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LAND PRIVATIZATION:

Why Russia Is Indeterminate and What Is to Be Done

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Executive Summary

This paper argues that Russia is an “indeterminant” case study of land reform, which is to say it is neither successful nor unsuccessful, but rather somewhere in the middle. The argument has several distinct parts. The first is that the creation of a legal foundation and the process of land distribution means that progress during the past decade has been sufficient so that Russia cannot be termed “unsuccessful”. Unsuccessful land reform would be characterized by: (1) a lack of property rights embodied in the legislation; (2) there would be no land privatization or land distribution process; and (3) land sales would not be permitted. Russia does not have those characteristics.

At the same time, Russia also is not an example of successful land reform. Why? Ownership rights – land shares from a large farm – are largely on paper and often not exercised by the owner of the land share. That is to say, a large percentage of agricultural land remained in use by large agricultural enterprises, though not owned by them, due to the fact that farm employees leased land rights back to the farm. In short, a relatively small percentage of farm members and land physically separated from large farming enterprises during the land privatization and distribution process. Thus, land distribution did not have the intended effect, and privatization was not quite as robust as it might appear. Finally, restrictions remain on the possession and use of privately owned land. Moreover, land sales remain somewhat restricted, economically and even politically. There clearly has been progress in the Russian land market, but it has not been so profound that it may be termed “successful”. Russia has a land market, but it has remained rudimentary in many respects.

The purpose of this paper is to fill the void in the literature by examining certain social and economic variables and how they affect the land market. The basic argument is that rural “poorness” (*bednost'*) is constraining the Russian land market, and as a consequence, land privatization has had a minimal impact on rural Russia and rural society.

Introduction

In the early 1990s, Russia undertook agrarian and land reforms.¹ My focus in this paper is on land reform.² Russian land reform was intended to privatize state-owned land, conferring ownership rights to private individuals and facilitating the transfer of land to the most productive users. Even prior to the adoption of the 2001 Land Code--the first in the post-Soviet period--the quantity of land that was privatized in Russia compares very favorably to "successful" land reforms in Latin America.

Nonetheless, there is no overall consensus about the results of Russian land reform. Some analysts see land reform as having a significant influence on Russia's rural economy.³ Other analysts emphasize "rural resistance" to the privatization of land.⁴ This second set of observers see little that has changed in the Russian countryside, arguing there is scant evidence of the economic transformation that was expected when reform was launched in 1990.⁵ Critics charge that large farms continue to dominate the Russian countryside, and that the land market has not facilitated a transfer of ownership to more efficient, more productive users.

Part of the disagreement over the results of Russian land reform may be due to the absence of an agreed upon understanding of what land reform is and what it entails. To my mind, land reform consists of at least three distinct parts: (1) creating a legal foundation which ensures private property rights; (2) a process of land privatization and distribution from the state to individuals; and (3) a process of developing a land market, which presumably will facilitate the transfer of land to the most efficient and productive users.⁶ This study argues that the first two parts of the land reform process--the legal foundation and the distribution of land--are the easiest. Much more complex is the development of a land market. A land market is more difficult because of a number of variables are at play: economic, psychological, and social.

This paper will argue that Russia is an "indeterminant" case study of land reform, which is to say it is neither successful nor unsuccessful, but rather somewhere in the middle. The argument has several distinct parts. The first is that the creation of a legal foundation and the process of land distribution means that progress during the past decade has been sufficient so that Russia cannot be termed "unsuccessful." If Russia were an example of "unsuccessful" land reform, what would be the characteristics?

(1) There would be a lack of property rights embodied in legislation. In reality, the right to private property is guaranteed in the 1993 Constitution, the 1994 Civil Code, the 2001 Land Code, the 2002 law on the turnover of agricultural land, as well as numerous other laws and resolutions.

(2) There would be no land privatization or land distribution process, which is to say that there would not be any private ownership of land. In actuality, by the end of the 1990s most Russian agricultural land had been destatized. By the end of the decade, only about 10-12 percent of agricultural use remained in state ownership. In the year 2000, for example, individuals owned more than 25 million hectares of agricultural land, a figure that equated to about 13 percent of all agricultural land.⁷ In 2000, more than 40 million Russians were land owners. Most land owners of agricultural land became so through the distribution of land shares, which occurred during the reorganization of large collective and state farms in the early 1990s.

(3) Land sales would not be permitted, and land turnover would entail only leased land from the state. In fact, land sales during 1994-2001 were governed by presidential decree.⁸ During this time period, several million transactions occurred annually, of which several hundred thousand were land sales each year.⁹ Leased land, as a percentage of total transactions, decreased as the 1990s progressed. In 2001, a new post-Soviet Land Code was adopted which regulates urban land transactions. In mid-2002 a law on agricultural land sales was adopted and signed into law which regulates the rural land market.¹⁰

Thus, Russia is not an unsuccessful case study because the aforementioned characteristics do not apply. However, Russia also is not an example of successful land reform.¹¹ Why? Ownership rights--land shares from a large farm--are largely on paper and often not exercised by the owner of the land share. That is to say, a large percentage of agricultural land remained in use by a large agricultural enterprises, though not owned by them, due to the fact that farm employees leased land rights back to the farm. In short, a relatively small percentage of farm members and land physically separated from large farming enterprises during the land privatization and distribution process.¹²

Thus, land distribution did not have the intended effect, and privatization was not quite as robust as it might appear. The actual percentage of privatized land in possession and use of its owner is rather small.

Finally, restrictions remain on the possession and use of privately owned land.¹³ Moreover, land sales remain somewhat restricted, economically and even politically.¹⁴ There clearly has been progress in the Russian land market, but it has not been so profound that it may be termed "successful." Russia has a land market, but it has remained rudimentary in many respects.¹⁵

Thus, this paper argues that Russian land reform is an "indeterminate" case study of post-communist land privatization. The purpose of this chapter is to analyze *why* Russian land privatization is indeterminate. The relatively easy work has been accomplished, but the more difficult task of expanding and consolidating market-supporting behaviors remains. The final outcome is not clear, because a number of variables intervene, not all of which are controllable by the Russian government.

