

**SOCIAL CAPITAL POLICY EXPERIMENT: THE NEW VILLAGE MOVEMENT  
AND THE COMPOUND PROJECT IN SOUTH KOREA**

**By**

**Yu-Jin Kim**

**THESIS**

Submitted to

KDI School of Public Policy and Management

In partial fulfillment of the requirements

For the degree of

**MASTER OF PUBLIC POLICY**

2012

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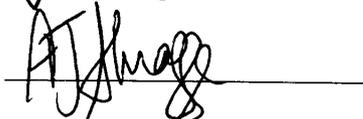
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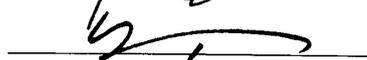
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## **ABSTRACT**

# **SOCIAL CAPITAL POLICY EXPERIMENT: THE NEW VILLAGE MOVEMENT AND THE COMPOUND PROJECT IN SOUTH KOREA**

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**Yu-Jin Kim**

This thesis articulates link between social capital and socio-economic development. Although, in the past, development pundits mainly concentrated on material ingredients such as land, capital and labor, social capital has increasingly received attention as one of essential determinants for the successful socio-economic development in the recent decades. Fascinated by nature of social capital, some scholars emphasized an importance of relations between social capital and socio-economic development, and many have no doubt agreed on that claim. Their arguments, however, have been somewhat abstract without empirical data or substantial experiences, which spawned a dilemma as to the practical application of those theories on social capital to fields. The situation that the academically excellent theories benefit no one and cannot break up the stagnancy of the status quo brought about the birth of this thesis. At this juncture, a research on social capital needs plausibility and feasibility as a ground for the direct application to development fields. This paper will closely look at how social capital facilitates socio-economic development in a community through a case of the New Village Movement and its detailed campaign, the Compound Project, conducted in South Korea, which contributed to rural re-modernization and further its national advancement.

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# TABLE OF CONTENTS

<b>1. Introduction</b>	<b>1</b>
<b>2. Theory of Social Capital and Development</b>	<b>6</b>
<b>3. New Initiative: The New Village Movement</b>	<b>12</b>
<b>4. Objectives of the Study and Hypothesis</b>	<b>17</b>
<b>5. The Compound Project</b>	<b>20</b>
<b>5.1. An Idea of the Compound Project</b>	<b>22</b>
<b>5.2. Details of the Compound Project</b>	<b>23</b>
<b>5.3. A Story of Success: Anecdotal Evidences</b>	<b>26</b>
<b>6. The Results of the Compound Project</b>	<b>32</b>
<b>7. Discussion</b>	<b>34</b>
<b>7.1. Legal and Institutional Guarantee</b>	<b>35</b>
<b>7.2. Access to Credit</b>	<b>37</b>
<b>7.3. Community Credit Cooperative</b>	<b>38</b>
<b>7.4. Good Governance and Transparency</b>	<b>40</b>
<b>7.5. Group Leaders</b>	<b>42</b>
<b>7.6. Leader Education by the Government</b>	<b>46</b>
<b>7.7. Monitoring and Evaluation as an Incentive</b>	<b>50</b>
<b>7.8. Other Elements</b>	<b>52</b>
<b>8. Summary and Conclusion</b>	<b>53</b>
<b>*References</b>	<b>58</b>

## **LIST OF TABLES**

- 1. Table 1: Annual Growth: 1972-1979 (p. 33)**
- 2. Table 2: Incomes Comparison between Urban and Rural (p. 33)**
- 3. Table 3. The Selection Method of Village Leaders (%) (p. 45)**
- 4. Table 4. Educational Level, Comparison between Villagers and Leaders (%) (p. 45)**
- 5. Table 5. Trainees' Job Classification, 1972-80 (p. 47)**

## **LIST OF FIGURES**

- 1. Figure 1. An Initial Push to Stimulate the Potential of Social Capital (p. 19)**
- 2. Figure 2. The Cyclic Process of Compound Project (p. 24)**
- 3. Figure 3. The Progress of Compound Project (p. 25)**
- 4. Figure 4. An Exemplary Mechanism of Development Implementation (p.56)**

# **LIST OF DIALOGUE**

- 1. Dialogue 1. Sample Dialogue in a Village Meeting (p. 13-14)**

## 1. INTRODUCTION

Annually, tremendous international aid has continued to be poured into, so-called, least developed countries and a variety of development projects have been carried out there. It is unfortunate and, in some ways, strange that most beneficiary countries are still caught in a poverty trap, even extreme starvation. Lots of celebrated scholars and bright specialists with an experienced eye have discoursed upon the emerging world's suffering a vicious circle of poverty to explore causes of the tragedy. Some comment that prevalent development cooperation methodologies have a base of western culture and white supremacist ideology, which is not well fitting in non-western societies. Others pay attention to poor leadership and rampant corruption throughout the whole countries. On the other hand, a certain group attributes the vicious circle to link between geographical conditions like climate, for example, Africa's murderous heat - and a slow or lazy disposition of its people. At times, a lack of political democracy and freedom is mentioned as an obstacle against socio-economic advancement. Besides, many factors are blamed for the socio-economically weak and stagnant countries by different intellectuals,

Socio-economic development emerges from the cumulative impact of small changes in various fields, rather than from a single big one. In short, each expert's assertion makes a sense but not a single factor would be perfectly adequate to identify the cause of interminable poverty around the world full of diversity, complexity, exceptions and peculiar circumstances inapplicable to commonness. The world-famous paradigms on development like Washington Consensus have not offered a clear answer to the dilemma, either. At this juncture, finding a clue many have missed is necessary to break out of obstacles to socio-economic development.

Lately, social capital has gradually received attention as a fundamental determinant for successful socio-economic development. Some scholars have strived to concentrate on links between social capital and development, arguing that social capital is the clue all have missed so far. Given that social capital is not irrelevant to the above-referred explanations and, furthermore, it can embrace all existing development paradigms, it is worth of notice. In brief, one should always consider conditions like culturally-well-designed development policies, great leadership, good governance and spiritual reform, with which social capital is closely intertwined as the root cause. I will argue that abundance or lack of social capital determines success or failure of socio-economic advancement. It engages with delicate mechanisms under which practical problems in international development fields arise; though famous development theories or methodologies make sense in an academic paper, those ideas have produced an anticlimax, not alleviating poverty. Usually, scarcity of social capital goes together with matters like governance, civic engagement, and social and institutional legality. I will further argue that the main culprit of endemic poverty in emerging economies is related to people's disappointment of widespread corruption and illegality within chaotic social systems, and their deep distrust. Many agree on putting an emphasis on the relationship between social capital and socio-economic development.

This paper deals with links between social capital and development. Although recent studies on social capital are academically excellent, those writings primarily feature abstract ideas such as defining immaterial assets or clarifying reasons people must take notice of it, lacking empirical data or substantial experiences. Of course, such a conceptualization is a necessary step to go forward and some well-known studies have contributed a lot to public interest in social capital. Now, everyone knows how greatly social capital affects socio-economic development processes. This theory needs plausibility and feasibility as a ground

for direct application to a field so researches on social capital should go beyond further abstract discussions or pure academic controversies. Examining specific cases will provide the exemplary precedents full of know-how built up through trials and errors of decades for late-starters.

On that point, South Korea's New Village Movement deserves examination. More specifically, the Compound Project, the central one among various detailed projects carried out under the New Village Movement, well exemplifies the mechanism by which social capital functions in developmental processes. Frankly speaking, the methodology of the Compound Project is not innovative. Similar kinds of income generation campaigns have been conducted in other countries under different names like Credit Cooperatives and credit union movement. Nevertheless, the significance of the Compound Project comes from its remarkable success. It is not easy to discover a successful development program in real field. Other development projects with analogous methods or processes have barely succeeded and, even if showing positive results, the success has been only temporary. Then, why did the Compound Project bear such great and sustainable fruit? What is the difference between the Compound Project and other ones with similar methodologies and frameworks? The answer is absolutely booming social capital.

The New Village Movement contributed to South Korea's overcoming grim histories of the post-war period to prosper. Before the South Korean government undertook the New Village Movement, Korea's state of affairs was dire. Impoverished people, chaotic and disordered social or institutional systems, a post-war shock, lots of wandering orphans, the shattered economy, ruined streets, destroyed construction, an inferior sanitation system and hopelessness embedded within people's mind depicted South Korea's general landscape. In 1961, its per capita gross domestic product (GDP) was \$91, poorer than Bangladesh (\$93),

Kenya (\$95) and Nigeria (\$95) (World Bank 2012). Under the administration's export-oriented strategy or outward looking economic policy, South Korea accomplished rapid industrialization and its urban areas benefited from the advancement. Compared with the urban areas' rapid growth, rural areas had still been socio-economically distressed. A huge gap between cities and villages served as the mainspring of the national founding the New Village Movement. This rural modernization campaign narrowed the income gap between urban and rural areas about a decade later and, even, the average income level of rural areas surpassed that of urban. Almost half a century after the Korean War, South Korea became an aid-donor as a member of OECD (Organization for Economic Cooperation and Development). Just several decades ago, Korean War-combatant nations like Argentina, Ethiopia, Philippines, Greece, Colombia and Thailand dispatched their troops and gave aid to pitiable South Korea but now the role was totally changed. In 2011, South Korea recorded \$22424 of per capita GDP (World Bank 2012).

Many question the secret of South Korea's miraculous growth and unusual success of its simultaneous socio-economic development campaign. This thesis claims that social capital is a prime determinant of success or failure of development policies. Therefore, this paper will look at how social capital facilitates socio-economic development in a community through a case of the Compound Project under the New Village Movement, having contributed to unprecedented socio-economic advancement. The case study will explore how the self-help development program was organized, in what way social capital became closely intertwined with socio-economic development processes and how it stimulated population to actively engage in development programs. The essay aims to modularize the Compound Project which is one of South Korea's successful rural development experiences, and follow

mechanisms in which social capital worked and thus formulate a standard model applicable into different circumstances.

