SSOAR

Open Access Repository
www.ssoar.info

Analysing agricultural land markets as organisations: an empirical study in Poland

Hurrelmann, Annette

Forschungsbericht / research report

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:
SSG Sozialwissenschaften, USB Köln

Empfohlene Zitierung / Suggested Citation:
Hurrelmann, A. (2004). *Analysing agricultural land markets as organisations: an empirical study in Poland.* (Institutional Change in Agriculture and Natural Resources (ICAR) : Discussion Papers, 3). Berlin: Humboldt-Universität Berlin, Institut für Wirtschafts- und Sozialwissenschaften des Landbaus, Fachgebiet Ressourcenökonomie. https://nbn-resolving.org/urn:nbn:de:0168-ssoar-118245

Nutzungsbedingungen:
Dieser Text wird unter einer Deposit-Lizenz (Keine Weiterverbreitung - keine Bearbeitung) zur Verfügung gestellt. Gewährt wird ein nicht exklusives, nicht übertragbares, persönliches und beschränktes Recht auf Nutzung dieses Dokuments. Dieses Dokument ist ausschließlich für den persönlichen, nicht-kommerziellen Gebrauch bestimmt. Auf sämtlichen Kopien dieses Dokuments müssen alle Urheberrechtshinweise und sonstigen Hinweise auf gesetzlichen Schutz beibehalten werden. Sie dürfen dieses Dokument nicht in irgendeiner Weise abändern, noch dürfen Sie dieses Dokument für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen.
Mit der Verwendung dieses Dokuments erkennen Sie die Nutzungsbedingungen an.

Terms of use:
This document is made available under Deposit Licence (No Redistribution - no modifications). We grant a non-exclusive, non-transferable, individual and limited right to using this document. This document is solely intended for your personal, non-commercial use. All of the copies of this documents must retain all copyright information and other information regarding legal protection. You are not allowed to alter this document in any way, to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public.
By using this particular document, you accept the above-stated conditions of use.

gesis Leibniz-Institut für Sozialwissenschaften

Mitglied der Leibniz-Gemeinschaft

ICAR

INSTITUTIONAL
CHANGE
IN AGRICULTURE AND
NATURAL RESOURCES

ANALYSING AGRICULTURAL LAND MARKETS AS ORGANISATIONS

An Empirical Study in Poland

ANNETTE HURRELMANN

ICAR Discussion Paper 3/2004

Discussion Paper

Institutional Change in Agriculture and Natural Resources (ICAR) Discussion Papers

Edited by Volker Beckmann and Konrad Hagedorn

Humboldt-Universität zu Berlin
Institut für Wirtschafts- und Sozialwissenschaften des Landbaus
Fachgebiet Ressourcenökonomie

Humboldt University Berlin
Department of Agricultural Economics and Social Sciences
Chair of Resource Economics

Luisenstr. 56, D-10099 Berlin
Germany

Phone: ++49 30 20936305
Fax: ++ 49 30 20936497

Email: k.hagedorn@agrar.hu-berlin.de
v.beckmann@agrar.hu-berlin.de
http://www.agrar.hu-berlin.de/wisola/fg/ress/

Managing Editor: Volker Beckmann

Editorial Board: Markus Hanisch
Martina Padmanabhan
Christian Schleyer

ICAR Discussion Papers are reports prepared by members of the Chair of Resource Economics, Humboldt University Berlin or external authors working on topics of institutions and institutional change in agriculture and natural resource management. The papers have received limited reviews. Views and opinions expressed do not necessarily represent those of the Chair of Resource Economics. Comments are highly welcome and should be sent directly to the authors.

ISSN 1613-3455 (Printausgabe)
ISSN 1613-4862 (Internetausgabe)

Analysing Agricultural Land Markets as Organisations

An Empirical Study in Poland

Annette Hurrelmann

Department of Agricultural Economics and Social Sciences
Humboldt-Universität zu Berlin
Luisenstr. 56, D-10099 Berlin.
Email: AHurrelmann@aol.com

ICAR Discussion Paper 3/2004

November 2004

Abstract
In this paper agricultural land markets are regarded as organisations, which allows to take the effect of the social embeddedness of exchange into account. The markets-as-organisations approach suggests that markets are governed by an internal "constitution" containing rules on dissemination of information, control procedures and sanctioning mechanisms that provide advantages to members. The design of the market constitution is believed to be strongly influenced by the constellation of actors and their characteristics. In order to investigate the validity of this assumption the study chooses a comparative approach that analyses the content of land market rules in settings with different actor constellations and tries to find out why they have been established in this way. Both qualitative and quantitative data collected in three village case studies and a survey in two structurally different regions of Poland is used. The results underline that the internal constitution of the organisation "land market" is designed to serve members' interests by decreasing transaction costs and protecting community welfare and also support the expectation that the rules differ according to actor constellations.

Acknowledgements
I thank Thomas Sikor, Markus Hanisch and Volker Beckmann for their insightful comments and constructive advise on how to improve an earlier version of this paper. At the AES Annual Conference 2004 in London, where a preliminary draft was presented, I received very welcome and helpful suggestions from the participants of the "land markets" session. Financial support for this research from Studienstiftung des deutschen Volkes and the German Academic Exchange Service (DAAD) was much appreciated.

© Annette Hurrelmann

1 Introduction

Most of economics not only regards markets as anonymous exchange structures but also focuses mainly on the dyadic relationships between partners in transactions instead of considering the larger social arrangement within which they act. However, there are contributions to market literature that underline that "[i]dentity can account for many phenomena that current economics cannot well explain" (Akerlof/Kranton 2000: 715)[1] and that the multilateral structures of personal relations underlying market transactions need to be studied in order to understand exchange processes. The second point is stressed by Granovetter (1985) who refers to this as the social embeddedness of exchange. He points out that "the anonymous market of neoclassical models is virtually nonexistent in economic life and that transactions of all kinds are rife with [...] social connections [...]." This is illustrated, e.g., in the work of Bernstein (1992) and can also be extracted from Allen/Lueck's (1992) study on rental contracts on land markets. By analysing markets as organisations where a set of relational contracts between the (potential) participants in transactions - the "market constitution" - lays down internal rules for exchange it is possible to capture the effect of social structure. This paper has the aim of achieving a better understanding of content and formation of market rules by studying the organisation of land markets in settings with differing actor constellations.

While any market can be regarded and analysed as an organisation the land market provides a particularly interesting object for research on this topic because there are reasons to expect that the social and personal aspects of transactions are of special importance here. This is because land is immobile and therefore inseparable from the local community within which it is located and the activity of farming land is usually connected with residence and social connections in the same area. Thus, it is likely that any land transaction has an effect on the local community and there will be standards of judgement and modes of reaction in place that are based on common opinions of what must or must not be done in land exchange activities. An analysis of land markets under the heading of "organisation" has, to my knowledge, not been attempted before. Due to the lack of attention to this aspect at the current state of

[1] Among the contributions of this type relating to land markets are Perry/Robison (2001) who analyse the impact of personal relationships on land prices, Sadoulet/De Janvry/Fukui (1997) who look at the effect of kinship on actors' behaviour in sharecropping contracts and Alston/Kaufman (2000) who regard racial rent differentials. Ben-Porath (1980) more generally investigates the role of identity (especially family) in the organisation of exchange.

research (cf. Hurrelmann 2002: 105-115; Hurrelmann 2003) there is reason to believe that it is possible to gain some new insights from the exercise, also and especially with a view to advise on how to design land market policies.

The paper is structured as follows. Section 2 explains the theoretical approach to markets as organisations and discusses which areas of market exchange rules are likely to address. Section 3 contains information on the setting and methodology of the empirical investigation into the organisation of land markets on the basis of survey and case study data collected in two regions of Poland. The fourth section presents, discusses and interprets the findings of data analysis. Section 5 shows the conclusions.

