

The Cultivation of Farmers' Social Capital from the Perspective of the New Rural Construction

Chao Zhang & Nan Zhang

School of Economics, Southwestern University of Finance & Economics, Chengdu 611130, China

E-mail: daoji Cangsheng@yahoo.com.cn

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Abstract

This paper firstly analyzes the two aspects and the two kinds of capitals in new rural construction and then puts forwards the deficiency of countryside in social capital aspect. Theoretically, this paper questions the popular way of founding special cooperative organization in countryside and analyzes the problems in its practical operation. In authors' opinion, the only way to construct the rural productive social capital and the distributive social capital reasonably is to found the agricultural cooperatives based on references from outer experiences and inner reform. It is urgent to make innovations on present rural management system in order to realize the socialism new rural construction.

Keywords: Natural capital, Social capital, Foundation of agricultural cooperatives

1. Introduction

In 2006, the No.1 document of central government puts forward the general program for new rural construction. This document makes it clear to construct a new countryside with developed production, well-to-do living, polite ethos, clean environment, and democratic administration. At the same time, it advances guidelines and implement ways as creeds in constructing new countryside. During the two years of new rural construction, it begins everywhere. Besides derating agricultural taxes, some place emphasizes on construction of country roads and communication facilities, some builds or repairs houses for farmers, some reduces tuitions for children from families in poverty or distress, some applies new-type rural cooperative medical care, and some provides with direct compensation for food production counties. Plus former self-administrative construction for the wide election of rural residents committee, the central government pays countless attentions for the rural, agricultural, and farmer problems. However, what problems and to what degree for the rural, agricultural, and farmer issues have been solved? Or, if we want to realize the goal of new countryside proposed in the No.1 document, what do we need to do?

2. The new rural construction's two aspects and two kinds of capitals

We can analyze the construction of new rural area from two aspects. In one aspect, transfer wealth to farmers directly (similar to a fable, the old goat sends the cabbage to the chick). In the other aspect, enrich the natural capital and construct powerful social capital for the rural area or the farmers (similar to a fable, the old goat sends the cabbage seeds to the rabbit). The natural capital directly associates with agricultural productivity and how much wealth farmers can gain from agricultural production. The social capital concerns farmers' position in the re-distribution of social wealth and the production potential of rural area and farmers (the former social capital is named as the distributive social capital, and the later the productive social capital). The short-term direct wealth transfer for farmers can be realized by government's self-discipline and effective policies. For the long run, it is impossible (unless there is only good government). Therefore, it has to depend on the improvement of farmers' negotiation strengths in the re-distribution of social wealth. In other words, cultivate rural area and farmers' powerful social capital. Only when rural area and farmers' natural capital and social capital have been improved significantly, can their productivity and income achieve sustainable increase. As the two step into a favorable circulation, a new countryside with "developed production, well-to-do living, polite ethos, clean environment, and democratic management" differing from present rural situation will come into being in the future.

The measures performed by the government at present can be classified into two aspects, namely enriching (constructing) rural and farmer capitals and transferring social wealth directly. In a sense, all measures implemented at present have the nature of direct transfer of social wealth. Besides, derating agricultural taxes, executing rural residents' self-governance and new-type rural cooperative medical care, reducing tuitions for children from families in poverty and distress, and providing with direct compensation for grain farmers can increase the social capital of

countryside. Constructing and repairing country roads and communication facilities can help to increase the natural capital of countryside.

Because projects can increase the natural capital, under present system all governments at different levels tend to start projects. If there are enough money, it is not necessary to worry about who can construct the transportation and communication facilities for the countryside. But whether the capitals for infrastructure construction can be used effectively or not should be aroused attentions. Of course, for present infrastructure construction in rural area, the basic water conservancy facilities for defending flood and dry is extremely weak. Years of flood and dry in China completely illustrates this point. But that is not the point in this paper.