## 2. THEORY OF SOCIAL CAPITAL AND DEVELOPMENT

Attempts to conceptualize social capital have been carried out by many scholars and each scholar has characterized social capital with somewhat different definitions. Robert D. Putnam, a well-known authority on the academic area, defined social capital as “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam 1995, p 67).” J. Brehm and his co-author W. Rahn published their joint-writing *Individual-level Evidence for the Causes and Consequences of Social Capital*, mentioning that social capital is equal to “the web of cooperative relationships between citizens that facilitate resolution of collective action problems (Brehm & Rahn 1997, p 999).” Ronald F. Inglehart’s definition is “a culture of trust and tolerance, in which extensive that affect the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere (Inglehart 1997, p 188).” Also, Karen Pennar’s research showed that social capital is “the web of social relationships that influences individual behavior and thereby affects economic growth (Pennar 1997, p 154).” In addition, Francis Fukuyama said in his essay *Trust: The Social Virtues and the Creation of Prosperity* that social capital is “the ability of people to work together for common purposes in groups and organizations (Fukuyama 1995, p 10).” Later, he re-specified his own “broader” definition of social capital in an article *Social Capital and Development: the Coming Agenda* as “shared norms or values that promote social cooperation (Fukuyama 2000, p 29).” Although each scholar approached a topic of social capital through individual perspectives, their definitions are similar to one another. Francis Fukuyama mentioned that “there is no broadly accepted definition of social capital, and

therefore no commonly accepted standard for measuring or incorporating it into conventional economic models,” pointing out it “weakness in the concept (Fukuyama 2000, p 29).”

To begin with, a definition of social capital is required to appreciate how social capital functions in development processes. As shown above, though many scholars approximated its conceptualization to a certain degree of consent, a wide definition, social capital is a term that evades a clear definition with a huge flexibility, complexity and diversity. The definitions, interpretations and applications of social capital are at each definer’s discretion. People, however, generally agree that it enhances efficiency and productivity of socio-economic function so accelerates development of communities and, by extension, nations. I will borrow the definition of social capital which can shore my studies up: the definition devised by Putnam, “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam 1995, p 67).”

Putnam et al. (1993) conclude that social capital raised by active civic engagement is a significant determinant to efficient governmental performance, well-settled democracy, and by extension, socio-economic prosperity on a national scale in their comparative study, *Making Democracy Work: Civic Tradition in Modern Italy*. The three co-authors compared a total of 20 first-level administrative divisions in Italy to verify link between civic engagement and efficiency of governmental functions. The comparison revealed an obvious phenomenon that a local government which operated with animating civic actions functioned far more ideally than another comparable government possessed with glimmering civic energy. Their study of Italian local governments featured the same framework and constitution, save different social atmospheres; traditionally, the northern part of Italy had shown stronger civic engagement in comparison to the southern part. The authors did not believe that the northern

Italy's well-functioning administrative districts and socio-economic prosperity is just coincidence. Local governments in comparison with the Southern Italy properly demonstrate the above conclusion. Above all, Putnam, Leonardi, and Nanetti (1993) used the word 'trust' to explain relations between social capital and civic participation to address communal issues. Deviating from the traditional way of discussing critical determinants such as feasible policies, institutional reforms, enough funds or the proper timing for a desirable result, the advent of 'trust' as a new variable cast a fresh point of view for all. The book addresses that "networks of civic engagement encourage social trust and cooperation" and "individuals are able to be trusting because of the social norms and networks within which their actions are embedded (p177)."

Apart from a matter of defining social capital, Francis Fukuyama's article (2002) opens up a new discourse on social capital, a matter of "weaving the concept of social capital into policy (p 31)" and future tasks to deal with further. Fukuyama's comment that "it is not sufficient to go into village, note the existence of networks, label it social capital and pronounce it a good thing" let a readership realize where on-going studies on social capital lie today. Until now, people tried hard to comprehend the invisible but high-powered capital, which blossoms a lot of discussions on it, but a further practical study ought to be conducted. Even if versed in the academic findings, it can be entirely a different matter to build up social capital in the real world which lacks it. He asserts that an epidemic of crime and social problems depletes social capital and handling such a society with the low-social capital is the most challenging, taking Colombia as an example. Fukuyama takes a theoretical solution to create social capital within communities with little social trust and instability; "[strengthening] the rule of law and the basic political institutions which [social capital] rests." In terms of social capital generation, he insists, a micro-dimension is a more realizable means than a

macro-dimension is. This article concludes its whole journey by enumerating a to-do-list for the academic area's promising future as follows: "greater sharing of information about cases where social capital has been successfully created and where it has not," "better [understanding] the formal legal-institutional conditions for promoting social capital," "[looking] more closely at the question of social capital and political corruption," "better [understanding] the relationship between social capital and cultural change," and "greater clarity concerning the intersection of social capital, democracy, and economic reform." His final comment on future issues rationalizes this paper's trial to examine the Compound Project of the New Village Movement.

A book *From Despair to Hope* arranged many details on how South Korea had rapidly achieved a remarkable socio-economic growth. The author Chung Yum Kim had long served as a chief presidential secretary for President Chung Hee Park so he told about every nook and cranny of South Korea's development. His memoir shows all aspects of national development policies under which South Korea made an unprecedented history by advancing itself from an aid-recipient to an aid-donor, creating an often-quoted-phrase 'The Miracle of Han River.' South Korea's miraculous industrialization has wowed the world with its shared growth as well as its usual success. By the New Village Movement under a strong leadership, many South Korean rural residents were pulled from abject poverty out of the postwar shattered economy. Having gone through a development transition, South Korea now constantly ranks one of 15 economic powers in the world and enjoys a boom period than at any other time in contemporary Korean history.

It is near-impossible to deny that the New Village Movement inspires people to seek a desirable development model, but, in fact, the development campaign, has not deeply been researched and not frequently been cited as an exemplary case due to the dark side of the

times: military dictatorship. Historically, the modern Korean society suffered harsh consecutive authoritarian regimes for decades, so a tacit social consensus has formed to be conscious to cite whatever relics from the military dictatorship as a positive case, including the New Village Movement-related ones. Always, discussion on the New Village Movement has inevitably accompanied criticism against dictatorship.

The world-renowned scholar Amartya Sen claims that political freedoms are significant to sustainable development. Among five groups of freedoms, he created, in his *Development as Freedom* (1999), political freedoms capture one of the five. He clarifies the nature of political freedoms as “the opportunities that people have to determine who should govern and on what principles, and also include the possibility to scrutinize and criticize authorities, to have freedom of political expression and an uncensored press, to enjoy the freedom to choose between different political parties, and so on (p 38),” referring to “the opportunities of political dialogue, dissent and critique as well as voting rights and participatory selection of legislators and executives (p 38).” One of his points is that “no substantial famine has ever occurred in any country with a relatively free press (p 152).” Sen claims that press freedoms guarantee information-sharing opportunities for the marginalized communities who used to be a pitiful scapegoat of national disasters and government also can hear honest public opinion. His idea on linkage does not stop when dealing with relations between “the denial of freedom” and communist society that discounts the market mechanisms (p 114). He might partly come up with “the economic inefficiency of communist system” from a collapse of the seemingly-looking great empire, the Soviet Union. Moreover, another point suggests that “education and access to income and finance (even if in modest amounts) can do a lot to promote well-being for women and their children,” which closely connects the author’s literature and a point of this paper. The book mentioned South Korea’s

rapid economic advancement, saying that “some relatively authoritarian states (such as South Korea, Lee’s own Singapore and post-reform China) have had faster rates of economic growth than many less authoritarian ones (including India, Costa Rica and Jamaica) (p 149).” In short, the author claims that South Korea’s success is a rare case which cannot be used to generalize the relationship between authoritarian regime and development.

□ This paper studies the New Village Movement under the dictatorship during 1970’s in South Korea. When it comes to the New Village Movement, a fierce discussion always occurs because the President Park, a military dictator of the regime, is an inseparable figure from the rural development campaign. Perhaps, it could be cleverly driven as a purpose of political mobilization of the rural people for the support of the Park’s regime. Another object, however, was the socio-economic revitalization of rural villages. Here, the paper definitely rules out politics and only deals with the socio-economic revitalization aspect. It has no intention either to condone the dark side of dictatorship nor to stigmatize even something worthy to be considered or learnt as legacy of the dictatorial regime. No doubt, it tries to refer to the New Village Movement with objectivity and neutrality to study relations between social capital and development. Saying again, it focuses on the Compound Project itself under the New Village Movement as an income generation campaign for rural folk like farmers and fishermen in pursuit of verifying link between social capital and socio-economic development, rather than the military dictatorship-related backgrounds. The next section looks over the origin of the Compound Project: the New Village Movement.

### 3. NEW INITIATIVE: THE NEW VILLAGE MOVEMENT

The New Village Movement did much to help Korea to overcome its shattered histories to prosper. The nation-wide development campaign contributed to Korea's shared growth by facilitating rural areas' socio-economic advancement and then narrowing a huge gap in the standard of living between urban residents and their rural counterparts.

The New Village Movement took a merit-based or carrot and stick approach, which has been noted a critical success factor by many. The Korean government had taken practical steps as follows. During the first year of the movement, in 1970, it provided a material support, 335 sacks of cement,<sup>1</sup> to a total of 33,000 villages across the nation (Kim 2011, p. iv). The cement was allowed to be utilized only in pursuit of communal interest, not for individuals' projects. The President Park's administration encouraged people to choose one of representative projects it had recommended, so far as possible: cleaning the whole village and sewage system, constructing compost-making spots, village-owned wells, digging sand from the swamp, fixing brook embankments, greening the village mountain, making the village-laundry spots, repairing and managing tube wells, exterminating rats, and widening village roads (Ministry of Interior 1973, pp. 29-31). At a village assembly meeting, organized by a village leader, villagers selected projects (the number did not matter) on which the given cement might be invested. The whole decision-making process was democratic as the following example demonstrates.

