

Abstract

In this essay we develop a framework for analysing the major institutions governing the production and exchange of output and the primary factors of production in rural areas. The analysis incorporates general considerations of risk and information constraints jointly with the principal material attributes of agriculture and of agricultural production factors. The framework is used to analyse barriers to the existence of the major intertemporal and factor markets. It is applied specifically to land-scarce environments for which it provides an internally consistent explanation for many of the well-documented institutional features of such settings. In addition, the analysis provides new implications for, among other phenomena, the inter-relationships among ownership holdings, operational scale, family size and factor productivity; for the scarcity of animal rental markets and use of animals as collateral; for the renting out of land by small landowners; and for the existence of plantations for certain crops.