East Asia, Land Reform and Economic Development

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ABSTRACT. – In trying to explain the economic success of East Asia (Japan, South Korea, and Taiwan) reference is often made to the fact that all three of these countries had extensive land reforms. These land reforms are thought to have significantly contributed to the rapid growth of the region by eliminating the landlord class and providing the basis for an equitable distribution of the benefits of growth. However, it is often argued that these land reforms were an exogenous event or experience in that it required an environment of upheaval in which an external force, the United States, played a key role in making the reform possible. This paper argues that land reform in all three countries was the result of the unfolding of similar internal historical and economic forces over an extended period of time. Thus it makes more sense to think of land reform as an endogenous event determined by internal factors.

RÉSUMÉ. – Afin d’expliquer le succès économique de l’Asie de l’Est (Japon, Corée du Sud et Taiwan), on fait souvent référence au fait que ces trois pays ont réalisé de réformes agraires radicales et que ces réformes ont considérablement contribué à la croissance rapide de la région, en éliminant la classe de propriétaires fonciers et en assurant des conditions propices à une distribution équitable des bénéfices de la croissance. Cependant, ces réformes sont aussi considérées comme des phénomènes exogènes, en ce sens que ce qui les aurait rendues possibles était une situation chaotique, situation dans laquelle une force externe, à savoir les États-Unis, a pu jouer un rôle clé. Le présent article soutient que, en fait, les réformes agraires dans les trois pays résultent sur une longue période d’un même déploiement de forces historiques et d’un contexte économique similaire. En conséquence, ces réformes agraires devraient être considérées comme des phénomènes endogènes déterminés par des facteurs internes.

Introduction

The study of economic development has been transformed by the experiences of East Asia (Japan, South Korea, and Taiwan). This region has witnessed

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phenomenal growth over the last four decades. The recent financial crisis combined with slow growth in Japan should not detract from the fact that this region has achieved significant economic success. After all, Japan's problems are the problems of a wealthy nation, and South Korea seems to be recovering, while Taiwan has hardly been slowed by the crisis.

The success of the region has created a growth industry in academic circles in terms of trying to explain this success. Neoclassical economists argue that while these economies were certainly not free of government interference, many of the distortions that existed canceled each other out, resulting in an economic environment in which integration with the outside world via trade was favored (Balassa 2000). Others have argued that the state has played a much more crucial role than neoclassical theory would allow. Specifically, rather than following static comparative advantage, the state sought to foster the development of new export industries, thus creating new comparative advantages. This process involved subsidizing particular industries, and where the continued provision of these subsidies depended on performance, usually measured by exports (Wade 1990).

The debate between these two groups has become voluminous. However, a number of ideas are common to both groups. For example, effective government is important for both schools of thought. In the neoclassical view, an effective state is necessary to provide infrastructure and enforce the rules of market exchange. In the state-centered approach, only an effective state can carry out an effective program of subsidies based on performance. Often, the effectiveness of government in East Asia has been linked to certain historical events that occurred just before the postwar burst of economic growth in the region. All three of these nations went through significant periods of social, political and economic instability stemming from war, revolution and civil war. In the process, they became front line states in the Cold War and received significant amounts of aid from the United States. A significant event related to this was that all three of these nations underwent significant land reforms that virtually eliminated the landlord class. Many believe that these land reforms were, if not fully sponsored by the U.S. government, made possible by the support of the U.S. government. Thus, land reform appears to be an exogenous event or experience common to all three. It is exogenous in the sense that it required an environment of upheaval in which an external force, the United States, played a key role in making the reform possible.

The importance of land reform in the later development of the region is usually attributed to several factors. First, the landlord group or class is generally believed to be an extremely conservative element in society, one that
continuously seeks to bias policy so it can maintain its position of power. This it will do even at the expense of the overall growth and development of the nation. The surplus captured by the landlord class is generally thought to be wasted on luxurious consumer goods. Thus, land reform eliminates this conservative element and allows the surplus to be used for other purposes. A second reason that land reform is so important has to do with the equity of the growth process. As long as land is very unequally distributed, the opening stages of the growth process are likely to lead to greater inequality. This can serve as a barrier to further growth, as groups that are left behind use political means to redistribute wealth, which might slow down growth. Also, creating a political coalition in support of policies aimed at growth is likely to be a lot easier if the benefits of growth are shared in an equitable manner. Thus, land reform breaks the influence of landlords and allows the creation of a growth coalition.

Just how these land reforms came about will be a key issue of this paper. In particular, were they exogenous or endogenous events? Were they due mainly to the influence of external factors or a result of an endogenous, historical process? The theoretical aspects of this question will be discussed in section I, and the hypothesis put forward will be that land reform in all three countries was the result of the unfolding of similar historical and economic forces over an extended period in all three countries. Thus, it makes more sense to think of land reform as being an endogenous event determined by internal factors.

Empirical support for this hypothesis is presented in section II of the paper. There it will be shown that Japanese agriculture was subject to broad-based technological and commercial development. This process transformed Japanese rural dwellers from peasants to farmers who used their growing economic and political strength in the countryside to engage in persistent tenancy conflicts with landlords. These gradually reduced rental rates and resulted in improved conditions for tenant farmers. The strength of the landlord class persistently declined, so that on the eve of World War II the conditions for land reform already existed. Thus, the actual postwar reform was merely a logical extension of a process that had been underway in Japan for a long time.

