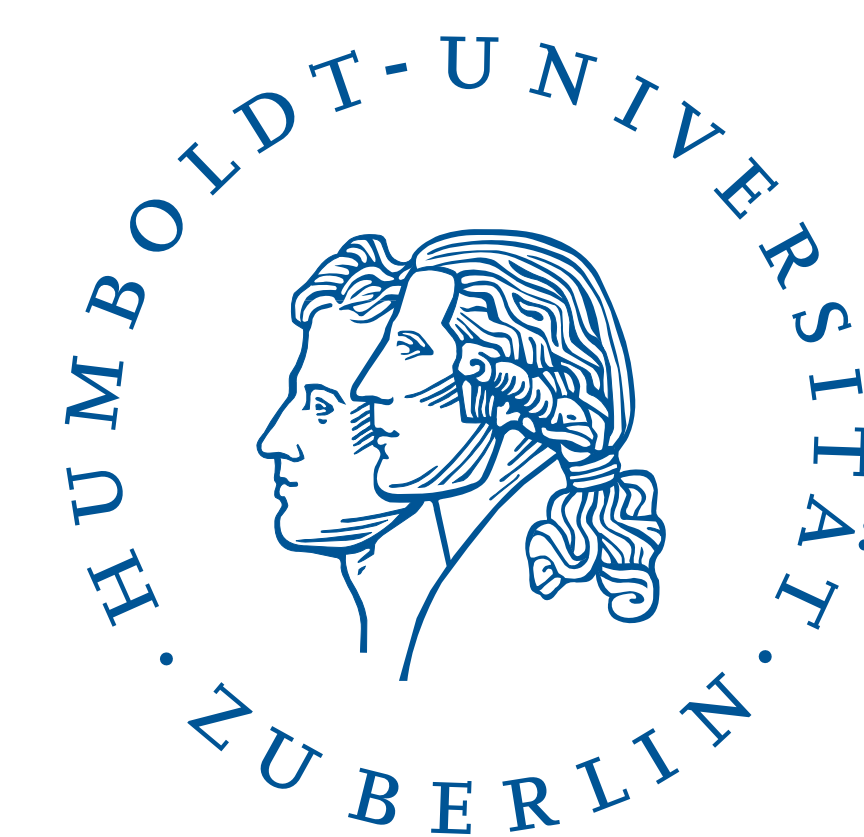


Land Property Rights and their Influence on Innovations in Rural Societies in South West China

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Problem statement:

China has been undergoing tremendous economical and societal changes in the transformation from a centrally planned economy to a market oriented economy. At the core of this economical transformation are fundamental institutional changes. This has become evident in formal institutional modifications at the central government level in Beijing, but also in a varying degree of informal institutional change in different regions.

The wide range of informal institutions and their characteristics differ substantially from the formal ones. Due to this dynamic, there exists a lack of knowledge on the interaction of formal and informal institutions. Especially fast developing regions suffer from inefficient land use and a fast degradation of natural resources due to insecure or not clearly defined property rights.