2 Theoretical approach

This paper discusses how we can make use of the idea that the multilateral social relations between market participants play a role for exchange in the analysis of markets. To this end, first the idea of market as organisations is explained by referring to how this connects to "embeddedness" reasoning and pointing out why the organisation "market" needs to have a "constitution". Second, the content of the market constitution is elaborated on further by presenting market activities which will most likely be regulated by relational contracts: distribution of information, control and sanctioning.

2.1 Markets as organisations

From the direction of New Economic Sociology (NES) Granovetter (1985) criticises economics for failing to note the "embeddedness" of economic action, i.e. the ongoing social relations within which transactions take place. With reference to Wrong's (1961) disapproval of the "oversocialised" concept of man in sociology[2], he accuses Williamson's (1985; 1996) transaction cost explanation of contract choice of assuming "undersocialised" actors. This is to say that Transaction Cost Economics (TCE) assumes actors to operate in a state of social atomisation and, in consequence, regards social structure and social relations as having a very limited meaning in the explanation of economic activity. As Granovetter (1985: 495) points out the markets-and-hierarchies approach "fails to appreciate the extent to which the dyadic relations [Williamson] describes are themselves embedded in broader systems of social

[2] Wrong (1961: 183) criticises that sociology regards human beings as completely defined by internalised social norms and basically not having any freedom of choice as to their own behaviour, i.e. it works with "a model of man [that] denies the very possibility of his being anything but a thoroughly socialized being".

relations". For New Economic Sociology it is these systems that generate trust and discourage fraud in economic exchange because they establish expectations of reciprocity and reputation based on personal acquaintance. However, while it is true that social structure is largely disregarded in much of economics, it goes too far to claim that attention to the impact of networks of personal relations is beyond the reach of economic thought. Instead the approach of regarding markets as organisations (Furubotn/Richter 1998: 269-278), which originates in New Institutional Economics (NIE), is able to incorporate "embeddedness" reasoning and even go beyond it by having a broader conception of exchange that also takes the influence of the institutional setting and more formal features of market regulation into consideration.

The concept of markets as organisations is based on the following ideas. The neoclassical expectation that the evolution of markets is an automatic and spontaneous process is rejected on account of the realisation that economic activity causes transaction costs, especially because information does not come for free. Under these circumstances organised markets, which can decrease the costs of exchange because they establish structures for the dissemination of information, have to be established consciously and invested in.

> Market development necessitates specific investments, which may invite opportunistic behavior on the part of members of a cooperative arrangement or of outsiders wishing to free-ride on the market organization, a public good. Barriers to entry are therefore not necessarily social waste. Quite the opposite, they may be necessary to provide sufficient incentives for the creation or improvement of market organization. (Furubotn/Richter 1998: 288f.)

An organisation is understood as a purposive entity that exists for the benefit of its members; it is a structured group of individuals seeking to achieve a common aim, e.g. increasing members' the wealth, income or utility (Furubotn/Richter 1998: 269; North 1990: 73). Members of the organisation "market" profit because they have reduced transaction costs in comparison with unorganised exchange. In return for this advantage, however, members are limited in their pursuit of self-interest by specific rules set by the organisation "market". Such rules are necessary because of the fact that the aims of the individual participants may not always be in correspondence with that of the entire organisation. This constitutes an externality-problem which is solved by having standards that define the extent of acceptable pursuit of individual aims. The set of all the rules that the organisation "market" imposes on its members makes up the "constitution" of the market. This constitution is a network of relational contracts between the market participants, which may be formal or informal, explicit or implicit or a combination of these aspects (Furubotn/Richter 1998: 269-278, 283-

319). The relation between the parties to a relational contract is that of a "minisociety with a vast array of norms beyond those centred on the exchange and its immediate processes" (Macneil 1978: 901). This concept goes beyond Granovetter's "embeddedness" because it includes not only informal but also formal aspects of market rules. Furthermore, the "markets as organisations" (or "markets as networks of relational contracts") approach recognises that the formation of organisations itself takes place within the larger institutional setting of a state (i.e. the legal system as well as general moral standards) which creates restraints as well as incentives (cf. North 1990: 4f.).

The design, i.e. the structure and content, of the relational contracts that govern the organisation "market" is a product of the characteristics of actors who are members as well as their constellation. Actors' characteristics are divided by Scharpf (1997: 51-68) into orientations and capacities. Orientations include both the perception human beings have of the world around them and their preferences, i.e. the composition of their utility functions. An actor's capacities are based on his possession of resources, the "human-made capital" by which Ostrom (2000) refers to physical, human and social capital. The constellation of actors is determined by the composition of the group of actors and the positions they occupy in relation to each other. Thus, it matters whether the relationships between members are hierarchical or among equals, based on the idea of cooperation or competition, personal or anonymous etc.

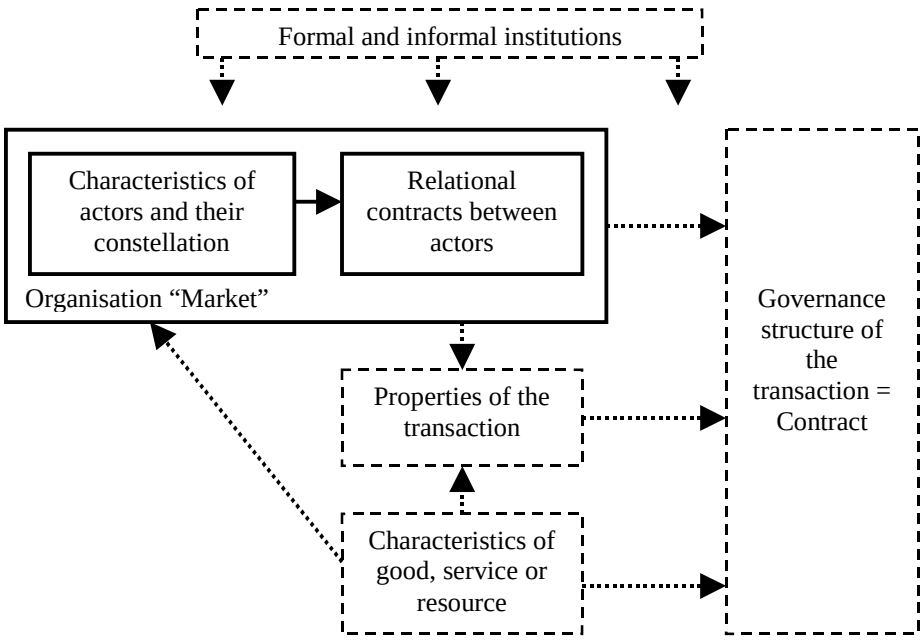

Figure 1: The organisation "market" within a wider market model

The internal structure and internal influencing processes of the organisation "market" are illustrated by the elements possessing solid lines in Figure 1, which shows that markets are ruled by relational contracts determined by actors and their constellations. The organisation "market" operates within the constraints and incentives provided by the institutional framework and, together with other factors, influences the design of the transactions that are carried out on the market. These other elements, which are not the primary subject of this paper but illustrate the underlying wider idea of the operation of markets, are shown with dashed lines.

2.2 Areas of market activity

The aim of this paper is to gain an insight into the content of market rules set in relational contracts with the help the example of land markets with differing actor constellations. Furthermore, it is the objective to find out *why* the rules have been designed in this particular way in each setting. In order to have a better concept of what to look for in (land) market rules it is necessary to form an idea of the realms of activities on markets that the rules address and create standards for. I suggest that the rules are likely to concern mainly three aspects of market activity, namely the dissemination of information on the possibility for transactions, the control of the behaviour of members of the organisation "market" and the sanctioning of misconduct[3]. In all three categories the topics covered by rules must include *how* as well as *who*: how is information distributed and who is responsible for it, how is the behaviour of actors supervised and who supervises, how is wrongdoing sanctioned and who carries out the punishment.

