

## Study on the Transfer of Rural Land Use Right from the Perspective of Economics

Yuting Zhang

School of Economics, Yangtze University, 434025, China

**Keywords:** Rural land use rights; Transfer; Marginal utility; Economics.

**Abstract:** The transfer of land use rights stimulates the endogenous power of farmers, which has significant positive significance for revitalizing rural stock market resources. At the same time, rural land use rights transfer as an economic behavior, through the examination of market operation rules. There are many factors that hinder its development. From the perspective of economics, this paper takes the marginal utility of the transfer of rural land use rights, the transaction cost of collectively driven transfer of rural land use rights, and the transfer restriction factor of agricultural land use rights as the entry point. This paper analyzes the problems existing in the transfer of rural land use rights in China, and provides a useful reference for the formulation of the current land use rights transfer policy.

### 1. Introduction

The achievements of the family contract responsibility system that began in the late 1970s and early 1980s have revived the Chinese people and shocked the people of the world. This system innovation has better restricted the "free-riding" behavior, solved the external problem of income, greatly reduced the labor supervision and income distribution costs, and made agricultural production develop in a short period of time. However, the household contract responsibility system is, after all, a land distribution system with fairness as the guiding ideology and "equal field" as the core content, which lacks sufficient forward-looking for social development. Defects in institutional design have hindered the occurrence of agricultural land circulation. In recent years, there has been such a strange phenomenon on China's land: on the one hand, producers with advanced management experience and abundant funds are excluded from the land because they do not have long-term stable use rights. On the other hand, a considerable number of farmers with 15 or 30 years of land contracting rights do not cherish their land rights and improve land utilization as the policy makers envision, they prefer to operate extensively and are not willing to transfer themselves. Land use rights. Institutional deficiencies have greatly restricted the rational allocation of production factors and the effective use of resources. If the existing land system is not supplemented or modified to make the best use of limited land resources, the contradiction between China and the land will be more acute. It will eventually affect the overall situation of socialist economic construction.

Based on the above background, the theory and practice of exploring the transfer of farmland use rights has become a hot topic. The more popular viewpoint in the theoretical circle is from the theory of property rights, first of all to clarify the main body of collective land property rights, and then to clarify the property rights relationship between the peasants and the collectives and the peasants, to stabilize the farmers' contracting rights and to invigorate the management rights, and to realize and develop relevant intermediary organizations. The farmland is efficiently and orderly transferred; the practitioners proceed from the actual situation of each place and adapt to local conditions, and propose different forms of circulation, such as two-field system, shareholding system, share-stock cooperation system, and rent-returning package. However, after practice, the results are not satisfactory. Although the property rights theory gives an analytical framework to improve collective ownership and promote the transfer of land use rights, it has a useful outlook for the future transfer of farmland use rights, but it is a key issue (such as the realization of agricultural land to cut off population and land). Direct contact, etc.) What is the material basis and

preconditions of clear property rights, and under what circumstances there is no clear answer, which ultimately makes this program greatly reduced in implementation. The two-field system, the shareholding system, the shareholding cooperation system, the leaseback package, and other methods that have been piloted successfully have been distorted in the promotion: under the golden signboard of scale operation, the land has become a tool for rural cadres to seek rent or pursue political achievements, and many farmers Being forced out of the land has become an “unemployed person”, leading to unprecedented tensions in the relationship between the cadres and the masses, and an increase in social instability. The results of many surveys show that the incidence of rural land use rights transfer in China is very low. Even if the transfer is barely realized, the transfer right obtained by the transferor is only 0.5-2 years. The inefficiency of theory and practice makes it necessary for us to calmly consider such a basic question: what factors at the current stage restrict the circulation of agricultural land use rights. The implementation of the household contract responsibility system in rural areas of China has not only the path dependence relationship formed by the interaction and evolution between the proportion of people and land, farming technology and land property rights system. The internal cause is the result of the reform of farmers' survival-oriented reform. After the path has experienced the practice of cooperatives, people's communes, and "three-level ownership, team-based" and other inefficient systems, the household contract responsibility system has finally become the formal institutional arrangement for rural land in China. However, "an institutional arrangement is likely to be better and more efficient for a period of time, but this does not mean that the institutional arrangement is immutable and once-in-a-lifetime. It is often the case that the system is in the process of economic development. Constantly repairing and constantly changing the quantity, only in this way can we maintain the marginal utility of the system without falling.