For new rural construction, the fundamental issue is to construct or cultivate rural social capital. If the rural area and farmers do not possess powerful social capital, the transfer of social wealth to rural areas and farmers is not sustainable and the natural capital of rural area and farmers can not be enriched completely. And the most difficult issue is also the construction or cultivation of rural area and farmers' social capital. Because the improvement of rural social capital usually means the reduction of strong groups' power, it will face up with great resistance. If the government is not far-sighted or does not possess sufficient public power, it can not effectively adjust the social capital pattern and improve the rural area and farmers' social capital. Then, how could we construct the rural social capital in order to realize the "new rural area" programmed in the No.1 document by the central government in 2006? That is the point in this paper.

3. The deficiency of present new rural construction in the aspect of constructing rural social capital

Among all those measures for constructing rural social capital performed by the government, only the rural residents' self-governance and the remission of agricultural taxes are established in law. Although the nine-year compulsory education is established by law, it can not be fully applied. Besides, though the central government regulates that since 2006 all students in the nine-year education period are free from tuitions in western China, it can not be carried out in certain regions and provinces (only students from families in poverty or distress are free from tuitions). Not mention the soft restrains, such as the grain direct compensation policy (firstly, it does not have a clear time schedule for the compensation; secondly, it is not written in laws; thirdly, the compensation is not meaningful for realizing the goal of new rural construction). As far as whether the new-type rural cooperative medical care can achieve sustainable effect or not, we will wait and see what happens. Here we will not discuss this issue.

Then, why do these institutional policies that do not benefit the rural area, farmers, and agriculture appear? The reasons deserve further exploration. Otherwise, the new rural area will be always a fancy picture. The main reason, in authors' opinion, is the deficiency of social capitals possessed by farmers whose position in social wealth's re-distribution is extremely low, whose interests can not be guaranteed effectively (such as the right of nine-year compulsory education, the right of holding lands), not mention to affect the government policies and drive the government to constitute policies that benefit the "three rural, farmer, and agricultural issues". At present, all policies that benefit the "three rural, farmer, and agricultural issues" implemented by the government are from the government's self-discipline and far-sighted ideas instead of farmers' social capital. However, if the economic growth and the social prosperity depend on the government's self-discipline and far-sighted ideas, it can not be sustainable. The prosperity and the decline of all dynasties appeared in China history well illustrate this point. Under the present pattern of social capitals with large distances, it is hard for the new rural construction that aims at improving China's grain productivity, farmers' living level, and rural environment, to achieve fundamental progresses. Even there is certain progress, it can not be sustainable. Then, how could we construct the social capital for rural area?

4. How to construct the social capital for new rural area.

4.1 Rural special cooperative organization

At present, the agricultural special cooperative organization appears everywhere. In practice, there is successful instance, such as some special cooperative organizations in Leshan, Sichuan province. Undeniably, this special cooperative organization can realize the small-sized cooperatives to certain degree. Its initial aim is to dig out the production potential of agriculture, and depend on market and enterprises to reduce the separation of farmers' decision, and finally develop into modern agriculture. However, the cooperatives are still a construction process of productive capital at a low level. And this productive capital is not for distribution.

On one hand, it is questionable to enrich the rural productive social capital by constructing special cooperative organization. The enrichment of productive social capital includes rich contents. One of the main aspects is the complete development of agricultural production potential. For example, the modern agricultural machines, the cultivated seeds, the environment-friendly pesticides, the special business management techniques, and the consulting services for the sustainable development of agriculture, all these belong to the construction of productive

social capital.

We should notice that the government invests more in the development of rural area, driving the economic development by lots of ways. Besides, the government sets up different kinds of agricultural special cooperative organizations. However, because people's understanding toward the productive social capital is not complete at present and the scope of special cooperative organization is not clear, the development of special cooperative organization is short of development drives and confronts with problems, such as "comparative advantage traps". No technologies and standards for products. No consciousness of brand. Special agricultural products do not have strong core competence. All these facts restrain the complete development of agricultural potential. Moreover, it is impossible to construct distributive and productive capital merely by special cooperation. Under the background of government size and function's adjustment and transfer, the development of agriculture should dig out the inner motive from other channels. To develop the agricultural cooperatives is an effective form to dig out the inner motive. In other words, the core is how to construct the productive capital that possesses distributive nature.