It has been pointed out above that the costliness of access to *information* is the main reason why markets exist as organisations in the first place. Thus, the market rules determining how, by whom and to whom information is disseminated belong to the most important ones of the market constitution. Hayek (1945: 520) points out: "The various ways in which the knowledge on which people base their plans is communicated to them is the crucial problem for any theory explaining the economic process". Much of the economic literature on information concerns the difficulty of gaining knowledge on quality (e.g. Akerloff 1970) and

[3] Furubotn/Richter (1998: 285) consider the six basic transaction activities search, inspection, contracting, execution, control and enforcement. My categorisation basically corresponds to this and only draws together some terms. Search corresponds to my "information", inspection, contracting, execution and control are captured under "control" and enforcement is "sanctioning".

market price (e.g. Stigler 1961). What concerns me most under this heading is the question what rules exist in the organisation "market" on distributing information about the general options for trade, i.e. the possibility of buying, selling, renting etc. A limited and directed dissemination can exclude outsiders from making use of the common good "market" and constitutes an important entry barrier. This is why the analysis of the distribution of information needs to pay special attention to the way in which the exclusion of undesired participants in markets is organised.

Control relates to the question of how members of the organisation "market" ensure that they are informed about relevant behaviour of other members. Knowledge about other actors' (mis)behaviour is the only possibility to allow for sanctioning but also to make it possible for actors to build up reputations that facilitate exchange with each other. Thus, relational contracts addressing the area of control are likely to set rules for how information about market participants is collected and how it is made available to others members of the organisation. The type of knowledge that needs to be gathered and communicated within the market concerns both whether actors fulfil the market contracts they entered into and whether they behave in accordance with the standards set in the "market constitution".

The organisation "market" needs to lay down procedures on how the rules formulated in the constitution are enforced and how divergent behaviour is *sanctioned*. While rules that consist of formal elements always open up the possibility of enforcement through courts or other third parties there is no such "outside" mechanism for purely informal standards. Adherence to informal rules can only be imposed either through social sanctioning or through internally-enforced standards of conduct. Social sanctioning means that an individual's non-conformity to the rules of the group it belongs to is punished by other members through expressions of social disapproval and ultimately even ostracism. The success of this kind of enforcement is critically dependent on a "thick" definition of actors' interests wherein utility is gained not only from monetary benefits but also from social goods such as status and avoidance of social disapproval (Nee/Ingram 1998: 25, 31). Sugden (1989: 95) believes that, although rarely considered by economists, the desire for approval is "at least as fundamental as the desire for most consumption goods" and that this is not surprising given the nature of humans as "social animals". Internally-enforced standards of conduct do not need any outside pressure to influence behaviour but subscribe actions in accordance with internalised ideas, norms and values (North 1990: 40).

3 Empirical setting and methodology

This section explains the reasons for the choice of county and methodology for the empirical investigation. Poland is the country to host the study since it provides a promising opportunity for the kind of analysis envisaged. This is mainly because of the fact that there exist pronounced regional variations which lead to various actor constellations depending on the regional setting of the land market studied. Therefore, the preconditions for carrying out a comparative study between different locations are excellent. At the same time, by concentrating on one country the influence of formal institutions (e.g. land market legislation) and informal institutions (religion, overall moral standards etc.) can be kept fairly constant for all settings, which allows the analysis to concentrate on influences stemming from the realm of actors and their constellation.

In contrast to other Central and Eastern European Countries (CEECs) there was only a very limited occurrence of collective and state farming in Poland, mostly due to the fact that farmers strongly resisted the government's efforts of collectivisation after WWII. Thus, at the time of system change only 4% of the land was farmed by cooperatives and around 20% by state farms while rather small private enterprises dominated with 76% of land use (GUS 1991). While cooperatives were spread fairly evenly throughout the country, the importance of state farms differed strongly between the regions as they were set up mostly in the western and northern territories from which German landowners were emigrating after WWI and WWII. At the time the empirical investigations of this study were done (1999 and 2003) the process of privatisation of state land was under way carried out by the Agricultural Property Agency of the State Treasury (AWRSP)[4], which after its creation in 1992 took over state farm land with the aim of selling it off. However, until the end of 2001 land actually sold by the agency comprised only 23% of all agency land. The rest was either rented out or cultivated under management or administration contracts (IERiGZ 2002: 2).

Due to this situation the regions in which the study was carried out could be selected so as to expect differing land market settings. The first area chosen was the territory of the former

[4] AWRSP (Polish name Agencja Wlasnosci Rolnej Skarbu Panstwa) has been replaced by the Agency for Agricultural Property (ANR – Agencja Nieruchmosci Rolnych), which has some extended rights and responsibilities, in 2003. This does not have any effect on the results of this study, however, since all land transactions regarded have taken place before this change.

voivodship Poznan[5] in western Poland where a substantial portion of the land was farmed by state farms which coexisted with individual private farms. Today these family farms, which are larger that the Polish average, still exist. State farm land has partly been sold or rented out to either individual farmers or larger private commercial farming enterprises and is partly managed under management contracts. The second area is the former voivodship Sieradz in central Poland, where state farms used only a minor part of the territory. The area was under communist rule - and still is - dominated by small scale individual family farms.

Table 1: Questionnaire manual

Category	Example questions (from categories 1, 2 and 3)
1 Introductory information about the farm	What was the size of your farm in 1989?
2 Land transactions since 1989 (divided into purchase, selling, renting in, renting out)	What is the size of your farm now?
	From whom did you buy/rent land?
3 Attitudes	How did you receive the information that someone wanted to sell/rent out land?
4 Transition/EU	
5 Additional information on the farm	Imagine you were to sell land, would it matter if the buyer was someone you knew?
	How do you think people from the village would react if you sold your land to a stranger/a foreigner?

In these two regions altogether three village case studies were carried out in autumn and winter 2003, two in the Poznan region (villages in the following referred to as P1 and P2) and one in the Sieradz region (referred to as S). The cases were selected to display different land market settings so as to provide an interesting basis for a comparative study of land market organisation. In the villages altogether 37 interviews with landowners and land users were conducted with a questionnaire composed of open questions based on a manual that addressed different areas of land market activity. Table 1 shows the structure of the questionnaire as well as some examples of questions that were of relevance for the topic of this paper. In addition, two interviews with members of the local administration (gminas) were made which addressed the gminas' role in land transactions and the state of the privatisation process in the region[6]. The timeframe set for the analysis of land market activity were the years since the system change in Poland in 1989 until 2003. For data analysis the information collected in the

[5] There was a reform of the voivodships (largest administarative units in Poland) in 1999 reducing their number from 49 to 16. The study regions referred to in this paper are the territories of the *old* voivodship Poznan (westen Poland) and Sieradz (central Poland).

[6] Gminas are the smallest administrative unity in Poland. Since villages P1 and P2 were located in the same gmina only two administrations were relevant in this study.

case studies was coded and arranged in data display matrices that provided the possibility to make cross-case comparisons as well as single out factors of influence from within each case.

In a short summary, the three selected villages can be characterised in the following way. P1 is a village of around 340 inhabitants of which some are not employed in farming but only reside here. The farms are rather large for Polish standards (average 26 ha[7]) and to a large extent specialized in pig production and growing of vegetables and sugar beet. Some farmers are involved in a vegetable producers' group and there is talk of setting up such a group for pigs, too. A section of a cooperative that stretches over various villages is located in P1 but the management resides in another location. The P1 section of the cooperative has been losing members - and with them their land – as well as selling off own land since 1989. None of the land belonging to the village territory has ever been incorporated into a state farm but numerous state farms did exist in the vicinity including many of the neighbouring villages.

P2 is a neighbouring village of P1 of about 230 inhabitants. A state farm used to exist here that used part of the territory of the village but there were also always private family farms with average amount of land of 33 ha today. There is a specialization on pigs and vegetables and the same contacts with producers' groups as in P1 exist. The privatisation agency AWRSP has rented out most of the state farm land and sold a small part. A Spanish firm has bought and rented some of this land for the production of asparagus and strawberries. Other land has been rented by single individual farmers or by farmers organised into informal user groups. An element of the population of the village consists of former workers of the state farm who do not own land and - if not working for the Spanish firm - are largely unemployed.

