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

The Circular Flow Model

![Diagram of the Circular Flow Model](image)

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

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
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 e.g. 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