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<sup>1</sup> Why cement? The South Korean government distributed no other materials but cement due to the industrial landscape of the time that included: a financial difficulty caused by the overproduction of cement (Kim 2006, p 224).

## Dialogue 1. Sample Dialogue in a Village Meeting

Agenda: Deciding a kind of a village project

Date: November 2<sup>nd</sup>, 1970

Place: At village leader's home

(Hoipo village, Hwangyoon district, Chungcheong Province)

Village leader: Thanks for your coming though you all might be so tired and the weather is so cold. According to today's agenda we are going to talk about deciding our village project. Actually, from 10 am, there was a meeting at the district office with other village leaders and the main important instruction was a village project as part of New Village Movement.

Villagers: what is exactly the New Village Movement?

Village leader: Our government has promoted heavy industry during recent years. Then, the administration recently noted that its focus would shift, from next year, to rural areas. The New Village Movement will transform agricultural villages into modern society which will not differ from well-advanced urban cities in terms of a living environment at all. So firstly, the government supports cement free of charge to encourage an improvement of residential conditions and additionally its plan is to guide villagers to carry forward projects one by one by ourselves.

Villager 1: Then, in what sort of New Village Movement projects should we be involved?

Village leader: Very diverse projects. Widening village roads, constructing the compost-making spots and drains, repairing and managing tube wells, fixing the brook embankment, etc. We need to select through discussion the most urgent business which, at any time, all villagers can use.

Villager 2: How much cement will be provided to our village?

Village leader: 335 bags of cement for each village.

Villager 3: What about repairing drains within our village first? Our town is prone to floods. I guess preventing serious flood damage, which happens whenever rain is pouring down, is a pressing matter to deal with.

Village 1: Of course, your idea is good but, I think, setting up a fence should be done before rain management.

Village 4: Repairing a village well needs our helping hand, doesn't it?

Village leader: any more suggestions, please?

Villagers: No.

Village leader: First, I was told that cement was not available for fence construction because this work could be a personal affair from certain perspectives. Now, we ought to choose one of remaining two options. Which one is your choice, village well or drains?

Village 5: Repairing a village well does not seemingly require 335 bags of cement so a drain-making project is more appropriate, I guess.

Villagers: Sounds great! (Except 3 villagers)

Village leader: OK. The suggestion was passed by a majority vote. I will report out decision, a drain-improvement project, to the district office later.

Village 6: We must determine a specific starting point to launch the drain construction.

Village leader: Good question. I am about to mention the matter. Tomorrow, I and village development committee members shall estimate a construction scale. Perhaps, I expect 300m.

Village 7: Rather than only targeted drains, let's improve all drains within the village, even if the supporting material may not satisfy demands. Then, how about bearing the lack by ourselves?

Villagers: We all agree with your opinion.

Village leader: settled? Please, speak up your thinking in this place so that everyone may hear. If not, I will report our decision to the superior office.

Villagers: Agreed.

Village leader: Let's wrap up things up here for today. Thanks for your participation.

(Source: Find a Trace of Glory 1980, pp. 224-225)

As shown above, as to selection of village projects, there was much freedom within a well-defined boundary: it should be a 'communal' project with a 'common cause' and for the 'public good.' All villagers should perform cooperatively for substantial achievement. From a procedure of a village business selection to project completion stage, democratic principles, a self-help spirit and cooperative attitudes were required among the rural populace. It is natural that no one could claim a self-profitable project on a public meeting stage, even though might be a face-work, so a village leader could collect ideas worth discussing. Besides a confirmation of a certain project, huge logistical matters await people. For a project implementation, all village members' readiness to cooperate with one another was definitely needed for successful conclusion.

After a year, President Park instructed that each governor evaluate the villages under their own charge and classify the supported villages into three categories: Base village, Self-help village and Self-reliant village. While all processes, initiating and finalizing a village project, were done, no one forced them to actively participate in their own village projects; nor did the government. Instead, all subsidized villages were subject to stringent reviews and critical evaluation. The first category, Base village, included villages that did not manage the cement well: putting it into the open air or an open storage so that eventually the cement became hardened and useless, for example. Next, villages in which the same amount of cement was distributed to each household and used for individual needs were evaluated as the second category, Self-help village. The third category, Self-reliant village, had ones whose leaders collected villagers' opinions and villagers collectively pushed ahead with an agreed village business and substantial outcomes were shown (Jung 2009, p106).

The classification was a criterion for the second governmental subsidization program. As a result, during the second year of New Village Movement, in 1971, the number of

villages receiving the governmental aid sharply fell off in 16,600, which was less than 50 % of the total number of villages (Kim 2006, p 225). In short, the 16,600 villages were valued as self-reliant villages, and regarded as deserving additional support. The administration thought that such discrimination between hard-working villages and indolent ones was reasonably fair. Therefore, according to the merit-based principle, only the self-reliant villages re-obtained governmental support, this time 500 sacks of cement and, furthermore, a ton of steel. The second-year support for the rest villages was cut off.

The merit-based principle instigated competition among villages and instilled a voluntary spirit. All could directly witness how their favorably performing neighboring villagers benefited from the government. Such an atmosphere spurred many to undertake a village project, as one of village members and, even, some who could not be awarded a grant due to poor performances undertook their community project by funding themselves. As a result, at the end of the second term, 6,108 villages, classified into Base Village at the first year of the campaign, became promoted to the third category, Self-reliant villages (Kim 2006, p 226).

Such substantial fruits encouraged the Korean government to take even larger strides for a long-range rural development plan beginning in 1973, targeting that all Korean villages would correspond with the Self-reliant level by 1981 at least (Jung 2009, p 33). Under a long-term New Village Movement plan, the administration set up 5 priority-goals: production infrastructures expansion, income generation, forest greenification, welfare facilities improvement and spiritual reform (Jung 2009, p 30). Additionally, it specified 3 projects for each goal and coordinated 40 sub-village businesses to achieve the mentioned 5 goals (Jung 2009, p 31).

#### **4. OBJECTIVE OF THE STUDY AND HYPOTHESIS**

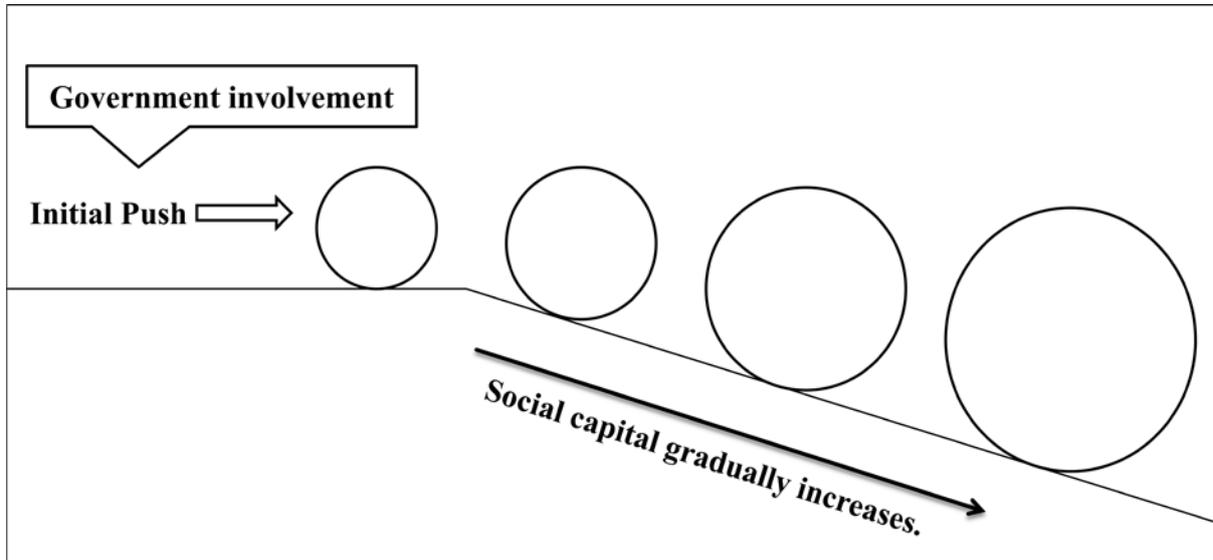
The thesis examines a socio-economic policy experiment with social capital for the revitalization of rural villages in South Korea, and singled the definition by Putnam that social capital is “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam 1995, p 67).” Here, as regards rural or national development, I add one important point to the concept of social capital originally advanced by Putnam and other scholars who suggested similar definitions like Fukuyama: the role of government in the development and institutionalization of the idea of social capital.

The socio-economic development fueled with social capital requires some initiatives from a government. Even though there exists a full potential for collaboration and trust or a certain level of social capital, public policy should push forward social capital to make that work for the national development. Traditionally, the Korean rural society possessed a strong self-help spirit. Rural people took turns helping to plant seedlings in spring and harvesting in autumn in the way that all villagers gathered in one household to help planting rice and they all moved to another family the next day to help rice transplantation on the family-owned farmland. Because the tradition of reciprocity was their own norm to create benefit for all, the people were willing to collaborate with one another though no one forced them to help by turns. Such a collaborative tradition had already existed in the general Korean villages, but the valuable asset had not been well-utilized in accomplishing a large-scale development project, and the social capital functioned only within a small community. Then, in 1970s, the New Village Movement and its Compound Project revitalized long-cherished social capital

within the Korean rural communities, which assisted South Korea to enjoy the unprecedented socio-economic growth.