## 2. The marginal utility of rural land use rights in China is decreasing

Although rural land use rights have many reasonable cores under certain historical conditions, it has been confirmed by many scholars' research results and a large number of practices that the marginal benefits and marginal efficiency generated by such systems are declining. The main reasons are:

### 2.1 The non-scale nature of farmers' production and management.

The transfer of rural land use rights initially solved the problem of labor supervision and remuneration measurement in agricultural production, so that the family truly became the owner of the residual claim of agricultural production, so that the private income rate of the family business unit is close to the social rate of return, so that this At the beginning of the system, there was a rapid increase in the marginal utility. However, the efficiency of the system to solve the “free rider” and “opportunistic behavior” was always bordered. Due to the contradiction between the proportion of people and land, industrial structure and farming techniques affecting the efficiency and efficiency of rural land output, the marginal efficiency of this system is diminished. We can make a relative marginal decline in the relative efficiency of the land system based on the difference in urban and rural income. (see table below)

Table 1 Ratio of per capita total income of urban residents to rural residents in China

Years	Per capita income of urban residents(yuan)	Per capita income of rural residents(yuan)	Ratio of urban to rural per capita annual income
1997	5188.54	2999.20	1.73:1
1998	5458.34	2995.48	1.82:1
1999	5888.77	2987.44	1.97:1
2000	6295.91	3146.21	2.00:1
2001	6907.08	3306.92	2.09:1
2002	8177.40	3448.62	2.37:1
2003	9061.22	3582.42	2.53:1
2004	9422	2936	3.21:1
2005	10493	3255	3.22:1

## **2.2 Agricultural land resources cannot form competitively optimized configurations.**

Although the transfer of rural land use rights solves the problem of farmers' survival and development in a certain sense, it is still unable to be based on the rural land property rights and the land-specific asset-specific nature caused by the rural household contract responsibility system. Solve the problem of optimal allocation of resources under market economy conditions. Some studies have suggested that the change in the comparative benefits of land use determines the change in land use structure. The production efficiency of urban and rural industrial and mining land is 37.3 times that of cultivated land, and the production efficiency of transportation land is 5.8 times that of cultivated land. According to the study, the ratio of unit construction land output benefit to cultivated land output benefit in Jiangsu Province and Anhui Province in 1991 was 14.18:1 and 7.21:1. In 2001, the ratio became 26.74:1 and 17.27:1. As the gap in the comparative advantage of land use has doubled, the gap between urban and rural land prices in China has widened, and many farmers have to flock to cities where wages are relatively high. With the acceleration of China's large, medium and small urbanization process, this evolution shows an acceleration trend. There is no doubt that the non-marketized land allocation system is an endogenous factor that produces this consequence.

## **3. The analysis of transaction cost characteristics of collective-driven circulation**

The main forms of collective-driven circulation include anti-rental, two-field, stock-field and land trusts. In our survey, the transaction costs incurred are mainly:

### **3.1 The cost of consultation between the collective and local governments and the farmers is huge.**

Mainly reflected in the positive negotiation costs. The positive here is the desire of some collective or local governments to develop local economies. Through various forms of investment promotion, they need to concentrate scattered land to develop economies of scale. However, since the individual interests of farmers vary widely, it is very difficult to negotiate one by one and achieve the intended purpose. In view of the huge cost of active consultations, collective or local governments have implemented negative negotiations in the process of facilitative circulation, based on the special rights of the government or the collective, that is, forced circulation has been used to some extent. Since forced circulation cannot fully guarantee the main status of farmers in circulation, farmers' negotiating status is lacking and their interests are impaired. The resulting contradictions and petitions are almost as prominent as the conflicts caused by land acquisition, which indirectly increases the transaction costs of farmland circulation.

### **3.2 Collective-driven circulation has also produced behaviors in which collective interests infringe upon personal interests to a certain extent, and the possibility that collective spokesmen take the opportunity to seek rent from them is greatly increased.**

One of the opinions of farmers on the collective promotion of circulation is that many collective cadres and large business owners collude with each other, using the incomplete and scattered information of the farmers, and renting and rent-seeking in advance, during and after the transfer of agricultural land. And they colluded to create a rent gap before and after the transfer, and an unreasonable rent distribution plan, so that part of the rent in the farmland circulation fell into the collective and its spokesperson, and the interests of the farmers were damaged.

