

The problem of *sawah*-land conversion to non-agricultural uses in Indonesia

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Abstract

This paper reviews the basic models and history of land economics in relation to the role of market and non-market institutions in land allocation. The rapid conversion of irrigated land (*sawah*) to non-agricultural uses under the pressure of regional economic growth in Indonesia is taken as an example of the failure of market institutions to allocate land resources efficiently, and various alternative policy interventions are discussed. A simple empirical model for explaining the effect of regional economic growth on *sawah* land conversion is tested and some policy implications are suggested.