Working hypothesis is social capital built by a government helps the participating rural villages create the spirit of trust and cooperation so the boosted social capital would be a force for their socio-economic welfare and community development in the future. At this juncture that many agree that social capital is an essential ingredient for development, the significance of the governmental involvement ought to be stressed. In short, public policy should be a force to push for progress. Having dealt with an issue of social capital, Putnam and others did not emphasize the role of government so their theories need a bit the modification by adding a role of government as an initial push for a large-scale of social mobilization. I will test this idea with the compound project which is a component part of the New Village Movement.

**Figure 1. An Initial Push to Stimulate the Potential of Social Capital**



*\* In winter, an initial push is necessary to send a snowball rolling down the hill. Once the initial stimulus performs a role, the snowball would be continuously run by inertia and the size of the snowball will become bigger (for perpetuity). The New Village Movement and its detailed Compound Project was systematically planned by the South Korean government, and the governmental initiative awakened the hidden potential, social capital within villagers.*

## 5. THE COMPOUND PROJECT

The leadership was soon faced with a critical challenge to resolve emerging matters in terms of sustainability. Although villagers' quality of life conspicuously improved in the early stage of the New Village Movement, the Korean leadership was by no means naïve to hope that an initial tangible outcome would be repeated annually. First of all, the governmental support for village projects might not be permanent due to unpredictable national variables. The unsuspected national state of affairs required rural communities' self-capability to be financially independent. Also, although physical infrastructure items like neatly-paved roads and newly-built bridges were, of course, phenomenal outcomes in the early days of the development campaign, what practically affected the life of the rural populace was an actual income in their own hands to purchase daily necessities they needed. Besides, though no one denied that the New Village Movement's primary principles, self-help spirit and uncompensated voluntary participation, had contributed to rural areas' growth, it was too much to depend blindly on the existing principles; not all works could be done only with people's will and effort. Businesses beyond bounds of villagers' capacity were often assigned to corporate entities specialized in a certain sector. The incumbent officials ought to have taken into consideration ways to reach reasonable solutions when diverse problems came to the surface.

The Compound Project was a sub-program of the New Village Movement as the solution for sustainability. Specifically, it was an income-generation project fitting into the second goal of the movement. The Compound Project was not a copy of Western development know-how but a customized idea which reflected Korean rural communities' realistic demands. It was possible because Park's administration had undergone numerous

trials and errors while adopting its development policies to on-site circumstances. In other words, it was a completed version of a Korean-style rural development model. Though the Compound Project was one of projects of the New Village Movement, this project can be arranged as a kernel of the New Village Movement as the New Village Movement owed much of its success to the Compound Project.

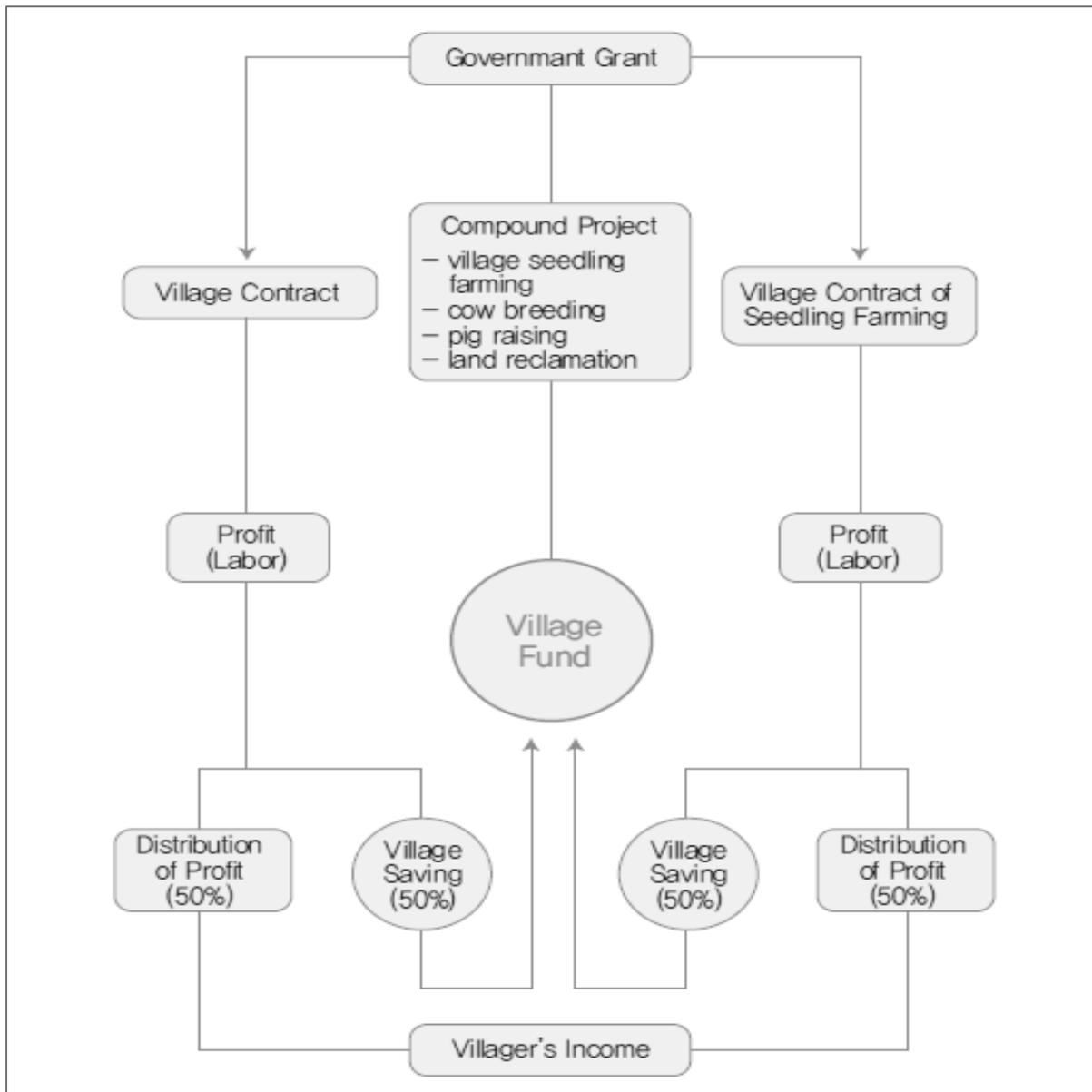
### **5.1. An Idea of the Compound Project**

The Compound Project brought change into traditional financial operation of rural areas. Under the Compound Project, an individual rural village made a business contract with the government as a corporate entity and assumed full responsibility for an assigned public work which was financially valued at less than 3,000,000 KRW (Kim 1973, p 42). If a village completed it successfully and earned revenue, half of the revenue was distributed to individual villagers, proportional to their own contribution or effort, and the remaining half was pooled in a village fund. By the time that a village project had been finished, the village leader held a community assembly meeting to discuss details of the next project contract such as what business to be run next and how much village money to be invested. The money was derived from a village fund. A year later, once they spurred a new consecutive project into practice and earned income through the next business, 50% of the income went around for all participants as same as before, not evenly but fairly in accordance with individual contributions and again, the remaining 50% was put into the village fund. Such a method of income distribution and profit saving expanded the total budget of a village fund, which made it possible for rural communities to afford other ambitious enterprises and eventually enjoy prosperity. The Korean rural populace benefited from a personal income increase, too.

## 5.2. Details of the Compound Project

The exhaustive Compound Project was implemented under thorough governmental strategies and applied according to local contexts. The government entrusted each community with different works, considering the regional characteristics. As the keynote of the New Village Movement, the Compound Project stressed villagers' enthusiastic and voluntary engagement and a democratic decision-making process. Except for an initial assignment of public works by the government, all the processes were autonomously done by the village leadership and villagers themselves. The government involvement was supplied on demand; calling in an expert, for instance. The diagram below closely portrays the Compound Project's progress as an example of the small creeks project and the Chestnut seedling project. The diagram shows that village fund grew up from 3 million KRW to 4.512 million KRW at last.