Section II will also present evidence of a similar process occurring in both Taiwan and South Korea. These two regions were both colonies of Japan. However, as conflict between tenant and landlord emerged, the colonial government often reacted in a manner that favored long-run improvements in the positions of tenants. Thus, by the time of World War II, the landlord class
was considerably weakened in both Taiwan and Korea. Again, the postwar land reforms would seem to be the logical extension of processes that had unfolded before the war.

Finally, the conclusion will summarize the results of the paper. It will be argued that broad-based agricultural development and commercialization of the agricultural sector are likely to be essential in terms of providing the foundation for more equitable distribution of land.

I.

It has often been argued that land reform was an essential element in the rapid economic development of East Asia (Evans 1998). The landed elite in most developing countries find their power and status in society linked to the ownership of land, which is the main source of wealth. The general view is that this landed elite acts as a barrier to long-run economic development. However, it is not obvious why the landed elite would behave in such a manner.

From an economic perspective, one would expect that the landed elite would wish to use their resources to yield the highest relative rate of return. However, landlords might be tradition-bound and thus unwilling to invest any surplus in sectors outside of agriculture. In addition, one might argue that landlords tend to use most of their income for consumption, buying luxury goods instead of saving and investing. Finally, landlords might behave as monopsonists, using their control of the land to earn extra high rates of return (rental rates).

The above arguments are subject to several criticisms. First, landlords are likely to be reluctant to invest in non-agricultural activities, not because they are tradition bound, but because the risks associated with such investment may be high. Their lack of familiarity with that sector may very well inhibit such investment. Second, the consumption of the rural elite is likely to be high if the return to productive investment is low relative to the rate of discount. Finally, the concentration of land ownership is rarely ever so extreme as to confer monopsony powers upon landlords. Even if this occurs, the landlords' power can be tempered if many non-agricultural alternatives are available for tenants. Thus, the lack of progressive behavior on the part of landlords may very well be due to the low relative return to such behavior.

The point is that it is hard for an economist using an economic perspective to understand why landlords or the landed elite would have an innate tendency to be an obstacle to long-run economic development. Some light is
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shed on this issue by the recent work of Shafer (1994). He has tried to develop a sectoral explanation of the relative effectiveness or capacity of the state to carry out economic policy. His explanation hinges on the extent to which the state can be autonomous from dominant economic interests in the making of economic policy. The more the state is penetrated by the powerful economic interests of society, the more likely policy-making will be dominated by and serve these interests rather than the interests of society in general. According to Shafer, the extent of the autonomy of the state (or the lack of it) depend on the characteristics of the dominant or leading economic sectors.

The key characteristics of the leading sector are the degree of capital intensity, the extent to which it is characterized by increasing returns to scale, the degree of production inflexibility, and the amount of asset/factor inflexibility. These four characteristics are thought to covary. In other words, the greater the extent to which the leading economic sector is characterized by capital intensity and increasing returns to scale, the greater the degree to which it is also characterized by production and asset/factor inflexibility.

Production flexibility or inflexibility reflects the short-run responsiveness of the leading sector of the economy to exogenous shocks. It is composed of two elements representing the extent of capital intensity and of economies of scale. First is the importance of fixed costs, which determine how adaptable a sector is to a change in market demand and prices. The greater the fixed costs, the more likely it is that firms in this sector will continue to operate rather than shut down and reallocate resources. Thus flexibility is reduced. Second is the size of the investment in sector-specific skills for the workforce by firms in that sector. For example, if human capital is accumulated via learning by doing and is specific to particular firms in particular sectors, then such labor will be extremely difficult to reallocate to other sectors, thus reducing flexibility. So, the more capital-intensive and large-scale firms in the leading sector are, the less production flexibility will exist.

Asset/factor flexibility or inflexibility represents the long-run ease or difficulty in reallocating resources. Now, from a purely economic point of view, in the long-run all inputs are variable. So the lower asset/factor flexibility is, the longer the economic long-run will be.

The greater a sector's capital intensity and extent of economies of scale, (1) the larger, more geographically concentrated and more specialized are its facilities and equipment; (2) the more concentrated and sector-specific are the necessary infrastructures (power grids, railroads, pipelines, ports); and (3) the more specialized the production technology is. On the
human side, the greater a sector's capital intensity and extent of economies of scale; (4) the greater the concentration of skilled workers in stable and homogeneous communities that owe their existence and identity to the sector they serve; and (5) the more specialized management is, reflecting the greater need for specialized services within the firm, specialized management organizations, training systems, and corporate culture. (Shafer 1994, p. 24)

All of this implies asset/factor inflexibility. In the economics literature, there is the similar notion of factor specificity, which has many of the same implications as outlined in Shafer's work. Factors specific to a particular industry cannot move to a rising industry and out of a declining industry. Of course, the notion of "cannot move" is a relative rather than an absolute idea. It is a matter of degree. "What specific assets have in common is that, apart from their present use, they just do not have any good alternative uses (Alt and Gilligan 1994, p. 174)." One can relate this to another idea in economics: transaction costs. These are the costs of arranging, carrying out, monitoring, and policing economic exchange in the market. Anything that increases transaction costs increases factor specificity in the economy. The implications for policy-making are similar to those derived for Shafer's idea of product and asset/factor flexibility. The more specific a factor is, the greater the incentive of its owners to protect the sector or production process it is involved in from change. This will likely involve organizing to penetrate the state apparatus so as to generate policies that protect the owners of specific factors from economic changes requiring reallocation of inputs or restructuring the economy. Of course, rapid economic development requires a restructuring of the economy.

