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J21505-001**Isakova N.P., Dankevych L.R.****LAND RENT AND ITS FORMS IN THE AGRICULTURE OF UKRAINE***National University of Life and Environmental Sciences of Ukraine**Kyiv, Heroiv Oborony 15, 03041*

Introduction. Land reform as the main component of agrarian policy has identified a significant number of complex, multifaceted problems associated with assessing the effectiveness of land use under market conditions. The main result of the land reform is recognition of the institution of private ownership on land. Market transformations in the agricultural sector of Ukrainian national economy led to radical changes in the forms of land ownership and land relations, which stipulated inclusion of land into market circulation and gradual formation of the agricultural land market. Inclusion of land in the civil circulation will promote establishment of new forms of economic activity in rural areas, the growth of agricultural production, obtain funds for the agricultural sector.

The article covers the basic theoretical aspects of market rent relations in the agriculture of Ukraine. The authors study the forms of differential and absolute rent and the impact of economic factors on the size of land rent.

Formation of an effective and transparent market for agricultural lands has become one of the crucial tasks of the land reform in Ukraine in recent years. The civilized land market in Ukraine will develop in an evolutionary way along with the formation and progress in the agricultural sector. Full-fledged market of agricultural lands should be preceded by: creation of the appropriate legal framework; availability of lands as an object of purchase and sale; social and economic motivation for sellers of land to enter the land market; presence of solvent buyers of land; creation of organizational and legal mechanism for registration of contracts to deal with land transactions; elaboration and introduction of state regulation of land market at different levels of management.

An essential condition for the creation and functioning of the civilized market of agricultural lands in Ukraine should be formation of the land market infrastructure that will provide: organization and holding of land tender; implementation of mortgage transactions with allotments; activity of the subjects of evaluation operations for expert money estimation of land; providing consulting and information services.

Review of the literature. The theory of rent has fundamental methodological grounds, presented in the works of theorists of classical (F. Quesnay, A.R.J. Turgot, W. Petty, D. Ricardo, A. Smith et al.) marxist (K. Marx et al.) and neoclassical (J. B. Clark A. Marshall et al.) schools of political economy. Theoretical aspects of land relations, rent policies in agriculture, problems of reforming property relations and formation of the agricultural land market, and its infrastructure were researched by the Ukrainian scientists, such as V.M. Budziak, V.P. Halushko, D.I. Hnatkovych, A.P. Haidutskyi, A.S. Danylenko, O.I. Kovaliv, V.Ya. Mesel-Veseliak, O.Ya. Korchynska, B.Y. Paskhaver, P.T. Sabluk, G.Ya.Steblii, A.H.Tyhonov, A.M. Tretiak, M.M. Fedorov, V.V. Yurchyshyn; Russian scientists – I.M. Buzdalov, V.A.

Horemykin, I.A. Ikonytska, Ye.S. Karnauhova, D.S. Lvov, V.M. Hlystun et al.

At the same time some issues of regulation of land relations in agriculture towards the formation of the land market remain relevant and require further study, namely, the problem of determining the efficiency of agricultural enterprises depending on market mechanisms in the sphere of land, formation of market rent relations in agriculture of Ukraine and the market price of plots of agricultural lands, establishment and operation of the elements of land market infrastructure. The timeliness of these issues, their theoretical and practical importance has determined the choice of the topic for research.

Input data and methods of research. The authors carried out the research using the dialectical method of cognition, according to which all phenomena and processes are considered in correlation and development. To achieve the objectives determined in the article we applied diverse research methods: the historical method, the method of systemic approach, the abstract and logic method, analysis and synthesis; the method of grouping and correlation-regression analysis.

Main part. Land relations are largely rent relations due to the fact that the land rent acts as a regulatory factor in land relations. It is an economic form of the land ownership through rental relationships and plays an important role in pricing. Moreover, the land rent forms the price of land, which is an enormously important factor at the present stage of development of agriculture in Ukraine – the stage of entering the market.

Rent is a form of realization of economic ownership that is why the change in property relations leads to the new forms of the land rent.

In the time of feudalism rent as an economic form of realization of a feudal lord ownership on land appeared first as serfdom, later – rent-in-kind, which was replaced by rent in cash during the collapse of feudalism.

Land rent under capitalism takes the form of rental payments to a landowner for the temporary use of land.

