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## Transformation of the family farm under rising land pressure: A theoretical essay

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## ABSTRACT

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If we understand well the individualization of land tenure rules under conditions of growing land scarcity and increased market integration, much less is known about the mode of evolution of the family farms possessing the land. Inspired by first-hand evidence from West Africa, this paper argues that these units undergo a similar process of individualization governed by the same forces as property rights in land. It provides a simple theoretical account of the coexistence of different forms of family when farms are heterogeneous in land endowments and technology is stagnant. In particular, it throws light on the factors determining the coexistence of collective fields and individual plots inside the family farm, and on those driving the possible splitting of the family. The paper also offers analytical insights into the sequence following which such forms succeed each other. *Journal of Comparative Economics* xxx (xx) (2014) xxx–xxx. Centre for Research in Economic Development, University of Namur, Belgium; University of Oxford, United Kingdom.

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### 1. Introduction

We have today a relatively good grasp of why and how land tenure rules evolve at the community level as long as the transformation of these rules is not disturbed by external influences or power games. When this condition is satisfied, a shift from corporate ownership of land (possibly including the granting of long-term use rights to individual households) to individualized forms of tenure ranging from less to more complete private property rights tends to occur when the value of land increases because of population pressure or increased market integration. The key mechanism is that a better internalization of externalities and stronger incentives to conserve and improve land are thereby provided (Boserup, 1965; Demsetz, 1967; Ault and Rutman, 1979; Feder and Feeny, 1991; Feder and Noronha, 1987; Baland and Platteau, 1998; Platteau, 1996, 2000: Chapters 3–4). When political forces are at play that enable a privileged class to tamper with the endogenous evolution process, such as happens, for example, when its members collude to prevent competition from benefitting small farmers and agricultural workers, the path of transition to more individualized land rights may be blocked and various situations can arise (Domar, 1970; Smith, 1959; Breman, 1974; Cohen and Weitzman, 1975; De Janvry, 1981; Bhaduri, 1973; Binswanger et al., 1995; Brenner, 1996; Conning and Robinson, 2007; Conning and Kevane, 2007).

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In contrast, the organizational features of the landholding unit and its variations across space and over time are still poorly understood. Rather paradoxically, this is especially true of family farm structures that have been relatively free of outside interferences and politico-legal constraints. What we argue in this paper is that the same force, growing land scarcity, that drives the individualization of land tenure also drives the individualization of the family owning and managing the land provided that the transformation process is unimpeded by external factors. Therefore, when private rights in land are well-established and the land frontier is closed, as pressure on land continues to rise, the individualization process goes on, yet now more at the level of the farm units than at the level of the community where rules governing land allocation and tenure rights are decided. In the following we use the term “family farm” to designate an agricultural household headed by a patriarch who manages “collective fields” where members are required to work.

As epitomized by the past experience of Russia or the recent-day experience of Mali (West Africa), individualization at the family farm level occurs when either of the two following circumstances arise: (i) the patriarch decides to grant individual plots to members of the household, and these are entitled to keep for themselves the entire proceeds of such plots while they are simultaneously required to work on the collective fields; and (ii) the patriarch agrees to “split” the stem household, implying that some members leave with a portion of the land equivalent to a pre-mortem inheritance, in order to form separate, autonomous branch households. While the first scenario involves the transformation of a purely collective farm into a “mixed” farm, the second scenario implies that part of the family land is inherited pre-mortem. Insofar as property rights in land become vested in smaller family units, the second scenario appears to correspond to a more advanced form of individualization than what is obtained when large family farms dominate the landscape. None the less, the order in which these two forms, the mixed farm and the branch household farm, should succeed each other as land pressure rises is far from evident.

In this paper we provide a theoretical framework to understand the shift from collective to mixed family farms on the one hand and the split of family farms on the other. So far, economists have proposed few theories of the evolution of the family farm, and the available theories aim at explaining only one of the type of individualization described above.

Fafchamps (2001) offers an example of the former by developing a theoretical model to explain the decision of the household head to allocate individual plots to family members. At the core of his model is a problem of commitment. Because the head is unwilling or unable to commit to reward their work on the family field after the harvest, family members are tempted to relax their labor efforts or to divert them to other income-earning activities. To solve this commitment failure problem, the head decides to reward his wife and dependents for their labor on the collective field by giving them individual plots of land and the right to freely dispose of the resulting produce. It is evident that the commitment problem only exists if the short-term gain of deviating from cooperation (which means here renegeing on the promise to reward the workers for their effort on the collective field) exceeds the long-term flow of benefits ensuing from a smooth relationship between the household head and the working members. As Fafchamps himself recognizes this condition is restrictive, since the game played within the family is by definition of a long (and indeterminate) duration, and the discount rate of future benefits typically low (future cooperation among close relatives matters a lot). Moreover, even assuming that Fafchamps' hypothesis is valid, it remains unclear why there should be a tendency over time for collective farms to transform themselves into mixed farms. Finally, Fafchamps does not consider a potential break-up of the household accompanied by a (partial or complete) division of the landholding.

Other authors have tried to explain the coexistence of collective fields and individual plots in agricultural farms, yet agricultural producer cooperatives or quasi-feudal landowner-tenant relationships form the specific context in which their explanations are advanced. Regarding producer cooperatives, emphasis is typically put on the existence of scale economies for certain types of activities, or on the need for insurance and the role of income-pooling (Putterman, 1981, 1985, 1987, 1989; Putterman and DiGiorgio, 1985; Carter, 1987). As for relationships between estate owners and workers, limited liability constraints and the demand for insurance are the main motives prompting the adoption of the mixed farm structure (Allen, 1984; Sadoulet, 1992).

We thus face a relative shortage of pertinent accounts of the existence of individual plots in the precise setting of family farms. Unlike in democratic producer cooperatives, a hierarchical relationship prevails in these farms, and in contrast to feudal or semi-feudal estates (where independent tenants became re-integrated into a seigneurial estate when landlords decided to embark upon direct cultivation of a portion of their land), their transformation typically consists of a shift from the pure collective form to the mixed structure.<sup>1</sup>

The second form of individualization is at the center of Foster and Rosenzweig (2002) attempt to explain family farm division. They do not allow for individual plots, as for them co-residence implies collective farming only. In their framework, an extended family is composed of several claimants to the land who may decide to split if the benefit of sharing public goods by co-residing is smaller than the loss of efficiency due to decreasing returns to scale in production. There are thus two different ways of explaining the increasing incidence of individual farms: (i) growing disinterest of younger generations in the sort of public goods produced on the collective farm, and (ii) rising importance of decreasing returns to scale as a result of the shift to more land-intensive agricultural techniques.

<sup>1</sup> For key references on the working of feudal or semi-feudal estates, (see Blum, 1957, 1961; Kliuchevsky, 1968; Kolchin, 1987; Raftis, 1996; Mathur, 1991; Sadoulet, 1992; Conning and Kevane, 2007).

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