Towards that end, the remainder of the paper is structured as follows. The next section summarizes the nature of land privatization, including legal and political aspects. A subsequent section discusses the data used to substantiate the argument. The following sections explore three variables and their impact on land reform. The conclusion summarizes the findings and analyzes the obstacles to Russia becoming a successful case of land privatization among post-Soviet states.

The Nature of Russian Land Privatization

A fair amount of coverage has already been devoted to Russian land privatization, particularly the legal aspects, and there is little reason to duplicate what has already been said.¹⁶ The purpose here is to summarize rather briefly some key characteristics of Russian land reform by way of context for the remainder of the analysis in subsequent sections. The following characteristics merit special attention.

1. Land privatization in Russia was a top-down process initiated by reformers in Moscow as part of a drive to rid Russia of its communist legacy. This is an important contrast to land reform in Third World nations, for instance Latin America, where land reform was the result of peasant land hunger and initiated from below. In Latin American nations, where governments either blocked land distribution or did so ineffectively, the result was often political violence, sometimes directed at the government itself.

Likewise, land reform from above has important implications for political stability and social peace for Russia.

The top-down nature of Russian land reform means that during the 1990s the government was not under pressure to distribute land. Russia's land reform was peaceful, in contrast to the two previous land reforms during the Soviet era (War Communism and Collectivization). The extended period (1994-2001) during which the Land Code was debated was possible because the struggle was played out between elites in Moscow, and for the most part did not involve the masses of people who would be affected by its provisions. One did not see mass protests and demonstrations clamoring for the passage of a Land Code, which among other things, was supposed to codify the right of land ownership and free disposal of land.

Thus, Russia's top-down land reform greatly enhanced the prospect of social peace and diminished the prospect of mass violence from the rural segment of the population. In short, while the Russian government was under pressure from many sectors during the 1990s--miners, teachers, pensioners, conservatives--it did not have to worry about instability in the countryside.¹⁷

2. Disagreements over the direction of land reform was an elite conflict, and neither side effectively mobilized the masses. Moreover, the content of privatization legislation defined the nature of the conflict. The political conflict between elites in Moscow was in some ways a clash of cultures, as well as ideologies. The first culture was that of "new Russia," a set of ideas and values that would help Russia integrate and join the western world. The second culture was an outflow of long-standing Russian cultural values that pre-dated the Soviet era.

Thus, reformers who pushed land reform and wrote land legislation were motivated by a western conception of individual rights, limited government, and the pursuit of individual good. Opponents (conservatives) continually emphasized the collective good of rural dwellers, including farm members who held land shares. In this view, the state not only needed to regulate the land market, but to protect the weak (rural dwellers) from predatory behaviors by the strong (rich urbanites). Further, conservatives prioritized what was good for society over what was good for any given individual.

3. Rural masses displayed both pro-and anti-reform orientations. That is to say, the role of the rural masses has been characterized by contrasts. On the one hand, the rural masses stood on the sidelines while elites argued over the nature of land legislation and rural institutions. As the elite conflict over land privatization extended for almost ten years, the rural masses displayed indifference and even confusion over what was permitted and what was not.¹⁸ When surveyed, rural dwellers displayed attitudes which often rejected western-based conceptions of privatization, limited government, and individual benefit at the expense of the collective. On the other hand, there was divergence between attitudes and behaviors, as rural dwellers participated actively in the land market, at least to the extent that participation ensured personal or household survival.¹⁹

4. Much of Russian land privatization and land reform occurred in an environment of acute risk. There was political risk, economic risk, and social risk. Political risk concerned the health of former president Boris Yeltsin, the strength of the communist opposition, the unknown future of reform policies, high levels of ethnic violence, and a general feeling of instability throughout society. Economic risk concerned a decade of economic decline, persistent inflation, falling standards of living, collapse of the ruble, and significant income divergencies between urban and rural populations. Social risk concerned declines in life expectancy, lower birth rates and higher death rates, higher mortality rates, an increase in sickness and disease concomitant with the collapse of the health service sector.

Although the literature on Russian land reform is growing, there has been little systematic, quantitative analysis of the socio-economic dimensions of land privatization. This is a serious shortcoming in the literature, because without an understanding of specific socio-economic effects, we are in no position to understand why Russia is indeterminant, nor can we understand why the opportunities and benefits offered by reform policies have not been fully realized. How are we to understand why land transactions entail extremely small parcels of land? How do we explain why land has not gravitated to the most productive users? How are we to understand why so many land share owners leased their land back to a large farm?

The purpose of this paper is to fill the void in the literature by examining certain social and economic variables and how they affect the land market. The basic argument is that rural "poorness" (bednost') is constraining the Russian land market, and as a consequence, land privatization has had a minimal impact on rural Russia and rural society. My argument is important because it rejects, or at least downplays, the views that political conservatives in the Duma, political conservatism among the rural population, or obstructionist behaviors by regional or farm leaders are responsible for an underdeveloped land market in Russia.

Research Data and Methodology

The paper uses data drawn from a survey of rural households conducted in five Russian regions during 2001. Those five regions include: Belgorod oblast, Volgograd oblast, Krasnodar kray, Novgorod oblast, and the Chuvash Republic. The pretest of the questions was conducted in June 2001 in Riazan oblast, followed by the full survey during July-October 2001. Within each region, four villages were selected, and within each village, 40 households were surveyed, for a total sample of 800 households (160 households in each region).

In selecting villages to be surveyed, a primary objective was to gather data from "real" rural Russians, owing to the well-known effects of modernization and urbanization which influence attitudes and behaviors.²⁰ Previously, when surveying "rural" Russia, it has often been the case that "rural" villages are selected due to their close proximity to an urban center, for the sake of convenience. The consequence of this selection method is that respondents' views do not capture the real attitudes of rural Russia. The selection method purposefully focused on remote villages that were located several hours (by bus) from an urban center. Moreover, a cross-section of different types of villages was used: small, middle-sized, economically weak, and economically strong.

For each of the selected villages a stratified sample was composed from the household list of permanent residents which is kept by the village administration for all households within its jurisdiction. This list is updated annually and contains demographic and social characteristics of the households on the list. Households on this list included persons working on large farms, private farmers, persons working in

food processing or food trade business, and persons engaged in private household agricultural production and/or processing. One person from each household was interviewed. In all, the survey consisted of more than 100 questions per respondent. Interviews were conducted person to person by a research team from the Institute on Socio-Economic Problems of the Population, located in Moscow. Data were collected about the respondent, his or her family, and the household as a whole, which makes analysis using different units of analysis possible.