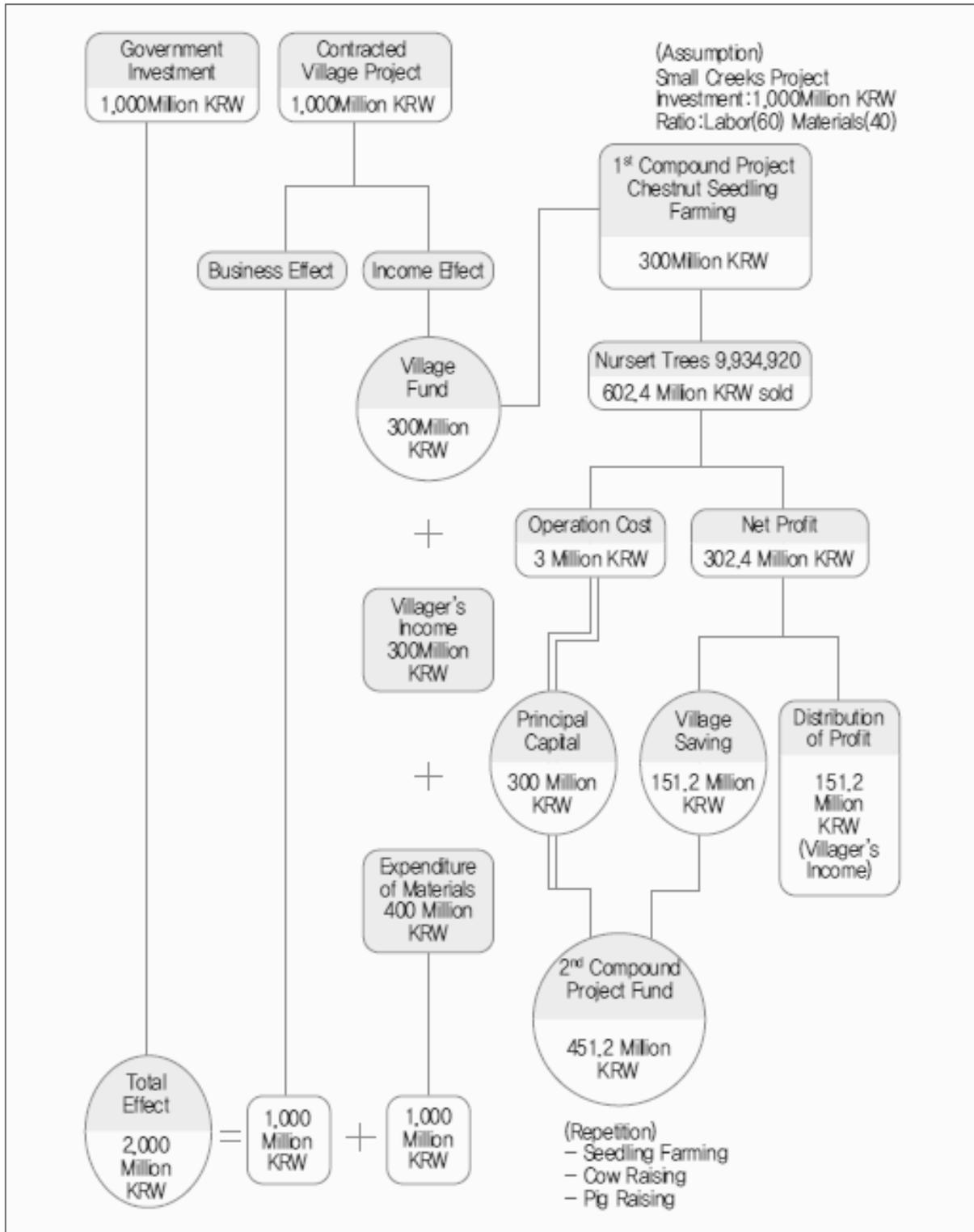
**Figure 2. The Cyclic Process of Compound Project**



(Source: Kim 1973, p106)

*\* The fundamental system can be neatly shown in the below diagram below, which clearly displays the principles of this project – Half-Distribution and Half-Capitalization. Also, repeating investment processes would let us recognize the achievement – a village fund’s enlargement (Kim, 1973).*

**Figure 3. The Progress of Compound Project**



(Source: Kim, Jongho 1973, p 107)

### **5.3. A Story of Success: Anecdotal Evidences**

Sangdang Village, located in Chungcheong Province, southwest of Seoul, had long managed to live by cultivating specialty crops like tobacco and pepper as well as engaging in rice farming. Though the villagers did not go hungry, Sangdang village had lagged far behind in development due to the villagers' selfishness and lack of the spirit of teamwork. Most women behaved simply as dutiful wives and mothers who cared for their husband and children all day long.

In the early 1970s, the whole country was in the grip of socio-economic development efforts that originated from the New Village Movement, and Sangdang village was no exception. The nationwide socio-economic reconstruction movement provoked the villagers' eagerness to develop their village. One of the villagers' efforts was organizing a women's association and then Ho-soon Shin became chair of the women's association on the invitation of the community leaders.

Since Mrs. Shin led the women's association, she stressed a significant role for the group and offered an overall vision for the direction and steps to take. She articulated that women can do whatever men had done if women are equipped with a strong willingness toward achievement and an attitude of self-sacrifice based on the spirit of teamwork and great diligence. On the other hand, at the meeting of the women' association, she carefully proposed the need to determine a business which was helpful for contribution to a joint fund and, as a result, the women's association made an agreement that seedling-farming would be the most appropriate work for the joint fund because some members already had experience in that endeavors and an executive director who was responsible for the nationwide seedling farming project was from Sangdang Village, so they could easily learn the way and skills of seedling farming.

As the women announced their own decision to begin seedling farming, the village leader was worried and many were skeptical about success of the project. The ceaseless persuasion and passionate eagerness of Mrs. Shin and some association members, however, eventually persuaded the village leader to agree with their proposal. Furthermore, Sangdang village's New Village Movement leader made a promise to help physically-arduous works by women such as plowing and spraying chemicals. Also, a forestry division's chief of the district office to which Sangdang village belonged encouraged the women's association by pledging support: giving shape to the plan (the district office advised *Pinus Rigida*<sup>2</sup> Transplantation Project, considering various circumstances of the village), securing seeds and providing professionals who could consult or teach necessary skills.

In March 25<sup>th</sup> 1975, the women's association launched the seedling farming project with abundant support from the New Village Movement leader and the authorities concerned. At first, the women's association got men's help for plowing and adding compost to the soil and then, they made seedbeds and transplanted seeds on those under the supervision of professional officials. Three days later when looking around the seedling farming place, Mrs. Shin discovered gray-colored leaves on the seedlings and asked the authorities about such a phenomenon with anxiety about failure. She breathed a sigh of relief by an explanation that leaves usually turn gray during the early period due to water evaporation before the roots settle in the soil. Indeed, 10 days later, the seedlings' leaves turned green. With amazement, Mrs. Shin dedicated herself to the seedling farming project all day long.

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<sup>2</sup> The Pitch Pine, *Pinus rigida*, is a small-to-medium sized (6-30 meters or 20-100 feet) pine, native to eastern North America. This species occasionally hybridizes with other pine species such as Loblolly Pine (*P. taeda*), Shortleaf Pine (*P. echinata*), and Pond Pine (*P. serotina*); the last is treated as a subspecies of Pitch Pine by some botanists (Wikipedia, last modified on 10 September 2012).

To begin with, all members of the women's association participated well in transplanting the seedlings out of curiosity about their first teamwork but the participation gradually dropped off. Moreover, arduous tasks like weeding and fertilizing required many hands so Mrs. Shin had to personally visit members to ask for two or three occasions for joint work every month. On this, members stood on the sidelines, dealing with the affairs of one another and most husbands behaved in an uncooperative manner, criticizing that women were busy enough caring for family affairs. Nevertheless, Mrs. Shin persistently persuaded the members day and night, saying that the seedling farming would fail if the members did not weed and fertilize the plants in a timely fashion. By a series of persuasions, the seedling farming was barely managed even without proactive or voluntary participation. As time went on, however, the members were moved by the passion and effort of their leader, Mrs. Shin, and began to cooperate.

As a wife, a mother and a member of the women's association, the village women underwent all sorts of hardships because they had to take care of family and simultaneously the seedling farming. As a result of very hard work, 2000 seedlings were produced as planned and Mrs. Shin and all members realized that their efforts for a year were valuable beyond all comparison. Seeing that their cultivated seedlings were carried nationwide to forestry plantations by trucks in spring of the next year, the members felt a sense of pride as having seemed to contribute to their own country.

The net profit during the first term was about KRW 900,000 with which the women's association established its joint fund. After many discussions on what to do with the earned money, all the members reached an agreement to build up the association market and reported this idea to the village leader and the New Village Movement leader. The total expense for building up the association market was about KRW 130,000 and the expense was

raised by the seedling farming business and additionally the village fund. The market was built at the village entrance and it sold necessities at bargain prices to the villagers.

Consequently, all the villagers were satisfied with the newly-built market because until its creation, they had to go to the marketplace 4 km away from Sangdang village to buy the goods they needed for their daily lives. Afterwards, the association market recorded an annual profit, KRW 3,000,000, which achieved the village's first goal.

In 1976, the district office authorities officially assigned the seedling farming project – Rigida Transplantation Project – to Sangdang village and such an assignment was caused by fervent support of the women's association and the district office's thoughtful policy to make each village specialized in cultivating different kinds of seedlings. Different from the previous years, that year's project required more efforts and techniques like sowing seeds, covering up seeds with soil, twisting a straw or rope and laying those out, but the cooperative spirit of the women's association and the authorities' active support kept every process on track. Some members who had initially opposed the seedling farming project had a change of heart since they recognized convenience the association market brought about, so all members (50 village women) soon began to participate in the project and Mrs. Shin managed all related works and pushed forward with meticulous details from weeding, fertilizing and spraying insecticide to controlling drainage. All the members engaged well in the seedling farming as different from before; the members now voluntarily came to the workstation out of their own households whenever the village amplifier gave notice. 1976's performance reported 60,000 seedlings and 120,000 infant seedlings, which was more than planned. Furthermore, members saved the seedling sales revenue, KRW 300,000, and placed the sales revenue from the association market into the village fund.

In 1977, the authorities designated Sangdang village as the specialized village for the Rigida species because the seedling farming skills of the woman's association had surpassed officials from the authorities and common seedling farmers, and 100,000 seedlings and 100,000 infant seedlings were produced in the year. All members of the women's association talked about reasons for success as following; the total sales revenue of the consecutive years from 1975 to 1978 was KRW 2,850,000, and the market revenue additionally went to the joint fund of the women's association. Consequently, the joint fund of the association reported KRW 3,970,000.

The joint fund was spent in a variety of ways for the villagers' well-being; all people of Sangdang village could enjoy the benefits by establishing a communal kitchen, a food and nutrition information center, a playground and other amenities and a certain amount of the fund was invested in purchasing land space of 750 pyeong<sup>3</sup> for additional seedling farming. Above all, the most critical advancement was creating the New Village Credit Cooperative which loaned the villagers farming funds during the farming season. In spring of 1979, the women's association cheered up all members by distributing basic household items which were made by a group purchase.

