuta	2+1	Lecture + case discussions	How has agricultural policy making in your country evolved over the past 10 years? What principal factors have driven (are driving) policy?
International trade policy and development	Michael Sykuta	2+1	Lecture + case discussions	How are international policies determined and enforced? What types of constraints do such policies place on your country's agricultural policy and performance? What role do international agencies play in agrarian development?