The specific factors and sectoral approach are thus very similar arguments. The main difference seems to be that the sectoral approach, as represented by Shafer's work, attributes inflexibility to the technical characteristics of the production process, while the specific factors model is broader in that it attributes specificity to anything that increases the transactions costs of moving a particular resource. However, both lines of thought are useful in this paper in terms of analyzing the behavior of a landed elite (landlord class). For this group, land makes up the largest proportion of its wealth, and in rural areas there are few alternative uses of the land other than the production of agricultural goods. Of course, one could argue that wealth comes in many forms and that wealth in land can be transferred into other forms of wealth, in particular non-agricultural forms, via the market. However, in most developing countries, markets are very much underdeveloped or missing, especially in rural areas. Thus, the transactions costs
involved in translating landed wealth into other forms of wealth would be quite high.

Within this context, the owners of land are likely to oppose any restructuring of the economy involving the expansion of or an emphasis on non-agricultural sectors. Thus, the owners of land are likely to have strong incentives to organize to influence policy-making so as to protect the economic activities they are involved in from any restructuring of the economy. The landed elite are likely to oppose policies aimed at economic development involving the rapid expansion of non-agricultural production, and they are likely to be the extremely conservative element often talked about in the economic literature.

The analysis presented so far has some interesting implications. If transaction costs could be dramatically reduced in rural areas, factor specificity would likely decline. This would change the behavior of the landed elite. They now would have much less incentive to oppose economic restructuring and much less incentive to organize in order to penetrate the state. The state would then gain the autonomy it needs to foster the restructuring of the economy required for economic development. Thus, landlords would find it easier to move their wealth out of land and into other forms (non-agricultural).

What would cause transaction costs to fall in rural areas? It would seem that factors promoting a broad-based commercialization of the agricultural sector would reduce these costs. By broad-based commercialization, I mean a process by which most individuals in the rural areas are involved in the commercialization process. This would likely lead to the application of new agricultural technologies that are accessible and profitable to both large and small farmers.

The expansion of production for sale in the market would generate significant activities by the state, involving investment in rural infrastructure (roads, communication, irrigation, etc.), investment in the adaptation of agricultural technologies to local circumstances, and investment in an extension system to spread the technology. Such activities would create a process of production and commercialization involving and benefitting the bulk of the rural population. However, given an unequal distribution of land ownership, it is unlikely that the fruits of such growth would be equitably distributed. Larger landowners would, at least initially, likely benefit most.

Still, the process outlined above would set in motion two types of forces. The first is that the ensuing commercialization of the agricultural sector and the reduction in transactions costs would likely reduce factor specificity, and
one would expect the landed elite to become less of a barrier to long-run economic development. Specifically, broad-based development would open up new investment opportunities for landlords in non-agricultural activities. In addition, the greater development of credit markets would also make it easier to transform assets from one form into another. Thus, the specificity of landlord assets would decline, and with it their resistance to economic restructuring (since now it is possible for them to reallocate their assets to benefit from restructuring). Second, the commercialization process is also likely to lead to what I will call pressure from below. That is, rural dwellers who initially are peasants are transformed into farmers who organize themselves to improve their claims via tenancy disputes. This is not revolution, which attempts to overthrow the social order, but is instead a dispute over the terms of rental contracts.

For disputes aimed at altering the terms of rural contracts to succeed, collective action is needed on the part of the tenants. This, of course, leads to a consideration of the collective-action problem discussed by Olson (1965). Olsen likens the pursuit of a group's goal to that of the provision of a public good. One of the characteristics of a public good is that, once provided, it is available for all to consume, whether or not any specific individual has contributed resources towards its provision. For Olson, the goal of a group is similar to a collective or public good. For example, a group of tenants pushing for rent reduction or a change in tenancy rules is pursuing a collective outcome or good. If the group achieves its goal (rent reduction or contract modification), all in the group will benefit whether or not they contributed resources to achieve the goal. If it is possible to benefit without paying, individuals are tempted not to contribute (free ride), and if all do so, the collective good will not be attained.

