

**Socio-economic aspects of transformation processes in Central and Eastern European Agriculture - Sociaal-economische aspecten van transformatieprocessen in de Midden- en Oost-Europese landbouw**

*Hoogleraar: prof. dr. K. Hagedorn (sinds 1 januari 1994)*

In the countries of Central and Eastern Europe, many institutions and organisations are changing in a short period of time, and political systems and networks are transformed fundamentally within a few years. If we want to teach students about these changes, we have to look for appropriate theoretical and empirical approaches which help us to understand the transformation process. Therefore, it is particularly desirable to find theories and concepts which are able to prove their explanatory power and their analytical capacity regarding the changes in the transition countries. Several attempts have been made in the last six years to transfer approaches of institutional economics, policy analysis and public choice theory to the transformation issue. These theories certainly present an adequate basis to clarify many problems involved. However, attention has to be paid to the following points:

(1) The institutions of political decision making, the procedures which are relevant for these decision-making processes or for the activities of interest groups are still rather incomplete and sometimes also rather non-typical in these countries. This can easily be explained by the fact that the political systems are still in a process of reconstruction. Thus, we must expect that we will find very peculiar ways of decision making, which are quite different compared with the western world. The following examples may be mentioned:

- Voting behaviour in agriculture is often different from western countries; for example, in rural areas anti-reform parties are often more popular than reform-oriented parties, although we may expect that political preferences will undergo further changes.
- Large parts of the rural population in the transformation countries are often not represented by interest groups yet, and they have only small possibilities for participation in politics, while political influence is often exerted by some small circles.
- Employees in ministries often do not decide according to political and strategic aspects, but are guided by technocratic procedures, because they were used to such procedures during the time of central planning.
- Special determinants play a role: for example, in the Baltic States decisions on privatisation and restructuring were not only motivated by agricultural policy objectives, but simultaneously strongly influenced by the goal to secure the the countries' independence from the Soviet Union.

From these particularities we can conclude that all black-box approaches which only consider the input and the output of the political decision making system and do not analyse the processes of decision making and consensus building within the political system, can only be of limited value. The best way to analyse institutional innovation and political decision-making processes in the transformation countries are case studies of decision-making processes on the level of political actors and their organisations and networks.

(2) The basic political decisions in the area of transformation of agriculture are to a very large extent determined by exogenous factors, but also by endogenous factors. This is a consequence of the special nature of the decisions which have (or had) to be made in the area of privatisation and restructuring. How these decisions affect the economic welfare and social status of the groups involved, and how these groups respond politically, depends mainly on the following determinants:

- a) the formal ownership-status of the land before the changes occurred, i.e. before 1990
- b) the distribution of the asset ownership between ethnic groups before collectivisation
- c) the equality or in inequality of asset distribution, mainly land distribution, before collectivisation
- d) the attitudes (resulting from former experiences) of the population towards collectivised agriculture, and their values they associate with private landownership.

These exogenous factors are already given in the starting situation of privatisation. In addition, there are several endogenous factors, i.e. such factors which have their origins in the political decision-making process itself:

- a) The goal to destroy the old policy networks and organisational capacities used by the anti-reform politicians
- b) The objective to establish new clientele relationships to new land owners by the reform-oriented politicians
- c) Discrepancies between reform-oriented political decisions and implementation of transformation policies
- d) Attenuation of legally transferred property rights by counter strategies applied in the area of restructuring.

Although there is a number of determinants of the political decisions on transformation processes which we can more or less generalise for all countries concerned, there are also many factors which are specific to the special country or situation. Therefore, we always should pay attention to the uniqueness of the particular case we are dealing with, when we try find out more about institutions and policies in transformation countries.

For these reasons, the course which is offered each trimester aims at improving students' understanding of the transformation processes in Central and Eastern European countries. It may provide those students who are interested in this field of knowledge with a basis of information which enables them to initiate their own studies and to develop projects of their own. In particular, the seminars are oriented toward the following **objectives**:

- to become familiar with theoretical approaches which are suitable to analyse the transformation process in agriculture, and with corresponding empirical results;
- to learn about the concepts and tools developed to shape the transformation process in agriculture, and about the success or failure of these instruments;
- to find ways for dealing actively with the problems of transformation both within the framework of the course and by means of additional activities as well.