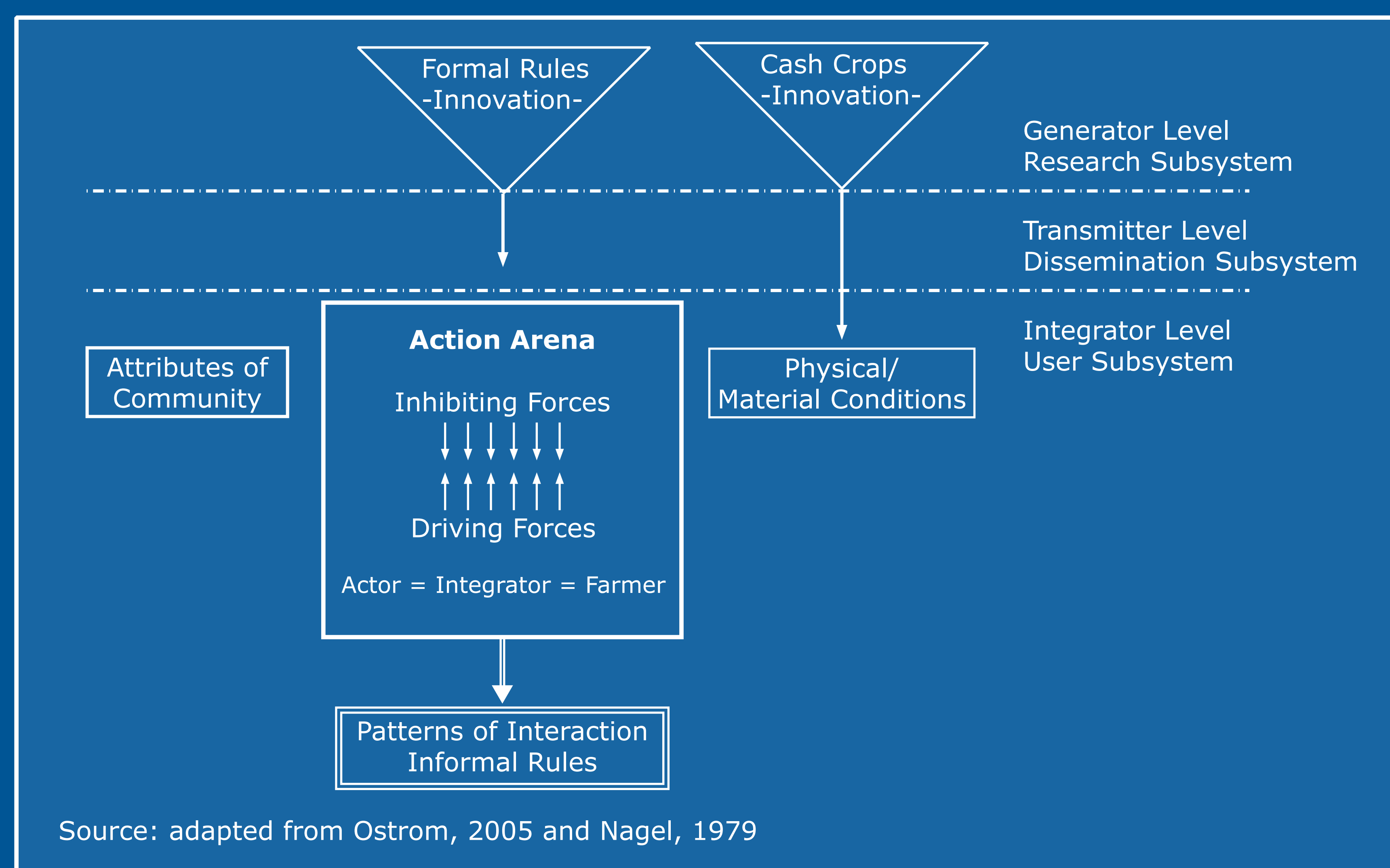
Yunnan Province



Xishuangbanna Prefecture



Source: LILAC, 2006



Hypothesis:

Looking at the economical development, the core research question is:

Is economic yield a function of the property right regime or is the property right regime a function of (potential) economic yield?

In short:

$$Y = f(r) \text{ or } R = f(y)$$

What are formal rules regarding land property rights?

What are the informal rules?

What are attributes and factors influencing the development of such informal institutions?

Conclusion:

The analysis identifies four attributes for land-use decisions:

- Level of revenue.
- Time gap between investment and revenue.
- Power imbalance.
- Experience from the past.

Considering the level of revenue and the time gap as the two most important attributes, a final conclusion to the core question can be given: the property right regime is a function of (potential) economic yield: $R = f(y)$.

Challenges:

Besides the coexistence of the two tracks (centralized and market economy), the corruption and the inconsistencies of laws, another major challenge might be the extent and varying degree of adaptations of national laws and, as a result, a myriad of rules and regulations at the local level.

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