### **3.3 Due to mandatory circulation, farmers may lose their jobs and threaten social stability.**

The forced intervention and rent-seeking behavior of local governments or collectives on land transfer violates the interests of farmers. The "voluntary" principle of land transfer is difficult to implement in reality. Some local governments even promote the transfer of agricultural land as the main task of work. It is both for the benefit and for political achievements, and even forcing circulation. Packages, changing agricultural land for commercial use, low turnover and compensation costs, labor and wealth, and competition with the people have damped the enthusiasm

of farmers to transfer land, which is not conducive to the orderly advancement of farmland circulation. In this case, under the condition that most western regions do not have large-scale circulation of land, they are forcibly transferred by administrative orders. At present, the income gap between urban and rural areas in the west is wide, and the Gini coefficient is gradually increasing. The limited land is supporting the basic living security of the rural areas. If the farmers lose their land and lose their jobs, social harmony and stability will be difficult to protect, and the resulting transaction costs will be impossible to estimate.

### **3.4 Unpredictable exit costs arising from collectively promoted transfers.**

Since the government or the collective changed the use of the land in forced circulation, for example, the conversion of agricultural land into other types of land, due to the imperfection of the contract, the over-use or alteration of the land by the post-transfer operator caused the agricultural land. Changes in the nature, when the operator fails to operate, the land at this time can not fully restore its agricultural land function, resulting in the farmer completely lost the land, so that the farmer completely lost the basic material conditions for survival, although this is A few, but we have to argue that the resulting transaction costs will evolve into enormous social costs.

## **4. Analysis of the restrictions on the transfer of farmland use rights.**

The reasons for the low incidence of farmland use rights transfer can be attributed to three aspects. First, insufficient supply of agricultural land use rights; second, limited effective demand for agricultural land; third, relative theoretical research and system construction are relatively lagging behind. The effective supply of farmland use rights is insufficient. Land, especially agricultural land, is more versatile. A piece of quality cultivated land is suitable for planting various crops, forests, and even building houses. If you have land, you will have a place to live. The versatility of land is the material basis of the peasant's love for the land. The reason why farmers are attached to land is because land has three effects: the utility of agricultural production, the utility of transmitting profits, and the utility of stabilizing society. Objectively speaking, the three effects provided by agricultural land are generally present in all stages of social development, but the importance of each utility is not exactly the same in different historical periods. The first stage: the first industry is the period of leading industries. At this time, for most farmers, the most important utility provided by agricultural land is the function of agricultural production. In areas where productivity development is relatively backward, agricultural land is also the main source of income for farmers. Transferring land is equivalent to losing the basis for survival. Under this circumstance, there will be an effective supply of farmland circulation. The second stage: When the secondary and tertiary industries develop rapidly, the collective economy begins to take shape, and non-agricultural income has become the main economic source of farmers, the importance of agricultural production functions provided by agricultural land is significantly reduced, transmitting profits and stabilizing society. The importance of function has increased significantly, and having farmland is equivalent to enjoying the benefits of social welfare. At this time, a certain amount of farmland supply will occur when the profit distribution relationship is handled well. The third stage: the secondary industry develops rapidly, the peasants are fully capable of escaping from the land, and the peasants' property rights awareness with modern management concepts is enhanced. They are more concerned about the value-added ability of agricultural land as an asset. When the distribution of property rights is chaotic and the benefits arising from land transfer are not guaranteed, farmers will not blindly surrender land. The direct possession of agricultural land is the most effective way to protect the rights of their agricultural land. The only practical way to promote the transfer of agricultural land is to replace the functions reflected by the farmland in different periods with the similar functions, in order to replace the right to use the land in the hands of farmers. The market economy follows the price law. Under the competitive market conditions, the optimal allocation of limited resources is achieved through the leverage of prices. In other words, factors of production will be released in sectors that can achieve excess profits or at least average profits. The actors in the market use utility maximization as their objective function.

#### **4.1 Agriculture, the industry that has been gradually left out.**

Although the government has repeatedly raised the price of agricultural products represented by grain and cotton oil for the purpose of supporting agriculture, the demand for agricultural products is inelastic, and it has a multi-factorial effect on market risks, natural risks, and prices of production materials such as fertilizers and pesticides. Under the circumstance, the profitability of engaging in agriculture is very narrow, and most farmers tend to invest their labor time and funds in non-agricultural industries. The characteristics of high risk and low profit in agricultural production and management have turned many investors with capital and technical strength away, and agriculture has become an unattractive industry.