Household Income and Land

Russian land privatization has been indeterminate because "poorness" is constraining the most difficult, and perhaps most important, aspect of land reform: the development of a land market. My conception of poorness contains three dimensions, or sets of factors. The first dimension concerns household income, leading to the following hypothesis.

*Hypothesis: The higher the level of household income, the more likely is an increase of household plot size.*²¹

Before turning to the hypothesis, a few words about land and the land market should be said. The survey data allow us to analyze the land market in a number of ways. Nearly all rural households in Russia have a household, or private plot (lichnoe podsobnoe khoziaistvo); this is true in the survey as well, as more than 97 percent of households have a private plot. The first way we can measure a land market, therefore, is to analyze the number of households which increased the size of their private plot since 1991, and the factors that influenced whether the plot was increased or not. The second way we can measure the land market is through the number of households which have a rental plot, that is, those that rent land to grow food. In the survey, about one-third of the households have a rental plot, which represents an increase from the 27 percent of households with a rental plot found in a previous survey.²² A third measure of entrepreneurship is the number of households with land assigned from a larger agricultural enterprise. In the survey, only about 18 percent of households used such land.

An important point to be made is that the possession and use of different types of land plots cannot be viewed in isolation from each other. In rural Russia, nearly every household has a land plot of some kind--and that is exactly the point. Throughout Russia, as well as in the survey, the mean size of a rural household is about three persons. Because of the general deficiency of machinery, or access to credit to buy mechanized equipment, the size of a family places physical constraints on how much land can be worked.

Depending on the size of the family and its financial condition, a household with a private plot does not necessarily need an additional rental plot. Viewed in this light, it is clear that the household plot is not only the most important variable, but also influences the tendency to possess or use a different type of plot. For example, a household with a private plot may be satisfied to increase its size and not take on a rental plot. A household with a rental plot does not necessarily need land from a farm enterprise. A household with both a household plot and a rental plot does not necessarily need to increase the size of its household plot, or to receive land from the farm. For these reasons, my analysis will concentrate mostly on increases in household plot size as the best measure of opportunities and constraints in the Russian land market.

To demonstrate the point about the relationship among different types of land plots, two-tailed Pearson correlations were calculated. Although the results were not statistically significant at the .01 or .05 level, they were signed in the expected direction. The size of rental plots and the size of land plots from farms were *negatively* correlated with the size of household plots, which means that the larger the household plot, the smaller the rental or farm land plot. Therefore, it is likely that only a small percentage of households would need, or be motivated, to participate in more than one type of land plot activity. Clearly, there are such individuals and families, but they have been the exception, not the rule.²³

Turning to the hypothesis, it should be noted that it is essentially about ability versus need. The question is whether a household increases its land plot because it can or because it needs to do so. The testing of this hypothesis is important because we know from previous survey data that the main motivation to obtain agricultural land is to grow food for family consumption.²⁴ Supporting the "need" argument, it would appear logical that poorer households have a greater need to grow food than

households with higher incomes. Poorer households would want to increase land plot size in order to grow more food, which would have the dual benefit of reducing monetary expenditures on food and potentially increasing monetary income through food sales.

In support of the "ability" argument, it could be argued that the higher the household income, the household will have a greater ability to increase its household plot. In short, higher income households are more likely to have larger land plots. Larger land plots in turn augment and contribute to higher household income. In other words, ability to increase to increase a land plot outweighs the need to do so (grow more food). Table 1 presents the data on the relationship between land plots and level of income, with the intent to show who is increasing land plots and who has the largest land plots. Total monthly monetary income for the household is used. It should be noted that in 2001, when the survey was conducted, the poverty level was defined at 1,500 rubles a month (per person).

Table 1 clearly shows that different levels of income have an impact. The greatest differences are detected at the two farthest points of the income continuum (below 1,500 rubles a month and more than 6,001 rubles a month).²⁵ There are some differences among households with 1,501-6000 rubles of income a month, but the differences are not as drastic. In the table, the first three columns represent households that are at or below the poverty level (assuming three persons per household). Notably, it is also interesting to note that the differences between column 3, households at the poverty level, and households above the poverty level (columns 4 and 5), are not that great. Essentially, the results in the table confirm the fact that rural dwellers are less stratified than their urban counterparts.

The "ability" hypothesis is confirmed by a two-tailed Pearson correlation, which yielded a moderately strong correlation coefficient of .50 between the variables "total family income" and "increase in a household plot" (with statistical significance at the .01 level). A two-tailed Pearson correlation between the same variables showed a *negative* relationship between the variables "total family income" and a "decrease in land plot size," which means that the higher a family income, the less likely the household was to decrease its land plot.

**Table 1: Relationship between Total Household Monthly Income and Land Plots
(in percent)**

Land Variable, in hectares	0-1500 rubles	1501-3000 rubles	3001-4500 rubles	4501-6000 rubles	6000+ rubles
Land increase since 1991					
No increase	81%	64%	62.5%	64%	55%
Increase of .01-.99	15%	32%	31%	25%	22%
Increase of 1.0-4.99	4%	4%	6%	11%	12%
Increase of 5.0-9.99	--	--	--	--	2.5%
Increase of 10.0+	--	--	--	--	9%
Land decrease since 1991					
No decrease	90%	94%	98%	95.5%	99%
Decrease of .01-.99	8%	5%	2%	4.5%	1%
Decrease of 1.0-4.99	2%	1%	--	--	--
Rental plot size					
No rental plot	87.5%	63.5%	60%	61%	61%
.01-.99	12.5%	36.5%	39%	39%	34%
1.0-4.99	--	--	1%	--	1%
10.0+	--	--	--	--	4%
Household plot size					
No household plot	4%	4%	2%	1%	1%
.01-.99	96%	96%	98%	98%	98%
1.0-4.99	--	--	--	1%	1%
Land from farm					
No farm land	92%	86%	78%	76%	77%
.01-.99	4%	4%	8%	10%	4%
1.0-4.99	4%	10%	14%	14%	20%

Numbers have been rounded and may not add to 100 percent.