S is a village of roughly 200 inhabitants. All farms here are private family farms which are rather small (average 14 ha) and in most cases unspecialised. Almost every farmer is producing some milk, which is the village's main product, but there is also production of pigs, poultry and cereals. No producers' associations exist. People complain about the poor land quality and claim that their village is "the poorest in the area". State farms did not exist in the close vicinity of S and, thus, there is no land available in the course of privatisation efforts anywhere around the place.

The data from the three case studies is supplemented by survey data on farm organisation in the two former voivodships Poznan and Sieradz collected in the research project KATO in

[7] The average farm size in Poland at the moment is about 7.2 ha whereby the smallest farms are located in the south and east of the country (European Commission 2002). The average sizes given for the three villages are calculated from the land used (own and rented) by the farms of active private farmers who were interviewed. Since they are based on a small sample they, obviously, only have indicative character.

1999[8]. The project sampled quantitative data on various aspects of farm structure, production and inputs with the help of a standardised questionnaire. Interviews were conducted with 111 family farms and 37 large farms (i.e. cooperatives, new private farming enterprises succeeding state farms) in the voivodship Poznan and 110 family farms in the voivodship Sieradz. Although the original inquiry did not concentrate on the question of land market organisation and the information gathered is therefore only useful to a limited extent, the data provides some interesting additional insights to back up the qualitative analysis in the case studies.

4 Results and interpretation

This section presents the results of the empirical analysis of the rules the organisation "market" sets with respect to distribution of information, control procedures and sanctioning mechanisms in land transaction. The content of the rules in the studied settings is determined and it is established how they correspond to actor constellations. As mentioned in the introduction, analysing land markets as organisations is a new attempt and, therefore, in the background of the empirical analysis there also stands the question whether the methodological approach chosen here to try to gain insights into this aspect is adequate and can be judged useful.

4.1 Information

I start the presentation of observations with the aspect of information because in this area the most striking variations between the three case study sites can be found. The fist step of

[8] KATO (Comparative Analysis of the Transition Process of the Agricultural Sector in Selected Central and Eastern European Countries) was an international research project incorporating the Humboldt University of Berlin (Germany), the University of Warsaw and the Agricultural University of Poznan (Poland), the Agricultural University of Prague-Suchdol (Czech Republic), the Institute of Agricultural Economics of Sofia and the Higher School of Agriculture of Plovdiv (Bulgaria). The project aimed at analysing selected aspects of the agricultural sector's transformation process. The liberalisation agricultural markets, the privatisation of agricultural land and the restructuring of agricultural enterprises were of main interest. The effects of these three aspects were analysed in detail with regard to the three countries Poland, the Czech Republic and Bulgaria. The project was carried out between June 1997 and March 2001. For more information about the project refer to Hanisch et al. (2001). KATO publications include Brem (2001), Boger (2001), Schlüter (2001), Pavel (2001), Milczarek (2002), Zillmer (2002), Curtiss (2002) and Hanisch (2003). For details on the design of the Polish family farm survey cf. Zillmer (2002).

analysis summarises the findings and observations from the there settings concerning the actor constellation and the particular contracting behaviour of the actors. Table 2 gives an overview of the composition of actors in the three cases on the selling/renting out side and on the buying/renting in side.

It becomes clear from Table 2 that in both the villages P1 and P2 there are non-private actors on the land market at least on the offering side. The transactions carried out by these actors show particular characteristics. The privatisation agency AWRSP rents out land on the basis of formalised contracts that are usually established for a long term (10 years) and are based on a public tender procedure in which the rental contract goes to the tenant who offers the highest price. Offers for possibilities for renting are published by AWRSP in the press and also in the local gmina office. AWRSP can also sell land – for which the procedure is similar to rental – but in the areas regarded here this is currently not happening because of unclear property rights[9] and only in one case in P2 land was actually bought from the agency. Officially a tenant who rents from the privatisation agency has a right of first refusal after 3 years, which drives rental prices for AWRSP land up, but in practice this is not realised because of the mentioned unclear ownership situation. Land from the privatisation agency is usually sold in rather large plots which makes it unattractive for individual farmers to rent and rather favours commercial farming companies like the Spanish producer in P2. However, some of the interviewed farmers in P2 circumvented this problem by forming inofficial cooperations in which up to 25 farmers rent a large plot together (but only one of them figures officially as the tenant) and subdivide it between themselves without formal contract. In some cases where smaller plots of land are concerned AWRSP employs the gmina as a mediator and the farmers rent directly from there. Such offers are published in the gmina office on a notice board.

[9] There are two sources for insecurity about property rights. One is that there is a German family that used to own large estates (including the area of the former state farm in P2) in the area before WWII and there is considerable fear that this land will be claimed back. However, there does not seem to be any indication of such attempts by the family and the legal basis for claims of this kind also does not seem given. The second source is likely to be more serious. The Polish supreme court recently decided that Poles who had to emigrate after WWII from the eastern parts of the country that were taken over by the Soviet Union are entitled to indemnity payments. There seems to be the plan in the government to make some of these payments in kind in the form of land currently administrated by the AWRSP/ANR.

Table 2: Composition of actors on the selling/renting out side and on the buying/renting in side in the three case study villages

Village	Selling (s)/renting out (ro)	Buying (b)/renting in (ri)
P1	Family (s)[a] (former) Private farmers (s + ro) Other private owners from village (s)[b] Other private owners not from village (s)[c] Cooperative (s) AWRSP (ro) – one transaction Gmina (ro) – one transaction	Family (s) [a] Private farmers (b + ri)
P2	(former) Private farmers (s + ro) Other private owners not from village (ro) [b] AWRSP (s + ro) Gmina (ro)	Private farmers (b + ri) Informal cooperation of private farmers (ri) Spanish company (b + ri)
S	Family (ro) [a] (former) Private farmers (s + ro) Other private owners not from village (s + ro) [c]	Family (ri) [a] Private farmers (b + ri)

[a] means that transacting partners are in family relation, may coincide with other categories

[b] e.g. teachers or forest workers who were allocated land and sold or rented out

[c] usually heirs of former owners who live somewhere else

A particular case are the land sales from the cooperative having taken place in P1. Because of being in financial difficulties in the 1990s the cooperative management decided to sell off some of its own land (i.e. land that does not belong to members but was allocated to the cooperative under the communist regime), mainly concerning plots that were located inconveniently. These pieces of land were offered directly to some farmers from P1 by the director of the cooperative who indicated clearly that in order to have the chance to buy the interested party would have to pay him a bribe of 20% of the purchase price.

With respect to individual private participants in land transactions all actors on the buying/renting in side are active farmers who buy or rent in to increase the size of their farm, whereby in a few cases the transacting partner is a member of the same family. It is also interesting to note that in P2 former state farm workers who are residents in the village are *not* among those buying or renting in land and apparently not even trying. Furthermore it needs to be mentioned that both in P1 and P2, i.e. the villages located on territory that was German before WWI, there is some fear of former German owners or their heirs demanding land back. In all three villages there is also the idea that foreigners may come and buy land on a large scale, especially after Poland's EU-accession. There are rumours and actual occasions that in villages in the vicinity of P1 and P2 foreigners have already bought through cooperation with

Polish partners or straw men. Concerning the private individuals on the selling/renting out side the most important group is also that of farmers and former farmers. In the first case the usual reason for selling/renting out are acute financial problems which force a farmer to resign of part of his land while in the second land is usually sold or rented out by an owner who gives up farming in exchange for a pension[10]. Other less important sources of land are private individuals who live and own land in the village but do not farm it themselves as well as private landowners who do not reside in the village such as heirs of former owners. The empirical observations show some remarkable differences in the way land transactions occur between private individuals in the three case study settings, centred around the fashion in which information on land transfers is distributed.