The pessimistic conclusion concerning collective action discussed above is, however, altered if one considers group size. Within small groups, strategic interdependence in decision-making arises. That is, if any individual attempts to free ride by not contributing, everyone in a small group is likely to notice immediately and retaliate against that individual. They might ostracize the free rider from other important social activities and thus punish him for his unwillingness to contribute. Thus, free riding would be limited. Among members of large groups, this is much less likely to occur. Within a large group, it is less likely that everyone will know and recognize each other. So, an individual who free rides will find it easier to disguise his actions, making it less likely that group sanctions can be levied.
The general conclusion of the previous paragraph was that collective action to achieve a group goal is more likely to occur if the group is relatively small. In the context of this paper, collective action by peasant farmers is thus more likely to occur at regional and local levels, where the interaction and interdependence among peasant farmers is the greatest, rather than at the national level. Anything that enhances this interaction and interdependence among peasants is likely to enhance the probability of collective action. Broad-based commercialization and growth in agriculture is likely to do just that. The commercialization process involves merchants establishing social links across villages and groups to generate the information necessary to carry out extensive trading. These social networks allow information to flow rapidly across regions and groups. Thus, information about the choices and behavior of tenants could be transmitted, cheaply. As a result, if individual tenants try to free ride on the collective actions of others, knowledge of this would become quickly available to others. In this context, one would develop the reputation of a cheater. This makes it easier to discipline those who try to free ride, since a bad reputation will likely harm their future economic and social position. Broad-based commercialization, by lowering the cost of information flows, enhances the role of reputation in supporting collective action and, thus, increases the probability that collective action will take place.

The hypothesis, then, is that broad-based rural development and commercialization would have two effects. Among landlords, the decline of factor specificity that would occur as transaction costs fall would reduce the incentive they have to try to control economic policy, so as to protect themselves from the economic restructuring implied by economic development. They would become interested in diversifying their wealth holdings to include nonagricultural activities. Second, growth and widespread commercialization increase the likelihood that peasant farmers will use collective action to alter the terms of their relationships with the landlord class in their (peasant farmers) favour.

The implication is that the landlord's hold on and control of the land will weaken, increasing the likelihood that formal land reform could be carried out. With respect to East Asia, the discussion of the economic development process has presumed that land reform was an essential prerequisite for rapid growth and that the main impetus for these reforms came from outside these economies. Specifically, the United States was able to bring about these reforms from the outside. Therefore, land reform appears to be an exogenous factor in the process of East Asian development.
The main proposition of this paper is that land reform in this region was, to a great extent, an endogenous variable. The commercialization process outlined above created a situation such that, by World War II, the system of landlord control in Japan, Taiwan and Korea had already been significantly weakened. In addition, policies carried out by Japan in Taiwan and Korea reinforced this tendency towards the weakening of the landlord class. This is what made the postwar land reforms possible.

The next section of this paper will discuss the experiences of Japan, South Korea and Taiwan. The emphasis will be on the common trends among them. The final section will present the summary and conclusion.

II.

Scholars are increasingly convinced that Japanese postwar growth was no miracle, but had actually been the result of a long process of economic evolution before World War II. However, it is also true that conflict between peasant farmers and those controlling the land (whether feudal elite or landlord) has accompanied this long economic evolution. That is why the historical period examined below includes both the Tokugawa (1600-1868) and Meiji period (1868-1912), as well as the period leading up to World War II. Widespread development and commercialization with significant rural unrest have characterized a long period of Japanese history.

Beginning in the latter part of the 1600s and early 1700s, a long process of slow but appreciable agricultural growth began to occur. Yamamura and Hanley (1972) have calculated that rice production expanded by at least 0.25% per year between 1645 and 1873. This, combined with relatively slow population growth, implied a rise in output per person. For this to occur, one would presume that farmers were investing in production and using new techniques. However, for this to happen, the benefits generated would have had to be retained by the farmers themselves in order to provide an incentive for investments aimed at raising production. The main threat to this stemmed from attempts by feudal lords in Edo and the castle towns to capture, via taxation, any surplus produced.

Smith (1988) has examined the tax data for a number of villages during the period from 1680 to 1850 and was able to get information on assessed yield and the actual tax paid as a percentage of assessed yield. The results of the analysis indicate the following. First, it appears that, for most of these villages, the official assessed yield changed very little over time. This occurred even though productivity was growing throughout this period. It is apparent
that for many of these villages, land was no longer periodically surveyed, and that by the middle of the 19th century, taxes were based on assessments a century or more old. Second, tax rates measured as a percentage of assessed yield also did not increase.

How is one to explain that, as productivity grew, the feudal lords were unable to capture the agricultural surplus? It seems this was related to the ability of village farmers to resist tax increases. This is reflected in Vlastos' work, which indicates that, during this period, there were some 3000 uprisings or protests against feudal authority and another 3000 conflicts classified as intravillage disputes. They occurred in every province and in almost every fief (Vlastos 1986). The main purpose of these uprisings was to oppose higher land taxes and feudal interference with rural commerce and production. These movements had "specific goals which were related to the peasants' economic and political condition and represented conscious efforts to improve their situations (Vlastos 1986, p. 10-11)."

The result of the above processes was an agricultural sector that experienced persistent growth and commercialization. Traders and merchants arose to serve as intermediaries between suppliers in rural areas and buyers in urban areas through the establishment of networks for buying and selling within rural areas. The rice market tended to concentrate in Osaka, given its location and transportation advantages. As the role of Osaka as a rice market grew, it also developed as a center for trading other commodities, and specialization among merchants began to occur (Hauser 1974). These urban-based merchants often combined with feudal authorities to monopolize and regulate trading activities. However, the market, via rural traders, moved into rural areas, escaping such attempts at monopolization. This is supported by the work of Smith (1973), which finds that during the 18th century urban areas in Japan either stagnated or declined as trade and the accompanying artisan activity moved into the rural areas; at the same time exchange in agricultural goods and cottage manufacturing flourished. Thus, farmers increasingly combined their farm activities with non-agricultural pursuits.

