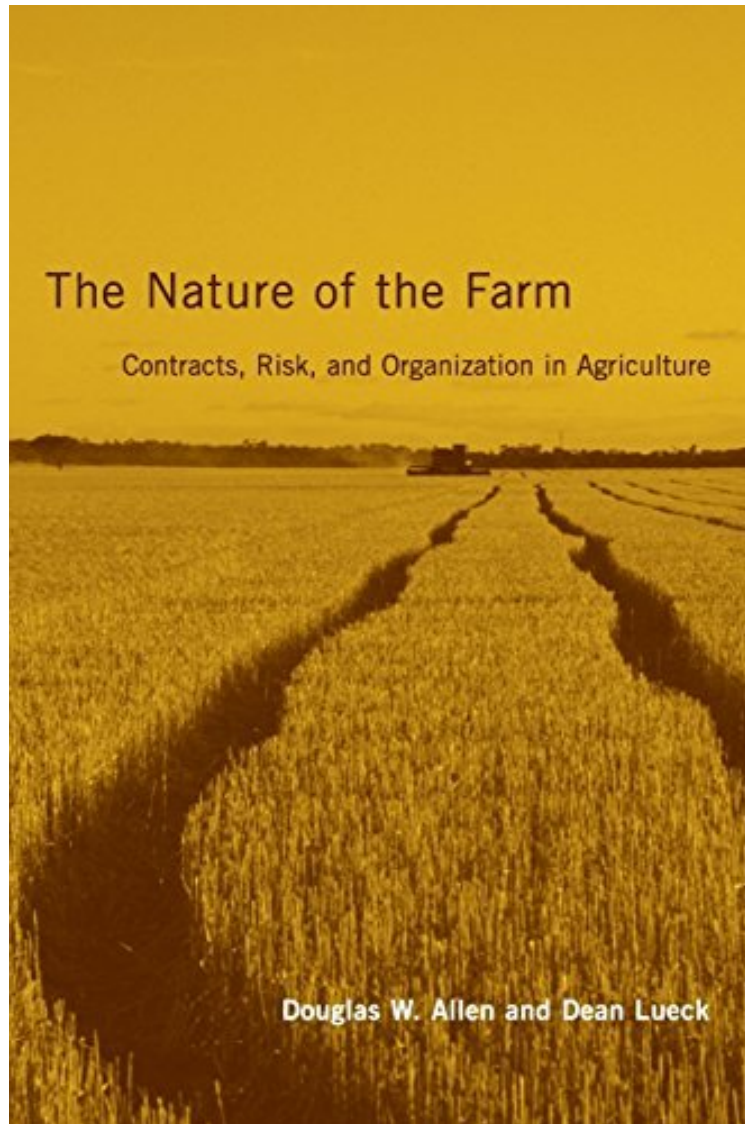


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The Nature of the Farm: Contracts, Risk, and Organization in Agriculture (MIT Press)

Douglas W. Allen, Dean Lueck
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Douglas W. Allen, Dean Lueck : The Nature of the Farm: Contracts, Risk, and Organization in Agriculture (MIT Press) before purchasing it in order to gage whether or not it would be worth my time, and all praised The Nature of the Farm: Contracts, Risk, and Organization in Agriculture (MIT Press):

The Nature of the Farm is a theoretical and empirical study of contracts and organization in agriculture based on the

transaction cost framework. Transaction costs are important in agriculture because nature (for example, seasonality, weather, pests) plays such a critical role in determining output and limiting the ability of farmers to specialize. The book develops specific models and tests the implications of those models against data sets from across North American agriculture, as well as against historical case studies such as eighteenth-century European land contracts and the late nineteenth-century Bonanza farms in the United States. The book is organized in three parts. Part I examines the classic question of what determines the optimal choice between fixed rent and cropshare arrangements, concluding that it is determined by a trade-off between incentives to overuse rented land and incentives to underreport shared output. Part II tests several predictions derived from a standard risk-sharing model of contracts and finds little evidence that risk sharing is important in contract choice. Part III extends the transaction costs analysis to broader organizational issues. It introduces seasonality and timeliness costs as forces influencing the gains from specialization and the costs of contracting, and finds that farm ownership and farm organization are routinely shaped by these forces.

The Nature of the Farm is a superb application of the theory of incentives to the organizational features of agriculture, including the still-popular practice of sharecropping. Allen and Lueck measure their theories of sharecropping against the evidence more carefully and in more detail than previous authors. In so doing, they demonstrate persuasively that contractual arrangements between farmers and landowners are explained not by the traditional theory of risk-sharing but purely by incentives and enforcement considerations. This is an important contribution to agricultural economics and to the economics of organizations. (Ralph A. Winter, Faculty of Commerce and Business Administration, University of British Columbia) This book is a perfect example of good economics in which theory and empirical analysis mutually benefit each other and both are grounded in a deep understanding of real practices and institutions. The work is highly original and the scholarship sound. (Benito Arrunada, Professor of Business Organization, Pompeu Fabra University, Barcelona) A coherent and largely persuasive case for...the transaction cost approach to farm organization over the principal-agent paradigm. (Journal of Economics) About the Author Dean Lueck is Cardon Professor of Agricultural and Resource Economics at the University of Arizona. Douglas W. Allen is Endowed University Professor in the Department of Economics at Simon Fraser University.