However, these differences concern only land purchase transactions while for rentals the procedures do not differ. Here in all there villages the way to distribute the information on the willingness to rent out one's land is communicated orally to only one known person (which may be a neighbour, someone else from the same or a neighbouring village or family) of whom it is expected that he is interested in renting in. In all recorded cases the person first offered accepted to rent. No wider distribution of information nor possibility for a number of interested parties to make competing offers is present. It should also be noted that the initiative for land rentals in almost all cases comes from the owner, never from a prospective tenant. There is an exception in S where one rather innovative farmer approached two owners, one an absentee landowner and one known drunkard, whose fields had been lying idle for some time. The exceptional character of this process, however, becomes apparent in the fact that the said farmer mentions that "everybody could see these fields were idle for a long time and no one else did anything about it" although the majority of farmers in S claims that they would like to rent in (more) land. The rental contracts set up in such deals are sometimes informal and often adjusted to the specific situations of land owner and tenant. Thus, some rental contracts are oral or kept flexible to fine-tune the rental price each year or give the choice between payment in kind or money depending on the landowner's needs. Others are linked with other transactions such as labour (i.e. landowner works as labourer for tenant) or social security (i.e. tenant's family takes care of landowner).

[10] To qualify for a pension from the agricultural social security fund KRUS a farmer has to give up agricultural production which means he has to either sell his land, pass it on to children etc. or rent it out under a long term (10 years) contract to non-relatives.

The initiative for land sales, as for rentals, usually comes from the selling side. The variations in the procedures of purchasing and selling land between the villages look as follows. In S, the process mirrors exactly that for renting out: a neighbour or other close person from the same village is approached with the information that land is to be sold. The price agreed on basically without bargaining is what the villagers refer to as "the market price" by which they mean the price that has been paid for land of a similar quality in a recent transaction in the area. In P1 there is not one procedure of information distribution but various possibilities coexist, which is underlined by the statement of one interviewed farmer that "there is no rule about how land transactions go (here), everybody does it his own way". Some sale transactions here were initiated in the same way as in S, i.e. by an offer to one known person. The majority, however, relied on a wider spread of information which is carried in a mouth-to-mouth way to the other farmers in the village and also neighbouring villages. One farmer said: "You cannot escape receiving the information about land that is on offer". This starts a process of bidding whereby all interested potential buyers make their offer to the seller and the land finally goes to the one who offers the highest price. This bidding process, it has to be noted, is completely private without the involvement of any formalised processes or third parties. In one exceptional case in P1 a farmer offered his land for sale in a newspaper advertisement and in a bidding process finally sold the plot to a farmer from far away whom nobody from the village knew, receiving the highest price recorded for land on the village territory. This recent event is much discussed throughout P1 and some of the village's farmers express that they find it uncomfortable and surprising that other's do not care who their land goes to. The local bidder who lost out on the purchase (and who had been renting in the concerned plot before) actually feels cheated. Other farmers acknowledge that the sale in this way is acceptable because "in the end, the price is what counts". In P2 all but one purchase transaction between private individuals worked with the method of mouth-to-mouth spreading of information and competing offers by interested parties. It has to be mentioned, though, that the overall occurrence of private sales in this village is much lower than in P1 and S and the predominant transaction activity here is rental from AWRSP. In P1 and P2 some of the transactions carried out in the mode that only one person is offered display special characteristics. Thus, transactions with family members in all cases involve this way of passing information and land transactions linked with a work contract between

seller and buyer operate like this. Furthermore, in cases where the land that is to be sold was rented out to someone before, this person is usually offered a right of first refusal[11].

How are these observations to be explained? Looking at purchase transactions first, it is striking that in the two places where non-private actors are present on the land market, i.e. P1 and P2, also many land sales among privates work with a competitive system based on price offers while in S, where only privates interact, competition is extremely limited. This shows that in the former two villages it is more accepted to let the price guide the purchase decision and try to get as much revenue out of a land sale as possible. It can be inferred from this that the commercial and profit-based attitudes on which non-private actors base their land market activities have an impact on the standards for private actors who interact in the same area. The example of AWRSP, which achieves high rental prices through tender procedures, and the cooperative, where personal gain from land sales is a clear motive, introduces profit-seeking as an acceptable behaviour in land transactions. This opens up the possibility for private farmers, too, to act mainly according to commercial interests and less on a basis of friendship or acquaintance. One farmer from P2 even declared that he would prefer to have land transactions with people he does not know so as "not to mix personal and business issues". The stronger the "business-oriented" example of land transactions in the village, the stronger the influences appear to be, since in P2 bidding is the absolutely predominant process in private land sales while in P1 there is still a certain mix between more and less competitive ways of transacting. A further reason for the observations made may lie in the fact that generally the private farmers in P1 and P2 have a more commercial orientation that those in S as it is indicated by the higher degree of specialisation and the activities in the area of setting up producers' groups. It is not surprising that an overall orientation of this kind also spills over into the area of land transactions. Furthermore, the less personal design of land sales in P1 and P2 may be influenced by the fact that foreigners are more likely to become involved into the land market in the area around Poznan than in the more remote Sieradz region. In a situation where foreigners are among the competitors for land a farmer who wants to make the best possible bargain has to let go of personal considerations towards his acquaintances and neighbours and allow a more impersonalised system by which the financially most potent buyer is determined. The currently applied rules for land exchange in P1 and P2 may already reflect some anticipation of this expected future setting of competition.

[11] This, however, does not necessarily mean that the tenant is the only person offered but only that he has the right to be informed about the highest offer made and is given the chance to outbid it.

It has to be considered, however, that even in the more commercial land transactions the overwhelmingly used way of transferring information, i.e. mouth-to-mouth passing of the news, limits competition for land to the group of actors that can be reached by the process. It quite efficiently excludes such people as foreigners or interested parties from villages further away or from other regions. In this way sellers actually forego the possibility of receiving even higher prices by opening up the offer to an even larger assemblage of competitors. Thus, on the whole there still seems to be a certain desire to keep land transfers inside a group of actors that one is familiar with, i.e. Polish private farmers from the same area, even if they do not necessarily have to be direct neighbours or friends. I interpret this in the way that complete strangers – and especially foreigners – are viewed by majority opinion as a threat to the village community. The reported above reactions to the case in P1 where land was sold to a stranger supports this thesis as well as some comments of villagers on the possibility of strangers/foreigners buying land in their village. Thus, one person said that other villagers would be "shocked" if she sold her land to foreigners and another declared – though half-jokingly – "we are hostile to strangers". A third person believed that "foreigners would not have a chance to buy" because the locals would not let them and, indeed, many people stated that they "would never sell to foreigners". However, there are also people who stress that they personally would not have anything against unknown people and/or foreigners buying in the village.

There remains the question why the differences in the three cases with respect to land purchases do not appear where land rental is concerned. There seem to be three main reasons for this. The first is the fact that land rental more often that sale transactions are linked with other kinds of transactions that involve personal relations. Thus, a landowner who is employed as a worker on someone else's farm has little other chance than to rent his land out to this same person so as not to risk his employment. These links between land exchange and other transactions are found in all three settings. The second reason for land rentals to be more personal and less commercialised than purchase lies in the fact than someone who rents out his land has an interest in it being treated according to good farming standards so as to avoid damage to the soil. This is not the case with land that is sold since here the risk lies solely with the new owner. Thus, in rental transactions owners are more interested in only giving land to someone they know well enough to be sure that no damage is caused and they rather let go of a higher rental price than to rent to a risky tenant. As one farmer said: "You do not know how outsiders would treat the ground". The third reason is that rental transactions rarely seem to be motivated mainly by commercial reasons but often serve as a temporary solution

before the owner sells or passes land on to heirs. The aim of actually making a "good deal" and getting much money out of the transaction is, therefore, less of a motivation that to pass the land into trustful hands for a transitional period.

