THE IMPACT OF INSTITUTIONAL CHANGE ON SUSTAINABLE AGRICULTURE

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Sustainable agriculture synthesizes a variety of concepts associated with agricultural practices and their socio-economic impacts. In this article sustainable agriculture is discussed within the context of environmental economics, the impact of the market economy institutions on the sustainable agriculture is analyzed.

Keywords: sustainable agriculture, institution.

Introduction

Sustainable agriculture is the economic and social development that meets the needs of the present without compromising the ability of future generations to meet their own needs, an idea summed up in the term sustainable development. In order to incorporate sustainable development issues into the agricultural development, a new approach to the economic theory is needed, which could allow to review the standard technique of economics, as ecological, social and institutional factors have not acquired an acceptable expression in modern economic development.

The Research Object is the sustainable agriculture. The article aims to investigate the content of ecological agriculture, including the problems from the perspective of economic development sustainability. The Methods of the research. In the article were used a logic abstraction, which encompasses generalizations on economic theories and thoughts, theoretical systems analysis of the problems of sustainable agriculture, according to the conclusions and reasoning of scientists from other countries.

Sustainable agriculture and the institutional change

As mentioned by J. Platje, (2003), the transformation of the agricultural sector and challenges of developing towards sustainable agriculture can be studied within an institutional framework. Institutional factor is very important, because, as stressed by J. B. Tschirley, (1997): “Human and institutional capacity to manage the development process through participatory and transparent approaches is fundamental to sustainable agriculture”. D. C. North (1990) defines institutions as the rules of the game in the society. According to him, the most important role of institutions is to reduce uncertainty by establishing a stable structure for human interaction. A stable legal framework that protects property and enhances contract enforcement is likely to stimulate entrepreneurship and economic activity. Although New Institutional Economics has been mainly applied to the transformation of the economic system from plan to market and the economic consequences of privatization, some attempts have been made to apply it on processes of achieving sustainable agriculture (Gatzweiler, 2002). Especially important tool in analyzing chal-
Challenges for sustainable agriculture is property rights economics. But, as mentioned by J. Platje (2003), in the East Europe countries can arise one big problem for effectiveness of “institutional governance” – the low level of trust. This may cause problems for developing sustainable agriculture as introduction and enforcement of new institutions needed for sustainable agriculture become more difficult.

From other side, institutional change in agriculture is accompanied by uncertainty. As mentioned by J. Platje (2003), when institutions like laws and regulations change very often, this increases uncertainty in the economy, and makes it almost impossible to keep up with all the changes. As a consequence economic subjects have less reliable information, which negatively influences economic activity in turn. This may be a threat in the process of adapting the Central and Eastern Europe country’s agricultural systems to EU requirements. It must be taken to account, too, that when Central and Eastern countries would follow the “industrial” agricultural model, this would lead to more capital intensive agriculture and lower demand for labor. Thus, agricultural policy should go together with infrastructure policy, which should stimulate multifunctional rural development where jobs are created for people who leave agriculture.

According to property rights economics, markets, freedom of contract and private property provide stronger incentives for economic efficiency and lead to lower transaction costs compared to other co-ordination mechanisms. When markets function properly, they lead to an increase in social welfare. However, it is mainly the profit motive that provides incentives for economic activity. A proper institutional framework is indispensible for stimulating sustainable activities. The costs of activities where the environment is involved should be included in market prices. The problem is that the market rather focuses on short-term profits. Without a proper institutional framework, the profit motive may lead to unsustainable cost savings, soil degradation, landscape change, reduction of biodiversity and depopulation of the countryside.

Infrastructure is needed in order to prevent depopulation of the countryside by way of stimulating agriculturally related as well as non-agricultural economic activity that helps to increase farmer’s income, so that unsustainable intensification or extension of scale is not necessary.

Although the market may be one of the best allocation systems, in agriculture it leads to many difficulties. As mentioned by J. Platje (2003), an agricultural market based on family farming may lead to stronger incentives and lower transaction costs compared to other systems. However, markets create price and income instability for farmers, and do not take inter-generational aspects into consideration. Furthermore, the market tends to lead to enlargement of scale, leading to landscape change and depopulation of the countryside.

Thus, the question is whether a market can stimulate the development of sustainable agriculture. A condition is that institutions should be developed, and the mechanisms exist that stimulate the internalization of externalities and the inclusion of long-term and inter-generational costs and benefits into the decision-making process. In order to achieve sustainability, co-operation between different
stakeholders and the introduction of logistic solutions are needed. However, it is very unlikely, that agriculture will become sustainable without aid and regulation from governments, as govern may be able to use a longer time-horizon in policy and decision making (Platje, 2003).

It is possible to say, that a change towards a more sustainable agriculture is in fact a process of institutional change, the creation of the rules of the game, hardware and enforcement mechanisms that stimulate sustainable agriculture activities. And a step-by-step evolution of institutions (endogenous change) may be most sustainable.

Conclusions

Despite the potential for a more sustainable agriculture, in which farmers, rural communities, environments, and national economies could all benefit, there are still many obstacles and threats.

A change towards a more sustainable agriculture is in fact a process of institutional change, the creation of the rules of the game, hardware and enforcement mechanisms that stimulate sustainable agriculture activities.

References


INSTITUCINIŲ POKYČIŲ POVEIKIS DARNIAM ŽEMĖS ŪKIUI
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Pagal nuosavybės teisių ekonomikos teoriją rinkos, sandėrių laisvė ir privati nuosavybė sąlygoja ekonominį efektyvumą ir mažina sandėrių kaštus. Tinkamas rinkų funkcionavimas kelia gerovę, tačiau darniai veiklai skatinti būtina tinkamesnę institucinę sandarą. Be jos pelno motyvas gali sąlygoti nedarnius išlaidų taupymus, kraštovaizdžio keitimą, biologinės įvairovės mažėjimą ir gyventojų skaičiaus mažėjimą kaimuose. Judėjimas link darnesnio žemės ūkio yra insti-
tucinių pokyčių procesas, žaidimo taisyklių ir įgyvendinimo mechanizmo, kurie skatintų darnaus žemės ūkio veiklą, sukūrimas.

*Raktiniai žodžiai: žemės ūkis, rėmimas.*