On the other hand, the special rural cooperative organization does not aim at enriching the social capital that can enhance the effects on negotiation, which makes it short of an inner development mechanism for sustainable development. Even few special rural cooperative organizations win successes it is chanciness that makes it. Therefore, in practice it is inevitable to come across this or that problem. In specific, China farmers have not a powerful organization that represents their interests. With the precondition of no guarantee for the construction of farmers' social capital, the development of special rural cooperative organization faces up with many serious problems, such as the absence of property right, and the imperfection of contract. Although farmers are organized together by special cooperative organization, they are still independent and separate decision subjects. Plus the restraints of rural objective natural conditions and the scarcity of arable land per capita, no matter what it is the enterprise dominated "enterprises plus farmers" mode or the government dominated "agricultural schools plus farmers" mode, farmers do not form a powerful integration. Comparing with the enterprises and the governments, they are still in an inferior position. They can not have words in negotiation. As a result, farmers' interests can not be guaranteed and even be hurt because of information asymmetry. So, problems, such as the high contract-disobey ratio in the rural cooperative organization, and the absence of guarantee for member farmers' partial property right mentioned above are rooted in this issue.

Enrich farmers' natural capital and enhance their social capital by constructing special cooperative organization. Authors name it as an "indirect path". In essence, it is a kind of institutional arrangement for solving facial problem but not the fundamental one. The special rural cooperative organization can develop into agricultural cooperatives (if possible). But the explicit costs deserve further calculation and the implicit costs are even immeasurable.

4.2 The foundation of agricultural cooperatives and the enrichment of farmers' social capital

Some people think that agricultural cooperatives will harm the social stability. That is not the truth. The substitution of every feudalism dynasty in China history concerns with farmers' insurgence. Because farmers belong to one social group, if their interests can not be realized by a peaceful way, namely the politics, and the social conflict can not be solved in time and finally accumulated to certain degree, the farmers have to pursue their interests by war. However, as individuals, farmers, no matter whenever it was past feudal dynasty or present socialism time, are rational men. They will never sacrifice their lives for mini interests. Only when expected returns surpass costs, can they start a war, in which they may lose their lives. Therefore, only when farmers' lives face up with risks, can they participate in a war. At present, China farmers have already solved their living problem. They pursue for a well-to-do living and a better life in stead of simple survival. How can they start a revolution or insurgence at the price of lives? Therefore, we should permit the foundation of agricultural cooperatives inwardly and theoretically.

Some people may question whether agricultural cooperatives can benefit the construction of rural social capital. The answer is yes. In China, farmers do not have a powerful organization that represents for farmers' interests. Therefore, even if the law endows farmers with certain rights, these rights can not be carried out if the government does not support farmers and fails to insist on self-discipline. Only when farmers combine together to form an organization with solidarity, can they protect their position in social wealth's re-distribution and relevant rights. The organization that possesses powerful strengths in negotiation and the institutional arrangement for farmers in social wealth's re-distribution form the rural (farmer) distributive social capital. Moreover, the agricultural cooperatives with serious organization can not only improve farmers' position in social wealth's re-distribution, but also benefit the cooperation of agricultural production, which founds the rural productive social capital.

To a further degree, the distributive social capital is to provide with a social acceptable interests structure and a stable profit-encouragement mechanism for agricultural production. Here the so-called social acceptance means that the returns of production capital, circulation capital, and interest capital can achieve a basic equilibrium. Under

China's traditional smallholder farming environment, agriculture is the most fundamental production ring. Its modernization has to depend on accumulation and support for science and technology, capital, and policies. And the high-tech assistant resources needed in its further development rely on high returns. The agricultural cooperatives can help to express farmers' political and economic needs by proper ways. It can also help agricultural production and business activities to win wide social acceptance. The productive social capital chiefly focuses on the introduction of social capital, management, and relevant services. The history of China's agriculture development shows that farmers are not short of spirits of intensive cultivation. They just can not resist the huge impact low costs generated by modern agriculture, such as machines, sciences and technologies. Therefore, the effect of agricultural cooperatives is "combination", dislocating the high costs in the process of modernization. However, the cooperatives are different from special cooperation. The cooperatives are based on experiences of special cooperation. Associate separate farmer together, associate together to introduce special management talents, special consulting services, and associate to ask for political right and enhance the power in negotiation. The foundation of agricultural cooperatives can combine separate farmers together, realizing the scale operation of agriculture, and improving agricultural development and operation level.