Finally, there must be a reason for the observation that as a rule land transactions – purchase as well as rental – are initiated by the landowner and not an interested buyer or tenant. It might lie in the fact that to approach another farmer to ask to rent or buy his land is regarded as an inacceptable indication of disrespect for his qualities as a farmer, suggesting that he is either too old or too bad an entrepreneur to use of his own land. Since such an event could cause considerable unrest in the community, not least because other farmers might fear that their land and dignity might come under attack too, the existing arrangement seems to be established in order to ensure harmony in the community.

4.2 Control and sanctioning

I now proceed to the issue of how interaction and cooperation between actors in land transactions is controlled. As mentioned above, the analysis of the case study data does not suggest such striking differences between the villages here than with respect to the passing of information. Most observations apply either to all three villages or are derived from a particular situation only present in one of the studied cases. The first area in which the impact of control processes becomes apparent is the above mentioned finding that in transactions between private farmers rental contracts are always made with a close person and purchase contracts also usually do not involve anyone from outside the same extended community. Within such a setting mutual control is easy because information on people's reputation is exchanged within the community and everybody has the possibility to know who ever defaulted in a contract, did not stick to an agreement, tried to cheat etc. In all three villages I could make the observation that information about who had bought, sold or rented land from whom, when and for what price, with which problems etc. was basically public knowledge (cf. also Macours 2002). Due to this situation even if an exchange partner is not known well personally there are enough reliable informants on his former activities and behaviour. Moreover, the transaction costs involved in acquiring any relevant information on the matter are extremely low since usually this information does not even have to be sought after but is passed on during other exchange or activities, e.g. in the local shop, in a chat between neighbours or at a family meeting. In dealing with a stranger, i.e. someone who's reputation is

unknown to both the transaction partner and the wider community, transaction costs in the search for reliable information on this person's credibility must necessarily be much higher.

Another indication of the fact that community control mechanisms are in place and are relied on in private land transactions can be found in the inofficial cooperations of farmers in P2 who rented land from AWRSP. In these arrangements both the one person who is the official tenant and the (sometimes numerous) inofficial co-tenants need to have enormous amounts of trust for each other. Thus, the official tenant must be sure that all other partners make their rental payments (which he has to collect and pass on to AWRSP together with his own share) on time and that they adhere to the rather strict rules on soil protection that the privatisation agency sets in their standard contracts the violation of which can lead to heavy fines or the loss of the rented land. The co-tenants, on the other hand, have to be able to rely on the continuity of the agreement for the full rental term even if, e.g. through the death of the official tenant, disturbances occur. Furthermore, they must be sure of after the contract is closed actually getting the exact piece of ground agreed on beforehand. Finally, when area payments start with Poland's accession to the EU the co-tenants must be ready to rely on getting their fair share of these payments the whole amount of which will go directly only to the official tenant. The potential for conflict in these inofficial tenure arrangement is, in fact, so great that a gmina official I interviewed in the gmina of P1 and P2 expressed his astonishment at the fact that the farmers do not chose to form official land users' cooperations, which would be possible under Polish law. In such official solutions the allocation of land, continuity of the arrangement and distribution of area payments could be settled in a way that would make legal enforcement of claims possible. However, the farmers taking part in the arrangements as they are seem to trust the control mechanisms present which rely on peer monitoring and the sharing of information inside their group. It is impossible to imagine how such arrangement should be possible if people from outside the community took part in it for who's expected behaviour there are no control procedures in place.

To sum up, the control mechanism used in land transactions among private farmers in the case studies has the advantage of being extremely transaction cost efficient. This is because it relies on peer monitoring and passing of information inside the community that cause extremely little costs because it happens alongside other exchange and encounters. The transaction cost advantage of inside-community land transactions as opposed to those with outsiders may be another reason why the greatest part of land exchange does not involve strangers to the community at all.

The last category of organisation to be analysed concerns the sanctioning of behaviour that does not adhere to the rules on how to behave in land transactions. The first thing to note here is that in none of the regarded cases any official sanctioning bodies such as courts have been involved. Furthermore, the above mentioned gmina official informed me that disputes about land transactions had never been brought before him either although in many other cases of disagreements between farmers he is being involved as a mediator. The official regarded this as an indication of there not being any serious disagreements about land matters. However, the observation could also be a sign that the rules that can possibly be violated may be of a very implicit kind, i.e. neither involve the breaking of official law nor even be so material that a local official would have any basis for intervention. The farmer from P1 who sold his land to a stranger, e.g., obviously only exercised his good right according to any conceivable legal standards – still his action was disapproved by at least a substantial part of his community.

A clue as to how sanctioning works can be taken from the answers received to the interview question "How do you think other people from your village would react if you sold your land to a foreigner?" – an action that in all three villages is considered inacceptable by majority opinion. Many people said that there would be anger in the community which would, however, be unlikely to be expressed through physical aggression or direct threats but rather in a more subtle way. "They would gossip about me" or "people would talk badly about me in church" are typical answers. There are no clues in the received statements as to possible material consequences of sanctioning, although especially in situations where farmers cooperate such effects seem possible. Thus, it can be imagined for an act of sanctioning to consist in the exclusion of the misbehaving farmer from producers' groups or simply from neighbourly cooperation. However, even the seemingly mild expression of disapproval found in the studied cases may have a strong discouraging effect in a community where people are in close daily contact and, as mentioned above, their reputation is an important asset in dealing with each other.

The situations in which actions of social sanctioning seem to have been adopted, on the whole, are extremely rare. Such measures seem hardly ever necessary because in general adherence to universally accepted land market rules is overwhelming. The fear of social sanctioning, therefore, can only be one aspect that ensures this behaviour according to community rules. I rather received the impression that much – maybe even by far the overwhelming part – of rules do not have to be enforced by social sanctioning or the threat of it but have been internalised. Thus, a frequent first reaction to the above mentioned question on the reaction of the village to foreigners buying land was the declaration that the question

itself is irrelevant because such a situation was impossible since they "would never sell to a foreigner" simply because they felt that this would not be correct. It seems that many aspects of the community rules on land market behaviour are internally enforced standards of conduct among the majority of community members, which for them would make the possibility of violating the rules impossible to be taken into account even if a threat of punishment was altogether absent.

Table 3: Number and duration of written and oral rental contracts[12]

	Large Farms Poznan		**Family Farms Poznan**		**Family Farms Sieradz**	
	oral	written	oral	written	oral	written
1 year[a]	0	2	2	10	0	0
1-6 years	0	15	6	7	8	11
>6-12 years	0	15	5	10	1	1
>12 years or open end	0	23	8	4	5	1
Sum	0	65	21	31	14	13

[a] In the large farm questionnaire the time spans given were actually 1 year, 1-5 years, >5-10 years, >10 years and open end. Since this represents only a minor distortion the number of contracts in each category was simply transferred into the slightly different categories of the family farm questionnaire displayed here.

Having now argued for the importance and efficiency of trust, reputation and social sanctioning and having pointed out the general similarity between the cases in this respect, I want to make a last point that brings in a slightly different flavour. The analysis of data collected in the survey of altogether 258 farms underlines not only some regional differences in the area of control and sanctioning but also points out the ways in which transactions are secured both with respect to official enforcement and with respect to time. In the section on information I pointed out that where rental transactions are concerned there are no differences between the cases in the way that information on the availability of land is communicated to others. However, survey results indicate that regional differences do not leave rental transactions untouched as far as control and sanctioning are concerned. Table 3 shows that land rental transactions carried out by family farms in Poznan are relatively much more often

[12] The numbers used are the total numbers of rental contracts made by the enterprises in the sample. To ensure compatibility corrections have been made in the case of family farms in Poznan because a substantial number of contracts found here were with special official bodies – i.e. the forestry office, a landscape park, and the church – and almost exclusively in written form. Since in Sieradz comparable contracts did not exist those from Poznan were not included into Table 3. Without this correction the relation between oral and written contracts for Poznan family farms would be even more pronounced at 22:44.

backed up by a written contract than those of farms in Sieradz. Formal requirements, like the necessity to have a written contract in the case of renting out in order to get a pension, apply throughout the country and can, thus, not be the reason for these numbers.