Furthermore, an analysis of crosstabulation data lead to the following conclusions: (1) the lowest income households were more likely *not* to have increased the size of their household plot since 1991, while high income households were *most* likely to have increased their plot, shown by lower percentages of "no increase"; (2) higher income households increased their land plots by larger amounts--almost one quarter of households with over 6000 rubles a month increased their household plot by at least one hectare; (3) although a decrease in the size of land plots was rare across all income groups, the highest income households were least likely to decrease the size of their household land plot, while the lowest income households were most likely (although nine out of ten households in the lowest income group did not decrease their land plot); (4) households with 3000 rubles or more were most likely to have a rental plot (land rented by the household for the growing of food), while the poorest households were least likely; and (5) higher income households were most likely to use land allocated by a farm, and to have larger such allocations.

In sum, the hypothesis is confirmed, as the data show that the lower the household income, the less likely it is to enlarge its household plot, and less likely to use other types of land plots. So ability is more important than need when determining whether and by how much a household plot will be expanded.

Psychological Mood and Land

The second dimension of "poorness" concerns psychological mood, that is, feelings about family and village life. In previous research, O'Brien, Patsiorkovski, and Dershem found in a three year panel survey that a large percentage of rural dwellers exhibited distinct signs of depression. The degree of depression decreased as the number of productive household members increased. Other factors which influenced the feeling of depression was health, income, and marital status. O'Brien, Patsiorkovski, and Dershem were especially interested in the effects of social capital on depression and mental health, and found that involvement in social networks (sometimes called helping networks, or exchange networks),

had an indirect effect on depression by increasing positive life experiences and contributing to the feeling of "fitting in" with village life. They also found that households which were more involved in the village community had higher sales of agricultural goods and higher incomes.²⁶

The question here takes those previous findings a step further, and asks if there is a link between psychological mood and economic activity, in particular, increases in the size of land plot. On the one hand, it could be argued that persons with poor psychological moods might want to use land as an escape from their troubles, stress, and to find enjoyment and relaxation.²⁷ In this view, land plots and the activities on them would be a way to find positive life experiences and improve mood. On the other hand, it could be argued that persons who have a poor psychological mood would be withdrawn, alienated, and perhaps physically inactive. In this view, it would be expected that individuals who are pessimistic about their personal environment are less likely to display characteristics of entrepreneurship, which leads to the following hypothesis.

Hypothesis: The more psychologically poor a person (the more pessimistic the mood), the less likely a person is to increase household plot size.

Initial confirmation of this hypothesis is provided by two-tailed Pearson correlations. Bivariate correlations were calculated for the variables "land plot increase since 1991," "feeling fearful," "feeling lonely," and "feeling sad." Although none of the calculations turned out to be statistically significant at the .01 or .05 level of confidence, all were signed in the expected direction. The relationships were negatively associated, which means that the more fearful, lonely, or sad a respondent felt, the *less* likely that person was to have increased the size of the private plot. Conversely, for the relationships between the variables "land plot decreased since 1991" and the moods indicated above, the calculations were signed positively, which means that the stronger those feelings the *more* likely the respondent was to decrease his/her land plot. The relationship between land plot decreases and feelings of loneliness and feeling sad were not particularly strong (.12 and .10 respectively), but they were statistically significant at the .01 level of confidence.

Moreover, Pearson correlations between the size of different land plots (household, rental, and land assigned from a farm) and the three moods all were signed negatively, which means that more pessimistic moods are associated with smaller sizes of land plots. Further evidence on the relationship between mood and land plots is presented in Table 2.

Table 2: Relationship between Land Plot Increase and Psychological Mood

Mood Variable	No Increase	Increase of .01-.99 ha	Increase of 1.0-4.99 ha	Increase of 5.0-9.99 ha	Increase of 10.0+ ha
Mood--Felt Fearful					
Never	55%	34%	8.5%	<1%	2%
Sometimes	74.5%	19%	5%	<1%	1%
Often	73%	24%	3%	--	--
Most of the time	76.5%	23.5%	--	--	--
Mood--Felt Lonely					
Never	55.5%	31.5%	9%	1%	3%
Sometimes	74%	21.5%	4%	--	<1%
Often	74%	24%	1%	--	--
Most of the time	73%	20.5%	7%	--	--
Mood--Felt Sad					
Never	57%	33%	7%	1%	3%
Sometimes	72%	20.5%	7%	--	1%
Often	68%	30%	2%	--	--
Most of the time	68%	23.5%	9%	--	--

Numbers have been rounded and may not add to 100 percent. Read across rows to see size of increase by mood; read columns down to compare size of increase by type of mood.

The table shows that negative feelings affect land privatization. This is shown by the fact that those who "never" felt fearful, lonely or sad were more likely to increase their land plot (or, to put it differently, less likely not to increase). For those who responded they "never" felt fearful or lonely, 45 percent increased their land plot; for those who "never" felt sad, 43 percent increased their land plots.

These percentages are significantly higher than the other frequencies ("sometimes," "often," or "most of the time") for the three types of moods, ranging from a low of 27 percent to a high of 32 percent who expanded plot size. The second point that emerges from the data is that respondents who "never" were fearful, lonely, or sad had a slightly higher proclivity to expand land plot sizes by a larger amount. Thus, the hypothesis is confirmed.

Personal Satisfaction and Land

The third dimension of poorness concerns personal satisfaction, which is somewhat similar to the analysis of mood above in that it focuses on psychological disposition. The main difference is how a person evaluates his environment, instead of focusing on his or her personal mood. In this section, the relationship between increases in land plot sizes and the level of satisfaction a person has towards his income, family relations, village life, and life in general are analyzed. The intent is to link how a person feels about his environment to his participation in land reform. This is an important issue because, as will be shown below, clear trends emerge according to the level of satisfaction.

First, however, it is interesting to note the lack of effect, that is, the absence of significant differences, between political support and land plot increases. There were no significant differences between those who voted for Putin in the presidential election of March 2000 and those who voted for the Communist candidate Zyuganov.²⁸ Likewise, there were only slight differences between those who supported the pro-Kremlin party Edinstvo in the December 1999 Duma election and those who supported the anti-Kremlin Communist party.²⁹ These findings suggest that political sympathies do not affect calculations about land. These findings also suggest that among the numerous cleavages that divide rural liberals and rural conservatives, land is not among them.