The above-mentioned activities of the women's association in Sang-dang village served as a momentum so that all the villagers, not only the members of the women's association, became cooperative and had confidence that they could accomplish whatever they undertook to make their village better. Such changes of outlook contributed to Sang-dang village's further advancement within the virtuous circle. For example, the villagers who had learned the importance of forests and made the seedling farming a part of their daily

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<sup>3</sup> A pyeong(or pronounced as tsubo in Japanese, [píng] in Chinese) is a unit of the size of rooms or buildings in Korea, Japan, and Taiwan equal to 400/121 square metres (3.3058 m<sup>2</sup>, 3.954 sq yd or 35.586 sq ft) and with the same symbolic word "坪".

routine voluntarily looked after the surrounding fields and hills that were then in a state of total neglect. Sang-dang village had soon become the village of envy and attention.

## **6. THE RESULTS OF THE COMPOUND PROJECT**

The New Village Movement's Compound Project was a critical steppingstone toward Korea's socio-economic advancement. Years of the rural modernization project thoroughly transformed the overall atmosphere of the Korean rural society, which must have influenced the whole landscape of Korea. Full of vigor and a sense of spiritual awakening, Korea achieved unprecedented growth during these years. Above all, the Compound Project contributed to establishing a structure which provides steady earning sources to the agrarian people. The project changed an old way agrarian communities had earned revenues only from agriculture by inducing farmers' participation in non-farming businesses or public works during the agricultural off-season. Ninety-seven percent of villages satisfied criteria of Self-reliant village, eliminating the Base village designation by 1977 (table 1). As a result, the income structure of Korean rural areas became more reliant on non-farming activities and the structural change was extended to an enhancement of general living standards. Even, the amount of rural revenue exceeded that of urban revenue (table 2).

**Table 1. Annual Growth: 1972-1979**

	1972	1973	1974	1975	1976	1977	1978	1979
Base Village	18,415 (53%)	10,656 (31%)	6,165 (18%)	4,046 (11%)	302 (1%)	-	-	-
Self-Help Village	13,943 (40%)	19,763 (57%)	21,500 (62%)	20,930 (60%)	19,049 (54%)	11,709 (33%)	6,114 (18%)	976 (3%)
Self-Reliant Village	2,307 (7%)	4,246 (12%)	7,000 (20%)	10,049 (29%)	15,680 (45%)	23,322 (67%)	28,701 (82%)	33,895 (97%)
Total	34,665 (100%)	34,665 (100%)	34,665 (100%)	35,031 (100%)	35,031 (100%)	35,031 (100%)	34,815 (100%)	34,871 (100%)

(Source: Ministry of Interior. The 10-year History of the New Village Movement, p22, 1980)

**Table 2. Incomes Comparison between Urban and Rural**

(Unit: KRW 1000)

Year	Urban (A)	Rural (B)	B/A
1970	381	256	67
1971	452	356	79
1972	517	429	83
1973	550	481	87
1974	645	674	104
1975	859	873	102
1976	1,152	1,156	100
1977	1,405	1,433	102

(Source: Ministry of Interior. 1978 The New Village Movement. p113)

## 7. DISCUSSION

The stronger the social capital, the greater the trust and socio-economic cooperation. Then, what elements determine the level of socio-economic cooperation in local communities? The elements that transform human networks in meaningful and feasible ways vary: the kind of elements may be different from case to case. Here, I will look at the Compound Project under the New Village Movement to analyze how dynamic elements facilitated trust and socio-economic cooperation within South Korean communities and so created the high level of social capital. The contributing elements are as follows: legal and institutional guarantee, reciprocity (return favors), good governance, good leaders' qualities, personal credibility and responsibility, innovativeness, group formation, absence of conflict, ethnic diversity (or cultural difference), and geographical proximity. To begin with, the first element is a legal and institutional guarantee.

## **7.1. Legal and Institutional Guarantee**

The legal and institutional guarantees foster footholds where social trust could be raised. Contracts with the government as a corporate entity, the Compound Project's method as a profit guarantee, contributed to pushing up creation of cooperative spirits here and there within a village. As conducting a given business with neighbors and earning revenue as much as they made an effort, rural people could witness their efforts paid off and they might feel a stronger accountability to successfully complete the next business by the second contract with the government. As the money in village fund increases, the overall morale increases and consecutive village businesses gradually transforms a village landscape, which would help generate a stronger collaborative spirit among villagers. Of course, it had taken some time until the governmental policy, so unfamiliar, settled in the Korean rural society. Once the legal and institutional guarantees were clearly assured, however, people's spirit to cooperate with one another was flourished. Such a spiritual spurt led the South Korean villages into a new bright era.

In addition, the kernel of the Compound Project of the New Village Movement was a merit-based principle, a so-called carrot and stick method. The South Korean government guaranteed that it would help only those who helped themselves. This approach was an innovative feature that inspired motivation to work together for village projects undertaken during the rural development campaign. Many other development fields are usually caught under a curse of aid; people become used to receiving support and just looking to others for help. In such communities, an installation of development programs is barely possible, even if the development program is well-structured enough to create trust and cooperative spirit among one another. People do not feel obliged to be involved in physical or mental labor because they are stuck in a cycle of free handouts. In fact, the traditional Korean people were

no different. Tremendous foreign aid from all over the world and its indiscriminate distribution during the postwar period spoiled Korean people and damaged their self-reliant spirit. Such a negative atmosphere was transformed by the administration's new policy, a merit-based approach which broke the pattern whereby personal effort represented a loss with few financial rewards. Regardless of tremendous offers of help poured in from the whole world, such a phenomenon may be able to drive poor communities into the worse poverty.

The South Korean government's Compound Project with its merit-based rule, when it comes to leading the rural development movement, deserves an independent acceptance based on individual regional or cultural environments. Its merit or performance-based subsidy package prevented extending helping hands to lazy and unwilling groups and this point was a guarantee that real efforts were rewarded. Much of international aid is also contingent on various conditions but many recipient groups complain that they cannot afford re-payment and they need more aid. The international development specialists should be reminded that South Korean villagers donated their own money for successful village projects to get governmental support on a performance-based principle.

## 7.2. Access to Credit

The Compound Project's core is a fair access to credit through a village fund. The village fund system is not an original concept. It is a fairly prevalent idea among development experts or specialists but it has not been generally successful in many places. The reason that this concept has not often worked is surging distrust within a society, caused by a lack of social trust. When it comes to monetary matters, trust is vital. Without trust within a society, selling or buying on credit never happens. By extension, without social capital (or trust), credit transactions on a national scale are rare. People are not stupid. Even commoners who dropped out of primary school know the way their precious money could be in safe hands. Above all, Korea was traditionally a hierarchical society, divided into the aristocrat, so-called *yang-ban*, and the commoner class. Regardless of individuals' sweat and toil, all fruit returned to aristocrats and common people never rid themselves of poverty even if they worked around the clock. Though this stiff hierarchy had disappeared, a reality that a number of the poor continue to suffer socio-economic hardships, not that different from the miseries of the past stratified society. All countries and most societies have financial institutions but the existing banking systems do not always guarantee people's access to credit. Especially, in comparison with urban residents, inferior conditions like geographical distance and a dearth of information often hold rural residents at bay in terms of access to credit services. Different from the way that the upper class receives so many benefits, the Compound Project took credit for individual contributions of villagers. Actual monetary profits in their own hands were an effective incentive to motivate heretofore lazy and unmotivated villagers to work for the good of their community.

### 7.3. Community Credit Cooperative

The sustainable function of village savings requires social trust and significant civic engagement. The Compound Project owed its sustainable development to pre-existing Community Credit Cooperatives. Community Credit Cooperatives, called as *Saemaul* (New Community) Credit Cooperative in a Korean pronunciation, are a Korean-style financial union which has existed since 1960s. Hearing the existence of a credit association, leader of some villages<sup>4</sup>, who were so impressed by the credit system, contended the necessity to establish a credit cooperative on a township-scale to battle against poverty. At first, people collected commodities in kind such as rice to raise funds for founding Credit Cooperatives. For example, each household set aside a handful of rice each day for donation and these materials were merchandized and sold. The earned profit was accumulated into a credit cooperative in the name of each household, which made people save more regularly.

The Compound Project's village fund program could be successful due to the Community Credit Cooperatives. The Credit Cooperatives suggest social trust is already based upon monetary affairs. Inciting rural people to save their goods had not been easy because all thought that they had nothing to spare for an invisible future, being awfully poor. The worst hardship was people's distrust toward one another and selfishness. No one believed that their saved money would be safe. Some leading figures played a critical role to maintain and improve an initial small saving into the Community Credit Cooperatives, enduring all kinds of trials and errors. It took some time to get rid of such a negative atmosphere and leading figures' sacrifice and patience eventually bore fruit. Therefore, around the time when the Compound Project was introduced in each village, many

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<sup>4</sup> Hadoon Village (May 25, 1963), Wolgok Village (May 26, 1963), Jeongam Village (June 3, 1963), Woesi Village (June 9, 1963), Masan Village (June 12, 1963) (Homepage of Korean Federation of Community Credit Cooperatives. [http://kfcc.co.kr/04\\_introduce/introduce0201.jsp](http://kfcc.co.kr/04_introduce/introduce0201.jsp))

Community Credit Cooperatives were already widespread all over the nation. The saved revenue in a village fund by the Compound Project was deposited into the Community Credit Cooperative. People were not worried that their neighbors or corrupt governmental officials would steal the accumulated money. Fascinated by its nature, each village was self-encouraged to save more and later try a bigger and greater village project village which would bring about desired change to their village.

The Compound Project and Credit Cooperative should go hand in hand for its synergy effect and sustainable advancement. Considering the Community Credit Cooperative, people perhaps guess that the Compound Project's success was very lucky but the luck is not the issue. Many village funds were fruitful, but on the other hand, a few failures occurred because those villages made no effort and still lacked trust and a cooperative spirit. In short, people's voluntary spiritual reform toward creation of social capital is a necessary condition. Rather, it is much more accurate to say that it was lucky enough that the South Korean rural communities had at least some leaders who never gave up building social trust and belief throughout society. Due to their sacrifices, South Korean rural communities could possess a reliable and stable credit cooperative structure.