The observation must be interpreted against the background that the large farms (i.e. state enterprise successors) covered in Poznan are found to use exclusively written contracts since the overwhelming number of their transactions take place with official bodies, especially AWRSP. It seems to be the case that the example given by large farms – i.e. employing more formalised contracts that are easily enforceable through legal procedures in the case of disagreements – has influenced the contracting behaviour of family farms in regions where large farms and family enterprises coexist. As found already in the case studies with respect to information, this results in the approach of Poznan family farmers to land transactions being more commercial and business-like and relying less *only* on trust and reputation effects than that of their counterparts in Sieradz. In making written rental contracts the parties not only incorporate the possibility of involving third parties in contract enforcement but also resign of some of the flexibility that oral contracts allow. The process of adjusting to the example of large farms may also account for the fact that Table 3 indicates a slight tendency in Poznan family farmers to – like the large farms – prefer longer term contracts than Sieradz farmers (comparing the numbers of contracts from 0 to 6 years with that of contracts from greater than 6 to open end). The mentioned characteristics of rental contracts as being temporary, short term transitory agreements, thus, is more pronounced in Sieradz while in Poznan the aspect of flexible neighbourly assistance is to a certain degree traded off against more planning security on the side of the tenant. Thus, although less pronounced than in the area of information, the effect of differences in the actor constellation on land market organisation concerns also the communities' approaches to control and sanctioning.

4.3 Summary

This study establishes clearly that in the three studied village settings there exist relational contracts between the private farmers who participate in land transactions which establish internal rules on how to conduct land market exchange. Furthermore, the results confirm the assumption that the constellation of actors in the particular market setting has a considerable impact on the design of rules. The relational contracts that could be determined carry a strong element of "embeddedness" in that they are established informally through interaction between the actors and not formally acknowledged. This is to say that, first of all, the rules are

oral and there is no written record that anyone in the community refers to when carrying out a land transactions. Second, the agreements are implicit. It cannot even be said that actors carry a mental list of these rules in a universally accepted, concise and clear form but rather that they are conscious of them in a more vague and general way. Third, the rules are inofficial in the way that no formal bodies are created or involved at any point in their establishment or enforcement.

What, then, are the core rules that could be found to regulate land market activity? I will briefly sum up the most important insights from the analysis of the empirical data of case studies and survey. With respect to information there are some general rules and some which differ between the cases. A shared rule is that the offer of land for sale or rental comes from the land owning side and not from the potential buyer or tenant. Differences concern the way in which and number of people to whom land is offered. In village S the rule is to offer to one well-known person and base the price on a recent local reference. In P2 the rule is to offer through mouth-to-mouth passing of information to all members of the extended community and negotiate the price in a procedure of offering and bargaining. In P1 rules allow for both kinds of procedures. With respect to control there is a uniform implicit agreement in all cases that peer monitoring takes place among the members of the community and information relevant to a person's reputation is passed on to other community members. Actions of sanctioning are agreed on to be of a subtle kind that aims at an actor's reputation rather than to cater for responses of either violent physical kind or even for inflicting material consequences on the person who violated rules. However, the necessity of sanctioning of any kind is hardy ever given since land market rules seem to have largely been internalised by the actors. With regard to rental transactions there are regional differences in that there is a greater acceptance of formalising contracts in written form – and thus opening up the possibility of official control and sanctioning – in the Poznan region than in that of Sieradz.

I argue in the theoretical part that organisations exist in order to promote the common objectives of their members. Within this arrangement the relational contracts that constitute market organisation have the purpose of ensuring the balance between the members' pursuit of self-interest and the goals of the organisation as a whole. The common aims of the participants in the organisation land market become quite clear in the analysis of the three case studies. It is to be ensured that the community is protected from negative outside

influences – in the form of strangers or foreigners acquiring land – as far as possible[13]. Furthermore, the way the market is organised seems to guard against an explosion of land prices that would exclude many local buyers from participation in land transactions. The reason behind these aims is to keep the community intact and maintain a favourable climate for working, trading and living in the villages. In addition to this, the establishment of the organisation land market ensures transaction cost advantages concerning information, control and sanctioning for all members from which non-members cannot profit.

However, as to the acceptable limit on following one's self-interest standards differ between the land market organisations in the studied villages. The willing seller in P1 or P2 has the possibility to select a buyer from a much larger – and spatially wider – group than the one in S. In the process, he has the possibility to drive the price up as much as possible while the farmer is S has to orient himself on local examples. Furthermore, farmers in Poznan can more easily make safer and longer-term rental contracts. The reason for this variation in principles between the settings is the different constellation of actors. Due to the fact that the farming structure in the villages P1 and P2 is not made up solely of family farms but the area is exposed to land transactions involving non-private actors, farmers here experience and witness a much more commercial and profit-oriented approach to land transactions. On the basis of these examples the notion that it ought to be accepted to follow one's own interest of making money in land transactions even at the expense of some community well-being has become incorporated into the rules governing private land transactions in the Poznan villages. In S, in contrast, the lack of such examples allows the element of community protection to remain stronger. Consequently, the limits to individual profit-seeking are still much stricter here than in P1 and P2.

There is also a convincing explanation for the fact that land market organisation is so "personal", i.e. oral, implicit and informal, instead of relying more on formally established and enforceable rules as this can be elucidated by simple transaction cost reasoning. It has become clear that the organisation land market is limited in size to the group of actors that can be contacted through a mouth-to-mouth spreading of information, whereby the limitation concerns both area of residence and social position (farmer, rural inhabitant) of people reached. As it has been shown, informal coordination processes work well in such a close and

[13] There is, of course, the question at which margin (if any) of extra money to be earned in selling or renting out to strangers/foreigners landowners become willing to risk social sanctioning and carry out the transaction anyway. This investigation does not contain enough observations on the occurence of trade-offs of this kind to justify any conclusions but suggests that the issue might be an interesting topic for further research.

uniform group and a formalisation is likely to produce more costs than additional benefit. Furthermore, the informal character of the rules allows a substantial amount of flexibility since it facilitates adjustment over time and according to specific circumstances. Numerous examples for this elasticity of rules in particular situations are observable in the case studies, especially with respect to the way in which land and other transactions can be linked.

5 Conclusions

The analysis of land markets as organisations brings insights with respect to three areas. First, some conclusions can be drawn concerning market organisation in general and the possibility of analysing it empirically. Second, the results suggest certain points of advise for designing targeted and effective land policies. Third, it is possible to propose options for more research on the topic that could further improve the understanding of market organisation. Below these three aspects are regarded in more detail.

As for general results, one important finding is that market organisation is susceptible to analysis. With the methodological approach employed here, which was based mainly on qualitative interviews in comparative case studies, a quite substantial understanding of not only the content but also the reasons for the existence of many of the rules that form the "market constitution" in different settings was attainable. It is also obvious, however, that market organisation is so complex that it is hard discover *all* the relational contracts that govern exchange – especially some of the more subtle implicit aspects will most likely often escape notice. Most importantly, the empirical results support three general ideas about the nature of the organisation "market" that were already suggested by theoretical reasoning. First, it could be shown that market organisation is designed to provide advantages for its members by reducing transaction costs whereby a "thick" definition of members' interest that includes social aspects must be employed. Second, it became apparent that organisations set entry barriers that prevent outsiders who have not invested into the market from using the transaction cost advantages of organised exchange (e.g. through selected distribution of information). Third, it turned out that the exact content of the relational contracts that underlie market organisation is a product of the constellation of actors on the market. An interesting finding with respect to this last observation is that the influencing actor constellation can be wider than the group of members of the organisation market to whom the market constitution actually applies. Thus, in the land market case studies relational contracts connected the

private farmers in the villages but influences were also exerted by actors such as the AWRSP, the gmina and the cooperative that are not actually part of the community as such.