The next question is how could we construct the unified agricultural cooperatives that represents for all farmers' interests? Under the present arable land system in which the ownership of land belongs to the country and farmers have the beneficial right, and with the restraint of natural capital that the average arable land possessed by farmers is two acres per capita, it is hard for farmers to form the widely-accepted agricultural cooperatives. In other words, for a long period, it is impossible to constitute the ideal agricultural cooperatives, unless we speed up the integration of arable land. Obviously, the speeded integration of arable land without considering sustainable economic growth and social stability is not practical or worthy. But, as long as we do hope for the appearance of a new countryside with "developed production, well-to-do living, polite ethos, clean environment, and democratic management", it is fundamental to allow and drive the development of agricultural cooperatives. The faster the agricultural cooperatives comes into being, the nearer the new countryside is.

4.3 Revelation and reference from the development of Japanese Agricultural Cooperatives

Why we discuss the experiences of Japanese Agricultural Cooperatives' development includes two reasons. Firstly, Japan and China adopt a similar political system, emphasizing on the centralization of state power. Administrative orders are from the top level to the lower level. Besides, the two countries have lots of similarities in some aspects, such as the similar natural restraints and the main production ways (separate smallholder farming), the deficiency of arable land per capita, the short of natural capital, and the weak agricultural basis. Secondly, Japanese Agricultural Cooperatives have gained a great success after years of accumulation. It contributes a lot to Japanese agriculture and economic development. We should take references from its successful experiences, because exterior favorable experiences and revelation can help to save costs of reform effectively. In other words, if we can use Japanese Agricultural Cooperatives' successful experiences for reference effectively and combine these experiences with China's practices together, the agricultural cooperatives will step into a way with China characters based on exterior experiences and inner reform. Enrich the rural productive social capital and the distributive social capital rationally. As a result, many problems may be solved completely, such as the low income of farmers, the grain productivity, and the new rural construction.

Experiences of Japanese Agricultural Cooperatives' success chiefly include these aspects as follow: the close organization, the wide participation, the comprehensive service function, and the democratic management. From these successful experiences we notice that Japanese government strives hard for the enrichment and construction of farmers' social capital (some people think that the government has to take farmers' interests into consideration because they hold political votes. But here we do not discuss this issue). Firstly, Japanese Agricultural Cooperatives' development has strong institutional basis. The state takes the institution of agricultural cooperatives as an organizational measure for agricultural development. One of important reasons for Japanese Agricultural Cooperatives' fast development is its legal social position at its initial stage. Since the reform of industrial organization in 1947, Japanese Agricultural Cooperatives have been regulated by the Law of Agricultural Cooperative Combination. Besides, Japanese government continues to amend former laws and constitutes new laws along with economic development and environmental changes, what serve as reliable legal basis for Japanese Agricultural Cooperatives' all activities. In this aspect, considering the popularization of institution economics in China, the great achievements in the thirty-year's implementation of reform and open policy, and the absolute authority of government, we can easily solve the issue of institutional reform and guarantee. The urgent issue for us is to think about how to deal with the resistance from interests groups and the effects generated by the implementation of institutions and laws.