In conditions of commodity-money relations in Ukraine there appears a special form of revenue related to the formation of the land rent. In this regard, labour productivity in agriculture depends on natural factors such as climatic and biological conditions, chemical and physical composition of land etc. Depending on these factors, the same amount and quality of work can be presented in a greater or lesser quantity of products, obtained values [8, p.4].

However, no matter how important the role of natural factors is, an agricultural product is a result of human labour. The leading role in the development of agricultural production always belongs to economic factors. This provision is particularly important for understanding of the essence of rent relations in agriculture.

An important condition of the origin of the land rent is the limited supply of land. The scarcity of land, inelasticity of its supply is the most important factor that determines the peculiarities of pricing in agriculture and, thus, the formation of the land rent. According to G. Steblii, the land rent is a fee for the use of land or other natural resources, the supply of which is limited [10, p.167].

The word 'rent' comes from Latin *reddita* - return, pay. In the economic dictionary this term refers to income from capital, land or property which the owners

receive regularly without being engaged in entrepreneurial activities.

W. Petty is considered to be the founder of the scientific theory of rent. In his "Treatise of Taxes & Contributions" (1662), he identifies rent with all the added value created in agriculture. Subsequently, the theory of rent was developed by such renowned economists as Adam Smith and David Ricardo. The interpretation of the land rent was also given by physiocrats F. Quesnay and A.R.J. Turgot, who justified the primacy of natural forces in creation of the land rent, and, therefore, the possibility of creating additional value only in agriculture. K. Marx distinguished two types of the land rent: differential (studied by Adam Smith and David Ricardo) and absolute (developed by K. Marx himself) [5, p.38].

Regardless of the form of land ownership, an additional income from the land known as differential rent is created. The monopoly on land as an object of management is the main reason of its origin. The emergence of this monopoly means the existence of separated producers in the system of commodity-money relations and the unique synthesis of existing natural and economic conditions for the formation of differential rent.

The first natural condition for the existence of differential rent is differences in the natural fertility of the land and the location of allotments in regard to the market. The development of science and technology, the widespread use of advances in agriculture reduce these differences but can not eliminate them at all.

Households located on the more fertile lands create additional net income. The households situated on inferior lands do not have such income. If all households obtained additional net income, the monopoly on land as an object of management would disappear.

The second natural condition of formation of the differential land rent is land scarcity which means that the land is limited in space, and especially the lands with better fertility. The agricultural products grown on the best and good plots of land can not satisfy the needs of society. Therefore, lands relatively poorer in terms of fertility and location are included into economic circulation. If the products produced on the best lands satisfied the needs of society fully, the monopoly on land as an object of management would disappear [8, p.5].

Households situated on the best plots of land, produce more output per unit of land area. They obtain additional product which forms the material basis of differential rent.

The necessary economic condition for transformation of this surplus product into differential rent is the existence of commodity-money relations and the peculiarity of the law of value in agriculture. This peculiarity means that the social value of agricultural products is determined by the average expenditure of socially necessary labour in the households situated in worse location on the lands with inferior fertility, with an average level of organization of production.

Thus, the households located on the best and good lands have individual value of agricultural products that are below the social value. However, they distribute their products at prices determined by the value on the worse lands. This makes it possible to receive additional net income, which is formed above the average net income.

There are two forms of differential rent – the first and the second.

The first differential rent is an additional net income obtained as a result of more productive labour on the lands with better fertility and location.

The second differential rent arises as a result of the increase of land productivity due to the use of more efficient means of production.

Among all households, only those that use the best lands obtain the second differential rent. The households that make additional investments into the worse lands obtain innovative revenue instead of the second differential rent.

The interrelationship of the first and the second differential rent is seen in the fact that they are based on the use of land fertility. However, the first differential rent is associated with natural fertility of soils, whereas the second one – with the economic soil fertility.

It is worth noting that V.M. Budziak believes that land rent exists even on the lands that have no soil cover, since eventually this cover may form naturally or as a result of human activity. In this case, the first differential rent is virtual [1, p.12].

There is also the absolute rent. It exists in countries with dominant private ownership on land and inter-branch competition. The reason of the absolute rent is the monopoly of private ownership on land, which allows the high rate of profit in agriculture above the average rate of profit. Thus, the absolute rent is a form of the land rent to be paid by the owner for any plot of land regardless of its fertility and location. As a result of the progress of scientific and technological revolution in agriculture, agribusiness monopolization, integration of agriculture with processing industries, there is a gradual convergence of the organic composition of agricultural capital with industry that leads to reduction of the absolute rent [6, p.134].