The observations that were made in this study add substantially to our understanding of how land markets function in detail, which also makes it possible to come to some advise on aspects that should be considered when making interventions into land markets. On the whole, the results underline the complexity of land markets and the necessity to view them as social structures in which the composition of market participants has a strong effect on the way in which exchange takes place. The fact that the design of market organisation can differ substantially from one land market to the other even within one area has to be reflected in the design of policies intending to improve the functioning of these markets. Thus, the study suggests that policy makers take a closer, more intimate and unprejudiced look at the rules that really define the market instead of regarding only formal land law before they propose measures. Furthermore, the findings underline that it should not come as a surprise when one and the same policy shows different effects in different regions of one country and even more between countries – in fact, in ideal circumstances policies should be constructed so as to be flexible enough to provide the possibility for adjustment to differing land market settings.

Despite the fact that the land market rules are found to differ in detail between the regarded settings they also carry some common features: in all cases regarded they are informal, apply to a small community and have a strong personal “embeddedness” character. These features, however, must not be generalised to market organisation on the whole since to a substantial degree the characteristics of smallness of the market and possibility for personalised structures for distribution of information, control and sanctioning may be a result of the special nature of land markets, particularly their spatial limitations and connection with communities. Social sanctioning, e.g., only makes sense if market and community coincide to some extent and deviators actually consider disapproval of others a sufficient threat. The rules found in land markets should not necessarily be expected to be mirrored in the organisation of markets with other physical and social conditions. This suggests that further fruitful insights into the question of market organisation could be gained by studying other kinds of markets (i.e. markets for different resources, services or goods), checking by what organisational structures they are characterised (e.g. large number of participants, a dominance of formal/written market rules and third party enforcement) and analysing how these rules can be explained. Different modes of market organisation could then be compared, e.g. by contrasting very differently designed markets like agricultural land markets and stock markets.

References

Akerlof, G. A. (1970). The Market for "Lemons": Quality Uncertainty and the Market Mechanism. *Quarterly Journal of Economics* 84, 488-500.

Akerlof, G. A. and Kranton, R. E. (2000). Economics and Identity. *Quarterly Journal of Economics* CXV (3), 715-753.

Allen, D. W. and Lueck, D. (1992). The "Back Forty" on a Handshake: Specific Assets, Reputation, and the Structure of Farmland Contracts. *The Journal of Law, Economics and Organization* 8 (2), 366-375.

Alston, L. J. and Kauffman, K. D. (2000). The Impact of Paternalism on Racial Land Rental Differences in the USA. In: Menard, C. (ed.). *Institutions, Contracts and Organizations: Perspectives from the New Institutional Economics.* Cheltenham: Edward Elgar, 172-187.

Ben-Porath, Y. (1980). The F-Connection: Families, Friends, and Firms and the Organization of Exchange. *Population and Development Review* 6 (1), 1 – 30.

Bernstein, Lisa (1992). Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry. *Journal of Legal Studies* 21 (1), 115 – 157.

Boger, S. (2001). *Agricultural Markets in Transition: An Empirical Study on Contracts and Transaction Costs in the Polish Hog Sector.* Aachen: Shaker.

Brem, M. (2001). *Landwirtschaftliche Unternehmen in Transformationsprozess: Ein Beitrag zur Theorie der Restrukturierung während des Übergangs vom Plan zum Markt.* Aachen: Shaker.

Curtiss, J. (2002). *Efficiency and Structural Changes in Transition: A Stochastic Frontier Analysis of Czech Crop Production.* Aachen: Shaker.

European Commission (2002). Agricultural Situation in the Candidate Countries: Country Report on Poland. Brussels: European Commission.

Furubotn, E. G. and Richter, R. (1998). Institutions and Economic Theory: The Contribution of the New Institutional Economics. Ann Arbor: The University of Michigan Press.

Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology* 91 (3), 481–510.

GUS (1991). Statistical Yearbook. Warszawa: GUS.

Hanisch, M. (2003). *Property Reform and Social Conflict: The Analysis of Agricultural Ownership Transformations in Post-Communist Bulgaria.* Aachen: Shaker.

Hanisch, M.; Beckmann, V.; Boger, S. and Brem, M. (2001). In Search of the Market: Lessons from Analyzing Agricultural Transition in Central and Eastern Europe. Paper presented at the 10th EAAE Congress "Exploring Diversity in the European Agri-Food System", Zaragoza, Spain, 28-31 August 2002.

Hayek, F. A. (1945). The Use of Knowledge in Society. *The American Economic Review* XXXV (4), 519-530.

Hurrelmann, A. (2002). Land Markets in Economic Theory: A Review of the Literature and Proposals for Further Research. Aachen: Shaker.

Hurrelmann, A. (2003). How to Approach a Market: A Theoretical Concept for Defining and Describing Land Markets. *Quarterly Journal of International Agriculture* 42 (4): 403-426.

IERiGZ (2002). Rynek Ziemi Rolniczej: Stan i Perspektywy. Warszawa: IERiGZ.

Macneil, I. R. (1978). Contracts: Adjustment of Long-Term Economic Relations under Classical, Neoclassical, and Relational Contract Law. *Northwestern University Law Review* 72, 854–905.

Macours, K. (2002). Insecurity of Property Rights and Matching in the Tenancy Market. Paper presented at the 10th EAAE Congress "Exploring Diversity in the European Agri-Food System", Zaragoza, Spain, 28-31 August 2002.

Milczarek, D. (2002). *Privatisation as a Process of Institutional Change: The Case of State Farms in Poland.* Aachen: Shaker.

Nee, V. and Ingram, P. (1998). Embeddedness and Beyond: Institutions, Exchange, and Social Structure. In: Brinton, M. C. and Nee, V. (eds.). *The New Institutionalism in Sociology.* New York: Russel Sage Foundation, 19-45.

North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.

Ostrom, E. (2000). Social capital: fad or fundamental concept? In: Dasgupta, P. and Serageldin, I. (eds.). *Social Capital: A Multifaceted Perspective.* Washington: The World Bank, 172-214.

Pavel, F. (2001). *Success and Failure of Post-Communist Transition: Theory and Application to Bulgaria.* Aachen: Shaker.

Perry, G. M. and Robison, L. J. (2001). Evaluating the Influence of Personal Relationships on Land Sale Prices: A Cast Study in Oregon. *Land Economics* 77 (3), 386-398.

Sadoulet, E.; de Janvry, A. and Fukui, S. (1997). The Meaning of Kinship in Sharecropping Contracts. *American Journal of Agricultural Economics* 79, 394-406.

Scharpf, F. W. (1997). *Games Real Actors Play: Actor-Centered Institutionalism in Policy Research*, Boulder: Westview Press.

Schlüter, A. (2001). *Institutioneller Wandel und Transformation: Restitution, Transformation und Privatisierung in der tschechischen Landwirtschaft*. Aachen: Shaker.

Stigler, G. J. (1961). The Economics of Information. *The Journal of Political Economy* LXIX (3), 213–225.

Sugden, R. (1989). Spontaneous Order. *Journal of Economic Perspectives* 3 (4), 85–97.

Williamson, O. E. (1985). The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting. New York: The Free Press.

Williamson, O. E. (1996). *The Mechanisms of Governance*. Oxford: Oxford University Press

Wrong, D. H. (1961). The Oversocialized Conception of Man in Modern Sociology. *American Sociological Review* 26 (2), 183–193.

Zillmer, S. (2002). *Arbeitsangebotsverhalten im Transformationsprozess: Eine empirische Analyse des polnischen Agrarsektors.* Aachen: Shaker.