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## Some microeconomic aspects of land ownership

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## What is this paper about?

- Land ownership impacts on macro and micro economic aspects
- Macroeconomics: Marrakech Dec 2003
- Now: Microeconomics
  - theoretical framework
  - property rights
  - level of transaction costs
  - replacement of market forces by organisations
  - conclusions

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## The Circular Flow Model

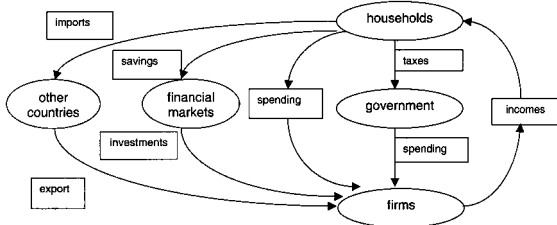


Fig 1: The Circular Flow Model of income and spendings (Dobson & Palfreman, 1999)

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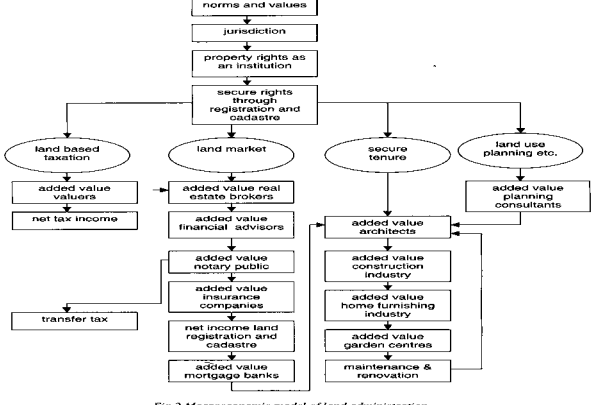


Fig 2 Macroeconomic model of land administration

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## Summary of the results (Netherlands)

- GDP: 402,599 mln €
- Total Contribution: 32,975 mln €
- Of this: anyhow: 8,953 mln €
- Thanks of secure tenure: 24,022 mln €

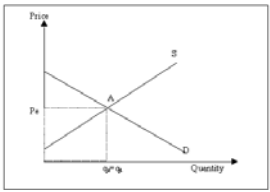
So:  
contribution of 8,1 % to the GDP of which 2,2 % anyhow

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## Microeconomics: theoretical framework

- Adam Smith (Wealth of Nations, 1776): 'the invisible hand'
- Alfred Marshall (The principles of economics, 1890): diagram and theory of marginal costs
- Ronald Coase (The Theory of Firms, 1937, The Problem of Social Costs, 1960): hierarchies and externalities
- Douglas North (Institutions, Institutional Change and Economic Performance, 1990): human behaviour



6 K

### Three aspects wrongly not taken into account

- ❑ Existence of so-called complete contracts, that led to the theory of 'property rights'
- ❑ Costs of transactions, that led to the theory of transaction costs
- ❑ Organisations take over coordination, that led to the theory of economic coordination through hierarchies

### Microeconomic aspects of land ownership

- ❑ How complete are the property rights of the economic transactions in the land market ?
- ❑ What is the level of transaction costs to these economic transactions ?
- ❑ To which extent is the economic coordination of the free market replaced by coordination through organisations (inclusive of the government)

### Conclusions

- ❑ Complete property rights through balanced system of public rights to land
- ❑ Transaction costs subject to national and international comparison
- ❑ Replacement through organisations f.e. social housing and lease state land.
- ❑ Institutions that encourage cheap human interactions: land registers, cadastre, regulations land market, public acquisition, conflict resolution mechanisms, housing corporations, professionals