The course usually consists of several **elements** which are not completely identical every year:

- (1) Lectures: An introduction into the main issues, theories, developments and facts of agricultural transformation runs over the three trimesters and is repeated every academic year.
- (2) Country studies: These provide information on the social and economic situation, historical background, concepts of de-collectivisation and privatisation, and other policies for restructuring and institutional innovation in Central and Eastern European Countries.
- (3) Special topics: These refer to the results of research projects in the area of transformation processes, to important current events and major policy changes in Central and Eastern European Countries.
- (4) Participation: Students are asked to contribute to the course in an active way, i.e. by preparing and presenting papers on subjects they choose or by reports about their own experience in Central and Eastern European Countries.
- (5) Discussion and planning: Students are encouraged to express their opinions, preferences and wishes, e.g., if they want to gain practical experience or to write their thesis in the field of Central and Eastern European Countries.

According to the sequence of trimesters, the course is usually divided into three **components**:

First trimester: History and ideology of collectivisation and nationalisation, recent policies of de-collectivisation and privatisation, expected process and desired outcome of transformation and the resulting organisation of farms, determinants of economic and political feasibility of de-collectivisation and privatisation, re-establishment of property rights and emerging land markets.

Second trimester: Introduction of market mechanisms, necessity of competitive market institutions in the upstream and downstream sectors of agriculture, price information, agricultural market and price policies as a part of the transformation strategy, protectionism or liberalisation of agricultural markets, impact on trade relations, access to the European Union.

Third trimester: The „institutional environment“ of farms in transition, e.g. macroeconomic conditions, political stability and political protection of private agriculture, access to inputs by decentralised marketing channels, self-help organisations like marketing co-operatives, extension and training, rural banks and co-operative banking, availability of credits, social security systems.

**Examination**: Examination was based partly on students' activities during the course and partly on the oral or written examination at the end of the course.

**Coordination**: The course was coordinated by Dr. Alison Burrell, Department of Agricultural Economics and Policy, Room 424, Leeuwenborch.

In 1996, the seminars focused on the following **topics**:

- The political and ideological background of collectivisation and nationalisation of agriculture in the history of Central and Eastern European countries

- The historical process of collectivisation and nationalisation in Central and Eastern European agriculture and major differences between countries
- Transformation of agriculture in Eastern Germany: privatisation of nationalised land, restructuring of collective farms and influences from the Common Agricultural Policy
- Towards a theory of privatisation, de-collectivisation and restructuring of agriculture I: the choice between different organisational forms of agricultural enterprises analysed by institutional economics
- Towards a theory of privatisation, de-collectivisation and restructuring of agriculture II: the economic and political feasibility of „transforming a network“ and the role of transaction cost
- Towards a theory of privatisation, de-collectivisation and restructuring of agriculture III: the political economy of transformation explained by public-choice and policy-analysis approaches
- Policies of privatisation, de-collectivisation and restructuring of agriculture: some empirical examples from Central and Eastern European Countries
- Agricultural policies in the process of transformation: objectives and instruments of policy reform and the impact on agriculture
- Changes in agricultural prices and market policies during the period of transformation
- The pros and cons of agricultural policies in Central and Eastern European countries.
- Central and Eastern European countries and the European Union: What will be the consequences of the Eastern enlargement of the EU?
- „Transformation and sustainability“: Do environmental aspects play any role in transformation concepts?

The topics mentioned above stimulated discussion with and among students who participated in the course in various ways. For example, the following **papers** were presented by students

- Changes in agricultural prices and market policies during the period of transformation, by Wim van den Bos
- The development of agricultural trade of Central and South-East European Countries, in particular with the European Union, by Ton Schouten

Additional papers are presently prepared by students and will be presented in 1997. In addition, some students began to work on a transformation topic in order to prepare their thesis, or they spend their practical term in a Central or Eastern European Country. There was also a congress on the food sector in Central and Eastern Europe organised by the association of economics students in Wageningen. The activities of the students participating in the course are co-ordinated by dr. Alison Burrell (Department of Agricultural Economics and Policy).

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