#### **4.2 Scale benefit, difficult to verify the theory.**

The term “scale benefit” is rooted in the analysis of scale returns in Western microeconomics production theory. The scale return analysis specifically studies the relationship between the change in the production scale of the enterprise and the change in production caused by it. The scale benefit is a measure of the long-term cost of the scale of the factor combination. The scale benefit is the result of a combination of many factors such as the scale of operation, technical conditions, quality of personnel, market price of production factors, land system, etc. If the factors affecting it are not thoughtful, it is likely to produce false benefits. For example, in order to highlight the existence of economies of scale, when calculating labor productivity, people intentionally or unintentionally miss the cost of the employee, or calculate the cost of the employee and ignore the cost of the family employment; sometimes, the evaluator is difficult to complete Calculate the cost of operating at a large scale. For example, compared with non-scale business operators, scale operators are more likely to get help from the government and the collective community. The government reduces the productive input of large-scale business households by creating a good external environment (such as providing market information and expanding sales channels). For evaluators, these come from government or collective community help clinics. The cost saved is difficult to fully calculate into the total cost, which inevitably exaggerates the evaluation of the effect of scale efficiency.

From a practical point of view, since the government has proposed to encourage the expansion of the scale of land management, to establish pilots in places where conditions permit, and to actively explore the experience of land scale operation, the promotion of land scale operations around the country is still very slow. Until 1993, some developed provinces and cities along the coast had made certain progress in scale operation, and brought many problems at the same time: if the cost of maintaining scale operation was too high, there would still be too high supervision costs for farmers or farms that implemented scale operations. The problem of unfair distribution, land productivity is low, and land quality is declining. Another side effect of scale operation is that the government has forced the expansion of the scale of operations, forcibly recovering farmers' contracted fields, causing strong dissatisfaction among farmers and causing extremely bad influences in the local area. In order to increase the income of farmers, reduce the farmland caused by farmland subdivision, and improve the utilization rate of land, theoretical scholars apply the theory of scale effect in enterprise management to agricultural production, and hope to obtain good expected benefits by expanding the scale of operations. However, the theory of scale benefit has many problems and doubts in the practice of agricultural production, so that the production factors in the field are not easy to intervene, and the idea of expanding the circulation of farmland is once again in the midst of practice.

#### **5. Conclusion**

The transfer of farmland use rights is an inevitable outcome of the development of productive forces to a certain stage, and is a useful supplement to the land subdivision brought about by the land contract responsibility system. Insufficient supply of farmland use rights and limited demand are the fundamental reasons for restricting the transfer of farmland use rights. Regarding the problem of the transfer of the right to use agricultural land, it is impossible to follow the old and

self-restraint, artificially hinder the occurrence of circulation, and cannot blindly enforce it regardless of the actual conditions. In the practice of the transfer of the right to use agricultural land, governments at all levels and rural collectives should actively create favorable conditions, actively study and respond to the problems that hinder the effective transfer of rural land use rights, and vigorously promote the healthy development of the transfer of rural land use rights.

## References

- [1] Shi-Yi P , Law S O . A Study on the Transfer of Rural Land Contractual Management Right under the Perspective of Land Demands——Take Shimen County of Hunan Province as an Example[J]. Central China Normal University Journal of Postgraduates, 2017.
- [2] Yating Y , Weishu C . The Transfer of Use Right of Rural Residential Land——from the perspective of the new migrant workers' citizenization[J]. China Real Estate, 2016.
- [3] Amp Z Z , Ying-Ying L . On Construction of Legal System of Rural Land-use Rights' Direct Transaction from the Perspective of System Economics [J]. Journal of Hunan University of Science & Technology, 2011.
- [4] Yue W U . A Study on Reform of China's Rural Land Institutions based on Farmers' Perspective——Investigation report of rural land authority and transfer [J]. Hebei Law Science, 2009.
- [5] Dong-Shui X , Ling-Ling Z , Business S O . Rural Land Transfer Rights and Rural-urban Income Disparity:Empirical Research from the Perspective of Labor Migration Mechanism[J]. Shanghai Journal of Economics, 2016.
- [6] Yonggang L I , Yusheng J , Economics S O . Study on rural residential land withdrawal from the perspective of the household registration system [J]. Journal of Shandong Agriculture & Engineering University, 2016.