Secondly, Japan does not possess rich natural conditions and land resources. Farmers are engaged in separate family

operations. Therefore, the growth of Japanese Agricultural Cooperatives and the development of agriculture have to depend on government's supportive financial policies. Otherwise, the growth and the development are impossible. Because of enormous financial allowance from the government, Japanese Agricultural Cooperatives have obtained rich natural capital at the initial stage, what creates conditions for the construction of farmers' productive social capital. But considering China's situation, although the No.1 document extremely emphasizes on the "three rural, farmer, and agricultural issues" and the government adds more and more compensation for agriculture, the effect is small because of the large population of farmers and the too-much levels of governments. In other words, if we pursue for the construction of agricultural cooperatives, we have to firstly reform the levels of administration.

Thirdly, Japanese government pays more attentions on the construction and enrichment of Agricultural Cooperatives' productive social capital. At present, Japanese government provides with billions of Japanese Yen for agriculture annually, chiefly using for the construction of irrigation works and the price compensation for agricultural products. Together with the financial policy, Japanese government provides with low-interest loans for farmers with the intention of solving the deficiency of agricultural capital. Meanwhile, the Agricultural Cooperatives enjoy a more favorable tax comparing with common private enterprise. For example, the law of monopoly is not right for Agricultural Cooperatives' products and capitals. The legal tax of Agricultural Cooperatives is lower 10% than that of common enterprise. Japanese government tries to popularize agricultural science and technology by many ways. It aims at training agricultural talents by flexible forms, adopting both formal education and social education at the same time. The Agricultural Cooperatives have complete education system. It cultivates talents with the spirit of coordination and cooperation. The government helps to construct the Agricultural Cooperatives' Central College. In local area, there are 41 colleges of Agricultural Cooperatives and kinds of training centers. Besides, the agricultural operation services and agricultural improvement and popularization industries (such as agricultural testing ground, and agricultural technology prevailing stage) that aim at teaching farmers agricultural technologies and new scientific knowledge, and transmitting agricultural business information, market trends, and new breed information to farmers are popular in the whole country. In China, although the activities of sending science, technologies, medical care, and sanitation are popular at present, it does not form an institutional arrangement. After all, the knowledge transmitted in a short holiday is limited. Farmers are not good at absorbing and consuming the new knowledge, what is caused by the extremely shortage of teaching talents because of the deficient investment in rural education and the problem of encouragement. As a result, the agricultural production in China mostly depends on experiences. Therefore, we should emphasize on improving farmers' knowledge storage and agricultural technologies by introducing social power, adjusting training thoughts, combining formal education and social education, grassroots popularization and specialty training.

Besides, the nationality of Japan is also one of experiences for the success of Japanese Agricultural Cooperatives. Japanese have strong consciousness of group affiliation, emphasizing on solidarity and coordination. Therefore, the cooperative thought is in accord with Japan's solidarity. The cooperative thought firstly appears in commercial industry. The characters of agriculture determine its dependence on natural conditions and environment. Plus the separate family operation, it is hard for the agriculture to defend the double risks from the nature and the market. Therefore, the cooperative economy gains complete development in agriculture field. In a sense, the Japanese Agricultural Cooperatives reflect the solidarity of Japan in rural area. However, in China the consciousness of group affiliation and coordination is not strong. Chinese emphasize on elites and talents. So, the successful construction and development of agricultural cooperatives in China have to rely on appearance of excellent leaders. At present, a wonderful way is to select the college student with both morals and abilities to manage a village. We should normalize this way and take it as an institution for a long time.

4.4 The system innovation serves as a guarantee for the foundation of agricultural cooperatives and its development.

After we introduce the development of Japanese Agricultural Cooperatives and its successful experiences, what can we do at present, considering China's situation? Firstly, besides permitting the foundation of agricultural cooperatives, the government should create conditions for agricultural cooperatives' foundation and development at the right time. In authors' opinion, only by system innovation can the foundation of agricultural cooperatives and its development be guaranteed. To cancel the governments at villages and towns is an important fundamental reform for the development of agricultural cooperatives.