I will say a few words about each variable before presenting the hypothesis and analysis. Concerning satisfaction with income, one might argue that the higher the level of satisfaction a person has with his income, the less likely he would be to increase land plot size (remembering that land plots are used primarily to grow food, and with a higher income, the food and income supplement from plot production would be less critical).

Or, similar to our initial analysis on levels of income, one might argue that higher psychological ability (satisfaction) would translate into an increased tendency to expand land holdings. With regard to family relations, it could be argued that good family relations would facilitate a larger land plot, as members work cooperatively and enjoy their time together. Conversely, it might be argued that poor family relations might lead to a larger plot if one or more family member wanted an escape from family conflict.

With regard to village life, it might be argued that good relations in the village go hand in hand with larger plots, as helping networks are used and strengthened in order to grow and distribute food. On the other hand, it could be argued that larger plots might be associated with poor village relations, as the household is isolationist, or occupied tending the plot and has little time for socializing or utilizing social networks.

Finally, with regard to orientations toward life in general, one might argue that satisfaction with life is in part explained by higher income, which in turn makes larger plots unnecessary. Conversely, one might argue that satisfaction with life is facilitated by larger plots, which provide food, income, recreation, and enjoyment. To test the alternative views above, I postulate the following hypothesis for the relationship between levels of satisfaction and land plots.

Hypothesis: Higher levels of satisfaction will be associated with a greater tendency to increase household plot size.

Before examining the relationships between the individual variables and land plots, it is interesting to note how the variables themselves are related, and this is presented in Table 3 below.

Table 3: Correlation Coefficients of Relationships Among Satisfaction Variables

	Satisfied with Income	Satisfied with family relations	Satisfied with village life	Satisfied with life in general
Satisfied with income	1.00	.278	.347	.432
Satisfied with family relations	.278	1.00	.364	.459
Satisfied with life village life	.347	.364	1.00	.672
Satisfied with life in general	.432	.459	.672	1.00

All coefficients are significant at the .01 level of confidence

The data show that the level of satisfaction with income is the weakest factor affecting each of the other three variables. This is interesting because satisfaction with income was the strongest factor in influencing increases in land plots, but has relatively weaker associations with the levels of satisfaction in the family, village, and life. The data also show moderately strong associations between the level of satisfaction with family relations and satisfaction with village life, and between family relations and satisfaction with life in general. Finally, the level of satisfaction with village life is strongly associated with satisfaction of life in general. The implications from these results are that the family and the local environment are quite important and cannot be ignored.

Initial confirmation of this hypothesis is provided by two-tailed Pearson correlations. Bivariate correlations were calculated for the variables "land plot increase since 1991," "satisfaction with income," "satisfaction with family relations," "satisfaction with village life," and "satisfaction with life in general." Only two of the calculations turned out to be statistically significant at the .01 or .05 level of confidence, those being satisfaction with income and satisfaction with life in general. These had correlation coefficients of .12 and .09. The strength of these correlations is rather weak. However, the correlation coefficients of all of the variables were signed in the expected direction. The relationships were positively associated, which means that the more satisfaction the respondent felt, the *more* likely that person was to have increased the size of the private plot.

For relationships between the variables "land plot decreased since 1991" and the different types of satisfaction, all were signed negatively, which means that the lower the satisfaction the *more* likely the respondent was to decrease his/her land plot. The relationship between land plot size decreases and satisfaction with family relations and satisfaction with life in general were not particularly strong (-.20 and -.08 respectively), but they were statistically significant at the .01 level of confidence. Moreover, Pearson correlations between the size of different land plots (household, rental, and land assigned from a farm) and the levels of satisfaction all were signed positively, which means that higher levels of satisfaction are associated with larger sizes of land plots.³⁰ Further evidence on the relationship between levels of satisfaction and land plots is presented in Table 4.

The data confirm the hypothesis that higher levels of satisfaction facilitate land plot increases. The most significant differences are noted between those who are absolutely dissatisfied and those who are absolutely satisfied. For example, only 28 percent of those who are absolutely dissatisfied with their income increased their land plot, but 61.5 percent of those who are absolutely satisfied did so. Large differences existed between the absolutely dissatisfied and absolutely satisfied for the variables "satisfied with village life" and "satisfied with life in general" as well. Only 25 percent of those who are absolutely dissatisfied with village life expanded their land plots, while 58 percent of those who are absolutely satisfied did so. For those who are absolutely dissatisfied with life in general, only 27 percent expanded their land plots, while 62.5 percent of those who are absolutely satisfied did so. Those who are absolutely satisfied also displayed a greater tendency to increase the land plot by larger sizes. The smallest differences among the most and least satisfied existed for family relations, with 30 percent of the most dissatisfied enlarging plot sizes and 42 percent of those who were most satisfied.

Table 4: Relationship between Land Plot Increase and Levels of Satisfaction

Satisfaction Variable	No Increase	Increase of .01-.99 ha	Increase of 1.0-4.99 ha	Increase of 5.0-9.99 ha	Increase of 10.0+ ha
Satisfied with Income					
Absolutely dissatisfied	72%	24%	4%	--	--
Dissatisfied	67%	26%	7%	--	--
So-so	67%	27%	6%	--	--
Satisfied	59.5%	26%	9%	2%	3%
Absolutely satisfied	38.5%	35%	4%	--	23%
Satisfied with family relations					
Absolutely dissatisfied	70%	30%	--	--	--
Dissatisfied	76.5%	18%	6%	--	--
So-so	69%	28%	3%	--	--
Satisfied	66%	24%	9%	<1%	1%
Absolutely satisfied	58%	33%	35%	1%	5%
Satisfied with village life					
Absolutely dissatisfied	75%	21%	4%	--	--
Dissatisfied	69%	27%	4%	--	--
So-so	66%	27%	6%	<1%	--
Satisfied	66%	25%	7%	<1%	1.5%
Absolutely satisfied	42%	37%	5%	3%	13%
Satisfied with life in general					
Absolutely dissatisfied	73%	27%	--	--	--
Dissatisfied	61%	35%	4%	--	--
So-so	71%	24%	5%	--	--
Satisfied	63%	27%	8%	1%	1%
Absolutely satisfied	37.5%	25%	12.5%	--	25%

Numbers have been rounded and may not add to 100 percent. Read across rows to see plot increases by level of satisfaction; read columns down to compare size of increase by level of satisfaction.

