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Can Agriculture Prosper Without Increased Social Capital?

If most people fail to earn a decent living in the twenty-first century, it will more likely be due to social rather than technological failures. Social failures include wars, family break-up, crime, disinvestment in institutions, and even unnecessarily high costs of producing and distributing our food and fiber. We believe the main cause of most social failures is a lack of what some sociologists and economists call social capital or what others call caring, goodwill, loyalty, sense of belonging, sense of community, or social closeness.

Social capital refers to the caring among persons and between persons and their institutions. This caring can either promote or retard business success and even affect our ability to form sound food and resource policy.

The implications of social capital for business success and public policy formation can be best understood by breaking social capital into five categories. Each category describes a motivation for action that affects farms and agribusiness and the ability to formulate policy for agriculture and rural communities.

1. *What's in it for me?* Selfish persons increase their well-being by increasing their *own* income.
2. *I'm glad when you're glad.* Altruistic persons increase their well-being by increasing the well-being of those they care about.
3. *It's not good to be alone.* Sometimes we cannot significantly alter the well-being of those we care about so we try to increase the closeness we feel toward them. We can increase our social capital or caring even when the welfare of

the object of our caring can't be affected.

4. *Reach out and touch someone.* Calculating persons increase their own income by increasing the caring others have toward them. These persons exploit the social capital of others.
5. *Who is the person in the mirror?* We may increase our sense of well-being by increasing our self-respect. Persons investing in this type of social capital do so by acting in ways that align their actual self with their ideal self.

What implications do each of these social capital related motivations have for agribusiness and food and resource policy?

What's in it for me?

The totally selfish person cares nothing for others and is completely opportunistic. He or she exploits legal opportunities by enforcing a contract provision after an unforeseen event creates a hardship on the other party. Such a person asks for a refund on their commodity promotion check-off even if they benefited by the promotion. These persons take what they can. They will cheat on a business partner or employer. They will illegally use harmful pesticides or feed additives for higher profits if they sense a low probability of detection.

I'm glad when you're glad

A popular singer, Barry Manilow, crooned: "You know I feel glad when you're glad; I feel sad when you're sad..." Such persons seek to improve the well-being of those they care about. Studies show that sellers offer price concessions to those with whom they feel sympathy and whose incomes are

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An illustration of the "Reach out and touch someone" category of motivation.

less than their own. These feelings explain why we offer favors and gifts without expecting repayment, make contributions to our alma mater, and support welfare payments for dependent children. On a national basis, it may help explain "most favored nation" trading status, food stamps, and food relief programs.

Caring leads to funding support for community development projects. To vote for increased taxes for education when one has no children in the system requires some closeness to the neighbor's children. Caring for others may reduce the temptation for farmers to request return of their commodity checkoff money and thus prevent collapse of the promotion program (Dawes). We often try to substitute for social capital by increasing the demand for the program through education. But it might be cheaper to increase social capital or caring for others.

Caring individuals adopt practices that regulatory efforts fail to achieve. There can never be enough police to catch the food processor who ignores diseased animals or the feedlot operator who uses a drug too long. But when the food processor and feedlot operator care about their customers, they adopt practices that regulatory efforts fail to achieve. No one wants to poison those they care about.

The opposite of caring is hostility and antipathy. To describe this motivation requires a new lyric: "I feel glad when you're sad, and I feel sad when you're glad..." Antipathy leads us to reduce another's income even if we reduce our own income. Antipathy may explain why many otherwise good family farm and business partnerships fail. In many cases owners dissolve their business partnerships even when dissolution leaves both partners worse off.

What reduces antipathy? Fairness helps. If a program is perceived as unfair or recipients undeserving, it may be opposed even if all the community benefits. If one business partner perceives unfair distribution of profits or work responsibilities, his or her sense of "I'm glad when you're glad" will likely be reduced. Then with reduced caring, it becomes more difficult for the partners to agree on efforts to direct the business.

It's not good to be alone

A newcomer in a town or school often wants to increase his or her sense of belonging. They may join the local Rotary or farm organization, participate in parent-teacher organizations, or volunteer for services. Becoming close or increasing one's social capital increases the pleasure derived from otherwise unchanged goods. A retiree gets more satisfaction from school taxes by getting closer to others' children.

Schools and other organizations in rural communities often provide opportunities for volunteer efforts. As individuals participate in such activities, they often develop a deepened sense of belonging that increases support for local businesses and helps to sustain institutions in rural communities.

Reach out and touch someone

In business, customer loyalty counts. Even when financial incentives encourage them to switch, a loyal customer may continue business with the same firm. Thus, agribusiness firms benefit if farmers have brand and store loyalty. Businesses may seek to build customer loyalty through contributions to local charities.

A recent survey of agricultural banks revealed that an important advertising goal was to increase goodwill. The same motive exists in other businesses. For example, AT&T wants us to reach out and touch someone. In the competition for the beverage market, beer and soft drink firms have linked consumption to having fun with friends while milk has focused on health.

Fairness improves customer goodwill. Research shows that customers react to notions of fairness in business practice (Kahneman, Knetsch, and Thaler). If customers perceive unfair price markups in the

context of temporary shortages, the higher prices may defeat all the goodwill built by the business through advertising and service. Profit-seeking business can not ignore the effects of goodwill on returns to advertising and pricing policy.

Fairness also improves employee goodwill toward the business and affects their productivity. Fairness in promotion, firing, and relative wages within the firm builds goodwill and increases productivity. Until recently, Japanese firms have better understood the importance of employee goodwill or social capital than U.S. firms, and this may be part of our competitive problem. Many Japanese firms make commitments to lifetime employment and are more aware of how management salaries and perks, relative to those for plant workers, affect morale, monitoring costs, and productivity.

Farmers benefit from society's warm feeling (agrarianism) toward them, even if the warmth has cooled somewhat. The warm glow that urban people have had toward agriculture in the past substituted for and complemented raw political power. The public is increasingly aware of how farming practices affect the environment and food safety. How production agriculture responds to these increasing concerns will affect society's caring for agricultural welfare. Neither farmers nor colleges of agriculture can fail to reach out and touch others to maintain public support.

Research shows that concern for others depends partly on the other person's income. Urban people may care whether farm payments go to the rich or the disadvantaged. Can middle income farmers benefiting from farm programs afford not to support payment limitations? What else can farmers do to maintain the sense of closeness that urbanites have for farmers?

Who is the person in the mirror?

Psychologists observe the need for individuals to find conformity between their beliefs and actions. Acting in ways contrary to one's internalized set of values reduces self-respect or social capital toward oneself. Some people eligible for food stamps do not apply for them because participation does not fit their self-image. Studies report individuals returning lost purses with cash inside even though it

required a personal sacrifice to do so. Many return excess change when miscounted at the grocery store. Why? Because it affects the way we feel about ourselves.

How one feels about one's own actions is sometimes referred to as one's conscience. Conscience saves a lot of policing costs in farm and environmental program administration.

Where it all leads

We can no longer build business and public policy solely on the assumption that people don't need to care for each other as long as markets organize their selfishness. Total selfishness may lead to mischief and missed opportunities for cooperation and exchange. Social capital reflecting caring, goodwill, and loyalty can contribute to the success of a variety of efforts, including commodity checkoffs, formation of business partnerships, support for local schools, community promotion of new jobs, reduction of environmental hazards, and development projects. ■

■ For more information

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