

R e p o r t on Special Chair 1997

**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)*

The Transformation processes in Central and Eastern European Agriculture are very heterogeneous. For example, one of the main institutional questions is whether and how **private property rights** in land should be re-introduced. As far as this question is concerned, there are two conflicting opinions:

- Ownership rights in land should be given back, i.e. land restitution in historical boundaries should be supported in order to do historical justice.
- Land restitution in historical boundaries should be avoided because this leads to inefficient agricultural structures. Instead, land should be sold or distributed by means of a voucher system.

The Central and Eastern European countries have made very different decisions with regard to these options. Restitution of land to previous owners seems to be a general rule of privatisation in Central and Eastern Europe. However, there are several exemptions:

In Russia restitution is impossible because the previous borders are no longer available. Instead, land is distributed to the rural population. In Bulgaria restitution of land to former owners was initiated after 1990 by means of bureaucratic procedure. In Poland most of the nationalised land belonged to Germany before World War II, but Poland does not want to retribute it to Germans; therefore, it sells its state-owned land. In Albania political forces which preferred distribution on an equal capita-basis were stronger than those politicians who represented the interest of the former land owners (mainly the nobility). In Germany no restitution of land and other property to former owners expropriated during the so-called land reform 1945-1949 will take place. This land has been pre-privatised by means of long-term lease contracts and will be sold at half the market prices by a land acquisition programme. In Hungary priority has been given to voucher privatisation by which two thirds of the land owned by the collective farms were distributed. In former Czechoslovakia Land expropriated prior to February 25, 1948, is not given back to previous owners. In the Czech Republic land formerly owned by the Catholic Church is not restituted, what is different from the policy adopted by Slovak Republic where government decided to change the date of reference in a way, that allowed for restitution to the Catholic Church. In Slovenia Italian citizens who owned large estates in the country are excluded from land restitution. In Romania land expropriated prior to 1947 is not restituted. In the Baltic States restitution to former owners was accepted as a general rule of privatisation, and in this way Russian immigrants were excluded. Non-land assets are usually not restituted. Instead, they are privatised by a voucher system or transformed into capital shares in the transformed co-operative farms.

How can we explain these differences? Questions like this one are discussed in the course which is offered each trimester and is supposed to improve students' understanding of the difficult processes of transformation in the countries of Central and Eastern Europe. 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 will be repeated every academic year.
- (2) Country studies: These will 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 will 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 will be 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) Discussions 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, price information, agricultural market and price policies as a part of the transformation strategy,

protectionism or liberalisation of agricultural markets, impact on trade relations, relationship between the transition countries and the EU.

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 system.

In addition, two special aspects which are increasingly important for the transformation process will be integrated in the lectures and discussions: first, access of a group of transition countries to the Common Agricultural Policy of the European Union, and secondly, the conflict between transformation and sustainability, in particular with regard to protection of natural resources.

**Examination:** Examination is based partly on student activities during the course and partly on the oral or written examination at the end of the course.

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

In 1997, the seminars focused on the following **topics**:

1. The political and ideological background of collectivisation and nationalisation of agriculture in the history of Central and Eastern European Countries
2. The historical process of collectivisation and nationalisation in Central and Eastern European agriculture and major differences between the former Soviet Union and other countries
3. Policies of privatisation of agriculture: the determinants of the choice between efficiency, equity and doing historical justice
4. Policies of de-collectivisation of agriculture: the economic and political feasibility of „transforming a network“ and the role of transaction cost
5. The process of restructuring of agriculture: determinants of changes in size and organisational forms of farm enterprises and present results of the restructuring process
6. Theories and interpretations of privatisation, de-collectivisation and restructuring of agriculture: the political economy of transformation explained by public choice and policy-analysis approaches
7. Observed policies of privatisation, de-collectivisation and restructuring of agriculture: empirical examples from Central and Eastern European Countries and the former Soviet Union
8. Agricultural policy reforms in the process of transformation: objectives, instruments and the impact on agriculture and consumers
9. Changes in price and income policies in Central and Eastern European Countries: some examples and problems
10. Particularities and new developments of agricultural policies in Central and Eastern European countries (group discussion)

11. Consequences of the Eastern enlargement of the EU for the Central and Eastern European Countries and the necessity of pre-accession policies
12. Consequences of the Eastern enlargement of the EU for the Western European Countries and the future of the Common Agricultural Policy
13. The Eastern enlargement of the EU and issues of European integration (group discussion)
14. Conflicts between „transformation and sustainability“: agriculture and protection of natural resources in Central and Eastern European Countries
15. Privatisation and restructuring of agriculture in Russia and other former member states of the Soviet Union
16. The role of cooperatives in the transformation process
17. Alternative policies for reforming the CAP reform and their impact on the New Bundesländer in Eastern Germany

The topics mentioned above stimulated discussion with and among students who participated in the course in various ways. Marian Stuiver presented a **paper** on transformation of agriculture in Roumania. Other papers are presently prepared by students and will be presented in 1998. In addition, several students intend 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 very interesting excursion of students from Humboldt University Berlin to The Netherlands. The first destination was Wageningen University. The friendly assistance of the Department of Agricultural Economics and Policy and of the Association of Economics Students in Wageningen in organising the excursion was gratefully acknowledged by the German visitors. The activities of students are co-ordinated by dr. Alison Burrell (Department of Agricultural Economics and Policy).

#### **Professor Hagedorn's address in Berlin:**

Professor Dr. Dr. h.c. Konrad Hagedorn  
Humboldt University Berlin  
Department of Agricultural Economics  
Division of Resource Economics  
Philippstr. 13, D-10099 Berlin, Germany  
Phone: 0049 (30) 2093-6305/6320  
Fax: 0049 (30) 2093-6497  
E-mail: k.hagedorn@agar.hu-berlin.de  
URL: [www.agrar.hu-berlin.de/struktur/departments/wisola/fg/ress/](http://www.agrar.hu-berlin.de/struktur/departments/wisola/fg/ress/)