These findings complement the analysis above and suggest that it is not just important that a household have the economic means to increase land plots. Also important are personal feelings about oneself, and more general perceptions about one's environment.

Conclusion, Or, What Does It Mean, and What Is to Be Done?

This paper has argued that Russia is an indeterminate case study of land privatization because it has fulfilled only two of the three elements of land reform. To date, the constraints on the land market prevent Russia from experiencing the full economic benefits of land privatization, and therefore preclude Russia from being considered a successful case. The data and analysis above demonstrate three key characteristics that are associated with increasing land plot sizes and having larger land plots: (1) households with higher incomes; (2) happy, hopeful moods; and (3) high levels of satisfaction about the existing environment. The same characteristics which are associated with households increasing land plot sizes are assumed to effect the purchase of agricultural land as well. If this assumption is correct, from a policy standpoint, one of the first goals of land reform should be to increase rural household incomes, which we have seen are highly correlated to increased land holdings. The Analysis in this paper has shown that people will buy land if they have the ability, and if they do not, they will not. But increasing rural incomes is not enough; personal happiness and levels of satisfaction must be raised as well.

The question is: how? To begin, I acknowledge that this question is enormously complex. There are many factors other than income which impinge upon a person's happiness, some of which were considered in this paper (see Table 3), and others that were not.³¹ For example, the use of social networks has been shown to have a significant effect, as does community involvement and the level of human capital in the household. Beyond the complexity of determining and specifying what leads to happiness and satisfaction, even if we agreed that income is the most important factor (which it is not, as we saw that the link between income and overall happiness and satisfaction is weaker than other operative factors), we still would have analytical problems.

For example, it has been shown that household dependence on salaries has decreased during the 1990s, replaced by second jobs, income from sale of household production, and private business activities.³² The point is, even if it were true that incomes were the most important element of happiness and satisfaction, rural incomes cannot be increased merely by increasing purchase prices, because sources of household income have become more diverse. In short, there is no single policy measure which can be revised or introduced to magically increase rural incomes.

If the logic underlying this analysis is correct, it means that a much broader effort is necessary to create the conditions which would facilitate a robust land market. Instead of focusing narrowly on rural incomes, it is necessary for policy makers to think in terms of building sustainable rural communities which foster positive feelings about self, family, and one's environment. That is easier said than done. The problem with building sustainable rural communities in post-Soviet states is twofold. The first problem is that, historically, Soviet-type societies were characterized by a monopolization of social organizations by state and party organs. Competing social organizations were suppressed. The task today is: (a) to change the mass psychology of depending on state organizations; (b) to change the elite psychology of seeing alternative social organizations as a threat; and (3) to construct non-state social organizations with *sufficient organizational capacity* to take over responsibilities formerly fulfilled by the state.

The second problem connected with building sustainable communities is that the economic consequences of Russia's agrarian reform have created certain survival strategies among rural households, which in turn have led to some incremental adaptive changes during market reforms. The problem with those survival strategies, however is that:

“they also reinforce aspects of social organization and institutional arrangements that may retard the development of broader, bridging social networks that are necessary for economic development and the growth of civil society.”³³

In short, survival strategies can act as a blocking mechanism to reform, if reform leads to the demise of personal networks and the substitution of impersonal, third-party transactions.³⁴ This does not mean that reliance on personal networks is a rejection of the market or market principles. What it does

mean is that it is irrational to depend on persons outside the trusted network in an environment where the application and interpretation of rules and laws are seen as arbitrary and inconsistent.³⁵

It is precisely impersonal transactions which characterize a land market with genuine transformative potential. To develop a robust land market, thereby becoming a successful example of post-Soviet land reform, Russia needs to not only increase rural incomes, not only raise the level of happiness and satisfaction among rural households, but also ask rural dwellers to change their calculation of risk and trust. That latter task in particular encounters organizational and psychological obstacles. Longitudinal survey data have shown that rural dwellers have lower levels of trust toward anti-system political leaders than do respondents in large and medium size cities.³⁶ As a result, the likelihood of rural dwellers changing their approaches to trust in the short to mid-term are not high.

The difficulties of moving Russia out of its indeterminacy do not end with incomes, psychological orientations, and building sustainable communities. There is also the problem of rural infrastructure, and the link between infrastructure and the land market. Two waves of large surveys of land owners and potential land owners in the 1990s showed clearly that land buyers are acutely aware of the quality of land, of its proximity to transportation and urban centers, whether it has water and electricity available, and other amenities.³⁷

Better endowed and higher quality land experiences more demand (people wanting to buy it) than supply (people willing to sell it) in rural areas, and this is true for leased and purchased land. Less well-endowed land is not desired and has few buyers. As is widely acknowledged, rural infrastructure is inadequate and has decayed significantly since 1991. In 2002, the Russian government adopted a new program of social development which is to run to 2010.³⁸ The problem is that this program, similar to the ones that have preceded it, will not be funded adequately and therefore will not be fulfilled.

Finally, for Russia to become a successful case study, we should pay attention to the question of incentive structures and the type of behavioral responses which flow from existing legal institutions. One of the most salient criticisms of Russian land reform is its emphasis on legislation and creation of legal institutions, to the detriment of other important elements. Therefore, a few words about the law on the turnover of agricultural land are necessary (this law was signed by Putin in July 2002).³⁹ This law is the

first since 1917 which legalizes the sale of agricultural land. Land sales are governed by Article 8. This article regulates the sale of agricultural land that is owned, with the exception of certain categories of land which are explicitly excluded in the law.⁴⁰

According to this article, organs of local government (raion or village administrations) have the primary right to buy agricultural land. The seller of the land is required to submit a written letter, or notification (*izveshchenie*) to the regional government, or in certain cases, to the raion administration, of his intent to sell his land. This notification should indicate the price of the land and other components of the transaction. The regional government has one month, from the date of receipt of the notification, to exercise its right to purchase the land. If the regional government does not exercise its right to purchase the land, or fails to inform the seller of its intent to acquire the land plot, then the seller has one year to sell the land to a third party at a price not lower than that which was indicated in the letter of intent submitted to the regional government. The one year term starts with the submission of the letter of intent to the regional government.

