

# Is Land Consolidation Necessary? - a Theoretical Perspective on Norwegian Land Consolidation

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## SUMMARY

The paper discusses the necessity of land consolidation in Norway. The concept of land consolidation involves modifying property relationships within a defined area to achieve specific goals. The paper argues that despite the possibility of voluntary transactions and agreements among property owners, land consolidation courts are essential, drawing on economic theories to support this claim.

Norway uniquely integrates land consolidation within its court system, with dedicated legislation dating back to 1821. There are 19 land consolidation courts in Norway, each handling cases that involve both technical and legal aspects. These courts play a crucial role in resolving property-related disputes and facilitating land consolidation.

The paper emphasizes the economic theories of institutions, transaction costs, rational actors, Pareto optimality, the Kaldor-Hicks criterion, and the Coase theorem to justify the need for land consolidation. It argues that land consolidation provide a framework for reducing uncertainty and creating stability in property transactions. Transaction costs, which encompass various expenses and efforts related to property transactions, are a significant consideration. Land consolidation helps reduce these costs, making it more feasible to achieve efficient property changes.

The concept of rational actors, motivated by utility maximization, is explored within the economic framework. Institutions influence how individuals act, and in land consolidation, they provide the structure for achieving efficient property changes. The paper further delves into the theories of Pareto optimality, emphasizing that land consolidation can lead to Pareto improvements by optimizing resource allocation. The Kaldor-Hicks criterion is discussed as a broader concept that allows for compensation of losers by winners, thereby increasing overall societal well-being. Land

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consolidation can align with this criterion by addressing property inefficiencies. Lastly, the Coase theorem is mentioned, focusing on well-defined property rights and private negotiations to resolve externalities. Land consolidation courts serve as negotiation platforms, helping achieve efficient resource allocation.

In conclusion, the paper argues that land consolidation is necessary due to unclear property rights, the presence of transaction costs, and the role of institutions in reducing these costs. Economic theories support the idea that land consolidation can lead to more efficient property changes and resource allocation, benefiting both individuals and society as a whole.