

Institutional and Policy Environment

Group 1

Evolution Toward Land Markets

- How to model this?
- Breaking of rules

Examples

- China has gone from 30 year lease to 99 year lease
- What level of corruption would undermine the functioning of the market
- Contrast between USA and Netherlands on whether crop share is acceptable
- NE Brazil: often verbal contracts, rent may be for the period “until it rains”
- Netherlands: social network is important
- Scotland: ditto

Oliver Williamson on Economics of Institutions

- 4 level structure:
- L1 customs-traditions-norms
- L2 institutional environment
- L3 rules of the market
- L4 pricing signals
- (L1 changes fastest, L4 slowest)

Modelling sale and rental together

- Has anyone done this?
- If not, why not?
- Agricultural land:
 - For owner, this is one among several options, involving assigning some piece of land for some period of time
 - For tenant, the demand for land is primary: buy or rent?
 - The institutional environment determines what kinds of contract are enforceable, and desirable, from both parties' points of view
- What enforcement mechanisms are there?
- Spatial and social relationships are more important in rental than sale markets
- Levels of trust differ between countries

Modelling Issues

- Are institutions ever modelled as agents?
 - Dan: yes – example of modelling community forests
- Problem with the complexity of mechanisms, the number of options. Do we go for realistic or simple models?
- Could we model a set of examples where legal changes have occurred?
 - Problem: a lot of things change at the same time, so attribution is difficult
- Do we model government as an adaptive agent which changes policy according to outcomes
- Modelling competing jurisdictions – Moira has article in *Land Use Policy* this year. Tatiana – Thibault model, unpublished
- How do agents perceive institutions

Environmental policy modelling

- Collective rewards (FEARLUS)
- Carbon markets (no-one we know of doing this yet – Dan has plans)
- Zoning policies and public lands effects on tree cover (Derek)
- Effects of different reward schemas (practices or outcomes) on biodiversity (FEARLUS-SPOMM)
- Interaction between evolution of deforestation and of institutions in Amazonia – Pedro project just approved.
- How market mechanisms can help preserve coastal ecosystem services – only works with equal incomes (Tatiana)