The selling process is iterative and has an indirect negotiation over price. If the seller decides to sell the land plot at a price lower than that which was indicated in the original letter, or if terms of the transaction change, the seller is obligated to submit a new *izveshchenie*, and again the local administration has a month to exercise its right of first refusal. To illustrate, say a person wanted to sell his land plot for price "A." The local government has right of first refusal at the stated price. If it does not want the land at that price, then the seller can try to sell it to someone else, but not at a lower price than indicated in the notification. If the land does not sell, the seller can lower the price to price "B", and again the local government has one month to exercise its right of first refusal at the new, lower price.

This cumbersome process is used for all agricultural land sales except for the categories of land indicated above (see note 40), and land sold in auction or competitive bidding. Land sales that do not adhere to the process outlined in the law, in particular those which did not give right of first refusal to the regional government, are subject to enforcement through the courts within a year of the completion of the transaction. The implication is that the transaction which violated the process would be nullified.

By placing government organs as the intermediary and giving them the right of first refusal, this legislation opens up the land market to abuse and corruption, where good land gravitates not to the most productive user but to the most productive briber or insider. The risk is that by adopting such a conservative variant of regulation over rural land sales, much of the benefit of "the market" will be lost.

The structural challenges--raising incomes, improving mood and levels of satisfaction, building sustainable communities, improving rural infrastructure, and getting the laws "right"--mean that the prospects for Russia moving from an indeterminate case to a successful case in the near-to-mid-term are probably not realistic. The tasks confronting Russia are much broader, and much more complex, than passing legislation or raising wholesale food prices through government intervention in commodity markets. True success, if it comes at all, will take considerable time.

ENDNOTES

¹ I consider land reform to be different from broader agrarian reform. Land reform concerns the privatization and distribution of land. Russia introduced the mass privatization of farm land according to a share system and the distribution of farm property. Land was also distributed to persons starting private farms for free. Agrarian reform entails the reorganization of large farms, the creation of private food producers, the privatization of processing plants, input suppliers, and wholesale trade networks, the reform of credit and subsidy policies, and reform in food trade policies.

² Throughout this paper, the terms "land reform" and "land privatization" are used synonymously.

³ See David J. O'Brien and Stephen K. Wegren, eds., *Rural Reform in Post-Soviet Russia* (Washington, DC: Woodrow Wilson Center Press/Johns Hopkins University Press, 2002).

⁴ See Carol Scott Leonard, "Rational Resistance to Land Privatization: The Response of Rural Producers to Agrarian Reforms in Pre- and Post-Soviet Russia," *Post-Soviet Geography and Economics*, vol. 41, no. 8 (December 2000), pp. 605-620.

⁵ The nature of those expectations, and whether they were realistic, is a different question. Those who expected Russia to emulate the US were bound to be disappointed. I would further argue that those expectations are not the standard to be used to gauge the success or failure.

⁶ Furthermore, there are two units of analysis to be distinguished: the individual and the farming enterprise. Either actor may benefit from the privatization process, in terms of acquiring use rights of privatized land. Moreover, either actor may participate and/or benefit from participate in the land market.

⁷ *Rossiiskii statisticheskii ezhegodnik* (Moscow: Goskomstat, 2001), p. 395.

⁸ On October 27, 1993, former President Yeltsin signed a decree which allowed land sales. Thereafter, several hundred thousand land sales occurred annually, and overall, several million land transactions (of all kinds) were registered annually starting in 1994.

⁹ See Stephen K. Wegren and Vladimir R. Belen'kiy, "Change in Land Relations: The Russian Land Market," in David J. O'Brien and Stephen K. Wegren, eds., *Rural Reform in Post-Soviet Russia* (Washington, DC/Baltimore, MD: Woodrow Wilson Center Press/ Johns Hopkins University Press, 2002), chap. 4.

¹⁰ In 2001, President Putin signed into law a new Land Code which codified private land ownership and provided a mechanism for the sale of urban land. In 2002, a law on the sale of agricultural land was adopted and signed into law.

¹¹ What would be characteristic of a successful land market? One would expect to see a relatively unregulated land market with large numbers of purchases and sales annually. One would expect to see the turnover of large areas of land. One would expect to see changes in land use. One would expect that land sales would lead to greater efficiency and productivity. Finally, one would expect to see active investor interest from both foreign and domestic investors. Clearly, Russia cannot be included in the successful category, for few of those characteristics fit.

¹² The World Bank found that in 1994, 30 percent of farm surveyed experienced zero members leaving the farm, and another 35 percent had between 1-9 employees depart during farm reorganization. See Karen Brooks, et al., *Agricultural Reform in Russia: A View from the Farm Level*. World Bank Discussion Papers no. 327. (Washington, DC: The World Bank, 1996), p. 33.

¹³ For example, foreigners may not own land located on the borders of Russia; agricultural land must remain in agricultural use; and land that is not used productively may be confiscated from its owner by local authorities.

¹⁴ For example, according to the law on agricultural land turnover, there are limits on how much land a person or family can own, and there is strict regulation over the land sales process. See Stephen K. Wegren, "Russia's New Land Legislation," *Eurasian Geography and Economics*, forthcoming.

¹⁵ See Stephen K. and Vladimir R. Belen'kiy, "The Political Economy of the Russian Land Market," *Problems of Post-Communism*, vol. 45, no. 4 (July-August 1998), pp. 56-66; and Wegren and Belen'kiy, "Change in Land Relations: The Russian Land Market," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, chap. 4.

¹⁶ See for example, Brooks, *Agricultural Reform in Russia: A View from the Farm Level*, esp. chap. 2; and Stephen K. Wegren, *Agriculture and the State in Soviet and Post-Soviet Russia* (Pittsburgh: University of Pittsburgh Press, 1998), esp. chap. 3.

¹⁷ This is not to deny that demonstrations occurred. Two types may be identified. The first type was broadly anti-government and anti-reform. These protests, organized by the Agrarian Party of Russia, were lightly attended, and occurred in Moscow. Their political effect was minimal. The second type of protest was single-issue, narrowly focused, and regionally limited. These were typically grass-roots protests in the regions and villages over the non-receipt of wages.