Much of this rural innovation was led by farmers of the gono class, landlords who personally farmed at least part of their holdings. They voluntarily formed agricultural societies and seed exchange societies and searched for new, high-payoff techniques (Hayami and Ruttan 1985, p. 234). They involved themselves in both agricultural and non-agricultural activities. They were rural entrepreneurs who had combined agricultural production with trading and investing activities, making them the most important entrepreneurial group in Japan by the middle of the nineteenth century. (Tomlinson 1985, p. 669-698)
It is also significant that this group played crucial roles in the development of the cotton-spinning and banking industries. Most of the individuals involved, although originally rural gono, eventually took on wider and wider roles as the economy evolved (Tomlinson 1985, p. 681).

This prospering and commercialization of the countryside continued into the Meiji era. The new Meiji government reformed the system of land taxation. First, the burden of the tax on agriculture was reduced. This provided additional incentives for investment and productivity growth for farmers. In addition, the tax was transformed from in-kind to cash. As a result, farmers who were not yet involved in market production had to sell some portion of the crop to pay the tax (Smethurst 1986, p. 51).

At the time of the Meiji restoration, a variety of very productive agricultural techniques were available but were not being effectively used. Many of these practices, such as the use of saltwater in seed selection, improved management of nursery beds, and check row planting, were discovered by farmers. The government promoted the spread of these techniques by selecting the best farmers from various regions and having them travel from village to village. Of course, many of these techniques tended to be location-specific, implying that some modification would be required before the techniques could be successfully transferred. As a result, an experimental station system was established that used relatively simple comparative tests to screen the various techniques, greatly reducing the cost of technical information for farmers.

The above process significantly improved the standard of living in the countryside. This was partly the result of agricultural transformation, and partly the result of the rapid expansion of relatively labor-intensive manufacturing processes, in particular textiles and silk. The improvement in the general standard of living in the countryside is indicated through a variety of measures. For example, in 1941, the Japanese Welfare Ministry estimated that the average 21-30 year old male performing moderate amounts of labor required some 2500 calories a day in food.

The average Japanese male in this age group reached this level by 1888-1892 and had moved 600 calories beyond it by the 1920s; in fact, per-capita caloric consumption for all Japanese increased by 39% from 1874-1877 and 1923-1927. (Smethurst 1986, p. 67)

Estimates of per-capita-income increases indicate a tripling of these levels between 1883-1887 and 1933-1937 (Smethurst 1986, p. 68).

1. Much of the discussion in the following few paragraphs is taken from Hayami and Ruttan (1985).
The interesting thing about this period of growing prosperity in both the countryside and the city was that beginning in the late 1910s tenant disputes started rising dramatically. In fact, between 1920 and 1941, "72,027 anti-landlord tenant disputes, involving (statistically) 488,737 landlords, 1,859,377 tenant farmers, and 1,234,958 cho of land, occurred (Smethurst 1986, p. 316)." The object of many of these disputes was rent reduction and regulation of tenancy conditions. More interestingly, Smethurst argues that it was the relatively more prosperous tenant cultivators who were more likely to involve themselves in anti-landlord activity, not poorer farmers (Smethurst 1986, p. 42-43).

The government responded to this unrest in a number of ways. It established in November 1920 the Research Committee on the Tenancy System, and this committee introduced the Tenancy Conciliation Law in 1924. The law was designed to permit the Tenancy Conciliation Committee and the courts to settle amicably, upon the request of a party, disputes between landlords and tenants. Another method to deal with disputes involved laws directly regulating the relationship between tenant and landlord, such as the Agricultural Land Adjustment Law passed in 1938. The third method used by the state was the conversion of tenant farmers to owner operators. As a result, 555,000 owner-farmer households were created and maintained in the period 1926-1945, involving 299,000 acres of land. These figures represent 14.5% of the 1926 population of tenant and part-owner households and 10.8% of the tenant cultivated acreage (Takigawa 1972).

The outcome of the tenant conflicts, in combination with government efforts to deal with them, almost invariably favored the peasant-farmers.

In the 1920s and 1930s rents fell steadily, tenants were evicted only infrequently, and landlords agreed to contracts which gave tenants increased freedom of action. (Smethurst 1986, p. 87)

Specifically, in the 30 years leading up to 1935-1939 tenants received 59% more rice after paying paddy rents. Most importantly, between 1920 and 1941, 96% of all tenant disputes resulted in either tenant victory or compromise (Smethurst 1986, p. 353). The general conclusion drawn by Takigawa was that land reform in the postwar period was not solely the result of the intervention of an external force. Instead, the landlord system had been significantly weakened before World War II, so "the postwar agricultural land reform was a successor to the main thrust of the prewar agriculture land policy" (Takigawa, p. 301).
The discussion above pertained mainly to the years before the war in China and World War II. However, with the onset of these conflicts, various economic regulations were imposed on the countryside. In 1939, the Land Rent Control Order was issued under the National Mobilization Law. This order imposed a freeze on land rents at their 1939 level. The order also allowed local governments to order rent reduction when necessary. In fact, by 1943, rental rates on about 330,000 hectares of land were reduced by the orders of local authorities. As a second step, land prices were also frozen in 1941. This order imposed fixed prices on farm land at the 1939 level (Kawagoe 2000).