Taking into consideration that private ownership concerns only plots of land, but not the land and its natural resources, the mechanisms of obtaining balanced profits, according to O.I. Kovaliv, should distinguish between interests and be founded on the new rental basis, namely:

The first rent is part of profit paid by all entities for the use of land and its natural resources. The rate of the given rent is determined by the quality of locality of soils, water quality, flora and fauna, the location of the resource and land development, and other factors. The rate of this rent can not be lower than the second rent.

The second rent is part of profit, which the owner of the land receives as a result of personal use or lease. The rate of this rent can not be lower than the bank interest rate on the real value of the plot of land.

The third rent is part of profit which is formed by additional work as incentive remuneration for thrifty attitude towards the land and its natural resources. This share of profit remains fully in the hands of the users of such resources and is not subject to taxation.

The fourth rent is part of profit, which is formed as a result of monopolistic actions. These actions are aimed at the rational and effective use of land and its natural resources, at stimulating the previous rents and are regulated by the relevant legislation [4, p.96]. All four rents are interrelated with each other and all parties using and consuming natural resources, on the one hand, and the state, on the other.

Various plots of land differ in terms of the level of productivity. Therefore, the

higher rent will be set on the more fertile plots of land. The higher rent will also be set on the plots of land located closer to markets and consumers of agricultural products.

The land in Ukraine is used on a paying basis. According to the Land Code of Ukraine and the Law of Ukraine "On Payment for land" [3] the land owners and land users pay annually for the land in the form of land tax or rent, which is determined depending on the quality and location of the land based on its cadastral evaluation. Consequently, the land tax and lease payments include rental income [2, p.126].

The amount of rent payment is set by the agreement of the parties in the lease contract. As a result of increasing of land productivity due to the use of more effective means of production, the surplus income rises. By the end of the contract it reaches the lessee in the form of rental income. In order to encourage intensification of agriculture it is advisable to optimally divide the second form of rental income between the landowner and the tenant. The tenant should be interested in additional investments into land, and for this purpose, the certain of rental income must be left with him.

Rental income is typically used to finance measures for rational use and protection of land, increasing soil fertility; land management, land cadastre procedure; reimbursement to landowners and land users associated with management on lands of inferior quality; economic incentives for landowners and tenants.

There is a trend in modern literature on rental relationship, according to which all natural resources should belong to public property and all rental income – to budget revenues [7, p.46]. From the theoretical position, this point of view does not differ much from the idea of public ownership on all means of production. From practical positions, it is not confirmed by the experience of developed countries, where the state, operating only by tax levers, is able to mobilize the budget and distribute any part of GDP (Gross Domestic Product) to the needs of society – from 30% (US) to 60% (Sweden) [9, p.76].

Summary and conclusions. In the market economy, private ownership on natural resources should be seen as the norm, and respective owners – as equal investors. Only from these positions it is possible to build the mechanism of withdrawal of part of rental income into the state budget. Ownership on the natural resource, like any property, may be subject to property tax, and rental income to corresponding taxes on income according to a progressive scale. But the level of tax burden should be the same for investors - the owners of natural and other assets. The order of taxation determined by the relevant regulations, the average rates of land tax and rent amount limits on land is set by the Verkhovna Rada of Ukraine.

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To sum up, we can state that the concept of the land rent is complex and multifaceted due to the tight combination of natural and economic factors in the process of its formation. The land rent is an objective phenomenon since the fundamental principle of its origin is fertility of the soil, which makes it possible to

raise productivity and obtain the amount of agricultural produce that exceed the needs of farmers. However, the nature only creates the potential for the emergence of the land rent, whereas the actual implementation of this potential is affected by economic factors. It is a range of economic factors (the level of prices on the agricultural produce, the amount of the rent, etc.) that affects the amount of the land rent remaining in agriculture. However, the consequences of transformational crisis in Ukraine still remain unresolved both in the volume of agricultural production as well as in agricultural pricing, where it is necessary to restore the reproductive price level which provides, inter alia, the rental payments required for effective land use. Hence, today, the priority objectives include: further improvement of legal framework for the land rent functioning; revision of legal documents regulating the activities of the subjects of the land rent relations considering the natural, economic, cultural and historical peculiarities of formation of the land rent in Ukraine; creating conditions that provide effective protection of property rights on agricultural lands.

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