¹⁸ I date the beginning of the political conflict to 1992, when former President Boris Yeltsin disagreed with the Supreme Soviet over whether and what types of land could be bought and sold. The struggle over land privatization and ownership may be dated even earlier, to December 1990.

¹⁹ I have in mind land transactions involving very small land plots which are used to grow food for the household. See Wegren and Belen'kiy, "Change in Land Relations: The Russian Land Market," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, chap. 4.

²⁰ See Timothy J. Colton, *Transitional Citizens: Voters and What Influences Them in the New Russia* (Cambridge, MA: Harvard University Press, 2001), pp. 72-88.

²¹ Due to space constraints, I am not able to present in detail an analysis showing the components of income and the factors that affect higher income. Some brief remarks will, therefore, have to suffice. First, "income" is used to refer to monetary income of the household and includes salaries from the primary job, a second job, if any, dividends, pensions, alimony, sales of food produce, and private business activities, if any. In general, the trend during the 1990s was a reduction in the percentage of household income coming from farm salaries, and a higher percentage of household income coming from sales of produce and private business. Among the factors that most affect higher household income is the number of household members. For a further discussion of the household and other factors see David J. O'Brien, Valeri V. Patsiorkovski, and Larry D. Dershem, *Household Capital and the Agrarian Problem in Russia* (Aldershot, UK/Burlington, VT: Ashgate, 2000), chap. 9.

²² David O'Brien, "Entrepreneurial Adaptations of Rural Households: Production, Sales, and Income," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, p. 354.

²³ This is especially the case because the land code stipulates that land not used productively, even privately owned land, is subject to confiscation by the local administration.

²⁴ Wegren and Belen'kiy, "Change in Land Relations: The Russian Land Market," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, p. 109. This conclusion is based on a survey of more than 5,000 persons conducted in 1995-1996. It found that 57 percent of respondents obtained land to grow food for consumption. A subsequent survey, also of more than 5,000 persons,

found that in 1997 68 percent of respondents obtained land to grow food. Sale of agricultural production was indicated by 19 percent of 1995 respondents and 12 percent of 1997 respondents as a reason to obtain land.

²⁵ There were 144 households with less than 1,500 rubles a month in total family income, and 119 families with 6001 or more rubles a month in our survey.

²⁶ O'Brien, Patsiorkovski, and Dershem, *Household Capital and the Agrarian Problem in Russia*, chaps. 10 and 11.

²⁷ Previous survey data showed that "family relaxation" on land was the second most frequent reason for obtaining land, trailing only the growing of food for family consumption. See Wegren and Belen'kiy, "Change in Land Relations: The Russian Land Market," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, p. 109.

²⁸ For example, 63.5 percent of Zyuganov supporters did not increase their land plot since 1991, while 65 percent of Putin supporters did not. Among Zyuganov supporters, 27 percent increased their land plots by .01-.99 hectares, as did 26 percent of Putin supporters. Finally, 9.5 percent of Zyuganov supporters increased their land plots by 1.0-4.99 hectares, as did seven percent of Putin supporters.

²⁹ For example, 68 percent of Communist party supporters did not increase their land plot since 1991, while 64 percent of Edinstvo supporters did not. Among Communist party supporters, 24.5 percent increased their land plots by .01-.99 hectares, as did 24.5 percent of Edinstvo supporters. Finally, seven percent of Communist party supporters increased their land plots by 1.0-9.99 hectares, as did eight percent of Edinstvo supporters.

³⁰ For the size of a private plot, three of the correlations were statistically significant, although the relationships were weak (satisfied with income, satisfied with village life, and satisfied with life in general. For the size of a rental plot, none of the correlations were statistically significant. For the size of land allocated by the farm, two correlations were statistically significant but weak (satisfied with income and satisfied with life in general). Query the author is precise correlation coefficients and significance levels are desired.

³¹ For an analysis of the factors that contribute to feelings of satisfaction, see Larry D. Dershem, "How Much Does Informal Support Matter? The Effect of Personal Networks on Subjective Evaluations of Life," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, chap. 16.

³² O'Brien, Patsiorkovski, and Dershem, *Household Capital and the Agrarian Problem in Russia*, chap. 9; and O'Brien, "Entrepreneurial Adaptations of Rural Households: Production, Sales, and Income," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, chap. 14.

³³ David J. O'Brien and Stephen K. Wegren, "Where Do We Go From Here? Building Sustainable Rural Communities," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, p. 405.

³⁴ Richard Rose has termed Russian social networks as "anti-modern." See Richard Rose, "Uses of Social Capital in Russia: Modern, Pre-Modern, and Anti-modern," *Post-Soviet Affairs*, vol. 16, no. 1 (January-March 2000), pp. 33-57.

³⁵ O'Brien and Wegren, "Where Do We Go From Here? Building Sustainable Rural Communities," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, p. 406.

³⁶ See the journal *Monitoring obshchestvennogo mneniia: ekonomicheskie i sotsial'nye peremeny*, which has reported survey data on different economic, social, and political issues, including trust of political leaders since 1993.

³⁷ For a description of the surveys, see Wegren and Belen'kiy, "Change in Land Relations: The Russian Land Market," in O'Brien and Wegren, eds., *Rural Reform in Post-Soviet Russia*, pp., 88-89.

³⁸ See I. Ushachev, D. Topopov, and L. Bondarenko, "O Federal'noi tselevoi programme 'Sotsial'noe razvitiie sela na period do 2010 goda,'" *APK: ekonomika, upravlenie*, no. 7 (July 2002), pp. 3-8.

³⁹ "Ob oborote zemel' sel'skikhkhoziaistvennogo naznacheniia," in *Sel'skaia zhizn*, August 1-7, 2002, pp. 8-9.

⁴⁰ The sales process described in the article does **not** apply to agricultural land owned by citizens who use it for individual housing, construction of garages, to conduct subsidiary and dacha agricultural production, collective gardens and orchards, and also assorted buildings. It should be noted that these types of land plots--which tend to be very small--comprise the bulk of purchase transactions among individuals, so this submarket will remain unregulated.