

Term paper ECON 4915

Deadline for handing in: April 20

1) Explain what is meant by a sharecropping arrangement, and show the difference between the behaviour of a farmer under a sharecropping arrangement and a farmer who owns his own land.

2) If it is also possible to get a fixed rent contract (i.e. the rent is independent of production), how would this compare to a sharecropping arrangement. Discuss particularly how this depends on the risk aversion of the farmer and the land owner.

3) The table below is taken from a paper by Laffont and Matoussi¹ who study tenancy contracts in El Oulja, Tunisia. They have data on production per hectare, which they regress on use of family labour, hired labour, and other inputs per hectare and the type of contract (sharecropping or self ownership). Some of their results are given below (notice that the regression has no intercept). They also report that the coefficients on self owner and sharecropper are significantly different at the 1% level.

a) Discuss and interpret the results briefly.

b) How do they conform to the results you would expect from the theoretical discussion in question 1?

	Coefficient	t-value
Dummy for owner	4,8	8,3
Dummy for sharecropper	4,4	7,7
Length of relationship * sharecropper	0,009	5,8
Log input of family labour	0,2	5,6
Log input of hire labour	0,15	4,4
Log of other inputs	0,23	2,5
R ²	0,42	

4) From a theoretical point of view, who do you think would become sharecroppers and who would become self owners?

5) Laffont and Matoussi study who become sharecroppers, who are self owners or have fixed rent contracts (they don't distinguish between these), and who are wage earners.

If you haven't already done so, explain how all these contracts can be summarized by two parameter, one denoting a fixed transfer from the landlord to the farmer, and the other denoting the share of output retained by the farmer.

L&M have data on the tenant's share of output, which they regress this on the tenant's and the landlord's working capital and the tenant's wealth. Discuss these estimates in light of your theoretical discussion under question 4.

	Coefficient	t-value
Constant	-0,36	2,2
Tenant's working capital	0,003	5,1
Landlord's capital	-0,0001	9,5
Tenant's wealth	0,000045	1,49

¹ J.-J. Laffont and M. S. Matoussi: "Moral hazard, financial constraints and sharecropping in El Oulja." *Review of Economic Studies* 62: 381-99 (1995).