Kawagoe argues that the landlords' political and economic power was significantly undermined by various wartime regulations and concludes that defeat in the war and the occupation of Japan were perhaps necessary conditions for reform, but they were not sufficient (Kawagoe 2000, p. 10).

I will argue that similar processes also seemed to be at work in both South Korea and Taiwan before World War II. Both regions were colonies of Japan and, at least initially, Japan saw them as basically providing primary goods (especially rice) for the home market. Looking at Korea first, this region initially became a protectorate of Japan in 1905 and a colony in 1910. Initially, the Japanese carried out a cadastral land survey between 1910 and 1918. The main purpose of the survey was to record who owned the land and get some measure of its value. The ultimate objective, of course, was to provide the information necessary to levy an effective land tax.

The growing demand by the Japanese homeland for Korean rice resulted in rising agricultural prices, rapid growth in exports and significant increases in the degree of commercialization, especially in the southern provinces of the Korean peninsula. Thus, by 1937, landlords, owner cultivators and tenants sold 97.4%, 62.5% and 71.7% of their rice production. In addition, by 1935 rice production made up 70.3% of total crop production. Thus, the bulk of the rural population produced rice and was strongly involved in market exchange (Shin 1996, p. 44).

Initially, the growth rate of Korean agriculture was quite low, averaging 0.46% annually from 1920 to 1930. Productivity actually fell during the period. However, beginning in the 1920s, Japan launched a program aimed at raising agricultural and, in particular, rice production. This involved investment in irrigation and other rural infrastructure, the distribution of new seed varieties, and the development of extension systems for the sharing of new knowledge. Thus, from 1930 to 1939, the rate of growth of agricultural production jumped to almost 3% per year (Ban 1979).
The result of this process was that, initially, the colonization of Korea significantly increased commercialization and specialization, but produced only slow growth in the agricultural sector. The rapid growth of rice exports, combined with this slow growth in production, resulted in what some have called starvation exports (Kuznets 1977), with Korean farmers having less and less rice to consume.

Tenancy continued to prevail throughout the colonial period. By the time the cadastral survey was finished, 77.2% of the rural population leased part or all of its land. According to recent work by Gi-Wook Shin, the larger landlords not only

benefitted from increased commercialization and growing rice exports to Japan, but often actively collaborated with or at least passively supported Japanese colonialism. (Shin 1996, p. 51)

Tenancy disputes began to grow in the 1920s. There were 15 disputes in 1920, 176 in 1924, and 726 in 1930. From 1920 to 1932, there were some 4,804 disputes involving 74,581 tenants and landlords. Geographically, most of these disputes arose in the more commercialized areas of the south. Specifically, of the 4,804 disputes in this period, 91% occurred in six southern provinces. One might expect that the commercialization process was rapidly polarizing the Korean countryside, with peasants being pushed further into tenancy and landlessness. However, the available statistics do not support this conclusion. They indicate that from 1918 to 1927, landless tenants increased by 2.4% and semi-tenants fell by 2.1%. In addition, average acreage per peasant household increased up to 1924 (Shin 1996, p. 59-63).

Beginning in the early 1930s, economic expansion in agriculture began to accelerate. As pointed out earlier, agricultural growth approached 3% a year, fertilizer use increased dramatically, and labor and land productivity increased. This partly represented recovery from the depression, but it also reflected the impact of programs aimed at enhancing production. In addition, Japanese policy towards the industrialization of Korea changed. Previously, little attention had been devoted to promoting industrialization in this colony, but now, significant expansion in manufacturing occurred (Shin 1996, p. 118).

The number of tenancy disputes dramatically increased during this period. Between 1933 and 1939, there were 136,175 disputes, for an annual average of 19,454. Most of the disputes were short-run in nature, and the scale of the disputes declined to about 2.37 participants per case. The Japanese government, dealing with its own tenancy disputes at home,
promulgated a Tenant Arbitration Ordinance in 1932 and Regulations for the Establishment of Owner Farmers in 1939. The arbitration law allowed the parties to a dispute to submit claims to nonbinding arbitration. In 1934, the Agricultural Lands Ordinance was passed, guaranteeing a tenancy contract of at least three years, allowing tenants to propose rent reduction when crops failed, and automatically renewing the rental contract as long as there were no violations. In addition, the arbitration process was strengthened (Shin 1996, p. 122-123).

The main purpose of these disputes was to alter the terms of trade between landlords and tenants. The result was that more than 80% of tenancy disputes led to partial or complete tenant victory. Rental rates from 1933 to 1938 for paddy fields dropped from 48.6% to 47.8% and in dry fields from 38.9% to 37.2%. Closer examination of the data reveals that the commercialized southern regions, where tenancy disputes were most common, enjoyed even larger rent reductions. For paddy lands it fell from 48.7% to 47.2%, while for dry fields it fell from 31.3% to 28.1%. Northern, less commercialized areas had fewer disputes, and there was a slight increase in rental rates for paddy fields (Shin 1996, p. 128-129).