#### **7.4. Good Governance and Transparency**

Good governance boosts social capital, which sets an atmosphere whereby people naturally adhere to established norms and regulations. The failure of an emerging world's development in the emerging world mostly comes from corrupt and outmoded conservative governance. It has been widely proven that the poor governance is a culprit to hamper social and national advancement. Social capital functions only under good governance. Even if whatever wonderful legal and institutional regulations and financial structures were devised, good governance should fundamentally support the social systems to guarantee their success. For example, a government encourages its people to join a newly-built banking institution, but people would never consider making use of its services if they are sure that their corrupt officials would pocket the deposited money.

The South Korean leadership played its role very well in terms of rural economic development. In 1970s, the South Korean administration was led by President Park Chung Hee, who was a dictator. An authoritative regime is not a definitely good, legal and reasonable administrative entity. Setting aside other aspects like politics and human rights, however, and focusing only on economics, more concretely the New Village Movement, his strong power as a dictator worked to reduce corruption and back-scratching behaviors in public officials that were rampant in developing world. In addition, it deserves a close look that President Park commanded responsible officials to visit rural areas frequently and establish networks for mutual cooperation to facilitate the New Village Movement. The central and local officials were instructed to listen to suggestions from responsible villagers and promptly come up with feasible solutions. Because the evaluation of responsible village projects was linked to their promotion and future, they had to work day and night. It is impossible to expect a successful and sustainable development under an administration filled

with greedy and corrupt officials because such a decayed government impedes the creation of social capital.

## 7.5. Group Leaders

The role of a leader cannot be emphasized enough when it comes to social capital creation. During the New Village Movement period, self-giving leaders were behind the success of all villages. The South Korean government mandated all villages to select two village leaders: one male and another female leader. The fundamental guideline was delivered on some matters though the set-up guideline was not compulsory. The first condition of the guideline was that a village leader's age may match the rising generation, the thirties, to the extent possible. Also, a leader should serve for a year. Those two conditions were drawn up to prevent village projects from being stuck in habitual routines. Furthermore, a role of a female leader was to organize a women's association to conduct particular projects suitable for women, and assist a male leader to gain support to carry out successful village projects (Arthur Goldsmith, 1981). Over the selection progress of two village leaders, except for the above-mentioned basic guidelines, governmental intervention was almost never an issue. Therefore, elected village leaders were regarded as spokesmen not for government but for the village, which facilitated trust toward village leaders and voluntary participation of villagers.

The elected village leaders were well educated, compared with common villagers. The gap in education levels between leaders and villagers was considerable. Table 4 indicates that about 68% of common villagers were concentrated in the two low standards, basic literacy and village school while 70% of the village leaders were above the middle school level. Village leaders' high educational level should have not only academic intelligence but also other potentials such as communication skill and a long-term and wide insight. Above all, many village leaders' high educational level generally reflected a higher socio-economic living standard and their high socio-economic status enabled them to afford to care about

village development, without worries on livelihood, rather than other commoners. Of course, not all village leaders were well off and the affluence disparity between leaders and villagers was more or less on the same level; for instance, the gap between the cow-haves and the have-nots. Even though there was a slight difference between leader and villagers, however, a leader's initiative actions and practices became an example for completely ignorant villagers in extreme poverty.

Village leaders' dedicated sacrifice was extremely significant to establish trust and cooperative spirit within a village. The reason is that a position as a village leader did not guarantee any special favor at all. The leadership position was purely honorary: no salary. The Korean experience says that it is so important not to pay monetary rewards to village leaders. If a certain amount of compensation were given, the leadership position would have not taken an enough role to boost villagers' active participation because people could have underestimated village leaders' dedication to village projects, thinking that their commitment was a matter of course and common villagers' voluntary participation, free labor, was unfair.

Group or village Leaders are a very important stimulus to create social capital throughout communities. In many other fields, the development projects are carried out under the same mechanism where there is a group leader who controls the process of a certain group project. The difference is, however, that the leaders barely gain trust from villagers because they are chosen in the involuntary way, or are often involved in financial fraud. Once such problems occur, trust cannot be formed within a community and it is never possible to boost villagers' cooperative spirit. On the other hand, there are some cases that a group leader is so diligent, passionate, and dedicated. Usually, such a case brings about another kind of problem that the group leader becomes totally exhausted with too excessive sacrifice. The

governmental guideline mandated an annual rotation of a group leader to prevent such side effects.

**Table 3. The Selection Method of Village Leaders (%)**

Selection Methods	Self-help Villages	Self-reliance Villages	Total
Volunteered to Serve	2 (8.0)	-	2 (3.2)
Village Committee of Development	1 (4.0)	7 (18.4)	8 (12.6)
Village Election	7 (28.0)	15 (39.4)	22 (34.9)
Appointment by Public Office	1 (4.0)	2 (5.3)	3 (4.8)
Appointment by village foremen	6 (24.0)	4 (10.5)	10 (15.9)
Recommendation by villagers	8 (32.0)	10 (26.4)	18 (28.6)
Total	25 (100)	38 (100)	63 (100)

(Source: Hwang 1980)

**Table 4. Educational Level, Comparison between Villagers and Leaders (%)**

Education Level	villagers	Leaders
Basic literacy or village school	353 (23.6)	2 (3.2)
Elementary school or below	675 (45.1)	16 (25.4)
Middle school or below	256 (17.1)	23 (36.5)
High school or below	150 (10.0)	20 (31.7)
vocational college or below	15 (1.0)	-
University or below	29 (1.9)	2 (3.2)
No response	19 (1.3)	-
Total	1,497 (100.0)	63 (100)

(Source: Hwang 1980)

## **7.6. Leader Education by the Government**

The Park administration established a New Community Training Center to enhance the elected village leaders' potentiality. Village leaders' capacity was developed through creative training programs led by the government. The South Korean government coordinated 1 or 2 weeks-training programs which focused on identifying a role of a village leader, stimulating a motivation of the village development, and improving leadership capability and a persuasion skill (Go, 2008).

The leader education program benefited a wide range of social leaders as well as village leaders. In the first stage, the training course targeted only village leaders but the trained leaders suggested that training various social leaders should accelerate the unified effort of all section of society so that the New Village Movement would be carried out more efficiently (Park, 2005). Soon, the education program had expanded to include most of local officials and the trained local officials again suggested that the central government officials need to complete the training program with common rural people. As a result, many South Korean officials completed the New Village Movement training program together with farmers so that they could grasp the specific challenges of individual rural communities (Park, 2005). The following table explains how many leaders were educated at the New Community Leadership Training Center.

**Table 5. Trainees' Job Classification, 1972-80**

(Unit: Number, %)

Job	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total
Village leaders (male)	1,490	1,212	1,882	2,215	2,497	2,396	2,391	1,913	1,969	17,965 (39.7%)
Village leaders (female)	-	1,203	1,000	978	1,079	1,202	1,062	1,505	789	8,818 (19.5%)
Agriculture and fisheries associations	-	1,903	1,538	453	201	302	318	353	430	5,498 (12.2%)
Public officials / social leaders	-	-	1,302	878	1,257	1,445	1,282	1,692	1,908	9,764 (21.6%)
businessmen	-	-	36	380	457	73	301	-	-	1,247 (2.8%)
Professors	-	-	-	254	-	-	405	-	-	659 (1.5%)
others	-	-	32	213	-	-	43	316	687	1,291 (2.9%)
total	1,490	4,318	4,488	5,371	5,491	5,418	5,802	5,779	5,783	45,242 (100%)

(Source: New Community Leadership Training Center, 1982)

The most effective program was a presentation session for successful village projects (Park 2005, p 194). Village leaders who led a successful village project presented a success story and, afterwards, other village leaders discussed the presented case together. Listening to diverse successful experiences, trainees became well-versed in the nature of potential problems that could be caused during the development project, and learned accessible solutions (Park 2005, p 167).

The governmental strategy meticulously considered the specific composition of the trainees. President Park Chung Hee devised a specific way to maximize the education efficiency of village leaders, especially from Base Villages – those who were not enthusiastic about the village development campaign. He ordered village leaders from Base villages and Self-Reliant Villages to enter a training center at one time so that Self-Reliant Villages' success became a great stimulus to Base Village leaders. Although all trainees were educated with the same content and curriculum during the first week, the second week program was to send back Self-Reliant Village leaders to their own villages and also dispatch Base Village leaders into counterpart Self-Reliant Villages. The lowly-motivated leaders from Base Villages would witness the clear and a huge difference between Base Villages and Self-Reliant Villages while living in the ambitious Self-Reliant Village leaders' home for 3 nights and 4 days (Park 2005, p 168-169).

The leadership education program did not utilize fresh methodology. Many countries and various institutes have offered leadership training programs for national or social leadership but when the trained leaders went back to their original position or base, nothing changed. Contrary to such frequent failures, the New Community Leadership Center's training programs brought about nation-wide transformation. It is natural to question the reason for the difference. Different from usual capacity-building programs for leadership,

providing course meals or buffets and a few simple lecture sessions by famous professionals at a luxurious hotel, the New Community Leadership Center's principal education method focused 'actions rather than theories' and 'self-learning rather than teaching' (Go 2008). The trained village leaders directly witnessed the current level of their own village and receive a strong impetus from the advanced Self-Reliant Villages. In addition, because executive administrators like the central governmental and local officials and related professionals were trained with common villagers under the same programs, their policy making processes could be sophisticated and realistic so that the devised development policies were an optimal choice which assimilated the South Korean rural areas. It was a virtuous circle. The excellent leadership training program caused the creation of good development policies by the well-trained public officials as well as the better-qualified village leaders who inspired villagers to cooperate. The whole nation went along with the cooperative atmosphere.