Cancel the governments at villages and towns. Reasons are as follow. Firstly, leave spaces for the foundation of agricultural cooperatives and its development, which represents for farmers' interests in deed. Under present system, it is impossible for the appearance of a powerful organization that may confront with local governments. Secondly, to realize farmers' self-governance, the governments should not control too much (for example, the government should not interfere with the selection of rural residents committee, and the rural production). However, the

governments at the villages and towns always have the impulse of realizing their authorities. Thirdly, in the financial aspect, many governments at villages and towns can not achieve income-and-expense balance because of the deficiency of financial capitals, the overstaffed offices, and the remission of agricultural taxes. Therefore, it is urgent to simplify the government structure. To cancel the governments at villages and towns has the smallest resistance and the highest feasibility. Besides, by canceling the governments at villages and towns and referencing from the institutional innovation in Zhejiang province where the “province-manage-county” system achieves nice effects in practice, China’s administrative levels can controlled effectively. Undoubtedly, it will establish firm basis for the implementation of central government’s capital compensation for farmers, countryside, and agriculture, and also leave spaces for the foundation of agricultural cooperatives and its development.

Secondly, the government should adjust its thoughts, insist on the way of developing agricultural cooperatives, turn the law of rural special cooperative organization to the law of agricultural cooperatives, reduce the costs generated by the “indirect path”, integrate farmers into a powerful organization, enrich farmers’ social capital, and enhance farmers strengths in negotiation. Just as what was discussed above, it is impossible to complete the construction of agricultural cooperatives one night. We can set up pilot areas for the construction and development of agricultural cooperatives by referencing from the implementation of reform and open policy.

Any new thing will come across problems at the very beginning. The agricultural cooperatives are not an exception. In order to achieve a fine and fast development of agricultural cooperatives, we should continue to made institutional innovation, restrain local protectionism effectively, enlarge the scale of agricultural cooperatives, and enhance the competence of local agricultural cooperatives. Agricultural cooperatives can enlarge its scale by these ways as follow. Firstly, it is the combination. Several agricultural cooperatives combine directly. That is the main way to enlarge its scale. Secondly, agricultural cooperatives set up an association in certain aspect or sign certain agreement to achieve coordinative operation. But all agricultural cooperatives sustain their independence. Thirdly, agricultural cooperatives enlarge their scales by self-accumulation. Fourthly, reform the organizational system, by which agricultural cooperatives can reduce middle rings, decrease costs, and improve efficiency. Considering specific situations, we can turn the “base-county- central” three-level organizational system to the “base-central” two-level organizational system. In other words, integrate the county cooperatives into the national cooperatives and form the central-base organizational system. We can also integrate base agricultural cooperatives and form wide agricultural cooperatives (still base agricultural cooperatives). Besides, the agricultural cooperatives should enhance the organizational construction, simplify the institutions, and improve the service efficiency. In order to guarantee the proper operation of agricultural cooperatives, the government should amend relevant regulations in laws in time.

Besides, in order to enrich farmers’ productive capital successfully, agricultural cooperatives must introduce corporate management mechanism. Considering the nature of agricultural cooperatives, as we introduce the corporate management mechanism, we should combine it with the principle of cooperative operation in order to ensure that the operation of agricultural cooperatives does not disobey the fundamental principle of being farmers group and the cooperative economic organization.

5. Conclusion

In a word, if we want to realize the goal of new rural area with “developed production, well-to-do living, polite ethos, clean environment, and democratic management” and make it sustainable, we should construct rural (farmers’) productive social capital and (wealth) distributive social capital, besides enriching rural natural capital by absorbing social strengths. In order to construct rural (farmers’) social capital successfully, the government should grasp opportunities to create proper conditions for the foundation and development of powerful agricultural cooperatives that represent for farmers’ interests indeed.

Theoretically, the foundation of agricultural cooperatives can effectively improve farmers’ position and political rights. But in practice, it faces up with huge obstacles, including not only the resistance from interests groups, and the games between different interests groups, but also problems, such as how to solve local protectionism effectively, and the organization and integration of farmers. And even the pilot issue is extremely complex. Although difficulties are numerous, to found and develop agricultural cooperatives is an irreversible trend for the long run. What we should do is to hold firm confidence and solve problems in the foundation and development of agricultural cooperatives based on further discussion.

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