As a result of the above, landlords began to divert some of their capital investment into non-agricultural areas, especially commerce and industry. This conclusion is supported by the work of a number of Korean economic historians who have examined the records of many landlords. They indicate that landlords positively responded to colonial promotion of industrialization, particularly by converting land capital into commercial and industrial shocks (Shin 1998, p. 1330). Thus, the reduced attractiveness of investment in land resulted in a decline in the number of large landlords. Specifically, between 1930 and 1942, the number of landlords with over 100 chonbo decreased from 800 to 448, and those between 50 and 100 chonbo from 1,438 to 1,351 (Shin 1998, p. 1334).

All of this is not to deny that Korean landlords still had power and influence. However, peasants no longer fully accepted the landlords dominance, and their resistance reduced the latter's power. “The fatal stoke fell in the postwar era when most Korean landlords were accused of Japanese collaboration (Shin 1996, p. 131).” Once again, World War II and its aftermath seem to have been necessary for substantial reform, but not sufficient. Without the prewar tenant unrest successful reform could not have occurred.

Taiwan (Formosa), too, was a colony of Japan. Specifically, an 1894 dispute over Korea that led to the Sino-Japanese war ended in the defeat of Imperial China. In the peace negotiations, Taiwan was ceded to Japan. One
of the first steps taken by the Japanese was to initiate a land survey beginning in 1898 to identify land owners and then to compute land values for tax purposes.

Much of the land was operated under an archaic three-level tenancy system; property rights were unclear and land transactions and tax collections were difficult. (Johnston and Kilby 1975, p. 249)

After the survey was finished, the land rights of the top level (absentee) landlords were eliminated and these owners were compensated by government bonds. The individuals who were actually farming the lands, whether directly via their own labor or indirectly through tenant labor, became the legal owners. Although this was reform, it left the distribution of land ownership “highly skewed in favor of the larger landowners, with some 90% of farm households owning only about 40% of the cultivated land (Johnston and Kilby 1975, p. 249).”

Japan viewed its colony as a source of agricultural goods. Rice and sugar were the main crops, and these also represented the main exports. In 1910, these two crops accounted for 78% of the total cultivated area and 70% of the total export value (Myers and Ching 1964). Initially, the Japanese government concentrated its attention on sugar production. Private sugar companies offered an existing mechanism through which high yielding shoots and increased amounts of fertilizers could be funneled into the sugar production process (Ho 1968).

Sugar production in Taiwan was not carried out under the plantation organizational form. Traditionally, sugar production took place on small, family-run farms. These were highly commercialized farms where even from 1900 to 1904, approximately 80% of the crop was produced for the export market. Rather than try to destroy this structure and reorganize it into large scale production via plantations, the Japanese instead sought to gain control of the milling and refining of the sugar and of its marketing. Japanese capital, attracted by subsidies, moved into this area beginning in 1906. Very quickly, indigenous mills and refineries were put out of business or absorbed by Japanese capital (Ka 1995). Now the sugar production process was vertically linked to Japanese controlled milling, refining and marketing capital. Its profitability was then partly dependent on the costliness of purchasing the sugar from Taiwanese producers. This in turn depended on the opportunity costs faced by these farmers, and the main alternative opportunity was to grow rice. Thus, the less attractive rice production was, the lower the
opportunity costs were for Taiwanese farmers and the cheaper it would be for Japanese capital to extract sugar from the Taiwanese producers (Ka 1995).

To keep rice relatively cheap, resources were eventually allocated to the Taiwanese rice-production sector to increase production. This involved the creation of social infrastructure, the construction of an extension system, and the provision of increased supplies of commercial fertilizers. Initially, this resulted in a fairly rapid rate of growth in production, which averaged 2.8% a year from 1913 to 1923. However, approximately 96% of this growth was the result of increased input usage and only 4% resulted from productivity increases (Lee and Chen 1979, p. 72). In addition, the amount of rice exported to Japan increased very little until the 1920s. In terms of rice exports as a percentage of total production, this ranged from 14.23% in 1900-1904 to 19.94% in 1915-1919 (Ka 1995, p. 155).

Beginning in 1918, there are huge changes. Specifically, significant increases in the price of rice led to a series of urban riots in Japan in 1918. To maintain domestic stability, Japan began to import much more rice from its colonies, in particular Taiwan. Greater efforts were also expended in adapting high-yielding rice varieties used in Japan to the physical environment of Taiwan. In the early 1920s, this created a major breakthrough. From 1923 to 1937, agricultural growth rose to an annual average rate of 4.1%. Approximately 41% of this growth was the result of productivity increases, while the rest resulted from increased input usage (Lee and Chen 1979, p. 72). In addition, exports as a share of total production increased to 49.29% by 1935-1939. Thus production grew rapidly, and rice production itself became highly commercialized.

The impacts of commercialization in the rice sector were, however, different from those in the sugar sector. Similar to sugar production, the fundamental organization of rice production was unchanged and the bulk of the rice was produced on small family farms. However, while Japanese capital did move into sugar refining, it did not move into the milling of rice. Instead, as production for export grew, specialization occurred in rice milling, with this process moving out of the household and into small factories. The bulk of these mills were, however, owned by the Taiwanese. By 1939, the percentage of rice mills controlled by the Japanese was only 7%.

