

## Book reviews

### **Volker Beckmann and Martina Padmanabhan**

*Institutions and Sustainability: Political Economy of Agriculture and the Environment – Essays in Honour of Konrad Hagedorn*

Springer, London, UK, 2009.

ISBN: 978-1-4020-9689-1. 390 pages, Price: €129.95 (hardcover).

This book is a fine collection of essays, located at the intersection between agricultural, environmental, and institutional economics. Conceived as the *Festschrift* for Konrad Hagedorn's 60th birthday, the book summarises the current state of institutional approach as applied to agricultural and environmental economics – the approach whose key representative is Prof. Hagedorn.

Chapter 1 is a good introduction into this approach. Starting out in the 1970s as an agricultural economist, Prof. Hagedorn strived constantly to push out the traditional boundaries of this discipline, investigating the role of political institutions, decision-making processes, culture, and norms in understanding agricultural policies. 'The "inadequate feasibility" of policy recommendations [is] a great shortcoming of agricultural economics as an applied science. Using the ideas of the "new political economy" and public and institutional choice theory, Hagedorn set out to make the domain of political choice a systematic element of agricultural economic theory (...)' (p. 3). Hagedorn's research reflects the tension between development of theoretical tools and the real-world problem-oriented investigation. Thus, abstract conceptualisation and operational pragmatism go hand in hand in his work, and throughout this book.

As often happens in institutional economics, some of Hagedorn's categories have fuzzy boundaries. Nevertheless, they provide an extremely fruitful framework to think about institutions and environment. His 'Institutions of Sustainability' idea brings the concepts of environmental and political sustainability into institutional analysis. In this view, four key elements are needed to understand institutions and institutional change in governing complex socio-ecological systems: bio-physical features of the natural environment, actors' characteristics and objectives, the induced change in the distribution of property rights and of cost–benefit streams, and, finally, the induced variation in governance structures for supervision and sanctioning. The central unit of analysis is the properties of transactions within the socio-ecological system. Crucially,

the perception of these transactions by the relevant stakeholders plays a decisive role. Another key feature is linking participation (which Hagedorn considers as beneficial for sustainability) to the effective possession of key resources, such as political and bargaining power and access to information: this helps to avoid the fashionable rhetoric surrounding participation in these days.

Hagedorn deals as well with the management of common pool resources and collective actions processes, with particular attention for the impact on poverty, establishing in this field a fruitful long-lasting collaboration with Elinor Ostrom. A further highly interesting reflection concerns the mismatch between environmental processes that are interlinked and institutional systems that are usually based on the separation of decision and responsibilities. In the Western tradition '(...) by establishing a formal identity between the extent of a certain piece of a resource and the execution of decision power over it, [there has been] established a motivational situation whereby investing in the productivity of the specific resource became more interesting' (p. 297). This leads to lack of sustainability in resource use. To combat this shortcoming, Hagedorn suggests *integrative* institutions that take into account the interdependence among all the elements and stakeholders of an ecosystem.

The remaining essays are embedded within this framework. Part 1 deals with the role of political institutions in agricultural policies and reforms. Part 2 addresses the analysis of management institutions for natural resources. Part 3 explores the role of collective action in unstable socio-ecological systems. Part 4 expands the orthodox methodology towards cognitive and experimental economics to analyse the role of the different human motivations and mental models in institutions related to the environment.

The book has several strong sides. First of all, it is truly interdisciplinary. Beyond economics, the contributed essays come from anthropology, comparative political science, economic sociology, and cognitive sciences. Moreover, different methodologies are given equal importance in treating the same broad set of questions. Given that all of these essays are within the same book, this reduces the transaction cost of search for insights from different methodologies and disciplines about the same topics. Finally, while the book presents a highly dense academic debate, the exposition is comprehensible for non-academic economists and social scientists.

The book also has somewhat weaker aspects. The meaning of sustainability is unclear. Although it is a powerful concept and a definition is given on page 6, the reader still is left with a feeling of fuzziness, as this concept is often confused with adaptation and resilience. Although the effort to clarify the distinction is appreciated, the book does not reach a commonly accepted benchmark in terms of definitions.

The exposition is redundant in some sections: it would have been better to repeat less often some of the basic concepts. Moreover, in the first chapter the authors should have provided real-life examples to illustrate the basic concepts. These concepts remain purely theoretical and entrusted to the imagination of the reader until she reaches a specific chapter which goes more in detail.

Without going through all the chapters of the book (there are 16), let us briefly mention those that we think are particularly worth reading. The analysis of payments for environmental services (PES) systems in Chapter 12 is motivated by the ‘normative call to make markets for environmental services relevant for the poor’ (p. 16) and concentrates on the linkages between poverty and natural resource management. This is a refreshing change from the usual environmental economics writings that focus (almost) exclusively on the efficiency considerations of the market of environmental goods.

The similar virtue is found in Chapter 4, which looks at the ‘induced institutional change from the abstract level of agricultural externalities’ (p. 12), standard in agricultural economics, to ‘the domain of political bargaining and implementation, often with unintended consequences in the field of social policy’ (ibid.). This ‘reminds us of Hagedorn’s concern with the situated, rationally bounded and institutionally furnished environment of policy making. It is not always the economically superior policy that proves to be the ecologically, socially, and politically sustainable one’ (ibid.).

Other nice chapters are Chapter 5 that underlines the role of non-linearities in the optimal design of public policies for the regulation of externalities in agriculture, Chapter 14 that addresses the links among the different kinds of human rationality, and motivations, and institutions, Chapter 7 that studies the role of cooperatives in the fundamental current policy issue of rural governance of EU-27, and the methodological Chapter 16 that deals with appropriate methodology for empirical research in institutional economics.

Overall, the book would fit very well the library of any research centre or department working on environmental, agricultural, and/or institutional economics. However, given its price (€130) and the possibility to find many of the chapters in extended form in other books or articles, it would perhaps be a less wise investment for a graduate student.

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 doi:10.1093/erae/jbq026

### **Robert Mendelsohn and Ariel Dinar**

*Climate Change and Agriculture: An Economic Analysis of Global Impacts, Adaptation and Distributional Effects*

Edward Elgar, Cheltenham, UK, 2009.

ISBN: 978-1-84720-670-1, 256 pages, Price: £59.95 (hardback).

Few myths in climate change research produced more errors than assuming that society cannot adapt. In the view of Richard Mendelsohn and Ariel