## **7.7. Monitoring and Evaluation as an Incentive**

The monitoring and evaluation process served to unify stakeholders, not only villagers but also responsible officials. If the New Village Movement ended without the governmental monitoring and evaluation system, people's passion might have not been aflame as much as they were actually under the regular governmental monitoring plan. According to the evaluation result, only two villages could gain an opportunity to stand before President Park and make a presentation about success of their village projects in the New Village Movement. This presentation was delivered at the monthly meeting held by the government in which many high-ranking officials who participated pondered various ways to support rural communities. As much as village leaders were eager to show a huge success of their own village project to a man of supreme power, individual governors wanted their responsible villages to be chosen as one of the two presenters because such an opportunity increased a possibility of their promotion in the future under the pretext of great leadership. The fierce competition among villages drew all villagers to collaborate harder to produce an outstanding outcome. As the village selection process was transparent, any fraud or bribe was not allowed. Such an invisible and immaterial incentive boosted a fierce competition among villages and even responsible governors. All villagers voluntarily cooperated to accomplish a success which deserves a presentation at the monthly meeting.

Transparent monitoring and evaluation fosters mental and physical commitment and cooperation within villagers. Only precise and fair feedback can keep people from trying to outwit each other by deception. Once people outjockey competitors, such an atmosphere directly influences their attitude in a negative way because social capital is never easy to establish but never difficult to destroy. The responsible officials for the development movement barely went home when assuming responsibility for the New Village Movement

because they directly had to visit and monitor all the responsible villages. The same is true of President Park. He often made provincial tours to check up whether the development movement was carried out smoothly and to listen directly to rural people's opinion. Both his site visits and monthly meetings were tools for direct communication between President Park and the people, which, from any other point of view, functioned as a threatening supervision as for officials. There is an anecdote that shows the way very well.

One day, a village leader made a presentation at a Monthly Meeting and complained about a shortage of the health facility in his village. The point was that rural people have no information on hospitals or health centers and finally lose a proper timing for medical treatment. President Park immediately ordered to build health centers at every single village and dispatch one medical resident and one nurse so that villagers could get useful information and enjoy health care benefits (Park 2005, p 124-125).

Referring to the above story, the village leaders' sudden compliant surprised officials who were assuming accountability for the village's medical coverage. Therefore, local officials could not afford to relax their vigilance, which propelled officials to really do their best. Furthermore, officials' hard work made it possible to draw rural people into the development movement because they had an expectation that their proposals and suggestions would be managed by officials. Such an interaction requires trust that counterparts will care about my comment, pursuing the same goal and hope. The close communication among rural people, officials and the President was possible through the practical monitoring and evaluation system.

## **7.8. Other Elements**

There could be other elements that facilitate social capital, as well as the above-listed ones: women empowerment, ethnic diversity, cultural difference, geographical proximity, the group formation, personal credibility, innovativeness, and absence of conflict. The kind and weight of the elements could change as occasion demands.

## 8. SUMMARY AND CONCLUSION

Social capital is a necessary pre-requisite for socio-economic development. Social capital should underlie any and all socio-economic development campaigns. Unfortunately, it has been never easy to demonstrate the mechanism of social capital, how it works, other than by abstract description. The Compound Project of the New Village Movement clearly quenches such thirst by offering an appropriate instance enabling practical discussions. The representative elements that create and strengthen trust and socio-economic cooperation among the people who are in the network were mentioned above, from legal and institutional guarantees to monitoring and evaluation as incentives. The analysis of the elements reveals that all are connected with one another so a holistic approach should be carried out to efficiently facilitate community advancement when it comes to launching development projects. As to the holistic point of view, the Compound Project is an exemplary experience.

The New Village Movement and its Compound Project stimulated the potential that Korean rural communities had long embraced but not displayed. Especially, in terms of implementing a large-scale of development, the already-existing potential such as cooperative spirits based on mutual trust had historically never come to reality so Korean rural people had suffered from the ceaseless poverty. The pan-national socio-economic development campaign pulled the long-buried social capital out of the way people were living in and led the South Korean rural communities into hope. The movement and detailed projects were carefully devised, based on socio-cultural traditions, by the South Korean administration. The reality that there exists a full potential for collaboration and trust or a certain level of social capital never guarantees success of development. Public policy should push forward social capital to make that work for national development.

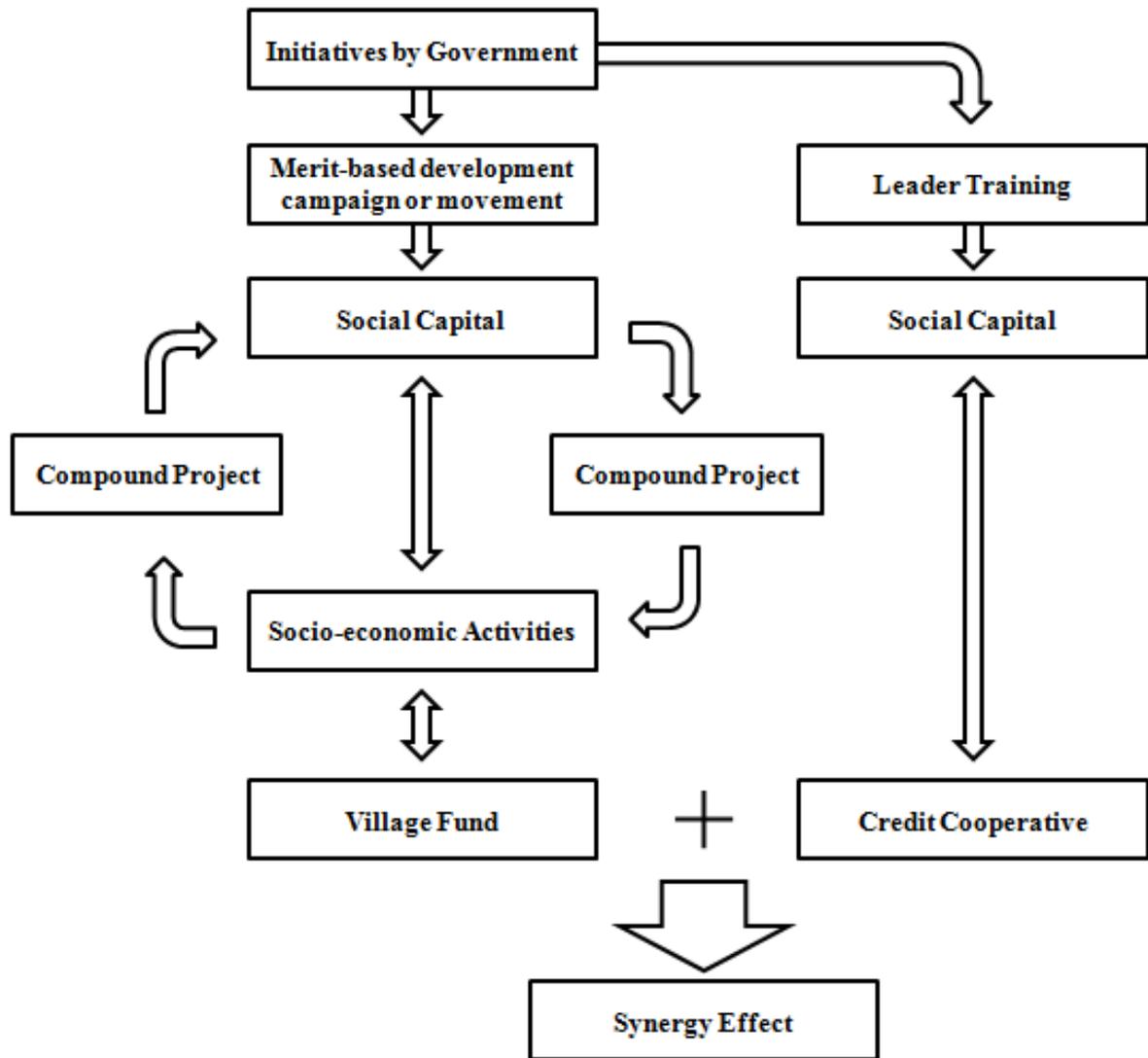
The New Village Movement was conducted not by the pure social capital but government-orchestrated social capital. The South Korean administration's intervention in the form of grant or subsidy advanced social capital into a large-scale contributor to national development. It was the fact that the South Korean rural villagers' voluntarism was severely compromised with rewards by the government. The carrot must be just an initial stimulus, not continuously providing grants because people come to lean blindly on the governmental aid. Once government spurs initiative and people's willingness to do something and cooperative spirit becomes social norms, government has only to provide framework like financial or legal institution arrangement and civic or academic education which remains social capital sustainable and permanent.

Public policy should provide incentives for stimulating, building and expanding social capital which means voluntary cooperation and trust for communal welfare. The policy should possess a holistic point of view, not focusing only on a part here or there. Even after the voluntarism and self-help social norm was established, some degree of the governmental surveillance should continue for sustainability of social capital. It is crucial to maintain the high level of social capital and proceed with a development project after the movement ends and a public funding is cut off. In case of the New Village Movement, afterward, the existing village funds and community credit cooperatives became institutionalized, combined and upgraded to a bank. At that time, a careful watch by government is vital.

The experience should be applied according to individual local contexts, region by region and nation by nation. This paper so far talked about link between social capital and socio-economic development by picking up the successful New Village Movement, specifically, its detailed program, the Compound Project, but its methodology cannot be identically applied to all regions and situations. Often, main discourses on emerging

economies led by ‘western’ and ‘male’ have caused side effects because of its divergent culture and ideology and its supremacy. Regarding an application of the South Korean experiment, the same mistake should not be repeated. Now, the wisdom of its well-fitting strategy is acutely required and all emerging governments ought to ponder their own well-suited public policies for the bright and promising future.

Figure 4. An Exemplary Mechanism of Development Implementation



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