Taiwanese miller-merchants acted as mediators in the rice trade, acquiring unhulled rice from peasants and landlords (who received rent in kind) and selling the processed brown rice. (Ka 1995, p. 155)
Thus while the sugar industry became dominated by Japanese capital, the rice sector remained in Taiwanese hands.

The boom in rice exports in the 1920s led to increases in rice farmers' incomes. In fact, there seems to have been a slow but noticeable increase in the standard of living of Taiwanese in the rural sector. From 1910 to 1939, the agricultural real wage increased by, on average, 1.3% a year. Up until the late 1930s, food consumption in terms of calories hovered around 2,000 calories a day, which is close to what experts believe was the minimum necessary. In terms of consumption of other items, there was a slow and steady increase in cotton cloth per capita, paper per capita, and bicycles per capita. Also by 1930-31, 33% of school age children were in school and, by 1943-1944, this reached 71% (Ho 1978).

Thus, growth and commercialization of rice production benefitted the Taiwanese. However, the commercialization process was accompanied by rural conflict. Such conflict was not new to Taiwan. Between 1895 and 1907 there were a number of rural rebellions and incidents. However, most of this resistance was aimed at the Japanese, and the Japanese were quite effective in eliminating these conflicts. In the second decade of the 20th century, peasant unrest began to occur in the sugar-cane producing areas of southern Taiwan. They were basically aimed at the practices of large sugar mills, which were increasingly under the ownership of the Japanese. However, the target of this unrest eventually included landlords as well. The main issues involved security of tenure and control over marketing. This led to the creation of peasant unions in the sugar cane sector.

Lecture meetings were used to arouse sentiment against government and land development policies and police methods. Petitions were presented to government offices at all levels and carried by delegations to the Diet in Japan. Farmers were organized for harvest strikes, to refuse rent or tax payment on unregistered lands that they had opened, to resist payment of rent deemed excessively high, and to oppose landlord attempts to confiscate crops as compensation for unpaid rent or debts. (Wickberg 1975-76, p. 562-563)

However, tenant disputes also began occurring in rice growing regions and increasingly involved Taiwanese peasants in conflict with Taiwanese landlords. In response to this unrest, the Japanese initiated a program to create tenant-landlord associations that could serve as a mechanism for settling disputes, formalizing contracts and making these contracts long-term in nature.
By 1935 the administration had spent 300,000 yen to establish 166 of these associations, and this program thereafter became the vehicle by which the Japanese hoped to broaden property rights by fixing the terms of lease and rentals so that tenants could improve their lot and eventually buy some land. (Myers and Saburo 1984, p. 450-451)

In addition, the cooperative movement in the rice sector received significant support from the Japanese administration. These cooperatives were set up to “carry out storage, trade, processing, credit, transportation and even export trade (Ka 1995, p. 173).” This was extremely important in terms of strengthening the position of tenant-farmers. This is because landlords and merchants, often both the same person, had invested in the mills used for processing rice and served as sources of credit. Thus, initially tenant farmers were significantly dependent, as reflected by the fact that in 1933 approximately 73% of the rice crop was processed by these landlord-merchants. However, by the late 1930s, this had decreased to about 57% (Ka 1995, p. 173).

With the Sino-Japanese war in 1937, the Japanese colonial state took further measures that undermined the position of Taiwanese landlords. Rents were fixed at levels prevailing in 1939. As part of this historical process, landlord incomes declined as the price of rice fell. The fall in the price of rice occurred as Japan exerted complete control over the exporting of rice and used its monopsony power to push the price down. In 1941, land prices were fixed at the levels existing in 1939, which were quite low by historical standards. Thus, Taiwanese landlords had, by the beginning of World War II, been significantly weakened (Ka 1995, p. 175-176).

**Conclusion**

In summary, it appears that Taiwan, Korea and Japan experienced similar rural development processes involving relatively rapid agricultural growth and commercialization. The extent to which the peasant farmers benefitted from this process varied from country to country. In Japan, there were significant improvements in living standards, while in Taiwan improvement occurred, but it was much slower. With respect to Korea, it is not obvious that the rural population benefitted. However, in all three regions the commercialization process created a situation in which peasant unrest grew before World War II.

However, this unrest was not of a radical nature and did not seek to alter the fundamental political and social structure. Instead, the conflicts were of
the nature of tenancy disputes in which tenants and landlords struggled over the terms of formal and informal contracts concerning the use of land. Much of this conflict resulted in compromise and in most circumstances compromise represented victory for the tenants. Thus, increases in collective action by tenants, on a small scale, altered the terms of trade in their favor.

In addition, in all three of these regions, the character, orientation and behavior of the landlords was also changing. They were increasingly involved in non-agricultural activities, the strongest example of which is provided by the experience of Japan. Their interests became increasingly non-agricultural. Thus, by the late 1930s, the landlord-tenant system in all three regions had been altered in favor of farmer-tenants. The relative weakness of the landlord group provides the historical background for the land reforms that occurred in the postwar era. Therefore, these reforms did not represent exogenous events imposed from the outside. Instead, environments conducive to successful land reform had arisen from within.

REFERENCES


